

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

Consolidated Financial Statements

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

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

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Independent Auditors' Review Report

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

Introduction

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

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Compal Broadband Networks, Inc. and its subsidiaries as of March 31, 2024 and 2023, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2024 and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Szu-Chuan, Chien and Yiu-Kwan, Au.

KPMG

Taipei, Taiwan (Republic of China)

May 9, 2024

Notes to Readers

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

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

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

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

		For the three months ended March 31			
		2024		2023	
		Amount	%	Amount	%
4000	Operating revenue (note (6)(q))	\$ 225,459	100	290,870	100
5000	Operating costs (notes (6)(e), (7) and (12))	183,012	81	255,323	88
	Gross profit from operations	42,447	19	35,547	12
	Operating expenses: (notes (6)(k), (6)(l), (7) and (12))				
6100	Selling expenses	21,273	9	21,913	8
6200	Administrative expenses	15,631	7	23,004	8
6300	Research and development expenses	51,841	23	58,488	20
7055	Expected credit gain (notes (6)(c) and (6)(d))	(1,008)	-	(1,644)	(1)
	Total operating expenses	87,737	39	101,761	35
	Net operating loss	(45,290)	(20)	(66,214)	(23)
	Non-operating income and expenses:				
7010	Other income	1,169	-	1,173	-
7020	Other gains and losses (note (6)(s))	2,056	1	38	-
7100	Interest income	1,976	1	3,223	1
7510	Interest expense (note (6)(k))	(153)	-	(183)	-
7770	Share of loss of associates accounted for using equity method (note (6)(f))	(600)	-	(816)	-
		4,448	2	3,435	1
7900	Loss from continuing operations before tax	(40,842)	(18)	(62,779)	(22)
7950	Less: Income tax expense (note (6)(m))	-	-	-	-
	Loss	(40,842)	(18)	(62,779)	(22)
8300	Other comprehensive income (loss):				
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	107	-	119	-
8399	Less: income tax related to items that will be reclassified to profit or loss (note (6)(m))	22	-	24	-
	Components of other comprehensive income that will be reclassified to profit or loss	85	-	95	-
8300	Other comprehensive income	85	-	95	-
	Total comprehensive loss	\$ (40,757)	(18)	(62,684)	(22)
	Loss per share (note (6)(p))				
9750	Basic loss per share	\$ (0.61)		(0.93)	
9850	Diluted loss per share	\$ (0.61)		(0.93)	

See accompanying notes to consolidated financial statements.

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

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

	Retained earnings					Other equity		Total	Total equity	
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (Accumulated losses)	Exchange differences on translation of foreign financial statements	Unearned employee benefit			
Balance at January 1, 2023	\$ 680,021	379,939	147,010	984	317,024	465,018	(588)	(11,213)	(11,801)	1,513,177
Loss for the three months ended March 31, 2023	-	-	-	-	(62,779)	(62,779)	-	-	-	(62,779)
Other comprehensive income for the three months ended March 31, 2023	-	-	-	-	-	-	95	-	95	95
Total comprehensive income (loss) for the three months ended March 31, 2023	-	-	-	-	(62,779)	(62,779)	95	-	95	(62,684)
Appropriation and distribution of retained earnings:										
Cash dividends of ordinary share	-	-	-	-	(33,827)	(33,827)	-	-	-	(33,827)
Share-based payment transactions	(3,485)	(7,212)	-	-	-	-	-	8,554	8,554	(2,143)
Balance at March 31, 2023	\$ 676,536	372,727	147,010	984	220,418	368,412	(493)	(2,659)	(3,152)	1,414,523
Balance at January 1, 2024	\$ 676,381	372,404	147,010	588	(42,516)	105,082	(198)	(3,010)	(3,208)	1,150,659
Loss for the three months ended March 31, 2024	-	-	-	-	(40,842)	(40,842)	-	-	-	(40,842)
Other comprehensive income for the three months ended March 31, 2024	-	-	-	-	-	-	85	-	85	85
Total comprehensive income (loss) for the three months ended March 31, 2024	-	-	-	-	(40,842)	(40,842)	85	-	85	(40,757)
Share-based payment transactions	-	-	-	-	-	-	-	822	822	822
Balance at March 31, 2024	\$ 676,381	372,404	147,010	588	(83,358)	64,240	(113)	(2,188)	(2,301)	1,110,724

See accompanying notes to consolidated financial statements.

