

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

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2025 and 2024**

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The independent auditors' 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' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the consolidated financial statements of Compal Broadband Networks, Inc. as of and for the year ended December 31, 2025 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, “Consolidated Financial Statements” endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, Compal Broadband Networks, Inc. and Subsidiaries do not prepare a separate set of consolidated financial statements.

Company name: Compal Broadband Networks, Inc.

Chairman: Wong, Chung-Pin

Date: March 11, 2026

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Compal Broadband Networks, Inc. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of 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 of December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we judged shall be presented in the auditors' report as follows:

1. Revenue recognition

For the accounting policies related to the recognition of operating revenue, please refer to Note 4(p) of the consolidated financial statements regarding revenue from contracts with customer.

Description of key audit matter:

Compal Broadband Networks, Inc. and its subsidiaries primarily engaged in the research, development, and sales of communication products such as smart gateways, digital set-top boxes, and wireless broadband routers. Operating revenue is a key indicator of whether the Company's financial targets are met. To meet investor expectations, operating revenue influences management's decision-making and may present a significant risk of material misstatement due to incorrect timing of revenue recognition. Therefore, revenue recognition is identified as a key audit matter requiring heightened attention from auditors.

How the matter was addressed in our audit:

The main audit procedures performed regarding the aforementioned key audit matter include understanding and evaluating the accounting policies for operating revenue of Compal Broadband Networks, Inc. and its subsidiaries, understanding and assessing the effectiveness of internal controls related to sales revenue recognition, verifying relevant sales revenue documents, and performing cut-off tests on sales revenue transactions for specific periods before and after the balance sheet date. These procedures aim to assess whether the recognized revenue belongs to the correct period and whether the timing of revenue recognition by Compal Broadband Networks, Inc. and its subsidiaries complies with relevant standards.

2. Inventory valuation

Regarding the accounting policies for inventory valuation, please refer to Note 4(h) of the consolidated financial statements on inventory; for uncertainties in inventory valuation, please refer to Note 5 of the consolidated financial statements; for details on inventory, please refer to Note 6(d) of the consolidated financial statements on inventory.

Description of key audit matter:

Inventory is measured at the lower of cost and net realizable value. As Compal Broadband Networks, Inc. and its subsidiaries primarily engaged in the research, development, and sales of communication products such as smart gateways, digital set-top boxes, and wireless broadband routers, the sales prices of these products are subject to fluctuations due to changes in supply from upstream suppliers and market competition. This results in the risk that the carrying amount of inventory may exceed its net realizable value. Therefore, inventory valuation is one of the key assessment matters when auditing the consolidated financial statements.

How the matter was addressed in our audit:

The main audit procedures performed regarding the aforementioned key audit matter include evaluating the reasonableness of the inventory write-down or obsolescence policies of Compal Broadband Networks, Inc. and its subsidiaries, performing sampling procedures to check the accuracy of the inventory aging reports, analyzing the changes in inventory aging over various periods, and assessing whether provisions have been made according to the established accounting policies. Additionally, relevant values in the calculations of the lower of cost and net realizable value are tested to evaluate the reasonableness of the net realizable value of inventory.

Other Matter

Compal Broadband Networks, Inc. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2025 and 2024, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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 auditor's 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 control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)
March 11, 2026

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 audit such consolidated financial statements are those Standards on Auditing and applied in the Republic of China.

The independent auditors' 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 Balance Sheets

December 31, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2025		December 31, 2024		Liabilities and Equity		December 31, 2025		December 31, 2024			
		Amount	%	Amount	%			Amount	%	Amount	%		
Current assets:						Current liabilities:							
1100	Cash and cash equivalents (note (6)(a))	\$	355,819	30	520,103	34	2130	Current contract liabilities (note (6)(p))	\$	17,586	2	26,339	2
1170	Accounts receivable, net (notes (6)(b) and (6)(p))		142,018	12	196,185	13	2170	Accounts payable		100,122	8	115,108	7
1200	Other receivables, net (notes (6)(c) and (7))		104,091	9	19,548	1	2180	Accounts payable to related parties (note (7))		83,148	7	223,168	15
1310	Inventories (note (6)(d))		394,729	33	527,178	34	2200	Other payables (note (7))		38,799	3	75,753	5
1410	Prepayments		41,363	4	65,282	4	2250	Current provisions (note (6)(i))		5,395	-	84,086	5
1470	Other current assets		1,759	-	2,133	-	2280	Current lease liabilities (note (6)(j))		7,919	1	13,928	1
			1,039,779	88	1,330,429	86	2300	Other current liabilities		16,601	1	2,276	-
										269,570	22	540,658	35
Non-current assets:								Non-current liabilities:					
1550	Investments accounted for using equity method (note (6)(e))		5,055	1	6,784	-		Deferred tax liabilities (note (6)(l))		419	-	-	-
1600	Property, plant and equipment (note (6)(f))		109,137	9	124,520	8	2570						
1755	Right-of-use assets (note (6)(g))		14,085	1	39,915	3	2580	Non-current lease liabilities (note (6)(j))		6,449	1	26,683	2
1780	Intangible assets (note (6)(h))		2,969	-	1,972	-				6,868	1	26,683	2
1840	Deferred tax assets (note (6)(l))		15,305	1	38,144	3				276,438	23	567,341	37
1900	Other non-current assets (note (8))		2,391	-	4,341	-							
			148,942	12	215,676	14	3110	Ordinary shares		686,977	58	673,357	43
							3200	Capital surplus		318,678	27	366,459	24
							3300	Retained earnings		(76,207)	(6)	(60,856)	(4)
							3410	Exchange differences on translation of foreign financial statements		501	-	(196)	-
							3491	Unearned employee benefit		(17,666)	(2)	-	-
								Total equity		912,283	77	978,764	63
Total assets		\$	1,188,721	100	1,546,105	100		Total liabilities and equity	\$	1,188,721	100	1,546,105	100

