

COMPAL BROADBAND NETWORKS, INC.**Parent Company Only Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2024 and 2023**

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The independent auditors' report and the accompanying parent company only 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 parent company only financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of Compal Broadband Networks, Inc. ("the Company"), which comprise the balance sheets as of December 31, 2024 and 2023, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended December 31, 2024 and 2023, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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 Financial Statements section of our report. We are independent of the Company 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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(o) of the financial statements regarding revenue from contracts with customer.

Description of key audit matter:

Compal Broadband Networks, Inc. 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., 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. complies with relevant standards.

2. Inventory valuation

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

Description of key audit matters :

Inventory is measured at the lower of cost and net realizable value. As Compal Broadband Networks, Inc., 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 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., 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the 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 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 Chien, Szu-Chuan and Au, Yiu-Kwan.

KPMG

Taipei, Taiwan (Republic of China)
March 11, 2025

Notes to Readers

The accompanying parent company only financial statements are intended only to present the 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

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(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
COMPAL BROADBAND NETWORKS, INC.

Balance Sheets

December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2024		December 31, 2023				December 31, 2024		December 31, 2023	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note (6)(a))	\$ 508,571	33	305,429	18	2130	Current contract liabilities (note (6)(q))	\$ 26,339	2	1,846	-
1110	Current financial assets at fair value through profit or loss (note (6)(b))	-	-	4,373	-	2170	Accounts payable	115,108	7	59,773	4
1170	Accounts receivable, net (notes (6)(c) and (6)(q))	196,185	13	400,967	24	2180	Accounts payable to related parties (note (7))	223,168	15	130,494	8
1200	Other receivables, net (notes (6)(d) and (7))	19,528	1	2,529	-	2200	Other payables (note (7))	75,431	5	186,946	11
1310	Inventories (note (6)(e))	527,178	34	612,302	37	2250	Current provisions (note (6)(j))	84,086	5	80,598	5
1410	Prepayments	65,282	4	48,368	3	2280	Current lease liabilities (note (6)(k))	13,928	1	14,620	1
1470	Other current assets	<u>2,133</u>	-	<u>5,481</u>	-	2300	Other current liabilities	<u>2,276</u>	-	<u>4,120</u>	-
		<u>1,318,877</u>	<u>85</u>	<u>1,379,449</u>	<u>82</u>			<u>540,336</u>	<u>35</u>	<u>478,397</u>	<u>29</u>
Non-current assets:						Non-current liabilities:					
1550	Investments accounted for using equity method (note (6)(f))	18,014	1	15,035	1	2570	Deferred tax liabilities (note (6)(m))	-	-	874	-
1600	Property, plant and equipment (note (6)(g))	124,520	8	159,578	10	2580	Non-current lease liabilities (note (6)(k))	<u>26,683</u>	<u>2</u>	<u>41,192</u>	<u>2</u>
1755	Right-of-use assets (note (6)(h))	39,915	3	55,155	3			<u>26,683</u>	<u>2</u>	<u>42,066</u>	<u>2</u>
1780	Intangible assets (note (6)(i))	1,972	-	658	-		Total liabilities	<u>567,019</u>	<u>37</u>	<u>520,463</u>	<u>31</u>
1840	Deferred tax assets (note (6)(m))	38,144	3	57,018	4		Equity (notes (6)(n) and (6)(o)):				
1900	Other non-current assets (note (8))	<u>4,341</u>	-	<u>4,229</u>	-	3100	Ordinary shares	673,357	43	676,381	41
		<u>226,906</u>	<u>15</u>	<u>291,673</u>	<u>18</u>	3200	Capital surplus	366,459	24	372,404	22
						3300	Retained earnings	(60,856)	(4)	105,082	6
						3410	Exchange differences on translation of foreign financial statements	(196)	-	(198)	-
						3491	Unearned employee benefit	<u>-</u>	-	<u>(3,010)</u>	-
							Total equity	<u>978,764</u>	<u>63</u>	<u>1,150,659</u>	<u>69</u>
Total assets		<u><u>\$ 1,545,783</u></u>	<u><u>100</u></u>	<u><u>1,671,122</u></u>	<u><u>100</u></u>	Total liabilities and equity		<u><u>\$ 1,545,783</u></u>	<u><u>100</u></u>	<u><u>1,671,122</u></u>	<u><u>100</u></u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

COMPAL BROADBAND NETWORKS, INC.**Statements of Comprehensive Income****For the years ended December 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars , Except for Loss Per Common Share)**

		2024		2023	
		Amount	%	Amount	%
4000	Operating revenue (note (6)(q))	\$ 941,934	100	1,164,054	100
5000	Operating costs (notes (6)(e), (7) and (12))	<u>775,118</u>	<u>82</u>	<u>1,081,197</u>	<u>93</u>
	Gross profit from operations	<u>166,816</u>	<u>18</u>	<u>82,857</u>	<u>7</u>
	Operating expenses: (notes (6)(i), (6)(k), (6)(l), (7) and (12))				
6100	Selling expenses	77,187	8	68,030	6
6200	Administrative expenses	61,980	7	74,086	6
6300	Research and development expenses	170,211	18	235,030	20
6450	Expected credit impairment (reversal gain) loss (notes (6)(c) and (6)(d))	<u>(608)</u>	<u>-</u>	<u>23,532</u>	<u>2</u>
	Total operating expenses	<u>308,770</u>	<u>33</u>	<u>400,678</u>	<u>34</u>
	Net operating loss	<u>(141,954)</u>	<u>(15)</u>	<u>(317,821)</u>	<u>(27)</u>
	Non-operating income and expenses:				
7010	Other income (note (7))	5,522	-	4,552	-
7020	Other gains and losses (note (6)(s))	(13,445)	(1)	2,074	-
7100	Interest income	6,160	-	10,452	1
7510	Interest expense (note (6)(k))	(583)	-	(675)	-
7775	Share of loss of subsidiaries and associates accounted for using equity method, net (note (6)(f))	<u>(3,638)</u>	<u>-</u>	<u>(4,146)</u>	<u>-</u>
		<u>(5,984)</u>	<u>(1)</u>	<u>12,257</u>	<u>1</u>
7900	Loss before tax	(147,938)	(16)	(305,564)	(26)
7950	Less: Income tax expense (note (6)(m))	<u>18,000</u>	<u>2</u>	<u>20,545</u>	<u>2</u>
	Net loss	<u>(165,938)</u>	<u>(18)</u>	<u>(326,109)</u>	<u>(28)</u>
8300	Other comprehensive income:				
8360	Components of other comprehensive income that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	2	-	487	-
8399	Less: income tax related to items that may be reclassified subsequently to profit or loss (note (6)(m))	<u>-</u>	<u>-</u>	<u>97</u>	<u>-</u>
	Components of other comprehensive income that may be reclassified subsequently to profit or loss	<u>2</u>	<u>-</u>	<u>390</u>	<u>-</u>
8300	Other comprehensive income	<u>2</u>	<u>-</u>	<u>390</u>	<u>-</u>
	Total comprehensive loss	<u>\$ (165,936)</u>	<u>(18)</u>	<u>(325,719)</u>	<u>(28)</u>
	Loss per share (note (6)(p))				
9750	Basic loss per share	<u>\$ (2.46)</u>		<u>(4.84)</u>	
9850	Diluted loss per share	<u>\$ (2.46)</u>		<u>(4.84)</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