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

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

	For the three months ended March 31	
	2024	2023
Cash flows from (used in) operating activities:		
Loss before tax	\$ (40,842)	(62,779)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	15,558	15,795
Expected credit gain	(1,008)	(1,644)
Interest expense	153	183
Interest income	(1,976)	(3,223)
Compensation cost of employee share-based payment	822	(2,143)
Share of loss of associates accounted for using equity method	600	816
Total adjustments to reconcile profit	<u>14,149</u>	<u>9,784</u>
Changes in operating assets and liabilities:		
Change in financial assets mandatorily measured at fair value through profit or loss	4,373	-
Decrease in accounts receivable	183,398	89,326
(Increase) decrease in other receivables	(237)	322,254
Decrease (increase) in inventories	83,140	(115,713)
Decrease in prepayments	3,493	1,263
Increase in other current assets	(134)	(725)
Increase (decrease) in financial liabilities held for trading	442	(7,669)
Decrease in contract liabilities	-	(80)
Decrease in accounts payable	(34,329)	(292,124)
(Decrease) increase in other payable	(61,430)	29,757
Increase (decrease) in provisions	71	(941)
(Decrease) increase in other current liabilities	(2,818)	590
Total changes in operating assets and liabilities	<u>175,969</u>	<u>25,938</u>
Total adjustments	<u>190,118</u>	<u>35,722</u>
Cash inflow (outflow) generated from operations	149,276	(27,057)
Interest received	2,038	3,266
Interest paid	(153)	(183)
Income taxes (paid) refund	(188)	135
Net cash flows from (used) in operating activities	<u>150,973</u>	<u>(23,839)</u>
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(987)	(24,791)
Decrease in refundable deposits	28	-
Acquisition of intangible assets	(284)	(284)
Net cash flows used in investing activities	<u>(1,243)</u>	<u>(25,075)</u>
Cash flows from (used in) financing activities:		
Payment of lease liabilities	(3,807)	(3,721)
Net cash flows used in financing activities	<u>(3,807)</u>	<u>(3,721)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>107</u>	<u>119</u>
Net increase (decrease) in cash and cash equivalents	146,030	(52,516)
Cash and cash equivalents at beginning of period	<u>316,940</u>	<u>660,964</u>
Cash and cash equivalents at end of period	<u>\$ 462,970</u>	<u>608,448</u>

See accompanying notes to consolidated financial statements.

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

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2024 and 2023

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

(1) Company history

Compal Broadband Networks, Inc. (“the Company”) was established on August 19, 2009, and jointly invested by Compal Electronics, Inc. (Compal Electronics) and Zhi-Bao Technology Inc. (Zhi-Bao Technology) with the shareholding ratio was 52% and 48% respectively. The parent company of the Company is Compal Electronics. As of March 31, 2024 and 2023, Compal Electronics and its subsidiaries held 63% shares in the Company.

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

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on May 9, 2024.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	<ul style="list-style-type: none"> ● The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities. ● A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities. ● Management performance measures (MPM): 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. 	January 1, 2027

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

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	<ul style="list-style-type: none"> ● Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes 	January 1, 2027

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

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

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

(4) Summary of material accounting policies:

(a) Statement of compliance

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

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

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

(b) Basis of consolidation

List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding		
			March 31, 2024	December 31, 2023	March 31, 2023
The Company	Compal Broadband Networks Belgium BVBA (“CBNB”)	Import, export, technical support, and consulting services for broadband network products and related components	100%	100%	100%
”	Compal Broadband Networks Netherlands B.V. (“CBNN”)	”	100%	100%	100%

(c) Income taxes

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

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

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

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

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

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

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

(6) Explanation of significant accounts:

Except for the following disclosures, there were no significant differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2023 consolidated financial statements. Please refer to Note (6) of the 2023 annual consolidated financial statements.

(a) Cash and cash equivalents

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Cash on hand	\$ 545	395	525
Checking accounts and demand deposits	112,425	99,866	161,923
Time deposits	350,000	216,679	446,000
	<u>\$ 462,970</u>	<u>316,940</u>	<u>608,448</u>

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

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Current financial assets mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging:			
Foreign exchange contracts	\$ -	4,373	-
Held-for-trading financial liabilities:			
Derivative instruments not used for hedging:			
Foreign exchange forward contracts	\$ 129	-	337
Swap contracts	313	-	-
	<u>\$ 442</u>	<u>-</u>	<u>337</u>

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

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

				March 31, 2024		
				Contract amount	Currency	Maturity date
				(in thousands)		
Derivative financial liabilities:						
Foreign exchange contracts:						
Foreign exchange sold	USD	737		USD to TWD		April. 9, 0204~ April 30, 2024
Swap contracts:						
Currency Swap	USD	600		USD to TWD		April 11, 2024
				December 31, 2023		
				Contract amount	Currency	Maturity date
				(in thousands)		
Derivative financial assets:						
Foreign exchange contracts:						
Foreign exchange sold	USD	7,087		USD to TWD		January 5, 2024~ March 25, 2024
				March 31, 2023		
				Contract amount	Currency	Maturity date
				(in thousands)		
Derivative financial liabilities:						
Foreign exchange contracts:						
Foreign exchange sold	EUR	300		EUR to USD		April 20, 2023

