

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

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Nine Months Ended September 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 September 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2023 and 2022, as well as the changes in equity and cash flows for the nine months ended September 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 September 30, 2023 and 2022, and of its consolidated financial performance for the three months and nine months ended September 30, 2023 and 2022, as well as its consolidated cash flows for the nine months ended September 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)

November 9, 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****September 30, 2023, December 31 and September 30, 2022****(Expressed in Thousands of New Taiwan Dollars)**

Assets		September 30, 2023		December 31, 2022		September 30, 2022		Liabilities and Equity		September 30, 2023		December 31, 2022		September 30, 2022	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
<b>Current assets:</b>								<b>Current liabilities:</b>							
1100	Cash and cash equivalents (note (6)(a))	\$ 549,577	27	660,964	25	856,132	31	2120	Current financial liabilities at fair value through profit or loss (note (6)(b))	\$ -	-	8,006	-	-	-
1110	Current financial assets at fair value through profit or loss (note (6)(b))	2,844	-	-	-	14,692	1	2130	Current contract liabilities (note (6)(q))	1,846	-	1,926	-	2,138	-
1170	Accounts receivable, net (notes (6)(c) and (6)(q))	435,802	22	488,778	19	650,306	23	2170	Accounts payable	114,862	6	550,823	21	724,913	26
1200	Other receivables, net (notes (6)(d) and (7))	1,375	-	381,840	14	256,114	9	2180	Accounts payable to related parties (note (7))	227,709	11	259,331	10	162,072	6
1310	Inventories (note (6)(e))	697,200	34	738,905	28	619,461	22	2200	Other payables (note (7))	275,857	14	121,419	5	87,623	3
1410	Prepayments	46,269	2	45,431	2	43,291	2	2250	Current provisions (note (6)(j))	87,886	4	117,404	4	138,747	5
1470	Other current assets	7,216	-	7,853	-	5,709	-	2280	Current lease liabilities (note (6)(k))	14,326	1	14,702	1	14,786	1
		<u>1,740,283</u>	<u>85</u>	<u>2,323,771</u>	<u>88</u>	<u>2,445,705</u>	<u>88</u>	2300	Other current liabilities	<u>1,437</u>	<u>-</u>	<u>1,620</u>	<u>-</u>	<u>2,668</u>	<u>-</u>
										<u>723,923</u>	<u>36</u>	<u>1,075,231</u>	<u>41</u>	<u>1,132,947</u>	<u>41</u>
<b>Non-current assets:</b>								<b>Non-Current liabilities:</b>							
1550	Investments accounted for using equity method (note (6)(f))	4,925	1	7,140	-	7,942	-	2570	Deferred tax liabilities	-	-	-	-	3,416	-
1600	Property, plant and equipment (note (6)(g))	167,664	8	158,344	6	159,934	6	2580	Non-current lease liabilities (note (6)(k))	<u>43,119</u>	<u>2</u>	<u>53,777</u>	<u>2</u>	<u>57,381</u>	<u>2</u>
1755	Right-of-use assets (note (6)(h))	56,772	3	67,945	3	71,713	3			<u>43,119</u>	<u>2</u>	<u>53,777</u>	<u>2</u>	<u>60,797</u>	<u>2</u>
1780	Intangible assets (note (6)(i))	1,232	-	3,997	-	4,776	-		<b>Total liabilities</b>	<u>767,042</u>	<u>38</u>	<u>1,129,008</u>	<u>43</u>	<u>1,193,744</u>	<u>43</u>
1840	Deferred tax assets	62,595	3	76,787	3	77,518	3	<b>Equity (notes (6)(n) and (6)(o)):</b>							
1900	Other non-current assets (note (8))	4,201	-	4,201	-	4,201	-	3110	Ordinary share	676,381	33	680,021	26	683,808	25
		<u>297,389</u>	<u>15</u>	<u>318,414</u>	<u>12</u>	<u>326,084</u>	<u>12</u>	3200	Capital surplus	372,404	18	379,939	14	387,777	14
								3300	Retained earnings	225,888	11	465,018	17	531,473	19
								3410	Exchange differences on translation of foreign financial statements	(260)	-	(588)	-	(1,145)	-
								3491	Unearned employee benefit	<u>(3,783)</u>	<u>-</u>	<u>(11,213)</u>	<u>-</u>	<u>(23,868)</u>	<u>(1)</u>
									<b>Total equity</b>	<u>1,270,630</u>	<u>62</u>	<u>1,513,177</u>	<u>57</u>	<u>1,578,045</u>	<u>57</u>
<b>Total assets</b>		<u>\$ 2,037,672</u>	<u>100</u>	<u>2,642,185</u>	<u>100</u>	<u>2,771,789</u>	<u>100</u>	<b>Total liabilities and equity</b>		<u>\$ 2,037,672</u>	<u>100</u>	<u>2,642,185</u>	<u>100</u>	<u>2,771,789</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 nine months ended September 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)**