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

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES**Consolidated Statements of Comprehensive Income****For the years ended December 31, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollars, Except for Loss Per Common Share)**

		2025		2024	
		Amount	%	Amount	%
4000	Operating revenue (note (6)(p))	\$ 597,888	100	941,934	100
5000	Operating costs (notes (6)(d), (7) and (12))	390,864	65	775,118	82
	Gross profit from operations	207,024	35	166,816	18
	Operating expenses: (notes (6)(h), (6)(i), (6)(j), (6)(k), (7) and (12))				
6100	Selling expenses	24,104	4	77,201	8
6200	Administrative expenses	51,079	9	62,354	7
6300	Research and development expenses	200,218	33	170,211	18
6450	Expected credit impairment reversal gain (notes (6)(b) and (6)(c))	(1,706)	-	(608)	-
	Total operating expenses	273,695	46	309,158	33
	Net operating loss	(66,671)	(11)	(142,342)	(15)
	Non-operating income and expenses:				
7010	Other income (note (7))	3,294	-	5,605	-
7020	Other gains and losses (note (6)(r))	5,650	1	(13,445)	(1)
7100	Interest income	6,671	1	6,160	-
7510	Interest expense (note (6)(j))	(339)	-	(583)	-
7060	Share of loss of associates accounted for using equity method, net (note (6)(e))	(1,729)	-	(3,333)	-
		13,547	2	(5,596)	(1)
7900	Loss from continuing operations before tax	(53,124)	(9)	(147,938)	(16)
7950	Less: Income tax expense (note (6)(l))	23,083	4	18,000	2
	Net loss	(76,207)	(13)	(165,938)	(18)
8300	Other comprehensive income (loss):				
8360	Components of other comprehensive income (loss) that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	872	-	2	-
8399	Less: income tax related to items that may be reclassified subsequently to profit or loss (note (6)(l))	175	-	-	-
	Components of other comprehensive income that may be reclassified subsequently to profit or loss	697	-	2	-
8300	Other comprehensive income	697	-	2	-
	Total comprehensive loss	<u>\$ (75,510)</u>	<u>(13)</u>	<u>(165,936)</u>	<u>(18)</u>
	Loss per share (note (6)(o))				
9750	Basic loss per share	<u>\$ (1.13)</u>		<u>(2.46)</u>	
9850	Diluted loss per share	<u>\$ (1.13)</u>		<u>(2.46)</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 years ended December 31, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollars)**

	Retained earnings					Other equity			
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Accumulated losses	Total	Exchange differences on translation of foreign financial statements	Unearned employee benefit	Total
Balance at January 1, 2024	\$ 676,381	372,404	147,010	588	(42,516)	105,082	(198)	(3,010)	(3,208)
Loss for the year ended December 31, 2024	-	-	-	-	(165,938)	(165,938)	-	-	-
Other comprehensive income for the year ended December 31, 2024	-	-	-	-	-	-	2	-	2
Total comprehensive income (loss) for the year ended December 31, 2024	-	-	-	-	(165,938)	(165,938)	2	-	2
Legal reserve used to offset accumulated deficits	-	-	(42,516)	-	42,516	-	-	-	-
Changes in equity of associates accounted for using equity method	-	315	-	-	-	-	-	-	315
Share-based payment transactions	(3,024)	(6,260)	-	-	-	-	-	3,010	3,010
Balance at December 31, 2024	673,357	366,459	104,494	588	(165,938)	(60,856)	(196)	-	(196)
Loss for the year ended December 31, 2025	-	-	-	-	(76,207)	(76,207)	-	-	-
Other comprehensive income for the year ended December 31, 2025	-	-	-	-	-	-	697	-	697
Total comprehensive income (loss) for the year ended December 31, 2025	-	-	-	-	(76,207)	(76,207)	697	-	697
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 payments transactions	13,620	13,075	-	-	-	-	-	(17,666)	(17,666)
Balance at December 31, 2025	\$ 686,977	318,678	-	-	(76,207)	(76,207)	501	(17,666)	(17,165)

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 years ended December 31, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2025</u>	<u>2024</u>
Cash flows from (used in) operating activities:		
Loss before tax	\$ (53,124)	(147,938)
Adjustments:		
Adjustments to reconcile loss:		
Depreciation and amortization expense	60,241	62,699
Expected credit impairment reversal gain	(1,706)	(608)
Interest expense	339	583
Interest income	(6,671)	(6,160)
Compensation cost of employee share-based payment	9,029	(6,274)
Share of loss of associates accounted for using equity method	1,729	3,333
Loss on disposal of property, plant and equipment	-	8,378
Gain on lease modification	(362)	(108)
Total adjustments to reconcile loss	<u>62,599</u>	<u>61,843</u>
Changes in operating assets and liabilities:		
Decrease in financial assets at fair value through profit or loss	-	4,373
Decrease in accounts receivable	55,939	205,394
Increase in other receivables	(84,990)	(16,758)
Decrease in inventories	132,449	85,124
Decrease (increase) in prepayments	23,919	(16,914)
Decrease in other current assets	-	57
(Decrease) increase in contract liabilities	(8,753)	24,493
(Decrease) increase in accounts payable	(155,006)	148,009
Decrease in other payables	(36,954)	(111,193)
(Decrease) increase in provisions	(78,691)	3,488
Increase (decrease) in other current liabilities	14,325	(1,844)
Total changes in operating assets and liabilities	<u>(137,762)</u>	<u>324,229</u>
Total adjustments	<u>(75,163)</u>	<u>386,072</u>
Cash (outflow) inflow generated from operations	(128,287)	238,134
Interest received	7,052	5,917
Interest paid	(339)	(583)
Income taxes refund	374	3,291
Net cash flows (used in) from operating activities	<u>(121,200)</u>	<u>246,759</u>
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	-	(6,300)
Acquisition of property, plant and equipment	(35,637)	(20,143)
Decrease (increase) in refundable deposits	1,950	(112)
Acquisition of intangible assets	(2,669)	(2,786)
Net cash flows used in investing activities	<u>(36,356)</u>	<u>(29,341)</u>
Cash flows from (used in) financing activities:		
Payment of lease liabilities	(7,600)	(14,257)
Net cash flows used in financing activities	<u>(7,600)</u>	<u>(14,257)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>872</u>	<u>2</u>
Net (decrease) increase in cash and cash equivalents	<u>(164,284)</u>	<u>203,163</u>
Cash and cash equivalents at beginning of period	<u>520,103</u>	<u>316,940</u>
Cash and cash equivalents at end of period	<u><u>\$ 355,819</u></u>	<u><u>520,103</u></u>

