

**CAMEO COMMUNICATIONS, INC.
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2024 and 2023**

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

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Independent Auditors' Review Report

To the Board of Directors of Cameo Communications, Inc.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Cameo Communications, Inc. and its subsidiaries as of March 31, 2024 and 2023, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2024 and 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$44,267 thousand and \$58,061 thousand, constituting 1.07% and 1.05% of the consolidated total assets; and the total liabilities amounting to \$3,381 thousand and \$14,576 thousand, constituting 0.32% and 0.65% of the consolidated total liabilities as of March 31, 2024 and 2023, respectively; as well as the absolute value of the total comprehensive income (loss) amounting to \$(9,075) thousand and \$(7,597) thousand, constituting 13.17% and 22.89% of the consolidated total comprehensive income (loss) for the three months ended March 31, 2024 and 2023, respectively.

Qualified Conclusion

Except for the impact of potential adjustments to the consolidated financial statements, if any, arising from the review of financial statements of certain subsidiaries described in the Basis for Qualified Conclusion paragraph above by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Cameo Communications, Inc. and its subsidiaries as of March 31, 2024 and 2023, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2024 and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Hsin, Yu-Ting and Chien, Szu-Chuan.

KPMG

Taipei, Taiwan (Republic of China)

May 7, 2024

Notes to Readers

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

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

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

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES**Consolidated Balance Sheets****March 31, 2024, December 31, 2023, and March 31, 2023****(Expressed in Thousands of New Taiwan Dollars)**

| Assets | | March 31, 2024 | | December 31, 2023 | | March 31, 2023 | | Liabilities and Equity | | March 31, 2024 | | December 31, 2023 | | March 31, 2023 | | | |
|---------------------|---|----------------|-----------|-------------------|-----------|----------------|-----------|------------------------|------------------------------|--|----|-------------------|-----|----------------|-----|-----------|-----|
| | | Amount | % | Amount | % | Amount | % | | | Amount | % | Amount | % | Amount | % | | |
| Current assets: | | | | | | | | | Current liabilities: | | | | | | | | |
| 1100 | Cash and cash equivalents (note 6(a)) | \$ | 1,196,685 | 30 | 1,331,694 | 32 | 1,446,744 | 26 | 2170 | Trade payables(including related parties) (note7) | \$ | 180,308 | 4 | 197,111 | 5 | 1,003,645 | 19 |
| 1170 | Notes and trade receivables, net (notes 6(d) and 6(q)) | | 100,069 | 2 | 137,334 | 3 | 337,447 | 6 | 2200 | Other payables(including related parties) (note7) | | 87,732 | 2 | 98,022 | 2 | 183,101 | 3 |
| 1180 | Trade receivables due from related parties, net (notes 6(d), 6(q) and 7) | | 157,524 | 4 | 110,554 | 3 | 746,538 | 14 | 2250 | Current provisions (note 6(l)) | | 5,433 | - | 5,905 | - | 6,258 | - |
| 1200 | Other receivables, net (note 6(e)) | | 5,204 | - | 6,598 | - | 109,723 | 2 | 2280 | Current lease liabilities (note 6(k)) | | 20,821 | - | 20,011 | - | 20,323 | - |
| 1210 | Other receivables due from related parties, net (notes 6(e) and 7) | | 4,340 | - | 7,822 | - | - | - | 2305 | Other current liabilities | | 66,100 | 2 | 71,865 | 2 | 53,259 | 1 |
| 1220 | Current tax assets | | 1,762 | - | 1,298 | - | 664 | - | 2320 | Long-term borrowings, current portion (notes 6(j) and 8) | | 122,151 | 3 | 122,151 | 3 | 122,151 | 2 |
| 1310 | Inventories, net (note 6(f)) | | 558,057 | 14 | 606,526 | 14 | 1,105,987 | 20 | | | | 482,545 | 11 | 515,065 | 12 | 1,388,737 | 25 |
| 1476 | Other current financial assets (note 6(a)) | | 371,423 | 9 | 305,700 | 7 | - | - | 2540 | Long-term borrowings (notes 6(j) and 8) | | 498,344 | 12 | 528,881 | 12 | 742,646 | 14 |
| 1470 | Prepayments and other current assets | | 19,026 | - | 19,010 | - | 35,084 | 1 | 2570 | Deferred tax liabilities | | 32,055 | 1 | 32,055 | 1 | 59,902 | 1 |
| | | | 2,414,090 | 59 | 2,526,536 | 59 | 3,782,187 | 69 | 2580 | Non-current lease liabilities (note 6(k)) | | 28,724 | 1 | 32,401 | 1 | 48,047 | 1 |
| Non-current assets: | | | | | | | | | | | | 559,123 | 14 | 593,337 | 14 | 850,595 | 16 |
| 1510 | Non-current financial assets at fair value through profit or loss (note 6(b)) | | 127,050 | 3 | 127,050 | 3 | - | - | | Total liabilities | | 1,041,668 | 25 | 1,108,402 | 26 | 2,239,332 | 41 |
| 1517 | Non-current financial assets at fair value through other comprehensive income (note 6(c)) | | 101,074 | 2 | 108,410 | 3 | 98,900 | 2 | | Equity (note 6(o)): | | | | | | | |
| 1600 | Property, plant and equipment (notes 6(g) and 8) | | 1,347,085 | 33 | 1,359,524 | 32 | 1,428,699 | 26 | 3110 | Equity attributable to owners of parent : | | | | | | | |
| 1755 | Right-of-use assets (note 6(h)) | | 49,236 | 1 | 52,194 | 1 | 68,161 | 1 | 3300 | Ordinary shares | | 3,307,792 | 80 | 3,307,792 | 78 | 3,307,792 | 60 |
| 1780 | Intangible assets (note 6(i)) | | 9,913 | - | 10,436 | - | 12,434 | - | 3400 | Retained earnings | | (93,047) | (2) | (24,640) | (1) | 96,004 | 1 |
| 1840 | Deferred tax assets | | 32,055 | 1 | 32,055 | 1 | 49,086 | 1 | | Other equity interest | | (132,956) | (3) | (132,438) | (3) | (136,647) | (2) |
| 1920 | Refundable deposits | | 5,801 | - | 5,545 | - | 5,744 | - | | Total equity | | 3,081,789 | 75 | 3,150,714 | 74 | 3,267,149 | 59 |
| 1975 | Net defined benefit asset, non-current | | 36,441 | 1 | 36,441 | 1 | 35,732 | 1 | | | | | | | | | |
| 1990 | Other non-current assets, others (notes 6(a) and 8) | | 712 | - | 925 | - | 25,538 | - | | | | | | | | | |
| | | | 1,709,367 | 41 | 1,732,580 | 41 | 1,724,294 | 31 | | | | | | | | | |
| Total assets | | \$ | 4,123,457 | 100 | 4,259,116 | 100 | 5,506,481 | 100 | Total liabilities and equity | | \$ | 4,123,457 | 100 | 4,259,116 | 100 | 5,506,481 | 100 |

See accompanying notes to consolidated financial statements.

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

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the three months ended March 31, 2024 and 2023
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

| | | For the three months ended March 31 | | | |
|------|--|-------------------------------------|------|-----------|-----|
| | | 2024 | | 2023 | |
| | | Amount | % | Amount | % |
| 4000 | Operating revenue (notes 6(q) and 7) | \$ 234,767 | 100 | 1,070,847 | 100 |
| 5000 | Operating costs (notes 6(f), 6(m), 6(r), 7 and 12) | 253,251 | 108 | 954,422 | 89 |
| 5900 | Gross (loss) profit | (18,484) | (8) | 116,425 | 11 |
| 6000 | Operating expenses (notes 6(m), 6(r), 7 and 12): | | | | |
| 6100 | Selling expenses | 10,891 | 5 | 21,266 | 2 |
| 6200 | Administrative expenses | 17,203 | 7 | 33,104 | 3 |
| 6300 | Research and development expenses | 47,511 | 20 | 45,020 | 4 |
| | Total operating expenses | 75,605 | 32 | 99,390 | 9 |
| 6900 | Net operating (loss) income | (94,089) | (40) | 17,035 | 2 |
| 7000 | Non-operating income and expenses (notes 6(g), 7 and 12): | | | | |
| 7050 | Finance costs | (3,390) | (1) | (4,225) | - |
| 7100 | Interest income | 7,635 | 3 | 4,532 | - |
| 7190 | Other income | 5,731 | 2 | 6,853 | - |
| 7210 | Losses on disposals of property, plant and equipment | - | - | (504) | - |
| 7230 | Foreign exchange gains(losses) | 15,701 | 7 | (11,963) | (1) |
| 7235 | Net losses on financial assets (liabilities) at fair value through profit or loss | - | - | (281) | - |
| 7228 | Gains on lease modification | 5 | - | - | - |
| 7590 | Other loss | - | - | (89) | - |
| | | 25,682 | 11 | (5,677) | (1) |
| 7900 | (Loss) profit from continuing operations before tax | (68,407) | (29) | 11,358 | 1 |
| 7950 | Less: Income tax expenses (note 6(n)) | - | - | 396 | - |
| 8200 | (Loss) profit | (68,407) | (29) | 10,962 | 1 |
| 8300 | Other comprehensive (loss) income: | | | | |
| 8310 | Items that may not be reclassified to profit or loss | | | | |
| 8316 | Unrealized (losses) gains from investments in equity instruments measured at fair value through other comprehensive income | (7,336) | (3) | 18,204 | 2 |
| 8349 | Income tax related to items that may not be reclassified to profit or loss | - | - | - | - |
| | Total items that may not be reclassified to profit or loss | (7,336) | (3) | 18,204 | 2 |
| 8360 | Items that may be reclassified to profit or loss | | | | |
| 8361 | Exchange differences on translation of foreign financial statements | 6,818 | 3 | 4,025 | - |
| 8399 | Income tax related to items that may be reclassified to profit or loss | - | - | - | - |
| | Total items that may be reclassified to profit or loss | 6,818 | 3 | 4,025 | - |
| 8300 | Other comprehensive (loss) income | (518) | - | 22,229 | 2 |
| 8500 | Total comprehensive (loss) income | \$ (68,925) | (29) | 33,191 | 3 |
| | Basic earnings per share (note 6(p)) | | | | |
| 9750 | Basic (loss) earnings per share | \$ (0.21) | | 0.03 | |
| 9850 | Diluted (loss) earnings per share | \$ (0.21) | | 0.03 | |

See accompanying notes to consolidated financial statements.