(Continued)

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

(c) Accounts receivable

	March 31, 2024	December 31, 2023	March 31, 2023
Accounts receivable	\$ 244,410	427,808	402,663
Less: loss allowance	<u>(25,830)</u>	<u>(26,841)</u>	<u>(1,644)</u>
	<u>\$ 218,580</u>	<u>400,967</u>	<u>401,019</u>

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

	March 31, 2024			
	Gross carrying amount	Weighted- average loss rate	Loss allowance	Credit impaired
Level B	\$ 115,975	0.10%	116	No
Level C	63,011	1.00%	630	No
Level E	<u>65,424</u>	38.34%	<u>25,084</u>	Yes
	<u>\$ 244,410</u>		<u>25,830</u>	
	December 31, 2023			
	Gross carrying amount	Weighted- avera ge loss rate	Loss allowance	Credit impaired
Level B	\$ 83,403	0.10%	84	No
Level C	268,813	1.00%	2,688	No
Level E	<u>75,592</u>	31.84%	<u>24,069</u>	Yes
	<u>\$ 427,808</u>		<u>26,841</u>	
	March 31, 2023			
	Gross carrying amount	Weighted- avera ge loss rate	Loss allowance	Credit impaired
Level B	\$ 264,669	0.10%	264	No
Level C	<u>137,994</u>	1.00%	<u>1,380</u>	No
	<u>\$ 402,663</u>		<u>1,644</u>	

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

The aging analysis of accounts receivable were as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Overdue 1~30 days	\$ 12,869	139,459	6,093
Overdue 31~60 days	8,667	-	6,342
Overdue 61~90 days	-	11,045	856
Overdue 91~180 days	-	5,758	76,210
Overdue 181~270 days	1,188	5,174	-
Overdue 360 days	64,924	70,418	-
	<u>\$ 87,648</u>	<u>231,854</u>	<u>89,501</u>

The movements of allowance for accounts receivable were as follows:

	For the three months ended March 31,	
	2024	2023
Balance at January 1	\$ 26,841	3,211
Impairment loss reversed	(1,011)	(1,567)
Balance at March 31	<u>\$ 25,830</u>	<u>1,644</u>

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

(d) Other receivables

	March 31, 2024	December 31, 2023	March 31, 2023
Other receivables	\$ 2,784	2,609	59,699
Less: loss allowance	(61)	(58)	(79)
	<u>\$ 2,723</u>	<u>2,551</u>	<u>59,620</u>

The aging analysis of overdue other receivables were as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Overdue 1~30 days	\$ -	152	1,327
Overdue 31~60 days	-	-	-
Overdue 61~90 days	-	103	-
	<u>\$ -</u>	<u>255</u>	<u>1,327</u>

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

The movements of allowance for other receivables were as follows:

	For the three months ended March 31,	
	2024	2023
Balance at January 1	\$ 58	156
Impairment loss recognized (reversed)	3	(77)
Balance at March 31	\$ 61	79

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

(e) Inventories

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

	March 31, 2024	December 31, 2023	March 31, 2023
Raw materials	\$ 517,197	543,265	785,037
Work in progress and semi-finished goods	353	380	10,881
Merchandise	11,612	68,657	58,700
	\$ 529,162	612,302	854,618

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

	For the three months ended March 31,	
	2024	2023
Cost of sales and expenses	\$ 183,012	245,594
Recognized for inventory valuation and obsolescence loss	-	8,519
Loss on scrapping of inventory	-	1,210
	\$ 183,012	255,323

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

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

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

(f) Investments accounted for using equity method

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

	March 31, 2024	December 31, 2023	March 31, 2023
The carrying amount of individually insignificant associates equity	<u>\$ 2,902</u>	<u>3,502</u>	<u>6,324</u>
	For the three months ended March 31,		
	2024 2023		
Attributable to the Group:			
Net loss from continuing operations		<u>\$ (600)</u>	<u>(816)</u>
Total comprehensive income		<u>\$ (600)</u>	<u>(816)</u>

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

(g) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group for the three months ended March 31, 2024 and 2023 were as follows:

