Stock Code：6674

Compal Broadband Networks, Inc.

2023 Annual Report

Printed on June 5, 2024

Website to inquire about the annual report

http://mops.twse.com.tw

http://www.icbn.com.tw

I. Spokesperson

Spokesperson: Li, Shu-Cheng / Associate Vice-President, Finance, Accounting, and Shareholder Service Department

Deputy Spokesperson: Chu, Yuan-Ping, Director, Business Operation Center

Tel: (03)5600066 # 2556

Email: Investor@compalbn.com

II. Address and telephone number of the Company

Headquarter: 13-1F, No. 1, Taiyuan 1st Street, Chubei City, Hsinchu County

Tel: (03)5600066

Plant: none

Tel: none

III. Agency handling shares transfer

Name: Agency Department, CTBC

Address: 5F, No. 83, Chongqing S. Rd., Sec. 1, Zhongzheng District, Taipei City

Tel: (02) 6636-5566

Website: https://www.ctbcbank.com

IV. CPAs duly audited the annual financial report for the most recent fiscal year

Names of CPAs: Chien, Szu-Chuan; Au, Yiu-Kwan

Name of accounting firm: KPMG Taiwan

Address: 68F, No. 7, Xinyi Rd., Sec. 5, Xinyi District, Taipei City

Tel: (02)8101-6666

Website: https://home.kpmg.com/tw

V. Name of any exchanges where the company's securities are traded offshore, and the method by which to access information on said offshore securities

None

VI The Company’s website

http://www.icbn.com.tw

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Letter to Shareholders

I. 2023 business results

(I) Results of the business plans implemented.

2023 was a year characterized by global economic turmoil and daunting challenges. The pandemic showed signs of subsiding, but the protracted Ukraine-Russia war has resulted in soaring international raw materials and energy prices. Geopolitical tensions, on the other hand, have triggered a restructuring of global supply chains and inflationary pressures engulfing the global economy. Central banks such as the US Fed were therefore forced to adopt monetary tightening policies to curb inflation. However, these policies have also blunted the momentum of economic growth and weakened public spending power. The decline in purchasing power coupled with destocking by manufacturers has caused our overall revenues to shrink compared to that of the previous year. We remain focused on the development of new customers and innovative applications and product functions to inject new impetus for growth. All staff members persist in their efforts to expand our product palette and market share by prioritizing core product categories. We therefore look into the future with great optimism.

(II) Financial position, profitability, and budget execution

Our net operating revenue in 2023 amounted to NT$ 1,164,054 thousand, which represents a YoY decrease of 53.7%. This can mainly be attributed to (1) mounting global inflationary pressures resulting in sluggish end demand; (2) ongoing destocking by customers coupled with lengthening inventory adjustment periods resulting in dropping customer order demands. Gross profit reached NT$ 82,857 thousand, a YoY drop by 77.6%. As a result of product and customer portfolio adjustments and price pressure generated by competitors and customers, our post-tax loss and LPS totaled NT$ 326,109 thousand and NT$ 4.84, respectively. In the financial dimensions, we uphold the principle of sound financial operations and proper planning of long- and short-term fund allocation in line with operational growth requirements of the Company. The current ratio and debt ratio equaled 291% and 31%, respectively, which indicates a healthy financial structure.

The Company did not disclose the financial forecast, so there is no execution of budget.

(III) R&D status

1. Looking back on 2023, various unfavorable factors including diminishing capital expenditures, post-pandemic inventory pressure, and changes in business models of branded customers caused our major customers to adopt a wait-and-see attitude toward new technologies and products. Looking to 2024, against the backdrop of gradual inventory digestion paired with our unwavering commitment to raising customer satisfaction, it is expected that operators will accelerate upgrades from Wi-Fi 5 to the new-generation Wi-Fi 6 home gateway technology.

2. Our autonomously developed DOCSIS 3.1+Wi-Fi 6 gateway which has passed the CableLabs certification process and supports Mesh Wi-Fi functionality represents an all-inclusive solution of perfect Wi-Fi signal coverage for the whole home. If these gateways are paired with Wi-Fi extenders, they offer users a coherent experience of wireless network services without the need to toggle Wi-Fi frequency bands or change base station account passwords. Compal's Wi-Fi 6 Mesh Extender bundled with the wireless home gateway is currently supplied to our main operator customers in the American and Taiwanese markets.
3. The next-generation wireless network standard Wi-Fi 7 is characterized by higher transmission speed, less lag, more stable connections, and increased capacity density. In anticipation of this new standard, we have developed the industry-first Wi-Fi 7 DOCSIS 3.1 Gateway, which has already passed the FCC and CableLabs certification processes. This gateway has already been launched in the North American retail market through our branded customers in October 2023. Subsequently, our North American and European operator customers will initiate assessments and testing of our DOCSIS 3.1 +Wi-Fi 7 Gateway and Extender. In the wake of the release of DOCSIS 4.0chipset solutions by our main chip suppliers in Q4 2023, we are currently accelerating the development of DOCSIS 4.0-related products. We further plan to provide prototypes to our operator customers for testing in Q2 2024.
4. As telecom operators invest heavily in the construction of 5G network services, the last mile to adopt the fixed wireless access network (FWA) service for household broadband services has gradually become clear, and has become a promising profit-earning model. Our 5G FWA products have reached the maturity stage and our branded customers commenced delivery of these products in small quantities to telecommunication providers in Q4 2023. We will further expand direct strategic partnerships with telecommunication providers to sharpen the competitive edge of our products.
5. The Company's 10G optical fiber products, developed through strategic cooperation with customers, continuously increase their maturity. Through the comprehensiveness and integrity of the products, the Company's competitive advantage are enhanced.

II. Overview of 2024 business plan

(I) Operating guidelines

In this year, the Company will insist the policies of sustainable operation with continuous growth. The major operating guidelines are as below:

A. Continual launches of Smart Cable Gateway (DOCSIS 3.1+ Wi-Fi 6/7 , DOCSIS4.0), to maintain the leadership in the Smart Cable Gateway industry. Cope with the customers' demands, to enhance the network security and the Mesh function of other home routers.

B. Actively develop new product lines, including XGS-PON, 5G FWA, and Wi-Fi 7 AP/Router, to catch the opportunities of technology upgrade in the network communication industry.

C. Monitor the new technology standards in the industry, and engage in the early stage test of DOCSIS 4.0 and planning of product blueprint.

D. Based on the current advantageous products, the new markets are expanded to improve the business scale.

E. Focused on the added values of products, enhance the management capability, and develop with customers, strategic partners, and key suppliers together, for better competitive edges.

F. Build the production bases and supply chain system out of China, to effectively diverse the operational risk of over-concentration in China.

G. Comply with the laws and regulations of environmental protection and corporate social responsibility, fulfill the responsibilities as a corporate citizen, and feedback the operating results to the society.

(II) Key production and sales policies

(1) Build the production bases and supply chain system out of China, to reduce the regional risks resulted from natural disasters or changes in international conditions or national policies, and provide the competitive production and sales support.

(2) Conduct the raw material supply and QC strategy adjustment and control more effectively, to shorten the production cycle, increase the production momentum, for reducing the operating risks while enhancing the utilization of the working funds.

(3) With the demand-oriented product design, the simplification of process and better production effectiveness are achieved, while lowering the inventory costs with the common parts and components.

(4) Full-ranged quality management and the customer-oriented market strategy, and enhance the communication and coordination between the up- and downstream, to achieve the goal of profit sharing.

III. Future development strategies and external competition, and the effects of regulatory and macro operating environments

(I)Future development strategies of the Company

Expand the new market and the develop the new product mixes with full forces, to catch the great opportunities of technology upgrade in the network communication industry; be committed to the technological innovations, and provide the customized products and services with high added-values, to deepen the values and position in customers' eco-system, while raising the entrance barriers to competitors; the global logistic system is built actively to serve customers while diversifying risks, for seeking the sustainable operation and continuous growth.