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

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES**Consolidated Statements of Changes in Equity****For the three months ended March 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars)**

| | Equity attributable to owners of parent | | | | | Other equity interest | | | |
|---|---|---------------|-------------------|----------------------|-------------------|---|---|--------------------|--------------|
| | Ordinary shares | Legal reserve | Retained earnings | | Retained earnings | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | Total other equity | Total equity |
| | | | Special reserve | Accumulated deficits | | | | | |
| Balance at January 1, 2023 | \$ 3,307,792 | - | - | 85,042 | 85,042 | (40,375) | (118,501) | (158,876) | 3,233,958 |
| Profit for the three months ended March 31, 2023 | - | - | - | 10,962 | 10,962 | - | - | - | 10,962 |
| Other comprehensive income for the three months ended March 31, 2023 | - | - | - | - | - | 4,025 | 18,204 | 22,229 | 22,229 |
| Total comprehensive income for the three months ended March 31, 2023 | - | - | - | 10,962 | 10,962 | 4,025 | 18,204 | 22,229 | 33,191 |
| Balance at March 31, 2023 | \$ 3,307,792 | - | - | 96,004 | 96,004 | (36,350) | (100,297) | (136,647) | 3,267,149 |
| Balance at January 1, 2024 | \$ 3,307,792 | 8,504 | 1,224 | (34,368) | (24,640) | (41,651) | (90,787) | (132,438) | 3,150,714 |
| Loss for the three months ended March 31, 2024 | - | - | - | (68,407) | (68,407) | - | - | - | (68,407) |
| Other comprehensive income (loss) for the three months ended March 31, 2024 | - | - | - | - | - | 6,818 | (7,336) | (518) | (518) |
| Total comprehensive income (loss) for the three months ended March 31, 2024 | - | - | - | (68,407) | (68,407) | 6,818 | (7,336) | (518) | (68,925) |
| Balance at March 31, 2024 | \$ 3,307,792 | 8,504 | 1,224 | (102,775) | (93,047) | (34,833) | (98,123) | (132,956) | 3,081,789 |

See accompanying notes to consolidated financial statements.

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

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the three months ended March 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars)**

| | For the three months ended March 31 | |
|---|--|------------------|
| | 2024 | 2023 |
| Cash flows from (used in) operating activities: | | |
| (Loss) profit before tax | \$ (68,407) | 11,358 |
| Adjustments: | | |
| Adjustments to reconcile (loss) profit: | | |
| Depreciation expense | 24,584 | 32,338 |
| Amortization expense | 676 | 991 |
| Net loss on financial assets (liabilities) at fair value through profit or loss | - | 281 |
| Interest expense | 3,390 | 4,225 |
| Interest income | (7,635) | (4,532) |
| Loss on disposal of property, plant and equipment | - | 504 |
| Others | (5) | (230) |
| Total adjustments to reconcile (loss) profit | 21,010 | 33,577 |
| Changes in operating assets and liabilities: | | |
| Decrease in notes and trade receivables | 37,265 | 183,912 |
| Increase in trade receivables due from related parties | (46,970) | (193,365) |
| Decrease (increase) in other receivables | 1,917 | (67,618) |
| Decrease in other receivable due from related parties | 3,482 | 1,889 |
| Decrease in inventories | 48,469 | 105,358 |
| (Increase) decrease in prepayments and other current assets | (16) | 7,148 |
| Total changes in operating assets | 44,147 | 37,324 |
| Decrease in trade payables (including related parties) | (16,803) | (81,760) |
| Decrease in other payable | (10,251) | (29,217) |
| (Decrease) increase in other operating liabilities | (6,237) | 10,925 |
| Total changes in operating liabilities | (33,291) | (100,052) |
| Total changes in operating assets and liabilities, net | 10,856 | (62,728) |
| Total adjustments | 31,866 | (29,151) |
| Cash flows used in operations | (36,541) | (17,793) |
| Interest received | 7,112 | 17,369 |
| Interest paid | (3,429) | (4,221) |
| Income taxes paid | (464) | (4,179) |
| Net cash flows used in operating activities | (33,322) | (8,824) |
| Cash flows from (used in) investing activities: | | |
| Acquisition of property, plant and equipment | (7,003) | (8,715) |
| Proceeds from disposal of property, plant and equipment | - | 125 |
| Acquisition of intangible assets | (153) | (1,778) |
| (Increase) decrease in other financial assets | (65,723) | 224 |
| (Increase) decrease in other non-current assets | (43) | 2,904 |
| Net cash flows used in investing activities | (72,922) | (7,240) |
| Cash flows from (used in) financing activities: | | |
| Repayments of long-term borrowings | (30,537) | (22,538) |
| Payment of lease liabilities | (5,043) | (4,934) |
| Net cash flows used in financing activities | (35,580) | (27,472) |
| Effect of exchange rate changes on cash and cash equivalents | 6,815 | 4,020 |
| Net decrease in cash and cash equivalents | (135,009) | (39,516) |
| Cash and cash equivalents at beginning of period | 1,331,694 | 1,486,260 |
| Cash and cash equivalents at end of period | \$ 1,196,685 | 1,446,744 |

See accompanying notes to consolidated financial statements.

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

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2024 and 2023

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

(1) Company history

Cameo Communications, Inc. (“the Company”) was incorporated on March 11, 1991, as a company limited by shares under the laws of the Republic of China (“R.O.C.”) and registered under the Ministry of Economic Affairs, R.O.C. The consolidated financial statements comprised the Company and its subsidiaries (together referred to as the “Group” and individually as the “Group entities”). The major business activities of the Group include the manufacture and sale of networking system equipment and the components thereof, and research and development of pertinent technology.

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

The consolidated financial statements were authorized for issue by the Board of Directors on May 7, 2024.

(3) New standards, amendments and interpretations adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated 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 IASB but not yet endorsed by the FSC

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

(Continued)

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| Standards or Interpretations | Content of amendment | Effective date per IASB |
|---|---|--------------------------------|
| IFRS 18 “Presentation and Disclosure in Financial Statements” | <p>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.</p> <ul style="list-style-type: none"> ● 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 |

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

(Continued)

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material accounting policies:

(a) Statement of compliance

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

Except the following accounting policies mentioned below, the material accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statements for the year ended December 31, 2023. For the related information, please refer to note (4) of the consolidated financial statements for the year ended December 31, 2023.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

| Name of investor | Name of subsidiary | Principal activity | Shareholding | | | Remark |
|--------------------------------|--------------------------------------|---|----------------|-------------------|----------------|---------------|
| | | | March 31, 2024 | December 31, 2023 | March 31, 2023 | |
| The Company | Qianjin Investment Co., Ltd. | Investment holding | 100 % | 100 % | 100 % | |
| " | Huge Castle Ltd. | Investment holding | 100 % | 100 % | 100 % | |
| Qianjin Investment Co., Ltd. | SOARNEX TECHNOLOGY CORPORATION | International trade, and wholesale of telecommunications equipment and information software | - % | - % | 100 % | Note 1 |
| SOARNEX TECHNOLOGY CORPORATION | Soarnex Holding Co., Ltd. | Investment holding | - % | - % | 100 % | Notes 3 and 4 |
| Huge Castle Ltd. | Perfect Choice Co., Ltd. | Investment holding and trading | 100 % | 100 % | 100 % | |
| " | Luis Jo'se Investment Inc. | Investment | 100 % | 100 % | 100 % | Note 4 |
| Perfect Choice Co., Ltd. | NETTECH TECHNOLOGY (SUZHOU) CO., LTD | Production, processing, and sale of electronic communications equipment | - % | - % | 100 % | Note 2 |

(Continued)

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| Name of investor | Name of subsidiary | Principal activity | Shareholding | | | Remark |
|-------------------------------|---------------------------------------|---|-------------------|----------------------|-------------------|--------|
| | | | March 31, 2024 | December 31, 2023 | March 31, 2023 | |
| Luis Jo'se Investment Inc. | Suzhou Soarnex Technology Co., Ltd | Software development and software services on computer information systems | 100 % | 100 % | 100 % | Note 4 |

Note 1: SOARNEX TECHNOLOGY CORPORATION was dissolved by a resolution of the board of directors on August 9, 2022, and obtained the approval letter of the Taipei City Government on August 15, 2022, and the liquidation procedure has completed on April 24, 2023, and was repaid to Qianjin Investment Co., Ltd.

Note 2: NETTECH TECHNOLOGY (SUZHOU) CO., LTD has been liquidated and cancelled by a resolution of the board of directors in November 2022. The liquidation procedure has completed on August 31, 2023, and was repaid to Perfect Choice Co., Ltd. on August 4, 2023.

Note 3: Soarnex Holding Co., Ltd. was automatically deregistered in 2020 because was not pay the annual fee. And the parent company, SOARNEX TECHNOLOGY CORPORATION completed its liquidation on April 24, 2023.

Note 4: Non-significant subsidiary, the financial statements for the three months ended March 31, 2024 and 2023 have not been reviewed.

(c) **Income tax**

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

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

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

(d) **Employee benefits**

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

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

The preparation of the consolidated financial statements in conformity with the Regulations and IFRS Accounting Standards (in accordance with IAS 34 "Interim Financial Reporting" and endorsed by the FSC) requires management to make judgments, estimates and assumptions 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.