	Research and development equipment	Mold equipment	Machinery and equipment	Leasehold improvement and other equipment	Construction in progress and prepayment for purchase of equipment	Total
Cost or deemed cost:						
Balance at January 1, 2024	\$ 450,100	22,587	7,259	103,179	-	583,125
Additions	987	-	-	-	-	987
Balance at March 31, 2024	<u>\$ 451,087</u>	<u>22,587</u>	<u>7,259</u>	<u>103,179</u>	<u>-</u>	<u>584,112</u>
Balance at January 1, 2023	\$ 420,532	16,424	6,946	96,405	643	540,950
Additions	16,127	-	312	8,352	-	24,791
Balance at March 31, 2023	<u>\$ 436,659</u>	<u>16,424</u>	<u>7,258</u>	<u>104,757</u>	<u>643</u>	<u>565,741</u>
Depreciation:						
Balance at January 1, 2024	\$ 335,978	15,723	6,644	65,202	-	423,547
Depreciation	7,950	780	68	2,593	-	11,391
Balance at March 31, 2024	<u>\$ 343,928</u>	<u>16,503</u>	<u>6,712</u>	<u>67,795</u>	<u>-</u>	<u>434,938</u>
Balance at January 1, 2023	\$ 304,467	13,723	6,337	58,079	-	382,606
Depreciation	7,944	464	65	2,183	-	10,656
Balance at March 31, 2023	<u>\$ 312,411</u>	<u>14,187</u>	<u>6,402</u>	<u>60,262</u>	<u>-</u>	<u>393,262</u>

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
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	Research and development equipment	Mold equipment	Machinery and equipment	Leasehold improvement and other equipment	Construction in progress and prepayment for purchase of equipment	Total
Carrying amounts:						
Balance at January 1, 2024	<u>\$ 114,122</u>	<u>6,864</u>	<u>615</u>	<u>37,977</u>	<u>-</u>	<u>159,578</u>
Balance at March 31, 2024	<u>\$ 107,159</u>	<u>6,084</u>	<u>547</u>	<u>35,384</u>	<u>-</u>	<u>149,174</u>
Balance at January 1, 2023	<u>\$ 116,065</u>	<u>2,701</u>	<u>609</u>	<u>38,326</u>	<u>643</u>	<u>158,344</u>
Balance at March 31, 2023	<u>\$ 124,248</u>	<u>2,237</u>	<u>856</u>	<u>44,495</u>	<u>643</u>	<u>172,479</u>

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

(h) Right-of-use assets

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

	Buildings	Vehicles	Total
Cost:			
Balance at January 1, March 31, 2024	<u>\$ 119,916</u>	<u>6,457</u>	<u>126,373</u>
Balance at January 1, March 31, 2023	<u>\$ 120,453</u>	<u>4,306</u>	<u>124,759</u>
Depreciation:			
Balance at January 1, 2024	\$ 67,744	3,474	71,218
Depreciation	<u>3,365</u>	<u>465</u>	<u>3,830</u>
Balance at March 31, 2024	<u>\$ 71,109</u>	<u>3,939</u>	<u>75,048</u>
Balance at January 1, 2023	\$ 54,664	2,150	56,814
Depreciation	<u>3,443</u>	<u>331</u>	<u>3,774</u>
Balance at March 31, 2023	<u>\$ 58,107</u>	<u>2,481</u>	<u>60,588</u>
Carrying amount:			
Balance at January 1, 2024	<u>\$ 52,172</u>	<u>2,983</u>	<u>55,155</u>
Balance at March 31, 2024	<u>\$ 48,807</u>	<u>2,518</u>	<u>51,325</u>
Balance at January 1, 2023	<u>\$ 65,789</u>	<u>2,156</u>	<u>67,945</u>
Balance at March 31, 2023	<u>\$ 62,346</u>	<u>1,825</u>	<u>64,171</u>

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
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(i) Intangible Assets

The cost and accumulated amortization of intangible assets of the Group for the three months ended March 31, 2024 and 2023 were as follows:

	Computer software
Cost:	
Balance at January 1, 2024	\$ 3,099
Additions	284
Disposals	(1,917)
Balance at March 31, 2024	<u>\$ 1,466</u>
Balance at January 1, 2023	\$ 13,937
Additions	284
Disposals	(6,398)
Balance at March 31, 2023	<u>\$ 7,823</u>
Accumulated amortization:	
Balance at January 1, 2024	\$ 2,441
Amortization	337
Disposals	(1,917)
Balance at March 31, 2024	<u>\$ 861</u>
Balance at January 1, 2023	\$ 9,940
Amortization	1,365
Disposals	(6,398)
Balance at March 31, 2023	<u>\$ 4,907</u>
Carrying amount:	
Balance at January 1, 2024	<u>\$ 658</u>
Balance at March 31, 2024	<u>\$ 605</u>
Balance at January 1, 2023	<u>\$ 3,997</u>
Balance at March 31, 2023	<u>\$ 2,916</u>

For the three months ended March 31, 2024 and 2023, the amortization of intangible assets are included in the statement of comprehensive income as operating expenses amounted to \$337 and \$1,365, respectively.

