

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2024 and 2023**

Address: 13F.-1, NO.1, Taiyuan 1st St., Zhubei City, Hsinchu County, Taiwan
Telephone: (03)560-0066

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.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~11
(4) Summary of significant accounting policies	11~13
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	13
(6) Explanation of significant accounts	13~34
(7) Related-party transactions	35~37
(8) Pledged assets	37
(9) Significant Commitments and contingencies	37
(10) Losses due to major disasters	37
(11) Subsequent events	37
(12) Other	37~38
(13) Other disclosures	
(a) Information on significant transactions	38
(b) Information on investees	39
(c) Information on investment in mainland China	39
(d) Major shareholders	39
(14) Segment information	40

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 June 30, 2024 and 2023, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2024 and 2023, as well as the changes in equity and cash flows for the six months ended June 30, 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 June 30, 2024 and 2023, and of its consolidated financial performance for the three months and six months ended June 30, 2024 and 2023, as well as its consolidated cash flows for the six months ended June 30, 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)
August 09, 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 Balance Sheets

June 30, 2024, December 31 and June 30, 2023

(Expressed in Thousands of New Taiwan Dollars)

Assets		June 30, 2024		December 31, 2023		June 30, 2023		Liabilities and Equity		June 30, 2024		December 31, 2023		June 30, 2023	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note (6)(a))	\$ 558,831	32	316,940	19	595,166	29	2120	Current financial liabilities at fair value through profit or loss (note (6)(b))	\$ 187	-	-	-	-	-
1110	Current financial assets at fair value through profit or loss (note (6)(b))	-	-	4,373	-	-	-	2130	Current contract liabilities (note (6)(q))	1,846	-	1,846	-	9,039	-
1170	Accounts receivable, net (notes (6)(c) and (6)(q))	251,066	14	400,967	24	316,683	15	2170	Accounts payable	256,005	14	59,773	4	55,929	3
1200	Other receivables, net (notes (6)(d) and (7))	40,618	2	2,551	-	1,948	-	2180	Accounts payable to related parties (note (7))	224,833	13	130,494	8	151,813	7
1310	Inventories (note (6)(e))	605,238	34	612,302	37	802,114	39	2200	Other payables (note (7))	72,685	4	186,946	11	365,513	18
1410	Prepayments	52,943	3	48,368	3	47,105	2	2250	Current provisions (note (6)(j))	81,452	5	80,598	5	108,640	5
1470	Other current assets	1,962	-	5,481	-	6,729	-	2280	Current lease liabilities (note (6)(k))	14,025	1	14,620	1	14,537	1
		1,510,658	85	1,390,982	83	1,769,745	85	2300	Other current liabilities	1,698	-	4,120	-	1,612	-
										652,731	37	478,397	29	707,083	34
Non-current assets:								Non-Current liabilities:							
1550	Investments accounted for using equity method (note (6)(f))	8,761	1	3,502	-	5,626	-	2570	Deferred tax liabilities	874	-	874	-	-	-
1600	Property, plant and equipment (note (6)(g))	139,635	8	159,578	10	168,484	8	2580	Non-current lease liabilities (note (6)(k))	33,988	2	41,192	2	46,569	2
1755	Right-of-use assets (note (6)(h))	47,324	3	55,155	3	60,471	3			34,862	2	42,066	2	46,569	2
1780	Intangible assets (note (6)(i))	1,231	-	658	-	2,534	-			687,593	39	520,463	31	753,652	36
1840	Deferred tax assets	56,980	3	57,018	4	74,004	4	Total liabilities							
1900	Other non-current assets (note (8))	4,201	-	4,229	-	4,201	-	Equity (notes (6)(n)):							
		258,132	15	280,140	17	315,320	15	3110	Ordinary share	673,357	38	676,381	41	676,536	32
								3200	Capital surplus	366,450	21	372,404	22	372,727	18
								3300	Retained earnings	41,436	2	105,082	6	287,125	14
								3410	Exchange differences on translation of foreign financial statements	(46)	-	(198)	-	(254)	-
								3491	Unearned employee benefit	-	-	(3,010)	-	(4,721)	-
										1,081,197	61	1,150,659	69	1,331,413	64
								Total equity							
Total assets		\$ 1,768,790	100	1,671,122	100	2,085,065	100	Total liabilities and equity		\$ 1,768,790	100	1,671,122	100	2,085,065	100

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 Comprehensive Income****For the three months and six months ended June 30, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)**