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

For the years ended December 31, 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 December 31, 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 March 11, 2026.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the IFRS Accounting Standards endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

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

- Amendments to IAS21 “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 Accounting Standards endorsed 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”

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (c) The impact of IFRS Accounting Standards 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 Note: On September 25, 2025, the FSC issued a press release announcing that Taiwan will adopt IFRS 18 beginning in 2028. Entities that need to adopt the new standard earlier may do with the endorsement of the FSC.

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. 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” and amendments to IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IAS 21 “Translation to a Hyperinflationary Presentation Currency”

(4) Summary of material accounting policies:

The material accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”), the 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).

(b) Basis of preparation

(i) Basis of measurement

Except for the financial instruments at fair value through profit or loss are measured at fair value, the consolidated financial statements have been prepared on a historical cost basis.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, 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.

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intra group balances and transactions, and any unrealized income and expenses arising from intra group transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding	
			December 31, 2025	December 31, 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%
"	Compal Broadband Networks Netherlands B.V. ("CBNN")	"	100%	100%

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the NTD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the NTD at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future. Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

The Group classifies the asset as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies the liability as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) It does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Account receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a account receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A account receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost described as above (e.g. financial assets held for trading and those that are managed and whose performance is evaluated on a fair value basis) are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, trade receivables, other receivable, guarantee deposit paid and other financial assets).

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade' which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate. When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Research equipment	2~10 years
2) Modeling equipment	2~4 years
3) Machinery and equipment	2~5 years
4) Lease improvement and others	2~10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in substance fixed payments;

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of other equipment and parking space that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(l) Intangible assets

(i) Recognition and measurement

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives of computer software for current and comparative periods ranged from 1 to 3 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probability.

(o) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

(i) Sale of goods

The Group sells communication products such as smart gateways, digital set-top boxes, and wireless broadband routers. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(ii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

Grant date of a share-based payment award is the date which the board of directors authorized the chairman to approve the price and number of shares that employees can subscribe for.

(r) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

The Group has determined that the global minimum top-up tax – which it is required to pay under Pillar Two legislation – is an income tax in the scope of IAS 12. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary difference.
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(s) Earnings per share

The Group discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Group. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Group divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Group divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as new employee restricted shares and distribution of remunerations to employees in shares not yet approved by the Board of Directors.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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

In preparing these consolidated financial statements, management has made judgments and estimates about the future, 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.

Estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the Group's risk management and climate-related commitments where appropriate. Revisions to estimates are recognized prospectively in the period of the change and future periods.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

As inventories are stated at the lower of cost or net realizable value, the Group estimates its net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(d) for further description of the valuation of inventories.

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2025	December 31, 2024
Cash on hand	\$ 251	320
Checking accounts and demand deposits	155,568	68,972
Time deposits	200,000	450,811
	<u><u>\$ 355,819</u></u>	<u><u>520,103</u></u>

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

(b) Accounts receivable

	December 31, 2025	December 31, 2024
Accounts receivable	\$ 142,289	222,414
Less: loss allowance	(271)	(26,229)
	<u><u>\$ 142,018</u></u>	<u><u>196,185</u></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:

	December 31, 2025			
	Gross carrying amount	Weighted- average loss rate	Loss allowance	Credit impaired
Level B	\$ 127,945	0.10%	128	No
Level C	14,344	1.00%	143	No
	<u><u>\$ 142,289</u></u>		<u><u>271</u></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><u>\$ 222,414</u></u>		<u><u>26,229</u></u>	

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The aging analysis of overdue accounts receivable were as follows:

	December 31, 2025	December 31, 2024
Overdue 1~30 days	\$ 4,505	1,877
Overdue 31~60 days	68	2,236
Overdue 61~90 days	2,031	-
Overdue 91~180 days	170	31,880
Overdue 181~270 days	-	3,854
Overdue 271~360 days	-	-
Overdue 360 days	6,574	25,963
	<u>\$ 13,348</u>	<u>65,810</u>

The movements of loss allowance for accounts receivable were as follows:

	2025	2024
Balance at January 1	\$ 26,229	26,841
Impairment loss reversed	(1,772)	(612)
Write-off of bad debt allowance	(24,186)	-
Balance at December 31	<u>\$ 271</u>	<u>26,229</u>

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

(c) Other receivables

	December 31, 2025	December 31, 2024
Other receivables	\$ 104,219	19,610
Less: loss allowance	(128)	(62)
	<u>\$ 104,091</u>	<u>19,548</u>

The aging analysis of overdue other receivables were as follows:

	December 31, 2025	December 31, 2024
Overdue 1~30 days	\$ -	-
Overdue 31~60 days	28	21
Overdue 61~90 days	-	-
Overdue 91~180 days	-	-
Overdue 181~270 days	-	696
Overdue 271~360 days	-	-
Overdue 360 days	-	-
	<u>\$ 28</u>	<u>717</u>

