

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2023 and 2022**

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

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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Compal Broadband Networks, Inc. and its subsidiaries as of June 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2023 and 2022, as well as the changes in equity and cash flows for the six months ended June 30, 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 June 30, 2023 and 2022, and of its consolidated financial performance for the three months and six months ended June 30, 2023 and 2022, as well as its consolidated cash flows for the six months ended June 30, 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)

August 11, 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)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES**Consolidated Balance Sheets****June 30, 2023, December 31 and June 30, 2022****(Expressed in Thousands of New Taiwan Dollars)**

Assets		June 30, 2023		December 31, 2022		June 30, 2022		Liabilities and Equity		June 30, 2023		December 31, 2022		June 30, 2022	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note (6)(a))	\$ 595,166	29	660,964	25	756,972	28	2100	Short-term borrowings (note (6)(j))	\$ -	-	-	-	124,760	5
1110	Current financial assets at fair value through profit or loss (note (6)(b))	-	-	-	-	21,318	1	2120	Current financial liabilities at fair value through profit or loss (note (6)(b))	-	-	8,006	-	-	-
1170	Accounts receivable, net (notes (6)(c) and (6)(r))	316,683	15	488,778	19	835,376	31	2130	Current contract liabilities (note (6)(r))	9,039	-	1,926	-	844	-
1200	Other receivables, net (notes (6)(d) and (7))	1,948	-	381,840	14	72,943	3	2170	Accounts payable	55,929	3	550,823	21	383,985	14
1310	Inventories (note (6)(e))	802,114	39	738,905	28	607,574	23	2180	Accounts payable to related parties (note (7))	151,813	7	259,331	10	270,711	10
1410	Prepayments	47,105	2	45,431	2	44,688	2	2200	Other payables (note (7))	365,513	18	121,419	5	91,073	3
1470	Other current assets	6,729	-	7,853	-	978	-	2230	Current tax liabilities	-	-	-	-	1,072	-
		<u>1,769,745</u>	<u>85</u>	<u>2,323,771</u>	<u>88</u>	<u>2,339,849</u>	<u>88</u>	2250	Current provisions (note (6)(k))	108,640	5	117,404	4	157,402	6
Non-current assets:								2280	Current lease liabilities (note (6)(l))	14,537	1	14,702	1	15,019	1
1550	Investments accounted for using equity method (note (6)(f))	5,626	-	7,140	-	8,475	-	2300	Other current liabilities	1,612	-	1,620	-	2,173	-
1600	Property, plant and equipment (note (6)(g))	168,484	8	158,344	6	159,791	6			<u>707,083</u>	<u>34</u>	<u>1,075,231</u>	<u>41</u>	<u>1,047,039</u>	<u>39</u>
1755	Right-of-use assets (note (6)(h))	60,471	3	67,945	3	75,523	3	Non-Current liabilities:							
1780	Intangible assets (note (6)(i))	2,534	-	3,997	-	4,718	-	2570	Deferred tax liabilities (note (6)(n))	-	-	-	-	3,594	-
1840	Deferred tax assets (note (6)(n))	74,004	4	76,787	3	81,018	3	2580	Non-current lease liabilities (note (6)(l))	46,569	2	53,777	2	60,888	3
1900	Other non-current assets (note (8))	4,201	-	4,201	-	4,192	-			<u>46,569</u>	<u>2</u>	<u>53,777</u>	<u>2</u>	<u>64,482</u>	<u>3</u>
		<u>315,320</u>	<u>15</u>	<u>318,414</u>	<u>12</u>	<u>333,717</u>	<u>12</u>	Total liabilities		<u>753,652</u>	<u>36</u>	<u>1,129,008</u>	<u>43</u>	<u>1,111,521</u>	<u>42</u>
Total assets		<u>\$ 2,085,065</u>	<u>100</u>	<u>2,642,185</u>	<u>100</u>	<u>2,673,566</u>	<u>100</u>	Equity (notes (6)(o) and (6)(p)):							
								3110	Ordinary share	676,536	32	680,021	26	684,049	26
								3200	Capital surplus	372,727	18	379,939	14	388,278	14
								3300	Retained earnings	287,125	14	465,018	17	520,189	19
								3410	Exchange differences on translation of foreign financial statements	(254)	-	(588)	-	(1,021)	-
								3491	Unearned employee benefit	(4,721)	-	(11,213)	-	(29,450)	(1)
								Total equity		<u>1,331,413</u>	<u>64</u>	<u>1,513,177</u>	<u>57</u>	<u>1,562,045</u>	<u>58</u>
								Total liabilities and equity		<u>\$ 2,085,065</u>	<u>100</u>	<u>2,642,185</u>	<u>100</u>	<u>2,673,566</u>	<u>100</u>