(II) Effects of regulatory and macro operating environments

In overall consideration of the US Infrastructure Budget Act, the EU Digital Decade Policy Programme 2030, and the demand gap in the Indian network infrastructure sector, it is projected that demand for network communication equipment will continue to surge in the next few years. Businesses in this industry also hold a cautiously optimistic view. Looking to 2024, the business network equipment specifications will be upgraded; 5G CPE shipments are amplified, Wi-Fi 7 penetration rate is expected to increase, and cable modem will be upgraded to DOCSIS 4.0. resulting in promising continuous growth, but operations will become cautious, including the enhanced strength of controls over capital expenditures and inventory level.

IV. Conclusion

Finally, we'd like to express our most sincere appreciations to each shareholder for your support. All employees of Compal Broadband Networks will insist the foundation of existing technological core capabilities and competitive edges, to continuously enhance the R&D capacity and market development, while effectively integrate and exploit resources, to strive for the Company's growth and strength, as well as the maximum benefits of the Company and shareholders. And we look forward to the encourage and advices the management from each shareholders. Thank you very much, and wish you

Your truly,

Chairman Wong, Chung-Pin

President Wang, Yu-Ho

Accounting Officer Li, Shu-Cheng

Company Profile

I、Date of incorporation

August 19, 2009

II、Company history

1. Milestones in the recent years

MM/YYYY	Milestones
August 2009	· The Company was incorporated and registered; it is a joint venture between Compal Electronics, Inc. and Topower Co., Ltd., with a capitalization of NT$100,000 thousand
2000	· Acquired and merged the modern cable department of Customer Premise Equipment (CPE), Motorola Europe, and sold major European MSO under the brand "CBN."
2011	· Introduced the technology of Wi-Fi 1X1 Dual-Band Concurrent · Launched the first voice smart gateway Wi-Fi 1X1 Dual-Band Concurrent CH6541E, and won the Golden Flame Award for Top Ten Potential. · Passed the TL9000 certification
2012	· Established the first international customer service center of Compal Broadband Networks in Turkey
2013	· Cooperated with an SoC manufacturer to develop the 16x4 channel bonding Gateway product. · Launched the first 16x4 11ac WiFi Gateway in Europe
2014	· Successfully introduced the 24x8 channel bonding Gateway product · Started to develop the set-top box to expand the digital home product line.
2015	· Cooperated with an SoC manufacturer to develop the D3.1 8x8 11ac Voice Gateway product. · Worked with the largest cable telecom operator in Europe to develop the first 24x8 11ac Voice Gateway product and exported to 12 European countries
2016	· Worked with the largest digital telecom operator in Europe to develop the Advanced 24x8 11ac Voice Gateway product and successfully shipped.
2017	· Worked with the largest MSO operator in Europe again to develop new product line (WiFi Access Point) product and successfully shipped. · Registered as a share in the Emerging Stock Market
2018	· Shares became listed
2019	· DOCSIS3.1 Wi-Fi 5 Gateway CPE worked with the largest digital cable operator in Europe, successfully launched to provide the deployment of network with 1 Gbps speed.
2020	· DOCSIS3.1 Wi-Fi 5 Gateway CPE completed the deployment with the largest digital cable operator in Brazil for the LATAM. · DOCSIS3.0 Wi-Fi 5 Gateway CPE successfully deployed the market in

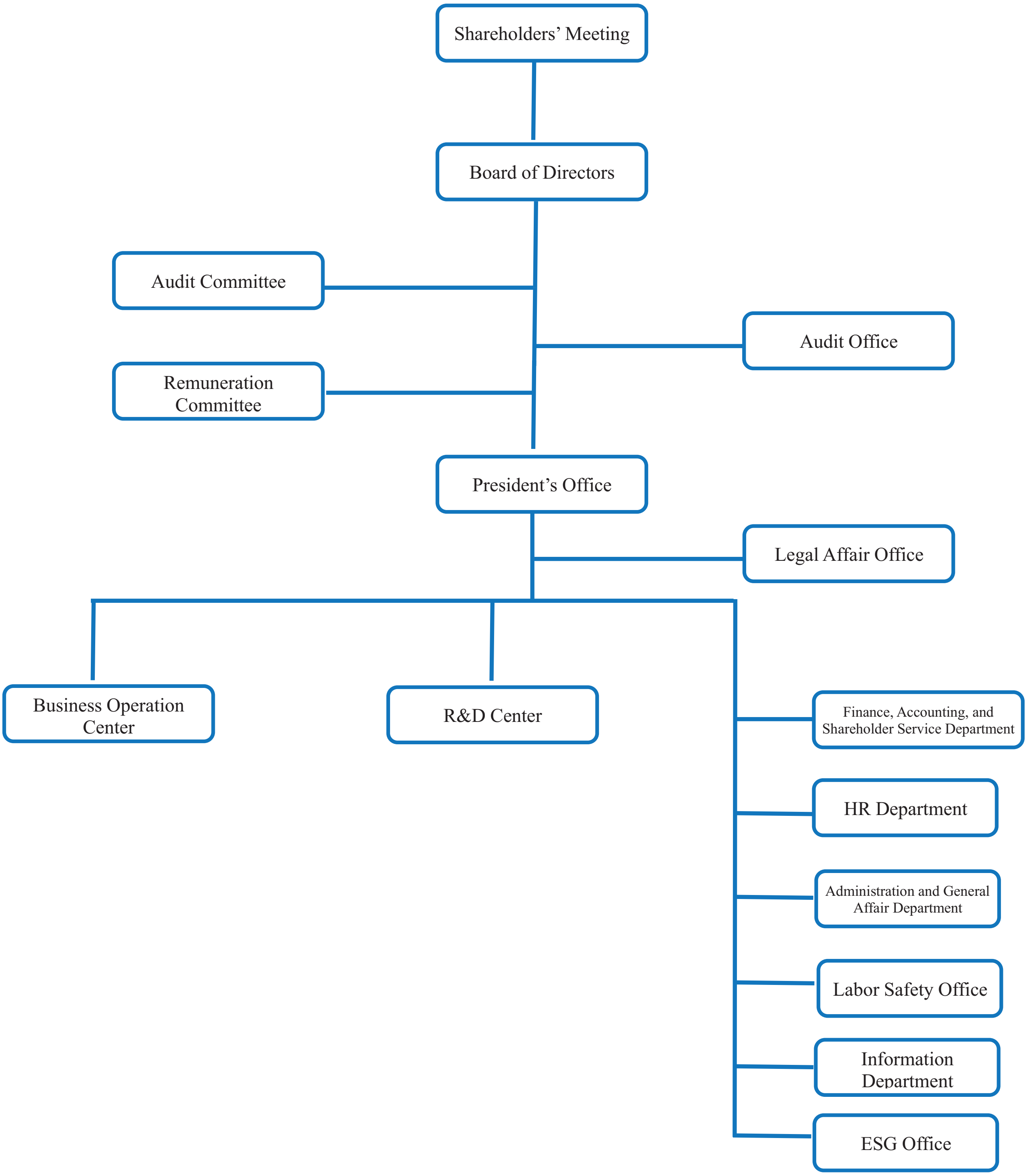
	Taiwan
2021	· DOCSIS product line ODM project was officially awarded and returned · Wi-Fi5 Mesh integrated DOCSIS Wi-Fi5 Gateway was successfully launched at the Taiwanese digital cable operators
2022	· DOCSIS product line ODM were officially produced massively and shipped. · 5G FWA officially entered the verification and test at customers' ends · Wi-Fi 7 new technology products entered the design verification to be launched next year.
2023	· Wi-Fi 7+ DOCSIS 3.1 Gateway launched in the North American retail market · 5G FWA was officially produced massively and shipped.