COMPAL BROADBAND NETWORKS, INC.**Statements of Changes in Equity****For the years ended December 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars)**

						Other equity				
	Retained earnings					Exchange differences on translation of foreign financial statements	Unearned employee benefit	Total	Total equity	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated losses)	Total				
Balance at January 1, 2023	\$ 680,021	379,939	147,010	984	317,024	465,018	(588)	(11,213)	(11,801)	1,513,177
Loss for the year ended December 31, 2023	-	-	-	-	(326,109)	(326,109)	-	-	-	(326,109)
Other comprehensive income for the year ended December 31, 2023	-	-	-	-	-	-	390	-	390	390
Total comprehensive loss for the year ended December 31, 2023	-	-	-	-	(326,109)	(326,109)	390	-	390	(325,719)
Appropriation and distribution of retained earnings:										
Special reserve reversed	-	-	-	(396)	396	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(33,827)	(33,827)	-	-	-	(33,827)
Share-based payment transactions	(3,640)	(7,535)	-	-	-	-	-	8,203	8,203	(2,972)
Balance at December 31, 2023	676,381	372,404	147,010	588	(42,516)	105,082	(198)	(3,010)	(3,208)	1,150,659
Loss for the year ended December 31, 2024	-	-	-	-	(165,938)	(165,938)	-	-	-	(165,938)
Other comprehensive income for the year ended December 31, 2024	-	-	-	-	-	-	2	-	2	2
Total comprehensive loss for the year ended December 31, 2024	-	-	-	-	(165,938)	(165,938)	2	-	2	(165,936)
Appropriation and distribution of retained earnings:										
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	(6,274)
Balance at December 31, 2024	\$ 673,357	366,459	104,494	588	(165,938)	(60,856)	(196)	-	(196)	978,764

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
COMPAL BROADBAND NETWORKS, INC.

Statements of Cash Flows

For the years ended December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

	<u>2024</u>	<u>2023</u>
Cash flows from (used in) operating activities:		
Loss before tax	\$ (147,938)	(305,564)
Adjustments:		
Adjustments to reconcile loss:		
Depreciation and amortization expense	62,699	63,368
Expected credit impairment loss (reversal gain)	(608)	23,532
Interest expense	583	675
Interest income	(6,160)	(10,452)
Compensation cost of employee share-based payment	(6,274)	(2,972)
Share of loss of subsidiaries and associates accounted for using equity method	3,638	4,146
Loss on disposal of property, plant and equipment	8,378	-
Gain on lease modification	(108)	(3)
Total adjustments to reconcile loss	<u>62,148</u>	<u>78,294</u>
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss	4,373	(4,373)
Decrease in accounts receivable	205,394	64,181
(Increase) decrease in other receivables	(16,760)	379,497
Decrease in inventories	85,124	126,603
Increase in prepayments	(16,914)	(2,937)
Decrease in other current assets	57	2,912
Decrease in financial liabilities held for trading	-	(8,006)
Increase (decrease) in contract liabilities	24,493	(80)
Increase (decrease) in accounts payable	148,009	(619,887)
(Decrease) increase in other payables	(111,515)	65,527
Increase (decrease) in provisions	3,488	(36,806)
(Decrease) increase in other current liabilities	(1,844)	2,500
Total changes in operating assets and liabilities	<u>323,905</u>	<u>(30,869)</u>
Total adjustments	<u>386,053</u>	<u>47,425</u>
Cash inflow (outflow) generated from operations	238,115	(258,139)
Interest received	5,917	10,344
Interest paid	(583)	(675)
Income taxes refund (paid)	3,291	(539)
Net cash flows from (used in) operating activities	<u>246,740</u>	<u>(249,009)</u>
Cash flows used in investing activities:		
Acquisition of investments accounted for using equity method	(6,300)	-
Acquisition of property, plant and equipment	(20,143)	(45,096)
Increase in refundable deposits	(112)	(28)
Acquisition of intangible assets	(2,786)	(1,296)
Net cash flows used in investing activities	<u>(29,341)</u>	<u>(46,420)</u>
Cash flows used in financing activities:		
Payment of lease liabilities	(14,257)	(14,745)
Cash dividends paid	-	(33,827)
Net cash flows used in financing activities	<u>(14,257)</u>	<u>(48,572)</u>
Net increase (decrease) in cash and cash equivalents	203,142	(344,001)
Cash and cash equivalents at beginning of period	<u>305,429</u>	<u>649,430</u>
Cash and cash equivalents at end of period	<u>\$ 508,571</u>	<u>305,429</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
COMPAL BROADBAND NETWORKS, INC.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

(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, 2024 and 2023, 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 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 financial statements:

These financial statements were authorized for issuance by the Board of Directors on March 11, 2025.

(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 Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2024:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2025, would not have a significant impact on its financial statements:

- Amendments to IAS21 “Lack of Exchangeability”

(Continued)

COMPAL BROADBAND NETWORKS, INC.

Notes to the 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 Company, 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

(Continued)

COMPAL BROADBAND NETWORKS, INC.
Notes to the Financial Statements

Standards or Interpretations	Content of amendment	Effective date per IASB
Annual Improvements to IFRS Accounting Standards—Volume 11	The amendments set out: 1. IFRS 1 “First-time Adoption of International Financial Reporting Standards”: The amendments address a potential confusion arising from an inconsistency in wording between paragraph B6 of IFRS 1 and requirements for hedge accounting in IFRS 9 Financial Instruments. 2. IFRS 7 “Financial Instruments: Disclosures”: The amendments address a potential confusion in IFRS 7 arising from an obsolete reference to a paragraph that was deleted from the standard when IFRS 13 Fair Value Measurement was issued. 3. IFRS 9 “Financial Instruments”: • Derecognition of a lease liability The IASB’s amendment states that if a lease liability is derecognized, then the derecognition will be accounted for under IFRS 9, (i.e. the difference between the carrying amount and the consideration paid is recognized in profit or loss). However, when a lease liability is modified, the modification will be accounted for under IFRS 16 Leases. • Transaction price The amendments require companies to initially measure a trade receivable without a significant financing component at the amount determined by applying IFRS 15 Revenue from Contracts with Customers. The amendments remove the conflict between IFRS 9 and IFRS 15 over the amount at which a trade receivable is initially measured.	January 1, 2026

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COMPAL BROADBAND NETWORKS, INC.
Notes to the Financial Statements

Standards or Interpretations	Content of amendment	Effective date per IASB
	4. IFRS 10 “ Consolidated Financial Statements”: The amendments clarify the determination of a ‘de facto agent’.	
	5. IAS 7 “Statement of Cash Flows”: The amendments address a potential confusion in applying paragraph 37 of IAS 7 that arises from the use of the term ‘cost method’.	

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

The Company 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 financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

(4) Summary of material accounting policies:

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

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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COMPAL BROADBAND NETWORKS, INC.
Notes to the Financial Statements

(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 financial statements have been prepared on a historical cost basis.

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The 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) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company 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.

(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 Company 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.

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COMPAL BROADBAND NETWORKS, INC.

Notes to the Financial Statements

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.

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

The Company 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 Company 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.

(e) 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.

(f) 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 Company 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.

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COMPAL BROADBAND NETWORKS, INC.

Notes to the Financial Statements

(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 Company 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.

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 Company 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 Company 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 Company 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

(Continued)

COMPAL BROADBAND NETWORKS, INC.