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, 2023 and 2022****(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				
	2023		2022		2023		2022		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (note (6)(r))	\$ 220,518	100	674,468	100	511,388	100	1,424,738	100
5000	Operating costs (notes (6)(e), (7) and (12))	<u>221,233</u>	<u>100</u>	<u>570,961</u>	<u>85</u>	<u>476,556</u>	<u>93</u>	<u>1,189,537</u>	<u>83</u>
	Gross profit from operations	<u>(715)</u>	<u>-</u>	<u>103,507</u>	<u>15</u>	<u>34,832</u>	<u>7</u>	<u>235,201</u>	<u>17</u>
	Operating expenses: (notes (6)(l), (6)(m), (6)(s), (7) and (12))								
6100	Selling expenses	12,971	6	27,935	4	33,240	6	74,471	5
6200	Administrative expenses	16,670	7	26,389	4	39,674	8	53,590	4
6300	Research and development expenses	<u>56,527</u>	<u>26</u>	<u>61,409</u>	<u>9</u>	<u>115,015</u>	<u>23</u>	<u>124,738</u>	<u>9</u>
	Total operating expenses	<u>86,168</u>	<u>39</u>	<u>115,733</u>	<u>17</u>	<u>187,929</u>	<u>37</u>	<u>252,799</u>	<u>18</u>
	Net operating loss	<u>(86,883)</u>	<u>(39)</u>	<u>(12,226)</u>	<u>(2)</u>	<u>(153,097)</u>	<u>(30)</u>	<u>(17,598)</u>	<u>(1)</u>
	Non-operating income and expenses:								
7010	Other income	1,183	1	1,013	-	2,356	-	2,601	-
7020	Other gains and losses (note (6)(t))	5,138	2	35	-	5,176	1	3,655	-
7100	Interest income	2,844	1	645	-	6,067	1	1,092	-
7510	Interest expense (note (6)(l))	(173)	-	(248)	-	(356)	-	(570)	-
7770	Share of loss of associates and joint ventures accounted for using equity method (note (6)(f))	<u>(698)</u>	<u>-</u>	<u>(681)</u>	<u>-</u>	<u>(1,514)</u>	<u>-</u>	<u>(1,231)</u>	<u>-</u>
		<u>8,294</u>	<u>4</u>	<u>764</u>	<u>-</u>	<u>11,729</u>	<u>2</u>	<u>5,547</u>	<u>-</u>
7900	Loss from continuing operations before tax	<u>(78,589)</u>	<u>(35)</u>	<u>(11,462)</u>	<u>(2)</u>	<u>(141,368)</u>	<u>(28)</u>	<u>(12,051)</u>	<u>(1)</u>
7950	Less: Income tax benefit (note (6)(n))	<u>2,698</u>	<u>1</u>	<u>(2,156)</u>	<u>-</u>	<u>2,698</u>	<u>-</u>	<u>(4,076)</u>	<u>-</u>
	Loss	<u>(81,287)</u>	<u>(36)</u>	<u>(9,306)</u>	<u>(2)</u>	<u>(144,066)</u>	<u>(28)</u>	<u>(7,975)</u>	<u>(1)</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	299	-	(217)	-	418	-	(46)	-
8399	Less: income tax related to items that will be reclassified to profit or loss (note (6)(n))	<u>60</u>	<u>-</u>	<u>(43)</u>	<u>-</u>	<u>84</u>	<u>-</u>	<u>(9)</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>239</u>	<u>-</u>	<u>(174)</u>	<u>-</u>	<u>334</u>	<u>-</u>	<u>(37)</u>	<u>-</u>
8300	Other comprehensive income	<u>239</u>	<u>-</u>	<u>(174)</u>	<u>-</u>	<u>334</u>	<u>-</u>	<u>(37)</u>	<u>-</u>
	Total comprehensive income	<u>\$ (81,048)</u>	<u>(36)</u>	<u>(9,480)</u>	<u>(2)</u>	<u>(143,732)</u>	<u>(28)</u>	<u>(8,012)</u>	<u>(1)</u>
	(Loss) earnings per share (note (6)(q))								
9750	Basic (loss) earnings per share	<u>\$ (1.21)</u>		<u>(0.14)</u>		<u>(2.14)</u>		<u>(0.12)</u>	