	For the three months ended September				For the nine months ended September				
	30		30		30		30		
	2023	2022	2023	2022	2023	2022	2023	2022	
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	<b>Operating revenue (note (6)(q))</b>	\$ 333,897	100	642,369	100	845,285	100	2,067,107	100
5000	<b>Operating costs (notes (6)(e), (7) and (12))</b>	294,969	88	558,179	87	771,525	91	1,747,716	85
	<b>Gross profit from operations</b>	38,928	12	84,190	13	73,760	9	319,391	15
	<b>Operating expenses: (notes (6)(k), (6)(l), (6)(r), (7) and (12))</b>								
6100	Selling expenses	21,482	7	17,166	3	54,722	7	91,637	4
6200	Administrative expenses	17,569	5	28,980	4	57,243	7	82,570	4
6300	Research and development expenses	56,962	17	56,303	9	171,977	20	181,041	9
	<b>Total operating expenses</b>	96,013	29	102,449	16	283,942	34	355,248	17
	<b>Net operating loss</b>	(57,085)	(17)	(18,259)	(3)	(210,182)	(25)	(35,857)	(2)
	<b>Non-operating income and expenses:</b>								
7010	Other income	1,203	-	2,144	-	3,559	-	4,745	-
7020	Other gains and losses (note (6)(s))	4,136	1	26,514	4	9,312	1	30,169	2
7100	Interest income	2,783	1	4,098	1	8,850	1	5,190	-
7510	Interest expense (note (6)(k))	(163)	-	(231)	-	(519)	-	(801)	-
7770	Share of loss of associates and joint ventures accounted for using equity method (note (6)(f))	(701)	-	(533)	-	(2,215)	-	(1,764)	-
		7,258	2	31,992	5	18,987	2	37,539	2
7900	<b>Profit (loss) from continuing operations before tax</b>	(49,827)	(15)	13,733	2	(191,195)	(23)	1,682	-
7950	<b>Less: Income tax (benefit) expense (note (6)(m))</b>	11,410	3	2,449	-	14,108	1	(1,627)	-
	<b>Profit (loss)</b>	(61,237)	(18)	11,284	2	(205,303)	(24)	3,309	-
8300	<b>Other comprehensive income (loss):</b>								
8360	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>								
8361	Exchange differences on translation of foreign financial statements	(8)	-	(155)	-	410	-	(201)	-
8399	Less: income tax related to items that will be reclassified to profit or loss (note (6)(m))	(2)	-	(31)	-	82	-	(40)	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss	(6)	-	(124)	-	328	-	(161)	-
8300	<b>Other comprehensive income (loss)</b>	(6)	-	(124)	-	328	-	(161)	-
	<b>Total comprehensive income (loss)</b>	\$ (61,243)	(18)	11,160	2	(204,975)	(24)	3,148	-
	<b>(Loss) earnings per share (note (6)(p))</b>								
9750	Basic (loss) earnings per share	\$ (0.91)		0.17		(3.05)		0.05	
9850	Diluted earnings per share		\$ 0.17					0.05	

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 nine months ended September 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		
<b>Balance at January 1, 2022</b>	\$ 684,704	389,633	143,735	-	452,848	596,583	(984)	(45,219)	(46,203)	1,624,717
Profit for the nine months ended September 30, 2022	-	-	-	-	3,309	3,309	-	-	-	3,309
Other comprehensive income for the nine months ended September 30, 2022	-	-	-	-	-	-	(161)	-	(161)	(161)
Total comprehensive income for the nine months ended September 30, 2022	-	-	-	-	3,309	3,309	(161)	-	(161)	3,148
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	(896)	(1,856)	-	-	-	-	-	21,351	21,351	18,599
<b>Balance at September 30, 2022</b>	<b>\$ 683,808</b>	<b>387,777</b>	<b>147,010</b>	<b>984</b>	<b>383,479</b>	<b>531,473</b>	<b>(1,145)</b>	<b>(23,868)</b>	<b>(25,013)</b>	<b>1,578,045</b>
<b>Balance at January 1, 2023</b>	\$ 680,021	379,939	147,010	984	317,024	465,018	(588)	(11,213)	(11,801)	1,513,177
Loss for the nine months ended September 30, 2023	-	-	-	-	(205,303)	(205,303)	-	-	-	(205,303)
Other comprehensive income for the nine months ended September 30, 2023	-	-	-	-	-	-	328	-	328	328
Total comprehensive income for the nine months ended September 30, 2023	-	-	-	-	(205,303)	(205,303)	328	-	328	(204,975)
Appropriation and distribution of retained earnings:										
Special reserve reversed	-	-	-	(396)	396	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(33,827)	(33,827)	-	-	-	(33,827)
Share-based payment transactions	(3,640)	(7,535)	-	-	-	-	-	7,430	7,430	(3,745)
<b>Balance at September 30, 2023</b>	<b>\$ 676,381</b>	<b>372,404</b>	<b>147,010</b>	<b>588</b>	<b>78,290</b>	<b>225,888</b>	<b>(260)</b>	<b>(3,783)</b>	<b>(4,043)</b>	<b>1,270,630</b>