	For the three months ended June 30				For the six months ended June 30				
	2024		2023		2024		2023		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (note (6)(q))	\$ 203,955	100	220,518	100	429,414	100	511,388	100
5000	Operating costs (notes (6)(e), (7) and (12))	107,022	83	221,233	100	353,034	82	476,556	93
	Gross profit from operations	33,933	17	(715)	-	76,380	18	34,832	7
	Operating expenses: (notes (6)(k), (6)(l), (7) and (12))								
6100	Selling expenses	13,763	7	12,458	6	35,036	8	34,370	6
6200	Administrative expenses	9,607	5	16,670	7	25,238	6	39,674	8
6300	Research and development expenses	35,509	17	56,527	26	87,350	20	115,015	23
6450	Expected credit loss (reversal gain) (notes (6)(c) and (6)(d))	345	-	513	-	(663)	-	(1,130)	-
	Total operating expenses	59,224	29	86,168	39	146,961	34	187,929	37
	Net operating loss	(25,291)	(12)	(86,883)	(39)	(70,581)	(16)	(153,097)	(30)
	Non-operating income and expenses:								
7010	Other income (notes (7))	1,072	-	1,183	1	2,241	-	2,356	-
7020	Other gains and losses (note (6)(s))	793	-	5,138	2	2,849	-	5,176	1
7100	Interest income	1,510	1	2,844	1	3,486	1	6,067	1
7510	Interest expense (note (6)(k))	(141)	-	(173)	-	(294)	-	(356)	-
7060	Share of loss of associates accounted for using equity method (note (6)(f))	(747)	-	(698)	-	(1,347)	-	(1,514)	-
		2,487	1	8,294	4	6,935	1	11,729	2
7900	Loss from continuing operations before tax	(22,804)	(11)	(78,589)	(35)	(63,646)	(15)	(141,368)	(28)
7950	Less: Income tax expense (note (6)(m))	-	-	2,698	1	-	-	2,698	-
	Loss	(22,804)	(11)	(81,287)	(36)	(63,646)	(15)	(144,066)	(28)
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	83	-	299	-	190	-	418	-
8399	Less: income tax related to items that will be reclassified to profit or loss (note (6)(m))	16	-	60	-	38	-	84	-
	Components of other comprehensive income that will be reclassified to profit or loss	67	-	239	-	152	-	334	-
8300	Other comprehensive income	67	-	239	-	152	-	334	-
	Total comprehensive loss	\$ (22,737)	(11)	(81,048)	(36)	(63,494)	(15)	(143,732)	(28)
	Loss per share (note (6)(p))								
9750	Basic loss per share	\$ (0.34)		(1.21)		(0.95)		(2.14)	
9850	Diluted loss per share	\$ (0.34)		(1.21)		(0.95)		(2.14)	

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 six months ended June 30, 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	Exchange differences on translation of foreign financial statements	Unearned employee benefit			
					retained earnings (Accumulated deficits)					
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 six months ended June 30, 2023	-	-	-	-	(144,066)	(144,066)	-	-	-	(144,066)
Other comprehensive income for the six months ended June 30, 2023	-	-	-	-	-	-	334	-	334	334
Total comprehensive income for the six months ended June 30, 2023	-	-	-	-	(144,066)	(144,066)	334	-	334	(143,732)
Appropriation and distribution of retained earnings:										
Special reserve reversed	-	-	-	(396)	396	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(33,827)	(33,827)	-	-	-	(33,827)
Share-based payment transactions	(3485)	(7,212)	-	-	-	-	-	6,492	6,942	(4,205)
Balance at June 30, 2023	\$ 676,536	372,727	147,010	588	139,527	587,125	(254)	(4,975)	(4,975)	1,331,413
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 six months ended June 30, 2024	-	-	-	-	(63,646)	(63,646)	-	-	-	(63,646)
Other comprehensive income for the six months ended June 30, 2024	-	-	-	-	-	-	152	-	152	152
Total comprehensive income for the six months ended June 30, 2024	-	-	-	-	(63,646)	(63,646)	152	-	152	(63,494)
Legal reserve used to cover accumulated deficits	-	-	(42,516)	-	42,516	-	-	-	-	-
Changes in equity of investment in associates accounted for using equity method	-	306	-	-	-	-	-	-	-	306
Share-based payment transactions	(3,024)	(6,260)	-	-	-	-	-	3,010	3,010	(6,274)
Balance at June 30, 2024	\$ 673,357	366,450	104,494	588	(63,646)	41,436	(46)	-	(46)	1,081,197

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 six months ended June 30, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars)**