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, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	Ordinary share	Capital surplus	Retained earnings			Total	Other equity		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
Loss for the six months ended June 30, 2022	-	-	-	-	(7,975)	(7,975)	-	-	-	(7,975)
Other comprehensive income for the six months ended June 30, 2022	-	-	-	-	-	-	(37)	-	(37)	(37)
Total comprehensive income for the six months ended June 30, 2022	-	-	-	-	(7,975)	(7,975)	(37)	-	(37)	(8,012)
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	3,275	-	(3,275)	-	-	-	-	-
Special reserve appropriated	-	-	-	984	(984)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(68,419)	(68,419)	-	-	-	(68,419)
Share-based payment transactions	(655)	(1,355)	-	-	-	-	-	15,769	15,769	13,759
Balance at June 30, 2022	\$ 684,049	388,278	147,010	984	372,195	520,189	(1,021)	(29,450)	(30,471)	1,562,045
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	-	-	-	-	(33,827)	(33,827)	-	-	-	(33,827)
Cash dividends of ordinary share	-	-	-	(396)	396	-	-	-	-	-
Share-based payment transactions	(3,485)	(7,212)	-	-	-	-	-	6,492	6,492	(4,205)
Balance at June 30, 2023	\$ 676,536	372,727	147,010	588	139,527	287,125	(254)	(4,721)	(4,975)	1,331,413

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, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	For the six months ended June 30	
	2023	2022
Cash flows from (used in) operating activities:		
Loss before tax	\$ (141,368)	(12,051)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	32,087	31,618
Expected credit (gain) loss	(1,130)	791
Interest expense	356	570
Interest income	(6,067)	(1,092)
Compensation cost of employee share-based payment	(4,205)	13,759
Share of loss of associates and joint ventures accounted for using equity method	1,514	1,231
Total adjustments to reconcile profit	<u>22,555</u>	<u>46,877</u>
Changes in operating assets and liabilities:		
Change in financial assets mandatorily measured at fair value through profit or loss	-	(12,842)
Decrease in accounts receivable	173,150	58,876
Decrease in other receivables	380,528	203,314
(Increase) decrease in inventories	(63,209)	5,274
(Increase) decrease in prepayments	(1,674)	11,101
Decrease (increase) in other current assets	1,201	(190)
Decrease in financial liabilities held for trading	(8,006)	-
Increase (decrease) in contract liabilities	7,113	(255)
Decrease in accounts payable	(602,412)	(555,477)
Increase (decrease) in other payable	244,094	(42,737)
Decrease in provisions	(8,764)	(22,175)
(Decrease) increase in other current liabilities	(8)	649
Total changes in operating assets and liabilities	<u>122,013</u>	<u>(354,462)</u>
Total adjustments	<u>144,568</u>	<u>(307,585)</u>
Cash inflow (outflow) generated from operations	3,200	(319,636)
Interest received	5,506	1,033
Interest paid	(356)	(544)
Income taxes (paid) refund	(75)	24,190
Net cash flows from (used in) operating activities	<u>8,275</u>	<u>(294,957)</u>
Cash flows used in investing activities:		
Acquisition of property, plant and equipment	(31,994)	(41,694)
Acquisition of intangible assets	(1,296)	(1,382)
Net cash flows used in investing activities	<u>(33,290)</u>	<u>(43,076)</u>
Cash flows from (used in) financing activities:		
Proceeds from short-term borrowings	-	296,380
Repayments of short-term borrowings	-	(171,620)
Payment of lease liabilities	(7,373)	(7,804)
Cash dividends paid	(33,827)	(68,419)
Net cash flows from (used in) financing activities	<u>(41,200)</u>	<u>48,537</u>
Effect of exchange rate changes on cash and cash equivalents	<u>417</u>	<u>(46)</u>
Net decrease in cash and cash equivalents	(65,798)	(289,542)
Cash and cash equivalents at beginning of period	660,964	1,046,514
Cash and cash equivalents at end of period	<u>\$ 595,166</u>	<u>756,972</u>

See accompanying notes to consolidated financial statements.

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

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 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 June 30, 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 August 11, 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 “International Tax Reform - Pillar Two Model Rules”

(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”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- IFRS16 “Requirements for Sale and Leaseback Transactions”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IAS12 “International Tax Reform – Pillar Two Model Rules”

(Continued)

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

(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, 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		
			June 30, 2023	December 31, 2022	June 30, 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.

(Continued)

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

(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.

(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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Cash on hand	\$ 644	402	467
Checking accounts and demand deposits	183,522	185,562	439,505
Time deposits	<u>411,000</u>	<u>475,000</u>	<u>317,000</u>
	<u>\$ 595,166</u>	<u>660,964</u>	<u>756,972</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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Current financial assets mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging:			
Foreign exchange forward contracts	\$ <u>-</u>	<u>-</u>	<u>21,318</u>
Held-for-trading financial liabilities:			
Derivative instruments not used for hedging:			
Foreign exchange forward contracts	\$ <u>-</u>	<u>8,006</u>	<u>-</u>

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

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
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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:

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
June 30, 2022			
	Contract amount (in thousands)	Currency	Maturity date
Derivative financial assets:			
Foreign exchange contracts:			
Foreign exchange sold	EUR 12,000	EUR to USD	July 11, 2022~ September 26, 2022

