

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2023 and 2022**

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	8~9
(4) Summary of significant accounting policies	9~10
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	10
(6) Explanation of significant accounts	11~32
(7) Related-party transactions	32~34
(8) Pledged assets	34
(9) Significant Commitments and contingencies	34
(10) Losses due to major disasters	34
(11) Subsequent events	34
(12) Other	35
(13) Other disclosures	
(a) Information on significant transactions	35~36
(b) Information on investees	36
(c) Information on investment in mainland China	36
(d) Major shareholders	36
(14) Segment information	36~37



安侯建業聯合會計師事務所

KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel + 886 2 8101 6666
傳真 Fax + 886 2 8101 6667
網址 Web kpmg.com/tw

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, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2023 and 2022, 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, 2023 and 2022, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2023 and 2022 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 5, 2023

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)
Reviewed only, not audited in accordance with Standards on Auditing

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		<u>For the three months ended March 31</u>			
		<u>2023</u>		<u>2022</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (note (6)(r))	\$ 290,870	100	750,270	100
5000	Operating costs (notes (6)(e), (7) and (12))	<u>255,323</u>	<u>88</u>	<u>618,576</u>	<u>82</u>
	Gross profit from operations	<u>35,547</u>	<u>12</u>	<u>131,694</u>	<u>18</u>
	Operating expenses: (notes (6)(l), (6)(m), (6)(s), (7) and (12))				
6100	Selling expenses	20,269	7	46,536	6
6200	Administrative expenses	23,004	8	27,201	4
6300	Research and development expenses	<u>58,488</u>	<u>20</u>	<u>63,329</u>	<u>8</u>
	Total operating expenses	<u>101,761</u>	<u>35</u>	<u>137,066</u>	<u>18</u>
	Net operating loss	<u>(66,214)</u>	<u>(23)</u>	<u>(5,372)</u>	<u>-</u>
	Non-operating income and expenses:				
7010	Other income	1,173	-	1,588	-
7020	Other gains and losses (note (6)(t))	38	-	3,620	-
7100	Interest income	3,223	1	447	-
7510	Interest expense (note (6)(l))	(183)	-	(322)	-
7770	Share of loss of associates and joint ventures accounted for using equity method (note (6)(f))	<u>(816)</u>	<u>-</u>	<u>(550)</u>	<u>-</u>
		<u>3,435</u>	<u>1</u>	<u>4,783</u>	<u>-</u>
7900	Loss from continuing operations before tax	(62,779)	(22)	(589)	-
7950	Less: Income tax benefit (note (6)(n))	<u>-</u>	<u>-</u>	<u>(1,920)</u>	<u>-</u>
	(Loss) profit	<u>(62,779)</u>	<u>(22)</u>	<u>1,331</u>	<u>-</u>
8300	Other comprehensive income:				
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	119	-	171	-
8399	Less: income tax related to items that will be reclassified to profit or loss (note (6)(n))	<u>24</u>	<u>-</u>	<u>34</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>95</u>	<u>-</u>	<u>137</u>	<u>-</u>
8300	Other comprehensive income	<u>95</u>	<u>-</u>	<u>137</u>	<u>-</u>
	Total comprehensive income	<u>\$ (62,684)</u>	<u>(22)</u>	<u>1,468</u>	<u>-</u>
	(Loss) earnings per share (note (6)(q))				
9750	Basic (loss) earnings per share	<u>\$ (0.93)</u>		<u>0.02</u>	
9850	Diluted earnings per share			<u>\$ 0.02</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with Standards on Auditing

