

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2022 and 2021**

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The independent auditors' 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' report and consolidated financial statements, the Chinese version shall prevail.

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安侯建業聯合會計師事務所

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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Compal Broadband Networks, Inc. and its subsidiaries as of March 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2022 and 2021, 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 Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". 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 generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Compal Broadband Networks, Inc. and its subsidiaries as of March 31, 2022 and 2021, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2022 and 2021 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 Kuan-Ying Kuo and Szu-Chuan Chien.

KPMG

Taipei, Taiwan (Republic of China)

May 4, 2022

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 generally accepted and applied in the Republic of China.

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards as of March 31, 2022 and 2021

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2022, December 31 and March 31, 2021

(Expressed in Thousands of New Taiwan Dollars)

	March 31, 2022		December 31, 2021		March 31, 2021			March 31, 2022		December 31, 2021		March 31, 2021	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Assets													
Current assets:							Liabilities and Equity						
1100 Cash and cash equivalents (note(6)(a))	\$ 911,584	30	1,046,514	32	1,585,331	55	2100 Short-term borrowings (note(6)(j))	\$ 57,120	2	-	-	-	-
1110 Current financial assets at fair value through profit or loss (note(6)(b))	10,024	-	8,476	-	2,379	-	2120 Current financial liabilities at fair value through profit or loss (note(6)(b))	3,369	-	-	-	-	-
1170 Accounts receivable, net (notes(6)(c) and (6)(r))	898,535	29	895,538	28	564,979	19	2130 Current contract liabilities (note(6)(r))	3,258	-	1,099	-	6,477	-
1200 Other receivables, net (notes(6)(d) and (7))	169,199	5	275,703	8	176,679	6	2170 Accounts payable	555,136	18	669,572	21	645,323	22
1310 Inventories (note(6)(e))	721,236	23	612,848	19	320,141	11	2180 Accounts payable to related parties (note(7))	465,335	15	540,601	17	300,058	11
1410 Prepayments	52,789	2	55,789	2	58,445	2	2200 Other payables (note(7))	179,934	6	133,784	4	91,032	3
1470 Other current assets	1,700	-	25,808	1	28,281	1	2230 Current tax liabilities	3,885	-	3,524	-	-	-
	<u>2,765,067</u>	<u>89</u>	<u>2,920,676</u>	<u>90</u>	<u>2,736,235</u>	<u>94</u>	2250 Current provisions (note(6)(k))	176,391	6	179,577	6	195,101	7
Non-current assets:							2280 Current lease liabilities (note(6)(l))	14,991	-	15,253	-	8,268	-
1550 Investments accounted for using equity method (note(6)(f))	9,156	-	9,706	-	-	-	2300 Other current liabilities	1,534	-	1,524	-	2,366	-
1600 Property, plant and equipment (note(6)(g))	151,920	5	138,261	4	71,770	3		<u>1,460,953</u>	<u>47</u>	<u>1,544,934</u>	<u>48</u>	<u>1,248,625</u>	<u>43</u>
1755 Right-of-use assets (note(6)(h))	79,212	3	83,203	3	11,736	-	Non-Current liabilities:						
1780 Intangible assets (note(6)(i))	5,704	-	6,810	-	8,465	-	2570 Deferred tax liabilities	1,695	-	1,695	-	-	-
1840 Deferred tax assets	76,622	3	76,656	3	75,086	3	2580 Non-current lease liabilities (note(6)(l))	64,528	2	68,158	2	3,602	-
1900 Other non-current assets (note(8))	4,192	-	4,192	-	4,186	-		<u>66,223</u>	<u>2</u>	<u>69,853</u>	<u>2</u>	<u>3,602</u>	<u>-</u>
	<u>326,806</u>	<u>11</u>	<u>318,828</u>	<u>10</u>	<u>171,243</u>	<u>6</u>	Total liabilities	<u>1,527,176</u>	<u>49</u>	<u>1,614,787</u>	<u>50</u>	<u>1,252,227</u>	<u>43</u>
Total assets	\$ 3,091,873	100	3,239,504	100	2,907,478	100	Equity (notes(6)(o) and (6)(p)):						
							3110 Ordinary share	684,194	22	684,704	21	669,704	23
							3200 Capital surplus	388,577	13	389,633	12	378,674	13
							3300 Retained earnings	529,495	17	596,583	18	607,228	21
							3410 Exchange differences on translation of foreign financial statements	(847)	-	(984)	-	(355)	-
							3491 Unearned employee benefit	(36,722)	(1)	(45,219)	(1)	-	-
							Total equity	<u>1,564,697</u>	<u>51</u>	<u>1,624,717</u>	<u>50</u>	<u>1,655,251</u>	<u>57</u>
							Total liabilities and equity	\$ 3,091,873	100	3,239,504	100	2,907,478	100