(c) Accounts receivable

	June 30, 2023	December 31, 2022	June 30, 2022
Accounts receivable	\$ 318,839	491,989	838,294
Less: loss allowance	(2,156)	(3,211)	(2,918)
	\$ 316,683	488,778	835,376

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, 2023				
	Gross carrying amount	Weighted- average loss rate	Loss allowance	Credit impaired
Level B	\$ 114,672	0.10%	115	No
Level C	204,167	1.00%	2,041	No
	\$ 318,839		2,156	

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

December 31, 2022				
	Gross carrying amount	Weighted-average loss rate	Loss allowance	Credit impaired
Level B	\$ 189,826	0.10%	190	No
Level C	302,163	1.00%	3,021	No
	\$ 491,989		3,211	
June 30, 2022				
	Gross carrying amount	Weighted-average loss rate	Loss allowance	Credit impaired
Level A	\$ 3,689	0.00%	-	No
Level B	604,457	0.10%	609	No
Level C	230,148	1.00%	2,309	No
	\$ 838,294		2,918	

The aging analysis of accounts receivable were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Overdue 1~30 days	\$ 52,291	54,013	86,398
Overdue 31~60 days	-	51,267	-
Overdue 61~90 days	-	41,196	10,674
Overdue 91~180 days	4,750	6,346	9,860
Overdue 181~270 days	77,750	-	-
	\$ 134,791	152,822	106,932

The movements of allowance for accounts receivable were as follows:

	For the six months ended June 30,	
	2023	2022
Balance at January 1	\$ 3,211	1,632
Impairment loss (reversed) recognized	(1,055)	1,286
Balance at June 30	\$ 2,156	2,918

As of June 30, 2023, December 31 and June 30, 2022, the Group did not provide any aforementioned accounts receivable as collaterals.

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

(d) Other receivables

	June 30, 2023	December 31, 2022	June 30, 2022
Other receivables	\$ 2,029	381,996	73,347
Less: loss allowance	(81)	(156)	(404)
	<u>\$ 1,948</u>	<u>381,840</u>	<u>72,943</u>

The aging analysis of overdue other receivables were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Overdue 1~30 days	\$ 22	140,261	9,087
Overdue 31~60 days	-	156,140	2,675
Overdue 61~90 days	-	940	-
Overdue 91~180 days	-	12,286	-
	<u>\$ 22</u>	<u>309,627</u>	<u>11,762</u>

The movements of allowance for other receivables were as follows:

	For the six months ended June 30,	
	2023	2022
Balance at January 1	\$ 156	899
Impairment loss reversed	(75)	(495)
Balance at June 30	<u>\$ 81</u>	<u>404</u>

As of June 30, 2023, December 31 and June 30, 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:

	June 30, 2023	December 31, 2022	June 30, 2022
Raw materials	\$ 742,003	653,315	552,945
Work in progress	8,494	11,591	-
Semi-finished goods	270	87	5,144
Merchandise	51,347	73,912	49,485
	<u>\$ 802,114</u>	<u>738,905</u>	<u>607,574</u>

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
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- (ii) Inventory cost recognized as operating cost were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Cost of sales and expenses	\$ 214,759	570,961	460,353	1,193,653
Recognized (reversal) for inventory valuation and obsolescence loss	6,474	-	14,993	(4,116)
Loss on scrapping of inventory	-	-	1,210	-
	<u>\$ 221,233</u>	<u>570,961</u>	<u>476,556</u>	<u>1,189,537</u>

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

- (iii) As of June 30, 2023, December 31 and June 30, 2022, 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, 2023	December 31, 2022	June 30, 2022
The carrying amount of individually insignificant associates equity	<u>\$ 5,626</u>	<u>7,140</u>	<u>8,475</u>
	For the three months ended June 30,		For the six months ended June 30,
	2023	2022	2023
Attributable to the Group:			
Net loss from continuing operations	<u>\$ (698)</u>	<u>(681)</u>	<u>(1,514)</u>
Total comprehensive income	<u>\$ (698)</u>	<u>(681)</u>	<u>(1,231)</u>

- (ii) As of June 30, 2023, December 31 and June 30, 2022, the Group did not provide any investment accounted for using equity method as collaterals.