Notes to the Financial Statements

- 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 Company 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 Company's historical experience and informed credit assessment as well as forward-looking information.

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

The Company 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 Company in full.

The Company 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'.

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 Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company 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 assets 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.

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COMPAL BROADBAND NETWORKS, INC.

Notes to the Financial Statements

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 Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company 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 Company 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 Company's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Company 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 Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company 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.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company 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.

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COMPAL BROADBAND NETWORKS, INC.

Notes to the Financial Statements

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company 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 Company 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 Company 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.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted-average-cost principle, 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.

(h) Investment in associates

Associates are those entities in which the Company 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.

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COMPAL BROADBAND NETWORKS, INC.

Notes to the Financial Statements

The financial statements include the Company'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 Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company 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 Company and an associate are recognized only to the extent of unrelated Company's interests in the associate. When the Company'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 Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(i) Investments in subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the non-consolidated financial statements. Under equity method, the net income, other comprehensive income and equity in the non-consolidated financial statement are the same as those attributable to the owners of the parent in the consolidated financial statements.

The changes in ownership of the subsidiaries that do not result in a loss of control are accounted for as equity transactions with owners.

(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 Company.

(iii) Depreciation

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

Land is not depreciated.

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COMPAL BROADBAND NETWORKS, INC.

Notes to the Financial Statements

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 Company 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 Company 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 Company's incremental borrowing rate. Generally, the Company 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;
- 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.

(Continued)

COMPAL BROADBAND NETWORKS, INC.

Notes to the Financial Statements

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 Company'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 Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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COMPAL BROADBAND NETWORKS, INC.
Notes to the 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 Company 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 Company 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 Company 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.

Notes to the 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 Company 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 the historical data of provision expenses and all available results weighted by its coherence rate as percentage.

(o) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company 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 Company's main types of revenue are explained below.

(i) Sale of goods

The Company sells communication products such as smart gateways, digital set-top boxes, and wireless broadband routers. The Company 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 Company 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 Company has a right to an amount of consideration that is unconditional.

(ii) Financing components

The Company 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 Company does not adjust any of the transaction prices for the time value of money.

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COMPAL BROADBAND NETWORKS, INC.
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(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 Company 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 Company 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 Company 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 Company 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.

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COMPAL BROADBAND NETWORKS, INC.

Notes to the 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 Company 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 Company 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.

Notes to the Financial Statements

(s) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company 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 Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee restricted shares.

(t) Operating segments

Please refer to the Company's consolidated financial statements for the years ended December 31, 2024 and 2023, for further details.

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

In preparing these 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 Company's risk management and climate-related commitments where appropriate. Revisions to estimates are recognized prospectively in the period of the change and future periods.

There are no critical judgments in applying accounting policies that have significant effect on the amounts recognized in the financial statements.

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 Company 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(e) for further description of the valuation of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2024	December 31, 2023
Cash on hand	\$ 320	395
Checking accounts and demand deposits	57,440	88,355
Time deposits	450,811	216,679
	<u>\$ 508,571</u>	<u>305,429</u>

(Continued)

COMPAL BROADBAND NETWORKS, INC.

Notes to the Financial Statements

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

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

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Current financial assets mandatorily measured at fair value through profit or loss:		
Derivative instruments not used for hedging:		
Foreign exchange forward contracts	\$ <u>-</u>	<u>4,373</u>

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

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

	<u>December 31, 2023</u>		
	<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity date</u>
Derivative financial assets:			
Foreign exchange contracts:			
Foreign exchange sold	USD 7,087	USD to TWD	January 5, 2024~ March 25, 2024

As of December 31, 2024, the Company has no outstanding forward foreign exchange contracts.

(c) Accounts receivable

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Accounts receivable	\$ 222,414	427,808
Less: loss allowance	<u>(26,229)</u>	<u>(26,841)</u>
	<u>\$ 196,185</u>	<u>400,967</u>

The Company 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:

(Continued)

COMPAL BROADBAND NETWORKS, INC.
Notes to the Financial Statements

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	1.67%	43	No
Level D	590	5.08%	30	No
Level E	<u>25,963</u>	100.00%	<u>25,963</u>	Yes
	<u>\$ 222,414</u>		<u>26,229</u>	

December 31, 2023				
	Gross carrying amount	Weighted- average loss rate	Loss allowance	Credit impaired
Level B	\$ 83,403	0.10%	84	No
Level C	268,813	1.00%	2,688	No
Level E	<u>75,592</u>	31.84%	<u>24,069</u>	Yes
	<u>\$ 427,808</u>		<u>26,841</u>	

The aging analysis of overdue accounts receivable were as follows:

	December 31, 2024	December 31, 2023
Overdue 1~30 days	\$ 1,877	139,459
Overdue 31~60 days	2,236	-
Overdue 61~90 days	-	11,045
Overdue 91~180 days	31,880	5,758
Overdue 181~270 days	3,854	5,174
Overdue 360 days	<u>25,963</u>	<u>70,418</u>
	<u>\$ 65,810</u>	<u>231,854</u>

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

	2024	2023
Balance at January 1	\$ 26,841	3,211
Impairment loss (reversed) recognized	<u>(612)</u>	<u>23,630</u>
Balance at December 31	<u>\$ 26,229</u>	<u>26,841</u>

As of December 31, 2024 and 2023, the Company did not provide any aforementioned accounts receivable as collaterals.

(Continued)

COMPAL BROADBAND NETWORKS, INC.
Notes to the Financial Statements

(d) Other receivables

	December 31, 2024	December 31, 2023
Other receivables	\$ 19,590	2,587
Less: loss allowance	(62)	(58)
	<u>\$ 19,528</u>	<u>2,529</u>

The aging analysis of overdue other receivables were as follows:

	December 31, 2024	December 31, 2023
Overdue 1~30 days	\$ -	152
Overdue 31~60 days	21	-
Overdue 61~90 days	-	103
Overdue 181~270 days	696	-
	<u>\$ 717</u>	<u>255</u>

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

	2024	2023
Balance at January 1	\$ 58	156
Impairment loss recognized (reversed)	4	(98)
Balance at December 31	<u>\$ 62</u>	<u>58</u>

As of December 31, 2024 and 2023, the Company did not provide any aforementioned other receivables as collaterals.

(e) Inventories

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

	December 31, 2024	December 31, 2023
Raw materials	\$ 506,529	543,265
Work in progress and semi-finished goods	1,204	380
Merchandise	19,445	68,657
	<u>\$ 527,178</u>	<u>612,302</u>

(Continued)

COMPAL BROADBAND NETWORKS, INC.
Notes to the Financial Statements

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

	2024	2023
Cost of sales and expenses	\$ 774,715	1,078,953
Inventory valuation and obsolescence loss	403	1,332
Loss on scrapping of inventory	-	1,210
Gain on physical inventory	-	(298)
	<u><u>\$ 775,118</u></u>	<u><u>1,081,197</u></u>

For the years ended December 31, 2024 and 2023, the write-down of the inventories to the net realizable value was recorded as an operating cost.

- (iii) As of December 31, 2024 and 2023, the Company did not provide any inventories as collaterals.

- (f) Investments accounted for using equity method

A summary of the Company's financial information for investments accounted for using the equity method at the reporting date were as follows:

	December 31, 2024	December 31, 2023
Subsidiaries	\$ 11,230	11,533
Associates	<u>6,784</u>	<u>3,502</u>
	<u><u>\$ 18,014</u></u>	<u><u>15,035</u></u>

- (i) Subsidiaries

Please refer to the consolidated financial statement for the year ended December 31, 2024.