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

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
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(j) Provisions

	Warranty Provisions
Balance at January 1, 2024	\$ 80,598
Provisions made during the period	2,312
Provisions reversed during the period	(1,229)
Provisions used during the period	<u>(1,012)</u>
Balance at March 31, 2024	<u>\$ 80,669</u>
Balance at January 1, 2023	\$ 117,404
Provisions made during the period	2,236
Provisions reversed during the period	(275)
Provisions used during the period	<u>(2,902)</u>
Balance at March 31, 2023	<u>\$ 116,463</u>

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

(k) Lease liabilities

The details of lease liabilities were as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Current	<u>\$ 14,410</u>	<u>14,620</u>	<u>14,665</u>
Non-current	<u>\$ 37,595</u>	<u>41,192</u>	<u>50,093</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31,	
	2024	2023
Interest expense on lease liabilities	<u>\$ 153</u>	<u>183</u>
Expenses relating to short-term leases	<u>\$ 46</u>	<u>301</u>
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 26</u>	<u>26</u>

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

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

	For the three months ended March 31	
	2024	2023
	Total cash outflow for leases	\$ 4,032

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

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

(l) Employee benefits - Defined contribution plans

The pension expenses of the Group under the pension plan contributed to the Bureau of Labor Insurance for the three months ended March 31, 2024 and 2023 were as follows:

	For the three months ended March 31,	
	2024	2023
	Selling expenses	\$ 283
Administration expenses	283	322
Research and development expenses	1,187	1,395
	\$ 1,753	2,125

(m) Income taxes

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

	For the three months ended March 31,	
	2024	2023
	Current tax expense	\$ -

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
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- (ii) The amounts of income tax expenses recognized in other comprehensive income were as follows:

	For the three months ended March 31,	
	2024	2023
Items that might be reclassified subsequently to profit or loss:		
Foreign currency translation differences of foreign operations	22	24

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

- (n) Capital and other equities

Except for the following disclosures, there was no significant change for capital and other equities for the periods from January 1 to March 31, 2024 and 2023. Please refer to note (6)(n) of the 2023 annual consolidated financial statements for other related information.

- (i) Ordinary shares

Reconciliation of shares outstanding for the three months ended March 31, 2024 and 2023 were as follow:

	For the three months ended March 31,	
	Ordinary shares	
	2024	2023
Balance at January 1	67,638	68,002
Cancellation of employee restricted shares	-	(348)
Balance at March 31	67,638	67,654

The Company issued new restricted employee stocks amounting to \$15,000 for 2021. The base date of the share issuance was December 20, 2021. For the year ended December 31, 2023, the share capital of \$3,485 was canceled, which reduced the capital reserve of \$7,212, respectively, because some employees who received restricted stock options did not meet the vesting conditions. The registration had been completed.

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
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(ii) Capital surplus

The balance of capital surplus were as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Additional paid in capital premium	\$ 318,043	318,043	310,482
Employee share options	48,101	48,101	48,101
Issuance of employee restricted shares	6,260	6,260	14,144
	<u>\$ 372,404</u>	<u>372,404</u>	<u>372,727</u>

(iii) Retained earnings

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

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

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

(iv) Earnings distributed (Accumulated deficit offset)

Earnings distribution for 2022 was approved by the Board of Directors meetings held on March 15, 2023. The relevant information was as follows:

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

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
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The Company suffered accumulated losses for the year ended 2023. On March 8, 2024, the Board of Directors resolved not to distribute dividends. The Board also proposed to offset the accumulated losses of \$42,516 with legal reserves, pending approval at the shareholders' meeting.

(o) Share based payment

There were no significant changes in share-based payment during the periods from January 1 to March 31, 2024 and 2023. For the related information, please refer to note (6)(o) of the 2022 annual consolidated financial statements for other related information.

(p) Loss per share

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

	For the three months ended	
	March 31,	
	2024	2023
Basic loss per share		
Loss attributable to ordinary shareholders of the Company	\$ (40,842)	(62,779)
Weighted-average number of outstanding ordinary shares (in thousands)	67,336	67,626
Basic loss per share (dollars)	\$ (0.61)	(0.93)
Diluted loss per share		
Weighted-average number of ordinary shares (after adjustment of potential diluted ordinary shares) (in thousands)	67,336	67,626
Diluted loss per share (dollars)	\$ (0.61)	(0.93)

The employee restricted shares issued by the Company were not included in the calculation of diluted loss per share for the three months ended March 31, 2024 and 2023 due to their anti-dilutive effect.