During the most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report, merger and acquisition activities; strategic investments in affiliated enterprises; corporate reorganization; instances in which a major quantity of shares belonging to directors, supervisors, or shareholders holding greater than a 10 percent stake in the company is transferred or otherwise changes hands; any change in managerial control; any material change in operating methods or type of business; and any other matters of material significance that could affect shareholders' equity, and how the above matters will affect the company: none

Corporate Governance Report

I、Organizational system

(I) Organizational structure (March 4, 2024)



(II) Main business by each department

Department	Main business
Audit Committee	The primary objective is to supervise the following matters: 1. Fair presentation of the financial reports of the Company 2. The hiring (and dismissal), independence, and performance of certificated public accountants of the Company 3. The effective implementation of the internal control system of the Company 4. Compliance with relevant laws and regulations by the Company 5. Management of the existing or potential risks of the Company
Remuneration Committee	1.Establishing and periodically reviewing the performance assessment standards, annual and long-term performance goals, and the policies, systems, standards, and structure for the compensation of the directors and managerial officers 2.Periodically assessing and establishing the remunerations for the directors and managerial officers
President's Office	Formulating the Company's operational objectives and strategies, coordinating, instructing, and supervising the overall execution of the Company's business.
Audit Office	Evaluation and audit of the operation and internal control of each department, improvement suggestions and tracking of deficiencies, promotion of internal control self-assessment, other related internal audits and assigned tasks
Legal Affair Office	Contract review/revision, management of litigation/non-litigation and other related legal matters
Business Operation Center	1. Customer development, market information collection and analysis, marketing business promotion 2. Formulation and implementation of business sales plans 3. Planning and execution of product development for key customers 4. Formulation of pricing strategies and quoting execution 5. New products and projects introduction 6. Management of outsourcing procurement suppliers, and the Company's annual and quarter production plan arrangement and implementation 7. Formulation of the Company's quality goals, implementation of the Company's quality policy, R&D and design quality control, continuous improvement of supplier quality, and customer complaint analysis
R&D Center	1. Undertake of the Company's vision and overall goals, coordination of R&D resources, formulation of R&D directions, and execution of various planning and operation related matters 2. Implementation of the R&D and manufacturing integration 3. Implementation of overseas engineering technology and tracking of customer feedbacks
Finance, Accounting, and Shareholder Service Department	1. Accounting and taxation processing; auditing and preparation of financial statements 2. Budgeting, variance analysis and control 3. Financial management, formulation of plans for short-, medium-, and long-term fund acquisition, deployment, among other things. 4. Cost settlement and analysis, planning of inventory 5. Operation management of import and export
HR Department	Formulation and execution of human resource strategies to support the organization's overall business plan and strategic direction, including fields such as talent management, organizational and performance management, training and development
Administration and General Affair Department	Planning and execution of administrative and general affairs related matters, and maintenance of office environment and equipment
Labor Safety Department	Establishment of occupational disaster prevention plans, investigation and handling of occupational disaster, compilation of statistics on occupational disasters, and plan and supervision of the labor safety and health management in various departments
Information Department	Establishment of the Company's information technology direction, planning and budgeting, with equipment upgrades, supervision of the network environment and information application systems maintenance
ESG Office	Implements sustainability-related plans

II、Information on directors, supervisors, the President, Vice Presidents, Assistant Vice Presidents, and the heads of various departments and branches

(I) Information on directors and supervisors

Apr. 26, 2024

Job title	Nationality or place of registration	Name	Gender Age	Date of election / appointment to current term	Term of office	Commencement date of first term	No. of shares held at time of election		No. of shares currently held		Shares currently held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions held concurrently in the company and/or in any other company	Other officer(s), director(s), or supervisor(s) with which the person has a relationship of spouse or relative within the second degree of affinity			Remarks
							No. of shares	Share-holding ratio	No. of shares	Share-holding ratio	No. of shares	Share-holding ratio	No. of shares	Share-holding ratio			Title	Name	Relationship	
Director	Republic of China	Compal Electronics, Inc.	Not applicable.	August 30, 2021	Three years	August 19, 2009	29,060,176	43.39%	29,060,176	42.96%	–	–	–	–	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Note 1
Chairman	Republic of China	Compal Electronics, Inc. Representative: Wong, Chung-Pin	Male 61 - 70		Three years	May 7, 2018			–	–	–	–	–	–	Institute of Management Science, National Chiao Tung University Director and President, Compal Electronics, Inc.	Note 2	None	None	None	Note 1
Director	Republic of China	Compal Electronics, Inc. Representative: Chen, Rui-Tsun	Male 71 - 80		Three years	August 19, 2009			–	–	–	–	–	–	Department of Electrical Engineering, National Cheng Kung University Vice-Chairman and CSO, Compal Electronics, Inc.	Note 2	None	None	None	Note 1
Director	Republic of China	Compal Electronics, Inc. Representative: Wang, Yu-Ho	Male 51-60		Three years	June 24, 2015			1,086,810	1.72%	–	–	645,000	0.95%	Department of Computer Engineering, Massachusetts State University Chief of Division, Compal Electronics	Note 2	None	None	None	Note 1
Director	Republic of China	Rui Xin Investment Co., Ltd.	Not applicable.	August 30, 2021	Three years	January 24, 2018	3,575,000	5.34%	3,575,000	5.29%	–	–	–	–	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Note 1
Director	Republic of China	Rui Xin Investment Co., Ltd. Representative: Tsai, Rong-Jin	Male 61-70		Three years	January 24, 2018	–	–	–	–	–	–	–	–	Institute of Electrical Engineering, National Taiwan University VP of Marketing, Realtek Semiconductor Corp.	Note 2	None	None	None	Note 1
Independent director	Republic of China	Weng, Chien-Ren	Male 61 - 70	August 30, 2021	Three years	January 24, 2018	–	–	–	–	–	–	–	–	Emory University, Atlanta, GA, USA / MBA Global President, Acer Corp.	Note 2	None	None	None	Note 1
Independent director	Republic of China	Mao, Ying-Wen	Male 61 - 70	August 30, 2021	Three years	January 24, 2018	–	–	–	–	–	–	–	–	Master, Department of Electrical Engineering, National Cheng Kung University Chairman, Sitronix Technology Corp.	Note 2	None	None	None	Note 1
Independent director	Republic of China	Chen, Miao-Ling	Female 61 - 70	August 30, 2021	Three years	January 24, 2018	–	–	–	–	–	–	–	–	PhD in Business Administration, Keio University, Japan Professor, Department of Financial Management, National Sun Yat-sen University	Note 2	None	None	None	Note 1