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
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(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, 2023 and 2022 were as follows:

	<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>
Cost or deemed cost:						
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	<u>643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(643)</u>	<u>-</u>
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>
Balance at January 1, 2022	\$ 372,091	13,152	6,318	85,726	5,121	482,408
Additions	33,577	2,425	224	4,917	551	41,694
Disposals	(2,398)	-	-	-	-	(2,398)
Reclassifications	<u>1,102</u>	<u>-</u>	<u>-</u>	<u>4,570</u>	<u>(5,672)</u>	<u>-</u>
Balance at June 30, 2022	<u>\$ 404,372</u>	<u>15,577</u>	<u>6,542</u>	<u>95,213</u>	<u>-</u>	<u>521,704</u>
Depreciation:						
Balance at January 1, 2023	\$ 304,467	13,723	6,337	58,079	-	382,606
Depreciation	<u>15,991</u>	<u>900</u>	<u>149</u>	<u>4,814</u>	<u>-</u>	<u>21,854</u>
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>
Balance at January 1, 2022	\$ 274,735	12,845	6,201	50,366	-	344,147
Depreciation	16,226	111	57	3,770	-	20,164
Disposals	<u>(2,398)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,398)</u>
Balance at June 30, 2022	<u>\$ 288,563</u>	<u>12,956</u>	<u>6,258</u>	<u>54,136</u>	<u>-</u>	<u>361,913</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 June 30, 2023	<u>\$ 124,046</u>	<u>1,801</u>	<u>773</u>	<u>41,864</u>	<u>-</u>	<u>168,484</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 June 30, 2022	<u>\$ 115,809</u>	<u>2,621</u>	<u>284</u>	<u>41,077</u>	<u>-</u>	<u>159,791</u>

As of June 30, 2023, December 31 and June 30, 2022, the Group did not provide any property, plant and equipment as collaterals.

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(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	\$ 120,453	4,306	124,759
Disposals	<u>(300)</u>	<u>-</u>	<u>(300)</u>
Balance at June 30, 2023	<u>\$ 120,153</u>	<u>4,306</u>	<u>124,459</u>
Balance at January 1, 2022	\$ 120,203	7,039	127,242
Additions	<u>300</u>	<u>-</u>	<u>300</u>
Balance at June 30, 2022	<u>\$ 120,503</u>	<u>7,039</u>	<u>127,542</u>
Depreciation:			
Balance at January 1, 2023	\$ 54,664	2,150	56,814
Depreciation	6,812	662	7,474
Disposals	<u>(300)</u>	<u>-</u>	<u>(300)</u>
Balance at June 30, 2023	<u>\$ 61,176</u>	<u>2,812</u>	<u>63,988</u>
Balance at January 1, 2022	\$ 41,229	2,810	44,039
Depreciation	<u>6,863</u>	<u>1,117</u>	<u>7,980</u>
Balance at June 30, 2022	<u>\$ 48,092</u>	<u>3,927</u>	<u>52,019</u>
Carrying amount:			
Balance at January 1, 2023	<u>\$ 65,789</u>	<u>2,156</u>	<u>67,945</u>
Balance at June 30, 2023	<u>\$ 58,977</u>	<u>1,494</u>	<u>60,471</u>
Balance at January 1, 2022	<u>\$ 78,974</u>	<u>4,229</u>	<u>83,203</u>
Balance at June 30, 2022	<u>\$ 72,411</u>	<u>3,112</u>	<u>75,523</u>

(i) Intangible Assets

The cost and accumulated amortization of intangible assets of the Group for the six months ended June 30, 2023 and 2022 were as follows:

	<u>Computer software</u>
Cost:	
Balance at January 1, 2023	\$ 13,937
Additions	1,296
Disposals	<u>(6,399)</u>
Balance at June 30, 2023	<u>\$ 8,834</u>

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
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	<u>Computer software</u>
Balance at January 1, 2022	\$ 16,683
Additions	1,382
Disposals	<u>(4,019)</u>
Balance at June 30, 2022	<u>\$ 14,046</u>
Balance at January 1, 2023	\$ 9,940
Amortization	2,759
Disposals	<u>(6,399)</u>
Balance at June 30, 2023	<u>\$ 6,300</u>
Balance at January 1, 2022	\$ 9,873
Amortization	3,474
Disposals	<u>(4,019)</u>
Balance at June 30, 2022	<u>\$ 9,328</u>
Carrying amount:	
Balance at January 1, 2023	<u>\$ 3,997</u>
Balance at June 30, 2023	<u>\$ 2,534</u>
Balance at January 1, 2022	<u>\$ 6,810</u>
Balance at June 30, 2022	<u>\$ 4,718</u>

For the three months and six months ended June 30, 2023 and 2022, the amortization of intangible assets are included in the statement of comprehensive income as operating expenses amounted to \$1,394, \$1,699, \$2,759 and \$3,474, respectively.

As of June 30, 2023, December 31 and June 30, 2022, the Group did not provide any intangible assets as collaterals.