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Ordinary share	Capital surplus	Retained earnings			Total	Other equity		Total	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings		Exchange differences on translation of foreign financial statements	Unearned employee benefit		
Balance at January 1, 2022	\$ 684,704	389,633	143,735	-	452,848	596,583	(984)	(45,219)	(46,203)	1,624,717
Profit for the three months ended March 31, 2022	-	-	-	-	1,331	1,331	-	-	-	1,331
Other comprehensive income for the three months ended March 31, 2022	-	-	-	-	-	-	137	-	137	137
Total comprehensive income for the three months ended March 31, 2022	-	-	-	-	1,331	1,331	137	-	137	1,468
Appropriation and distribution of retained earnings:										
Cash dividends of ordinary share	-	-	-	-	(68,419)	(68,419)	-	-	-	(68,419)
Share-based payment transactions	(510)	(1,056)	-	-	-	-	-	8,497	8,497	6,931
Balance at March 31, 2022	<u>\$ 684,194</u>	<u>388,577</u>	<u>143,735</u>	<u>-</u>	<u>385,760</u>	<u>529,495</u>	<u>(847)</u>	<u>(36,722)</u>	<u>(37,569)</u>	<u>1,564,697</u>
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 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	<u>\$ 676,536</u>	<u>372,727</u>	<u>147,010</u>	<u>984</u>	<u>220,418</u>	<u>368,412</u>	<u>(493)</u>	<u>(2,659)</u>	<u>(3,152)</u>	<u>1,414,523</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with Standards on Auditing

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2023	2022
Cash flows from (used in) operating activities:		
Loss before tax	\$ (62,779)	(589)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	15,795	15,140
Expected credit gain	(1,644)	(196)
Interest expense	183	322
Interest income	(3,223)	(447)
Compensation cost of employee share-based payment	(2,143)	6,931
Share of loss of associates and joint ventures accounted for using equity method	816	550
Total adjustments to reconcile profit	<u>9,784</u>	<u>22,300</u>
Changes in operating assets and liabilities:		
Change in financial assets mandatorily measured at fair value through profit or loss	-	(1,548)
Decrease (increase) in accounts receivable	89,326	(3,171)
Decrease in other receivables	322,254	106,887
Increase in inventories	(115,713)	(108,388)
Decrease in prepayments	1,263	3,000
Increase in other current assets	(725)	(919)
(Decrease) increase in financial liabilities held for trading	(7,669)	3,369
(Decrease) increase in contract liabilities	(80)	2,159
Decrease in accounts payable	(292,124)	(189,702)
Increase (decrease) in other payable	29,757	(22,307)
Decrease in provisions	(941)	(3,186)
Increase in other current liabilities	590	10
Total changes in operating assets and liabilities	<u>25,938</u>	<u>(213,796)</u>
Total adjustments	<u>35,722</u>	<u>(191,496)</u>
Cash outflow generated from operations	(27,057)	(192,085)
Interest received	3,266	434
Interest paid	(183)	(284)
Income taxes refund	135	27,308
Net cash flows used in operating activities	<u>(23,839)</u>	<u>(164,627)</u>
Cash flows used in investing activities:		
Acquisition of property, plant and equipment	(24,791)	(23,033)
Acquisition of intangible assets	(284)	(669)
Net cash flows used in investing activities	<u>(25,075)</u>	<u>(23,702)</u>
Cash flows from (used in) financing activities:		
Proceeds from short-term borrowings	-	168,820
Repayments of short-term borrowings	-	(111,700)
Payment of lease liabilities	(3,721)	(3,892)
Net cash flows from (used in) financing activities	<u>(3,721)</u>	<u>53,228</u>
Effect of exchange rate changes on cash and cash equivalents	119	171
Net decrease in cash and cash equivalents	(52,516)	(134,930)
Cash and cash equivalents at beginning of period	660,964	1,046,514
Cash and cash equivalents at end of period	<u>\$ 608,448</u>	<u>911,584</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with Standards on Auditing as of March 31, 2023 and 2022

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023 and 2022

(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, 2023 and 2022, Compal Electronics and its subsidiaries held 63% and 62% shares in the Company, respectively.

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 5, 2023.

(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, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(Continued)

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
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024

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”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- IFRS 16 “Requirements for Sale and Leaseback Transactions”

(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.

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
Notes to the 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, 2022. For the related information, please refer to note (4) of the consolidated financial statements for the year ended December 31, 2022.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding		
			March 31, 2023	December 31, 2022	March 31, 2022
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 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.

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, 2022. For related information, please refer to note (5) of the consolidated financial statements for the year ended December 31, 2022.

(Continued)

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 2022 consolidated financial statements. Please refer to Note (6) of the 2022 annual consolidated financial statements.