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2022 and 2021

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

		<u>For the three months ended March 31</u>			
		<u>2022</u>		<u>2021</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (note(6)(r))	\$ 750,270	100	757,286	100
5000	Operating costs (notes(6)(e), (7) and (12))	<u>618,576</u>	<u>82</u>	<u>639,287</u>	<u>84</u>
	Gross profit from operations	<u>131,694</u>	<u>18</u>	<u>117,999</u>	<u>16</u>
	Operating expenses: (notes(6)(l), (6)(m), (6)(s), (7) and (12))				
6100	Selling expenses	46,536	6	28,511	4
6200	Administrative expenses	27,201	4	25,412	3
6300	Research and development expenses	<u>63,329</u>	<u>8</u>	<u>45,559</u>	<u>6</u>
	Total operating expenses	<u>137,066</u>	<u>18</u>	<u>99,482</u>	<u>13</u>
	Net operating income (loss)	<u>(5,372)</u>	<u>-</u>	<u>18,517</u>	<u>3</u>
	Non-operating income and expenses:				
7010	Other income	1,588	-	427	-
7020	Other gains and losses (note(6)(t))	3,620	-	(23,892)	(3)
7100	Interest income	447	-	794	-
7510	Interest expense (note(6)(l))	(322)	-	(42)	-
7770	Share of loss of associates and joint ventures accounted for using equity method (note(6)(f))	<u>(550)</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>4,783</u>	<u>-</u>	<u>(22,713)</u>	<u>(3)</u>
7900	Profit (loss) from continuing operations before tax	(589)	-	(4,196)	-
7950	Less: Income tax benefit (note(6)(n))	<u>(1,920)</u>	<u>-</u>	<u>(706)</u>	<u>-</u>
	Profit (loss)	<u>1,331</u>	<u>-</u>	<u>(3,490)</u>	<u>-</u>
8300	Other comprehensive income:				
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	171	-	(556)	-
8399	Less: income tax related to items that will not be reclassified to profit or loss	<u>34</u>	<u>-</u>	<u>(111)</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>137</u>	<u>-</u>	<u>(445)</u>	<u>-</u>
8300	Other comprehensive income	<u>137</u>	<u>-</u>	<u>(445)</u>	<u>-</u>
	Total comprehensive income	<u>\$ 1,468</u>	<u>-</u>	<u>(3,935)</u>	<u>-</u>
	Earnings per share(note(6)(q))				
9750	Basic earnings per share	<u>\$ 0.02</u>		<u>(0.05)</u>	
9850	Diluted earnings per share	<u>\$ 0.02</u>			

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Ordinary share	Advance receipts for share capital	Capital surplus	Retained earnings			Other equity		Total	Total equity	
				Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unearned employee benefit			
Balance at January 1, 2021	\$ 669,324	350	378,674	139,063	309	471,346	610,718	90	-	90	1,659,156
Loss for the three months ended March 31, 2021	-	-	-	-	-	(3,490)	(3,490)	-	-	-	(3,490)
Other comprehensive income for the three months ended March 31, 2021	-	-	-	-	-	-	-	(445)	-	(445)	(445)
Total comprehensive income for the three months ended March 31, 2021	-	-	-	-	-	(3,490)	(3,490)	(445)	-	(445)	(3,935)
Exercise of employee share options	380	(350)	-	-	-	-	-	-	-	-	30
Balance at March 31, 2021	\$ 669,704	-	378,674	139,063	309	467,856	607,228	(355)	-	(355)	1,655,251
Balance at January 1, 2022	\$ 684,704	-	389,633	143,735	-	452,848	596,583	(984)	(45,219)	(46,203)	1,624,717
Profit for the three months ended March 31, 2022	-	-	-	-	-	1,331	1,331	-	-	-	1,331
Other comprehensive income for the three months ended March 31, 2022	-	-	-	-	-	-	-	137	-	137	137
Total comprehensive income for the three months ended March 31, 2022	-	-	-	-	-	1,331	1,331	137	-	137	1,468
Appropriation and distribution of retained earnings:											
Cash dividends of ordinary share	-	-	-	-	-	(68,419)	(68,419)	-	-	-	(68,419)
Share-based payment transactions	(510)	-	(1,056)	-	-	-	-	-	8,497	8,497	6,931
Balance at March 31, 2022	\$ 684,194	-	388,577	143,735	-	385,760	529,495	(847)	(36,722)	(37,569)	1,564,697

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2022	2021
Cash flows from (used in) operating activities:		
Loss before tax	\$ (589)	(4,196)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	15,140	13,056
Expected credit (gain) loss	(196)	284
Interest expense	322	42
Interest income	(447)	(794)
Compensation cost of employee share-based payment	6,931	-
Share of loss of associates and joint ventures accounted for using equity method	550	-
Total adjustments to reconcile profit (loss)	22,300	12,588
Changes in operating assets and liabilities:		
Change in financial assets mandatorily measured at fair value through profit or loss	(1,548)	(2,379)
Increase in accounts receivable	(3,171)	(43,851)
Decrease (increase) in other receivables	106,887	(49,469)
Increase in inventories	(108,388)	(11,501)
Decrease (increase) in prepayments	3,000	(2,679)
(Increase) decrease in other current assets	(919)	777
Increase (decrease) in financial liabilities held for trading	3,369	(9,701)
Increase (decrease) in contract liabilities	2,159	(15,185)
(Decrease) increase in accounts payable	(189,702)	220,536
Decrease in other payable	(22,307)	(18,725)
Decrease in provisions	(3,186)	(5,749)
Increase (decrease) in other current liabilities	10	(1,833)
Total changes in operating assets and liabilities	(213,796)	60,241
Total adjustments	(191,496)	72,829
Cash inflow (outflow) generated from operations	(192,085)	68,633
Interest received	434	816
Interest paid	(284)	(42)
Income taxes refund (paid)	27,308	(50)
Net cash flows from (used in) operating activities	(164,627)	69,357
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(23,033)	(1,851)
Increase in refundable deposits	-	(20)
Acquisition of intangible assets	(669)	(2,068)
Net cash flows used in investing activities	(23,702)	(3,939)
Cash flows from (used in) financing activities:		
Proceeds from short-term borrowings	168,820	-
Repayments of short-term borrowings	(111,700)	-
Payment of lease liabilities	(3,892)	(4,097)
Exercise of employee share options	-	30
Net cash flows from (used in) financing activities	53,228	(4,067)
Effect of exchange rate changes on cash and cash equivalents	171	(556)
Net increase (decrease) in cash and cash equivalents	(134,930)	60,795
Cash and cash equivalents at beginning of period	1,046,514	1,524,536
Cash and cash equivalents at end of period	\$ 911,584	1,585,331