(j) Short term borrowings

	June 30, 2023	December 31, 2022	June 30, 2022
Unsecured bank loans	\$ -	-	<u>124,760</u>
Unused credit line for short term borrowings	<u>\$ 749,980</u>	<u>744,940</u>	<u>805,620</u>
Range of interest rates	-	-	<u>0.15%~0.27%</u>

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

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(k) Provisions

	Warranty Provisions
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>
Balance at January 1, 2022	\$ 179,577
Provisions made during the period	9,539
Provisions reversed during the period	(2,705)
Provisions used during the period	<u>(29,009)</u>
Balance at June 30, 2022	<u>\$ 157,402</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:

	June 30, 2023	December 31, 2022	June 30, 2022
Current	<u>\$ 14,537</u>	<u>14,702</u>	<u>15,019</u>
Non-current	<u>\$ 46,569</u>	<u>53,777</u>	<u>60,888</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Interest expense on lease liabilities	<u>\$ 173</u>	<u>212</u>	<u>356</u>	<u>433</u>
Expenses relating to short-term leases	<u>\$ 277</u>	<u>85</u>	<u>578</u>	<u>172</u>
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 26</u>	<u>20</u>	<u>52</u>	<u>45</u>

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
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The amounts recognized in the statement of cash flows by the Group were as follows:

	For the six months ended	
	June 30	
	2023	2022
Total cash outflow for leases	<u>\$ 8,359</u>	<u>8,454</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 and six months ended June 30, 2023 and 2022 were as follow:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Selling expenses	\$ 302	253	710	552
Administration expenses	401	479	723	948
Research and development expenses	<u>1,375</u>	<u>1,372</u>	<u>2,770</u>	<u>2,786</u>
	<u>\$ 2,078</u>	<u>2,104</u>	<u>4,203</u>	<u>4,286</u>

(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		For the six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Current tax expense	\$ (2)	(414)	(2)	(2,695)
Deferred tax expense (benefit)	<u>2,700</u>	<u>(1,742)</u>	<u>2,700</u>	<u>(1,381)</u>
Income tax expense (benefit)	<u>\$ 2,698</u>	<u>(2,156)</u>	<u>2,698</u>	<u>(4,076)</u>

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
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- (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,	
	2023	2022	2023	2022
Items that might be reclassified				
subsequently to profit or				
loss:				
Foreign currency translation				
differences of foreign				
operations	\$ <u>60</u>	<u>(43)</u>	<u>84</u>	<u>(9)</u>

- (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 June 30, 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 six months ended June 30, 2023 and 2022 were as follow:

	Unit: in thousands of shares	
	For the six months ended	
	June 30,	
	Ordinary shares	
	2023	2022
Balance at January 1	68,002	68,470
Cancellation of employee restricted shares	(348)	(65)
Balance at June 30	67,654	68,405

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, 2023 and 2022, the share capital of \$3,485 and \$655 was canceled, which reduced the capital reserve of \$7,212 and \$1,355, respectively, because some employees who received restricted stock options did not meet the vesting conditions. The registration had been completed.

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(ii) Capital surplus

The balance of capital surplus were as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Additional paid in capital premium	\$ 318,043	310,482	310,482
Employee share options	48,101	48,101	48,101
Issuance of employee restricted shares	<u>6,583</u>	<u>21,356</u>	<u>29,695</u>
	<u>\$ 372,727</u>	<u>379,939</u>	<u>388,278</u>

(iii) Retained earnings

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

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

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

(iv) Earnings distributed

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>

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
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(p) Share based payment

There were no significant changes in share-based payment during the periods from January 1 to June 30, 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:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Basic (loss) earnings per share				
Loss attributable to ordinary shareholders of the Company	\$ <u>(81,287)</u>	<u>(9,306)</u>	<u>(144,066)</u>	<u>(7,975)</u>
Weighted-average number of outstanding ordinary shares (in thousands)	<u>67,335</u>	<u>66,970</u>	<u>67,335</u>	<u>66,970</u>
Basic (loss) earnings per share (dollars)	\$ <u>(1.21)</u>	<u>(0.14)</u>	<u>(2.14)</u>	<u>(0.12)</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 three months and six months ended June 30, 2023 and 2022.

(r) Revenue from contracts with customers

(i) Details of revenue

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Primary geographical markets:				
Europe	\$ 67,489	384,698	157,743	823,944
America	127,017	200,762	270,453	429,312
Asia and others	<u>26,012</u>	<u>89,008</u>	<u>83,192</u>	<u>171,482</u>
	<u>\$ 220,518</u>	<u>674,468</u>	<u>511,388</u>	<u>1,424,738</u>
Major products:				
Communication network products	\$ 143,551	642,841	404,575	1,375,386
Material sales revenue and others	<u>76,967</u>	<u>31,627</u>	<u>106,813</u>	<u>49,352</u>
	<u>\$ 220,518</u>	<u>674,468</u>	<u>511,388</u>	<u>1,424,738</u>

(Continued)

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

(ii) Contract balances

	June 30, 2023	December 31, 2022	June 30, 2022
Accounts receivable	\$ 318,839	491,989	838,294
Less: loss allowance	<u>(2,156)</u>	<u>(3,211)</u>	<u>(2,918)</u>
	<u>\$ 316,683</u>	<u>488,778</u>	<u>835,376</u>
Contract liabilities	<u>\$ 9,039</u>	<u>1,926</u>	<u>844</u>

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, 2023 and 2022 that were included in the balance of contract liabilities at the beginning of the period were \$80, \$0, \$80 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.