	For the six months ended June 30	
	2024	2023
Cash flows from (used in) operating activities:		
Loss before tax	\$ (63,646)	(141,368)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	30,985	32,087
Reversal gains of expected credit loss	(663)	(1,130)
Interest expense	294	356
Interest income	(3,486)	(6,067)
Compensation cost of employee share-based payment	(6,274)	(4,205)
Share of loss of associates accounted for using equity method	1,347	1,514
Profit from lease modification	(91)	-
Total adjustments to reconcile profit	22,112	22,555
Changes in operating assets and liabilities:		
Decrease in financial assets mandatorily measured at fair value through profit or loss	4,373	-
Decrease in accounts receivable	150,567	173,150
(Increase) decrease in other receivables	(37,835)	380,528
Decrease (increase) in inventories	7,064	(63,209)
Increase in prepayments	(4,575)	(1,674)
(Increase) decrease in other current assets	(1)	1,201
Increase (decrease) in financial liabilities held for trading	187	(8,006)
Increase in contract liabilities	-	7,113
Increase (decrease) in accounts payable	290,571	(602,412)
(Decrease) increase in other payable	(114,261)	244,094
Increase (decrease) in provisions	854	(8,764)
Decrease in other current liabilities	(2,422)	(8)
Total changes in operating assets and liabilities	294,522	122,013
Total adjustments	316,634	144,568
Cash inflow generated from operations	252,988	3,200
Interest received	3,251	5,506
Interest paid	(294)	(356)
Income taxes refund (paid)	3,520	(75)
Net cash flows from operating activities	259,465	8,275
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(6,300)	-
Acquisition of property, plant and equipment	(2,972)	(31,994)
Decrease of refundable deposit	28	-
Acquisition of intangible assets	(1,204)	(1,296)
Net cash flows used in investing activities	(10,448)	(33,290)
Cash flows from (used in) financing activities:		
Payment of lease liabilities	(7,316)	(7,373)
Cash dividends paid	-	(33,827)
Net cash flows used in financing activities	(7,316)	(41,200)
Effect of exchange rate changes on cash and cash equivalents	190	417
Net increase (decrease) in cash and cash equivalents	241,891	(65,798)
Cash and cash equivalents at beginning of period	316,940	660,964
Cash and cash equivalents at end of period	\$ 558,831	595,166

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

June 30, 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 June 30, 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 August 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. (FSC) which have already been adopted.

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

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

- (b) The impact of IFRS issued by 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)

COMPAL BROADBAND NETWORKS, 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

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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"> 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> 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> 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 15 over the amount at which a trade receivable is initially measured.</p> 	January 1, 2026

(Continued)

COMPAL BROADBAND NETWORKS, 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 of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. 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”

(4) Summary of significant accounting policies:

(a) Statement of compliance

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement 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.

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding		
			June 30, 2024	December 31, 2023	June 30, 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) Classification of current and non-current assets and liabilities

An asset is classified 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 unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (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 an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(d) 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 best estimated by multiplying pre-tax income for the interim reporting period using the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

(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

	June 30, 2024	December 31, 2023	June 30, 2023
Cash on hand	\$ 486	395	644
Checking accounts and demand deposits	143,445	99,866	183,522
Time deposits	414,900	216,679	411,000
	\$ 558,831	316,940	595,166

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.

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

	June 30, 2024	December 31, 2023	June 30, 2023
Current financial assets mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging:			
Foreign exchange forward contracts	\$ -	4,373	-
Held-for-trading financial liabilities:			
Derivative instruments not used for hedging:			
Swap contracts	\$ 187	-	-

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

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:

				June 30, 2024
				Contract amount (in thousands)
				Currency
				Maturity date
Derivative financial assets:				
Foreign exchange contracts:				
Currency Swap	USD 950	USD to TWD	July 11, 2024	
				December 31, 2024
				Contract amount (in thousands)
				Currency
				Maturity date
Derivative financial assets:				
Foreign exchange contracts:				
Foreign exchange sold	USD 7,087	USD to TWD	January 5, 2024~ March 25, 2024	

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Accounts receivable

	June 30, 2024	December 31, 2023	June 30, 2023
Accounts receivable	\$ 277,241	427,808	318,839
Less: loss allowance	(26,175)	(26,841)	(2,156)
	\$ 251,066	400,967	316,683

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:

June 30, 2024				
	Gross carrying amount	Weighted- avera ge loss rate	Loss allowance	Credit impaired
Level B	\$ 178,713	0.10%	179	No
Level C	56,050	1.00%	561	No
Level E	42,478	59.88%	25,435	Yes
	\$ 277,241		26,175	
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	75,592	31.84%	24,069	Yes
	\$ 427,808		26,841	
June 30, 2023				
	Gross carrying amount	Weighted- avera ge loss rate	Loss allowance	Credit impaired
Level B	\$ 114,672	0.10%	115	No
Level C	204,167	1.00%	2,014	No
	\$ 318,839		2,156	