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2022 and 2021

(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-PAL Technology Inc. (ZHI-PAL Technology) with the shareholding ratio was 52% and 48% respectively. The parent company of the Company is Compal Electronics. As of March 31, 2022 and 2021, Compal Electronics and its subsidiaries held 62% and 64% shares in the Company, respectively.

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

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on May 4, 2022.

(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, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(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”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

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 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(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, 2021. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2021.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding		
			March 31, 2022	December 31, 2021	March 31, 2021
The Company	Compal Broadband Networks Belgium BVBA (“CBNB”)	Import, export, technical support, and consulting services for broadband network products and related components	100 %	100 %	100 %
“	Compal Broadband Networks Netherlands B.V. (“CBNN”)	“	100 %	100 %	100 %

(c) Income taxes

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

Income tax expenses for the period are best estimated by multiplying pre tax income for the interim reporting period using the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

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

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

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

(Continued)

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

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, 2021. For related information, please refer to note (5) of the consolidated financial statements for the year ended December 31, 2021.

(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 2021 consolidated financial statements. Please refer to Note (6) of the 2021 annual consolidated financial statements.

(a) Cash and cash equivalents

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Cash on hand	\$ 181	234	257
Checking accounts and demand deposits	575,403	710,280	1,076,610
Time deposits	<u>336,000</u>	<u>336,000</u>	<u>508,464</u>
	<u>\$ 911,584</u>	<u>1,046,514</u>	<u>1,585,331</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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Current financial assets mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging:			
Foreign exchange forward contracts	\$ 10,024	8,380	2,379
Foreign exchange swaps contracts	<u>-</u>	<u>96</u>	<u>-</u>
Total	<u>\$ 10,024</u>	<u>8,476</u>	<u>2,379</u>
Held-for-trading financial liabilities:			
Derivative instruments not used for hedging:			
Foreign exchange forward contracts	\$ 928	-	-
Foreign exchange swaps contracts	<u>2,441</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,369</u>	<u>-</u>	<u>-</u>

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

(Continued)

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

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

	March 31, 2022		
	Contract amount (in thousands)	Currency	Maturity date
Derivative financial assets:			
Foreign exchange contracts:			
Foreign exchange sold	EUR 14,000	EUR to USD	April 8, 2022~ July 11, 2022
Derivative financial liabilities:			
Foreign exchange contracts:			
Foreign exchange sold	EUR 6,000	EUR to USD	July 22, 2022~ August 25, 2022
Swap contracts:			
Foreign exchange swaps	USD 3,000	USD to TWD	April 11, 2022~ May 9, 2022
Foreign exchange swaps	EUR 1,000	EUR to TWD	April 22, 2022
	December 31, 2021		
	Contract amount (in thousands)	Currency	Maturity date
Derivative financial assets:			
Foreign exchange contracts:			
Foreign exchange sold	EUR 16,000	EUR to USD	January 10, 2022~ May 9, 2022
Foreign exchange sold	EUR 1,500	EUR to TWD	January 5, 2022
Swap contracts:			
Foreign exchange swaps	USD 1,000	USD to TWD	March 1, 2022

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March 31, 2021			
	Contract amount (in thousands)	Currency	Maturity date
Derivative financial assets:			
Foreign exchange contracts:			
Foreign exchange sold	EUR 2,000	EUR to USD	April 23, 2021

(c) Accounts receivable

	March 31, 2022	December 31, 2021	March 31, 2021
Accounts receivable	\$ 900,341	897,170	566,428
Less: loss allowance	(1,806)	(1,632)	(1,449)
	\$ 898,535	895,538	564,979

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

March 31, 2022				
	Gross carrying amount	Weighted- average loss rate	Loss allowance	Credit impaired
Level B	\$ 797,945	0.10%	782	No
Level C	102,396	1.00%	1,024	No
	\$ 900,341		1,806	

December 31, 2021				
	Gross carrying amount	Weighted- average loss rate	Loss allowance	Credit impaired
Level B	\$ 815,467	0.10%	815	No
Level C	81,703	1.00%	817	No
	\$ 897,170		1,632	

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
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	March 31, 2021			
	Gross carrying amount	Weighted-average loss rate	Loss allowance	Credit impaired
Level B	\$ 466,123	0.10%	446	No
Level C	100,305	1.00%	1,003	No
	\$ 566,428		1,449	

The aging analysis of accounts receivable were as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Overdue 1~30 days	\$ 114,542	154,667	116,142
Overdue 31~60 days	163,862	131,535	10,649
Overdue 61~90 days	86,865	22,252	-
Overdue 91~180 days	5,673	19,162	-
	\$ 370,942	327,616	126,791

The movements of allowance for accounts receivable were as follows:

	For the three months ended March 31,	
	2022	2021
Balance at January 1	\$ 1,632	1,269
Impairment loss recognized	174	180
Balance at March 31	\$ 1,806	1,449

As of March 31, 2022, December 31 and March 31, 2021, the Group did not provide any aforementioned accounts receivable as collaterals.

