

**CAMEO COMMUNICATIONS, INC.
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2024 and 2023**

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

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Representation Letter

The entities that are required to be included in the combined financial statements of Cameo Communications, Inc. as of and for the year ended December 31, 2024 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, “Consolidated Financial Statements.” endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Cameo Communications, Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Cameo Communications, Inc.

Chairman: Tsung-Che Wu

Date: February 25, 2025.



安侯建業聯合會計師事務所
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Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Cameo Communications, Inc. and its subsidiaries (“the Group”), which comprise the consolidated balance sheet as of December 31, 2024 and 2023, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

For the accounting policies for revenue, please refer to Note 4(n); for disclosures regarding revenue recognition, please refer to Note 6(q).

Description of key audit matter:

Cameo Communications, Inc. is a listed company primarily engaged in the manufacture and sale of wired and wireless communications products. As one of important items of the consolidated financial statements, the amount and movements in operating revenue may impact the understanding of the consolidated financial statements as a whole. Therefore, testing of revenue recognition has been identified as one of the key audit matters in our audit of the consolidated financial report.

How the matter was addressed in our audit:

The principal auditing procedures for the above key audit matters included the relevant controls of testing related to the sales and payment collection cycles; checking and reconciling the sales system information and the general ledger; comparing the movements of the top ten customers in the current and previous years as well as analyzing the changes in the revenue with respect to each product thereof to assess if there were material anomalies; conducting a sampling of sales transactions and checking the relevant certificates; assessing whether or not the timing and amount of the recognition of the operating revenue were in accordance with pertinent accounting standards.

2. Valuation of inventories

For the accounting policies for valuation of inventories, please refer to Note 4(h); for accounting estimates of inventory valuation, please refer to Note 5; for disclosures regarding inventories, please refer to Note 6(f).

Description of key audit matter:

The major business activities of the Group are the sale of wireless and wired communications products, with ODM, its core competitiveness, coupled with OEM, to establish a business model. Electronic products may experience price declines due to horizontal competition and advancing technology, and the amounts of inventories will influence the understanding of the financial statements as a whole. Therefore, the testing of inventory valuation was determined to be one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matters above, our principal audit procedures included testing relevant controls over the operating cycle of cost, assessing whether the Group's recognition of inventory write-downs and obsolescence loss were carried out according to the Group's policies and relevant accounting standards. In addition, we assessed the reasonableness of management's estimate of allowances for inventory valuation through reviewing the inventory aging report and conducting a sampling procedure; understanding the net realizable value basis adopted by management, and select appropriate samples for testing to assess the measurement basis adopted for their net realizable values.

Other Matter

Cameo Communications, Inc. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2024 and 2023, on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

February 25, 2025

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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit 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' audit 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

December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2024		December 31, 2023				December 31, 2024		December 31, 2023	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 871,191	21	1,331,694	32	2170	Trade payables (including related parties) (note7)	\$ 347,083	9	197,111	5
1170	Trade receivables, net (notes 6(d) and 6(q))	111,693	3	137,334	3	2200	Other payables (including related parties) (note7)	114,574	3	98,022	2
1180	Trade receivables due from related parties, net (notes 6(d), 6(q) and 7)	320,098	8	110,554	3	2250	Current provisions (note 6(l))	4,410	-	5,905	-
1200	Other receivables, net (note 6(e))	7,358	-	6,598	-	2280	Current lease liabilities (note 6(k))	19,201	-	20,011	-
1210	Other receivables due from related parties, net (notes 6(e) and 7)	4,467	-	7,822	-	2305	Other current liabilities	67,427	2	71,865	2
1220	Current tax assets	2,610	-	1,298	-	2320	Long-term borrowings, current portion (notes 6(j) and 8)	87,032	2	122,151	3
1310	Inventories, net (note 6(f))	556,415	13	606,526	14			639,727	16	515,065	12
1476	Other current financial assets (note 6(a))	313,141	8	305,700	7	Non-current liabilities:					
1470	Prepayments and other current assets	18,929	-	19,010	-	2540	Long-term borrowings (notes 6(j) and 8)	441,849	11	528,881	12
		2,205,902	53	2,526,536	59	2570	Deferred tax liabilities (note 6(n))	2,482	-	32,055	1
Non-current assets:						2580	Non-current lease liabilities (note 6(k))	13,034	-	32,401	1
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	282,935	7	127,050	3			457,365	11	593,337	14
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	238,317	6	108,410	3		Total liabilities	1,097,092	27	1,108,402	26
1600	Property, plant and equipment (notes 6(g) and 8)	1,303,047	32	1,359,524	32		Equity (note 6(o)):				
1755	Right-of-use assets (note 6(h))	32,206	1	52,194	1		Equity attributable to owners of parent :				
1780	Intangible assets (note 6(i))	19,591	-	10,436	-	3110	Ordinary shares	3,307,792	80	3,307,792	78
1840	Deferred tax assets(note 6(n))	2,482	-	32,055	1	3300	Retained earnings	(185,560)	(5)	(24,640)	(1)
1920	Refundable deposits	5,793	-	5,545	-	3400	Other equity	(88,472)	(2)	(132,438)	(3)
1975	Net defined benefit asset, non-current (note 6(m))	40,500	1	36,441	1		Total equity	3,033,760	73	3,150,714	74
1990	Other non-current assets	79	-	925	-						
		1,924,950	47	1,732,580	41						
Total assets		\$ 4,130,852	100	4,259,116	100	Total liabilities and equity		\$ 4,130,852	100	4,259,116	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 years ended December 31, 2024 and 2023
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

		2024		2023	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(q) and 7)	\$ 1,184,288	100	2,539,354	100
5000	Operating costs (notes 6(f), 6(i), 6(m), 7 and 12)	<u>1,165,152</u>	<u>98</u>	<u>2,366,447</u>	<u>93</u>
5900	Gross profit	<u>19,136</u>	<u>2</u>	<u>172,907</u>	<u>7</u>
6000	Operating expenses (notes 6(i), 6(m), 7 and 12):				
6100	Selling expenses	46,607	4	65,063	3
6200	Administrative expenses	81,294	7	108,434	4
6300	Research and development expenses	<u>220,007</u>	<u>19</u>	<u>188,837</u>	<u>7</u>
		<u>347,908</u>	<u>30</u>	<u>362,334</u>	<u>14</u>
6900	Net operating loss	<u>(328,772)</u>	<u>(28)</u>	<u>(189,427)</u>	<u>(7)</u>
7000	Non-operating income and expenses:				
7050	Finance costs (note 6(k))	(13,338)	(1)	(16,059)	-
7100	Interest income	30,965	3	25,185	1
7190	Other income (notes 6(c) and 7)	33,171	3	67,626	3
7210	Losses on disposals of property, plant and equipment	-	-	(502)	-
7230	Foreign exchange gains	21,956	2	10,287	-
7235	Net gains on financial assets at fair value through profit or loss (note 6(b))	90,993	7	86,269	3
7228	Gains on lease modification	540	-	289	-
7590	Other loss	-	-	(2,159)	-
		<u>164,287</u>	<u>14</u>	<u>170,936</u>	<u>7</u>
7900	Loss from continuing operations before tax	<u>(164,485)</u>	<u>(14)</u>	<u>(18,491)</u>	<u>-</u>
7950	Less: Income tax expenses (note 6(n))	<u>71</u>	<u>-</u>	<u>18,669</u>	<u>1</u>
8200	Loss from continuing operations before tax	<u>(164,556)</u>	<u>(14)</u>	<u>(37,160)</u>	<u>(1)</u>
8300	Other comprehensive (loss) income:				
8310	Items that may not be reclassified to profit or loss (notes 6(c) and 6(m))				
8311	Gains on remeasurements of defined benefit plans	3,636	-	249	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	29,888	3	27,714	1
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	<u>33,524</u>	<u>3</u>	<u>27,963</u>	<u>1</u>
8360	Items that may be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	14,059	1	(1,276)	-
8367	Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	19	-	-	-
8399	Income tax related to items that may be reclassified to profit or loss	-	-	-	-
	Total items that may be reclassified to profit or loss	<u>14,078</u>	<u>1</u>	<u>(1,276)</u>	<u>-</u>
8300	Other comprehensive income (loss)	<u>47,602</u>	<u>4</u>	<u>26,687</u>	<u>1</u>
8500	Total comprehensive income (loss)	<u>\$ (116,954)</u>	<u>(10)</u>	<u>(10,473)</u>	<u>-</u>
	Basic earnings per share (expressed in NTD) (note 6(p))				
9750	Basic loss per share	<u>\$ (0.50)</u>		<u>(0.11)</u>	
9850	Diluted loss per share	<u>\$ (0.50)</u>		<u>(0.11)</u>	