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The aging analysis of overdue accounts receivable were as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Overdue 1~30 days	\$ 28,719	139,459	52,291
Overdue 31~60 days	3,974	-	-
Overdue 61~90 days	347	11,045	-
Overdue 91~180 days	-	5,758	4,750
Overdue 181~270 days	-	5,174	77,750
Overdue 360 days	43,009	70,418	-
	<u>\$ 76,049</u>	<u>231,854</u>	<u>134,791</u>

The movements of allowance for accounts receivable were as follows:

	For the six months ended June 30,	
	2024	2023
Balance at January 1	\$ 26,841	3,211
Impairment loss reversed	(666)	(1,055)
Balance at June 30	<u>\$ 26,175</u>	<u>2,156</u>

As of June 30, 2024, December 31 and June 30, 2023, the Group did not provide any aforementioned accounts receivable as collaterals.

(d) Other receivables

	June 30, 2024	December 31, 2023	June 30, 2023
Other receivables	\$ 40,679	2,609	2,029
Less: loss allowance	(61)	(58)	(81)
	<u>\$ 40,618</u>	<u>2,551</u>	<u>1,948</u>

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The aging analysis of overdue other receivables were as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Overdue 1~30 days	\$ 932	152	22
Overdue 31~60 days	-	-	-
Overdue 61~90 days	-	103	-
Overdue 91~180 days	689	-	-
	\$ 1,621	255	22

The movements of allowance for other receivables were as follows:

	For the six months ended June 30,	
	2024	2023
Balance at January 1	\$ 58	156
Impairment loss recognized (reversed)	3	(75)
Balance at June 30	\$ 61	81

As of June 30, 2024, December 31 and June 30, 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:

	June 30, 2024	December 31, 2023	June 30, 2023
Raw materials	\$ 596,916	543,265	742,003
Work in progress and semi-finished goods	1,082	380	8,764
Merchandise	7,240	68,657	51,347
	\$ 605,238	612,302	802,114

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Cost of sales and expenses	\$ 169,619	214,759	352,631	460,353
Recognized for inventory valuation and obsolescence loss	403	6,474	403	14,993
Loss on scrapping of inventory	-	-	-	1,210
	<u>\$ 170,022</u>	<u>221,233</u>	<u>353,034</u>	<u>476,556</u>

For the three months and six months ended June 30, 2024 and 2023, the write-down of the inventories to the net realizable value was recorded as an operating cost.

- (iii) As of June 30, 2024, December 31 and June 30, 2023, the Group did not provide any inventories as collaterals.
- (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:

	June 30,	December	June 30,
	2024	31, 2023	2023
The carrying amount of individually insignificant associates equity	<u>\$ 8,761</u>	<u>3,502</u>	<u>5,626</u>

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Attributable to the Group:				
Net loss from continuing operations	<u>\$ (747)</u>	<u>(698)</u>	<u>(1,347)</u>	<u>(1,514)</u>
Total comprehensive income	<u>\$ (747)</u>	<u>(698)</u>	<u>(1,347)</u>	<u>(1,514)</u>

- (ii) As of June 30, 2024, December 31 and June 30, 2023, the Group did not provide any investment accounted for using equity method as collaterals.

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(g) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group for the six months ended June 30, 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	986	1,986	-	-	-	2,972
Balance at June 30, 2024	<u>\$ 451,086</u>	<u>24,573</u>	<u>7,259</u>	<u>103,179</u>	<u>-</u>	<u>586,097</u>
Balance at January 1, 2023	\$ 420,532	16,424	6,946	96,405	643	540,950
Additions	23,329	-	313	8,352	-	31,994
Reclassifications	643	-	-	-	(643)	-
Balance at June 30, 2023	<u>\$ 444,504</u>	<u>16,424</u>	<u>7,259</u>	<u>104,757</u>	<u>-</u>	<u>572,944</u>
Depreciation:						
Balance at January 1, 2024	\$ 335,978	15,723	6,644	65,202	-	423,547
Depreciation	15,950	1,642	136	5,187	-	22,915
Balance at June 30, 2024	<u>\$ 351,928</u>	<u>17,365</u>	<u>6,780</u>	<u>70,389</u>	<u>-</u>	<u>446,462</u>
Balance at January 1, 2023	\$ 304,467	13,723	6,337	58,079	-	382,606
Depreciation	15,991	900	149	4,814	-	21,854
Balance at June 30, 2023	<u>\$ 320,458</u>	<u>14,623</u>	<u>6,486</u>	<u>62,893</u>	<u>-</u>	<u>404,460</u>
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 June 30, 2024	<u>\$ 99,158</u>	<u>7,208</u>	<u>479</u>	<u>32,790</u>	<u>-</u>	<u>139,635</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 June 30, 2023	<u>\$ 124,046</u>	<u>1,801</u>	<u>773</u>	<u>41,864</u>	<u>-</u>	<u>168,484</u>

As of June 30, 2024, December 31 and June 30, 2023, the Group did not provide any property, plant and equipment as collaterals.