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 nine months ended September 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the nine months ended September</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from (used in) operating activities:</b>		
<b>(Loss) profit before tax</b>	\$ (191,195)	1,682
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation and amortization expense	47,864	47,657
Expected credit loss	3,677	281
Interest expense	519	801
Interest income	(8,850)	(5,190)
Compensation cost of employee share-based payment	(3,745)	18,599
Share of loss of associates and joint ventures accounted for using equity method	2,215	1,764
Gain on disposal of property, plan and equipment	-	(13)
<b>Total adjustments to reconcile profit</b>	<u>41,680</u>	<u>63,899</u>
<b>Changes in operating assets and liabilities:</b>		
Change in financial assets mandatorily measured at fair value through profit or loss	(2,844)	(6,216)
Decrease in accounts receivable	49,155	244,586
Decrease in other receivables	380,983	20,655
Decrease (increase) in inventories	41,705	(6,613)
(Increase) decrease in prepayments	(838)	12,498
Decrease (increase) in other current assets	1,001	(1,920)
Decrease in financial liabilities held for trading	(8,006)	-
Decrease (increase) in contract liabilities	(80)	1,039
Decrease in accounts payable	(467,583)	(323,188)
Increase (decrease) in other payable	154,438	(46,161)
Decrease in provisions	(29,518)	(40,830)
(Decrease) increase in other current liabilities	(183)	1,144
<b>Total changes in operating assets and liabilities</b>	<u>118,230</u>	<u>(145,006)</u>
<b>Total adjustments</b>	<u>159,910</u>	<u>(81,107)</u>
Cash outflow generated from operations	(31,285)	(79,425)
Interest received	8,476	4,489
Interest paid	(519)	(801)
Income taxes (paid) refund	(362)	21,021
<b>Net cash flows used in operating activities</b>	<u>(23,690)</u>	<u>(54,716)</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of property, plant and equipment	(41,950)	(53,001)
Proceeds from disposal of property, plant and equipment	-	888
Increase in refundable deposits	-	(9)
Acquisition of intangible assets	(1,296)	(3,200)
<b>Net cash flows used in investing activities</b>	<u>(43,246)</u>	<u>(55,322)</u>
<b>Cash flows from (used in) financing activities:</b>		
Proceeds from short-term borrowings	-	299,792
Repayments of short-term borrowings	-	(299,792)
Payment of lease liabilities	(11,034)	(11,724)
Cash dividends paid	(33,827)	(68,419)
<b>Net cash flows used in financing activities</b>	<u>(44,861)</u>	<u>(80,143)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>410</u>	<u>(201)</u>
<b>Net decrease in cash and cash equivalents</b>	(111,387)	(190,382)
<b>Cash and cash equivalents at beginning of period</b>	<u>660,964</u>	<u>1,046,514</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 549,577</u>	<u>856,132</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**

**September 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 September 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 November 9, 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 “Deffered Tax related to Assets and Liabilities arising from a single Transaction”

The Group has initially adopted the new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- 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 the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

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

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

The Group does not expect the following 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 IAS21 “Lack of Exchangeability”

**(4) Summary of material accounting policies:**

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and 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 material 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.

(Continued)

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

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Principal activity</u>	<u>Shareholding</u>		
			<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
The Company	Compal Broadband Networks Belgium BVBA (“CBNB”)	Import, export, technical support, and consulting services for broadband network products and related components	100 %	100 %	100 %
”	Compal Broadband Networks Netherlands B.V. (“CBNN”)	”	100 %	100 %	100 %

(c) Income taxes

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

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

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

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

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2022. For related information, please refer to note (5) of the consolidated financial statements for the year ended December 31, 2022.

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

**(6) Explanation of significant accounts:**

Except for the following disclosures, there were no significant differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2022 consolidated financial statements. Please refer to Note (6) of the 2022 annual consolidated financial statements.

(a) Cash and cash equivalents

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Cash on hand	\$ 640	402	283
Checking accounts and demand deposits	125,937	185,562	168,526
Time deposits	<u>423,000</u>	<u>475,000</u>	<u>687,323</u>
	<u>\$ 549,577</u>	<u>660,964</u>	<u>856,132</u>

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

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
<b>Current financial assets mandatorily measured at fair value through profit or loss:</b>			
Derivative instruments not used for hedging:			
Foreign exchange forward contracts	\$ <u>2,844</u>	<u>-</u>	<u>14,692</u>
<b>Held-for-trading financial liabilities:</b>			
Derivative instruments not used for hedging:			
Foreign exchange forward contracts	\$ <u>-</u>	<u>8,006</u>	<u>-</u>

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

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

<b>September 30, 2023</b>			
	<b>Contract amount (in thousands)</b>	<b>Currency</b>	<b>Maturity date</b>
<b>Derivative financial assets:</b>			
<b>Foreign exchange contracts:</b>			
Foreign exchange sold	EUR 1,500	EUR to USD	October 13, 2023
<b>Derivative financial liabilities:</b>			
<b>Foreign exchange contracts:</b>			
Foreign exchange sold	EUR 5,500	EUR to USD	February 8, 2023~ April 20, 2023
<b>September 30, 2022</b>			
	<b>Contract amount (in thousands)</b>	<b>Currency</b>	<b>Maturity date</b>
<b>Derivative financial assets:</b>			
<b>Foreign exchange contracts:</b>			
Foreign exchange sold	EUR 12,140	EUR to USD	October 6, 2022~ December 15, 2022