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 years ended December 31, 2024 and 2023
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent								
						Other equity			
		Retained earnings				Exchange differences on translation of foreign financial statements	Unrealized losses on financial assets measured at fair value through other comprehensive income	Total other equity	Total equity
	Ordinary shares	Legal reserve	Special reserve	Accumulated deficits	Retained earnings				
Balance at January 1, 2023	\$ 3,307,792	-	-	85,042	85,042	(40,375)	(118,501)	(158,876)	3,233,958
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	8,504	-	(8,504)	-	-	-	-	-
Special reserve appropriated	-	-	1,224	(1,224)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(72,771)	(72,771)	-	-	-	(72,771)
		8,504	1,224	(82,499)	(72,771)	-	-	-	(72,771)
Loss for the year ended December 31, 2023	-	-	-	(37,160)	(37,160)	-	-	-	(37,160)
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	249	249	(1,276)	27,714	26,438	26,687
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	(36,911)	(36,911)	(1,276)	27,714	26,438	(10,473)
Balance at December 31, 2023	3,307,792	8,504	1,224	(34,368)	(24,640)	(41,651)	(90,787)	(132,438)	3,150,714
Appropriation and distribution of retained earnings:									
Legal reserve used to offset accumulated deficits	-	(8,504)	-	8,504	-	-	-	-	-
Reversal of special reserve	-	-	(1,224)	1,224	-	-	-	-	-
		(8,504)	(1,224)	9,728	-	-	-	-	-
Loss for the year ended December 31, 2024	-	-	-	(164,556)	(164,556)	-	-	-	(164,556)
Other comprehensive income (loss) for the year ended December 31, 2024	-	-	-	3,636	3,636	14,059	29,907	43,966	47,602
Total comprehensive income (loss) for the year ended December 31, 2024	-	-	-	(160,920)	(160,920)	14,059	29,907	43,966	(116,954)
Balance at December 31, 2024	\$ 3,307,792	-	-	(185,560)	(185,560)	(27,592)	(60,880)	(88,472)	3,033,760

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 years ended December 31, 2024 and 2023
(Expressed in Thousands of New Taiwan Dollars)

	2024	2023
Cash flows from (used in) operating activities:		
Loss before tax	\$ (164,485)	(18,491)
Adjustments:		
Adjustments to reconcile (loss) profit:		
Depreciation expense	92,862	128,779
Amortization expense	2,631	3,468
Net gains on financial assets (liabilities) at fair value through profit or loss	(90,993)	(91,050)
Interest expense	13,338	16,059
Interest income	(30,965)	(25,185)
Dividend income	(2,910)	(1,220)
Losses on disposal of property, plant and equipment	-	502
Others	(540)	(121)
Total adjustments to reconcile (loss) profit	(16,577)	31,232
Changes in operating assets and liabilities:		
Decrease in notes and trade receivables	25,641	384,025
(Increase) decrease in trade receivables due from related parties	(209,544)	442,619
Decrease in other receivables	1,074	36,622
Decrease (increase) in other receivable due from related parties	3,355	(5,933)
Decrease in inventories	50,111	604,819
Decrease in prepayments and other current assets	81	23,222
Increase in net defined benefit assets	(423)	(460)
Total changes in operating assets	(129,705)	1,484,914
Increase (decrease) in trade payables (including related parties)	149,972	(888,294)
Increase (decrease) in other payable (including related parties)	16,640	(115,122)
(Decrease) increase in other operating liabilities	(5,933)	29,178
Total changes in operating liabilities	160,679	(974,238)
Total changes in operating assets and liabilities, net	30,974	510,676
Total adjustments	14,397	541,908
Cash (outflow) inflow generated from operations	(150,088)	523,417
Interest received	29,131	36,907
Dividends received	2,910	1,220
Interest paid	(13,426)	(16,115)
Income taxes paid	(1,383)	(33,902)
Net cash flows (used in) from operating activities	(132,856)	511,527
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(100,000)	-
Acquisition of financial assets at fair value through profit or loss	(64,892)	(36,000)
Acquisition of property, plant and equipment	(15,484)	(19,918)
Proceeds from disposal of property, plant and equipment	111	127
Acquisition of intangible assets	(11,786)	(2,257)
Increase in other financial assets	(7,441)	(284,234)
Decrease in other non-current assets	598	6,474
Net cash flows used in investing activities	(198,894)	(335,808)
Cash flows from (used in) financing activities:		
Proceeds from long-term borrowings	20,000	-
Repayments of long-term borrowings	(142,151)	(236,303)
Payment of lease liabilities	(20,656)	(19,931)
Cash dividends paid	-	(72,771)
Net cash flows used in financing activities	(142,807)	(329,005)
Effect of exchange rate changes on cash and cash equivalents	14,054	(1,280)
Net decrease in cash and cash equivalents	(460,503)	(154,566)
Cash and cash equivalents at beginning of period	1,331,694	1,486,260
Cash and cash equivalents at end of period	\$ 871,191	1,331,694

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 years ended December 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 February 25, 2025.

(3) New standards, amendments and interpretations adopted:

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

The 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 endorsed by the FSC but not yet effective

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

- Amendments to IAS21 “Lack of Exchangeability”

(Continued)

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

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	<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

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
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Standards or Interpretations	Content of amendment	Effective date per IASB
Annual Improvements to IFRS Accounting Standards—Volume 11	<p>The amendments set out:</p> <ol style="list-style-type: none"> 1. IFRS 1 “First-time Adoption of International Financial Reporting Standards”: <p>The amendments address a potential confusion arising from an inconsistency in wording between paragraph B6 of IFRS 1 and requirements for hedge accounting in IFRS 9 Financial Instruments.</p> 2. IFRS 7 “Financial Instruments: Disclosures”: <p>The amendments address a potential confusion in IFRS 7 arising from an obsolete reference to a paragraph that was deleted from the standard when IFRS 13 Fair Value Measurement was issued.</p> 3. IFRS 9 “Financial Instruments”: <ul style="list-style-type: none"> • Derecognition of a lease liability <p>The IASB’s amendment states that if a lease liability is derecognized, then the derecognition will be accounted for under IFRS 9, (i.e. the difference between the carrying amount and the consideration paid is recognized in profit or loss). However, when a lease liability is modified, the modification will be accounted for under IFRS 16 Leases.</p> • Transaction price <p>The amendments require companies to initially measure a trade receivable without a significant financing component at the amount determined by applying IFRS 15 Revenue from Contracts with Customers. The amendments remove the conflict between IFRS 9 and IFRS 15 over the amount at which a trade receivable is initially measured.</p> 	January 1, 2026

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

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

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

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

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

(4) Summary of material accounting policies:

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

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C. (altogether referred to “IFRS Accounting Standards” endorsed by the “FSC”).

(Continued)

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

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets measured at fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit assets are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in Note 4(o).

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

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

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

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding		Remark
			December 31, 2024	December 31, 2023	
The Company	Qianjin Investment Co., Ltd.	Investment holding	100 %	100 %	
"	Huge Castle Ltd.	Investment holding	100 %	100 %	
Qianjin Investment Co., Ltd.	SOARNEX TECHNOLOGY CORPORATION	International trade, and wholesale of telecommunications equipment and information software	- %	- %	Note 1
SOARNEX TECHNOLOGY CORPORATION	Soarnex Holding Co., Ltd.	Investment holding	- %	- %	Notes 3
Huge Castle Ltd.	Perfect Choice Co., Ltd.	Investment holding and trading	- %	100 %	Note 4
"	Luis Jo'se Investment Inc.	Investment	100 %	100 %	
"	CAMEO International Ltd.	Import and export trade	- %	- %	Note 5
Perfect Choice Co., Ltd.	NETTECH TECHNOLOGY (SUZHOU) CO., LTD	Production, processing, and sale of electronic communications equipment	- %	- %	Note 2
Luis Jo'se Investment Inc.	Suzhou Soarnex Technology Co., Ltd	Software development and software services on computer information systems	100 %	100 %	

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: Perfect Choice Co., Ltd. has been liquidated and cancelled by a resolution of the Board of Directors in April 2024, and has applied for cancellation of registration in May 2024, and it is expected to complete its liquidation in 2025.

Note 5: CAMEO International Ltd. has been deregistration by a resolution of the board of directors in January 2023, and the liquidation process has begun. The delisting and liquidation procedures has completed on March 9, 2023, and was repaid to Huge Castle Ltd.

(d) Foreign currencies

(i) Foreign currency transactions

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

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

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

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

(ii) Foreign operations

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

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

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

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

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

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

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

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

(f) Cash and cash equivalents

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

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(g) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

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

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

Some trade receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Group, therefore, those receivables are measured at FVOCI. However, they are included in the ‘ trade receivables’ line item.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group’s right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivables, refundable deposits and other financial assets), FVOCI-debt investment and contract assets.