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The movements of loss allowance for other receivables were as follows:

	2025	2024
Balance at January 1	\$ 62	58
Impairment loss recognized	66	4
Balance at December 31	<u>\$ 128</u>	<u>62</u>

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

(d) Inventories

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

	December 31, 2025	December 31, 2024
Raw materials	\$ 390,388	506,529
Work in progress and semi-finished goods	1,902	1,204
Merchandise	2,439	19,445
	<u>\$ 394,729</u>	<u>527,178</u>

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

	2025	2024
Cost of sales and expenses	\$ 387,958	774,715
Provision for inventory valuation and obsolescence loss	2,906	403
	<u>\$ 390,864</u>	<u>775,118</u>

For the years ended December 31, 2025 and 2024, the write-down of the inventories to the net realizable value was recorded as an operating cost.

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

(e) 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:

	December 31, 2025	December 31, 2024
The carrying amount of individually insignificant associates equity	<u>\$ 5,055</u>	<u>6,784</u>

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	<u>2025</u>	<u>2024</u>
Attributable to the Group:		
Net loss from continuing operations	\$ <u>(1,729)</u>	<u>(3,333)</u>
Total comprehensive loss	\$ <u>(1,729)</u>	<u>(3,333)</u>
(ii) As of December 31, 2025 and 2024, the Group did not provide any investment accounted for using equity method as collaterals.		

(f) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group for the years ended December 31, 2025 and 2024 were as follows:

	<u>Research equipment</u>	<u>Modeling equipment</u>	<u>Machinery and equipment</u>	<u>Lease improvement and others</u>	<u>Equipment under acceptance</u>	<u>Total</u>
Cost or deemed cost:						
Balance at January 1, 2025	\$ 376,121	24,225	1,650	68,184	-	470,180
Additions	17,005	10,558	-	2,050	6,024	35,637
Disposals	(7,200)	-	-	(195)	-	(7,395)
Balance at December 31, 2025	\$ <u>385,926</u>	<u>34,783</u>	<u>1,650</u>	<u>70,039</u>	<u>6,024</u>	<u>498,422</u>
Balance at January 1, 2024	\$ 450,100	22,587	7,259	103,179	-	583,125
Additions	18,157	1,986	-	-	-	20,143
Disposals	(92,136)	(348)	(5,609)	(34,995)	-	(133,088)
Balance at December 31, 2024	\$ <u>376,121</u>	<u>24,225</u>	<u>1,650</u>	<u>68,184</u>	<u>-</u>	<u>470,180</u>
Depreciation:						
Balance at January 1, 2025	\$ 276,592	18,813	1,305	48,950	-	345,660
Depreciation	39,189	4,190	173	7,468	-	51,020
Disposals	(7,200)	-	-	(195)	-	(7,395)
Balance at December 31, 2025	\$ <u>308,581</u>	<u>23,003</u>	<u>1,478</u>	<u>56,223</u>	<u>-</u>	<u>389,285</u>
Balance at January 1, 2024	\$ 335,978	15,723	6,644	65,202	-	423,547
Depreciation	32,750	3,438	270	10,365	-	46,823
Disposals	(92,136)	(348)	(5,609)	(26,617)	-	(124,710)
Balance at December 31, 2024	\$ <u>276,592</u>	<u>18,813</u>	<u>1,305</u>	<u>48,950</u>	<u>-</u>	<u>345,660</u>
Carrying amounts:						
Balance at December 31, 2025	\$ <u>77,345</u>	<u>11,780</u>	<u>172</u>	<u>13,816</u>	<u>6,024</u>	<u>109,137</u>
Balance at January 1, 2024	\$ <u>114,122</u>	<u>6,864</u>	<u>615</u>	<u>37,977</u>	<u>-</u>	<u>159,578</u>
Balance at December 31, 2024	\$ <u>99,529</u>	<u>5,412</u>	<u>345</u>	<u>19,234</u>	<u>-</u>	<u>124,520</u>

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

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(g) 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	(59,928)	-	(59,928)
Balance at December 31, 2025	<u>\$ 58,551</u>	<u>3,741</u>	<u>62,292</u>
Balance at January 1, 2024	\$ 119,916	6,457	126,373
Additions	138	-	138
Disposals	(1,575)	(4,306)	(5,881)
Balance at December 31, 2024	<u>\$ 118,479</u>	<u>2,151</u>	<u>120,630</u>
Depreciation:			
Balance at January 1, 2025	\$ 80,177	538	80,715
Depreciation	6,702	847	7,549
Disposals	(40,057)	-	(40,057)
Balance at December 31, 2025	<u>\$ 46,822</u>	<u>1,385</u>	<u>48,207</u>
Balance at January 1, 2024	\$ 67,744	3,474	71,218
Depreciation	13,425	979	14,404
Disposals	(992)	(3,915)	(4,907)
Balance at December 31, 2024	<u>\$ 80,177</u>	<u>538</u>	<u>80,715</u>
Carrying amount:			
Balance at December 31, 2025	<u>\$ 11,729</u>	<u>2,356</u>	<u>14,085</u>
Balance at January 1, 2024	<u>\$ 52,172</u>	<u>2,983</u>	<u>55,155</u>
Balance at December 31, 2024	<u>\$ 38,302</u>	<u>1,613</u>	<u>39,915</u>

(h) Intangible assets

The cost and accumulated amortization of intangible assets of the Group for the years ended December 31, 2025 and 2024 were as follows:

	<u>Computer software</u>
Cost:	
Balance at January 1, 2025	\$ 3,164
Additions	2,669
Disposals	(2,192)
Balance at December 31, 2025	<u>\$ 3,641</u>