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(h) Right-of-use assets

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

	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
Cost:			
Balance at January 1, 2024	\$ 119,916	6,457	126,373
Disposals	-	(4,306)	(4,306)
Balance at June 30, 2024	<u>\$ 119,916</u>	<u>2,151</u>	<u>122,067</u>
Balance at January 1, 2023	\$ 120,453	4,306	124,759
Disposals	(300)	-	(300)
Balance at June 30, 2023	<u>\$ 120,153</u>	<u>4,306</u>	<u>124,459</u>
Depreciation:			
Balance at January 1, 2024	\$ 67,744	3,474	71,218
Depreciation	6,729	710	7,439
Disposals	-	(3,914)	(3,914)
Balance at June 30, 2024	<u>\$ 74,473</u>	<u>270</u>	<u>74,743</u>
Balance at January 1, 2023	\$ 54,664	2,150	56,814
Depreciation	6,812	662	7,474
Disposals	(300)	-	(300)
Balance at June 30, 2023	<u>\$ 61,176</u>	<u>2,812</u>	<u>63,988</u>
Carrying amount:			
Balance at January 1, 2024	<u>\$ 52,172</u>	<u>2,983</u>	<u>55,155</u>
Balance at June 30, 2024	<u>\$ 45,443</u>	<u>1,881</u>	<u>47,324</u>
Balance at January 1, 2023	<u>\$ 65,789</u>	<u>2,156</u>	<u>67,945</u>
Balance at June 30, 2023	<u>\$ 68,977</u>	<u>1,494</u>	<u>60,471</u>

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) Intangible Assets

The cost and accumulated amortization of intangible assets of the Group for the six months ended June 30, 2024 and 2023 were as follows:

	Computer software
Cost:	
Balance at January 1, 2024	\$ 3,099
Additions	1,204
Disposals	(1,917)
Balance at June 30, 2024	<u>\$ 2,386</u>
Balance at January 1, 2023	13,937
Additions	1,296
Disposals	(6,399)
Balance at June 30, 2023	<u>\$ 8,834</u>
Amortization:	
Balance at January 1, 2024	\$ 2,441
Amortization	631
Disposals	(1,917)
Balance at June 30, 2024	<u>\$ 1,155</u>
Balance at January 1, 2023	\$ 9,940
Amortization	2,759
Disposals	(6,399)
Balance at June 30, 2023	<u>\$ 6,300</u>
Carrying amount:	
Balance at January 1, 2024	<u>\$ 658</u>
Balance at June 30, 2024	<u>\$ 1,231</u>
Balance at January 1, 2023	<u>\$ 3,997</u>
Balance at June 30, 2023	<u>\$ 2,534</u>

For the three months and six months ended June 30, 2024 and 2023, the amortization of intangible assets are included in the statement of comprehensive income as operating expenses amounted to \$294, \$1,394, \$631 and \$2,759 respectively.

As of June 30, 2024, December 31 and June 30, 2023, the Group did not provide any intangible assets as collaterals.

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(j) Provisions

	Warranty Provisions
Balance at January 1, 2024	\$ 80,598
Provisions made during the period	4,054
Provisions reversed during the period	(1,794)
Provisions used during the period	<u>(1,406)</u>
Balance at June 30, 2024	<u>\$ 81,452</u>
Balance at January 1, 2023	\$ 117,404
Provisions made during the period	4,470
Provisions reversed during the period	(1,014)
Provisions used during the period	<u>(12,220)</u>
Balance at June 30, 2023	<u>\$ 108,640</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:

	June 30, 2024	December 31, 2023	June 30, 2023
Current	<u>\$ 14,205</u>	<u>14,620</u>	<u>14,537</u>
Non-current	<u>\$ 33,988</u>	<u>41,192</u>	<u>46,569</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		For the six months ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Interest expense on lease liabilities	<u>\$ 141</u>	<u>173</u>	<u>294</u>	<u>356</u>
Expenses relating to short-term leases	<u>\$ 45</u>	<u>277</u>	<u>91</u>	<u>578</u>
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 26</u>	<u>26</u>	<u>52</u>	<u>52</u>

(Continued)

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 six months ended	
	June 30	
	2024	2023
Total cash outflow for leases	\$ 7,753	8,359