- (ii) Associates

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

	December 31, 2024	December 31, 2023
The carrying amount of individually insignificant associates equity	<u><u>\$ 6,784</u></u>	<u><u>3,502</u></u>
	<u>2024</u>	<u>2023</u>
Attributable to the Company:		
Net loss from continuing operations	<u><u>\$ (3,333)</u></u>	<u><u>(3,638)</u></u>
Total comprehensive loss	<u><u>\$ (3,333)</u></u>	<u><u>(3,638)</u></u>

(Continued)

COMPAL BROADBAND NETWORKS, INC.

Notes to the Financial Statements

(iii) As of December 31, 2024 and 2023, the Company did not provide any investment accounted for using equity method as collaterals.

(g) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2024 and 2023 were as follows:

	<u>Research equipment</u>	<u>Modeling equipment</u>	<u>Machinery and equipment</u>	<u>Lease improvement and others</u>	<u>Construction in progress and prepayment for purchase of equipment</u>	<u>Total</u>
Cost or deemed cost:						
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>
Balance at January 1, 2023	\$ 420,532	16,424	6,946	96,405	643	540,950
Additions	28,925	6,163	313	9,695	-	45,096
Disposals	-	-	-	(2,921)	-	(2,921)
Reclassifications	643	-	-	-	(643)	-
Balance at December 31, 2023	<u>\$ 450,100</u>	<u>22,587</u>	<u>7,259</u>	<u>103,179</u>	<u>-</u>	<u>583,125</u>
Depreciation:						
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>
Balance at January 1, 2023	\$ 304,467	13,723	6,337	58,079	-	382,606
Depreciation	31,511	2,000	307	10,044	-	43,862
Disposals	-	-	-	(2,921)	-	(2,921)
Balance at December 31, 2023	<u>\$ 335,978</u>	<u>15,723</u>	<u>6,644</u>	<u>65,202</u>	<u>-</u>	<u>423,547</u>
Carrying amounts:						
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>
Balance at January 1, 2023	<u>\$ 116,065</u>	<u>2,701</u>	<u>609</u>	<u>38,326</u>	<u>643</u>	<u>158,344</u>
Balance at December 31, 2023	<u>\$ 114,122</u>	<u>6,864</u>	<u>615</u>	<u>37,977</u>	<u>-</u>	<u>159,578</u>

As of December 31, 2024 and 2023, the Company did not provide any property, plant and equipment as collaterals.

(Continued)

COMPAL BROADBAND NETWORKS, INC.
Notes to the Financial Statements

(h) Right-of-use assets

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

	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
Cost:			
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>
Balance at January 1, 2023	\$ 120,453	4,306	124,759
Additions	220	2,151	2,371
Disposals	(757)	-	(757)
Balance at December 31, 2023	<u>\$ 119,916</u>	<u>6,457</u>	<u>126,373</u>
Depreciation:			
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>
Balance at January 1, 2023	\$ 54,664	2,150	56,814
Depreciation	13,547	1,324	14,871
Disposals	(467)	-	(467)
Balance at December 31, 2023	<u>\$ 67,744</u>	<u>3,474</u>	<u>71,218</u>
Carrying amount:			
Balance at December 31, 2024	<u>\$ 38,302</u>	<u>1,613</u>	<u>39,915</u>
Balance at January 1, 2023	<u>\$ 65,789</u>	<u>2,156</u>	<u>67,945</u>
Balance at December 31, 2023	<u>\$ 52,172</u>	<u>2,983</u>	<u>55,155</u>

(Continued)

COMPAL BROADBAND NETWORKS, INC.

Notes to the Financial Statements

(i) Intangible assets

The cost and accumulated amortization of intangible assets of the Company for the years ended December 31, 2024 and 2023 were as follows:

	<u>Computer software</u>
Cost:	
Balance at January 1, 2024	\$ 3,099
Additions	2,786
Disposals	<u>(2,721)</u>
Balance at December 31, 2024	<u><u>\$ 3,164</u></u>
Balance at January 1, 2023	\$ 13,937
Additions	1,296
Disposals	<u>(12,134)</u>
Balance at December 31, 2023	<u><u>\$ 3,099</u></u>
Accumulated amortization:	
Balance at January 1, 2024	\$ 2,441
Amortization	1,472
Disposals	<u>(2,721)</u>
Balance at December 31, 2024	<u><u>\$ 1,192</u></u>
Balance at January 1, 2023	\$ 9,940
Amortization	4,635
Disposals	<u>(12,134)</u>
Balance at December 31, 2023	<u><u>\$ 2,441</u></u>
Carrying amount:	
Balance at December 31, 2024	<u><u>\$ 1,972</u></u>
Balance at January 1, 2023	<u><u>\$ 3,997</u></u>
Balance at December 31, 2023	<u><u>\$ 658</u></u>

For the years ended December 31, 2024 and 2023, the amortization of intangible assets are included in the statements of comprehensive income as operating expenses amounted to \$1,472 and \$4,635, respectively.

As of December 31, 2024 and 2023, the Company did not provide any intangible assets as collaterals.

(Continued)

COMPAL BROADBAND NETWORKS, INC.
Notes to the Financial Statements

(j) Provisions

	Warranty provisions
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	(1,551)
Balance at December 31, 2024	<u><u>\$ 84,086</u></u>
Balance at January 1, 2023	\$ 117,404
Provisions made during the period	7,699
Provisions reversed during the period	(3,318)
Provisions used during the period	(41,187)
Balance at December 31, 2023	<u><u>\$ 80,598</u></u>

The Company'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 Company expected the aforementioned provisions would occur within a year after-sales.

(k) Lease liabilities

The details of lease liabilities were as follows:

	December 31, 2024	December 31, 2023
Current	<u><u>\$ 13,928</u></u>	<u><u>14,620</u></u>
Non-current	<u><u>\$ 26,683</u></u>	<u><u>41,192</u></u>

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

The amounts recognized in profit or loss were as follows:

	2024	2023
Interest expense on lease liabilities	<u><u>\$ 583</u></u>	<u><u>675</u></u>
Expenses relating to short-term leases	<u><u>\$ 114</u></u>	<u><u>1,047</u></u>
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	<u><u>\$ 102</u></u>	<u><u>105</u></u>
Gain on lease modification	<u><u>\$ (108)</u></u>	<u><u>(3)</u></u>

(Continued)

COMPAL BROADBAND NETWORKS, INC.

Notes to the Financial Statements

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

	<u>2024</u>	<u>2023</u>
Total cash outflow for leases	\$ <u>15,056</u>	<u>16,572</u>

The Company 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 Company 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 Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(l) Employee benefits - Defined contribution plans

The Company 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 Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligationse.

The pension expenses of the Company under the pension plan contributed to the Bureau of Labor Insurance for the years ended December 31, 2024 and 2023 were amounted to \$5,715 and \$7,980, respectively.

(m) Income taxes

(i) The amount of income tax expenses for the years ended December 31, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Current tax benefit		
Adjustment for prior periods	\$ -	(1)
	-	(1)
Deferred tax expense		
Recognition and reversal of temporary differences	18,000	20,546
Income tax expenses	<u>\$ 18,000</u>	<u>20,545</u>

The amounts of income tax expenses recognized in other comprehensive income for the years ended December 31, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	\$ -	<u>97</u>

(Continued)

COMPAL BROADBAND NETWORKS, INC.