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	Computer software
Balance at January 1, 2024	\$ 3,099
Additions	2,786
Disposals	<u>(2,721)</u>
Balance at December 31, 2024	<u>\$ 3,164</u>
Accumulated amortization:	
Balance at January 1, 2025	\$ 1,192
Amortization	1,672
Disposals	<u>(2,192)</u>
Balance at December 31, 2025	<u>\$ 672</u>
Balance at January 1, 2024	\$ 2,441
Amortization	1,472
Disposals	<u>(2,721)</u>
Balance at December 31, 2024	<u>\$ 1,192</u>
Carrying amount:	
Balance at December 31, 2025	<u>\$ 2,969</u>
Balance at January 1, 2024	<u>\$ 658</u>
Balance at December 31, 2024	<u>\$ 1,972</u>

For the years ended December 31, 2025 and 2024, the amortization of intangible assets are included in the consolidated statements of comprehensive income as operating expenses amounted to \$1,672 and \$1,472, respectively.

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

(i) Provisions

	Warranty provisions
Balance at January 1, 2025	\$ 84,086
Provisions made during the period	4,239
Provisions reversed during the period	(67,914)
Provisions used during the period	<u>(15,016)</u>
Balance at December 31, 2025	<u>\$ 5,395</u>
Balance at January 1, 2024	\$ 80,598
Provisions made during the period	8,537
Provisions reversed during the period	(3,498)
Provisions used during the period	<u>(1,551)</u>
Balance at December 31, 2024	<u>\$ 84,086</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.

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

After negotiations with customers in 2025, the Group revised its after service policy. Accordingly, the Group adjusted and reversed the provision for warranty based on the revised after service policy and simultaneously reduced selling expenses by \$56,921.

(j) Lease liabilities

The details of lease liabilities were as follows:

	December 31, 2025	December 31, 2024
Current	<u>\$ 7,919</u>	<u>13,928</u>
Non-current	<u>\$ 6,449</u>	<u>26,683</u>

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

The amounts recognized in profit or loss were as follows:

	2025	2024
Interest expense on lease liabilities	<u>\$ 339</u>	<u>583</u>
Expenses relating to short-term leases	<u>\$ 26</u>	<u>114</u>
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 73</u>	<u>102</u>
Gain on lease modification	<u>\$ (362)</u>	<u>(108)</u>

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

	2025	2024
Total cash outflow for leases	<u>\$ 8,038</u>	<u>15,056</u>

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.

(k) Employee benefits - Defined contribution plans

The Group allocates 6% of each employee's monthly wages to their labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The pension expenses of the Group under the pension plan contributed to the Bureau of Labor Insurance for the years ended December 31, 2025 and 2024 were amounted to \$4,544 and \$5,715, respectively.

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(l) Income taxes

- (i) The amount of income tax expenses for the years ended December 31, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Current tax benefit	\$ -	-
Deferred tax expense		
Recognition and reversal of temporary differences	<u>23,083</u>	<u>18,000</u>
Income tax expenses	<u>\$ 23,083</u>	<u>18,000</u>

The amounts of income tax expenses recognized in other comprehensive income for the years ended December 31, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	<u>\$ 175</u>	<u>-</u>

The reconciliation of the income tax expenses and loss before tax for the years ended December 31, 2025 and 2024, was as follows:

	<u>2025</u>		<u>2024</u>	
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>
Loss before tax	20%	<u>\$ (53,124)</u>	20%	<u>(147,938)</u>
Income tax calculated based on domestic tax rate		(10,625)		(29,588)
Changes in unrecognized temporary differences		9,083		(3,161)
Current-year losses for which no deferred tax asset was recognized		28,798		50,082
Change in provision in prior periods		(4,519)		-
Others		<u>346</u>		<u>667</u>
		<u>\$ 23,083</u>		<u>18,000</u>

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax liabilities: None.
- 2) Unrecognized deferred tax assets:

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2025	December 31, 2024
The effect of deductible temporary differences	\$ 9,083	-
The carryforward of unused tax losses	167,021	138,223
	<u>\$ 176,104</u>	<u>138,223</u>

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2025, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

Year of loss	Unused loss	Expiry date
2022(examined)	\$ 153,071	2032
2023(examined)	311,631	2033
2024(filed)	272,960	2034
2025(estimated)	133,683	2035
	<u>\$ 871,345</u>	

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2025 and 2024 were as follows:

	Exchange gains	Gain on valuation of financial assets	Others	Total
Deferred tax liabilities:				
Balance at January 1, 2025	\$ -	-	-	-
Recognized in profit or loss	294	-	-	294
Recognized in other comprehensive income	-	-	125	125
Balance at December 31, 2025	<u>\$ 294</u>	<u>-</u>	<u>125</u>	<u>419</u>
Balance at January 1, 2024	-	874	-	874
Recognized in profit or loss	-	(874)	-	(874)
Balance at December 31, 2024	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	Warranty provisions	Premiums payable	Loss on inventory valuation	Exchange losses	Tax effect of losses	Others	Total
Deferred tax assets:							
Balance at January 1, 2025	\$ 16,817	183	5,337	748	4,790	10,269	38,144
Recognized in profit or loss	(15,738)	(183)	581	(748)	2,458	(9,159)	(22,789)
Recognized in other comprehensive income	-	-	-	-	-	(50)	(50)
Balance at December 31, 2025	<u>\$ 1,079</u>	<u>-</u>	<u>5,918</u>	<u>-</u>	<u>7,248</u>	<u>1,060</u>	<u>15,305</u>
Balance at January 1, 2024	\$ 16,120	978	5,257	27,476	1,628	5,559	57,018
Recognized in profit or loss	697	(795)	80	(26,728)	3,162	4,710	(18,874)
Balance at December 31, 2024	<u>\$ 16,817</u>	<u>183</u>	<u>5,337</u>	<u>748</u>	<u>4,790</u>	<u>10,269</u>	<u>38,144</u>