(c) Accounts receivable

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Accounts receivable	\$ 442,834	491,989	652,584
Less: loss allowance	(7,032)	(3,211)	(2,278)
	<b>\$ 435,802</b>	<b>488,778</b>	<b>650,306</b>

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

	<b>September 30, 2023</b>			
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance</b>	<b>Credit impaired</b>
Level B	\$ 93,708	0.10%	94	No
Level C	262,936	1.00%	2,629	No
Level D	86,190	5.00%	4,309	No
	<b>\$ 442,834</b>		<b>7,032</b>	

	<b>December 31, 2022</b>			
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance</b>	<b>Credit impaired</b>
Level B	\$ 189,826	0.10%	190	No
Level C	302,163	1.00%	3,021	No
	<b>\$ 491,989</b>		<b>3,211</b>	

	<b>September 30, 2022</b>			
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance</b>	<b>Credit impaired</b>
Level A	\$ 3,960	0.00%	-	No
Level B	467,576	0.10%	468	No
Level C	181,048	1.00%	1,810	No
	<b>\$ 652,584</b>		<b>2,278</b>	

The aging analysis of accounts receivable were as follows:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Overdue 1~30 days	\$ 43,278	54,013	100,596
Overdue 31~60 days	6,795	51,267	63,957
Overdue 61~90 days	-	41,196	136
Overdue 91~180 days	11,008	6,346	9,724
Overdue 181~270 days	85,686	-	-
	<b>\$ 146,767</b>	<b>152,822</b>	<b>174,413</b>

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**COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES**  
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The movements of allowance for accounts receivable were as follows:

	<b>For the nine months ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 3,211	1,632
Impairment loss recognized	3,821	646
Balance at September 30	<u><u>\$ 7,032</u></u>	<u><u>2,278</u></u>

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

(d) Other receivables

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Other receivables	\$ 1,387	381,996	256,648
Less: loss allowance	(12)	(156)	(534)
	<u><u>\$ 1,375</u></u>	<u><u>381,840</u></u>	<u><u>256,114</u></u>

The aging analysis of overdue other receivables were as follows:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Overdue 1~30 days	\$ -	140,261	52,613
Overdue 31~60 days	-	156,140	203
Overdue 61~90 days	-	940	80
Overdue 91~180 days	-	12,286	-
	<u><u>\$ -</u></u>	<u><u>309,627</u></u>	<u><u>52,896</u></u>

The movements of allowance for other receivables were as follows:

	<b>For the nine months ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 156	899
Impairment reversed recognized	(144)	(365)
Balance at September 30	<u><u>\$ 12</u></u>	<u><u>534</u></u>

As of September 30, 2023, December 31 and September 30, 2022, the Group did not provide any aforementioned other receivables as collaterals.

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**COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES**  
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(e) Inventories

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

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Raw materials	\$ 634,329	653,315	584,813
Work in progress	8,910	11,591	-
Semi-finished goods	-	87	6,267
Merchandise	<u>53,961</u>	<u>73,912</u>	<u>28,381</u>
	<b><u>\$ 697,200</u></b>	<b><u>738,905</u></b>	<b><u>619,461</u></b>

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

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Cost of sales and expenses	\$ 311,472	552,945	771,825	1,746,598
Recognized (reversal) for inventory valuation and obsolescence loss	(16,503)	5,234	(1,510)	1,118
Loss on scrapping of inventory	<u>-</u>	<u>-</u>	<u>1,210</u>	<u>-</u>
	<b><u>\$ 294,969</u></b>	<b><u>558,179</u></b>	<b><u>771,525</u></b>	<b><u>1,747,716</u></b>

For the three months and nine months ended September 30, 2023, the Group reversed write-down inventories and obsolescence losses from inventory destocking. The write-down of the inventories to the net realizable value was recorded as an operating cost for the three months and nine months ended September 30, 2022, respectively.

(iii) As of September 30, 2023, December 31 and September 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:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
The carrying amount of individually insignificant associates equity	<b><u>\$ 4,925</u></b>	<b><u>7,140</u></b>	<b><u>7,942</u></b>

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**COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES**  
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	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Attributable to the Group:				
Net loss from continuing operations	\$ <u>(701)</u>	<u>(533)</u>	<u>(2,215)</u>	<u>(1,764)</u>
Total comprehensive income	\$ <u>(701)</u>	<u>(533)</u>	<u>(2,215)</u>	<u>(1,764)</u>

(ii) As of September 30, 2023, December 31 and September 30, 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 nine months ended September 30, 2023 and 2022 were as follows:

	<b>Research and development equipment</b>	<b>Mold equipment</b>	<b>Machinery and equipment</b>	<b>Leasehold improvement and other equipment</b>	<b>Construction in progress and prepayment for purchase of equipment</b>	<b>Total</b>
<b>Cost or deemed cost:</b>						
Balance at January 1, 2023	\$ 420,532	16,424	6,946	96,405	643	540,950
Additions	28,925	3,017	312	9,696	-	41,950
Reclassifications	<u>643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(643)</u>	<u>-</u>
Balance at September 30, 2023	\$ <u><b>450,100</b></u>	<u><b>19,441</b></u>	<u><b>7,258</b></u>	<u><b>106,101</b></u>	<u><b>-</b></u>	<u><b>582,900</b></u>
Balance at January 1, 2022	\$ 372,091	13,152	6,318	85,726	5,121	482,408
Additions	44,742	2,425	224	5,059	551	53,001
Disposals	(2,398)	-	-	(1,140)	-	(3,538)
Reclassifications	<u>1,102</u>	<u>-</u>	<u>-</u>	<u>4,570</u>	<u>(5,672)</u>	<u>-</u>
Balance at September 30, 2022	\$ <u><b>415,537</b></u>	<u><b>15,577</b></u>	<u><b>6,542</b></u>	<u><b>94,215</b></u>	<u><b>-</b></u>	<u><b>531,871</b></u>
<b>Depreciation:</b>						
Balance at January 1, 2023	\$ 304,467	13,723	6,337	58,079	-	382,606
Depreciation	<u>23,662</u>	<u>1,313</u>	<u>233</u>	<u>7,422</u>	<u>-</u>	<u>32,630</u>
Balance at September 30, 2023	\$ <u><b>328,129</b></u>	<u><b>15,036</b></u>	<u><b>6,570</b></u>	<u><b>65,501</b></u>	<u><b>-</b></u>	<u><b>415,236</b></u>
Balance at January 1, 2022	\$ 274,735	12,845	6,201	50,366	-	344,147
Depreciation	23,986	469	91	5,907	-	30,453
Disposals	<u>(2,398)</u>	<u>-</u>	<u>-</u>	<u>(265)</u>	<u>-</u>	<u>(2,663)</u>
Balance at September 30, 2022	\$ <u><b>296,323</b></u>	<u><b>13,314</b></u>	<u><b>6,292</b></u>	<u><b>56,008</b></u>	<u><b>-</b></u>	<u><b>371,937</b></u>

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**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 September 30, 2023	\$ <u>121,971</u>	<u>4,405</u>	<u>688</u>	<u>40,600</u>	<u>-</u>	<u>167,664</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 September 30, 2022	\$ <u>119,214</u>	<u>2,263</u>	<u>250</u>	<u>38,207</u>	<u>-</u>	<u>159,934</u>

As of September 30, 2023, December 31 and September 30, 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	\$ 120,453	4,306	124,759
Disposals	<u>(300)</u>	<u>-</u>	<u>(300)</u>
Balance at September 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	480	-	480
Disposals	<u>(304)</u>	<u>-</u>	<u>(304)</u>
Balance at September 30, 2022	\$ <u>120,379</u>	<u>7,039</u>	<u>127,418</u>
Depreciation:			
Balance at January 1, 2023	\$ 54,664	2,150	56,814
Depreciation	10,180	993	11,173
Disposals	<u>(300)</u>	<u>-</u>	<u>(300)</u>
Balance at September 30, 2023	\$ <u>64,544</u>	<u>3,143</u>	<u>67,687</u>
Balance at January 1, 2022	\$ 41,229	2,810	44,039
Depreciation	10,294	1,676	11,970
Disposals	<u>(304)</u>	<u>-</u>	<u>(304)</u>
Balance at September 30, 2022	\$ <u>51,219</u>	<u>4,486</u>	<u>55,705</u>
Carrying amount:			
Balance at January 1, 2023	\$ <u>65,789</u>	<u>2,156</u>	<u>67,945</u>
Balance at September 30, 2023	\$ <u>55,609</u>	<u>1,163</u>	<u>56,772</u>
Balance at January 1, 2022	\$ <u>78,974</u>	<u>4,229</u>	<u>83,203</u>
Balance at September 30, 2022	\$ <u>69,160</u>	<u>2,553</u>	<u>71,713</u>

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**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 nine months ended September 30, 2023 and 2022 were as follows:

	<b>Computer software</b>
Cost:	
Balance at January 1, 2023	\$ 13,937
Additions	1,296
Disposals	<u>(6,399)</u>
Balance at September 30, 2023	<u><b>\$ 8,834</b></u>
Balance at January 1, 2022	\$ 16,683
Additions	3,200
Disposals	<u>(4,476)</u>
Balance at September 30, 2022	<u><b>\$ 15,407</b></u>
Accumulated amortization:	
Balance at January 1, 2023	\$ 9,940
Amortization	4,061
Disposals	<u>(6,399)</u>
Balance at September 30, 2023	<u><b>\$ 7,602</b></u>
Balance at January 1, 2022	\$ 9,873
Amortization	5,234
Disposals	<u>(4,476)</u>
Balance at September 30, 2022	<u><b>\$ 10,631</b></u>
Carrying amount:	
Balance at January 1, 2023	<u><b>\$ 3,997</b></u>
Balance at September 30, 2023	<u><b>\$ 1,232</b></u>
Balance at January 1, 2022	<u><b>\$ 6,810</b></u>
Balance at September 30, 2022	<u><b>\$ 4,776</b></u>

For the three months and nine months ended September 30, 2023 and 2022, the amortization of intangible assets are included in the statement of comprehensive income as operating expenses amounted to \$1,302, \$1,760, \$4,061 and \$5,234, respectively.