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

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

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

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

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

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

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

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

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

5) **Derecognition of financial assets**

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

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Financial liabilities

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

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

4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

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

(h) Inventories

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

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

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

1) buildings and construction	4~35 years
2) Machinery and equipment	2~8 years
3) Office and other facilities	2~6 years
4) Lease improvements	5 years

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

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
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(j) Lease

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

(i) As a lessee

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

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

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

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

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

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

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

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

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

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

(k) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
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The estimated useful lives for current and comparative periods are as follows:

- | | |
|---------------------------------|------------|
| 1) Patents | 1~10 years |
| 2) Computer software and others | 1~10 years |

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

(l) Impairment of non-financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

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

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

(m) Provisions

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

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

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
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(n) Revenue from contracts with customers

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

(i) Sale of goods

The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the customer has accepted the goods in accordance with the terms of sales, the risks of obsolescence and loss have been transferred to the customer, and the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group's obligation to provide a refund for faulty goods under the standard warranty terms is recognized as a provision for warranty. Please refer to note 6(m).

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

(ii) Service Revenue

Service revenue primarily consists of product development service revenue and maintenance service revenue. Product development services are provided based on the contract specifications and functional requirements agreed upon with the customer. The related revenue is recognized upon the delivery of each performance obligation.

(iii) Financing components

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

(o) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
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The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iv) Short-term employee benefits

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

(p) Income tax

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

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

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

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
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Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities at the reporting date and their respective tax bases. Deferred taxes are recognized except for the following:

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

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

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

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

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

(q) Earnings per share

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

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
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(r) Operating segments

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

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

In preparing these consolidated financial statements, management has made judgments and estimates about the future, including climate-related risks and opportunities, that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

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

(a) Valuation of inventories

As electronic products may experience price declines due to horizontal competition and advancing technology, inventories are measured at the lower of cost and net realizable value. The Group estimates the net realizable value of inventory for normal waste, obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is determined mainly based on the assumptions of future demand within a specific time horizon. Therefore, significant changes may occur due to the rapid industrial changes, leading to valuation uncertainty.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2024	December 31, 2023
Foreign currencies on hand and petty cash	\$ 676	618
Check and demand deposits	140,245	614,799
Time deposits	641,106	716,277
Cash equivalents - repurchase agreement	89,164	-
	<u>\$ 871,191</u>	<u>1,331,694</u>

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (i) As of December 31, 2024 and 2023, the Group's time deposits more than three months recognized as other current financial assets amounted to \$313,141 and \$305,700, respectively.
- (ii) 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

	December 31, 2024	December 31, 2023
Private placement shares of domestic listed company	\$ 220,900	127,050
Common shares of domestic listed company	62,035	-
Total	<u><u>\$ 282,935</u></u>	<u><u>127,050</u></u>

- (i) In 2024, the Group purchased 903 thousand ordinary shares of TMP Steel Corporation and 1,302 thousand ordinary shares of S-TECH CORP. in the public market, with investment costs of \$24,415 and \$40,477, respectively.
- (ii) On December 4, 2023, the Group participated in the private placement of 5,000 ordinary shares of King House CO., LTD. (formerly known as 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.
- (iii) For the years ended December 31, 2024 and 2023, the Group's gains on financial assets at fair value through profit and loss amounted to \$90,993 and \$91,050, respectively.
- (iv) Please refer to note 6(s) for exposures to credit risk and market risk.
- (v) As of December 31, 2024 and 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

	December 31, 2024	December 31, 2023
Debt investments at fair value through other comprehensive income:		
Taipei Fubon Commercial Co., Ltd. Bank 3rd issue of Senior Unsecured Financial Debentures in 2024 (Domestic bank green bonds - P13 Taipei Fubon Bank 3)	\$ 100,019	-
Equity investments at fair value through other comprehensive income:		
Common Shares of domestic listed company	138,298	108,410
Total	<u><u>\$ 238,317</u></u>	<u><u>108,410</u></u>

(Continued)

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

- (i) Debt investments at fair value through other comprehensive income
- 1) The Group has assessed the securities shown above as debt investments at fair value through other comprehensive income were held within a business model whose objective was achieved by both collecting contractual cash flows and selling securities. Therefore, they have been classified as debt investments at fair value through other comprehensive income.
 - 2) On September 16, 2024, the Group acquired 10 ten-year domestic bank green bonds- P13 Taipei Fubon Bank 3 at par value of \$10,000 per bond, with a total subscription amount of \$100,000. The bond nominal interest rate is 2.02%.
- (ii) Equity investments at fair value through other comprehensive income:
- 1) 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.
 - 2) For the years ended December 31, 2024 and 2023, the Group gains on aforementioned equity investments at fair value through other comprehensive income amounted to \$29,888 and \$27,714, respectively, and dividend income (recorded as other income) of \$2,910 and \$1,220, respectively.
 - 3) There were no disposal of strategic investments and transfer of any cumulative gain or loss within equity relating to these investments for the years ended December 31, 2024 and 2023.
- (iii) Please refer to note 6(s) for exposures to credit risk and market risk.
- (iv) The aforementioned financial assets were not pledged as collateral.
- (d) Trade receivables (including related parties)

	December 31, 2024	December 31, 2023
Trade receivables — measured at amortized cost	\$ 111,723	137,359
Trade receivables — measured at fair value through other comprehensive income	<u>320,068</u>	<u>110,529</u>
	431,791	247,888
Less: loss allowance	<u>-</u>	<u>-</u>
Trade receivables, net	<u>\$ 431,791</u>	<u>247,888</u>
Trade receivables, net	<u>\$ 111,693</u>	<u>137,334</u>
Trade receivables due from related parties, net	<u>\$ 320,098</u>	<u>110,554</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.

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
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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, 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 trade receivables were as follows:

December 31, 2024			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 417,364	0%	-
1~30 days past due	14,427	0%	-
	\$ 431,791		-
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		-

- (i) The Group entered into trade receivable factoring agreements with banks. Under the agreements, within the limit of the Group's credit facilities, it is not responsible for guaranteeing the debtor's solvency at the time when the claim is transferred and when the obligations are due. Thus, this is a non-recourse accounts receivable factoring. 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. In addition, the Group also need to pay a certain percentage of handling fees.

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

- (ii) For the years ended December 31, 2024 and 2023, the movement in the allowance for trade receivable were remained unchanged.
- (iii) The aforementioned financial assets were not pledged as collateral.

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
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(e) Other receivables (including related parties)

	December 31, 2024	December 31, 2023
Other receivables	\$ 25,378	27,973
Less: loss allowance	<u>(13,553)</u>	<u>(13,553)</u>
	<u>\$ 11,825</u>	<u>14,420</u>
Other receivables	<u>\$ 7,358</u>	<u>6,598</u>
Other receivables due from related parties	<u>\$ 4,467</u>	<u>7,822</u>

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

(f) Inventories

	December 31, 2024	December 31, 2023
Raw materials	\$ 445,897	479,185
Work in progress and semi-finished goods	90,153	78,829
Finished goods	<u>20,365</u>	<u>48,512</u>
	<u>\$ 556,415</u>	<u>606,526</u>

(i) Operating cost were as follows:

	2024	2023
Sale of inventories	\$ 978,156	2,149,967
Write-down of inventories (Reversal of write-downs)	21,697	(16,918)
Loss on disposal of inventories	213	26,329
Loss on physical inventories	7	4
Unallocated production overheads	<u>165,079</u>	<u>207,065</u>
	<u>\$ 1,165,152</u>	<u>2,366,447</u>

(ii) For the year ended December 31, 2023, the Group reversed its allowance for losses due to the write-off of obsolete inventories and a decrease in the net realizable value of inventories below cost.