(Continued)

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2023. For related information, please refer to note (5) of the consolidated financial statements for the year ended December 31, 2023.

(6) Explanation of significant accounts:

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statement of the current period and the 2023 consolidated financial statements. Please refer to note (6) of the consolidated financial statements for the year ended December 31, 2023.

(a) Cash and cash equivalents

| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
|---|----------------------------|------------------------------|---------------------------|
| Foreign currencies on hand and petty cash | \$ 637 | 618 | 1,551 |
| Check and demand deposits | 141,630 | 614,799 | 746,831 |
| Time deposits | <u>1,054,418</u> | <u>716,277</u> | <u>698,362</u> |
| | <u>\$ 1,196,685</u> | <u>1,331,694</u> | <u>1,446,744</u> |

- (i) As of March 31, 2024, December 31 and March 31, 2023, the Company's time deposits more than three months recognized as other current financial assets amounted to \$371,423, \$305,700 and \$0, respectively.
- (ii) As of March 31, 2024, December 31 and March 31, 2023, the Group's restricted time deposits recognized as other non-current assets amounted to \$0, \$0 and \$21,242, respectively. Please refer to note 8 for details.
- (iii) Please refer to note 6(s) for exchange rate risk, interest rate risk, and the fair value sensitivity analysis of the financial assets of the Group.

(b) Non-current financial assets at fair value through profit or loss

| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
|---|---------------------------|------------------------------|---------------------------|
| Private placement shares of domestic listed company | <u>\$ 127,050</u> | <u>127,050</u> | <u>-</u> |

- (i) On December 4, 2023, the Group participated in the private placement of 5,000 ordinary shares of ENSURE GLOBAL CORP., LTD. with a par value of NTD7.2 per share, with an investment cost of \$36,000, and the private placement of ordinary shares shall not be sold on its own in accordance with the provisions of the Securities and Exchange Act within three years from January 19, 2024, on the date of delivery to January 18, 2027, except for the transfer in accordance with Article 43-8 of the Securities and Exchange Act.
- (ii) Please refer to note 6(s) for exposures to credit risk and currency risk.

(Continued)

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) As of March 31, 2024, December 31 and March 31, 2023, the Group did not provide any aforementioned financial assets as collateral for its loans.

(c) Financial assets measured at fair value through other comprehensive income

| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
|--|---------------------------|------------------------------|---------------------------|
| Equity investments at fair value through other comprehensive income: | | | |
| Common shares of domestic listed company | \$ <u>101,074</u> | <u>108,410</u> | <u>98,900</u> |

(i) The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purposes.

(ii) There were no disposal of strategic investments and transfer of any cumulative gain or loss within equity relating to these investments for the three months ended March 31, 2024 and 2023.

(iii) For the disclosure of market risk, please refer to note 6(s).

(iv) The aforementioned financial assets were not pledged as collateral.

(d) Notes and trade receivables (including related parties)

| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
|---|---------------------------|------------------------------|---------------------------|
| Trade receivables — measured at amortized cost | \$ 100,134 | 137,359 | 310,664 |
| Trade receivables — measured at fair value through other comprehensive income | <u>157,459</u> | <u>110,529</u> | <u>773,321</u> |
| | 257,593 | 247,888 | 1,083,985 |
| Less: loss allowance | <u>-</u> | <u>-</u> | <u>-</u> |
| Notes and trade receivables, net | <u>\$ 257,593</u> | <u>247,888</u> | <u>1,083,985</u> |

The Group has assessed a portion of its trade receivables that was held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; therefore, such trade receivables were measured at fair value through other comprehensive income.

The Group applies the simplified approach to provide for the loss allowance used for expected credit losses, which permit the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as forward looking information, including overall economic environment and related industrial information. The expected credit losses on notes and trade receivables were as follows:

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| March 31, 2024 | | | |
|--------------------------|----------------------------------|--|-------------------------------------|
| | Gross carrying amount | Weighted- average loss rate | Loss allowance provision |
| Current | \$ 249,415 | 0% | - |
| 1~30 days past due | 8,178 | 0% | - |
| | \$ 257,593 | | - |
| December 31, 2023 | | | |
| | Gross carrying amount | Weighted- average loss rate | Loss allowance provision |
| Current | \$ 246,672 | 0% | - |
| 1~30 days past due | 1,216 | 0% | - |
| | \$ 247,888 | | - |
| March 31, 2023 | | | |
| | Gross carrying amount | Weighted- average loss rate | Loss allowance provision |
| Current | \$ 1,050,162 | 0% | - |
| 1~30 days past due | 33,823 | 0% | - |
| | \$ 1,083,985 | | - |

For the three months ended March 31, 2024 and 2023, the movement in the allowance for notes and trade receivable were remained unchanged.

The Group entered into trade receivable factoring agreements with banks. Under the agreements, within the limit of the Group's credit facilities, it does need to guarantee the debtor's solvency at the time when the claim is transferred and when the obligations are due. Upon the sale of trade receivables, the Group will be advanced an agreed percentage, and pay interest calculated based on the interest rates agreed for the period through the collection of the accounts receivable. The remaining amounts are received upon the collection of the trade receivables and recorded as other receivables.

The Group derecognized the above accounts receivable because it has transferred substantially all of the risks and rewards of their ownership, and it does not have any continuing involvement by them. The amounts receivable from the financial institutions were recognized as "other receivables" upon the derecognition of those accounts receivable.

(Continued)

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of March 31, 2023, the details of the factored accounts receivable were as follows:

| March 31, 2023 | | | | | | |
|------------------------|--------------------------------|------------------------|----------------------------|---|---------------------------------------|---|
| Purchaser | Amount Derecognized | Amount Paid | Advanced Unpaid | Amount Recognized in Other Receivables | Range of Interest Rate | Significant Transferring Terms |
| Financial institutions | \$ 85,854 | - | 77,269 | 85,854 | - | None |

The Group did not enter into an accounts receivable factoring agreement with banks as of March 31, 2024 and December 31, 2023.

The aforementioned financial assets were not pledged as collateral.

(e) Other receivables (including related parties)

| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
|--|---------------------------|------------------------------|---------------------------|
| Other receivables | \$ 23,097 | 27,973 | 37,422 |
| Other receivables—accounts receivable factoring agreement with banks | - | - | 85,854 |
| Less: loss allowance | (13,553) | (13,553) | (13,553) |
| | \$ 9,544 | 14,420 | 109,723 |

For the three months ended March 31, 2024 and 2023, the movement in the allowance for impairment loss to other receivables were remained unchanged.

(f) Inventories

| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
|--|---------------------------|------------------------------|---------------------------|
| Raw materials | \$ 456,955 | 479,185 | 689,951 |
| Work in progress and semi-finished goods | 68,113 | 78,829 | 235,481 |
| Finished goods | 32,989 | 48,512 | 180,555 |
| | \$ 558,057 | 606,526 | 1,105,987 |

(Continued)

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Operating cost were as follows:

| | For the three months ended March 31 | |
|--|--|----------------|
| | 2024 | 2023 |
| Sale of inventories | \$ 194,457 | 909,508 |
| Write-down (reversal gains) of inventories | 10,832 | (3,156) |
| Loss on disposal of inventories | - | 12,845 |
| Loss (gain) on physical inventories | - | (28) |
| Unallocated production overheads | 47,962 | 35,253 |
| | \$ 253,251 | 954,422 |

(ii) The net realization value of inventory was lower than the cost due to the disposal of slow-moving inventory for the three months ended March 31, 2023, resulting in a reversal of loss allowance.

(iii) As of March 31, 2024, December 31 and March 31, 2023, the Group did not provide any inventories as collateral for its loans.

(g) Property, plant and equipment

The movements in the cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows :

| | Land | Buildings and construction | Machinery and equipment | Molding equipment | Office and other facilities | Lease improvements | Total |
|---|-------------------|---------------------------------------|--|------------------------------|--|-------------------------------|------------------|
| Cost or deemed cost: | | | | | | | |
| Balance at January 1, 2024 | \$ 346,639 | 1,127,628 | 541,108 | 5,640 | 64,959 | 23,921 | 2,109,895 |
| Additions | - | - | 7,003 | - | - | - | 7,003 |
| Disposal and derecognition | - | - | (685) | - | - | - | (685) |
| Effects of movements in exchange rates | - | - | 149 | 12 | 6 | - | 167 |
| Balance at March 31, 2024 | \$ 346,639 | 1,127,628 | 547,575 | 5,652 | 64,965 | 23,921 | 2,116,380 |
| Balance at January 1, 2023 | \$ 346,639 | 1,131,005 | 526,031 | 7,532 | 64,534 | 23,921 | 2,099,662 |
| Additions | - | - | 7,829 | - | - | - | 7,829 |
| Disposal and derecognition | - | - | (3,772) | - | - | - | (3,772) |
| Transferred into (out) | - | - | (51) | - | - | - | (51) |
| Effect of movements in exchange rates | - | - | 44 | (141) | 4 | - | (93) |
| Balance at March 31, 2023 | \$ 346,639 | 1,131,005 | 530,081 | 7,391 | 64,538 | 23,921 | 2,103,575 |

(Continued)