Notes to the Financial Statements

The reconciliation of the income tax expense and loss before tax for the years ended December 31, 2024 and 2023, was as follows:

	2024		2023	
	Rate	Amount	Rate	Amount
Loss before tax	20%	\$ <u>(147,938)</u>	20%	<u>(305,564)</u>
Income tax calculated based on domestic tax rate		(29,588)		(61,113)
Changes in unrecognized temporary differences		(3,161)		18,274
Current-year losses for which no deferred tax asset was recognized		50,082		62,769
Change in provision in prior periods		-		(1)
Others		<u>667</u>		<u>616</u>
		\$ <u>18,000</u>		<u>20,545</u>

(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, 2024	December 31, 2023
The carryforward of unused tax losses	\$ <u>138,223</u>	<u>91,755</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 Company can utilize the benefits therefrom.

As of December 31, 2024, the information of the Company'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(filed)	311,631	2033
2024(estimated)	<u>250,411</u>	2034
	\$ <u>715,113</u>	

(Continued)

Changes in the amount of deferred tax assets and liabilities for 2024 and 2023 were as follows:

	<u>Financial asset valuation gain</u>
Deferred tax liabilities:	
Balance at January 1, 2024	\$ 874
Recognized in profit or loss	<u>(874)</u>
Balance at December 31, 2024	<u>\$ -</u>
Balance at January 1, 2023	\$ -
Recognized in profit or loss	<u>874</u>
Balance at December 31, 2023	<u>\$ 874</u>

	Warranty provisions	Premiums payable	Loss on inventory valuation	Unrealized exchange gains and losses, net	Tax effect of loss	Others	Total
Deferred tax assets:							
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)	3,171	4,701	(18,874)
Balance at December 31, 2024	<u>\$ 16,817</u>	<u>183</u>	<u>5,337</u>	<u>748</u>	<u>4,799</u>	<u>10,260</u>	<u>38,144</u>
Balance at January 1, 2023	\$ 23,481	1,858	4,990	23,748	19,782	2,928	76,787
Recognized in profit or loss	(7,361)	(880)	267	3,728	(18,154)	2,728	(19,672)
Recognized in other comprehensive income	-	-	-	-	-	(97)	(97)
Balance at December 31, 2023	<u>\$ 16,120</u>	<u>978</u>	<u>5,257</u>	<u>27,476</u>	<u>1,628</u>	<u>5,559</u>	<u>57,018</u>

(iii) The R.O.C. tax authorities have examined the income tax returns of the Company through 2022.

For the years ended December 31, 2024 and 2023, the authorized ordinary shares were both \$1,000,000 of which 67,336 thousand shares and 67,638 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

(Continued)

COMPAL BROADBAND NETWORKS, INC.

Notes to the Financial Statements

(i) Ordinary shares

Reconciliation of shares outstanding for the years ended December 31, 2024 and 2023 were as follow:

Unit: in thousands of shares

	Ordinary shares	
	2024	2023
Balance at January 1	67,638	68,002
Cancellation of employee restricted shares	(302)	(364)
Balance at December 31	<u>67,336</u>	<u>67,638</u>

The Company issued new employee restricted shares amounted to \$15,000 in 2021. The base date of the share issuance was set on December 20, 2021. For the years ended December 31, 2024 and 2023, the share capital of \$3,024 and \$3,640 was canceled, as some of the employees did not meet the vesting conditions. The corresponding reductions in capital surplus amounted to \$6,260 and \$7,535, respectively and the registration had been completed.

(ii) Capital surplus

The balance of capital surplus were as follows:

	December 31, 2024	December 31, 2023
Additional paid in capital premium	\$ 318,043	318,043
Employee share options	48,101	48,101
Issuance of employee restricted shares	-	6,260
Changes in equity of associates accounted for using equity method	<u>315</u>	<u>-</u>
	<u>\$ 366,459</u>	<u>372,404</u>

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.

(Continued)

COMPAL BROADBAND NETWORKS, INC.

Notes to the Financial Statements

(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.

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.

(Continued)

COMPAL BROADBAND NETWORKS, INC.

Notes to the Financial Statements

(iv) Earnings distribution (Accumulated deficit offsetting)

On March 15, 2023, the Board of Directors of the Company resolved the distribution of earnings for the year ended 2022. The amount of dividends to be distributed to the ordinary shareholders is as follows:

	<u>2022</u>	
	<u>Amount per share (NTD)</u>	<u>Total amount</u>
Cash dividends distributed to ordinary shareholders	\$ 0.5	<u><u>33,827</u></u>

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

On March 11, 2025, the Board of Directors of the Company proposed to use special reserve of \$588, legal reserve of \$104,494, and capital surplus of \$60,856 to offset losses. The aforementioned loss offsetting proposal is still subject to the resolution of the shareholders' meeting.

(o) Share-based payment—Employee restricted share

The Company issued 1,500 thousand shares of employee restricted shares (without consideration) to the Company's fulltime employees who meet certain requirements based on the resolution approved during the annual shareholders' meeting held on June 24, 2020, with the base date set on December 20, 2021. All the above restricted shares have been registered with, and approved by, the Securities and Futures Bureau of FSC. All registration procedures had been completed on January 7, 2022.

40%, 30% and 30% of the restricted shares are vested when the employees continue to provide service for at least 1 year, 2 years and 3 years, respectively, from the registration and the effective date, and at the same time, meet the performance requirement. After the issuance, the restricted shares are kept by a trust, which is appointed by the Company, before they are vested. These restricted shares shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties, except for inheritance, during the custody period. The voting rights of these shares are executed by a custodian, who shall comply in accordance with the laws and regulations. If the shares remain unvested after the vesting period, the Company will purchase all the unvested shares without consideration and cancel the shares thereafter.

(Continued)

COMPAL BROADBAND NETWORKS, INC.
Notes to the Financial Statements

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

	Unit: in thousands of shares	
	2024	2023
Outstanding unit at January 1	302	666
Cancellation during the period	(302)	(364)
Outstanding unit at December 31	<u>-</u>	<u>302</u>

The fair value of the employee restricted shares was evaluated by using the closing price of \$30.70 at the grant date on December 20, 2021, and the capital surplus recognized due to the restricted shares amounted to \$31,050. As of December 31, 2024 and 2023, the unearned employee benefit amounted to \$0 and \$3,010, respectively.

The compensation expenses (benefits) recognized due to the restricted shares amounted to \$(6,274) and \$(2,972) for the years ended December 31, 2024 and 2023, respectively.

(p) Loss per share

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

	2024	2023
Basic loss per share		
Loss attributable to ordinary shareholders of the Company	\$ <u>(165,938)</u>	<u>(326,109)</u>
Weighted-average number of outstanding ordinary shares (in thousands)	<u>67,336</u>	<u>67,336</u>
Basic loss per share (NTD)	\$ <u>(2.46)</u>	<u>(4.84)</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>(2.46)</u>	<u>(4.84)</u>

Employee restricted shares by the Company have no dilutive effect. Therefore, employee restricted shares do not include in the calculation of diluted loss per share for 2024 and 2023.