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

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
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(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 :

	<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>
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	-	-	15,131	353	-	-	15,484
Disposal and derecognition	-	(76)	(52,206)	(111)	(12,519)	-	(64,912)
Effects of movements in exchange rates	-	-	341	26	14	-	381
Balance at December 31, 2024	<u>\$ 346,639</u>	<u>1,127,552</u>	<u>504,374</u>	<u>5,908</u>	<u>52,454</u>	<u>23,921</u>	<u>2,060,848</u>
Balance at January 1, 2023	\$ 346,639	1,131,005	526,031	7,532	64,534	23,921	2,099,662
Additions	-	-	19,038	407	473	-	19,918
Disposal and derecognition	-	(3,377)	(3,967)	(2,035)	(48)	-	(9,427)
Transferred into (out)	-	-	(51)	(277)	-	-	(328)
Effect of movements in exchange rates	-	-	57	13	-	-	70
Balance at December 31, 2023	<u>\$ 346,639</u>	<u>1,127,628</u>	<u>541,108</u>	<u>5,640</u>	<u>64,959</u>	<u>23,921</u>	<u>2,109,895</u>
Depreciation and impairments loss:							
Balance at January 1, 2024	\$ -	185,878	476,165	4,056	60,351	23,921	750,371
Depreciation	-	35,170	32,783	440	3,462	-	71,855
Disposal and derecognition	-	(76)	(52,206)	-	(12,519)	-	(64,801)
Effects of movements in exchange rates	-	-	340	22	14	-	376
Balance at December 31, 2024	<u>\$ -</u>	<u>220,972</u>	<u>457,082</u>	<u>4,518</u>	<u>51,308</u>	<u>23,921</u>	<u>757,801</u>
Balance at January 1, 2023	\$ -	151,278	416,598	4,524	54,472	23,921	650,793
Depreciation	-	37,977	62,842	1,725	5,926	-	108,470
Disposal and derecognition	-	(3,377)	(3,338)	(2,035)	(48)	-	(8,798)
Transferred into (out)	-	-	-	(160)	-	-	(160)
Effects of movements in exchange rates	-	-	63	2	1	-	66
Balance at December 31, 2023	<u>\$ -</u>	<u>185,878</u>	<u>476,165</u>	<u>4,056</u>	<u>60,351</u>	<u>23,921</u>	<u>750,371</u>
Carrying amount:							
Balance at December 31, 2024	<u>\$ 346,639</u>	<u>906,580</u>	<u>47,292</u>	<u>1,390</u>	<u>1,146</u>	<u>-</u>	<u>1,303,047</u>
Balance at December 31, 2023	<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 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>

(i) Impairment

The Group operates as a single operating segment and does not have any goodwill. All property, plant, and equipment are considered as one CGU.

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
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For the years ended December 31, 2024 and 2023, the recoverable amount for estimating the fair values were based on the appraisal report of buildings and the most recent actual transaction registration information. This fair values had been assessed by comparing and adjusting the recent transaction prices of similar properties within the vicinity, and estimating the cost price adjusted for the accumulated depreciation rate of the individual building analog targets.

As of December 31, 2024 and 2023, the assessed recoverable amounts were higher than the carrying amounts of these assets, and therefore, no impairment losses were recognized.

- (ii) As of December 31, 2024 and 2023, the property, plant, and equipment of the Group had been pledged as collateral for long-term borrowings and credit lines ; please refer to note 8.

(h) Right-of-use assets

- (i) The movements in cost, depreciation and impairment of leased buildings, construction and transportation equipment of the Group were as follows:

	<u>Buildings and construction</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:			
Balance at January 1, 2024	\$ 101,679	1,309	102,988
Additions	2,698	-	2,698
Decrease	(3,593)	(1,309)	(4,902)
Balance at December 31, 2024	<u>\$ 100,784</u>	<u>-</u>	<u>100,784</u>
Balance at January 1, 2023	\$ 101,147	1,309	102,456
Additions	1,204	-	1,204
Decrease	(672)	-	(672)
Balance at December 31, 2023	<u>\$ 101,679</u>	<u>1,309</u>	<u>102,988</u>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2024	\$ 49,922	872	50,794
Depreciation	20,570	437	21,007
Decrease	(1,914)	(1,309)	(3,223)
Balance at December 31, 2024	<u>\$ 68,578</u>	<u>-</u>	<u>68,578</u>
Balance at January 1, 2023	\$ 30,049	436	30,485
Depreciation	19,873	436	20,309
Balance at December 31, 2023	<u>\$ 49,922</u>	<u>872</u>	<u>50,794</u>
Carrying amount:			
Balance at December 31, 2024	<u>\$ 32,206</u>	<u>-</u>	<u>32,206</u>
Balance at December 31, 2023	<u>\$ 51,757</u>	<u>437</u>	<u>52,194</u>
Balance at January 1, 2023	<u>\$ 71,098</u>	<u>873</u>	<u>71,971</u>

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(i) Intangible assets

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

	<u>Patent</u>	<u>Computer software and others</u>	<u>Total</u>
Cost:			
Balance at January 1, 2024	\$ 6,162	182,670	188,832
Additions	406	11,380	11,786
Derecognition	-	(15,620)	(15,620)
Effects of movements in exchange rate	<u>-</u>	<u>106</u>	<u>106</u>
Balance at December 31, 2024	<u>\$ 6,568</u>	<u>178,536</u>	<u>185,104</u>
Balance at January 1, 2023	\$ 6,023	181,405	187,428
Additions	421	1,836	2,257
Derecognition	(282)	(542)	(824)
Effects of movements in exchange rate	<u>-</u>	<u>(29)</u>	<u>(29)</u>
Balance at December 31, 2023	<u>\$ 6,162</u>	<u>182,670</u>	<u>188,832</u>
Amortization:			
Balance at January 1, 2024	\$ 5,629	172,767	178,396
Amortization	526	2,105	2,631
Derecognition	-	(15,620)	(15,620)
Effects of movements in exchange rate	<u>-</u>	<u>106</u>	<u>106</u>
Balance at December 31, 2024	<u>\$ 6,155</u>	<u>159,358</u>	<u>165,513</u>
Balance at January 1, 2023	\$ 5,269	170,512	175,781
Amortization	642	2,826	3,468
Derecognition	(282)	(542)	(824)
Effects of movements in exchange rate	<u>-</u>	<u>(29)</u>	<u>(29)</u>
Balance at December 31, 2023	<u>\$ 5,629</u>	<u>172,767</u>	<u>178,396</u>
Carrying amount:			
Balance at December 31, 2024	<u>\$ 413</u>	<u>19,178</u>	<u>19,591</u>
Balance at December 31, 2023	<u>\$ 533</u>	<u>9,903</u>	<u>10,436</u>
Balance at January 1, 2023	<u>\$ 754</u>	<u>10,893</u>	<u>11,647</u>

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
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- (i) The amortization of intangible assets for the years ended December 31, 2024 and 2023, are included in the consolidated statement of comprehensive income:

	<u>2024</u>	<u>2023</u>
Operating Costs	\$ 6	67
Operating Expenses	2,625	3,401

- (ii) As of December 31, 2024 and 2023, none of the Group's intangible assets was pledged as collateral.

(j) Long-term borrowings

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

<u>December 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	\$ 528,881
Less: current portion				(87,032)
Total				<u>\$ 441,849</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~March 2033	\$ 651,032
Less: current portion				(122,151)
Total				<u>\$ 528,881</u>
Unused credit lines				<u>\$ 97,000</u>

- (i) For the year ended December 31, 2024, the proceeds from long-term borrowings amounted to \$20,000; the repayments of long-term borrowings (including due repayments and partial early repayments) amounted to \$142,151.
- (ii) For the year ended December 31, 2023, the repayments of long-term borrowings (including due repayments and partial early repayments) amounted to \$236,303.
- (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.

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(k) Lease liabilities

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

	December 31, 2024	December 31, 2023
Current	\$ <u>19,201</u>	<u>20,011</u>
Non-current	\$ <u>13,034</u>	<u>32,401</u>

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

The amounts recognized in profit or loss were as follow:

	2024	2023
Interest expense on lease liabilities	\$ <u>911</u>	<u>893</u>
Expenses relating to short-term leases	\$ <u>454</u>	<u>652</u>
Cost of low-value leased assets	\$ <u>347</u>	<u>405</u>

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

	2024	2023
Total cash outflow for leases	\$ <u>22,368</u>	<u>21,881</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.

(ii) Other leases

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

The Group also leased photocopying equipment with leased periods of 3 to 4 years, and dormitories with leased periods of 4 to 12 months. 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

	Warranty
Balance at January 1, 2024	\$ 5,905
Reversal of provision for the current period	(1,495)
Balance at December 31, 2024	\$ <u>4,410</u>
Balance at January 1, 2023	\$ 5,810
Increased provision for the current period	95
Balance at December 31, 2023	\$ <u>5,905</u>

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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.

(m) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligations at present value and plan assets at fair value was as follows:

	December 31, 2024	December 31, 2023
Present value of the defined benefit obligations	\$ 3,430	3,373
Fair value of plan assets	(43,930)	(39,814)
Net defined benefit assets	<u><u>\$ (40,500)</u></u>	<u><u>(36,441)</u></u>

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan, which provides pensions for employees upon retirement. Under the Labor Standards Act, each employee's retirement payment is calculated based on years of service and the average salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$43,930 as of December 31, 2024. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended December 31, 2024 and 2023 were as follows:

	2024	2023
Defined benefit obligations at January 1	\$ 3,373	4,112
Interest cost	45	60
Current service cost	78	76
Actuarial (gain) loss arising from financial assumptions	(66)	124
Benefits paid	-	(999)
Defined benefit obligations at December 31	<u><u>\$ 3,430</u></u>	<u><u>3,373</u></u>

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3) Movements in the defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Fair value of plan assets at January 1	\$ 39,814	39,844
Interest income	546	596
Remeasurements of net defined benefit assets		
-Return on plan assets (excluding current interest)	3,570	373
Benefits paid	<u>-</u>	<u>(999)</u>
Fair value of plan assets at December 31	<u><u>\$ 43,930</u></u>	<u><u>39,814</u></u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the years ended December 31, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Current service cost	\$ 78	76
Net interest of net defined benefit assets	<u>(501)</u>	<u>(536)</u>
	<u><u>\$ (423)</u></u>	<u><u>(460)</u></u>

5) Remeasurement values of net defined benefit assets recognized in other comprehensive income

The remeasurements in net defined benefit assets recognized in other comprehensive income were as follows:

	<u>2024</u>	<u>2023</u>
Cumulative amount at January 1	\$ 28,342	28,093
Recognized in current period	<u>3,636</u>	<u>249</u>
Cumulative amount at December 31	<u><u>\$ 31,978</u></u>	<u><u>28,342</u></u>

6) Actuarial assumptions

The followings are the principal actuarial assumptions at the reporting dates:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Discount rate	1.750 %	1.375 %
Future salary increase rate	2.000 %	2.000 %

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The Company has suspended the allocation of its retirement reserve before August 2025, with the approval from the Department of Labor, Taipei City Government.