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | <u>Land</u> | <u>Buildings and construction</u> | <u>Machinery and equipment</u> | <u>Molding equipment</u> | <u>Office and other facilities</u> | <u>Lease improvements</u> | <u>Total</u> |
|---|-------------------|---------------------------------------|--|------------------------------|--|-------------------------------|------------------|
| Depreciation and impairments loss: | | | | | | | |
| Balance at January 1, 2024 | \$ - | 185,878 | 476,165 | 4,056 | 60,351 | 23,921 | 750,371 |
| Depreciation | - | 9,082 | 9,152 | 96 | 1,115 | - | 19,445 |
| Disposal and derecognition | - | - | (685) | - | - | - | (685) |
| Effects of movements in exchange rates | - | - | 149 | 9 | 6 | - | 164 |
| Balance at March 31, 2024 | <u>\$ -</u> | <u>194,960</u> | <u>484,781</u> | <u>4,161</u> | <u>61,472</u> | <u>23,921</u> | <u>769,295</u> |
| Balance at January 1, 2023 | \$ - | 151,278 | 416,598 | 4,524 | 54,472 | 23,921 | 650,793 |
| Depreciation | - | 9,509 | 15,556 | 750 | 1,509 | - | 27,324 |
| Disposal and derecognition | - | - | (3,143) | - | - | - | (3,143) |
| Effects of movements in exchange rates | - | - | 48 | (150) | 4 | - | (98) |
| Balance at March 31, 2023 | <u>\$ -</u> | <u>160,787</u> | <u>429,059</u> | <u>5,124</u> | <u>55,985</u> | <u>23,921</u> | <u>674,876</u> |
| Carrying amount: | | | | | | | |
| Balance at January 1, 2024 | <u>\$ 346,639</u> | <u>941,750</u> | <u>64,943</u> | <u>1,584</u> | <u>4,608</u> | <u>-</u> | <u>1,359,524</u> |
| Balance at March 31, 2024 | <u>\$ 346,639</u> | <u>932,668</u> | <u>62,794</u> | <u>1,491</u> | <u>3,493</u> | <u>-</u> | <u>1,347,085</u> |
| Balance at January 1, 2023 | <u>\$ 346,639</u> | <u>979,727</u> | <u>109,433</u> | <u>3,008</u> | <u>10,062</u> | <u>-</u> | <u>1,448,869</u> |
| Balance at March 31, 2023 | <u>\$ 346,639</u> | <u>970,218</u> | <u>101,022</u> | <u>2,267</u> | <u>8,553</u> | <u>-</u> | <u>1,428,699</u> |

(i) As of March 31, December 31 and March 31, the property, plant, and equipment of the Group had been pledged as collateral for long-term borrowings; please refer to note 8.

(h) Right-of-use assets

| | <u>Buildings and construction</u> | <u>Transportation equipment</u> | <u>Total</u> |
|----------------------------|---|-------------------------------------|---------------|
| Carrying amount: | | | |
| Balance on January 1, 2024 | <u>\$ 51,757</u> | <u>437</u> | <u>52,194</u> |
| Balance at March 31, 2024 | <u>\$ 48,908</u> | <u>328</u> | <u>49,236</u> |
| Balance at January 1, 2023 | <u>\$ 71,098</u> | <u>873</u> | <u>71,971</u> |
| Balance at March 31, 2023 | <u>\$ 67,397</u> | <u>764</u> | <u>68,161</u> |

There were no significant additions, disposal, or recognition and reversal of impairment losses of buildings and transportation equipments that are held as right-of-use assets for the three months ended March 31, 2024 and 2023, Please refer to note 6(h) of the 2023 annual consolidated financial statements for other related information.

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Intangible assets

| | <u>Patent</u> | <u>Computer software and others</u> | <u>Total</u> |
|----------------------------|---------------|---|---------------|
| Carrying amount: | | | |
| Balance at January 1, 2024 | \$ <u>533</u> | <u>9,903</u> | <u>10,436</u> |
| Balance at March 31, 2024 | \$ <u>555</u> | <u>9,358</u> | <u>9,913</u> |
| Balance at January 1, 2023 | \$ <u>754</u> | <u>10,893</u> | <u>11,647</u> |
| Balance at March 31, 2023 | \$ <u>823</u> | <u>11,611</u> | <u>12,434</u> |

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the three months ended March 31, 2024 and 2023. Information on amortization for the period is disclosed in note 12. Please refer to note 6(i) to the 2023 annual consolidated financial statements for other related information.

(j) Long-term borrowings

The Group's long-term borrowings details, conditions, and provisions were as follows:

| <u>March 31, 2024</u> | | | | |
|--------------------------|-----------------|------------------------------------|-------------------------|-------------------|
| | <u>Currency</u> | <u>Range of interest rates</u> | <u>Maturity year</u> | <u>Amount</u> |
| Secured loans | NTD | 1.475%~2.235% | June 2025~May 2033 | \$ 620,495 |
| Less: current portion | | | | (122,151) |
| Total | | | | <u>\$ 498,344</u> |
| Unused credit lines | | | | <u>\$ 97,000</u> |
| <u>December 31, 2023</u> | | | | |
| | <u>Currency</u> | <u>Range of interest rates</u> | <u>Maturity year</u> | <u>Amount</u> |
| Secured loans | NTD | 1.35%~2.11% | June 2025~May 2033 | \$ 651,032 |
| Less: current portion | | | | (122,151) |
| Total | | | | <u>\$ 528,881</u> |
| Unused credit lines | | | | <u>\$ 97,000</u> |
| <u>March 31, 2023</u> | | | | |
| | <u>Currency</u> | <u>Range of interest rates</u> | <u>Maturity year</u> | <u>Amount</u> |
| Secured loans | NTD | 1.35%~2.11% | June 2025~February 2035 | \$ 864,797 |
| Less: current portion | | | | (122,151) |
| Total | | | | <u>\$ 742,646</u> |
| Unused credit lines | | | | <u>\$ 97,000</u> |

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (i) For the three months ended March 31, 2024, the repayments amounted to \$30,537.
- (ii) For the three months ended March 31, 2023, the repayments amounted to \$22,538.
- (iii) Information about the Group's risk exposure associated with interest rate, foreign currency, and liquidity is included in note 6(s).
- (iv) Please see note 8 for the Group's property pledged as collateral to secure the long-term borrowings.
- (k) Lease liabilities

The carrying amounts of the Group's lease liabilities were as follows:

| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
|-------------|---------------------------|------------------------------|---------------------------|
| Current | \$ <u>20,821</u> | <u>20,011</u> | <u>20,323</u> |
| Non-current | \$ <u>28,724</u> | <u>32,401</u> | <u>48,047</u> |

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

The amounts recognized in profit or loss were as follow:

| | For the three months ended March 31 | |
|--|--|-------------|
| | 2024 | 2023 |
| Interest expense on lease liabilities | \$ <u>253</u> | <u>188</u> |
| Expenses relating to short-term leases | \$ <u>238</u> | <u>378</u> |
| Cost of low-value leased assets | \$ <u>66</u> | <u>101</u> |

The amounts recognized in the consolidated statement of cash flows for the Group was as follows:

| | For the three months ended March 31 | |
|-------------------------------|--|--------------|
| | 2024 | 2023 |
| Total cash outflow for leases | \$ <u>5,600</u> | <u>5,601</u> |

- (i) Real estate leases

The Group leases buildings for its office space. The leases of office space typically run for a period of 2 to 5 years. Some leases included an option to renew the lease for an additional period of the same duration at the end of the lease term.

(Continued)

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Other leases

The Group leased transportation equipment with leased terms for 3 years.

The Group also leased photocopying equipment and dormitories with leased periods of 3 to 4 years and 4 to 12 months, respectively. These leases are short-term and leases of low value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(l) Provisions

The Group's provision for warranty was for sales of products. Provision for warranty was estimated based on the historical warranty information on similar products or services. The Group expected that most of the cost would occur within 1 year after sales. There were no significant changes in provisions for the three months ended March 31, 2024 and 2023. Please refer to note 6(l) to the consolidated financial statements for the year ended December 31, 2023 for other related information.

(m) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2023 and 2022.

For the three months ended March 31, 2024 and 2023, the expenses recognized in profit or loss for the Group both amounted to \$0, respectively.

(ii) Defined contribution plans

The Group's expenses for the pension plan under the defined contribution pension plan amounted to \$3,443 and \$4,236 for the three months ended March 31, 2024 and 2023, respectively, which were recorded as operating costs and expenses and were contributed to the Bureau of Labor Insurance.

In accordance with the regulations of the government of Mainland China, the subsidiaries in Mainland China pay monthly basic pension insurance premiums based on a certain percentage of the total wages of employees, which amounted to \$1,020 and \$1,050 for the three months ended March 31, 2024 and 2023, respectively.

(Continued)

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Income taxes

(i) The components of income tax expense were as follows:

| | For the three months ended March 31 | |
|----------------------|--|-------------|
| | 2024 | 2023 |
| Current tax expense | | |
| Current period | \$ - | 396 |
| Deferred tax expense | - | - |
| Income tax expense | <u>\$ -</u> | <u>396</u> |

(ii) The income taxes of the Group in accordance with the laws of each country of registration, income taxes of the respective Group entities should be separately declared as a reporting unit, instead of combine declaration.

(iii) The Company's tax returns for the years through 2021 have been examined and approved by the tax authorities. The income tax returns of the Company's subsidiaries, Qianjin Investment Co., Ltd. have been examined and assessed by the tax authorities for the years through 2022.

(o) Capital and other equity

Except for the following disclosure, there was no significant change in capital and other equity for the three months ended March 31, 2024 and 2023. For the related information, please refer to note 6(o) to the consolidated financial statements for the year ended December 31, 2023.

(i) Retained earnings

If there is any surplus in the Company's final accounts, the Company shall first pay the tax and make up for the past losses, and if there is still any surplus, it shall be distributed in the following order:

- 1) 10 percent of the net profit shall be allocated as legal reserve until the accumulated legal reserve equals the paid-in capital.
- 2) A special reserve shall be set aside or reversed in accordance with applicable laws and regulations and the Company's operational needs.
- 3) The remaining portion will be combined with earnings from prior years, and the Board of Directors can propose methods of distribution to be approved by the shareholders' meeting. Cash dividends, however, shall account for at least 10 percent of every distribution.