(d) Other receivables

	March 31, 2022	December 31, 2021	March 31, 2021
Other receivables	\$ 169,728	276,602	177,058
Less: loss allowance	(529)	(899)	(379)
	\$ 169,199	275,703	176,679

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The aging analysis of overdue other receivables were as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Overdue 1~30 days	\$ 12,043	15,543	17,546
Overdue 31~60 days	-	-	254
	<u>\$ 12,043</u>	<u>15,543</u>	<u>17,800</u>

The movements of allowance for other receivables were as follows:

	For the three months ended March 31,	
	2022	2021
Balance at January 1	\$ 899	275
Impairment loss (reversed) recognized	(370)	104
Balance at March 31	<u>\$ 529</u>	<u>379</u>

As of March 31, 2022, December 31 and March 31, 2021, the Group did not provide any aforementioned other receivables as collaterals.

(e) Inventories

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

	March 31, 2022	December 31, 2021	March 31, 2021
Raw materials	\$ 582,180	489,899	253,216
Semi-finished goods	2,392	2,523	1,069
Merchandise	136,664	120,426	65,856
	<u>\$ 721,236</u>	<u>612,848</u>	<u>320,141</u>

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

	For the three months ended March 31,	
	2022	2021
Cost of sales and expenses	\$ 622,692	641,096
Reversal for inventory valuation and obsolescence loss	(4,116)	(1,809)
	<u>\$ 618,576</u>	<u>639,287</u>

For the three months ended March 31, 2022 and 2021, the Group reversed write-down inventories and obsolescence losses from inventory destocking.

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
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(iii) As of March 31, 2022, December 31 and March 31, 2021, 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:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
The carrying amount of individually insignificant associates equity	\$ <u>9,156</u>	<u>9,706</u>	<u>-</u>

The Group's share of the net income (loss) of associates was as follows:

	<u>For the three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Net loss from continuing operations	\$ <u>(550)</u>	<u>-</u>
Total comprehensive income	\$ <u>(550)</u>	<u>-</u>

(ii) As of March 31, 2022, December 31 and March 31, 2021, the Group did not provide any investment accounted for using equity method as collaterals.

(g) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group for the three months ended March 31, 2022 and 2021 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, 2022	\$ 372,091	13,152	6,318	85,726	5,121	482,408
Additions	20,175	-	224	2,083	551	23,033
Reclassifications	<u>551</u>	<u>-</u>	<u>-</u>	<u>4,571</u>	<u>(5,122)</u>	<u>-</u>
Balance at March 31, 2022	<u>\$ 392,817</u>	<u>13,152</u>	<u>6,542</u>	<u>92,380</u>	<u>550</u>	<u>505,441</u>
Balance at January 1, 2021	\$ 300,292	13,152	6,425	72,845	-	392,714
Additions	<u>957</u>	<u>-</u>	<u>-</u>	<u>894</u>	<u>-</u>	<u>1,851</u>
Balance at March 31, 2021	<u>\$ 301,249</u>	<u>13,152</u>	<u>6,425</u>	<u>73,739</u>	<u>-</u>	<u>394,565</u>

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
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	<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>
Depreciation:						
Balance at January 1, 2022	\$ 274,735	12,845	6,201	50,366	-	344,147
Depreciation	<u>7,587</u>	<u>55</u>	<u>22</u>	<u>1,710</u>	<u>-</u>	<u>9,374</u>
Balance at March 31, 2022	<u>\$ 282,322</u>	<u>12,900</u>	<u>6,223</u>	<u>52,076</u>	<u>-</u>	<u>353,521</u>
Balance at January 1, 2021	\$ 251,745	12,625	6,244	45,846	-	316,460
Depreciation	<u>4,902</u>	<u>55</u>	<u>16</u>	<u>1,362</u>	<u>-</u>	<u>6,335</u>
Balance at March 31, 2021	<u>\$ 256,647</u>	<u>12,680</u>	<u>6,260</u>	<u>47,208</u>	<u>-</u>	<u>322,795</u>
Carrying amounts:						
Balance at January 1, 2022	<u>\$ 97,356</u>	<u>307</u>	<u>117</u>	<u>35,360</u>	<u>5,121</u>	<u>138,261</u>
Balance at March 31, 2022	<u>\$ 110,495</u>	<u>252</u>	<u>319</u>	<u>40,304</u>	<u>550</u>	<u>151,920</u>
Balance at January 1, 2021	<u>\$ 48,547</u>	<u>527</u>	<u>181</u>	<u>26,999</u>	<u>-</u>	<u>76,254</u>
Balance at March 31, 2021	<u>\$ 44,602</u>	<u>472</u>	<u>165</u>	<u>26,531</u>	<u>-</u>	<u>71,770</u>

As of March 31, 2022, December 31 and March 31, 2021, 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, 2022 (As Balance at March 31, 2022)	<u>\$ 120,203</u>	<u>7,039</u>	<u>127,242</u>
Balance at January 1, 2021 (As Balance at March 31, 2021)	<u>\$ 41,252</u>	<u>6,183</u>	<u>47,435</u>
Depreciation:			
Balance at January 1, 2022	\$ 41,229	2,810	44,039
Depreciation	<u>3,432</u>	<u>559</u>	<u>3,991</u>
Balance at March 31, 2022	<u>\$ 44,661</u>	<u>3,369</u>	<u>48,030</u>
Balance at January 1, 2021	\$ 27,668	3,967	31,635
Depreciation	<u>3,474</u>	<u>590</u>	<u>4,064</u>
Balance at March 31, 2021	<u>\$ 31,142</u>	<u>4,557</u>	<u>35,699</u>