(q) Revenue from contracts with customers

(i) Details of revenue

	For the three months ended	
	March 31,	
	2024	2023
Primary geographical markets:		
Europe	\$ 89,225	90,254
America	81,702	143,436
Asia and others	54,532	57,180
	\$ 225,459	290,870

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
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	For the three months ended March 31,		
	2024	2023	
Major products:			
Communication network products	\$ 180,021	261,024	
Material sales revenue and others	45,438	29,846	
	\$ 225,459	290,870	
(ii) Contract balances			
	March 31, 2024	December 31, 2023	March 31, 2023
Accounts receivable	\$ 244,410	427,808	402,663
Less: loss allowance	(25,830)	(26,841)	(1,644)
	\$ 218,580	400,967	401,019
Contract liabilities	\$ 1,846	1,846	1,846

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

The amount of revenue recognized for both the three months ended March 31, 2024 and 2023 that were included in the balance of contract liabilities at the beginning of the period was \$0.

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

(r) Remuneration to employees and directors

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

The Company did not estimate employee remuneration and directors' remuneration due to loss before income for the three months ended March 31, 2024 and 2023.

The Company did not disburse employee remuneration and directors' remuneration due to loss before income tax for the years ended December 31, 2023 and 2022.

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
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(s) Other profits and losses

The other profits and losses of the Group for the three months and three months ended March 31, 2024 and 2023 were as follow:

	For the three months ended March 31,	
	2024	2023
Foreign currency exchange losses, net	\$ 7,186	(293)
Gains (losses) on financial assets (liabilities) at fair value through profit or loss, net	(5,130)	331
	\$ 2,056	38

(t) Financial instruments

Except for those described below, there were no significant changes on fair value, credit risk, liquidity risk and market risk of financial instruments. Please refer to note (6)(t) of the 2023 annual consolidated financial statements for related information.

(i) Credit risk

1) Credit risk

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

2) Concentration of credit risk

Sales to individual customers constituting over 10% of total revenue for the three months ended March 31, 2024 and 2023, amounted to \$187,556 and \$195,762, respectively. The carrying amounts of the accounts receivable as of March 31, 2024 and 2023 amounted to \$168,159 and \$228,790, respectively. In order to reduce credit risk, the Group continuously assesses the financial status of the customers.

3) Accounts receivable credit risk

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

(ii) Liquidity risk

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

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
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	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
March 31, 2024					
Non derivative financial liabilities					
Accounts payable (including related parties)	\$ 155,938	(155,938)	(155,938)	-	-
Other payables	125,516	(125,516)	(125,516)	-	-
Lease liabilities— current and non- current	52,005	(53,087)	(14,918)	(14,577)	(23,592)
Derivative financial liabilities					
Foreign exchange forward contracts:	129				
Outflow		(23,596)	(23,596)	-	-
Inflow		23,533	23,533	-	-
Swap contracts:	313				
Outflow		(19,200)	(19,200)	-	-
Inflow		19,174	19,174	-	-
	<u>\$ 333,901</u>	<u>(334,630)</u>	<u>(296,461)</u>	<u>(14,577)</u>	<u>(23,592)</u>
December 31, 2023					
Non derivative financial liabilities					
Accounts payable (including related parties)	\$ 190,267	(190,267)	(190,267)	-	-
Other payables	186,946	(186,946)	(186,946)	-	-
Lease liabilities— current and non- current	55,812	(57,047)	(15,169)	(14,663)	(27,215)
	<u>\$ 433,025</u>	<u>(434,260)</u>	<u>(392,382)</u>	<u>(14,663)</u>	<u>(27,215)</u>
March 31, 2023					
Non derivative financial liabilities					
Accounts payable (including related parties)	\$ 518,030	(518,030)	(518,030)	-	-
Other payables	185,003	(185,003)	(185,003)	-	-
Lease liabilities— current and non-current	64,758	(66,402)	(15,297)	(14,376)	(36,729)
Derivative financial liabilities					
Foreign exchange forward contracts:	337				
Outflow		(9,918)	(9,918)	-	-
Inflow		9,616	9,616	-	-
	<u>\$ 768,128</u>	<u>(769,737)</u>	<u>(718,632)</u>	<u>(14,376)</u>	<u>(36,729)</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

Unit: thousands of foreign currency

	March 31, 2024			December 31, 2023			March 31, 2023		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets									
Monetary items									
USD	\$	5,625 USD/TWD =32	180,000	16,910 USD/TWD =30.705	519,222	19,964 USD/TWD =30.455	608,004		
EUR		2,410 EUR/TWD =34.46	83,049	959 EUR/TWD =34.14	32,740	3,859 EUR/TWD =33.06	127,579		
Financial liabilities									
Monetary items									
USD		1,692 USD/TWD =32	54,144	6,756 USD/TWD =30.705	207,443	18,342 USD/TWD =30.455	558,606		

2) Sensitivity analysis

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

	March 31, 2024	March 31, 2023
USD (against the TWD)		
Strengthening 5%	\$ 6,293	2,470
Weakening 5%	(6,293)	(2,470)
EUR (against the TWD)		
Strengthening 5%	4,152	6,379
Weakening 5%	(4,152)	(6,379)

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3) Exchange gains and losses of monetary items

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months ended March 31, 2024 and 2023, the foreign exchange gain (including realized and unrealized portions) amounted to \$7,186 and \$44,234, respectively.