(Continued)

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

a) Earnings distribution

On May 31, 2023, the Company's meeting of shareholders resolved to appropriate the 2022 earnings. These earnings were appropriated as follows:

| | 2022 | |
|---|-------------------------------|---------------------|
| | Amount per share (NTD) | Total amount |
| Dividends distributed to ordinary shareholders: | | |
| Cash | \$ 0.22 | <u>72,771</u> |

The Group incurred loss for the year ended December 31, 2023, hence there was no distributable earning. The related information mentioned above can be found on websites such as the Market Observation Post System.

(p) Earnings (loss) per share

The Group's basic earnings (loss) per share were calculated as follows:

| | For the three months ended March 31 | |
|---|--|----------------|
| | 2024 | 2023 |
| Basic earnings (loss) per share (in New Taiwan Dollars) | | |
| Net (loss) profit attributable to ordinary shareholders of the Company | \$ <u>(68,407)</u> | <u>10,962</u> |
| Weighted-average number of ordinary shares outstanding (in thousand shares) | <u>330,780</u> | <u>330,780</u> |
| Basic (loss) earnings per share (in New Taiwan Dollars) | \$ <u>(0.21)</u> | <u>0.03</u> |
| Diluted earnings (loss) per share (in New Taiwan Dollars) | | |
| Net (loss) profit attributable to ordinary shareholders of the Company | \$ <u>(68,407)</u> | <u>10,962</u> |
| Weighted-average number of ordinary shares outstanding (in thousand shares) | 330,780 | 330,780 |
| Effect of dilutive potential ordinary shares | | |
| Employees' bonuses | - | 138 |
| Weighted-average number of ordinary shares outstanding (in thousand shares) | <u>330,780</u> | <u>330,918</u> |
| Diluted (loss) earnings per share (in New Taiwan Dollars) | \$ <u>(0.21)</u> | <u>0.03</u> |

For the three months ended March 31, 2024 and 2023, the Group was not impacted by the effects of dilutive potential ordinary shares.

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

| | For the three months ended March 31 | |
|---|--|------------------|
| | 2024 | 2023 |
| Primary geographical markets: | | |
| Asia | 156,780 | 502,455 |
| Europe | 16,102 | 283,503 |
| United States | 42,254 | 223,993 |
| Other | 19,631 | 60,896 |
| | \$ 234,767 | 1,070,847 |
| Major products: | | |
| Wired communication products | \$ 189,279 | 933,325 |
| Wireless communication products | 43,660 | 121,609 |
| Repairs and maintenance revenues and others | 1,828 | 15,913 |
| | \$ 234,767 | 1,070,847 |

(ii) Contract balances

| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
|-----------------------------|---------------------------|------------------------------|---------------------------|
| Notes and trade receivables | \$ 257,593 | 247,888 | 1,083,985 |
| Less: loss allowance | - | - | - |
| | \$ 257,593 | 247,888 | 1,083,985 |
| | \$ 18,061 | 18,337 | 19,103 |

For details on notes and trade receivables and the impairment thereof, please refer to note 6(d).

The amounts of revenue recognized for the three months ended March 31, 2024 and 2023 that were included in the contract liability balance at the beginning of the periods were \$276 and \$0, respectively.

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

(r) Remuneration to employees and directors

In accordance with the Articles of incorporation, the Company should contribute 3 to 10 percent of the profit as employee remuneration, and less than 2 percent as directors' remuneration when there is profit for the year. However, if the Company has accumulated losses, the profit should be reserved to offset the losses. The recipients of shares and cash may include the employees of the affiliated companies who meet certain conditions stipulated by the Board of directors.

(Continued)

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Company incurred net loss before tax for the three months ended March 31, 2024, and thus, the Company was not required to accrue any remuneration to its employees and directors.

For the months ended March 31, 2023, the Company estimated its employee remuneration amounting to \$349, and directors' remuneration amounting to \$233, respectively. The estimated amounts mentioned, above are calculated based on net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the company's articles, these remuneration were expensed under operating costs or operating expense during the period.

The Company incurred net loss before tax for the year ended December 31, 2023, and thus, the Company was not required to accrue any remuneration to its employees and directors.

For the year ended December 31, 2022, the Company estimated its employee remuneration amounting to \$2,392, and directors' remuneration amounting to \$1,594, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2022.

(s) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For related information, please refer to note 6(s) to the consolidated financial statements for the year ended December 31, 2023.

(i) Credit risk

1) Concentration of credit risk

As of March 31, 2024, December 31, 2023, and March 31, 2023, the notes and trade receivables due from the customers whose sales contributed over 10% of the Group's operating revenue, occupied 92%, 97% and 94% of the Group's total notes and trade receivables, respectively.

2) Receivables

For credit risk of notes and trade receivable, please refer to note 6(d).

Other financial assets measured at amortized cost include other receivables and certificates of deposit. The above are all financial assets with low credit risk; therefore, the allowance for credit losses is measured at the 12-month expected credit loss for the period. (For the related information, please refer to note 4(g) of the consolidated financial statements for the year ended December 31, 2023.)

The movements in the allowance of other receivables for the three months ended March 31, 2024 and 2023, please refer to note 6(e).

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Liquidity risk

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

| | <u>Carrying amount</u> | <u>Contractual cash flows</u> | <u>1 year</u> | <u>1-2 years</u> | <u>Over 2 years</u> |
|---|----------------------------|-----------------------------------|---------------------------|-------------------------|-------------------------|
| March 31, 2024 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Trade payables (including related parties) | \$ 180,308 | (180,308) | (180,308) | - | - |
| Other payables (including related parties) | 87,732 | (87,732) | (87,732) | - | - |
| Long-term borrowings (including current portion) | 620,495 | (680,478) | (134,307) | (78,738) | (467,433) |
| Lease liabilities (including current and non-current) | <u>49,545</u> | <u>(50,751)</u> | <u>(21,608)</u> | <u>(20,902)</u> | <u>(8,241)</u> |
| | <u>\$ 938,080</u> | <u>(999,269)</u> | <u>(423,955)</u> | <u>(99,640)</u> | <u>(475,674)</u> |
| December 31, 2023 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Trade payables (including related parties) | \$ 197,111 | (197,111) | (197,111) | - | - |
| Other payables (including related parties) | 98,022 | (98,022) | (98,022) | - | - |
| Long-term borrowings (including current portion) | 651,032 | (710,811) | (134,105) | (97,065) | (479,641) |
| Lease liabilities (including current and non-current) | <u>52,412</u> | <u>(53,827)</u> | <u>(20,862)</u> | <u>(19,779)</u> | <u>(13,186)</u> |
| | <u>\$ 998,577</u> | <u>(1,059,771)</u> | <u>(450,100)</u> | <u>(116,844)</u> | <u>(492,827)</u> |
| March 31, 2023 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Trade payable | \$ 1,003,645 | (1,003,645) | (1,003,645) | - | - |
| Other payables | 183,101 | (183,101) | (183,101) | - | - |
| Long-term borrowings (including current portion) | 864,797 | (963,440) | (138,192) | (136,179) | (689,069) |
| Lease liabilities (including current and non-current) | <u>68,370</u> | <u>(69,635)</u> | <u>(20,955)</u> | <u>(20,611)</u> | <u>(28,069)</u> |
| | <u>\$ 2,119,913</u> | <u>(2,219,821)</u> | <u>(1,345,893)</u> | <u>(156,790)</u> | <u>(717,138)</u> |

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(iii) Market risk

1) Currency risk

The Group's significant exposure to foreign currency risk was as follows:

Unit: foreign currency in thousands

| | March 31, 2024 | | | December 31, 2023 | | | March 31, 2023 | | |
|-----------------------|---------------------|---------------------|---------|---------------------|--------------------|---------|---------------------|--------------------|-----------|
| | Foreign currency | Exchange rate | NTD | Foreign currency | Exchange rate | NTD | Foreign currency | Exchange rate | NTD |
| Financial assets | | | | | | | | | |
| Monetary items | | | | | | | | | |
| USD | \$ 14,174 | USD/NTD =31.990 | 453,426 | 12,880 | USD/NTD =30.735 | 395,867 | 47,748 | USD/NTD =30.345 | 1,448,913 |
| USD | 7,178 | USD/CNY =7.2198 | 229,624 | 9,008 | USD/CNY =7.0974 | 276,832 | 6,483 | USD/CNY =6.8566 | 195,408 |
| CNY | 12,211 | CNY/NTD =4.43087 | 54,105 | 20,136 | CNY/NTD =4.330 | 87,189 | 439 | CNY/NTD =4.396 | 1,930 |
| Financial liabilities | | | | | | | | | |
| Monetary items | | | | | | | | | |
| USD | 4,521 | USD/NTD =31.990 | 144,627 | 8,149 | USD/NTD =30.735 | 250,460 | 31,542 | USD/NTD =30.345 | 957,142 |
| USD | 142 | USD/CNY =7.2198 | 4,543 | 132 | USD/CNY =7.0974 | 4,057 | 146 | USD/CNY =6.8566 | 4,401 |
| CNY | 3,397 | CNY/NTD =4.43087 | 15,052 | 2,523 | CNY/NTD =4.330 | 10,925 | 14,704 | CNY/NTD =4.396 | 64,639 |

The Group's exposure to foreign currency risk mainly arose from the translation of cash and cash equivalents, trade receivables, other receivables, trade payables and other payables (including related parties) denominated in foreign currency. Depreciation or appreciation of the USD against the NTD or the USD against CNY by 5%, as of March 31, 2024 and 2023, with all other variables remained constant, would have increased or decreased the net loss before tax for the years then ended as follows:

Unit: foreign currency in thousands

| | For the three months ended March 31, | |
|-----------------------|---|----------|
| | 2024 | 2023 |
| USD (against the NTD) | | |
| Appreciation 5% | \$ 15,440 | 24,589 |
| Depreciation 5% | (15,440) | (24,589) |
| USD (against the CNY) | | |
| Appreciation 5% | 11,254 | 9,550 |
| Depreciation 5% | (11,254) | (9,550) |
| CNY (against the NTD) | | |
| Appreciation 5% | 1,953 | (3,135) |
| Depreciation 5% | (1,953) | 3,135 |

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months ended March 31, 2024 and 2023, the foreign exchange gain (loss), including both realized and unrealized, amounted to \$15,701 and \$(11,963), respectively.