Note 1: Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto: none

Note 2: Positions held concurrently in the company and/or in any other company

Title	Name	Positions held concurrently in the company and/or in any other company	
Chairman	Wong, Chung-Pin	Chairman:	Compal Broadband Networks; HippoScreen Neurotech Corp.; Shennona Co., Ltd.; Rayonnant Technology Co., Ltd.; Henghao Technology Co., Ltd.; UNICOM GLOBAL, INC.; Starmems Semiconductor Corp.; POINDUS SYSTEMS CORP.; Compal USA (Indiana), Inc.; Wah Yuen Technology Holding Ltd. Compal Healthcare and Technology Ltd.
		Executive Director:	Compower Global Service Co., Ltd.
		Director:	Compal Electronics, Inc.; Arcadyan Technology Corporation; RIPAL OPTOTRONICS CO., LTD.; UNICORE BIOMEDICAL CO., LTD.; Aco Healthcare Co., Ltd.; KINPO GROUP MANAGEMENT SERVICE COMPANY; Kinpo&Compal Group Assets Development Corporation; GENERAL LIFE BIOTECHNOLOGY CO., LTD.; INFSITRONIX TECHNOLOGY CORP.; Raypal Biomedical Co.,Ltd.; MACTECH CORPORAION; Gempal Technology Corp.; Panpal Technology Corp.; Hong Jin Investment Co., Ltd.; Hong Ji Capital Co., Ltd.; Compal Management (Chengdu) Co., Ltd.; Compal Investment (Sichuan) Co., Ltd.; Compal System Trading (Kunshan) Ltd.; Compal Information Technology (Kunshan) Ltd.; Compal Information (Kunshan) Co., Ltd..; Compal Electronic Technology (Kunshan) Ltd.; Compal Electronics (Chengdu) Co., Ltd.; Compal Electronics (Chongqing) Co., Ltd.; Compal Digital Technologies (Kunshan) Ltd.; Compal SMART Device (Chongqing) Co., Ltd.; ARCE THERAPEUTICS, INC.; Compal Ruifang Health Asset Development Co., Ltd.; Auscom Engineering Inc.; Bizcom Electronics, Inc.; Compal Connector Manufacture Ltd.; Shennona Corporation; Allied Power Holding Corp.; Primetek Enterprises Limited; HengHao Holdings A Co., Ltd.; HengHao Holdings B Co., Ltd.; Sirqul Inc. TAIWAN SANGA CO., LTD.
		Supervisor:	Hong Ya Technology Corporation
		President:	Compal Electronics, Inc.; Gempal Technology Corp.; Panpal Technology Corp.; Hong Jin Investment Co., Ltd.; Hong Ji Capital Co., Ltd.
Director	Chen, Rui-Tsun	Chairman:	Arcadyan Technology Corporation; RIPAL OPTOTRONICS CO., LTD.; UNICORE BIOMEDICAL CO., LTD.; ARCE THERAPEUTICS, INC.; Palcom International Corporation; GENERAL LIFE BIOTECHNOLOGY CO., LTD.; RAY-KWONG MEDICAL MANAGEMENT CONSULTING CO., LTD.; Kinpo&Compal Group Assets Development Corporation; Raypal Biomedical Co.,Ltd.; Aco Healthcare Co., Ltd.; Compal System Trading (Kunshan) Co., Ltd.; Compal Ruifang Health Asset Development Co., Ltd.; River Regeneration and Rejuvenation Biotechnology Co. Ltd.; Compal Smart Device (Chongqing) Co., Ltd.; COMPAL SMART DEVICE INDIA PRIVATE LIMITED
		Vice Chairman:	Compal Electronics, Inc.
		Director:	Compal Broadband Networks; Kinpo Group Management Consultant Company, Mactech Co., Ltd. UNICOM GLOBAL, INC., Phoenix Innovation Venture Capital Co., Ltd., Compal Management (Chengdu) Co., Ltd., Compal Optoelectronics (Kunshan) Co., Ltd., Compal Investment (Sichuan) Co., Ltd., Compal Investment (Jiangsu) Co., Ltd.,Compal Information Technology (Kunshan) Co., Ltd.,Compal Display Electronics (Kunshan) Co., Ltd. ,Compal Information (Kunshan) Co., Ltd.,Compal Electronics Technology (Kunshan) Co., Ltd.,Compal Electronics (Chengdu) Co., Ltd.,Compal Electronics (ChongQing) Co., Ltd.,Compal Electronics, (China) Co., Ltd.,Compal Digital Technology (Kunshan) Co., Ltd.,Kunshan Botai Electronics Co., Ltd.,Ascendant Private Equity Investment Ltd.,Big Chance International Co., Ltd.,Billion Sea Holdings Ltd.,Bizcom Electronics, Inc.,Center Mind International Co., Ltd.,Compal Americas (US) Inc.,Compal Display Holding (HK) Limited,Compal Electronics (Holding) Ltd.,Compal Electronics (Vietnam) Co., Ltd.,Compal Electronics International Ltd.,Compal Electronics N.A. Inc.,Compal International Holding Co., Ltd.,Compal International Holding（HK）Limited,Compal International Ltd.Compal Rayonnant Holdings Ltd.,Compal USA (Indiana), Inc.,Compal Wise Electronic (Vietnam) Co., Ltd,Compal Electronics Europe,Core Profit Holdings Limited,Etrade Management Co.,Ltd.,Flight Global Holding Inc.,Forever Young Technology Inc.,Fortune Way Technology Corp.,Giant Rank Trading LimitedGoal Reach Enterprises Ltd.,igh Shine Industrial Corp.,Intelligent Universal Enterprise Ltd.,Jenpal international Ltd.,Just International Ltd.,Prisco International Co., Ltd.,Prospect Fortune Group Ltd.,Smart International Trading Ltd.,Webtek Technology Co.,Ltd,Compal (Vietnam) Co., Ltd.,Compal Development & Management (Vietnam) Co., Ltd.,Compal Networking (Kunshan) Co., Ltd.,Arcadyan Holding (BVI) Corp.,Arch Holding (BVI) Corp.,Sinoprime Global Inc., HengHao Technology Co. Ltd.,Wah Yuen Technology Holding Ltd.,NCKUEE ALUMNI ASSOCIATION
		CSO:	Compal Electronics, Inc.
		Independent Director:	Powertech Technology Inc.

Title	Name	Positions held concurrently in the company and/or in any other company
Director	Wang, Yu-Ho	Director: Compal Broadband Networks; Compal Broadband Networks Belgium BVBA; Compal Broadband Networks Netherlands B.V. Vice Chairman: Starmems Semiconductor Corp. President: Compal Broadband Networks
Director	Tsai, Rong-Jin	Chairman: RayMX Microelectronics Corp.; Cheng-Chi Technology Ltd. Director: Compal Broadband Networks VP of Marketing: Realtek Semiconductor Corp.
Independent Director	Weng, Chien-Ren	Director: FLH Co., Ltd. Independent Director: Compal Broadband Networks
Independent Director	Mao, Ying-Wen	Chairman: Sitronix Technology Corp.; Sitronix Investment Corp.; Forcelead Technology Corp.; and Sitronix Holding International Limited. Director: Sensortek Technology Corp.; MCORE TECHNOLOGY CORP.; SYNC-TECH SYSTEM CORP.; INFSITRONIX TECHNOLOGY CORP.; Silicon Power Computer & Communications Inc.; EZGLOBAL NETWORK SERVICE INC.; Director, Fong Huang Innovation Investment Co., Ltd., Director, Fong Huang II Innovation Investment Co., Ltd, Director, Fong Huang III Innovation Investment Co., Ltd., Director, Fong Huang IV Innovation Investment Co., Ltd. CEO: Sitronix Technology Corp. and Forcelead Technology Corp. Independent Director: Compal Broadband Networks
Independent Director	Chen, Miao-Ling	Independent Director: Compal Broadband Networks and Taiwan Financial Holding Co., Ltd.

※Major shareholders of institutional shareholders

April 2, 2024

Name of corporate shareholder	Major shareholders of corporate shareholders
Compal Electronics, Inc.	Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF(6.97%)、 Yuanta/P-shares Taiwan Dividend Plus ETF(4.27%)、 Kinpo Electronics, Inc.(3.44%)、 New Labor Pension Fund(2.39%)、 Yuanta Taiwan High Dividend Low Volatility ETF(1.59%)、 JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund， a series of Vanguard Star Funds(1.28%)、 Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds(1.25%)、 JP Morgan Chase Bank Custody ABP Retirement Fund Investment Account(1.23%)、Citibank (Taiwan) Ltd. in custody for Norges Bank(1.10%)、 Labor Insurance Fund(0.87%)
Rui Xin Investment Co., Ltd.	Realtek Semiconductor Corp. (100%)

Note: Refer to the form below if the major shareholders are also corporate shareholders.