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
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	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
Carrying amount:			
Balance at January 1, 2022	\$ <u>78,974</u>	<u>4,229</u>	<u>83,203</u>
Balance at March 31, 2022	\$ <u>75,542</u>	<u>3,670</u>	<u>79,212</u>
Balance at January 1, 2021	\$ <u>13,584</u>	<u>2,216</u>	<u>15,800</u>
Balance at March 31, 2021	\$ <u>10,110</u>	<u>1,626</u>	<u>11,736</u>

(i) Intangible Assets

The cost and accumulated amortization of intangible assets of the Group for the three months ended March 31, 2022 and 2021 were as follows:

	<u>Computer software</u>
Cost:	
Balance at January 1, 2022	\$ 16,683
Additions	669
Disposals	<u>(3,938)</u>
Balance at March 31, 2022	\$ <u>13,414</u>
Balance at January 1, 2021	\$ 40,892
Additions	2,068
Disposals	<u>(6,914)</u>
Balance at March 31, 2021	\$ <u>36,046</u>
Accumulated amortization:	
Balance at January 1, 2022	\$ 9,873
Amortization	1,775
Disposals	<u>(3,938)</u>
Balance at March 31, 2022	\$ <u>7,710</u>
Balance at January 1, 2021	\$ 31,838
Amortization	2,657
Disposals	<u>(6,914)</u>
Balance at March 31, 2021	\$ <u>27,581</u>
Carrying amount:	
Balance at January 1, 2022	\$ <u>6,810</u>
Balance at March 31, 2022	\$ <u>5,704</u>
Balance at January 1, 2021	\$ <u>9,054</u>
Balance at March 31, 2021	\$ <u>8,465</u>

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
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For the three months ended March 31, 2022 and 2021, the amortization of intangible assets are included in the statement of comprehensive income as operating expenses amounted to \$1,775 and \$2,657 thousands, respectively.

As of March 31, 2022, December 31 and March 31, 2021, the Group did not provide any intangible assets as collaterals.

(j) Short term borrowings

	<u>March 31,</u> <u>2022</u>	<u>December</u> <u>31, 2021</u>	<u>March 31,</u> <u>2021</u>
Unsecured bank loans	\$ <u>57,120</u>	<u>-</u>	<u>-</u>
Unused credit line for short term borrowings	\$ <u>857,720</u>	<u>902,520</u>	<u>914,140</u>
Range of interest rates	<u>0.97%</u>	<u>-</u>	<u>-</u>

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

(k) Provisions

	<u>Warranty</u> <u>Provisions</u>
Balance at January 1, 2022	\$ 179,577
Provisions made during the period	4,887
Provisions reversed during the period	(700)
Provisions used during the period	<u>(7,373)</u>
Balance at March 31, 2022	<u>\$ 176,391</u>
Balance at January 1, 2021	\$ 200,850
Provisions made during the period	3,565
Provisions reversed during the period	(672)
Provisions used during the period	<u>(8,642)</u>
Balance at March 31, 2021	<u>\$ 195,101</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.

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

(l) Lease liabilities

The details of lease liabilities were as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Current	<u>\$ 14,991</u>	<u>15,253</u>	<u>8,268</u>
Non-current	<u>\$ 64,528</u>	<u>68,158</u>	<u>3,602</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 March 31,	
	2022	2021
Interest expense on lease liabilities	<u>\$ 221</u>	<u>42</u>
Expenses relating to short-term leases	<u>\$ 87</u>	<u>85</u>
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 25</u>	<u>17</u>

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

	For the three months ended March 31,	
	2022	2021
Total cash outflow for leases	<u>\$ 4,225</u>	<u>4,241</u>

The Group leases buildings, parking spaces, and transportation equipment, which typically run for 1 to 6 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

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

(m) Employee benefits - Defined contribution plans

The pension expenses of the Group under the pension plan contributed to the Bureau of Labor Insurance for the three months ended March 31, 2022 and 2021 were as follows:

	For the three months ended March 31,	
	2022	2021
Selling expenses	\$ 299	194
Administration expenses	469	527
Research and development expenses	<u>1,414</u>	<u>1,212</u>
	<u>\$ 2,182</u>	<u>1,933</u>

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

	For the three months ended	
	March 31,	
	2022	2021
Current tax benefit	<u>\$ (1,920)</u>	<u>(706)</u>

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

	For the three months ended	
	March 31,	
	2022	2021
Items that might be reclassified subsequently to profit or loss:		
Foreign currency translation differences of foreign operations	<u>\$ 34</u>	<u>(111)</u>

- (iii) The R.O.C. tax authorities have examined the income tax returns of the Company through 2019.

(o) Capital and other equities

Except for the following disclosures, there was no significant change for capital and other equities for the periods from January 1 to March 31, 2022 and 2021. Please refer to note (6)(n) of the 2021 annual consolidated financial statements for other related information.