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

(m) Capital and other equities

For the years ended December 31, 2025 and 2024, the authorized ordinary shares were both \$1,000,000 of which 68,698 thousand shares and 67,336 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

(i) Ordinary shares

Reconciliation of shares outstanding for the years ended December 31, 2025 and 2024 were as follow:

	Unit: in thousands of shares	
	Ordinary shares	
	2025	2024
Balance at January 1	67,336	67,638
Issuance of employee restricted shares	1,500	-
Cancellation of employee restricted shares	(138)	(302)
Balance at December 31	<u>68,698</u>	<u>67,336</u>

The Company issued restricted stock awards to employees without consideration in 2025, with an aggregate par value of \$15,000, and the capital increase record date was May 28, 2025. During 2025, as certain employees who were granted the 2025 restricted stock awards failed to satisfy the vesting conditions, share capital of \$1,380 was cancelled. Accordingly, capital surplus was reduced by \$1,325. The related amendment registration has been completed.

During 2024, as certain employees who were granted the 2021 restricted stock awards failed to satisfy the vesting conditions, share capital of \$3,024 was cancelled. Accordingly, capital surplus was reduced by \$6,260. The related amendment registration has 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:

	December 31, 2025	December 31, 2024
Additional paid in capital premium	\$ 305,603	318,043
Employee share options	-	48,101
Issuance of employee restricted shares	13,075	-
Changes in equity of associates accounted for using equity method	-	315
	<u>\$ 318,678</u>	<u>366,459</u>

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

For information regarding the adjustment to capital surplus arising from the issuance of restricted stock awards, please refer to note (6)(n).

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the ordinary shares or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital shares and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total ordinary shares outstanding.

(iii) Retained earnings

1) Limits of distributed earnings and dividend policy

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.

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

2) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

3) Special reserve

A portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current period total net reduction of other shareholders' equity. The amount to be reclassified to special reserve shall be a portion of current-period earnings plus other line items in the retained earnings movements and undistributed prior-period earnings. A portion of previous unappropriated earnings shall be set aside as a special reserve, which should not be distributed, to account for cumulative changes to other equity interests pertaining to prior periods. The special reserve shall be made available for appropriation when the net deductions of other equity interests are reversed in the subsequent periods.

(iv) Earnings distribution (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 losses.

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

(n) Share based payment

The restricted stock awards issued by the Company in 2021 have expired in 2024.

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.

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.

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

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

Unit: in thousands of shares

	<u>2025</u>
Outstanding unit at January 1	-
Shares granted during the period	1,500
Cancellation during the period	<u>(138)</u>
Outstanding unit at December 31	<u><u>1,362</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 December 31, 2025, the unearned employee benefit amounted to \$17,666.

The compensation expenses (benefits) recognized due to the restricted shares amounted to \$9,029 and (\$6,274) for the years ended December 31, 2025 and 2024, respectively.

- (o) Loss per share

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

	<u>2025</u>	<u>2024</u>
Basic loss per share		
Loss attributable to ordinary shareholders of the Company	<u>\$ (76,207)</u>	<u>(165,938)</u>
Weighted-average number of outstanding ordinary shares (in thousands)	<u>67,336</u>	<u>67,336</u>
Basic loss per share (NTD)	<u>\$ (1.13)</u>	<u>(2.46)</u>
Diluted loss per share		
Weighted-average number of ordinary shares (diluted) (in thousands)	<u>67,336</u>	<u>67,336</u>
Diluted loss per share (NTD)	<u>\$ (1.13)</u>	<u>(2.46)</u>

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 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.

(p) Revenue from contracts with customers

(i) Details of revenue

	<u>2025</u>	<u>2024</u>
Primary geographical markets:		
America	\$ 295,138	359,494
Taiwan	190,506	304,625
Others	<u>112,244</u>	<u>277,815</u>
	<u>\$ 597,888</u>	<u>941,934</u>
Major products:		
Communication network products	\$ 409,956	802,885
Material sales revenue and others	<u>187,932</u>	<u>139,049</u>
	<u>\$ 597,888</u>	<u>941,934</u>

(ii) Contract balances

	<u>December 31, 2025</u>	<u>December 31, 2024</u>	<u>January 1, 2024</u>
Accounts receivable	\$ 142,289	222,414	427,808
Less: loss allowance	<u>(271)</u>	<u>(26,229)</u>	<u>(26,841)</u>
Total	<u>\$ 142,018</u>	<u>196,185</u>	<u>400,967</u>
Contract liabilities	<u>\$ 17,586</u>	<u>26,339</u>	<u>1,846</u>

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

The amount of revenue recognized for the years ended December 31, 2025 and 2024 that were included in the balance of contract liabilities at the beginning of the period were \$26,339 and \$1,846, 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.

(q) 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.

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 tax for the years ended December 31, 2025 and 2024.

(r) Other gains and losses

The other gains and losses of the Group for the years ended December 31, 2025 and 2024 were as follow:

	2025	2024
Foreign currency exchange gains	\$ 3,770	7,213
Gains (losses) on financial assets (liabilities) at fair value through profit or loss, net	4,923	(8,236)
Gain on lease modification	362	108
Loss on disposal of property, plant and equipment	-	(8,378)
Others	(3,405)	(4,152)
Other gains and losses, net	<u><u>\$ 5,650</u></u>	<u><u>(13,445)</u></u>

(s) Financial instruments

(i) Credit risk

1) Credit risk exposure

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 years ended December 31, 2025 and 2024, amounted to \$431,238 and \$732,482, accounting for 72% and 78% of the operating revenue, respectively. The carrying amounts of the accounts receivable as of December 31, 2025 and 2024 amounted to \$104,020 and \$152,656, 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)(b) and credit risk exposure of other receivables, please refer to note (6)(c).