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 and six months ended June 30, 2024 and 2023 were as follow:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Selling expenses	\$ 314	302	597	710
Administration expenses	242	401	525	723
Research and development expenses	970	1,375	2,157	2,770
	\$ 1,526	2,078	3,279	4,203

(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		For the six months ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Current tax benefit	\$ -	(2)	-	(2)
Deferred tax expense	-	2,700	-	2,700
Income tax expense	\$ -	2,698	-	2,698

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (ii) The amounts of income tax expenses (benefit) recognized in other comprehensive income were as follows:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Items that might be reclassified				
subsequently to profit or				
loss:				
Foreign currency translation				
differences of foreign				
operations	\$	16	60	38
			84	84

- (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 June 30, 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 six months ended June 30, 2024 and 2023 were as follow:

	Unit: in thousands of shares	
	For the six months ended	
	June 30,	
	Ordinary shares	
	2024	2023
Balance at January 1	67,382	68,002
Cancellation of employee restricted shares	(302)	(348)
Balance at June 30	<u>67,336</u>	<u>67,654</u>

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 six months ended June 30, 2024 and 2023, the share capital of \$3,024 and \$3,485 was canceled, which reduced the capital reserve of \$6,260 and \$7,212, respectively, because some employees who received restricted stock options did not meet the vesting conditions. The registration had been completed.

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Capital surplus

The balance of capital surplus were as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Additional paid in capital premium	\$ 318,043	318,043	318,043
Employee share options	48,101	48,101	48,101
Changes in equity of investment in associates accounted for using equity method	306	-	-
Issuance of employee restricted shares	-	6,260	6,583
	<u>\$ 366,450</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.

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iv) Earnings distributed (Accumulated deficits 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	33,827

The Company suffered accumulated losses for the year ended 2023. On March 8, 2024, the Board of Directors resolved not to distribute dividends.

The shareholders' meeting of the Company resolved to offset the accumulated deficits of \$42,516 with legal reserves on June 24, 2024.

(o) Share based payment

There were no significant changes in share-based payment during the periods from January 1 to June 30, 2024 and 2023. For the related information, please refer to note (6)(o) of the 2023 annual consolidated financial statements for other related information.

(p) Earnings per share

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

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Basic loss earnings per share				
Loss attributable to ordinary shareholders of the Company	\$ (22,804)	(81,287)	(63,646)	(144,066)
Weighted-average number of outstanding ordinary shares (in thousands)	67,336	67,336	67,336	67,336
Basic loss per share (dollars)	\$ (0.34)	(1.21)	(0.95)	(2.14)
Diluted loss per share				
Weighted-average number of outstanding ordinary shares (in thousands)	67,336	67,336	67,336	67,336
Diluted loss per share (dollars)	\$ (0.34)	(1.21)	(0.95)	(2.14)

The employee restricted shares issued by the Company were not included in the calculation of diluted loss per share for the three months and six months ended June 30, 2024 and 2023 due to their anti-dilutive effect.

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(q) Revenue from contracts with customers

(i) Details of revenue

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Primary geographical markets:				
Europe	\$ 22,177	67,489	111,402	157,743
America	137,169	127,017	218,871	270,453
Asia and others	44,609	26,012	99,141	83,192
	\$ 203,955	220,518	429,414	511,388
Major products:				
Communication network products	\$ 174,254	143,551	354,275	404,575
Material sales revenue and others	29,701	76,967	75,139	106,813
	\$ 203,955	220,518	429,414	511,388

(ii) Contract balances

	June 30, 2024	December 31, 2023	June 30, 2023
Accounts receivable	\$ 277,241	427,808	318,839
Less: loss allowance	(26,175)	(26,841)	(2,156)
	\$ 251,066	400,967	316,683
Contract liabilities	\$ 1,846	1,846	9,039

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

The amount of revenue recognized for the three months and six months ended June 30, 2024 and 2023 that were included in the balance of contract liabilities at the beginning of the period were \$0, \$80, \$0 and \$80, respectively.

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

(r) Remuneration to employees and directors

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

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Company did not estimate employee remuneration and directors' remuneration due to loss before income tax for the six months ended June 30, 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.

(s) Other profits and losses

The other profits and losses of the Group for the three months and six months ended June 30, 2024 and 2023 were as follow:

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Foreign currency exchange gain, net	\$ 1,532	5,333	8,718	5,040
Gains (losses) on financial assets (liabilities) at fair value through profit or loss, net	(658)	(195)	(5,788)	136
Profit from lease modification	91	-	91	-
Others	(172)	-	(172)	-
	\$ 793	5,138	2,849	5,176

(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 exposure

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

2) Concentration of credit risk

Sales to individual customers constituting over 10% of total revenue for the three months and six months ended June 30, 2024 and 2023, amounted to \$127,514, \$126,692, \$315,070 and \$322,454, respectively. The carrying amounts of the accounts receivable as of June 30, 2024 and 2023 amounted to \$157,127 and \$157,666, respectively. 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).