※Major shareholders of corporate shareholders who also corporate shareholders

April 8, 2024

Name of corporate shareholder	Major shareholders of the corporate shareholder
Kinpo Electronics, Inc.	Compal Electronics, Inc. (8.26%)、Panpal Technology Corp. (4.62%)、GEBO Limited (3%)、Ho Bao Investment Co., Ltd. (2%)、Ruey Shinn Co., Ltd. (1.87%)、Li Chu Tsai (1.44%)、UBS Taipei Branch is subject to Li Chu Tsai trust property account (1.33%)、Lai-Shun Shen Tsai (1.28%)、JPMorgan Chase Bank Taipei Branch is entrusted with the safekeeping of Van Gard Emerging Market Stock Index Fund investment account of the manager of Van Gard Group (1.24%)、PMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds(1.21%)

April 1, 2024

Name of corporate shareholder	Major shareholders of the corporate shareholder
Realtek Semiconductor Corp.	Capital Tip Customized Taiwan Select High Dividend Exchange Traded Fund(6.43%), Cotek Pharmaceutical Industry Co., Ltd.(4.32%), Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF(3.63%), Yuanta/P-shares Taiwan Dividend Plus ETF(2.62%), Fuh Hwa Taiwan Technology Dividend Highlight ETF(2.58%), New Labor Pension Fund(1.72%), Norges Bank(1.53%), China Life Insurance Co., Ltd.(1.38%), Chiang, Ting-Ch(1.28%), Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds(1.27%)

※ Disclosure of Information Regarding the Professional Qualifications and Experience of Directors, and the Independence of Independent Directors:

APR.26 2024

<table>
<tr><th>Qualification
Name</th><th>Professional qualifications and experience</th><th>Independence analysis</th><th>No. of other public companies at which the person concurrently serves as an independent director</th></tr>
<tr><td>Compal Electronics, Inc.
Representative: Wong, Chung-Pin</td><td>Possessing professional qualifications and experience in leadership and decision-making, operation and management, operational judgement, commerce and business; none of the circumstance specified in Article 30 of the Company Act.</td><td rowspan="4">Not applicable.</td><td>—</td></tr>
<tr><td>Compal Electronics, Inc.
Representative: Chen, Rui-Tsun</td><td>Possessing professional qualifications and experience in leadership and decision-making, operation and management, operational judgement, commerce and business; none of the circumstance specified in Article 30 of the Company Act.</td><td>1</td></tr>
<tr><td>Compal Electronics, Inc.
Representative: Wang, Yu-Ho</td><td>Possessing professional qualifications and experience in leadership and decision-making, operation and management, operational judgement, commerce and business; none of the circumstance specified in Article 30 of the Company Act.</td><td>—</td></tr>
<tr><td>Rui Xin Investment Co., Ltd.
Representative: Tsai, Rong-Jin</td><td>Possessing professional qualifications and experience in operation and management, strategic planning, leadership and decision-making, and international marketing; none of the circumstance specified in Article 30 of the Company Act.</td><td>—</td></tr>
<tr><td>Weng, Chien-Ren</td><td>Possessing professional qualifications and experience in operation and management, strategic planning, leadership and decision-making, and international marketing; none of the circumstance specified in Article 30 of the Company Act.</td><td rowspan="3">The three independent directors at the left have complied with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies promulgated by the Financial Supervisory Commission during the two years before being elected or during the term of office, and are empowered with rights specified Article 14-3 of the Securities and Exchange Act of full participation in decision-making and opinion expression, to exercise their duties independently.</td><td>—</td></tr>
<tr><td>Mao, Ying-Wen</td><td>Possessing professional qualifications and experience in operations and management, strategic planning, leadership and decision-making, international marketing, and technology R&D; none of the circumstance specified in Article 30 of the Company Act.</td><td>—</td></tr>
<tr><td>Chen, Miao-Ling</td><td>Possessing expertise in operations and management, accounting and finance; none of the circumstance specified in Article 30 of the Company Act.</td><td>1</td></tr>
</table>

※ Board diversity and independence:

(1) Board diversity:

The Company's Corporate Governance Best Practice Principles stipulate that the Company's board composition shall be diversified, directors concurrently serving as company officers not exceeding one-third of the total number of the board members; and they shall have different professional background, working fields and knowledge, skills, and experience required to exercise the duties. To achieve the ideal goal of corporate governance, the overall board shall have the following qualifications:

(1) Basic requirements and values: Gender, age, nationality, and culture

(2) A professional background, professional skills, and industry experience.

All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities: ability to lead; ability to make policy decisions; ability to conduct management administration; an international market perspective; knowledge of the industry; ability to perform accounting and financial analysis; ability to make operational judgments; ability to conduct risk/crisis management; and ability of sustainable governance.

The following is the diversity of the board members:

Item		Director	Independent Director
Age	51 - 60 years old	1	0
	61 - 70 years old	2	3
	71 - 80 years old	1	0
Gender	Male	4	2
	Female	0	1
Nationality	Republic of China	4	3
Employee status (the Company and its subsidiaries)		1	0

Diversity item / Director	Leadership	Decision-making	Management administration	An international market perspective	Knowledge of the industry	Accounting and financial analysis	Operating judgments	Risk management Crisis management	Sustainable governance
Wong, Chung-Pin	V	V	V	V	V		V	V	V
Chen, Rui-Tsun	V	V	V	V	V		V	V	V
Wang, Yu-Ho	V	V	V	V	V		V	V	V
Tsai, Rong-Jin	V	V	V	V	V		V	V	V
Weng, Chien-Ren	V	V	V	V	V		V	V	V
Mao, Ying-Wen	V	V	V	V	V		V	V	V
Chen, Miao-Ling	V	V	V	V		V		V	V

The current board members meet the requirements of diversity. However, to meet the needs of future development, the components of diversity will be reviewed continuously, to continuously strengthen the goal of diversity of board members at the re-election.

The current Board of Directors is comprised of 7 Directors. The management goals and implementation status of the diversity policy of the Board are as follows:

Management goal	Implementation
The number of Directors holding concurrent positions as the Company Managers not exceeding one-third of the Board seats.	Implemented
At least four Directors possess expertise in the computer industry, sales and technology.	Implemented
At least two Directors possess expertise in finance, accounting and technology	Implemented

(2) Independence of the board:

Among seven director seats, there are three independent directors, accounting 43%. None of the circumstance specified in Paragraphs 3 and 4 of Article 26-3, the Securities and Exchange Act among the directors, i.e. none of the director is a spouse or a relative within the second degree of kinship to another director.

(II) Information on the President, Vice Presidents, Assistant Vice Presidents, and the heads of various departments and branches:

APR.26.2024

Title	Nationality	Name	Gender	Date of election / appointment to current term	Shares held		Shares held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			Remarks
					No. of shares	Share-holding ratio	No. of shares	Share-holding ratio	No. of shares	Share-holding ratio			Title	Name	Relation ship	
President	Republic of China	Wang, Yu-Ho	Male	August 19, 2009	1,160,010	1.72%	–	–	645,000	0.95%	Department of Computer Engineering, Massachusetts State University Chief of Division, Compal Electronics	Note 1	None	None	None	Note 2
Vice-President	Republic of China	Chang, Chia-Ling	Female	January 19, 2013	755,597	1.12%	–	–	171,000	0.25%	University of Mary Hardin-Baylor Bachelor, Department of Business Administration Manager, MOTOTECH INC.	None	None	None	None	Note 2
Vice-President	Republic of China	Huang, Wei-Hsin	Male	January 19, 2013	509,807	0.75%	–	–	–	–	Bachelor, Department of Electronic Engineering, National Taiwan University of Science and Technology Associate Vice President, Accton Technology	None	None	None	None	Note 2
Chief of Division	Republic of China	Chu, Yuan-Ping	Male	March 1, 2023	18,000	0.03%	5,000	0.01%	–	–	University of Birmingham Master, Computer Science Manager, Foxconn Technology	None	None	None	None	Note 2
Vice Chief of Division	Republic of China	He, Chung-Yu	Male	July 23, 2019	170,330	0.25%	–	–	–	–	Master’s degree, Department of information Engineering, Tamkang University Section Chief, MOTOTECH INC.	None	None	None	None	Note 2
Vice Chief of Division	Republic of China	Chen, Hung-Wei	Male	November 21, 2022	16,880	0.02%	–	–	–	–	Master of Science, National Chiao Tung University Manager of Compal Broadband Networks	None	None	None	None	Note 2
Vice Chief of Division	Republic of China	Chen, Kuo-Hsin	Male	November 21, 2022	10,980	0.02%	–	–	–	–	Master’s degree, Institute of Information Science, National Chung Hsing University Manager of Compal Broadband Networks	None	None	None	None	Note 2
Vice Chief of Division	Republic of China	Hsiao, Hsu-Shuen	Male	November 21, 2022	795	0.00%	–	–	–	–	Bachelor’s degree, Department of Electrical Engineering, National Sun Yat-sen University Vice Manager of Project, Electrical Engineering	None	None	None	None	Note 2
Officer of Accounting and Finance	Republic of China	Li, Shu-Cheng	Male	July 1, 2022	–	–	–	–	–	–	Master’s degree, Institute of Business Management, Tatung University Deputy Chief of Division, Compal Electronics	None	None	None	None	Note 2
Audit Officer	Republic of China	Luo, Shi-Tang	Male	November 6, 2019	–	–	–	–	–	–	Junior College of Computer Engineering, Department of Electronic Engineering, Vanung University Vice Manager, Compal Electronics	None	None	None	None	Note 2
Corporate Governance Officer	Republic of China	Li, Shu-Cheng	Male	July 10.2023	–	–	–	–	–	–	Master’s degree, Institute of Business Management, Tatung University Deputy Chief of Division, Compal Electronics	None	None	None	None	Note 2

Note 1: Positions concurrently held in other companies at present

Title	Name	Positions held concurrently in the company and/or in any other company	
President	Wang, Yu-Ho	Director:	Compal Broadband Networks; Compal Broadband Networks Belgium BVBA; Compal Broadband Networks Netherlands B.V.
		Vice-Chairman:	Starmems Semiconductor Corp.