2) Interest rate analysis

The Group's exposure to interest rate risk arising from financial assets and liabilities was as follows:

| | Carrying amount | | |
|----------------------------|---------------------------|------------------------------|---------------------------|
| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
| Variable rate instruments: | | | |
| Financial assets | \$ 139,899 | 613,068 | 745,098 |
| Financial liabilities | (620,495) | (651,032) | (864,797) |
| | \$ (480,596) | (37,964) | (119,699) |

The following sensitivity analysis is based on the risk exposure to interest rates on non-derivative financial instruments at 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 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 the assessment of the Group's management for the reasonably possible interval of interest rate change.

If the interest rate had increased or decreased by 0.25%, with all other variable factors remaining constant, the Group's net loss before tax would have increased or decreased by \$300 for the three months ended March 31, 2024, and the Group's net profit before tax would have decreased or increased by \$75 for the three months ended March 31, 2023. The basis of analysis was the same for both periods, mainly due to the Group's demand deposits and borrowings at variable interest rates.

3) Other price risk

The sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the other comprehensive income as illustrated below:

| | For the three months ended March 31, | | | |
|-------------|---|--|---|--|
| | 2024 | | 2023 | |
| | Other comprehensive income, before tax | Profit or loss before tax | Other comprehensive income, before tax | Profit or loss before tax |
| 5% increase | \$ <u>5,054</u> | <u>6,353</u> | <u>4,945</u> | - |
| 5% decrease | \$ <u>(5,054)</u> | <u>(6,353)</u> | <u>(4,945)</u> | - |

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Fair value of financial instruments

1) Categories of financial instruments and fair value hierarchy

The Group's financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income were measured at fair value on a recurring basis. The carrying amount and fair value of financial assets and liabilities (including information on the fair value hierarchy, but excluding the optional information on financial instruments whose fair values approximate their carrying amounts and lease liabilities) were as follows:

| | March 31, 2024 | | | | |
|---|----------------------------|-------------------|----------------|----------------|--------------|
| | Carrying amount | Fair Value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through profit or loss | | | | | |
| Private stocks | \$ 127,050 | - | - | 127,050 | 127,050 |
| Financial assets at fair value through other comprehensive income | | | | | |
| Domestic listed stocks | 101,074 | 101,074 | - | - | 101,074 |
| Trade receivables | <u>157,459</u> | - | - | - | - |
| Subtotal | <u>258,533</u> | | | | |
| Financial assets at amortized cost | | | | | |
| Cash and cash equivalents | 1,196,685 | - | - | - | - |
| Trade receivables (including related parties) | 100,134 | - | - | - | - |
| Other receivables (including related parties) | 9,544 | - | - | - | - |
| Other financial assets | 371,423 | - | - | - | - |
| Guarantee deposits paid | <u>5,801</u> | - | - | - | - |
| Subtotal | <u>1,683,587</u> | | | | |
| | <u>\$ 2,069,170</u> | | | | |
| Financial liabilities at amortized cost: | | | | | |
| Secured bank loans | \$ 620,495 | - | - | - | - |
| Trade payables (including related parties) | 180,308 | - | - | - | - |
| Other payables (including related parties) | 87,732 | - | - | - | - |
| Lease liabilities (including current and non-current) | <u>49,545</u> | - | - | - | - |
| | <u>\$ 938,080</u> | | | | |

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | December 31, 2023 | | | | |
|---|----------------------------|-------------------|----------------|----------------|--------------|
| | Carrying amount | Fair Value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through profit or loss | | | | | |
| Private stocks | \$ <u>127,050</u> | - | - | 127,050 | 127,050 |
| Financial assets at fair value through other comprehensive income | | | | | |
| Domestic listed stocks | 108,410 | 108,410 | - | - | 108,410 |
| Trade receivables | <u>110,529</u> | - | - | - | - |
| Subtotal | <u>218,939</u> | | | | |
| Financial assets at amortized cost | | | | | |
| Cash and cash equivalents | 1,331,694 | - | - | - | - |
| Trade receivables (including related parties) | 137,359 | - | - | - | - |
| Other receivables (including related parties) | 14,420 | - | - | - | - |
| Other financial assets | 305,700 | - | - | - | - |
| Guarantee deposits paid | <u>5,545</u> | - | - | - | - |
| Subtotal | <u>1,794,718</u> | | | | |
| | <u>\$ 2,140,707</u> | | | | |
| Financial liabilities at amortized cost: | | | | | |
| Secured bank loans (including current portion) | \$ 651,032 | - | - | - | - |
| Trade payables (including related parties) | 197,111 | - | - | - | - |
| Other payables (including related parties) | 98,022 | - | - | - | - |
| Lease liabilities (including current and non-current) | <u>52,412</u> | - | - | - | - |
| | <u>\$ 998,577</u> | | | | |

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | March 31, 2023 | | | | |
|---|----------------------------|------------|---------|---------|--------|
| | Carrying amount | Fair Value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through other comprehensive income | | | | | |
| Domestic listed stocks | \$ 98,900 | 98,900 | - | - | 98,900 |
| Trade receivables | <u>773,321</u> | - | - | - | - |
| Subtotal | <u>872,221</u> | | | | |
| Financial assets at amortized cost | | | | | |
| Cash and cash equivalents | \$ 1,446,744 | - | - | - | - |
| Trade receivables (including related parties) | 310,664 | - | - | - | - |
| Other receivables (including related parties) | 109,723 | - | - | - | - |
| Guarantee deposits paid | 5,744 | - | - | - | - |
| Other non-current assets (restricted time deposits) | <u>21,242</u> | - | - | - | - |
| Subtotal | <u>1,894,117</u> | | | | |
| | <u><u>\$ 2,766,338</u></u> | | | | |
| Financial liabilities at amortized cost: | | | | | |
| Secured bank loans (including current portion) | \$ 864,797 | - | - | - | - |
| Trade payables | 1,003,645 | - | - | - | - |
| Other payables (including related parties) | 183,101 | - | - | - | - |
| Lease liabilities (including current and non-current) | <u>68,370</u> | - | - | - | - |
| | <u><u>\$ 2,119,913</u></u> | | | | |

2) Fair value valuation technique of financial instruments not measured at fair value

The Group's management considered that the disclosed carrying amounts of financial assets and financial liabilities measured at amortized cost approximated their fair values.

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Fair value valuation technique of financial instruments measured at fair value

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

If the financial instruments held by the consolidated company have no active market, their fair values are presented below by category and attribute:

Unquoted equity instruments: Fair values are estimated using option pricing models (such as the Black Scholes model) and liquidity discount models (such as the Finnerty model), with the main assumption being based on market quotations from investors. The estimates have been adjusted for the discount impact due to the lack of market liquidity of the equity securities.

4) Transfers between Level 1 and Level 2

There was no transfer between the different levels of fair value hierarchy for the three months ended March 31, 2024 and 2023.

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include financial assets at fair value through profit or loss-Private stock.

The Group's equity investments without an active market which are classified as Level 3 have numerous unobservable inputs. The significant unobservable inputs of equity instrument investments are not correlated to each other.

Quantified information of significant unobservable inputs was as follows:

| Item | Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|--|---|--|
| Financial assets at fair value through profit or loss-Private stock | Black-Scholes model and Finnerty model | Lack of market liquidity discount (24.82% as of December 31,2023) | The fair value would decrease if lack of market liquidity discount increase |

(Continued)

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 6) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The fair value measurement of financial instruments by the Group is reasonable, but the use of different evaluation models or evaluation parameters may result in different evaluation results. For financial instruments classified as Level 3, changing the price to book ratio or liquidity discount would have the following effects on income:

| | <u>Input</u> | <u>Increase /Decrease</u> | <u>Profit or loss</u> | |
|---|-----------------------------------|-------------------------------|------------------------|--------------------------|
| | | | <u>Favor- able</u> | <u>Unfavor- able</u> |
| March 31, 2024 | | | | |
| Non current financial assets at fair value through profit or loss | Lack of market liquidity discount | 10% | \$ <u>16,900</u> | <u>(16,900)</u> |
| December 31, 2023 | | | | |
| Non current financial assets at fair value through profit or loss | Lack of market liquidity discount | 10% | \$ <u>16,900</u> | <u>(16,900)</u> |

- (t) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note (6)(t) of the consolidated financial statements for the year ended December 31, 2023.

- (u) Capital management

The Group's objectives, policies and processes of capital management are the same as those disclosed in the consolidated financial statements for the year ended December 31, 2023. There were no significant changes of quantitative data of capital management compared to the consolidated financial statements for the year ended December 31, 2023. Please refer to note (6)(u) of the consolidated financial statements for the year ended December 31, 2023 for further details.