(a) Cash and cash equivalents

	March 31, 2023	December 31, 2022	March 31, 2022
Cash on hand	\$ 525	402	181
Checking accounts and demand deposits	161,923	185,562	575,403
Time deposits	446,000	475,000	336,000
	<u>\$ 608,448</u>	<u>660,964</u>	<u>911,584</u>

Please refer to note (6)(u) 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

	March 31, 2023	December 31, 2022	March 31, 2022
Current financial assets mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging:			
Foreign exchange forward contracts	\$ -	-	10,024
Held-for-trading financial liabilities:			
Derivative instruments not used for hedging:			
Foreign exchange forward contracts	\$ 337	8,006	928
Foreign exchange swaps contracts	-	-	2,441
Total	<u>\$ 337</u>	<u>8,006</u>	<u>3,369</u>

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

(Continued)

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, 2023		
		Contract amount (in thousands)	Currency	Maturity date
Derivative financial assets:				
Foreign exchange contracts:				
Foreign exchange sold	EUR	300	EUR to USD	April 20, 2023
		December 31, 2022		
		Contract amount (in thousands)	Currency	Maturity date
Derivative financial assets:				
Foreign exchange contracts:				
Foreign exchange sold	EUR	5,500	EUR to USD	February 8, 2023~ April 20, 2023
		March 31, 2022		
		Contract amount (in thousands)	Currency	Maturity date
Derivative financial assets:				
Foreign exchange contracts:				
Foreign exchange sold	EUR	14,000	EUR to USD	April 8, 2022~ July 11, 2022
Derivative financial liabilities:				
Foreign exchange contracts:				
Foreign exchange sold	EUR	6,000	EUR to USD	July 22, 2022~ August 25, 2022
Swap contracts :				
Foreign exchange swaps	USD	3,000	USD to TWD	April 11, 2022~ May 9, 2022
Foreign exchange swaps	USD	1,000	EUR to TWD	April 22, 2022

(Continued)

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

(c) Accounts receivable

	March 31, 2023	December 31, 2022	March 31, 2022
Accounts receivable	\$ 402,663	491,989	900,341
Less: loss allowance	<u>(1,644)</u>	<u>(3,211)</u>	<u>(1,806)</u>
	<u>\$ 401,019</u>	<u>488,778</u>	<u>898,535</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, 2023				
	Gross carrying amount	Weighted- average 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>	
December 31, 2022				
	Gross carrying amount	Weighted- average loss rate	Loss allowance	Credit impaired
Level B	\$ 189,826	0.10%	190	No
Level C	<u>302,163</u>	1.00%	<u>3,021</u>	No
	<u>\$ 491,989</u>		<u>3,211</u>	
March 31, 2022				
	Gross carrying amount	Weighted- average loss rate	Loss allowance	Credit impaired
Level B	\$ 797,945	0.10%	782	No
Level C	<u>102,396</u>	1.00%	<u>1,024</u>	No
	<u>\$ 900,341</u>		<u>1,806</u>	

(Continued)

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

The aging analysis of accounts receivable were as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Overdue 1~30 days	\$ 6,093	54,013	114,542
Overdue 31~60 days	6,342	51,267	163,862
Overdue 61~90 days	856	41,196	86,865
Overdue 91~180 days	<u>76,210</u>	<u>6,346</u>	<u>5,673</u>
	<u>\$ 89,501</u>	<u>152,822</u>	<u>370,942</u>

The movements of allowance for accounts receivable were as follows:

	For the three months ended March 31,	
	2023	2022
Balance at January 1	\$ 3,211	1,632
Impairment loss (reversed) recognized	<u>(1,567)</u>	<u>174</u>
Balance at March 31	<u>\$ 1,644</u>	<u>1,806</u>

As of March 31, 2023, December 31 and March 31, 2022, the Group did not provide any aforementioned accounts receivable as collaterals.

(d) Other receivables

	March 31, 2023	December 31, 2022	March 31, 2022
Other receivables	\$ 59,699	381,996	169,728
Less: loss allowance	<u>(79)</u>	<u>(156)</u>	<u>(529)</u>
	<u>\$ 59,620</u>	<u>381,840</u>	<u>169,199</u>

The aging analysis of overdue other receivables were as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Overdue 1~30 days	\$ 1,327	140,261	12,043
Overdue 31~60 days	-	156,140	-
Overdue 61~90 days	-	940	-
Overdue 91~180 days	<u>-</u>	<u>12,286</u>	<u>-</u>
	<u>\$ 1,327</u>	<u>309,627</u>	<u>12,043</u>

(Continued)