(Continued)

COMPAL BROADBAND NETWORKS, INC.
Notes to the Financial Statements

(q) Revenue from contracts with customers

(i) Details of revenue

	<u>2024</u>	<u>2023</u>
Primary geographical markets:		
America	\$ 359,494	730,988
Canada	112,951	42,207
Belgium	80,676	60,336
Others	<u>388,813</u>	<u>330,523</u>
	<u><u>\$ 941,934</u></u>	<u><u>1,164,054</u></u>
Major products:		
Communication network products	\$ 802,885	732,397
Material sales revenue and others	<u>139,049</u>	<u>431,657</u>
	<u><u>\$ 941,934</u></u>	<u><u>1,164,054</u></u>

(ii) Contract balances

	<u>December 31, 2024</u>	<u>December 31, 2023</u>	<u>January 1, 2023</u>
Accounts receivable	\$ 222,414	427,808	491,989
Less: loss allowance	<u>(26,229)</u>	<u>(26,841)</u>	<u>(3,211)</u>
Total	<u><u>\$ 196,185</u></u>	<u><u>400,967</u></u>	<u><u>488,778</u></u>
Contract liabilities	<u><u>\$ 26,339</u></u>	<u><u>1,846</u></u>	<u><u>1,926</u></u>

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

The amount of revenue recognized for the years ended December 31, 2024 and 2023 that were included in the balance of contract liabilities at the beginning of the period were \$1,846 and \$80, 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.

(r) Remuneration to employees and directors

Based on the Company's Articles of Incorporation, 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, 2024 and 2023.

(Continued)

COMPAL BROADBAND NETWORKS, INC.
Notes to the Financial Statements

(s) Other gains and losses

The other gains and losses of the Company for the years ended December 31, 2024 and 2023 were as follow:

	<u>2024</u>	<u>2023</u>
Foreign currency exchange gains (losses)	\$ 7,213	(3,068)
(Losses) gains on financial assets (liabilities) at fair value through profit or loss, net	(8,236)	5,139
Gain on lease modification	108	3
Loss on disposal of property, plant and equipment	(8,378)	-
Others	(4,152)	-
Other gains and losses, net	<u><u>\$ (13,445)</u></u>	<u><u>2,074</u></u>

(t) 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, 2024 and 2023, amounted to \$732,482 and \$729,260, accounting for 78% and 63% of the operating revenue, respectively. The carrying amounts of the accounts receivable as of December 31, 2024 and 2023 amounted to \$152,656 and \$263,399, respectively. In order to reduce credit risk, the Company continuously assesses the financial status of the customers.

3) Accounts receivable credit risk

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

(Continued)

COMPAL BROADBAND NETWORKS, INC.
Notes to the Financial Statements

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
December 31, 2024					
Non-derivative financial liabilities					
Accounts payable (including related parties)	\$ 338,276	(338,276)	(338,276)	-	-
Other payables (including related parties)	75,431	(75,431)	(75,431)	-	-
Lease liabilities (including current and non-current)	<u>40,611</u>	<u>(41,495)</u>	<u>(14,432)</u>	<u>(14,432)</u>	<u>(12,631)</u>
	<u>\$ 454,318</u>	<u>(455,202)</u>	<u>(428,139)</u>	<u>(14,432)</u>	<u>(12,631)</u>
December 31, 2023					
Non-derivative financial liabilities					
Accounts payable (including related parties)	\$ 190,267	(190,267)	(190,267)	-	-
Other payables (including related parties)	186,946	(186,946)	(186,946)	-	-
Lease liabilities (including current and non-current)	<u>55,812</u>	<u>(57,047)</u>	<u>(15,169)</u>	<u>(14,663)</u>	<u>(27,215)</u>
	<u>\$ 433,025</u>	<u>(434,260)</u>	<u>(392,382)</u>	<u>(14,663)</u>	<u>(27,215)</u>

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

Unit: thousands of foreign currency

	<u>December 31, 2024</u>			<u>December 31, 2023</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
Financial assets						
Monetary items						
USD	\$ 11,306	USD/TWD =32.785	370,667	16,910	USD/TWD =30.705	519,222
EUR	1,309	EUR/TWD =34.14	44,689	959	EUR/TWD =34.14	32,740
Financial liabilities						
Monetary items						
USD	10,438	USD/TWD =32.785	342,210	6,756	USD/TWD =30.705	207,443

(Continued)

COMPAL BROADBAND NETWORKS, INC.

Notes to the Financial Statements

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, accounts payable (including related parties), and other payables that are denominated in foreign currency. The analysis assumes that all other variables remain constant. A strengthening (weakening) 5% of each foreign currency against the functional currency on December 31, 2024 and 2023 would have affected the net loss before tax as follows. The analysis is performed on the same basis for both periods:

	<u>2024</u>	<u>2023</u>
USD (against the TWD)		
Strengthening 5%	\$ 1,423	15,589
Weakening 5%	(1,423)	(15,589)
EUR (against the TWD)		
Strengthening 5%	2,234	1,637
Weakening 5%	(2,234)	(1,637)

3) Exchange gains and losses of monetary items

As the Company deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2024 and 2023, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$7,213 and \$(3,068), respectively.

(iv) Interest rate analysis

The Company'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 Company'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 \$144 and \$219 for the years ended December 31, 2024 and 2023, respectively, which would be mainly resulted from the bank deposits with variable interest rates.

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COMPAL BROADBAND NETWORKS, INC.
Notes to the 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 Company'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, and lease liabilities, disclosure of fair value information is not required.

	December 31, 2024				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 508,571	-	-	-	-
Accounts receivable, net	196,185	-	-	-	-
Other receivables, net	19,528	-	-	-	-
Other non-current asset (refundable deposits)	3,841	-	-	-	-
Other non-current asset (Pledged certificate of deposits)	500	-	-	-	-
Total	<u>\$ 728,625</u>				
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 338,276	-	-	-	-
Other payables (including related parties)	75,341	-	-	-	-
Lease liabilities (including current and non-current)	40,611	-	-	-	-
Total	<u>\$ 454,228</u>				

(Continued)

COMPAL BROADBAND NETWORKS, INC.
Notes to the Financial Statements

	December 31, 2023				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ <u>4,373</u>	-	4,373	-	4,373
Financial assets measured at amortized cost					
Cash and cash equivalents	305,429	-	-	-	-
Accounts receivable, net	400,967	-	-	-	-
Other receivables, net	2,529	-	-	-	-
Other non-current asset (refundable deposits)	3,729	-	-	-	-
Other non-current asset (Pledged certificate of deposits)	<u>500</u>	-	-	-	-
Subtotal	<u>713,154</u>				
Total	<u><u>\$ 717,527</u></u>				
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 190,267	-	-	-	-
Other payables (including related parties)	186,946	-	-	-	-
Lease liabilities (including current and non-current)	<u>55,812</u>	-	-	-	-
Total	<u><u>\$ 433,025</u></u>				

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

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

a) Financial liabilities measured at amortized cost

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

3) Valuation technique for financial instruments measured at fair value

a) Derivative financial instruments

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

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COMPAL BROADBAND NETWORKS, INC.

Notes to the Financial Statements

- 4) There were no transfers from one level to another for the years ended December 31, 2024 and 2023.

(u) Financial risk management

(i) Overview

The Company 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 Company's risk management policies are set for identifying and analyzing the risk that the Company confronts for setting the appropriate amount of the risk and complying with the policies. The Company continually reviews the risk management policies to reflect the market condition and the changes of the Company's operation. The Company 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 monitoring of the management is in compliance with the Company's risk management policies and procedures, and reviews the appropriateness of the related risk management framework. The Company's internal auditors assist the Board of Directors to supervise and review the control and procedures of the risk management periodically and aperiodically, and report the findings to the Board of Directors.