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

(Continued)

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

(t) Other profits and losses

The other profits and losses of the Group for the three months and six months ended June 30, 2023 and 2022 were as follow:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Foreign currency exchange gain (loss), net	\$ 5,333	(36,191)	5,040	(43,039)
Gains on financial assets at fair value through profit or loss, net	(195)	36,226	136	46,694
	<u>\$ 5,138</u>	<u>35</u>	<u>5,176</u>	<u>3,655</u>

(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 and six months ended June 30, 2023 and 2022, amounted to \$126,692, \$506,812, \$322,454 and \$1,096,521, respectively. The carrying amounts of the accounts receivable as of June 30, 2023 and 2022 amounted to \$157,666 and \$678,707, 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).

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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>
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	<u>61,106</u>	<u>(62,578)</u>	<u>(15,130)</u>	<u>(14,292)</u>	<u>(33,156)</u>
	<u>\$ 634,361</u>	<u>(635,833)</u>	<u>(588,385)</u>	<u>(14,292)</u>	<u>(33,156)</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:	8,006				
Outflow		(179,960)	(179,960)	-	-
Inflow		<u>177,794</u>	<u>177,794</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,008,058</u>	<u>(1,004,046)</u>	<u>(949,113)</u>	<u>(14,628)</u>	<u>(40,305)</u>
June 30, 2022					
Non derivative financial liabilities					
Unsecured bank loans	\$ 124,760	(124,824)	(124,824)	-	-
Accounts payable (including related parties)	654,696	(654,696)	(654,696)	-	-
Other payables	91,073	(91,073)	(91,073)	-	-
Lease liabilities — current and non-current	<u>75,907</u>	<u>(78,100)</u>	<u>(15,761)</u>	<u>(15,074)</u>	<u>(47,265)</u>
	<u>\$ 946,436</u>	<u>(948,693)</u>	<u>(886,354)</u>	<u>(15,074)</u>	<u>(47,265)</u>

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, 2023			December 31, 2022			June 30, 2022		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets									
Monetary items									
USD	\$ 11,120	USD/TWD =31.07	345,498	30,074	USD/TWD =30.71	923,573	12,500	USD/TWD =29.67	370,875
EUR	3,435	EUR/TWD =33.92	116,515	9,142	EUR/TWD =32.72	299,126	25,501	EUR/TWD =31.19	795,376
Financial liabilities									
Monetary items									
USD	7,297	USD/TWD =31.07	226,718	27,261	USD/TWD =30.71	837,185	22,629	USD/TWD =29.67	671,402
EUR	-	EUR/TWD =33.92	-	307	EUR/TWD =32.72	10,045	4,314	EUR/TWD =31.19	134,554

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

	June 30, 2023	June 30, 2022
USD (against the TWD)		
Strengthening 5%	\$ 5,939	(15,026)
Weakening 5%	(5,939)	15,026
EUR (against the TWD)		
Strengthening 5%	5,826	33,040
Weakening 5%	(5,826)	(33,040)

(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, 2023, the foreign exchange gain (including realized and unrealized portions) amounted to \$5,333 and \$5,040, respectively. For the three months and six months ended June 30, 2022, the foreign exchange loss (including realized and unrealized portions) amounted to \$36,191 and \$43,039, 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 \$220 and \$383 for the six months ended June 30, 2023 and 2022, 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.

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

		June 30, 2023				
		Book value	Fair value			Total
			Level 1	Level 2	Level 3	
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)		500	-	-	-	-
Total		<u>\$ 917,998</u>				
Financial liabilities measured at amortized cost						
Accounts payable (including related parties)	\$	207,742	-	-	-	-
Other payables		365,513	-	-	-	-
Lease liabilities—current and non-current		61,106	-	-	-	-
Total		<u>\$ 634,361</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)		500	-	-	-	-
Total		<u>\$ 1,535,783</u>				
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		68,479	-	-	-	-
Subtotal		<u>1,000,052</u>				
Total		<u>\$ 1,008,058</u>				

(Continued)

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

	June 30, 2022				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ <u>21,318</u>	-	21,318	-	21,318
Financial assets measured at amortized cost					
Cash and cash equivalents	756,972	-	-	-	-
Accounts receivable, net	835,376	-	-	-	-
Other receivables, net	72,943	-	-	-	-
Other non-current asset (refundable deposits)	3,692	-	-	-	-
Other non-current asset (Pledged certificate of deposits)	<u>500</u>	-	-	-	-
Subtotal	<u>1,669,483</u>				
Total	<u>\$ 1,690,801</u>				
Financial liabilities at amortized cost					
Short-term borrowings	\$ 124,760	-	-	-	-
Accounts payable (including related parties)	654,696	-	-	-	-
Other payables	91,073	-	-	-	-
Lease liabilities—current and non-current	<u>75,907</u>	-	-	-	-
Total	<u>\$ 946,436</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.