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,	
	2023	2022
Balance at January 1	\$ 156	899
Impairment loss reversed	(77)	(370)
Balance at March 31	\$ 79	529

As of March 31, 2023, December 31 and March 31, 2022, 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, 2023	December 31, 2022	March 31, 2022
Raw materials	\$ 785,037	653,315	582,180
Work in progress	10,357	11,591	-
Semi-finished goods	524	87	2,392
Merchandise	58,700	73,912	136,664
	\$ 854,618	738,905	721,236

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

	For the three months ended March 31,	
	2023	2022
Cost of sales and expenses	\$ 245,594	622,692
Recognized (reversal) for inventory valuation and obsolescence		
loss	8,519	(4,116)
Loss on scrapping of inventory	1,210	-
	\$ 255,323	618,576

For the three months ended December 31, 2022, the Group reversed write-down inventories and obsolescence losses from inventory destocking.

(iii) As of March 31, 2023, December 31 and March 31, 2022, the Group did not provide any inventories as collaterals.

(Continued)

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, 2023	December 31, 2022	March 31, 2022
The carrying amount of individually insignificant associates equity	\$ 6,324	7,140	9,156
	For the three months ended March 31,		
	2023		2022
Attributable to the Group:			
Net loss from continuing operations		\$ (816)	(550)
Total comprehensive income		\$ (816)	(550)

- (ii) As of March 31, 2023, December 31 and March 31, 2022, 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, 2023 and 2022 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, 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	\$ 436,659	16,424	7,258	104,757	643	565,741
Balance at January 1, 2022	\$ 372,091	13,152	6,318	85,726	5,121	482,408
Additions	20,175	-	224	2,083	551	23,033
Reclassifications	551	-	-	4,571	(5,122)	-
Balance at March 31, 2022	\$ 392,817	13,152	6,542	92,380	550	505,441
Depreciation:						
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	\$ 312,411	14,187	6,402	60,262	-	393,262
Balance at January 1, 2022	\$ 274,735	12,845	6,201	50,366	-	344,147
Depreciation	7,587	55	22	1,710	-	9,374
Balance at March 31, 2022	\$ 282,322	12,900	6,223	52,076	-	353,521

(Continued)

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

	<u>Research and development equipment</u>	<u>Mold equipment</u>	<u>Machinery and equipment</u>	<u>Leasehold improvement and other equipment</u>	<u>Construction in progress and prepayment for purchase of equipment</u>	<u>Total</u>
Carrying amounts:						
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>
Balance at January 1, 2022	\$ <u>97,356</u>	<u>307</u>	<u>117</u>	<u>35,360</u>	<u>5,121</u>	<u>138,261</u>
Balance at March 31, 2022	\$ <u>110,495</u>	<u>252</u>	<u>319</u>	<u>40,304</u>	<u>550</u>	<u>151,920</u>

As of March 31, 2023, December 31 and March 31, 2022, 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 been a lessee is presented as below:

	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
Cost:			
Balance at January 1, 2023 (As Balance at March 31, 2023)	\$ <u>120,453</u>	<u>4,306</u>	<u>124,759</u>
Balance at January 1, 2022 (As Balance at March 31, 2022)	\$ <u>120,203</u>	<u>7,039</u>	<u>127,242</u>
Depreciation:			
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>
Balance at January 1, 2022	\$ 41,229	2,810	44,039
Depreciation	<u>3,432</u>	<u>559</u>	<u>3,991</u>
Balance at March 31, 2022	\$ <u>44,661</u>	<u>3,369</u>	<u>48,030</u>
Carrying amount:			
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>
Balance at January 1, 2022	\$ <u>78,974</u>	<u>4,229</u>	<u>83,203</u>
Balance at March 31, 2022	\$ <u>75,542</u>	<u>3,670</u>	<u>79,212</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 three months ended March 31, 2023 and 2022 were as follows:

	<u>Computer software</u>
Cost:	
Balance at January 1, 2023	\$ 13,937
Additions	284
Disposals	<u>(6,398)</u>
Balance at March 31, 2023	<u>\$ 7,823</u>
Balance at January 1, 2022	\$ 16,683
Additions	669
Disposals	<u>(3,938)</u>
Balance at March 31, 2022	<u>\$ 13,414</u>
Balance at January 1, 2023	\$ 9,940
Amortization	1,365
Disposals	<u>(6,398)</u>
Balance at March 31, 2023	<u>\$ 4,907</u>
Balance at January 1, 2022	\$ 9,873
Amortization	1,775
Disposals	<u>(3,938)</u>
Balance at March 31, 2022	<u>\$ 7,710</u>
Carrying amount:	
Balance at January 1, 2023	<u>\$ 3,997</u>
Balance at March 31, 2023	<u>\$ 2,916</u>
Balance at January 1, 2022	<u>\$ 6,810</u>
Balance at March 31, 2022	<u>\$ 5,704</u>

For the three months ended March 31, 2023 and 2022, the amortization of intangible assets are included in the statement of comprehensive income as operating expenses amounted to \$1,365 and \$1,775, respectively.

As of March 31, 2023, December 31 and March 31, 2022, the Group did not provide any intangible assets as collaterals.

(Continued)

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

(j) Short term borrowings

	March 31, 2023	December 31, 2022	March 31, 2022
Unsecured bank loans	\$ <u>-</u>	<u>-</u>	<u>57,120</u>
Unused credit line for short term borrowings	\$ <u>741,370</u>	<u>744,940</u>	<u>857,720</u>
Range of interest rates	<u>-</u>	<u>-</u>	<u>0.97</u>

For the information of the Group's interest risk, foreign currency risk and liquidity risk, please see note (6)(u) .

(k) Provisions

	Warranty Provisions
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>
Balance at January 1, 2022	\$ 179,577
Provisions made during the period	4,887
Provisions reversed during the period	(700)
Provisions used during the period	<u>(7,373)</u>
Balance at March 31, 2022	<u>\$ 176,391</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.

(l) Lease liabilities

The details of lease liabilities were as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Current	\$ <u>14,665</u>	<u>14,702</u>	<u>14,991</u>
Non-current	\$ <u>50,093</u>	<u>53,777</u>	<u>64,528</u>

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

(Continued)

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

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31,	
	2023	2022
Interest expense on lease liabilities	\$ <u>183</u>	<u>221</u>
Expenses relating to short-term leases	\$ <u>301</u>	<u>87</u>
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>26</u>	<u>25</u>

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

	For the three months ended March 31	
	2023	2022
Total cash outflow for leases	\$ <u>4,231</u>	<u>4,225</u>

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.

(m) 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, 2023 and 2022 were as follow:

	For the three months ended March 31,	
	2023	2022
Selling expenses	\$ 408	299
Administration expenses	322	469
Research and development expenses	<u>1,395</u>	<u>1,414</u>
	<u>\$ 2,125</u>	<u>2,182</u>

(Continued)

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

(n) 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,	
	2023	2022
Current tax benefit	\$ -	(1,920)

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

	For the three months ended	
	March 31,	
	2023	2022
Items that might be reclassified subsequently to profit or loss:		
Foreign currency translation differences of foreign operations	\$ 24	34

- (iii) The R.O.C. tax authorities have examined the income tax returns of the Company through 2021.

(o) 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, 2023 and 2022. Please refer to note (6)(n) of the 2022 annual consolidated financial statements for other related information.

- (i) Ordinary shares

Reconciliation of shares outstanding for the three months ended March 31, 2023 and 2022 were as follow:

	Unit: in thousands of shares	
	For the three months ended	
	March 31,	
	Ordinary shares	
	2023	2022
Balance at January 1	68,002	68,470
Cancellation of employee restricted shares	(348)	(51)
Balance at March 31	67,654	68,419

(Continued)

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

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 three months ended March 31, 2023 and 2022, the share capital of \$3,485 and \$510 was canceled, which reduced the capital reserve of \$7,212 and \$1,056, respectively, because some employees who received restricted stock options did not meet the vesting conditions. The registration had been completed.