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Liquidity risk

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

	Carrying Amount	Contractual cash flows	Within a year	1 ~ 2 years	Over 2 years
June 30, 2024					
Non derivative financial liabilities					
Accounts payable (including related parties)	\$ 480,838	(480,838)	(480,838)	-	-
Other payables	72,685	(72,685)	(72,685)	-	-
Lease liabilities – current and non- current	48,013	(48,951)	(14,491)	(14,491)	(19,969)
Derivative financial liabilities					
Foreign exchange swaps	187	-	-	-	-
Outflow		(30,828)	(30,828)	-	-
Inflow		30,612	30,612	-	-
	\$ 601,723	(602,690)	(568,230)	(14,491)	(19,969)
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)
	\$ 433,025	(434,260)	(392,382)	(14,663)	(27,215)
June 30, 2023					
Non derivative financial liabilities					
Accounts payable (including related parties)	\$ 207,742	(207,742)	(207,742)	-	-
Other payables	365,513	(365,513)	(365,513)	-	-
Lease liabilities – current and non-current	61,106	(62,578)	(15,130)	(14,292)	(33,156)
	\$ 634,361	(635,833)	(588,385)	(14,292)	(33,156)

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

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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

	June 30, 2024			December 31, 2023			June 30, 2023		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets									
Monetary items									
USD	\$ 15,086	USD/TWD =32.45	489,541	16,910	USD/TWD =30.705	519,222	11,120	USD/TWD =31.07	345,498
EUR	1,577	EUR/TWD =34.71	54,738	959	EUR/TWD =34.14	32,740	3,435	EUR/TWD =33.92	116,515
Financial liabilities									
Monetary items									
USD	14,602	USD/TWD =32.45	473,835	6,756	USD/TWD =30.705	207,443	7,297	USD/TWD =31.07	226,718

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, short-term borrowings, 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 June 30, 2024 and 2023 would have affected the net income before tax as follows. The analysis is performed on the same basis for both periods:

	June 30, 2024	June 30, 2023
USD (against the TWD)		
Strengthening 5%	\$ 785	5,939
Weakening 5%	(785)	(5,939)
EUR (against the TWD)		
Strengthening 5%	2,737	5,826
Weakening 5%	(2,737)	(5,826)

(Continued)

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

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 and six months ended June 30, 2024 and 2023, the foreign exchange gain (including realized and unrealized portions) amounted to \$1,532, \$5,333, \$8,718 and \$5,040, 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 increased or decreased by \$179 and \$220 for the six months ended June 30, 2024 and 2023, respectively, which would be mainly resulted from the bank borrowings and 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.

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	June 30, 2024				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 558,831	-	-	-	-
Accounts receivable, net	251,066	-	-	-	-
Other receivables, net	40,618	-	-	-	-
Other non-current asset (refundable deposits)	3,701	-	-	-	-
Other non-current asset (Pledged certificate of deposits)	500	-	-	-	-
Total	<u>\$ 854,716</u>				
Financial liabilities measured at amortized cost					
Derivative financial liabilities	\$ 187	-	187	-	187
Accounts payable (including related parties)	480,838	-	-	-	-
Other payables (including related parties)	72,685	-	-	-	-
Lease liabilities—current and non-current	48,103	-	-	-	-
Subtotal	601,536				
Total	<u>\$ 601,723</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)	500	-	-	-	-
Subtotal	724,687				
Total	<u>\$ 729,060</u>				

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	December 31, 2023				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial liabilities at amortized cost					
Accounts payable (including related parties)	\$ 190,267	-	-	-	-
Other payables (including related parties)	186,946	-	-	-	-
Lease liabilities—current and non-current	<u>55,812</u>	-	-	-	-
Total	<u>\$ 433,025</u>				
		June 30, 2023			
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 595,166	-	-	-	-
Accounts receivable, net	316,683	-	-	-	-
Other receivables, net	1,948	-	-	-	-
Other non-current asset (refundable deposits)	3,701	-	-	-	-
Other non-current asset (Pledged certificate of deposits)	<u>500</u>	-	-	-	-
Total	<u>\$ 917,998</u>				
Financial liabilities at amortized cost					
Accounts payable (including related parties)	\$ 207,742	-	-	-	-
Other payables	365,513	-	-	-	-
Lease liabilities—current and non-current	<u>61,106</u>	-	-	-	-
Total	<u>\$ 634,361</u>				

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

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

a) Financial 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.