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

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

## (j) Provisions

	<b>Warranty Provisions</b>
Balance at January 1, 2023	\$ 117,404
Provisions made during the period	6,797
Provisions reversed during the period	(2,218)
Provisions used during the period	<u>(34,097)</u>
Balance at September 30, 2023	<u>\$ 87,886</u>
Balance at January 1, 2022	\$ 179,577
Provisions made during the period	12,895
Provisions reversed during the period	(4,636)
Provisions used during the period	<u>(49,089)</u>
Balance at September 30, 2022	<u>\$ 138,747</u>

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

## (k) Lease liabilities

The details of lease liabilities were as follows:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Current	<u>\$ 14,326</u>	<u>14,702</u>	<u>14,786</u>
Non-current	<u>\$ 43,119</u>	<u>53,777</u>	<u>57,381</u>

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

The amounts recognized in profit or loss were as follows:

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Interest expense on lease liabilities	<u>\$ 163</u>	<u>201</u>	<u>519</u>	<u>634</u>
Expenses relating to short-term leases	<u>\$ 278</u>	<u>91</u>	<u>856</u>	<u>263</u>
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 26</u>	<u>30</u>	<u>78</u>	<u>75</u>

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

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

	<b>For the nine months ended</b>	
	<b>September 30</b>	
	<b>2023</b>	<b>2022</b>
Total cash outflow for leases	<u>\$ 12,487</u>	<u>12,696</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.

(l) Employee benefits - Defined contribution plans

The pension expenses of the Group under the pension plan contributed to the Bureau of Labor Insurance for the three months and nine months ended September 30, 2023 and 2022 were as follow:

	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Selling expenses	\$ 273	261	983	813
Administration expenses	380	508	1,103	1,456
Research and development expenses	1,305	1,405	4,075	4,191
	<u>\$ 1,958</u>	<u>2,174</u>	<u>6,161</u>	<u>6,460</u>

(m) Income taxes

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

	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Current tax expense (benefit)	\$ -	-	(2)	(2,695)
Deferred tax expense	11,410	2,449	14,110	1,068
Income tax expense (benefit)	<u>\$ 11,410</u>	<u>2,449</u>	<u>14,108</u>	<u>(1,627)</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:

	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Items that might be reclassified				
subsequently to profit or				
loss:				
Foreign currency translation				
differences of foreign				
operations	<b>\$</b>	<b>(2)</b>	<b>(31)</b>	<b>82</b>
		<b>(40)</b>		

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

- (n) Capital and other equities

Except for the following disclosures, there was no significant change for capital and other equities for the periods from January 1 to September 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 nine months ended September 30, 2023 and 2022 were as follow:

	Unit: in thousands of shares	
	<b>For the nine months ended</b>	
	<b>September 30,</b>	
	<b>Ordinary shares</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	68,002	68,470
Cancellation of employee restricted shares	(364)	(89)
Balance at September 30	<b>67,638</b>	<b>68,381</b>

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 nine months ended September 30, 2023 and 2022, the share capital of \$3,640 and \$896 was canceled, which reduced the capital reserve of \$7,535 and \$1,856, respectively, because some employees who received restricted stock options did not meet the vesting conditions. The registration had been completed.

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

The balance of capital surplus were as follows:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 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>6,260</u>	<u>21,356</u>	<u>29,194</u>
	<u>\$ 372,404</u>	<u>379,939</u>	<u>387,777</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>

(Continued)

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

(o) Share based payment

There were no significant changes in share-based payment during the periods from January 1 to September 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.

(p) Earnings per share

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

	<u>For the three months ended</u> <u>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<b>Basic (loss) earnings per share</b>				
(Loss) profit attributable to ordinary shareholders of the Company	\$ <u>(61,237)</u>	<u>11,284</u>	<u>(205,303)</u>	<u>3,309</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>(0.91)</u>	<u>0.17</u>	<u>(3.05)</u>	<u>0.05</u>
Profit attributable to ordinary shareholders of the Company		\$ <u>11,284</u>		<u>3,309</u>
Weighted-average number of outstanding ordinary shares (Basic) (in thousands)		66,970		66,970
Effect of dilutive potential ordinary shares (in thousands):				
Effect of remuneration to employees		7		43
Employee restricted shares		<u>610</u>		<u>687</u>
Weighted-average number of ordinary shares (after adjustment of potential diluted ordinary shares) (in thousands)		<u>67,587</u>		<u>67,700</u>
Diluted earnings per share (dollars)	\$ <u>0.17</u>			<u>0.05</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 nine months ended September 30, 2023.

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

(q) Revenue from contracts with customers

(i) Details of revenue

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Primary geographical markets:				
Europe	\$ 63,960	194,379	221,703	1,018,323
America	241,502	332,412	511,955	761,724
Asia and others	28,435	115,578	111,627	287,060
	<u>\$ 333,897</u>	<u>642,369</u>	<u>845,285</u>	<u>2,067,107</u>
Major products:				
Communication network products	\$ 237,625	595,667	642,200	1,971,053
Material sales revenue and others	96,272	46,702	203,085	96,054
	<u>\$ 333,897</u>	<u>642,369</u>	<u>845,285</u>	<u>2,067,107</u>

(ii) Contract balances

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Accounts receivable	\$ 442,834	491,989	652,584
Less: loss allowance	(7,032)	(3,211)	(2,278)
	<u>\$ 435,802</u>	<u>488,778</u>	<u>650,306</u>
Contract liabilities	<u>\$ 1,846</u>	<u>1,926</u>	<u>2,138</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 nine months ended September 30, 2023 and 2022 that were included in the balance of contract liabilities at the beginning of the period were \$0, \$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.