(iii) Credit risk

- 1) Credit risk is the risk on the financial loss to the Company if a customer or a counterparty fails to meet its contractual obligations. It rises principally from the Company's receivables from customers and bank savings.
- 2) The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company'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 Company only can make transactions by either advanced payment or obtain consent by authorized supervisors.

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COMPAL BROADBAND NETWORKS, INC.

Notes to the Financial Statements

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

The Company 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 Company's finance department. Since the Company'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 Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company'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 Company. As of December 31, 2024 and 2023, the unused long-term and short-term bank financing lines are \$773,990 and \$584,870, 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 Company'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 optimising the return.

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

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COMPAL BROADBAND NETWORKS, INC.

Notes to the Financial Statements

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currencies of the Company, primarily EUR and USD. The Company 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 Company buys or sells foreign currencies at spot rate or exchange rate to ensure that the net exposure is kept on an acceptable level.

(v) Capital management

The Company'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 Company monitor through periodic review of debt ratio by optimizing debt ratio. The Company's debt ratio at the reporting date was as follows:

	December 31, 2024	December 31, 2023
Total liabilities	\$ 567,019	520,463
Total assets	1,545,783	1,671,122
Debt ratio	37 %	31 %

As of December 31, 2024, there were no changes in the Company's approach to capital management.

(w) Investing and financing activities not affecting cash flow

The Company's investing and financing activities which did not affect the cash flow for the years ended December 31, 2024 and 2023 were as the acquisition of right-of-use assets by lease, please see note (6)(h).

Reconciliation of liabilities arising from financing activities were as follows:

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

	January 1, 2023	Cash flows	Non-cash changes		December 31, 2023
			Acquisition	Disposal	
Lease liabilities	\$ <u>68,479</u>	<u>(14,745)</u>	<u>2,371</u>	<u>(293)</u>	<u>55,812</u>

(Continued)

COMPAL BROADBAND NETWORKS, INC.
Notes to the Financial Statements

(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 Company. Compal Electronics Inc. has compiled the consolidated financial statements available for public use.

(b) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Company</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
Compal Broadband Networks Belgium BVBA ("CBNB")	A subsidiary
Compal Broadband Networks Netherlands B.V. ("CBNN")	A subsidiary
Starmems Semiconductor Corp. ("Starmems")	An associate

(c) Significant transactions with related parties

(i) Purchases and processing fee

	<u>2024</u>	<u>2023</u>
Parent Company- Compal Electronics	\$ <u><u>78,112</u></u>	<u><u>144,765</u></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 Company 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.

(Continued)

COMPAL BROADBAND NETWORKS, INC.

Notes to the Financial Statements

(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 Company. For the years ended December 31, 2024 and 2023, the related expenses were as follows:

	2024	2023
Parent Company- Compal Electronics	\$ 28,394	13,939
Other related parties	<u>100</u>	<u>95</u>
	<u>\$ 28,494</u>	<u>14,034</u>

(iii) Rental income

The Company 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, 2024 and 2023, the rent revenue amounted to \$2,448 and \$2,910, respectively.

(iv) Receivables from related parties

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

Account	Related party categories	December 31, 2024	December 31, 2023
Other receivables	Other related parties- CVC	\$ 18,705	-
"	Associates	<u>266</u>	<u>130</u>
Total		<u>\$ 18,971</u>	<u>130</u>

(v) Payables to related parties

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

Account	Related party categories	December 31, 2024	December 31, 2023
Accounts payable	Parent Company-Compal Electronics	\$ 223,168	130,494
Other payables	Other related parties- CDE	33,421	29,618
Other payables	Other related parties- CVC	-	90,302
Other payables	Other related parties	<u>26</u>	<u>21</u>
Total		<u>\$ 256,615</u>	<u>250,435</u>

(Continued)

COMPAL BROADBAND NETWORKS, INC.
Notes to the Financial Statements

(d) Transactions with key management personnel

Key management personnel compensation comprised:

	2024	2023
Short-term employee benefits	\$ 23,774	30,431
Post-employment benefits	698	911
Share-based payments	(3,434)	2,196
	\$ 21,038	33,538

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

(8) Pledged assets:

The carrying amount of pledged assets were as follows:

Assets	Subject	December 31, 2024	December 31, 2023
Other non-current assets-restricted asset -time deposit	Guarantee payment for import VAT	\$ 500	500

(9) Significant commitments and contingencies:

For the year ended December 31, 2024, the Company has signed technical service contracts with outstanding payments amounting to \$122,531.

(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 function	2024			2023		
		Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
By item							
Employee benefits							
Salary	-	116,570	116,570	-	187,164	187,164	
Labor and health insurance	-	11,072	11,072	-	15,320	15,320	
Pension	-	5,715	5,715	-	7,980	7,980	
Remuneration of directors	-	2,640	2,640	-	2,640	2,640	
Others	-	3,985	3,985	-	5,722	5,722	
Depreciation	5,024	56,203	61,227	4,872	53,861	58,733	
Amortization	-	1,472	1,472	-	4,635	4,635	

(Continued)

COMPAL BROADBAND NETWORKS, INC.

Notes to the Financial Statements

The following are the additional information on the numbers of the Company's employees and their benefits:

	2024	2023
Number of employees	<u>124</u>	<u>178</u>
Number of directors who were not employees	<u>6</u>	<u>6</u>
The average employee benefit	<u>\$ 1,164</u>	<u>1,257</u>
The average salaries and wages	<u>\$ 988</u>	<u>1,088</u>
Average salary expense adjustment	<u>(9.19)%</u>	<u>(5.96)%</u>
Remuneration of supervisors	<u>\$ -</u>	<u>-</u>

The Company's salary and remuneration policy (including directors, managers and employees) is as follows:

- (i) Directors' remuneration: According to the company's articles of association, the company should distribute directors' remuneration no more than 2% of the current year's profit; and when directors execute the business of the company, regardless of operating profit or loss, the company shall pay salaries. The remuneration of all directors is based on the degree of participation in the company's operations and the value of their contributions, and in consideration of the industry standards. The Salary and Compensation Committee submits it to the Board of Directors for resolution.
- (ii) Employees and managers' remuneration: It's handled in accordance with the Company's personnel regulations and salary adjustments which are based on performance and price levels every year. Managers' salaries are recommended by the Salary and Compensation Committee and submitted to the Board of Directors for approval in accordance with regulations.

(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 Company for the year ended December 31, 2024:

- (i) Loans to other parties: None.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of December 31, 2024 (excluding investment in subsidiaries, associates and joint ventures): None.
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(Continued)

COMPAL BROADBAND NETWORKS, INC.

Notes to the Financial Statements

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.

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

(ix) Trading in derivative instruments: None.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2024 (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, 2024			Net income (losses) of investee	Investment Income (losses)	Note
				December 31, 2024	December 31, 2023	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	CBNB	Belgium	Import, export, technical support, and consulting services for broadband network products and related components	6,842	6,842	20	100 %	4,979	(289)	(289)	Note 1
The Company	CBNN	Netherlands	"	7,016	7,016	20	100 %	6,251	(16)	(16)	"
The Company	Starmems	Taiwan	Research and development of micro-electro-mechanical system (MEMS) microphone technology products	16,300	10,000	1,630	9.59 %	6,784	(34,278)	(3,333)	Invested company accounted for using equity method

Note 1: The amounts in New Taiwan Dollars were translated at the exchange rate of EUR@34.14 based on the year end exchange rate.