- (i) Ordinary shares

Reconciliation of shares outstanding for the three months ended March 31, 2022 and 2021 were as follow:

	For the three months ended	
	March 31,	
	2022	2021
Balance at January 1	<u>68,470</u>	<u>66,967</u>
Exercise of employee share options	-	3
Cancellation of employee restricted shares	<u>(51)</u>	<u>-</u>
Balance at March 31	<u>68,419</u>	<u>66,970</u>

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
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The Company applied for the employee share option certificates for the three months ended March 31, 2022, amounting to \$30 thousand. As of March 31, 2022, the employee share options were completed, and its accumulated subscribed share capital amounted to \$26,722 thousand.

The Company issued new restricted employee stocks amounting to \$15,000 thousand for 2021. For the three months ended March 31, 2022, the share capital of \$510 thousand was canceled, which reduced the capital reserve of \$1,056 thousand because some employees who received restricted stock options did not meet the vesting conditions. The registration had been completed.

(ii) Capital surplus

	March 31, 2022	December 31, 2021	March 31, 2021
Additional paid in capital premium	\$ 310,482	310,482	330,573
Employee share options	48,101	48,101	48,101
Issuance of employee restricted shares	29,994	31,050	-
	<u>\$ 388,577</u>	<u>389,633</u>	<u>378,674</u>

The Company's general meeting of the shareholders held on August 30, 2022, approved to distribute the cash dividend of \$ 20,091 (\$0.3 per share) through capital surplus.

(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 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.

In accordance with the Articles of Incorporation amended on August 30, 2021, the previous resolution of the earnings distribution, the cash distribution of dividends to shareholders, was approved by the Board of Directors based on the article. Subsequently reported at the shareholders' meeting, there is no requirement for the shareholders to approve.

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
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(iv) Earnings distributed

The amount of cash dividends of appropriations of earnings for 2021 had been approved in the board meeting held on March 9, 2022. The appropriations of earnings for 2020 had been approved in the shareholders' meeting on August 30, 2021. These earnings were appropriated as follows:

	2021		2021	
	Amount per share	Total amount	Amount per share	Total amount
Cash dividends distributed to ordinary shareholders	\$ 1.0	68,419	0.7	46,879

(p) Share based payment

There were no significant changes in share-based payment during the periods from January 1 to March 31, 2022 and 2021. For the related information, please refer to note (6)(o) of the 2021 annual consolidated financial statements for other related information.

(q) Earnings per share

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

	For the three months ended March 31,	
	2022	2021
Basic earnings per share		
Profit (loss) attributable to ordinary shareholders of the Company	\$ 1,331	(3,490)
Weighted average number of outstanding ordinary shares (in thousands)	66,970	66,939
Basic earnings per share (dollars)	\$ 0.02	(0.05)
Diluted earnings per share		
Profit (loss) attributable to ordinary shareholders of the Company	\$ 1,331	(3,490)
Weighted average number of outstanding ordinary shares (Basic) (in thousands)	66,970	
Effect of dilutive potential ordinary shares (in thousands):		
Effect of remuneration to employees	108	
Effect of employee restricted shares unvested	300	
Weighted average number of ordinary shares (diluted) (in thousands)	67,378	
Diluted earnings per share (dollars)	\$ 0.02	

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
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The employee stock options and employee benefit issued by the Company have no dilutive effect. Therefore, the employee stock options and employee benefit do not include in the calculation of diluted earnings per share for the first quarter of 2021.

(r) Revenue from contracts with customers

(i) Details of revenue

	For the three months ended March 31,	
	2022	2021
Primary geographical markets:		
Europe	\$ 439,246	395,046
America	228,550	330,884
Asia and others	<u>82,474</u>	<u>31,356</u>
	<u>\$ 750,270</u>	<u>757,286</u>
Major products:		
Communication network products	\$ 732,545	724,582
Material sales revenue and others	<u>17,725</u>	<u>32,704</u>
	<u>\$ 750,270</u>	<u>757,286</u>

(ii) Contract balances

	March 31, 2022	December 31, 2021	March 31, 2021
Accounts receivable	\$ 900,341	897,170	566,428
Less: loss allowance	<u>(1,806)</u>	<u>(1,632)</u>	<u>(1,449)</u>
	<u>\$ 898,535</u>	<u>895,538</u>	<u>564,979</u>
Contract liabilities	<u>\$ 3,258</u>	<u>1,099</u>	<u>6,477</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 ended March 31, 2022 and 2021 that were included in the contract liability balance or increased by the beginning of the period were \$258 thousand and \$15,505 thousand, 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.

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
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(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 three months ended March 31, 2022 and 2021.

There is no differences between the amounts estimated and approved by the Board of Directors and those recognized in the financial statements, and the related information can be accessed through the Market Observation Post System website.

(t) Other profits and losses

The other profits and losses of the Group for the three months ended March 31, 2022 and 2021 were as follow:

	For the three months ended March 31,	
	2022	2021
Foreign currency exchange losses, net	\$ (6,848)	(32,699)
Gains on financial assets at fair value through profit or loss, net	10,468	8,807
	\$ 3,620	(23,892)

(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 2021 annual consolidated financial statements for related information.

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

Sales to individual customers constituting over 10% of total revenue for the three months ended March 31, 2022, amounted to \$589,709 thousand and \$603,021 thousand, respectively. The carrying amounts of the accounts receivable as of March 31, 2022 and 2021 amounted to \$717,896 thousand and \$407,267 thousand, respectively. In order to reduce credit risk, the Group continuously assesses the financial status of the customers.