(r) Remuneration to employees and directors

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

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**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 and nine months ended September 30, 2023.

The employee remuneration amounted both to \$168 for the three months and nine months ended September 30, 2022. The remuneration of directors amounted both to \$17 for the three months and nine months ended September 30, 2022. The estimated amounts mentioned above are based on the net profit before tax prior to deduction of the remuneration to employees and directors of each respective ending period, multiplied by the percentage of remuneration to employees and directors which is proposed by the Board of Directors as a basis of estimation. The estimations were recorded under operating expenses for each period. If the Board of Directors approve to distribute employee remuneration in the form of stock, the number of the shares of the employee remuneration is determined based on the closing price of the day before the Board of Directors meeting, and the related information can be accessed through the Market Observation Post System website.

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.

(s) Other profits and losses

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

	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Foreign currency exchange gain (loss), net	\$ 3,066	(6,578)	8,106	(49,617)
Gains on financial assets at fair value through profit or loss, net	1,070	33,079	1,206	79,773
Gain on disposal of property, plant and equipment	-	13	-	13
	<b>\$ 4,136</b>	<b>26,514</b>	<b>9,312</b>	<b>30,169</b>

(t) Financial instruments

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

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

2) Concentration of credit risk

Sales to individual customers constituting over 10% of total revenue for the three months and nine months ended September 30, 2023 and 2022, amounted to \$243,734, \$419,298, \$566,188 and \$1,515,819, respectively. The carrying amounts of the accounts receivable as of September 30, 2023 and 2022 amounted to \$278,399 and \$443,753, respectively. In order to reduce credit risk, the Group continuously assesses the financial status of the customers.

3) Accounts receivable credit risk

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

(ii) Liquidity risk

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

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
<b>September 30, 2023</b>					
Non derivative financial liabilities					
Accounts payable (including related parties)	\$ 342,571	(342,571)	(342,571)	-	-
Other payables	275,857	(275,857)	(275,857)	-	-
Lease liabilities— current and non-current	<u>57,445</u>	<u>(58,754)</u>	<u>(14,878)</u>	<u>(14,207)</u>	<u>(29,669)</u>
	<u>\$ 675,873</u>	<u>(677,182)</u>	<u>(633,306)</u>	<u>(14,207)</u>	<u>(29,669)</u>
<b>December 31, 2022</b>					
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)
Derivative financial liabilities					
Foreign exchange forward contracts:	8,006				
Outflow		(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>
<b>September 30, 2022</b>					
Non derivative financial liabilities					
Accounts payable (including related parties)	\$ 886,985	(886,985)	(886,985)	-	-
Other payables	87,623	(87,623)	(87,623)	-	-
Lease liabilities— current and non-current	<u>72,167</u>	<u>(74,165)</u>	<u>(15,490)</u>	<u>(14,859)</u>	<u>(43,816)</u>
	<u>\$ 1,046,775</u>	<u>(1,048,773)</u>	<u>(990,098)</u>	<u>(14,859)</u>	<u>(43,816)</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>September 30, 2023</u>			<u>December 31, 2022</u>			<u>September 30, 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	\$ 11,087	USD/TWD =32.27	357,777	30,074	USD/TWD =30.71	923,573	40,104	USD/TWD =31.85	1,277,312
EUR	2,367	EUR/TWD =33.91	80,265	9,142	EUR/TWD =32.72	299,126	13,532	EUR/TWD =30.76	416,244
Financial liabilities									
Monetary items									
USD	11,298	USD/TWD =32.27	364,586	27,261	USD/TWD =30.71	837,185	28,454	USD/TWD =31.85	906,260
EUR	13	EUR/TWD =33.91	441	307	EUR/TWD =32.72	10,045	293	EUR/TWD =30.76	9,013

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 September 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:

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

	<u>September 30, 2023</u>	<u>September 30, 2022</u>
USD (against the TWD)		
Strengthening 5%	\$ (340)	18,553
Weakening 5%	340	(18,553)
EUR (against the TWD)		
Strengthening 5%	3,991	20,812
Weakening 5%	(3,991)	(20,812)

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 nine months ended September 30, 2023, the foreign exchange gain (including realized and unrealized portions) amounted to \$3,066 and \$8,106, respectively. For the three months and nine months ended September 30, 2022, the foreign exchange loss (including realized and unrealized portions) amounted to \$6,578 and \$49,617, respectively.

(iv) Interest rate analysis

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

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

If the interest rate had increased or decreased by 0.25%, assuming all other variables remaining constant, the net loss before tax would have decreased or increased by \$222 for the nine months ended September 30, 2023, and the net profit before tax would have increased or decreased by \$300 for the nine months ended September 30, 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**

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 nine months ended September 30, 2023 and 2022.