The expected allocation payment to be made by to the defined benefit plans for the one-year period after the reporting date is \$0.

The weighted-average duration of the defined benefit plan is 8.07 years.

7) Sensitivity analysis

As of December 31, 2024 and 2023, the changes in main actuarial assumptions might have the following impact on the present value of the defined benefit obligation:

	Influences of defined benefit obligations	
	Increase 0.25%	Decrease 0.25%
December 31, 2024		
Discount rate	\$ (66)	68
Future salary increasing rate	65	(63)
December 31, 2023		
Discount rate	(69)	72
Future salary increasing rate	69	(67)

The sensitivity analysis above assumed all other assumptions remained constant during the measurement. In practice, the relevant actuarial assumptions are correlated to each other. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

(ii) Defined contribution plans

The continuing operations allocate 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates the labor pension at a specific percentage to the Bureau of Labor Insurance without additional legal or constructive obligations.

The Group's expenses for the pension plan under the defined contribution pension plan amounted to \$13,795 and \$16,029 for the years ended December 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 \$4,482 and \$4,004 for the years ended December 31, 2024 and 2023, respectively.

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(n) Income taxes

(i) Income tax expense (benefit)

- 1) The components of income tax expense (benefit) for the years ended December 31, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Current tax expense	\$ 71	29,411
Deferred tax (benefit) expense	<u>-</u>	<u>(10,742)</u>
Income tax expense	<u><u>\$ 71</u></u>	<u><u>18,669</u></u>

- 2) The Group's income tax expense reconciled between the actual income tax expense and net loss before tax for the years ended December 31, 2024 and 2023, was as follows:

	<u>2024</u>	<u>2023</u>
Net loss before tax	\$ (164,485)	(18,491)
Income tax using the Company's domestic tax rate	(32,897)	(3,698)
Effect of tax rates in foreign jurisdiction	365	(1,297)
Tax-exempt income	(582)	(244)
Recognition of previously unrecognized tax losses	(69)	-
Changes in unrecognized temporary differences	(5,355)	1,664
Current-year losses for which no deferred tax asset was recognized	42,233	(10,604)
Foreign dividend income	-	4,042
Change in provision in prior periods	-	25,453
Others	<u>(3,624)</u>	<u>3,353</u>
	<u><u>\$ 71</u></u>	<u><u>18,669</u></u>

(ii) Deferred tax assets and liabilities

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

The Group's unrecognized deferred tax assets were as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Tax effect of deductible temporary difference	\$ 30,618	35,973
The carryforward of unused tax losses	<u>228,944</u>	<u>160,401</u>
	<u><u>\$ 259,562</u></u>	<u><u>196,374</u></u>

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
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Unrecognized deductible temporary difference were mainly items such as the Group's impairment loss on financial assets and write-down of inventories, which were not recognized as deferred tax assets since they are not very likely to be realized in the foreseeable future.

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. The temporary difference associated with the net losses was not recognized as deferred tax assets as the Group is not expected to have sufficient taxable income to offset against temporary difference in the foreseeable future.

As of December 31, 2024, the unused loss carryforwards and the respective expiry years were as follows:

<u>Year of loss</u>	<u>Amount of loss</u>	<u>Deductible balance</u>	<u>Expiry year</u>
The Company			
2019	\$ 287,609 (assessed)	278,158	2029
2020	283,079 (assessed)	283,079	2030
2021	276,846 (assessed)	276,846	2031
2023	87,725 (filed)	87,725	2033
2024	<u>211,166 (estimated)</u>	<u>211,166</u>	2034
	<u>1,146,425</u>	<u>1,136,974</u>	
Qianjin Investment Co., Ltd			
2023	<u>20,500 (filed)</u>	<u>20,156</u>	2033
	<u>\$ 1,166,925</u>	<u>1,157,130</u>	

3) Recognized deferred tax assets and liabilities

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

	<u>Tax losses</u>
Deferred Tax Assets :	
Balance at January 1, 2024	\$ 32,055
Recognized in profit or loss	<u>(29,573)</u>
Balance at December 31, 2024	<u>\$ 2,482</u>
Balance at January 1, 2023	\$ 49,086
Recognized in profit or loss	<u>(17,031)</u>
Balance at December 31, 2023	<u>\$ 32,055</u>

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
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	Foreign investment income recognized under the equity method
Deffered Tax Liabilities :	
Balance at January 1, 2024	\$ 32,055
Recognized in profit or loss	<u>(29,573)</u>
Balance at December 31, 2024	\$ <u>2,482</u>
Balance at January 1, 2023	\$ 49,086
Recognized in profit or loss	<u>(17,031)</u>
Balance at December 31, 2023	\$ <u>32,055</u>

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

(o) Capital and other equity

(i) Ordinary shares

As of December 31, 2024 and 2023, the Company's authorized share capital amounted to \$4,000,000, divided into 400,000 thousand shares, with a par value of \$10 per share. The aggregate amount of the aforesaid approved share capital comprised only ordinary shares, and \$200,000 thereof was retained for the execution of employee stock options, divided into 20,000 thousand shares with a par value of \$10 per share. As of December 31, 2024 and 2023, the Company has issued 330,780 thousand shares, all of which have been paid up upon issuance.

(ii) Capital surplus

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding. The capital reserve transferred from the paid-in capital in excess of par value shall be capitalized in the subsequent year after such capital reserve has been authorized for registration by the regulator.

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
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(iii) Retained earnings

1) Legal reserve

According to the R.O.C. Company Act, 10 percent of the net profit shall be allocated as legal reserve until the accumulated legal reserve equals the paid-in capital. When a company incurs no loss and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may, pursuant to a resolution reached in a shareholders' meeting, be used to increase the common stock or be distributed as cash dividends.

2) Special reserve

During earnings distribution, if the Company has already reclassified a portion of earnings to special reserve, it shall make supplemental allocation of special reserve for any difference between the amount of the current-period total net reduction of other shareholders' equity and the amount it has already allocated. An equivalent amount of special reserve shall be allocated from the after-tax net profit in the period, plus items other than after-tax net profit in the period, that are included in the undistributed current-period earnings and the undistributed prior-period earnings. A portion of undistributed prior-period earnings shall be reclassified to special earnings reserve to account for cumulative changes to the net reduction of other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution and dividend policy

In accordance with the Company articles of incorporation, if there are earnings at year end, 10 percent should be set aside as legal reserve and special earnings reserve or reversal according to the Securities and Exchange Act and the Company operations after the payment of income tax and offsetting accumulated losses from prior years. 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.

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><u>72,771</u></u>

The Company incurred loss for the years ended December 31, 2024 and 2023, hence there was no distributable earning. The related information mentioned above can be found on websites such as the Market Observation Post System website.

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(p) Earnings (loss) per share

(i) Basic earnings (loss) per share (in New Taiwan Dollars)

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

	<u>2024</u>	<u>2023</u>
Net loss attributable to ordinary shareholders of the Company	\$ <u>(164,556)</u>	<u>(37,160)</u>
Weighted-average number of ordinary shares outstanding (in thousand shares)	<u>330,780</u>	<u>330,780</u>
Basic earnings (loss) per share (in New Taiwan Dollars)	\$ <u>(0.50)</u>	<u>(0.11)</u>

(ii) Diluted earnings (loss) per share (in New Taiwan Dollars)

The Company's diluted earnings per share were calculated as follows:

	<u>2024</u>	<u>2023</u>
Net loss attributable to ordinary shareholders of the Company	\$ <u>(164,556)</u>	<u>(37,160)</u>
Weighted-average number of ordinary shares outstanding (in thousand shares)	<u>330,780</u>	<u>330,780</u>
Diluted earnings (loss) per share (in New Taiwan Dollars)	\$ <u>(0.50)</u>	<u>(0.11)</u>

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

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2024</u>	<u>2023</u>
Primary geographical markets:		
Asia	\$ 667,845	1,420,529
Europe	181,871	559,868
United States	261,999	408,489
Other	<u>72,573</u>	<u>150,468</u>
	<u>\$ 1,184,288</u>	<u>2,539,354</u>
Major products/ Service lines:		
Wired communication products	\$ 1,010,250	2,094,186
Wireless communication products	134,877	406,751
Repairs and maintenance revenues and others	<u>39,161</u>	<u>38,417</u>
	<u>\$ 1,184,288</u>	<u>2,539,354</u>

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
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(ii) Contract balances

	December 31, 2024	December 31, 2023	January 1, 2023
Notes and trade receivables	\$ 431,791	247,888	1,074,532
Less: loss allowance	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 431,791</u>	<u>247,888</u>	<u>1,074,532</u>
Contract liabilities (recorded as other current liabilities)	<u>\$ 25,984</u>	<u>18,337</u>	<u>18,213</u>

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

The amounts of revenue recognized for the years ended December 31, 2024 and 2023 that were included in the contract liability balance at the beginning of the periods were \$167 and \$1,248, 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.