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 six months ended June 30, 2024 and 2023.

(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 six months ended June 30, 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:

	January 1, 2024	Cash flows	Non-cash changes Disposal	June 30, 2024
Lease liabilities	\$ 55,812	(7,316)	(483)	48,103
			Non-cash change Disposal	
	January 1, 2023	Cash flows	Disposal	June 30, 2023
Lease liabilities	\$ 68,479	(7,373)	-	61,106

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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.

Name of related party	Relationship with the Group
Compal Electronics, Inc (“Compal Electronics”)	Parent company
Compal Display Electronics (Kunshan) Co., Ltd. (“CDE”)	The subsidiary of parent company
Compal (Vietnam) Co., Ltd. (“CVC”)	The subsidiary of parent company
Kinpo Group Management Service Company (“Kinpo”)	The associate of parent company
Starmems Semiconductor Corp. (“Starmems”)	An associate

(c) Significant transactions with related parties

(i) Purchases and processing fee

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Parent Company- Compal Electronics	\$ 5,673	45,418	49,857	76,006

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.

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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 June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
	Parent Company- Compal Electronics	\$ 18,826	4,296	24,630
Other related parties	25	-	50	25
	\$ 18,851	4,296	24,680	8,335

(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 and six months ended June 30, 2024 and 2023, the rent revenue amounted to \$656, \$751, \$1,312 and \$1,502, respectively.

(iv) Receivables from related parties

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

Account	Related party categories	June 30, 2024	December 31, 2023	June 30, 2023
Other receivables	Other related parties-CVC	\$ 39,642	-	-
	Associate	425	130	478
		\$ 40,067	130	478

(v) Payables to related parties

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

Account	Related party categories	June 30, 2024	December 31, 2023	June 30, 2023
Accounts payable	Parent Company-Compal Electronics	\$ 224,833	130,494	151,813
Other payables	Parent Company-Compal Electronics	-	-	4,376
Other payables	Other related parties-CDE	34,024	29,618	20,263
Other payables	Other related parties-CVC	-	90,302	285,891
Other payables	Associates	26	21	26
		\$ 258,883	250,435	462,369

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(d) Transactions with key management personnel

Key management personnel compensation comprised:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Short-term employee benefits	\$ 5,009	8,008	14,624	16,381
Post-employment benefits	240	285	481	391
Share-based payments	(3,866)	442	(3,434)	1,327
	<u>\$ 1,383</u>	<u>8,735</u>	<u>11,671</u>	<u>18,099</u>

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

(8) Pledged assets:

The carrying amount of pledged assets were as follows:

Assets	Subject	June 30, 2024	December 31, 2023	June 30, 2023
Other non-current assets-restricted asset-time deposit	Guarantee payment for import VAT	\$ 500	500	500

(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 June 30					
		2024			2023		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		-	19,054	19,054	-	48,739	48,739
Labor and health insurance		-	2,811	2,811	-	3,872	3,872
Pension		-	1,526	1,526	-	2,078	2,078
Others		-	1,049	1,049	-	1,430	1,430
Depreciation		1,270	13,863	15,133	1,468	13,430	14,898
Amortization		-	294	1294	-	1,394	1,394

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	By function	For the six months ended June 30					
		2024			2023		
		Cost of sale	Operating expense	Total	Cost of sale	Operating expense	Total
By item							
Employee benefits							
Salary	-	59,963	59,963	-	96,802	96,802	
Labor and health insurance	-	6,479	6,479	-	8,206	8,206	
Pension	-	3,279	3,279	-	4,203	4,203	
Others	-	2,285	2,285	-	2,927	2,927	
Depreciation	2,540	27,814	30,354	2,328	27,000	29,328	
Amortization	-	631	631	-	2,759	2,759	

(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 six months ended June 30, 2024:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held as of June 30, 2024 (excluding investment in subsidiaries, associates and joint ventures): None
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (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: Please refer to note (6)(b)
- (ix) Trading in derivative instruments: None
- (x) Business relationships and significant intercompany transactions: None

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the six months ended June 30, 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 June 30, 2024			Net income (losses) of investee	Investment Income (losses)	Note
				June 30, 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%	5,312	(41)	(41)	Notes 1 - 2
The Company	CBNN	Netherlands	"	7,016	7,016	20	100.00%	6,355	(16)	(16)	"
The Company	Starmems	Taiwan	Research and development of micro-electro-mechanical system (MEMS) microphone technology products	16,300	10,000	1,630	9.59%	8,761	(13,658)	(1,347)	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@34.71 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

(d) Major shareholders:

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

Note: (1) The table shows principal shareholders information, including shareholders holding more than 5% of the 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.

(Continued)

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