(ii) Capital surplus

The balance of capital surplus were as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Additional paid in capital premium	\$ 310,482	310,482	310,482
Employee share options	48,101	48,101	48,101
Issuance of employee restricted shares	14,144	21,356	29,994
	<u>\$ 372,727</u>	<u>379,939</u>	<u>388,577</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

Earnings distribution for 2022 and 2021 was approved by the Board of Directors meetings held on March 15, 2023 and March 9, 2022, respectively. The relevant information was as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Amount per share</u>	<u>Total amount</u>	<u>Amount per share</u>	<u>Total amount</u>
Cash dividends distributed to				
ordinary shareholders	\$ 0.5	<u>33,827</u>	1.0	<u>68,419</u>

(p) Share based payment

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

(q) Earnings per share

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

	<u>For the three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Basic (loss) earnings per share		
(Loss) profit attributable to ordinary shareholders of the Company	\$ <u>(62,779)</u>	<u>1,331</u>
Weighted-average number of outstanding ordinary shares (in thousands)		
Effect of dilutive potential ordinary shares (in thousands):	<u>67,626</u>	<u>66,970</u>
Basic (loss) earnings per share (dollars)	\$ <u>(0.93)</u>	<u>0.02</u>
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company		\$ <u>1,331</u>
Weighted-average number of outstanding ordinary shares (Basic) (in thousands)		66,970
Effect of remuneration to employees		108
Employee restricted shares		<u>300</u>
Weighted-average number of ordinary shares (after adjustment of potential diluted ordinary shares) (in thousands)		<u>67,378</u>
Diluted earnings per share (dollars)		\$ <u>0.02</u>

Employee restricted shares issued by the Company have no dilutive effect. Therefore, employee restricted shares do not include in the calculation of diluted earnings per share for the first quarter of 2023.

(Continued)

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

(r) Revenue from contracts with customers

(i) Details of revenue

	For the three months ended March 31,	
	2023	2022
Primary geographical markets:		
Europe	\$ 90,254	439,246
America	143,436	228,550
Asia and others	57,180	82,474
	\$ 290,870	750,270
Major products:		
Communication network products	\$ 261,024	732,545
Material sales revenue and others	29,846	17,725
	\$ 290,870	750,270

(ii) Contract balances

	March 31, 2023	December 31, 2022	March 31, 2022
Accounts receivable	\$ 402,663	491,989	900,341
Less: loss allowance	(1,644)	(3,211)	(1,806)
	\$ 401,019	488,778	898,535
Contract liabilities	\$ 1,846	1,926	3,258

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

The amount of revenue recognized for the three months ended March 31, 2023 and 2022 that were included in the balance of contract liabilities at the beginning of the period were \$0 and \$258, 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.

(s) 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' and supervisors' remuneration due to loss before income tax for the three months ended March 31, 2023 and 2022.

The employee remuneration amounted to \$0 and \$4,115 for the years ended December 31, 2022 and 2021, respectively. The remuneration of directors amounted to \$0 and \$412 for the years ended December 31, 2022 and 2021, respectively. There is no differences between the amounts approved by the Board of Directors and those recognized in the financial statements, and the related information can be accessed through the Market Observation Post System website.

(t) Other profits and losses

The other profits and losses of the Group for the three months ended March 31, 2023 and 2022 were as follow:

	For the three months ended March 31,	
	2023	2022
Foreign currency exchange losses, net	\$ (293)	(6,848)
Gains on financial assets at fair value through profit or loss, net	331	10,468
	\$ 38	3,620

(u) 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 2022 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 ended March 31, 2023 and 2022, amounted to \$195,762 and \$589,709, respectively. The carrying amounts of the accounts receivable as of March 31, 2023 and 2022 amounted to \$228,790 and \$717,896, 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).

(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.

	<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, 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>
December 31, 2022					
Non derivative financial liabilities					
Accounts payable (including related parties)	\$ 810,154	(810,154)	(810,154)	-	-
Other payables	121,419	(121,419)	(121,419)	-	-
Lease liabilities – current and non-current	68,479	(70,307)	(15,374)	(14,628)	(40,305)
Foreign exchange forward contracts:					
Outflow	8,006	(179,960)	(179,960)	-	-
Inflow		177,794	177,794	-	-
	<u>\$ 1,008,058</u>	<u>(1,004,046)</u>	<u>(949,113)</u>	<u>(14,628)</u>	<u>(40,305)</u>

(Continued)