The Company incurred net loss before tax for the years ended December 31, 2024 and 2023, and thus, the Company was not required to accrue any remuneration to its employees and directors. The related information mentioned above can be found on websites such as the Market Observation Post System website.

(s) Financial instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Concentration of credit risk

For the years ended December 31, 2024 and 2023, the amount of sales to customers that contributed over 10% of the Group's operating revenue occupied 89% and 92% of the Group's total sales revenue, respectively. As of December 31, 2024 and 2023, the trade receivables due from these customers accounted for 98% and 97% of the Group's total trade receivables, respectively, exposing the Group to significant concentration of credit risk. The Group's credit risk management policy is detailed in note 6(t).

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3) Receivables and debt securities

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

Other financial assets measured at amortized cost include other receivables and time deposits.

Debt investments at fair value through other comprehensive income include domestic bank bonds.

All of these financial assets are considered to have low 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).)

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

For the year ended December 31, 2024, the movement in the allowance for impairment loss on debt investments at fair value through other comprehensive income was unchanged.

(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>
December 31, 2024					
Non-derivative financial liabilities					
Trade payables (including related parties)	\$ 347,083	(347,083)	(347,083)	-	-
Other payables (including related parties)	114,574	(114,574)	(114,574)	-	-
Long-term borrowings (including current portion)	528,881	(579,545)	(97,665)	(57,384)	(424,496)
Lease liabilities (including current and non-current)	<u>32,235</u>	<u>(32,851)</u>	<u>(19,711)</u>	<u>(13,140)</u>	<u>-</u>
	<u><u>\$ 1,022,773</u></u>	<u><u>(1,074,053)</u></u>	<u><u>(579,033)</u></u>	<u><u>(70,524)</u></u>	<u><u>(424,496)</u></u>

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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>1 year</u>	<u>1-2 years</u>	<u>Over 2 years</u>
December 31, 2023					
Non-derivative financial liabilities					
Trade payable (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>

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

	<u>December 31, 2024</u>			<u>December 31, 2023</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
Financial assets						
Monetary items						
USD	\$ 15,794	USD/NTD =32.781	517,743	12,880	USD/NTD =30.735	395,867
USD	7,332	USD/CNY =7.1884	240,350	9,008	USD/CNY =7.0974	276,832
CNY	18,077	CNY/NTD =4.560	82,436	20,136	CNY/NTD =4.330	87,189
Financial liabilities						
Monetary items						
USD	8,263	USD/NTD =32.781	270,869	8,149	USD/NTD =30.735	250,460
USD	6	USD/CNY =7.1884	197	132	USD/CNY =7.0974	4,057
CNY	5,846	CNY/NTD =4.560	26,658	2,523	CNY/NTD =4.330	10,925

The Group's exposure to foreign currency risk mainly arose from the translation of cash and cash equivalents, trade receivables (including related parties), other receivables, other current financial assets, trade payables and other payables (including related parties) denominated in foreign currency. Depreciation or appreciation of the USD and CNY against the functional currency by 5%, as of December 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:

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	2024	2023
	(Increase) decrease net loss before tax	(Increase) decrease net loss before tax
USD (against the NTD)		
Appreciation 5%	\$ 12,344	7,270
Depreciation 5%	(12,344)	(7,270)
USD (against the CNY)		
Appreciation 5%	\$ 12,008	13,639
Depreciation 5%	(12,008)	(13,639)
CNY (against the NTD)		
Appreciation 5%	\$ 2,789	3,813
Depreciation 5%	(2,789)	(3,813)

As the Group deals in diverse functional currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2024 and 2023, the foreign exchange gain, including realized and unrealized portions, amounted to \$21,956 and \$10,287, respectively.

2) Interest rate analysis

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

	Carrying amount	
	December 31, 2024	December 31, 2023
Variable rate instruments:		
Financial assets	\$ 138,517	613,068
Financial liabilities	(528,881)	(651,032)
	\$ (390,364)	(37,964)

The following sensitivity analysis is based on the risk exposure to interest rates of 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 \$976 and \$95 for the years ended December 31, 2024 and 2023, respectively. This is mainly due to the Group's demand deposits and borrowings at variable interest rates.

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3) Other market 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:

	2024		2023	
	Other comprehensive (loss) income, before tax	Profit or loss before tax	Other comprehensive (loss) income, before tax	Profit or loss before tax
5% increase	\$ <u>6,915</u>	<u>14,147</u>	<u>5,421</u>	<u>6,353</u>
5% decrease	\$ <u>(6,915)</u>	<u>(14,147)</u>	<u>(5,421)</u>	<u>(6,353)</u>

(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:

	December 31, 2024				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Private stocks	\$ 220,900	-	-	220,900	220,900
Domestic listed stocks	<u>62,035</u>	62,035	-	-	62,035
Subtotal	<u>282,935</u>				
Financial assets at fair value through other comprehensive income					
Domestic listed stocks	138,298	138,298	-	-	138,298
Domestic bank green bonds - P13 Taipei Fubon Bank 3	100,019	-	100,019	-	100,019
Trade receivables	<u>320,068</u>	-	-	-	-
Subtotal	<u>558,385</u>				

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
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December 31, 2024					
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	871,191	-	-	-	-
Trade receivables (including related parties)	111,723	-	-	-	-
Other receivables (including related parties)	11,825	-	-	-	-
Other current financial assets	313,141	-	-	-	-
Guarantee deposits paid	5,793	-	-	-	-
Subtotal	1,313,673				
Total	\$ 2,154,993				
Financial liabilities measured at amortized cost:					
Secured bank loans (including current portion)	\$ 528,881	-	-	-	-
Trade payables (including related parties)	347,083	-	-	-	-
Other payables (including related parties)	114,574	-	-	-	-
Lease liabilities (including current and non-current)	32,235	-	-	-	-
Total	\$ 1,022,773				
December 31, 2023					
		Fair Value			
	Carrying amount	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	108,410	108,410	-	-	108,410
Trade receivables	110,529	-	-	-	-
Subtotal	218,939				

(Continued)

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 measured 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 current financial assets	305,700	-	-	-	-	
Guarantee deposits paid	<u>5,545</u>	-	-	-	-	
Subtotal	<u>1,794,718</u>					
Total	<u><u>\$ 2,140,707</u></u>					
Financial liabilities measured 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>	-	-	-	-	
Total	<u><u>\$ 998,577</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.

- 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.

(Continued)

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

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.

The Group measures the fair value of financial instruments that are traded in active markets by category and attribute as follows:

- The fair value of listed stocks of financial assets and liabilities traded in active markets is based on quoted market prices.

Except for the financial instruments with active markets mentioned above, for other financial instruments, like private placement stocks of listed companies and domestic bank bonds, the fair value is determined by the market quotations and valuation techniques, and is also determined by examining liquidity discounts or other valuation techniques, including models, which is calculated based on available market data (such as yield curves published by the Taiwan Exchange) at the reporting date.

The Group measures the fair value of financial instruments without an active market by category and attribute as follows:

- Unquoted equity instruments: The fair value is estimated measured using option pricing model (Black-Scholes model) and the liquidity discount model (Finnerty model), with the main assumption being based on the market price of the investees. The estimate has been adjusted for the discount impact of the lack of market liquidity in 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 years ended December 31, 2024 and 2023.