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.

(Continued)

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

- 4) There were no transfers from one level to another for the six months ended June 30, 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.

(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 six months ended June 30, 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, 2023	Cash flows	June 30, 2023	
Lease liabilities	\$ <u>68,479</u>	<u>(7,373)</u>	<u>61,106</u>	
			Non-cash changes	
	January 1, 2022	Cash flows	Acquisition	June 30, 2022
Short-term borrowings	\$ -	124,760	-	124,760
Lease liabilities	83,411	(7,804)	<u>300</u>	75,907
Total liabilities form financing activities	\$ <u>83,411</u>	<u>116,956</u>	<u>300</u>	<u>200,667</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.

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

(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

(c) Significant transactions with related parties

(i) Purchases and processing fee

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Parent Company- Compal Electronics	\$ 45,418	116,664	76,006	291,361
Other related parties	-	544	-	765
	<u>\$ 45,418</u>	<u>117,208</u>	<u>76,006</u>	<u>292,126</u>

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

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

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

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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		For the six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Parent Company- Compal Electronics	\$ 4,296	263	8,310	445
Other related parties	-	35	25	70
	<u>\$ 4,296</u>	<u>298</u>	<u>8,335</u>	<u>515</u>

(iii) Receivables from related parties

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

<u>Account</u>	<u>Related party categories</u>	June 30,	December	June 30,
		2023	31, 2022	2022
Other receivables	Other related parties-CDE	\$ -	-	24,858
	Other related parties-CVC	-	364,925	6,513
	Associate	478	161	4
		<u>\$ 478</u>	<u>365,086</u>	<u>31,375</u>

(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>	June 30,	December	June 30,
		2023	31, 2022	2022
Accounts payable	Parent Company-Compal Electronics	\$ 151,813	258,313	269,995
Accounts payable	Other related parties	-	1,018	716
Other payables	Parent Company-Compal Electronics	4,376	-	-
Other payables	Other related parties-CDE	20,263	31,413	-
Other payables	Other related parties-CVC	285,891	-	-
Other payables	Other related parties	26	18	37
		<u>\$ 462,369</u>	<u>290,762</u>	<u>270,748</u>

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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 June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Short-term employee benefits	\$ 8,008	6,453	16,381	12,588
Post-employment benefits	285	174	391	348
Share-based payments	442	2,859	1,327	6,560
	<u>\$ 8,735</u>	<u>9,486</u>	<u>18,099</u>	<u>19,496</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:

Assets	Subject	June 30, 2023	December 31, 2022	June 30, 2022
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					
		2023			2022		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		-	48,739	48,739	-	54,647	54,647
Labor and health insurance		-	3,872	3,872	-	4,109	4,109
Pension		-	2,078	2,078	-	2,104	2,104
Others		-	1,430	1,430	-	1,766	1,766
Depreciation		1,468	13,430	14,898	670	14,109	14,779
Amortization		-	1,394	1,394	-	1,699	1,699

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

	By function	For the six months ended June 30					
		2023			2022		
		Cost of sale	Operating expense	Total	Cost of sale	Operating expense	Total
By item							
Employee benefits							
Salary	-	96,802	96,802	-	112,384	112,384	
Labor and health insurance	-	8,206	8,206	-	8,617	8,617	
Pension	-	4,203	4,203	-	4,286	4,286	
Others	-	2,927	2,927	-	3,637	3,637	
Depreciation	2,328	27,000	29,328	1,341	26,803	28,144	
Amortization	-	2,759	2,759	-	3,474	3,474	

(b) Seasonality of operations

The Group's operations were not affected by seasonality or cyclical 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, 2023:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held as of June 30, 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
- (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: None
- (x) Business relationships and significant intercompany transactions: None

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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, 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 June 30, 2023			Net income (losses) of investee	Investment Income (losses)	Note
				June 30, 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 %	5,413	(165)	(165)	Notes 1 - 2
The Company	CBNN	Netherlands	"	7,016	7,016	20	100.00 %	6,394	-	-	"
The Company	Starmems	Taiwan	Research and development of micro-electro-mechanical system (MEMS) microphone technology products	10,000	10,000	1,000	10.00 %	5,626	(15,136)	(1,514)	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@33.92 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	42.95 %
Zhi-Bao Technology Inc.		13,139,637	19.42 %
Cdib Capital Growth Partners L.P.		4,119,000	6.08 %
Realsun Investment Co., Ltd		3,575,000	5.28 %
Realking Investments Limited		3,575,000	5.28 %

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

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.

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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.