Note 2: If the general manager or person of an equivalent post (the highest level manager) and the chairperson of the board of directors of a company are the same person, spouses or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto: none

Note 3: During 2023 Yang, Yu-Kuan, Vice Chief of Division and Liu, Yi-Hsuan, Corporate Governance Officer resigned.

III、Remuneration paid to directors, supervisors, the President, and Vice Presidents in the most recent year

(I) Remuneration to directors

Unit: NT$ thousand

Title	Name	Remuneration to directors								Sum of A + B + C + D and ratio to net income		Remuneration received by directors for concurrent service as an employee								Sum of A + B + C + D + E + F + G and ratio to net income		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		Base compensation (A)		Retirement pay and pension (B)		Director profit-sharing compensation (C)		Expenses and perquisites (D)				Salary, rewards, and special disbursements (E)		Retirement pay and pension (F)		Employee profit-sharing compensation (G)						
		The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company		All consolidated entities		The Company	All consolidated entities	
																Amount in cash	Amount in share	Amount in cash	Amount in share			
Chairman	Compal Electronics, Inc. Representative: Wong, Chung-Pin	–	–	–	–	–	–	120	120	(0.04%)	(0.04%)	–	–	–	–	–	–	–	–	(0.04%)	(0.04%)	83,480
Director	Compal Electronics, Inc. Representative: Chen, Rui-Tsun	–	–	–	–	–	–	120	120	(0.04%)	(0.04%)	–	–	–	–	–	–	–	–	(0.04%)	(0.04%)	
Director	Compal Electronics, Inc.	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Director	Compal Electronics, Inc. Representative: Wang, Yu-Ho	–	–	–	–	–	–	120	120	(0.04%)	(0.04%)	5,100	5,100	108	108	–	–	–	–	(1.63%)	(1.63%)	–
Director	Rui Xin Investment Co., Ltd.	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Director	Rui Xin Investment Co., Ltd. Representative: Tsai, Rong-Jin	–	–	–	–	–	–	120	120	(0.04%)	(0.04%)	–	–	–	–	–	–	–	–	(0.04%)	(0.04%)	–
Independent Director	Weng, Chien-Ren	–	–	–	–	–	–	720	720	(0.22%)	(0.22%)	–	–	–	–	–	–	–	–	(0.22%)	(0.22%)	–
Independent Director	Mao, Ying-Wen	–	–	–	–	–	–	720	720	(0.22%)	(0.22%)	–	–	–	–	–	–	–	–	(0.22%)	(0.22%)	–
Independent Director	Chen, Miao-Ling	–	–	–	–	–	–	720	720	(0.22%)	(0.22%)	–	–	–	–	–	–	–	–	(0.22%)	(0.22%)	–

1. Please describe the policy, system, standards and structure in place for paying remuneration to directors and describe the relationship of factors such as the duties and risks undertaken and time invested by the directors to the amount of remuneration paid: pursuant to Article 22 of the Articles of Incorporation, the remunerations are determined based on the participation in the Company's operation and the value contributed, with the reference with the industrial level, by the Board under authorization.
2. In addition to what is disclosed in the above table, please specify the amount of remuneration received by directors in the most recent fiscal year for providing services (e.g., for serving as a non-employee consultant to the parent company): none.

Note 1: The estimated directors' remunerations to be distributed approved by the Board.

Note 2: The estimated employees' remunerations to be distributed approved by the Board.

(II) Remuneration to President/Vice President

Unit: NT$ thousand

Title	Name	Salary (A)		Retirement pay and pension (B)		Rewards and special disbursements (C)		Employee profit-sharing compensation (D) (Note 1)				Sum of A + B + C + D and ratio to net income (%)		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company		All consolidated entities		The Company	All consolidated entities	
								Amount in cash	Amount in share	Amount in cash	Amount in share			
President	Wang, Yu-Ho	2,442	2,442	108	108	2,658	2,658	0	0	0	0	(1.60)	(1.60)	NA
Vice-President	Chang, Chia-Ling	2,072	2,072	108	108	1,581	1,581	0	0	0	0	(1.15)	(1.15)	NA
Vice-President	Huang, Wei-Hsin	1,797	1,797	105	105	447	447	0	0	0	0	(0.72)	(0.72)	NA

※Compensation for the top five highest paid executives in the company (note1)

Title	Name	Salary (A)		Retirement pay and pension (B)		Rewards and special disbursements (C)		Employee profit-sharing compensation (D) (Note 1)				Sum of A + B + C + D and ratio to net income (%)		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company		All consolidated entities		The Company	All consolidated entities	
								Amount in cash	Amount in share	Amount in cash	Amount in share			
President	Wang, Yu-Ho	2,442	2,442	108	108	2,658	2,658	–	–	–	–	(1.60)	(1.60)	–
Vice-President	Chang, Chia-Ling	2,072	2,072	108	108	1,581	1,581	–	–	–	–	(1.15)	(1.15)	–
Vice-President	Huang, Wei-Hsin	1.797	1,797	105	105	447	447	–	–	–	–	(0.72)	(0.72)	–
Associate	Li, Shu-Cheng	1,336	1,336	–	–	1,412	1,412	–	–	–	–	(0.84)	(0.84)	–
Vice Chief of Division	Chen, Hung-Wei	1,401	1,401	–	–	901	901	–	–	–	–	(0.71)	(0.71)	–

Note1：The so-called "top five executives with the highest remuneration" refers to the managers of the company. The standards for the identification of managers are based on the Order No. 0920001301 of the Securities and Futures Administration Commission of the Ministry of Finance on March 27, 1992. The scope of application of "manager" is stipulated. The calculation principle of "the top five highest remuneration" is based on the total amount of salaries, retirement pensions, bonuses, special expenses, etc. received by the company managers from all companies in the consolidated financial report, as well as the amount of employee remuneration, and sorted The top five highest rewards will be recognized.

※Name of the manager who receives employee remuneration and distribution

Unit: NT$ thousand

	Title	Name	Amount in share	Amount in cash	Total	Total as a percentage of net income after tax (%)
Managerial officer	President	Wang, Yu-Ho	–	–	–	–
	Vice-President	Chang, Chia-Ling				
	Vice-President	Huang, Wei-Hsin				
	Chief of Division	Chu, Yuan-Ping				
	Vice Chief of Division	Chen, Hung-Wei				
	Vice Chief of Division	Chen, Kuo-Hsin				
	Vice Chief of Division	Hsiao, Hsu-Shuen				
	Vice Chief of Division	He, Chung-Yu				
	Accounting Officer	Li, Shu-Cheng				
	Audit Officer	Luo, Shi-Tang				

(III) An analysis of the total remuneration paid to the Company's directors, supervisors, the President, and Vice Presidents by the Company and all companies in the consolidated financial statements as a percentage of the net income after tax in the parent-company only or individual financial report for the most recent two years, and a description of the remuneration policy, standard, and package, the procedure for determining the remuneration, and the association between business performance and future risks:

(1) The total remuneration paid to the Company's directors, supervisors, the President, and Vice Presidents by the Company as a percentage of the net income after tax in the parent-company only or individual financial report for the most recent two years:

Unit: NT$ thousand

Item	2022		2023	
	Amount	Amount	Amount	%
Director Supervisors President/Vice-President	24,494	(38.79%)	13,958	(4.28%)
Net income after tax in the parent-company only financial statements	(63,146)		(326,109)	

(2) The remuneration policy, standard, and package, the procedure for determining the remuneration, and the association between business performance and future risks:

A. The remunerations paid to the directors and managerial officers are based on the Articles of Incorporation and the HR regulations of the Company, and deliberated by the Remuneration Committee and resolved by the Board.