- (v) Investing and financial activities not affecting current cash flow

The Group's investing and financial activities, which did not affect the current cash flows in the three months ended March 31, 2024 and 2023, were as follows:

- (i) The acquisition of right-of-use assets by leases, please refer to note 6(h).
(ii) Reconciliation of liabilities arising from financing activities was as follows:

| | <u>January 1, 2024</u> | <u>Cash Flow</u> | <u>Non-cash changes</u> | | <u>March 31, 2024</u> |
|---|----------------------------|------------------|-------------------------|--------------------------------|---------------------------|
| | | | <u>Addition</u> | <u>Lease modifications</u> | |
| Long-term borrowings (including current portion) | \$ 651,032 | (30,537) | - | - | 620,495 |
| Lease liabilities | <u>52,412</u> | <u>(5,043)</u> | <u>2,697</u> | <u>(521)</u> | <u>49,545</u> |
| Total amount of liabilities arising from financing activities | <u>\$ 703,444</u> | <u>(35,580)</u> | <u>2,697</u> | <u>(521)</u> | <u>670,040</u> |

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | January 1, 2023 | Cash Flow | Non-cash changes | | March 31, 2023 |
|---|----------------------------|------------------------|-------------------------|--------------------------------|---------------------------|
| | | | Addition | Lease modifications | |
| Long-term borrowings (including current portion) | \$ 887,335 | (22,538) | - | - | 864,797 |
| Lease liabilities | <u>72,100</u> | <u>(4,934)</u> | <u>1,204</u> | - | <u>68,370</u> |
| Total amount of liabilities arising from financing activities | <u><u>\$ 959,435</u></u> | <u><u>(27,472)</u></u> | <u><u>1,204</u></u> | <u><u>-</u></u> | <u><u>933,167</u></u> |

(7) Related-party transactions:

- (a) The parent company and the ultimate controlling party

On April 1, 2023, D-Link Corporation, the parent company, acquired control of the Group, and D-Link Corporation is the ultimate controlling party of the Group, and has prepared the consolidated financial statements.

- (b) Names and relationship with related parties

The followings are related parties that had transactions with the Group during the periods covered in the consolidated financial statements:

| Name of related party | Relationship with the Company |
|--|---|
| D-Link Corporation | The company director of the Company (Note1) |
| D-Link International Pte Ltd. (D-Link International) | Subsidiary of D-Link Corporation (Note1) |
| TeamF1 Networks Private Limited (TeamF1 India) | Subsidiary of D-Link Corporation |
| D-Link (Shanghai) Co.,Ltd. | Subsidiary of D-Link Corporation (Note1) |
| Young Syun Investment Co.,Ltd. | Substantial related party (Note2) |
| Amigo Technology Inc. | Substantial related party |
| SAPIDO TECHNOLOGY INC. | Substantial related party |
| TSG Hawks Baseball Co.,Ltd. | Substantial related party |
| TSG TRANSPORTATION CORP. | Substantial related party |
| Jia Jie Biomedical Co.,Ltd. | Substantial related party |
| All Directors, general manager, and deputy general manager | Key management personnel |

Note 1: D-Link Corporation acquired control of the Company on April 1, 2023, and changed from an individual with significant influence on the Company to the parent company of the Company from April 1, 2023.

Note 2: Young Syun Investment Co., Ltd has been merged with Taiwan Network Group United Co., Ltd and changed from an affiliated company controlled by the same parent company to a substantial related party on December 4, 2023.

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Significant transactions with related parties

(i) Sales to related parties

The amounts of significant sales by the Group to related parties and the outstanding balances are as follows:

| | Sales | | Trade receivables due from related parties | | |
|-------------------------|--|----------------|---|--------------------------|-----------------------|
| | For the three months ended March 31 | | March 31, 2024 | December 31, 2023 | March 31, 2023 |
| | 2024 | 2023 | | | |
| D-Link International \$ | 108,667 | 547,097 | 128,579 | 92,106 | 609,293 |
| D-link Corporation | 28,020 | 119,848 | 28,880 | 18,423 | 133,972 |
| Other related parties | 61 | 2,312 | 65 | 25 | 3,273 |
| \$ | 136,748 | 669,257 | 157,524 | 110,554 | 746,538 |

The collection period of goods sold by the Group to related parties was mainly 90 days after delivery and might be extended if necessary. For most third parties, the collection period was open account 60 days. The price for sales to the above related parties was determined by general market conditions and adjusted by considering the geographic sales area and sales volumes.

(ii) Purchases from related parties

The amounts of purchases by the Group from related parties and the outstanding balances were as follows:

| | Purchase | | Payables to related parties | | |
|--------------------------|--|-------------|------------------------------------|--------------------------|-----------------------|
| | For the three months ended March 31 | | March 31, 2024 | December 31, 2023 | March 31, 2023 |
| | 2024 | 2023 | | | |
| Other related parties \$ | 716 | - | 765 | 5,788 | - |

The payment terms for purchases from other related parties ranged from two to three months, which were not materially different from those agreed upon with third parties. Purchasing prices were based on general market price.

(iii) Payment to related parties

Miscellaneous expenses paid to related parties and the outstanding balances were as follows:

| | Miscellaneous expenses | | Other payables | | |
|-----------------------|--|--------------|-----------------------|--------------------------|-----------------------|
| | For the three months ended March 31 | | March 31, 2024 | December 31, 2023 | March 31, 2023 |
| | 2024 | 2023 | | | |
| Parent company \$ | 419 | 225 | - | - | - |
| Other related parties | 811 | 2,289 | 483 | - | 613 |
| \$ | 1,230 | 2,514 | 483 | - | 613 |

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Received from related parties

Advances received by the Group from related parties netting to operation expense are set out below:

| | Miscellaneous income | | Other receivables | | |
|-----------------------|--|-------------|--------------------------|--------------------------|-----------------------|
| | For the three months ended March 31 | | March 31, 2024 | December 31, 2023 | March 31, 2023 |
| | 2024 | 2023 | | | |
| Parent company | \$ 3,727 | 220 | 3,995 | 7,822 | - |
| Other related parties | 528 | - | 345 | - | - |
| | <u>\$ 4,255</u> | <u>220</u> | <u>4,340</u> | <u>7,822</u> | <u>-</u> |

(v) Lease

Since November 1, 2021, the Company has leased part of the Tainan factory to its related parties D-Link Corporation, and the rent has been collected on monthly basis, and the rental income for the three months ended March 31, 2024 and 2023 were both amounted to \$593, and the relevant amounts have been recovered.

(d) Key management personnel transactions

Key management personnel's compensation comprised:

| | For the three months ended March 31 | |
|------------------------------|--|--------------|
| | 2024 | 2023 |
| Short-term employee benefits | \$ 4,169 | 3,309 |
| Post-employment benefits | 81 | 27 |
| | <u>\$ 4,250</u> | <u>3,336</u> |

(8) Pledged assets:

The carrying amounts of the assets which the Group pledged as collateral were as follows:

| Asset name | Pledged to secure | March 31, 2024 | December 31, 2023 | March 31, 2023 |
|---|---------------------------------|-----------------------|--------------------------|-----------------------|
| Other non-current assets – restricted time deposits | Payment guarantee for suppliers | \$ - | - | 21,242 |
| Property, plant, and equipment – land | Long-term bank loans | 346,639 | 346,639 | 346,639 |
| Property, plant, and equipment – buildings and construction | Long-term bank loans | 921,428 | 929,171 | 952,400 |
| | | <u>\$ 1,268,067</u> | <u>1,275,810</u> | <u>1,320,281</u> |

(9) Commitments and contingencies: None.

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

(12) Other:

- (a) The summary of current-period employee benefits, depreciation, and amortization, by function, was as follows:

| By item | By function | For the three months ended March 31 | | | | | |
|----------------------------|-------------|-------------------------------------|-------------------|--------|-----------------|-------------------|---------|
| | | 2024 | | | 2023 | | |
| | | Operating costs | Operating expense | Total | Operating costs | Operating expense | Total |
| Employee benefits | | | | | | | |
| Salary | | 32,272 | 45,601 | 77,873 | 54,077 | 50,929 | 105,006 |
| Labor and health insurance | | 3,873 | 4,359 | 8,232 | 5,774 | 4,799 | 10,573 |
| Pension | | 1,590 | 2,873 | 4,463 | 2,203 | 3,083 | 5,286 |
| Others | | 3,554 | 2,523 | 6,077 | 6,246 | 3,216 | 9,462 |
| Depreciation | | 16,499 | 8,085 | 24,584 | 24,386 | 7,952 | 32,338 |
| Amortization | | 6 | 670 | 676 | 17 | 974 | 991 |

- (b) Discontinued operation

The Group's operations were not affected by seasonality or cyclicity factors.

(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" of the Group for the three months ended March 31, 2024:

- (i) Loans to other parties:

(In thousands of new Taiwan dollars)

| Number (Note 1) | Name of lender | Name of borrower | Account name | Related party | Highest balance of financing to other parties during the period (Note 2) | Ending balance | Actual usage amount during the period | Range of interest rates during the period | Purposes of fund financing for the borrower (Note 3) | Transaction amount for business between two parties | Reasons for short-term financing | Loss allowance | Collateral | | Individual funding loan limits (Note 4) | Maximum limit of fund financing (Note 4) |
|--------------------|--------------------------|------------------|-------------------|---------------|--|----------------|---------------------------------------|---|--|---|----------------------------------|----------------|------------|-------|---|--|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | Perfect Choice Co., Ltd. | The Company | Other receivables | Yes | 78,253 | - | - | - | 2 | - | Working capital | - | | - | 61,480 | 61,480 |
| 2 | Huge Castle Ltd. | The Company | Other receivables | Yes | 92,903 | - | - | - | " | - | Working capital | - | | - | 119,505 | 119,505 |

Note 1: The numbering is as follows:

(i) "0" represents the Company

(ii) Subsidiaries are numbered starting from "1".

Note 2: The highest balance for the period was calculated based on the exchange rate of March 31, 2024.

Note 3: 1 represents a trading counterparty; 2 indicates the necessity of short-term financing.

Note 4: According to each subsidiary's "Procedures for Loans to Other Parties", for other companies or entities having short-term financing needs, the amount of loan to a single entity shall not exceed 40% of the net worth reported in the latest financial statements as of March 31, 2024. For subsidiaries whose voting shares are 100% owned, directly or indirectly, by the parent company, or for the loans between subsidiaries, the preceding limit does not apply; however, the total amount of loans shall not exceed 40% of the net worth reported in the latest financial statements as of March 31, 2024.

Note 5: The transactions above have already been eliminated in the consolidated financial statements.