(Continued)

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
December 31, 2025					
Non-derivative financial liabilities					
Accounts payable (including related parties)	\$ 183,270	(183,270)	(183,270)	-	-
Other payables (including related parties)	38,799	(38,799)	(38,799)	-	-
Lease liabilities (including current and non-current)	14,368	(14,628)	(8,123)	(6,322)	(183)
	<u>\$ 236,437</u>	<u>(236,697)</u>	<u>(230,192)</u>	<u>(6,322)</u>	<u>(183)</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>

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

(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						
December 31, 2025			December 31, 2024			
Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
Financial assets						
Monetary items						
USD	\$ 9,134 USD/TWD =31.430	287,082	11,306 USD/TWD =32.785		370,667	
EUR	1,045 EUR/TWD =36.90	38,561	1,309 EUR/TWD =34.14		44,689	
Financial liabilities						
Monetary items						
USD	6,134 USD/TWD =31.430	192,792	10,438 USD/TWD =32.785		342,210	

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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), 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 December 31, 2025 and 2024 would have affected the net loss before tax as follows. The analysis is performed on the same basis for both periods:

	December 31, 2025	December 31, 2024
USD (against the TWD)		
Strengthening 5%	\$ 4,715	1,423
Weakening 5%	(4,715)	(1,423)
EUR (against the TWD)		
Strengthening 5%	1,928	2,234
Weakening 5%	(1,928)	(2,234)

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 years ended December 31, 2025 and 2024, the foreign exchange gains (including realized and unrealized portions) amounted to \$3,770 and \$7,213, 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 \$389 and \$172 for the years ended December 31, 2025 and 2024, respectively, which would be mainly resulted from the bank deposits with variable interest rates.

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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.

		December 31, 2025				
		Book value	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost						
Cash and cash equivalents	\$	355,819	-	-	-	-
Accounts receivable, net		142,018	-	-	-	-
Other receivables, net		104,091	-	-	-	-
Other non-current asset (refundable deposits)		1,891	-	-	-	-
Other non-current asset (Pledged certificate of deposits)		500	-	-	-	-
Total		<u>\$ 604,319</u>				
Financial liabilities measured at amortized cost						
Accounts payable (including related parties)	\$	183,270	-	-	-	-
Other payables (including related parties)		38,799	-	-	-	-
Lease liabilities (including current and non-current)		14,368	-	-	-	-
Total		<u>\$ 236,437</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 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>					
Financial liabilities measured at amortized cost						
Accounts payable (including related parties)	\$ 338,276	-	-	-	-	
Other payables (including related parties)	75,753	-	-	-	-	
Lease liabilities (including current and non-current)	40,611	-	-	-	-	
Total	<u>\$ 454,640</u>					

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) There were no transfers from one level to another for the years ended December 31, 2025 and 2024.

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(t) Financial risk management

(i) Overview

The Group is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

In this note expressed the information on risk exposure and objectives, policies and procedures of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

The Group's risk management policies are set for identifying and analyzing the risk that the Group confronts for setting the appropriate amount of the risk and complying with the policies. The Group continually reviews the risk management policies to reflect the market condition and the changes of the Group's operation. The Group develops a disciplined and constructive environment and makes employees understand their rules and obligations through training, management guidelines, and operating procedures.

The Board of Directors ensures that the Group's risk management policies and procedures are properly implemented and reviews the appropriateness of the related risk management framework. The Group's internal auditors assist the Board of Directors in supervising and reviewing the effectiveness of the risk management controls and procedures on a regular and as-needed basis, and report the results to the Board of Directors.

(iii) Credit risk

- 1) Credit risk is the risk on the financial loss to the Group if a customer or a counterparty fails to meet its contractual obligations. It rises principally from the Group's receivables from customers and bank savings.
- 2) The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings or financial statements provided by customers (internal ratings). Purchase limits are established for each customer, and these limits are reviewed periodically. Customer who do not meet the basic credit rating of the Group only can make transactions by either advanced payment or obtain consent by authorized supervisors.

The Group's customers are mainly from the communications industry. In order to monitor the credit risk of accounts receivable, the Group constantly assesses the financial status of the customers, and requests the customers to provide guarantee or security if necessary. The Group regularly accesses the collectability of accounts receivable and recognizes the allowance for accounts receivable. The impairment losses are always within management's expectation.

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group set the allowance for bad debt account to reflect the estimated losses for trade and other receivables. The allowance for bad debt account is based on extensive analysis for customers' credit worthiness and historical collection records.

3) Investments

The credit risks exposure in the bank deposits and other financial instruments are measured and monitored by the Group's finance department. Since the Group's transaction counterparties and the contractually obligated counterparties are banks, financial institutes and corporate organizations with good credits and investment grade, there are no compliance issues, and therefore, no significant credit risk.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements.

The loans and borrowings from the bank form an important source of liquidity for the Group. As of December 31, 2025 and 2024, the unused long-term and short-term bank financing lines are \$723,590 and \$773,990, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

In order to manage market risk, there are some financial liabilities incurred by the Group from its buying and selling of derivatives. All transactions are executed in accordance with management guidelines.

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currencies of the Group, primarily EUR and USD. The Group designates the spot element of forward foreign exchange contracts to hedge its currency risk. Most of these contracts have a maturity of less than one year from the reporting date. As for other monetary assets and liabilities denominated in other foreign currencies, when short-term imbalance takes place, the Group buys or sells foreign currencies at spot rate or exchange rate to ensure that the net exposure is kept on an acceptable level.