5) Reconciliation of level 3 fair values

	Financial assets at fair value through profit or loss-non current
Balance on January 1, 2024	\$ 127,050
Total gains or losses recognized:	
In profit or loss	93,850
Balance on December 31, 2024	<u>\$ 220,900</u>
Balance at January 1, 2023	\$ -
Purchased	36,000
Total gains or losses recognized:	
In profit or loss	91,050
Balance on December 31, 2023	<u>\$ 127,050</u>

(Continued)

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

For the years ended December 31, 2024 and 2023, total gains and losses that were included in “net gains on financial assets at fair value through profit or loss” were as follows:

	<u>2024</u>	<u>2023</u>
Total gains and losses recognized		
In other comprehensive income, and presented in “net gains on financial assets at fair value through profit or loss”	\$ <u>93,850</u>	<u>91,050</u>

- 6) 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	<ul style="list-style-type: none"> • Market Approach and Finnerty model are adopted at December 31, 2024 • Black-Scholes model and Finnerty model are adopted at December 31, 2023 	<ul style="list-style-type: none"> • Lack of market liquidity discount (18.18% and 24.82%, respectively, as of December 31, 2024 and 2023) 	<ul style="list-style-type: none"> • The higher the lack of market liquidity discount, the lower the fair value

- 7) 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, if the evaluation parameters change, the impact on the current period’s profit or loss is as follows:

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

	Inputs	Upward or downward movement	Change in fair value through the current period's profit or loss	
			Favorable change	Unfavorable change
December 31, 2024				
Non current financial assets at fair value through profit or loss	Lack of market liquidity discount	5%	\$ <u>13,500</u>	<u>(13,500)</u>
December 31, 2023				
Non current financial assets at fair value through profit or loss	Lack of market liquidity discount	5%	\$ <u>8,450</u>	<u>(8,450)</u>

(t) Financial risk management

(i) Overview

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

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

This note expressed the information on risk exposure and objectives, policies and process of risk measurement and management of the Group. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's internal auditor oversaw how management monitored the risks that should have been be in compliance with the Group's risk management policies and procedures, and reviewed the adequacy of the risk management framework in relation to the risks faced by the Group. Internal auditor undertook both regular and ad hoc reviews of risk management controls and procedures, and the results of which were reported to the Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables due from customers and investments.

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

1) Trade receivables and other receivables

Management has established a credit policy, under which each new customer would be analyzed individually for creditworthiness before the Group's standard payment, delivery terms, and conditions are offered. The Group's review includes external ratings, when available, and in some cases, bank references. Purchase limits are established for each customer, and are reviewed periodically. The limits were reviewed periodically. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

In order to reduce the credit risk for these trade receivables, the Group continues to evaluate the financial position of these customers and request for collaterals when necessary. Furthermore, the Group monitors and reviews the recoverable amount of the trade receivables and loss allowance for doubtful debts, with the amounts of loss expected by management.

The Group has established an allowance account for bad debts that reflects its estimate on incurred losses in respect of trade receivables and other receivables. This allowance mainly comprises a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. This allowance for the loss component is determined based on historical payment statistics of similar financial assets.

2) Investments

The credit risks exposure in the bank deposits and other financial instruments were measured and monitored by the Group's finance department. Since the Group's transaction counterparties and the contractually obligated counterparties are banks and corporate organizations with good credits, there are no compliance issues, and therefore, no significant credit risk. As management actively monitors credit ratings and the Group can only invest in securities with high quality credit ratings, management does not expect any trading counterparty to be unable to fulfill its obligations.

3) Guarantees

The Group's policy is to provide financial guarantees only for subsidiaries with over 50% of their voting shares held by the Group. As of December 31, 2024 and 2023, no other guarantees were outstanding.

(iv) Liquidity risk

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

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

(Continued)

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

Bank loans are an important source of liquidity for the Group. As of December 31, 2024 and 2023, the Group's unused long-term and short-term credit lines were \$926,467 and \$965,820, respectively. Please refer to note 6(j) for details of the Group's unused credit lines.

(v) Market risk

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

1) Currency risk

The Group is exposed to currency risk for sales and purchases in a currency other than the functional currencies of the Group entities. The currencies used in these transactions are the NTD and CNY.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates and trading derivatives when necessary, to address short-term imbalances.

2) Interest rate risk

The Group borrowed funding at variable interest rates, which gave rise to cash flow risk.

3) Other market price risks

The Group is exposed to equity price risk due to the investments in listed equity securities.

(u) Capital management

Through clear understanding and managing of significant changes in external environment, related industry characteristics, and corporate growth plan, the Group manages its capital structure to ensure it has sufficient financial resources to sustain proper liquidity, to invest in capital expenditures and research and development expenses, to repay debts and to distribute dividends in accordance to its plan. Management used the appropriate net debt/equity ratio to determine the most adequate capital structure of the Group. The Group aims to enhance the returns of its shareholders through achieving an optimized debt-to-equity ratio from time to time. The Group's liability-to-equity ratios at the end of each reporting period were as follows:

	December 31, 2024	December 31, 2023
Total liabilities	\$ 1,097,092	1,108,402
Less: Cash and cash equivalents	<u>871,191</u>	<u>1,331,694</u>
Net liabilities (assets)	<u>\$ 225,901</u>	<u>(223,292)</u>
Total equity	<u>\$ 3,033,760</u>	<u>3,150,714</u>
Net liability-to-equity ratio	<u>7 %</u>	<u>- %</u>

(Continued)

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

As of December 31, 2024, the net debt-to-equity ratio increased primarily as a result of cash outflows from operating activities and the acquisition of financial assets, leading to a decrease in cash and cash equivalents.

(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 for the year ended December 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:

	January 1, 2024	Cash Flow	Non-cash changes		December 31, 2024
			Addition	Lease modifications	
Long-term borrowings (including current portion)	\$ 651,032	(122,151)	-	-	528,881
Lease liabilities (including current and non-current)	<u>52,412</u>	<u>(20,656)</u>	<u>2,698</u>	<u>(2,219)</u>	<u>32,235</u>
Total amount of liabilities arising from financing activities	<u>\$ 703,444</u>	<u>(142,807)</u>	<u>2,698</u>	<u>(2,219)</u>	<u>561,116</u>
			Non-cash changes		
	January 1, 2023	Cash Flow	Addition	Lease modifications	December 31, 2023
Long-term borrowings (including current portion)	\$ 887,335	(236,303)	-	-	651,032
Lease liabilities (including current and non-current)	<u>72,100</u>	<u>(19,931)</u>	<u>1,204</u>	<u>(961)</u>	<u>52,412</u>
Total amount of liabilities arising from financing activities	<u>\$ 959,435</u>	<u>(256,234)</u>	<u>1,204</u>	<u>(961)</u>	<u>703,444</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.

(Continued)

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to 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:

<u>Name of related party</u>	<u>Relationship with the Company</u>
D-Link Corporation	Parent 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. (D-Link (Shanghai))	Subsidiary of D-Link Corporation (Note1)
AMIGO TECHNOLOGY INC.	Other related party
SAPIDO TECHNOLOGY INC.	Other related party
AMIT WIRELESS INC.	Other related party
TSG Hawks Baseball Co., Ltd.	Other related party
TSG TRANSPORT CORP.	Other related party
TSG Burger King Corporation	Other related party
TSG Sports Marketing Co., Ltd.	Other related party
Jia Jie Biomedical Co., Ltd.	Other 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.

(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 were as follows:

	<u>Sales</u>		<u>Trade receivables due from related parties</u>	
	<u>2024</u>	<u>2023</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
D-Link Corporation	\$ 652,782	1,166,651	268,941	92,106
D-Link (Shanghai)	88,510	283,282	51,127	18,423
D-Link International	-	516	-	-
Other related parties	<u>1,894</u>	<u>2,564</u>	<u>30</u>	<u>25</u>
	<u>\$ 743,186</u>	<u>1,453,013</u>	<u>320,098</u>	<u>110,554</u>

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

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	
	2024	2023	December 31, 2024	December 31, 2023
D-Link Corporation	\$ -	178	-	-
Other related parties	1,716	17,444	-	5,788
	\$ 1,716	17,622	-	5,788

The payment terms for purchases from other related parties ranged from one 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 were as follows:

	Miscellaneous expenses		Other payables	
	2024	2023	December 31, 2024	December 31, 2023
D-Link Corporation	\$ 544	3,604	-	-
Other related parties	6,846	9,222	824	-
	\$ 7,390	12,826	824	-

(iv) Received from related parties

The advances and other income received from related parties are recorded as expense deductions and other income, and the outstanding balances are as follows:

	Amount		Other receivables-related parties	
	2024	2023	December 31, 2024	December 31, 2023
D-Link Corporation	\$ 6,915	9,524	4,467	7,822
Other related parties	528	502	-	-
	\$ 7,443	10,026	4,467	7,822

(Continued)

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

(v) Lease

Since November 1, 2021, the Company has leased part of the Tainan factory to its parent company, and the rent has been collected on a monthly basis, and the rental income (recorded as other income) for the years ended December 31, 2024 and 2023 were both amounted to \$2,371. As of December 31, 2024 and 2023, the relevant amounts have been recovered.