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of March 31, 2024 (excluding investment in subsidiaries, associates and joint ventures):

(Shares/units (thousands))

| Name of holder | Category and name of security | Relationship with company | Account title | Ending balance | | | | Note |
|------------------------------|---|---------------------------|---|--------------------------|----------------|-----------------------------|------------|--------|
| | | | | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | Fair value | |
| The Company | Harvatek Corporation | None | Non-current financial assets at fair value through profit or loss | 6,000 | - | 14.46 | - | Note 1 |
| The Company | Stock-Covia Inc. | None | Non-current financial assets at fair value through profit or loss | 0.4 | - | 5.40 | - | Note 2 |
| The Company | Private Stock-ENSURE GLOBAL CORP., LTD. | None | Non-current financial assets at fair value through profit or loss | 5,000 | 127,050 | 3.16 | 127,050 | |
| Qianjin Investment Co., Ltd. | D-Link Corporation | Parent Company | Non-current financial assets at fair value through other comprehensive income | 5,434 | 101,074 | 0.90 | 101,074 | |

Note 1: Harvatek Corporation has been delisted since October 27, 2008, and the initial investment cost of it amounting to \$60,000 thousand has been fully recognized as loss by the Company.

Note 2: The investment in Covia Inc. investment valued at impairment loss amounting to \$13,211 thousand, and the impairment loss has been fully recognized by the Company.

- (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.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

| Name of company | Related party | Nature of relationship | Transaction details | | | | Transactions with terms different from others | | Notes/Trade receivables (payables) | | Note |
|-----------------|--------------------|------------------------|---------------------|-----------|-------------------------------------|------------------------|---|---------------|------------------------------------|--|------|
| | | | Purchase/Sale | Amount | Percentage of total purchases/sales | Payment terms | Unit price | Payment terms | Ending balance | Percentage of total notes/trade receivables (payables) | |
| The Company | D-Link Corporation | Parent Company | Sale | (108,667) | (46) % | 90 days after delivery | Note 1 | Note 1 | Trade receivables 128,579 | 50% | |

Note 1: The collection period of goods sold by the Group to related parties was mainly 90 days after delivery and might be extended if necessary. For most third parties, the collection period was open account 60 days. The price for sales to the above related parties was determined by general market conditions and adjusted by considering the geographic sales area and sales volumes.

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(Shares/units (thousands))

| Name of company | Counter-party | Nature of relationship | Ending balance | Turnover rate | Overdue | | Amounts received in subsequent period (Note 1) | Allowance for bad debts | Remark |
|-----------------|--------------------|------------------------|---------------------------|---------------|---------|--------------|--|-------------------------|--------|
| | | | | | Amount | Action taken | | | |
| The Company | D-Link Corporation | Parent Company | Trade receivables 128,579 | 3.94 | - | | 41,771 | - | |

Note 1: Information as of April 25, 2024.

- (ix) Trading in derivative instruments: None.
- (x) Business relationships and significant intercompany transactions:

(In thousands of New Taiwan Dollars and foreign currencies)

| No. | Name of company | Name of counter-party | Nature of relationship | Intercompany transactions | | | |
|-----|------------------------------------|------------------------------------|------------------------|-----------------------------------|-------------------|--|--|
| | | | | Account name | Amount | Trading terms | Percentage of the consolidated net revenue or total assets |
| 1 | Huge Castle Ltd. | Suzhou Soarnex Technology Co., Ltd | 3 | Research and development expenses | 8,527 (CNY 1,955) | Within one year subject to availability of funds | 4% |
| 3 | Suzhou Soarnex Technology Co., Ltd | Huge Castle Ltd. | 3 | Sales | 8,527 (CNY 1,955) | Not significantly different from the payment to ordinary customers | 4% |

Note 1: Parties to the intercompany transactions are identified and numbered as follows:

- (i) "0" represents the Company
(ii) Subsidiaries are numbered starting from "1".

Note 2: Categories of relationship are as below:

- 1 represents parent to subsidiary
2 represents subsidiary to parent
3 represents subsidiary to subsidiary

Note 3: The aforementioned intercompany transactions have been eliminated in the consolidated financial statements.

- (b) Information on investees:

The following are the information on investees for the three months ended March 31, 2024 (excluding information on investees in Mainland China):

(Shares/units (thousands))

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Balance as of March 31, 2024 | | | Net income (losses) of investee | Share of profits/losses of investee | Note |
|---|------------------------------|----------------------------|--------------------------------|----------------------------|-------------------|------------------------------|-------------------------|----------------|---------------------------------|-------------------------------------|---------------|
| | | | | March 31, 2024 | December 31, 2023 | Shares (thousands) | Percentage of ownership | Carrying value | | | |
| The Company | Huge Castle Ltd. | Samoa | Investment holding | 295,006 | 295,006 | 9,330 | 100 % | 298,762 | (6,950) | (6,950) | Note 1 |
| " | Qianjin Investment Co., Ltd. | Taiwan | Investment holding | 270,000 | 270,000 | 27,000 | 100 % | 142,913 | (7) | (7) | Note 1 |
| Less: Unrealized profits (losses) of affiliates | | | | | | | | (59) | | | |
| | | | | | | | | <u>441,616</u> | | <u>(6,957)</u> | |
| Huge Castle Ltd. | Perfect Choice Co., Ltd. | Mauritius | Investment holding and trading | (16,261) | (16,261) | 10 | 100 % | 153,700 | 4,073 | 4,073 | Notes 1 and 2 |
| " | Luis Jo'se Investments Inc. | The British Virgin Islands | Investment holding | 43,673 | 43,673 | 1,362 | 100 % | 43,093 | (505) | (505) | Note 1 |

Note 1: The transactions on the left has already been eliminated in the consolidated financial statements.

Note 2: Due to the large difference between the original investment exchange rate and the base date of the capital reduction, the original investment amount of Perfect Choice Co., Ltd. was negative in the original currency of US\$100 thousand.

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In thousands of New Taiwan Dollars/foreign currencies)

| Name of investee | Main businesses and products | Total amount of paid-in capital | Method of investment | Accumulated outflow of investment from Taiwan as of January 1, 2024 | Investment flows | | Accumulated outflow of investment from Taiwan as of March 31, 2024 | Net income (losses) of the investee | Percentage of ownership | Investment income (losses) | Book value | Accumulated remittance earnings as in current period | Note |
|---|---|---------------------------------|--|---|------------------|--------|--|-------------------------------------|-------------------------|----------------------------|------------|--|---------------|
| | | | | | Outflow | Inflow | | | | | | | |
| Cameo Technology Development (Shenzhen) Co., Ltd. | R&D for communication technology and products | - | Indirect investments in Mainland China through companies registered in a third region. | \$ 10,333 (USD 323) | - | - | \$ 10,333 (USD 323) | NA | - % | NA | Note 3 | - | Note 3 |
| WIDE VIEW TECHNOLOGY INC. | R&D, production, and sale of electronic components | - | " | \$ 21,209 (USD 663) | - | - | \$ 21,209 (USD 663) | NA | - % | NA | Note 4 | - | Notes 4 |
| Suzhou Soarmex Technology Co., Ltd | Software development and software services for computer information systems | \$ 22,064 (CNY5,000) | " | - | - | - | - | \$ (1,074) | 100 % | \$ (1,074) | \$ 24,630 | - | Notes 2 and 5 |

(ii) Upper limit on investment in Mainland China:

(In thousands of New Taiwan Dollars/foreign currencies)

| Accumulated Investment in Mainland China as of March 31, 2024 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|---|--|---------------------------|
| \$ 31,542 (US\$986) | \$ 35,445 (US\$1,108) | \$ 1,849,073 |

- Note 1: The investment limit in Mainland China was calculated based on the official document No.006130 announced by the MOEAIC on November 16, 2001.
- Note 2: The investment income (loss) was recognized based on the financial statements prepared by the subsidiaries and not audited by the CPA.
- Note 3: Cameo Technology Development (Shenzhen) Co., Ltd. completed its liquidation and in March 2012, and the payment for shares of US\$177 thousand, was refunded to Huge Castle Ltd on November 28, 2013 with the approval of the Investment Commission, Ministry of Economic Affairs.
- Note 4: WIDE VIEW TECHNOLOGY INC. completed its liquidation in September 2018, and the payment for shares of US\$740 thousand, was refunded to Luis Jo'se Investment Inc. on September 4, 2018 with the approval of the Investment Commission, Ministry of Economic Affairs.
- Note 5: It was an investment by NETTECH TECHNOLOGY (SUZHOU) CO., LTD based in Mainland China through self-funding. In August 2019, NETTECH TECHNOLOGY transferred 100% of the shareholdings to Luis Jo'se Investment. NETTECH TECHNOLOGY (SUZHOU) CO., LTD has been liquidated and cancelled by a resolution of the board of directors in November 2022. The liquidation procedure has completed on August 31, 2023, and was repaid to Perfect Choice Co., Ltd. on August 4, 2023.

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note 6: The currency was translated into New Taiwan Dollars at the exchange rate of USD 1 to NTD 31.990 at the end of reporting period.

Note 7: The transaction on the left has already been eliminated in the consolidated financial statements.

(iii) Significant transactions:

Please refer to Information on significant transactions for the information on significant direct or indirect transactions, which were eliminated in the preparation of consolidated financial statements, between the Group and the investee companies in Mainland China for the three months ended March 31, 2024.

(d) Major shareholders:

Unit: Share

| Shareholder's Name | Shareholding | Shares | Percentage |
|--------------------|--------------|-------------|------------|
| D-Link Corporation | | 137,532,993 | 41.58 % |

(14) Segment information:

The Group allocates resources, and measures operating performance based on regular reviews made by chief operating decision makers. The Group is a single operating segment primarily engaged in the manufacture, processing, and trading of network system equipment and the components thereof. The disclosure of income (loss), assets, and liabilities is consistent with the preparation of the consolidated financial statements. For the related information, please refer to note (4) of the consolidated financial statements for the year ended December 31, 2023.