(iv) Interest rate analysis

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

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

If the interest rate had increased or decreased by 0.25%, assuming all other variables remaining constant, the net loss before tax would have decreased or increased by \$70 and \$96 for the three months ended March 31, 2024 and 2023 respectively, which would be mainly resulted from the bank deposits with variable interest rates.

(v) Fair value

1) The kinds of financial instruments and fair value

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

	March 31, 2024				
	Book value	Fair value			Total
	Level 1	Level 2	Level 3		
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 462,970	-	-	-	-
Accounts receivable, net	218,580	-	-	-	-
Other receivables, net	2,723	-	-	-	-
Other non-current asset (refundable deposits)	3,701	-	-	-	-
Other non-current asset (Pledged certificate of deposits)	500	-	-	-	-
Subtotal	<u>688,474</u>				
Total	<u>\$ 688,474</u>				

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	March 31, 2024				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 442	-	442	-	442
Financial assets measured at amortized cost					
Accounts payable (including related parties)	155,938	-	-	-	-
Other payables (including related parties)	125,516	-	-	-	-
Lease liabilities—current and non-current	<u>52,005</u>	-	-	-	-
Subtotal	<u>333,459</u>	-	-	-	-
Total	<u>\$ 333,901</u>				
December 31, 2023					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 4,373	-	4,373	-	4,373
Financial assets measured at amortized cost					
Cash and cash equivalents	316,940	-	-	-	-
Accounts receivable, net	400,967	-	-	-	-
Other receivables, net	2,551	-	-	-	-
Other non-current asset (refundable deposits)	3,729	-	-	-	-
Other non-current asset (Pledged certificate of deposits)	<u>500</u>	-	-	-	-
Subtotal	<u>724,687</u>				
Total	<u>\$ 729,060</u>				
Financial liabilities at amortized cost					
Accounts payable (including related parties)	\$ 190,267	-	-	-	-
Other payables	186,946	-	-	-	-
Lease liabilities—current and non-current	<u>55,812</u>	-	-	-	-
Total	<u>\$ 433,025</u>				

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	March 31, 2023				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 608,448	-	-	-	-
Accounts receivable, net	401,019	-	-	-	-
Other receivables, net	59,620	-	-	-	-
Other non-current asset (Pledged certificate of deposits)	500	-	-	-	-
Total	\$ 1,069,587				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 337	-	337	-	337
Financial liabilities at amortized cost					
Accounts payable (including related parties)	518,030	-	-	-	-
Other payables (including related parties)	185,003	-	-	-	-
Lease liabilities—current and non-current	64,758	-	-	-	-
Subtotal	767,791				
Total	\$ 768,128				

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

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

a) Financial assets and financial liabilities measured at amortized cost

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

3) Valuation technique for financial instruments measured at fair value

a) Derivative financial instruments

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

4) There were no transfers from one level to another for the three months ended March 31, 2024 and 2023.

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(u) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note (6)(u) of the consolidated financial statements for the year ended December 31, 2023.

(v) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2023. Also, management believes that there were no significant changes in the Group's capital management quantified information as disclosed for the year ended December 31, 2023. Please refer to Note (6)(v) of the consolidated financial statements for the year ended December 31, 2023 for further details.

(w) Investing and financing activities not affecting cash flow

The Group's investing and financing activities which did not affect the cash flow for the three months ended March 31, 2024 and 2023 were as the acquisition of right of use assets by lease, please see notes (6)(h).

Reconciliation of liabilities arising from financing activities were as follows:

	<u>January 1, 2024</u>	<u>Cash flows</u>	<u>March 31, 2024</u>
Lease liabilities	\$ 55,812	(3,807)	52,005

	<u>January 1, 2023</u>	<u>Cash flows</u>	<u>March 31, 2023</u>
Lease liabilities	\$ 68,479	(3,721)	64,758

(7) Related-party transactions

(a) Parent company and ultimate controlling party

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

(b) Names and relationship with related parties

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

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
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<u>Name of related party</u>	<u>Relationship with the Group</u>
Compal Electronics, INC. (“Compal Electronics”)	Parent company
Compal Display Electronics (Kunshan) Co., Ltd. (“CDE”)	The subsidiary of parent company
Compal (Vietnam) Co., Ltd. (“CVC”)	The subsidiary of parent company
Kinpo Group Management Service Company (“Kinpo”)	The chairman of parent company is the same as that of the entity.
LIZ Electronics (Nantong) Co., Ltd. (“LIZ Nantong”)	An associate of parent company.
Starmems Semiconductor Corp. (“Starmems”)	An associate

(c) Significant transactions with related parties

(i) Purchases and processing fee

	For the three months ended March 31,	
	<u>2024</u>	<u>2023</u>
Parent Company- Compal Electronics	<u>\$ 44,184</u>	<u>30,588</u>

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

The Group sold raw materials to its related parties for processing purposes, wherein the related sales income and costs have been eliminated in the financial statements and were not treated as sales of raw materials and incoming finished goods.