(d) Key management personnel transactions

Key management personnel's compensation comprised:

	<u>2024</u>	<u>2023</u>
Short-term employee benefits	\$ 17,268	12,551
Post-employment benefits	<u>324</u>	<u>162</u>
	<u>\$ 17,592</u>	<u>12,713</u>

(8) Assets Pledged as security:

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

<u>Asset name</u>	<u>Pledged to secure</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Property, plant, and equipment—land	Long-term bank loans	\$ 346,639	346,639
Property, plant, and equipment— buildings and construction	Long-term bank loans	<u>898,198</u>	<u>929,171</u>
		<u>\$ 1,244,837</u>	<u>1,275,810</u>

(9) Commitments and contingencies:

As of December 31, 2024, the purchase commitments not performed amounted to \$419,456 , which are non-cancelable purchase contracts.

(10) Losses due to major disasters: None.

(11) Subsequent events:

On December 18, 2024, the Group signed a lease with its parent company, D-Link Corporation, for its office space, with lease term period beginning from January 1, 2025, to December 31, 2029. On February 25, 2025, the Board of Directors approved the acquisition of right-of-use asset amounting to \$24,800.

(Continued)

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

(12) Other:

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

By item	By function	For the years ended December 31					
		2024			2023		
		Operating costs	Operating expense	Total	Operating costs	Operating expense	Total
Employee benefits							
Salary		132,339	208,471	340,810	181,618	201,912	383,530
Labor and health insurance		15,101	16,911	32,012	21,048	17,046	38,094
Pension		6,190	11,664	17,854	8,280	11,293	19,573
Others		14,213	10,314	24,527	19,559	10,308	29,867
Depreciation		61,218	31,644	92,862	96,552	32,227	128,779
Amortization		6	2,625	2,631	67	3,401	3,468

(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 year ended December 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	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits (Note 3)	Maximum limit of fund financing (Note 3)
													Item	Value		
1	Perfect Choice Co., Ltd.	The Company	Other receivables	Yes	78,253	-	-	-	2	-	Working capital	-		-	Note 4	Note 4
2	Huge Castle Ltd.	The Company	Other receivables	Yes	93,903	-	-	-	2	-	Working capital	-		-	111,586	111,586

Note 1: The numbering is as follows:

(i) “0” represents the Company

(ii) Subsidiaries are numbered starting from “1”.

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

Note 3: 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 December 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 December 31, 2024.

Note 4: Perfect Choice Co., Ltd. has been liquidated and cancelled by a resolution of the Board of Directors in April 2024, and has applied for cancellation of registration in May 2024, and it is expected to complete its liquidation in 2025.

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

- (ii) Guarantees and endorsements for other parties: None.

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
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- (iii) Securities held as of December 31, 2024 (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand shares

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				The highest holdings in the period		Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Shares/Units (thousands)	Highest Percentage of ownership (%)	
The Company	Stock-Harvatek Corporation	None	Non-current financial assets at fair value through profit or loss	6,000	-	14.46	-	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	-	0.4	5.40	Note 2
The Company	Private Stock-KING HOUSE CO., LTD.	Other related party	Non-current financial assets at fair value through profit or loss	5,000	220,900	3.16	220,900	5,000	3.16	Note 3
The Company	TMP Steel Corporation	Other related party	Non-current financial assets at fair value through other comprehensive income	855	23,172	0.86	23,172	855	0.86	
The Company	S-TECH CORP	Other related party	Non-current financial assets at fair value through profit or loss	1,232	35,543	0.53	35,543	1,232	0.53	
The Company	Domestic bank green bonds-P13 Taipei Fubon Bank 3	None	Non-current financial assets at fair value through other comprehensive income	-	100,019	-	100,019	-	-	Note 4
Qianjin Investment Co., Ltd.	D-Link Corporation	Parent Company	Non-current financial assets at fair value through other comprehensive income	5,434	138,298	0.90	138,298	5,434	0.90	
Qianjin Investment Co., Ltd.	TMP Steel Corporation	Other related party	Non-current financial assets at fair value through profit or loss	48	1,301	0.05	1,301	48	0.05	
Qianjin Investment Co., Ltd.	S-TECH CORP	Other related party	Non-current financial assets at fair value through profit or loss	70	2,019	0.03	2,019	70	0.03	

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.

Note 3: King House CO., LTD. (formerly known as Ensure Global Corp., LTD.) has modified its company name on May 2, 2024.

Note 4: Taipei Fubon Commercial Bank issued 3rd senior unsecured financial debentures in 2024 at par value of \$10,000 per debenture, the Group acquired 10 units of the debentures on September 16, 2024, with a total subscription amount of \$100,000.

- (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.

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

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

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	(652,782)	(55) %	90 days after delivery	Note 1	Note 1	Trade receivables 268,941	62%	

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.

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

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 268,941	3.62	-		74,973	-	

Note 1: Information as of January 25, 2025.

- (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
0	Huge Castle Ltd.	Suzhou Soarnex Technology Co., Ltd	3	Research and development expenses	49,653 (CNY11,244)	Not significantly different from the payment to ordinary vendors	4%
1	Suzhou Soarnex Technology Co., Ltd	Huge Castle Ltd.	3	Revenue	49,653 (CNY11,244)	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.

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
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(b) Information on investees:

The following is the information on investees for the year ended December 31, 2024 (excluding information on investees in Mainland China):

Unit: thousand shares

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2024			Highest percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 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 %	278,967	100.00 %	(33,988)	(33,988)	Note 1
The Company	Qianjin Investment Co., Ltd.	Taiwan	Investment holding	270,000	270,000	27,000	100 %	183,398	100.00 %	3,254	3,254	Note 1
Less: Unrealized profits (losses) of affiliates								(52)				
								<u>462,313</u>			<u>(30,734)</u>	
Huge Castle Ltd.	Perfect Choice Co., Ltd.	Mauritius	Investment holding and trading	-	(16,261)	-	- %	-	100.00 %	4,944	4,944	Notes 1, 2 and 3
Huge Castle Ltd.	Luis Jo'se Investments Inc.	The British Virgin Islands	Investment holding	43,673	43,673	1,362	100 %	48,108	100.00 %	2,494	2,494	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.

Note 3: Perfect Choice Co., Ltd. has been liquidated and cancelled by a resolution of the Board of Directors in April 2024, and has applied for cancellation of registration in May 2024, and it is expected to complete its liquidation in 2025.

(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 December 31, 2024	Net income (losses) of the investee	Percentage of ownership	Highest 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.	10,588 (USD 323)	-	-	10,588 (USD323)	NA	- %	-%	NA	Note 3	-	Note 3
WIDE VIEW TECHNOLOGY INC.	R&D, production, and sale of electronic components	-	"	21,734 (USD 663)	-	-	21,734 (USD663)	NA	- %	-%	NA	Note 4	-	Notes 4
Suzhou Soarnex Technology Co., Ltd	Software development and software services for computer information systems	22,064 (CNY5,000)	"	-	-	-	-	1,460	100 %	100%	1,460	27,920	-	Notes 2 and 5

(Continued)

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
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(ii) Upper limit on investment in Mainland China:

(In thousands of New Taiwan Dollars/foreign currencies)

Accumulated Investment in Mainland China as of December 31, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
32,322 (US\$986)	36,321 (US\$1,108)	1,820,256

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 had completed on August 31, 2023.

Note 6: The currency was translated into New Taiwan Dollars at the exchange rate of USD 1 to NT\$ 32.781 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 year ended December 31, 2024.

(d) Major shareholders:

Unit: Share

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

(14) Segment information:

(a) General 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. Accounting policies for the operating segments correspond to those stated in note 4.

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CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
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(b) Information on products and services

Please refer to note 6(q) for the information on revenue from external customers.

(c) Geographic information

Segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

(i) Revenue from external customers:

<u>Geographic information</u>	<u>2024</u>	<u>2023</u>
Asia	\$ 667,845	1,420,529
Europe	181,871	559,868
United States	261,999	408,489
Others	<u>72,573</u>	<u>150,468</u>
	<u>\$ 1,184,288</u>	<u>2,539,354</u>

(ii) Non-current assets:

<u>Geographic information</u>	<u>2024</u>	<u>2023</u>
Taiwan	\$ 1,360,303	1,427,376
Mainland China	<u>413</u>	<u>1,248</u>
	<u>\$ 1,360,716</u>	<u>1,428,624</u>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, other non-current assets, and refundable deposits paid, excluding financial instruments, net defined benefit assets, and deferred tax assets.

(d) Major customers

	<u>2024</u>		<u>2023</u>
	<u>Amount</u>	<u>Percentage of total consolidated revenue(%)</u>	<u>Amount</u>
KK	\$ 741,292	63	1,450,449
TR	161,791	14	249,307
PP	141,069	12	344,681
EE	<u>40,614</u>	<u>3</u>	<u>281,767</u>
	<u>\$ 1,084,766</u>	<u>92</u>	<u>2,326,204</u>