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(u) Capital management

The Group's policy is to maintain a strong capital base considering the current operating characteristics of the industry, future development, and changes in external environment, to assure there are financial resources and operating plan to support working capital, capital expenditures, research & development expense, debt redemption and dividend payment, and so on. The management decides the optimal capital structure by using an appropriate debt ratio. To maintain a strong capital base, the Group monitor through periodic review of debt ratio by optimizing debt ratio. The Group's debt ratio at the reporting date was as follows:

	December 31, 2025	December 31, 2024
Total liabilities	\$ 276,438	567,341
Total assets	1,188,721	1,546,105
Debt ratio	23%	37%

As of December 31, 2025, there were no changes in the Group's approach to capital management.

(v) Investing and financing activities not affecting cash flow

The Group's investing and financing activities which did not affect the cash flow for the years ended December 31, 2025 and 2024 were as the acquisition of right of use assets by lease, please refer to notes (6)(g).

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2025	Cash flows	<u>Non-cash changes</u>		December 31, 2025
			Acquisition	Disposal	
Lease liabilities	\$ 40,611	(7,600)	1,590	(20,233)	14,368

	January 1, 2024	Cash flows	<u>Non-cash changes</u>		December 31, 2024
			Acquisition	Disposal	
Lease liabilities	\$ 55,812	(14,257)	138	(1,082)	40,611

(7) Related-party transactions

(a) Parent company and ultimate controlling party

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

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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.

<u>Name of related party</u>	<u>Relationship with the Group</u>
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

	<u>2025</u>	<u>2024</u>
Parent Company- Compal Electronics	<u>\$ 35,407</u>	<u>78,122</u>

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 on the financial statements), professional services and other expenditures for the Group, and the related expenses were as follows:

	<u>2025</u>	<u>2024</u>
Parent Company- Compal Electronics	\$ 4,889	28,394
Other related parties	95	100
	<u>\$ 4,984</u>	<u>28,494</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 years ended December 31, 2025 and 2024, the rent revenue amounted to \$1,547 and \$2,448, respectively.

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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	December 31, 2025	December 31, 2024
Other receivables	Other related parties-CVC	\$ 89,918	18,705
"	Associates	126	266
Total		\$ 90,044	18,971

(v) Payables to related parties

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

Account	Related party categories	December 31, 2025	December 31, 2024
Accounts payable	Parent Company-Compal Electronics	\$ 83,148	223,168
Other payables	Other related parties-CDE	-	33,421
Other payables	Other related parties	21	26
Total		\$ 83,169	256,615

(d) Transactions with key management personnel

Key management personnel compensation comprised:

	2025	2024
Short-term employee benefits	\$ 24,505	23,774
Post-employment benefits	824	698
Share-based payments	4,275	(3,434)
	\$ 29,604	21,038

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

(8) Pledged assets:

The carrying amount of pledged assets were as follows:

Assets	Subject	December 31, 2025	December 31, 2024
Other non-current assets — restricted asset-time deposit	Guarantee payment for import VAT	\$ 500	500

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(9) Significant commitments and contingencies:

As of December 31, 2025, the Group has signed technical service agreements with an unrecognized amount of USD 3,000 (approximately \$94,290).

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

(12) Other:

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

By item	By function	2025			2024		
		Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefits							
Salary		-	136,584	136,584	-	116,570	116,570
Labor and health insurance		-	8,985	8,985	-	11,072	11,072
Pension		-	4,544	4,544	-	5,715	5,715
Remuneration of directors			2,640	2,640	-	2,640	2,640
Others		-	2,977	2,977	-	3,985	3,985
Depreciation		5,361	53,208	58,569	5,024	56,203	61,227
Amortization		-	1,672	1,672	-	1,472	1,472

(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 year ended December 31, 2025:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held as of December 31, 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
- (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

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the years ended December 31, 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 December 31, 2025			The highest holdings in the period		Net income (losses) of investee	Investment Income (losses)	Note
				December 31, 2025	December 31, 2024	Shares (thousands)	Percentage of ownership	Carrying value	Shares (thousands)	Percentage of ownership			
The Company	CBNB	Belgium	Import, export, technical support, and consulting services for broadband network products and related components	6,842	6,842	20	100%	4,995	20	100%	(364)	(364)	Notes 1 - 2
The Company	CBNN	Netherlands	"	7,016	7,016	20	100%	6,556	20	100%	(187)	(187)	Notes 1 - 2
The Company	Starmems	Taiwan	Research and development of micro-electro-mechanical system (MEMS) microphone technology products	16,300	16,300	1,630	9.59%	5,055	1,630	9.59%	(17,998)	(1,729)	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@34.632), all other items were translated using the closing exchange rate as of the reporting date (EUR@36.90).

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

(c) Information on investment in mainland China: None

(14) Segment information:

(a) General 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 consolidated balance sheet and the consolidated statement of comprehensive income for details of departmental profit and loss, departmental assets, and departmental liabilities in line with the consolidated financial statements.

(b) Information about the products

Please refer to note (6)(p) revenue from contracts with customers.

(c) Geographical information

In presenting information on the basis of geography, segment revenue is based on the geographical location of the shipment and segment assets are based on the geographical location of the assets.

(i) Revenue from external customers:

Please refer to note (6)(p) revenue from contracts with customers.

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Non-current assets:

<u>Geographical information</u>	<u>2025</u>	<u>2024</u>
Taiwan	\$ 86,054	129,240
Vietnam	24,067	34,967
Others	17,961	6,041
	<u>\$ 128,082</u>	<u>170,248</u>

Non-current assets include property, plant and equipment, intangible assets, right-of-use assets and other assets excluding restricted asset and deferred tax assets.

(d) Information about major customers

Sales to individual customers constituting over 10% of the total revenue in the consolidated statements of income are summarized as follows:

	<u>2025</u>	<u>2024</u>
Group I	\$ 284,712	359,495
Group L	76,024	95,196
Group K	70,502	164,841
Group J	-	112,950
	<u>\$ 431,238</u>	<u>732,482</u>