The sales of raw materials, which have already been processed, wherein the payments have yet to be received, had been recognized as other receivables. On the contrary, the sales of raw materials, which have yet to be processed, wherein the payments have already been received, had been recognized as other payable.

(ii) Other expenditures

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

	For the three months ended March 31,	
	<u>2024</u>	<u>2023</u>
Parent Company- Compal Electronics	\$ 5,804	4,014
Other related parties	25	25
	<u>\$ 5,829</u>	<u>4,039</u>

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(iii) Rent Revenue

The Company leases office space and machinery equipment to associate enterprises. Rental agreements are signed based on rental rates in neighboring areas. Rent is collected on a monthly basis. For the three months ended March 31, 2024 and 2023, the rent revenue amounted to \$656 and \$751, respectively.

(iv) Receivables from related parties

The receivables arising from the transactions mentioned above and advance payment for related parties were as follows:

<u>Account</u>	<u>Related party categories</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Other receivables	Other related parties-CDE	\$ -	-	39,257
	Associate	-	130	467
		<u>\$ -</u>	<u>130</u>	<u>39,724</u>

(v) Payables to related parties

The payables arising from the transactions mentioned above and related parties advance payment for group were as follows:

<u>Account</u>	<u>Related party categories</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Accounts payable	Parent Company-Compal Electronics	\$ 95,987	130,494	187,446
Accounts payable	Other related parties	-	-	37
Other payables	Parent Company-Compal Electronics	-	-	15,228
Other payables	Other related parties-CDE	34,024	29,618	-
Other payables	Other related parties-CVC	41,879	90,302	66,081
Other payables	Other related parties	26	21	26
		<u>\$ 171,916</u>	<u>250,435</u>	<u>268,818</u>

(d) Transactions with key management personnel

Key management personnel compensation comprised:

	<u>For the three months ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Short-term employee benefits	\$ 9,615	8,373
Post-employment benefits	241	106
Share-based payments	432	885
	<u>\$ 10,288</u>	<u>9,364</u>

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

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(8) Pledged assets:

The carrying amount of pledged assets were as follows:

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

(9) Significant commitments and contingencies: None**(10) Losses due to major disasters: None****(11) Subsequent events: None****(12) Other:**

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

By item	By function	For the three months ended March 31					
		2024			2023		
		Cost of sale	Operating expense	Total	Cost of sale	Operating expense	Total
Employee benefits							
Salary		-	40,909	40,909	-	48,063	48,063
Labor and health insurance		-	3,668	3,668	-	4,334	4,334
Pension		-	1,753	1,753	-	2,125	2,125
Others		-	1,236	1,236	-	1,497	1,497
Depreciation		1,270	13,951	15,221	860	13,570	14,430
Amortization		-	337	337	-	1,365	1,365

(b) Seasonality of operations

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

(13) Other disclosures:

- (a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the three months ended March 31, 2024:

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

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

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- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
 - (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
 - (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
 - (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
 - (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
 - (ix) Trading in derivative instruments: Please refer to note (6)(b)
 - (x) Business relationships and significant intercompany transactions: None
- (b) Information on investees:

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

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2024			Net income (losses) of investee	Investment Income (losses)	Note
				March 31, 2024	December 31, 2023	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	CBNB	Belgium	Import, export, technical support, and consulting services for broadband network products and related components	6,842	6,842	20	100.00%	5,328	13	13	Notes 1 - 2
The Company	CBNN	Netherlands	"	7,016	7,016	20	100.00%	6,315	(10)	(10)	Notes 1 - 2
The Company	Starmems	Taiwan	Research and development of micro-electro-mechanical system (MEMS) microphone technology products	10,000	10,000	1,000	10.00%	2,902	(6,003)	(600)	The company of investments accounted for using equity method

Note 1: The amounts in New Taiwan Dollars were translated at the exchange rate of EUR@34.46 based on the yearend exchange rate.
 Note 2: The transaction had been eliminated in the consolidated financial statements.

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

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(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Compal Electronics, Inc.		29,060,176	42.96%
Zhi-Bao Technology Inc.		13,139,637	19.42%
Cdib Capital Growth Partners L.P.		4,119,000	6.08%
Realsun Investment Co., Ltd		3,575,000	5.28%
Realking Investments Limited		3,575,000	5.28%

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

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

(14) Segment information:

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