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

	<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, 2022					
Non derivative financial liabilities					
Unsecured bank loans	\$ 57,120	(57,168)	(57,168)	-	-
Accounts payable (including related parties)	\$ 1,020,471	(1,020,471)	(1,020,471)	-	-
Other payables	179,934	(179,934)	(179,934)	-	-
Lease liabilities— current and non-current	79,519	(81,921)	(15,772)	(15,241)	(50,908)
Derivative financial liabilities					
Foreign exchange forward contracts:	928				
Outflow		(190,740)	(190,740)	-	-
Inflow		190,924	190,924	-	-
Foreign exchange swaps	2,441				
Outflow		(117,470)	(117,470)	-	-
Inflow		115,315	115,315	-	-
	<u>\$ 1,340,413</u>	<u>(1,341,465)</u>	<u>(1,275,316)</u>	<u>(15,241)</u>	<u>(50,908)</u>

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

	<u>March 31, 2023</u>			<u>December 31, 2022</u>			<u>March 31, 2022</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
Financial assets									
Monetary items									
USD	\$ 19,964	USD/TWD =30.455	608,004	30,074	USD/TWD =30.71	923,573	18,019	USD/TWD =28.56	514,623
EUR	3,859	EUR/TWD =33.06	127,579	9,142	EUR/TWD =32.72	299,126	28,763	EUR/TWD =31.79	914,376
Financial liabilities									
Monetary items									
USD	18,342	USD/TWD =30.455	558,606	27,261	USD/TWD =30.71	837,185	38,843	USD/TWD =28.56	1,109,356

(Continued)

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

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 March 31, 2023 and 2022 would have affected the net income before tax as follows. The analysis is performed on the same basis for both periods:

	<u>March 31,</u> <u>2023</u>	<u>March 31,</u> <u>2022</u>
USD (against the TWD)		
Strengthening 5%	\$ 2,470	(29,737)
Weakening 5%	(2,470)	29,737
EUR (against the TWD)		
Strengthening 5%	6,379	45,719
Weakening 5%	(6,379)	(45,719)

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, 2023 and 2022, the foreign exchange loss (including realized and unrealized portions) amounted to \$293 and \$6,848, 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 \$96 for the three months ended March 31, 2023 and the net profit before tax would have increased or decreased by \$319 for the three months ended March 31, 2022, which would be mainly resulted from the bank borrowings and deposits with variable interest rates.

(Continued)

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

(v) Fair value

1) The kinds of financial instruments and fair value

The fair value of financial assets and liabilities at fair value through profit or loss is measured on a recurring basis. The carrying amount and fair value of the 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, 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)	<u>500</u>	-	-	-	-
Total	<u>\$ 1,069,587</u>				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ <u>337</u>	-	337	-	337
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	518,030	-	-	-	-
Other payables	185,003	-	-	-	-
Lease liabilities—current and non-current	<u>64,758</u>	-	-	-	-
Subtotal	<u>767,791</u>				
Total	<u>\$ 768,128</u>				
December 31, 2022					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 660,964	-	-	-	-
Accounts receivable, net	488,778	-	-	-	-
Other receivables, net	381,840	-	-	-	-
Other non-current asset (refundable deposits)	3,701	-	-	-	-
Other non-current asset (Pledged certificate of deposits)	<u>500</u>	-	-	-	-
Total	<u>\$ 1,535,783</u>				

(Continued)

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

	December 31, 2022				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 8,006	-	8,006	-	8,006
Financial liabilities at amortized cost					
Accounts payable (including related parties)	\$ 810,154	-	-	-	-
Other payables	121,419	-	-	-	-
Lease liabilities—current and non-current	<u>68,479</u>	-	-	-	-
Subtotal	<u>1,000,052</u>				
Total	<u>\$ 1,008,058</u>				
	March 31, 2022				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 10,024	-	10,024	-	10,024
Financial assets measured at amortized cost					
Cash and cash equivalents	911,584	-	-	-	-
Accounts receivable, net	898,535	-	-	-	-
Other receivables, net	169,199	-	-	-	-
Other non-current asset (refundable deposits)	3,692	-	-	-	-
Other non-current asset (Pledged certificate of deposits)	<u>500</u>	-	-	-	-
Subtotal	<u>1,983,510</u>				
Total	<u>\$ 1,993,534</u>				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 3,369	-	3,369	-	3,369
Financial liabilities at amortized cost					
Short-term borrowings	57,120	-	-	-	-
Accounts payable (including related parties)	1,020,471	-	-	-	-
Other payables	179,934	-	-	-	-
Lease liabilities—current and non-current	<u>79,519</u>	-	-	-	-
Subtotal	<u>1,337,044</u>				
Total	<u>\$ 1,340,413</u>				

(Continued)

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

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, 2023 and 2022.