(c) Information on investment in mainland China: None.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Compal Electronics, Inc.		29,060,176	43.15 %
Zhi-Bao Technology Inc.		13,139,637	19.51 %
Cdib Capital Growth Partners L.P.		4,119,000	6.11 %
Realsun Investment Co., Ltd		3,575,000	5.30 %
Realking Investments Limited		3,575,000	5.30 %

Note: (1) The table shows principal shareholders information, including shareholders holding more than 5% of the Company's delivered uncertificated/scripless shares (including treasury shares), with ordinary shares and preference shares combined at the last operating date of each quarter. As a result of different basis of calculation, there may be inconsistency between share capital reported in the financial statements and the actual awarded number of uncertificated/scripless shares.

(Continued)

COMPAL BROADBAND NETWORKS, INC.**Notes to the Financial Statements**

Note: (2) The above information, in the case of a shareholder's delivery of shares to a trust, is disclosed by the individual sub-account of the principal who opened the trust in favor of the trustee. As to the declaration of the shareholders' shareholding of an insider in excess of 10% by virtue of the Securities Trading Act, the shareholding of the shareholders includes the addition of the shares of the shareholders in trust and the application of the right of decision in respect of the trust property, and so on. For information on the declaration of the rights of the insider, please refer to the Public Information Observatory.

(14) Segment information:

Please refer the consolidated financial statements for the year ended December 31, 2024.

Compal Broadband Networks, Inc.
Statement of Cash and Cash Equivalents
December 31, 2024
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Cash on hand		\$ <u>320</u>
Checking accounts and demand deposits	TWD	44,561
	Foreign currency (USD 89 thousand, EUR 291 thousand and others)	<u>12,879</u>
		<u>57,440</u>
Time deposits	TWD (maturity date: January 6, 2025~February 28, 2025)	<u>450,811</u>
Total		<u><u>\$ 508,571</u></u>

Note : The exchange rate: USD 1 = NTD 32.785 ; EUR 1 = NTD 34.14

Statement of Accounts Receivable
December 31, 2024
(Expressed in thousands of New Taiwan Dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>
Company F	Sales of non-related-parties	\$ 28,819
Company H	"	25,963
Company K	"	25,129
Company L	"	11,748
Company M	"	11,233
Company N	"	17,949
Company O	"	13,516
Company P	"	16,056
Other (note)	"	<u>72,001</u>
Subtotal		222,414
Less: loss allowance		<u>(26,229)</u>
Net amount		<u><u>\$ 196,185</u></u>

Note: The amount of each item in others does not exceed 5% of the account balance.

Compal Broadband Networks, Inc.
Statement of Inventories
December 31, 2024
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>	
	<u>Cost</u>	<u>Net realizable value</u>
Merchandise	\$ 19,445	54,317
Work in process and semi-finished goods	1,204	1,204
Raw material	<u>506,529</u>	<u>504,826</u>
	<u>\$ 527,178</u>	<u>560,347</u>

Note: Allowance for inventory valuation and obsolescence loss is the result of taking the lower of cost and net realizable value and evaluating the inventory which is not changed for more than three months.

Compal Broadband Networks, Inc.

Statement of Changes in Investment Accounted for Using The Equity Method

December 31, 2024

(Expressed in thousands of New Taiwan Dollars)

<u>Name of investee</u>	<u>Beginning balance</u>		<u>Increase</u>		<u>Decrease</u>		<u>Profit or loss of investment</u>	<u>Other</u>	<u>Ending balance</u>			<u>Net assets value</u>	<u>Pledge or collateral</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>			<u>Shares</u>	<u>Percentage of shareholding</u>	<u>Amount</u>		
Compal Broadband Networks Belgium BVBA	20	\$ 5,266	-	-	-	-	(289)	2	20	100 %	4,979	4,979	None
Compal Broadband Networks Netherlands B.V.	20	6,267	-	-	-	-	(16)	-	20	100 %	6,251	6,251	"
Starmems Semiconductor Corp.	1,000	<u>3,502</u>	630	<u>6,300</u>	-	<u>-</u>	<u>(3,333)</u>	<u>315</u>	1,630	9.59 %	<u>6,784</u>	6,784	"
Total		<u>\$ 15,035</u>		<u>6,300</u>		<u>-</u>	<u>(3,638)</u>	<u>317</u>			<u>18,014</u>		

Compal Broadband Networks, Inc.
Statement of Changes in Property, Plant and
Equipment
For the year ended December 31, 2024

Please refer to note 6(g).

Statement of Accounts Payable
December 31, 2024
(Expressed in thousands of New Taiwan Dollars)

<u>Supplier Name</u>	<u>Amount</u>
Company G	\$ 19,198
Company B	16,705
Company H	13,075
Company I	7,719
Company J	6,462
Others (Note)	<u>51,949</u>
	<u>\$ 115,108</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

Compal Broadband Networks, Inc.
Statement of Other Payables
December 31, 2024
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Payroll payables and year-end bonuses payable		\$ 16,976
Other payables to related parties		33,447
Others (Note)	Insurance expenses payable and others	<u>25,008</u>
		<u>\$ 75,431</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

Statement of Operating Revenue
For the year ended December 31, 2024
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Quantity (in thousands)</u>	<u>Amount</u>
Sales revenue:		
Communication network products	338	\$ 802,885
Material sales revenue and others		<u>139,049</u>
Net operating revenue		<u>\$ 941,934</u>

Compal Broadband Networks, Inc.
Statement of Operating Costs
For the year ended December 31, 2024
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Raw materials	
Raw materials, beginning of year	\$ 553,639
Add: Purchases	569,792
Less: Raw materials, end of year	(507,131)
Cost of raw materials sold	(37,632)
Transferred to operating expense and others	<u>(408)</u>
Raw material used	578,260
Processing fee, royalty and depreciation	8,378
Add: Work in progress and semi-finished goods, beginning of the year	3,735
Purchase of semi-finished products and others	13,764
Less: Work in progress and semi-finished goods, end of the year	<u>(4,023)</u>
Cost of merchandise	600,114
Add: Merchandise, beginning of year	82,321
Purchases	101,019
Less: Merchandise, end of year	(43,819)
Transferred to operating expense and others	<u>(2,552)</u>
Cost of merchandise sold	737,083
Cost of materials sold	37,632
Allowance for inventory valuation and obsolescence loss	<u>403</u>
Operating costs	<u><u>\$ 775,118</u></u>

Compal Broadband Networks, Inc.
Statement of Selling, Administrative, Research and
Development Expenses

For the year ended December 31, 2024

(Expressed in thousands of New Taiwan Dollars)

Item	Selling expenses	Administrative expenses	Research and development expenses
Salaries	\$ 33,631	17,110	65,829
Depreciation	3,292	7,539	45,372
Import and export costs	11,505	-	493
Miscellaneous expense	670	17,971	8,299
Service expense	2,777	5,399	176
Testing expense	-	2,259	21,595
After-sales service expense	5,039	-	-
Research material	6,488	(60)	5,945
Others (Note)	<u>13,785</u>	<u>11,762</u>	<u>22,502</u>
Total	<u>\$ 77,187</u>	<u>61,980</u>	<u>170,211</u>

Note: The amount of each item in others does not exceed 5% of the account balance.