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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>
March 31, 2022					
Non derivative financial liabilities					
Short term borrowings	\$ 57,120	(57,168)	(57,168)	-	-
Accounts payable (including related parties)	1,020,471	(1,020,471)	(1,020,471)	-	-
Other payables	179,934	(179,934)	(179,934)	-	-
Lease liabilities — current and non-current	79,519	(81,921)	(15,772)	(15,241)	(50,908)
Derivative financial liabilities					
Foreign exchange forward contracts:					
Outflow	928	(190,740)	(190,740)	-	-
Inflow		190,924	190,924	-	-
Foreign exchange swaps					
Outflow	2,441	(117,470)	(117,470)	-	-
Inflow		115,315	115,315	-	-
	<u>\$ 1,340,413</u>	<u>(1,341,465)</u>	<u>(1,275,316)</u>	<u>(15,241)</u>	<u>(50,908)</u>
December 31, 2021					
Non derivative financial liabilities					
Accounts payable (including related parties)	\$ 1,210,173	(1,210,173)	(1,210,173)	-	-
Other payables	133,784	(133,784)	(133,784)	-	-
Lease liabilities — current and non-current	83,411	(86,035)	(16,076)	(15,241)	(54,718)
	<u>\$ 1,427,368</u>	<u>(1,429,992)</u>	<u>(1,360,033)</u>	<u>(15,241)</u>	<u>(54,718)</u>

(Continued)

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

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
March 31, 2021					
Non derivative financial liabilities					
Accounts payable (including related parties)	\$ 945,381	(945,381)	(945,381)	-	-
Other payables	91,032	(91,032)	(91,032)	-	-
Lease liabilities— current and non current	<u>11,870</u>	<u>(12,031)</u>	<u>(8,337)</u>	<u>(1,098)</u>	<u>(2,596)</u>
	<u>\$ 1,048,283</u>	<u>(1,048,444)</u>	<u>(1,044,750)</u>	<u>(1,098)</u>	<u>(2,596)</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) Market risk

1) Exposure to foreign currency risk

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

Unit: thousands of foreign currency

	<u>March 31, 2022</u>			<u>December 31, 2021</u>			<u>March 31, 2021</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	\$ 18,019	USD/TWD =28.56	514,623	25,935	USD/TWD =27.68	717,881	39,901	USD/TWD =28.51	1,137,578
EUR	28,763	EUR/TWD =31.79	914,376	30,954	EUR/TWD =31.32	969,479	21,771	EUR/TWD =33.46	728,458
Financial liabilities									
Monetary items									
USD	38,843	USD/TWD =28.56	1,109,356	44,243	USD/TWD =27.68	1,224,646	33,924	USD/TWD =28.51	967,173

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, short-term borrowings, accounts payable(including related parties), other payables and lease liabilities that are denominated in foreign currency. The analysis assumes that all other variables remain constant. A strengthening (weakening) 5% of each foreign currency against the functional currency on March 31, 2022 and 2021 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>March 31,</u> <u>2022</u>	<u>March 31,</u> <u>2021</u>
USD (against the TWD)		
Strengthening 5%	\$ (29,737)	8,520
Weakening 5%	29,737	(8,520)
EUR (against the TWD)		
Strengthening 5%	45,719	36,423
Weakening 5%	(45,719)	(36,423)

3) Exchange gains and losses of monetary items

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months ended March 31, 2022 and 2021, the foreign exchange loss (including realized and unrealized portions) amounted to \$6,848 and \$32,699 thousands, 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 profit before tax would have increased or decreased by \$319 and \$668 for the three months ended March 31, 2022 and 2021, 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

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

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

	December 31, 2021				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ <u>8,476</u>	-	8,476	-	8,476
Financial assets measured at amortized cost					
Cash and cash equivalents	1,046,514	-	-	-	-
Accounts receivable, net	895,538	-	-	-	-
Other receivables, net	275,703	-	-	-	-
Other non-current asset (refundable deposits)	3,692	-	-	-	-
Other non-current asset (Pledged certificate of deposits)	<u>500</u>	-	-	-	-
Subtotal	<u>2,221,947</u>				
Total	<u>\$ 2,230,423</u>				
Financial liabilities at fair value through profit or loss					
Accounts payable (including related parties)	\$ 1,210,173	-	-	-	-
Other payables	133,784	-	-	-	-
Lease liabilities—current and non-current	<u>83,411</u>	-	-	-	-
Total	<u>\$ 1,427,368</u>				
March 31, 2021					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ <u>2,379</u>	-	2,379	-	2,379
Financial assets measured at amortized cost					
Cash and cash equivalents	1,585,331	-	-	-	-
Accounts receivable, net	564,979	-	-	-	-
Other receivables, net	176,679	-	-	-	-
Other non-current asset (refundable deposits)	3,686	-	-	-	-
Other non-current asset (Pledged certificate of deposits)	<u>500</u>	-	-	-	-
Subtotal	<u>2,331,175</u>				
Total	<u>\$ 2,333,554</u>				

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

	March 31, 2021				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at amortized cost					
Accounts payable (including related parties)	\$ 945,381	-	-	-	-
Other payables	91,032	-	-	-	-
Lease liabilities—current and non-current	<u>11,870</u>	-	-	-	-
Total	<u>\$ 1,048,283</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.

4) There were no transfers from one level to another for the three months ended March 31, 2022 and 2021.

(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, 2021.