(v) 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, 2022.

(w) 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, 2022. 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, 2022. Please refer to Note (6)(v) of the consolidated financial statements for the year ended December 31, 2022 for further details.

(Continued)

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

(x) 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, 2023 and 2022 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,		March 31,
	2023	Cash flows	2023
Lease liabilities	\$ <u>68,479</u>	<u>(3,721)</u>	<u>64,758</u>
	January 1,		March 31,
	2022	Cash flows	2022
Short-term borrowings	\$ -	57,120	57,120
Lease liabilities	83,411	(3,892)	79,519
Total liabilities form financing activities	\$ <u>83,411</u>	<u>53,228</u>	<u>136,639</u>

(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.

<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

(Continued)

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

(c) Significant transactions with related parties

(i) Purchases and processing fee

	For the three months ended March 31,	
	2023	2022
Parent Company- Compal Electronics	\$ 30,588	174,697
Other related parties	-	221
	<u>\$ 30,588</u>	<u>174,918</u>

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

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

The sale of raw materials is recognized under other receivables.

(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,	
	2023	2022
Parent Company- Compal Electronics	\$ 4,014	182
Other related parties	25	35
	<u>\$ 4,039</u>	<u>217</u>

(iii) 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	March 31, 2023	December 31, 2022	March 31, 2022
Other receivables	Other related parties-CDE	\$ 39,257	-	114,279
	Other related parties-CVC	-	364,925	-
	Associate	467	161	174
		<u>\$ 39,724</u>	<u>365,086</u>	<u>114,453</u>

(Continued)

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

(iv) 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, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Accounts payable	Parent Company-Compal Electronics	\$ 187,446	258,313	465,048
Accounts payable	Other related parties	37	1,018	287
Other payables	Parent Company-Compal Electronics	15,228	-	-
Other payables	Other related parties-CDE	-	31,413	-
Other payables	Other related parties-CVC	66,081	-	-
Other payables	Other related parties	26	18	37
		<u>\$ 268,818</u>	<u>290,762</u>	<u>465,372</u>

(d) Transactions with key management personnel

Key management personnel compensation comprised:

	<u>For the three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 8,373	6,135
Post-employment benefits	106	174
Share-based payments	885	3,701
	<u>\$ 9,364</u>	<u>10,010</u>

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

(8) Pledged assets:

The carrying amount of pledged assets were as follows:

<u>Assets</u>	<u>Subject</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</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

(Continued)

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

(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					
		2023			2022		
		Cost of sale	Operating expense	Total	Cost of sale	Operating expense	Total
Employee benefits							
Salary		-	48,063	48,063	-	57,737	57,737
Labor and health insurance		-	4,334	4,334	-	4,508	4,508
Pension		-	2,125	2,125	-	2,182	2,182
Others		-	1,497	1,497	-	1,871	1,871
Depreciation		860	13,570	14,430	671	12,694	13,365
Amortization		-	1,365	1,365	-	1,775	1,775

- (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, 2023:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held as of March 31, 2023 (excluding investment in subsidiaries, associates and joint ventures): None
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(Continued)

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

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: 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, 2023 (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, 2023			Net income (losses) of investee	Investment Income (losses)	Note
				March 31, 2023	December 31, 2022	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 %	5,360	(81)	(81)	Notes 1 - 2
The Company	CBNN	Netherlands	"	7,016	7,016	20	100.00 %	6,231	-	-	"
The Company	Starmems	Taiwan	Research and development of micro-electro-mechanical system (MEMS) microphone technology products	10,000	10,000	1,000	10.00 %	6,324	(8,161)	(816)	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@33.06 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	42.73 %
Zhi-Bao Technology Inc.		13,139,637	19.32 %
Cdib Capital Growth Partners L.P.		4,119,000	6.05 %
Realsun Investment Co., Ltd		3,575,000	5.25 %
Realking Investments Limited		3,575,000	5.25 %

Note: (1) The table shows principal shareholders information, including shareholders holding more than 5% of the Group's delivered uncertificated/scriptless 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/scriptless shares.

(Continued)

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

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

(14) Segment information:

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.