B. The aforesaid remunerations are referred to the typical pay levels adopted by peer companies, and take into consideration the reasonableness of the correlation between remuneration and individual performance, the company's business performance, and future risk exposure.

IV、 Operations of corporate governance

(1) Operation of the Board of Directors

The term of office for the current Board: August 30, 2021 to August 29, 2024

※ The number of board meetings held in the most recent fiscal year was four. The attendance by the directors and supervisors was as follows:

Title	Name	No. of meetings attended in person	Attendance by proxy	In-person attendance rate	Remarks
Chairman	Representative of Compal Electronics, Inc.: Wong, Chung-Pin	4	—	100%	—
Director	Representative of Compal Electronics, Inc.: Chen, Rui-Tsun	—	4	0%	
Director	Representative of Compal Electronics, Inc.: Wang, Yu-Ho	4	—	100%	
Director	Rui Xin Investment Co., Ltd. Representative: Tsai, Rong-Jin	4	—	100%	
Independent Director	Weng, Chien-Ren	3	1	75%	
Independent Director	Mao, Ying-Wen	4	—	100%	
Independent Director	Chen, Miao-Ling	4	—	100%	

※ Other information required to be disclosed:

I、 If the operations of the Board of Directors is under any of the circumstances below, the date of the board meeting, the session, the content of the proposal, all independent directors' opinions, and the Company's response to said opinions shall be specified:

1. Any matter under Article 14-3 of the Securities and Exchange Act: the Company has established the Audit Committee and thus Article 14-3 is not applicable. For the matter under Article 14-5 of the Securities and Exchange Act, please refer to the operation of the Audit Committee.
2. In addition to the matters referred to above, any dissenting or qualified opinion of an independent directory that is on record or stated in writing with respect to any board resolution: none.

II、 In the event of directors' recusal from proposals, the name of director, the content of proposal, the reasons for recusal, and the participation in voting shall be specified:

(I) For the 2023 salary adjustment, Dragon Boat Festival Bonus, Mid-Autumn Festival Bonus, and Year-end Bonus: Director Wang, Yu-Ho concurrently serves as the Company's managerial officer and thus recused himself from discussion and voting due to conflict of interest. All other attending directors were inquired by the chair, and approved the proposals as proposed without dissent.

(II) Concurrent positions of directors and relief of the non-compete restriction: Directors Wong, Chung-Pin, Chen, Rui-Tsun, Wang, Yu-Ho, Tsai, Rong-Jin, Weng, Chien-Ren, Mao, Ying-Wen, and Chen, Miao-Ling recused themselves from discussion and voting when their concurrent positions were discussed. All other attending directors were inquired by the chair, and approved the proposals as proposed without dissent.

III、 Implementation of Evaluations of the Board of Directors

Evaluation cycle	Evaluation period	Scope of evaluation	Method of evaluation	Evaluation content
Once a year	January 1, 2023 to December 31, 2023	Director	Internal self-evaluation	(Note 1)

The Company established the "Rules for Performance Evaluation of Board of Directors and Managerial Officers" on December 29, 2017, specifying that the directors and managerial officers shall be evaluated internally at least once a year, and externally every three years; the evaluation items for the directors are as below:

1.Self-evaluations of the board members

After a year ends, the board members complete the “Self-evaluation Form of Board Members,” including six major items:

(1) Alignment of the goals and mission of the company;

(2) Awareness of the duties of a director;

(3) In the operation of the company;

(4) Management of internal relationship and communication;

(5) The director's professionalism and continuing education; and

(6)Internal control

2. Evaluation of board members

After the end of each year, the agenda unit of the board of directors and the chairman will evaluate individual directors based on the "board member evaluation form," and report the evaluation results to the Remuneration Committee and the Board. The Company completed the performance evaluation of directors in March 2024. The average score of the evaluation results is 90 points, showing that the directors of the Company have been actively participating in the Company's operations.

IV、Evaluation of the goals and implementation for strengthening the board's functions during the current year and the most recent year:

The Company has established the "Rules of Procedure for Board of Directors Meetings" pursuant to the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" for compliance, enters the directors' attendance in the MOPS, and discloses the key resolutions of board meeting on the Company's website.

Since 2020, the video board meetings are promoted to enhance the directors' attendance and increase the chance to participate the proposal discussion in board meetings.

In addition, the Company has the three independent directors to form the Audit Committee, whose major objective is to supervise the follows: fair presentation of the financial reports of the Company;
the hiring (and dismissal), independence, and performance of certificated public accountants;
the effective implementation of the internal control system;
Compliance with relevant laws and regulations by the Company; and
management of the existing or potential risks of the Company.

(2) The operations of the Audit Committee or the supervisors' participation in the operations of the Board of Directors

1. Operation of the Audit Committee:

   The Company's Audit Committee consists of the three independent directors; it aims to assist the Board to perform the supervisory function for quality and reliability of the Company's implementation of accounting, audit, financial reporting process and the financial control; its major powers are as follows:

   (1) The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.

   (2) Assessment of the effectiveness of the internal control system.

   (3) The adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.

   (4) Matters in which a director is an interested party.

   (5) Asset transactions or derivatives trading of a material nature.

   (6) Loans of funds, endorsements, or provision of guarantees of a material nature.

   (7) The offering, issuance, or private placement of equity-type securities.

   (8) The hiring or dismissal of a certified public accountant, or their compensation.

   (9) The appointment or discharge of a financial, accounting, or internal audit officer.

   (10) Annual financial reports, and second quarter financial reports that must be audited and attested by a certified public accountant, which are signed or sealed by the chairperson, executive officer, and accounting officer.

   (11) Other material matters as may be required by this Corporation or by the competent authority.

2. Reviewing the financial report

   The Board of Directors has prepared the 2023 Business Report, financial statements, and the deficit compensation proposal, among which the financial statements were audited by KPMG Taiwan, by whom an audit report was issued. Upon the audit of the Audit Committee, no inconsistence has been found in the aforesaid Business Report, financial statements, and the deficit compensation proposal.

3. Assessment of the effectiveness of the internal control system

   The Audit Committee evaluates the effectiveness of the policies and procedures of the Company's internal control system (including control measures of finance, operation, risk management, information security, and legal compliance), and reviews the regular reports from the Company's auditing unit, CPAs, and management, including risk control management and legal compliance, by referring to the Internal Control−Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013. The Audit Committee believes that the Company's risk management and internal control system is effective, and the Company has adopted the necessary control mechanisms to monitor and correct violations.

4. Hiring CPAs

The Audit Committee is empowered to supervising the independence of the attesting accounting firm, to ensure the fairness of the financial statements. Except for tax-related services or items approved specifically, attesting accounting firms are not allowed to provide other services of the Company. All services provided by the attesting accounting firm must be approved by the Audit Committee.

To ensure the independence of the accounting firm, the Audit Committee refers to Article 47 of the Certified Public Accountant Act and the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10 “Integrity, Objectivity and Independence” to establish the evaluation form of independence, to assess the independence, professionalism, and competence of CPAs, and assess if they are related parties to the Company, or have any relationship involving business or financial benefits.

Upon the deliberation in the 6th meeting of the 2nd Audit Committee on March 15, 2023 and the 7th meeting of the 5th Board on March 15, 2023, it was approved that CPAs, Kuo, Kuang-Ying and Chien, Su-Chuang, from KPMG Taiwan meet the evaluation criteria of the independence, and competent enough to serve as the Company’s attesting CPAs for finance and taxation.