(u) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note (6)(u) of the consolidated financial statements for the year ended December 31, 2022.

(v) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 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.

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

(w) Investing and financing activities not affecting cash flow

The Group's investing and financing activities which did not affect the cash flow for the nine months ended September 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:

	<b>January 1, 2023</b>	<b>Cash flows</b>	<b>September 30, 2023</b>
Lease liabilities	\$ <b>68,479</b>	<b>(11,034)</b>	<b>57,445</b>
		<b>Non-cash changes</b>	
	<b>January 1, 2022</b>	<b>Cash flows</b>	<b>Acquisition</b>
Lease liabilities	\$ <b>83,411</b>	<b>(11,724)</b>	<b>480</b>
			<b>September 30, 2022</b>
			<b>72,167</b>

**(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.

<b>Name of related party</b>	<b>Relationship with the Group</b>
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

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

(c) Significant transactions with related parties

(i) Purchases and processing fee

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Parent Company- Compal Electronics	\$ 41,857	85,897	117,863	377,258
Other related parties	-	602	-	1,367
	<b><u>\$ 41,857</u></b>	<b><u>86,499</u></b>	<b><u>117,863</u></b>	<b><u>378,625</u></b>

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

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

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

(ii) Other expenditures

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

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Parent Company- Compal Electronics	\$ 1,718	-	10,028	445
Other related parties	50	35	75	105
	<b><u>\$ 1,768</u></b>	<b><u>35</u></b>	<b><u>10,103</u></b>	<b><u>550</u></b>

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

(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>	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Other receivables	Other related parties-CDE	\$ -	-	13,693
	Other related parties-CVC	-	364,925	187,367
	Associate	491	161	472
		<u>\$ 491</u>	<u>365,086</u>	<u>201,532</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>	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Accounts payable	Parent Company-Compal Electronics	\$ 227,709	258,313	160,845
Accounts payable	Other related parties	-	1,018	1,227
Other payables	Parent Company-Compal Electronics	9	-	-
Other payables	Other related parties-CDE	32,067	31,413	-
Other payables	Other related parties-CVC	179,086	-	-
Other payables	Other related parties	26	18	37
		<u>\$ 438,897</u>	<u>290,762</u>	<u>162,109</u>

(d) Transactions with key management personnel

Key management personnel compensation comprised:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 6,837	7,493	23,218	20,081
Post-employment benefits	267	191	658	539
Share-based payments	438	2,557	1,765	9,117
	<u>\$ 7,542</u>	<u>10,241</u>	<u>25,641</u>	<u>29,737</u>

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

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

**(8) Pledged assets:**

The carrying amount of pledged assets were as follows:

Assets	Subject	September 30, 2023	December 31, 2022	September 30, 2022
Other non-current assets- restricted asset-time deposit	Guarantee payment for import VAT	\$ <u>500</u>	<u>500</u>	<u>500</u>

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

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

By item	By function	For the three months ended September 30					
		2023			2022		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		-	47,830	47,830	-	56,765	56,765
Labor and health insurance		-	3,628	3,628	-	4,010	4,010
Pension		-	1,958	1,958	-	2,174	2,174
Others		-	1,415	1,415	-	1,776	1,776
Depreciation		1,274	13,201	14,475	671	13,608	14,279
Amortization		-	1,302	1,302	-	1,760	1,760

By item	By function	For the nine months ended September 30					
		2023			2022		
		Cost of sale	Operating expense	Total	Cost of sale	Operating expense	Total
Employee benefits							
Salary		-	144,632	144,632	-	169,149	169,149
Labor and health insurance		-	11,834	11,834	-	12,627	12,627
Pension		-	6,161	6,161	-	6,460	6,460
Others		-	4,342	4,342	-	5,413	5,413
Depreciation		3,602	40,201	43,803	2,012	40,411	42,423
Amortization		-	4,061	4,061	-	5,234	5,234

**(b) Seasonality of operations**

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

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

**(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 nine months ended September 30, 2023:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held as of September 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:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Compal Electronics	Parent company	Purchases	117,863	16 %	Net 90 days from delivery	-	No Significant difference	Accounts payable (227,709)	(66)%	Note

Note: The transaction amounts have been considered the adjustments made by the Parent Company for processing trade.

- (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

(Continued)

**COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES**  
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(b) Information on investees:

The following is the information on investees for the nine months ended September 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 September 30, 2023			Net income (losses) of investee	Investment Income (losses)	Note
				September 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 %	5,325	(250)	(250)	Notes 1 - 2
The Company	CBNN	Netherlands	"	7,016	7,016	20	100.00 %	6,297	(92)	(92)	"
The Company	Starmems	Taiwan	Research and development of micro-electro-mechanical system (MEMS) microphone technology products	10,000	10,000	1,000	10.00 %	4,925	(22,147)	(2,215)	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@33.91 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	42.96 %
Zhi-Bao Technology Inc.		13,139,637	19.42 %
Cdib Capital Growth Partners L.P.		4,119,000	6.08 %
Realsun Investment Co., Ltd		3,575,000	5.28 %
Realking Investments Limited		3,575,000	5.28 %

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

(Continued)

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