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

(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, 2021. 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, 2021. Please refer to Note (6)(v) of the consolidated financial statements for the year ended December 31, 2021 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 three months ended March 31, 2022 and 2021 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, 2021	Cash flows	March 31, 2022
Short-term borrowings	\$ -	57,120	57,120
Lease liabilities	83,411	(3,892)	79,519
Total liabilities from financing activities	<u>\$ 83,411</u>	<u>53,228</u>	<u>136,639</u>
	January 1, 2021	Cash flows	March 31, 2021
Lease liabilities	<u>\$ 15,967</u>	<u>(4,097)</u>	<u>11,870</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. CEI has issued the consolidated financial statements available for public use.

(b) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Compal Electronics, INC. ("Compal Electronics")	Parent company
Compal Display Electronics (Kunshan) Co., Ltd. ("CDE")	The subsidiary of parent company
Kinpo Group Management Service Company ("Kinpo")	The chairman of parent company is the same as that of the entity.

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
LIZ Electronics (Nantong) Co., Ltd. (“LIZ Nantong”)	An associate of parent company.
Starmems Semicondustor Corp. (“Starmems”)	An associate

(c) Significant transactions with related parties

(i) Purchases and processing fee

	For the three months ended March 31	
	<u>2022</u>	<u>2021</u>
Parent Company- Compal Electronics	\$ 174,697	150,510
Other related parties	221	896
	<u>\$ 174,918</u>	<u>151,406</u>

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

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

The sale of raw materials is recognized under other receivables.

(ii) Other expenditures

Parent company and other related parties provided professional services for the Group, and the related expenses for the three months ended March 31, 2022 and 2021 were as follows:

	For the three months ended March 31	
	<u>2022</u>	<u>2021</u>
Parent Company- Compal Electronics	\$ 182	1,380
Other related parties	35	38
	<u>\$ 217</u>	<u>1,418</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>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Other receivables	Other related parties- CDE	\$ 114,279	182,739	125,161
	Other related parties	-	57	-
	Associate	174	51	-
		<u>\$ 114,453</u>	<u>182,847</u>	<u>125,161</u>

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

(iv) Payables to related parties

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

<u>Account</u>	<u>Related party categories</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Accounts payable	Parent Company-Compal Electronics	\$ 465,048	540,542	298,649
Accounts payable	Other related parties	287	59	1,409
Other payables	Other related parties	<u>37</u>	<u>35</u>	<u>39</u>
		<u>\$ 465,372</u>	<u>540,636</u>	<u>300,097</u>

(d) Transactions with key management personnel

Key management personnel compensation comprised:

	For the three months ended	
	March 31	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 6,135	6,573
Post-employment benefits	174	171
Share-based payments	<u>3,701</u>	<u>-</u>
	<u>\$ 10,010</u>	<u>6,744</u>

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

(8) Pledged assets:

The carrying amount of pledged assets were as follows:

<u>Assets</u>	<u>Subject</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Other non-current assets-restricted asset-time deposit	Guarantee payment for import VAT	<u>\$ 500</u>	<u>500</u>	<u>500</u>

(9) Significant Commitments and contingencies:None

(10) Losses due to major disasters:None

(11) Subsequent events:None

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

(12) Other:

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

By item	By function					
	For the three months ended March 31					
	2022			2021		
	Cost of sale	Operating expense	Total	Cost of sale	Operating expense	Total
Employee benefits						
Salary	-	57,737	57,737	-	46,486	46,486
Labor and health insurance	-	4,508	4,508	-	4,172	4,172
Pension	-	2,182	2,182	-	1,933	1,933
Others	-	1,871	1,871	-	1,631	1,631
Depreciation	671	12,694	13,365	681	9,718	10,399
Amortization	-	1,775	1,775	-	2,657	2,657

(b) Seasonality of operations

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

(13) Other disclosures:**(a) Information on significant transactions:**

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the three months ended March 31, 2022:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held as of March 31, 2022 (excluding investment in subsidiaries, associates and joint ventures): None
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(Continued)

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

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

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	174,697	24 %	Net 90 days from delivery	-	No Significant difference	Accounts payable (465,048)	(46)%	

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	CDE	Subsidiary of Compal Electronics	114,279 (Note 2)	-	-	-	114,279	-

Note 1: Balance as of May 4, 2022.

Note 2: The ending balance was other receivables derived from processing raw materials.

- (ix) Trading in derivative instruments: Please refer to notes (6)(b)
- (x) Business relationships and significant intercompany transactions: None
- (b) Information on investees:

The following is the information on investees for the three months ended March 31, 2022 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2022			Net income (losses) of investee	Investment Income (losses)	Note
				March 31, 2022	December 31, 2021	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 %	5,432	(58)	(58)	Note 1 · 2
The Company	CBNN	Netherlands	"	7,016	7,016	20	100.00 %	6,091	(21)	(21)	"
The Company	Starmems	Taiwan	Research and development of micro-electro-mechanical system (MEMS) microphone technology products	10,000	10,000	1,000	10.00 %	9,156	(5,503)	(550)	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@31.79 based on the yearend exchange rate.

Note 2: The transaction had been eliminated in the consolidated financial statements..

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES
Notes to 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	42.47 %
Topower Co.,LTD.		13,139,637	19.20 %
Cdib Capital Growth Partners L.P.		4,119,000	6.02 %
Realsun Investment Co., Ltd		3,575,000	5.23 %
Realking Investments Limited		3,575,000	5.23 %

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

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

(14) Segment information:

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