5. The Audit Committee held four meetings in the most recent year (A), and the independent directors’ attendance is as follows:

Title	Name	No. of meetings attended in person (B)	Attendance by proxy	In-person attendance rate	Remarks
Independent Director	Weng, Chien-Ren	3	1	75%	None
Independent Director	Mao, Ying-Wen	3	1	75%	
Independent Director	Chen, Miao-Ling	4	—	100%	

※Other information required to be disclosed:

(I) 1. If the operations of the Audit Committee fall under any of the circumstances below, the date of the Audit Committee meeting, the session, the content of the proposal, any objection, reservation, or major suggestion made by independent directors, the results of resolutions by the Audit Committee, and the Company’s response to the committee’s opinions shall be specified.

(1) The matters under Article 14-5 of the Securities and Exchange Act.

Audit Committee Date/Session	Proposal description	The content of any dissenting or qualified opinion or significant recommendation of the independent directors.	The outcomes of audit committee resolutions	The measures taken by the Company based on the opinions of the audit committee
The 6th meeting, the 2nd Term March 15, 2023	2022 consolidated and parent company only financial statements	None	All attending members were asked by the chair, and the proposal was approved as proposed without dissent	All attending directors were inquired by the chair, and the proposal was approved as proposed without dissent
	2022 Statement of the Internal Control System	None		
	Evaluation of the CPAs’ Independence and Competence	None		
	Amendments to the” Internal Control System and Other Management Systems	None		
	Change of the Company's External Auditor for Financial Report Certification	None		
The 7th meeting, the 2nd Term May 5, 2023	Consolidated financial statements of Q1 2023	None	All attending members were asked by the chair, and the proposal was approved as proposed without dissent	All attending directors were inquired by the chair, and the proposal was approved as proposed without dissent

Audit Committee Date/Session	Proposal description	The content of any dissenting or qualified opinion or significant recommendation of the independent directors.	The outcomes of audit committee resolutions	The measures taken by the Company based on the opinions of the audit committee
The 8th meeting, the 2nd Term August 11, 2023	Consolidated financial statements of Q2 2023	None	All attending members were asked by the chair, and the proposal was approved as proposed without dissent	All attending directors were inquired by the chair, and the proposal was approved as proposed without dissent
	Reappointment of Corporate Governance Officer	None		
The 9th meeting, the 2nd Term November 9, 2023	Consolidated financial statements of Q3 2023	None	All attending members were asked by the chair, and the proposal was approved as proposed without dissent	All attending directors were inquired by the chair, and the proposal was approved as proposed without dissent

(2) Other than those described above, any resolutions not approved by the Audit Committee but approved by more than two-thirds of all directors: none.

(II) In the event of independent directors' recusal from proposals, the name of independent director, the content of proposal, the reasons for recusal, and the participation in voting shall be specified: none.

(III) Communication between independent directors and the chief internal auditor/CPAs (*e.g.,* financial and business matters communicated and communication methods and results).

1. Policy of communications between the independent directors and internal audit officer:

一、 The Audit Officer shall submit the inspection report to the members of the Audit Committee in writing by the end of the month next to the month when the an audit project is completed. Shall the independent directors need to learn more about the audit and tracking results, they contact the audit officer whenever proper.

二、 The audit officer and independent directors meet regularly at least once a quarter to report on the Company's internal audit implementation and internal control system operation.

三、 The CPAs regularly report to members of the Audit Committee.

四、 If it is required for the business, the audit officer and the CPAs submit written reports or orally explain to the members of the Audit Committee.

2. Communications between the independent directors and internal audit officer:

Date	Matter(s) communicated	Communication outcome
March 15, 2023	Report on Q4 2022 internal audit implementation 2022 Statement of the Internal Control System	Reviewed by all attending independent directors without further instructions
May 5, 2023	Report on Q1 2023 internal audit implementation	Reviewed by all attending independent directors without further instructions
August 11, 2023	Report on Q2 2023 internal audit implementation	Reviewed by all attending independent directors without further instructions
November 9, 2023	Report on Q3 2023 internal audit implementation	Reviewed by all attending independent directors without further instructions

3. Commutation between the independent directors and the CPAs

Date	Matter(s) communicated	Communication outcome
March 8 2024	The CPAs explained the key audit items in 2023, discussed and communicated with the participants for the questions they raised.	After being reviewed by all the attending independent directors, the financial statements were approved by the Audit Committee without dissent and submitted to the Board for resolution.

(3) The operations of corporate governance and the deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx-Listed Companies and the reasons therefor

Evaluation item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Summary	
1. Has the Company formulated and disclosed the Corporate Governance Best Practice Principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx-Listed Companies?	V		The Company has established the "Corporate Governance Best Practice Principles" pursuant to the "Corporate Governance Best Practice Principles for TWSE/TPEx-Listed Companies"	No material deviation
2. The Company's shareholding structure and shareholders' equity				
(1) Has the Company formulated internal operating procedures for handling shareholders' suggestions or questions or disputes and litigation with them and complied with the procedures?	V		To ensure the interests of shareholders, the Company has the spokesperson and deputy spokesperson in place, with a dedicated unit responsible for shareholders' suggestions, questions, disputes and litigations.	No material deviation
(2) Does the Company have a list of the major shareholders with ultimate control over the Company and a list of the ultimate controllers of the major shareholders?	V		Through the report of changes in shareholding of insiders (directors, managers and major shareholders holding 10% of the shares) and the shareholder rosters provided by the shareholder service agency, the Company grasps the actual control list all the time.	No material deviation
(3) Has the Company established and implemented a risk control and a firewall mechanism between itself and affiliates?	V		The Company and its affiliates operate independently, and each company has its own internal control system regulations. The Company has established the "Subsidiary Supervision and Management Regulations" and the "Regulations for Managing Transactions with Related Parties, Specific Companies and Group Entities" to implement accordingly.	No material deviation
(4) Has the Company formulated internal regulations to prohibit insiders from using information undisclosed in the market to buy and sell securities?	V		The Company has established the "Regulations for Preventing Insider Trading." All directors, managerial officers and employees of the Company, and other persons who have learned of the Company's internal material information due to their status, occupation or control relationship, shall comply with the relevant regulations.	No material deviation
3. Composition and responsibilities of the Board of Directors				
(1) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?	V		1.(1) The 14th meeting of the 3rd Board of Directors adopted the Corporate Governance Best Practice Principles on December 26, 2017, and a diversity policy is specified under Chapter 3 "Enhanced Functions of the Board of Directors" of the principles. The nomination and selection of board members comply with the Articles of Incorporation, to adopt the candidate nomination system. In addition to evaluating the education, working experience and qualifications of each	No material deviation

Evaluation item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Summary	
			candidate, the opinions of stakeholders are also referred to, while complying with the "Procedures for Election of Directors and Supervisors" and "Corporate Governance Best Practice Principles" to ensure the diversity and independence of directors. 2.Reviewing the seven directors of the 5th term, not only including one female member, but also Wong, Chung-Pin, Chen, Rui-Tsun, Wang, Yu-Ho, Tsai, Rong-Jin, Weng, Chien-Ren, and Mao, Ying-Wen have the expertise in leadership, operational judgement, operation and management, crisis management, with the industry knowledge and international market perspective; Chen, Miao-Ling, on the other hand, is good at accounting, financial analysis, and academic research. The Company's directors with employee status account for 14%, independent directors account for 43%, and the female director accounts for 14%; one director is over 70 years old, five are between 60 and 69 years old, and one are under 60 years old. 3. The diversity policy formulated by the Board on the composition of members are disclosed on the Company's website and the MOPS.	
(2) Has the Company voluntarily established other functional committees in addition to the remuneration and the audit committees established in accordance with the law?		V	No other functional committee has been established.	Other functional committees will be established depending on the needs in the future.
(3) Has the Company formulated board performance evaluation regulations and evaluation methods, conducted performance evaluations annually and regularly, reported the results of performance evaluations to the board of directors, and adopted such results as a reference for deciding the remuneration of and nominating candidates for individual directors?	V		The Company has established the "Rules for Performance Evaluation of Board of Directors and Managerial Officers" for regular evaluation.	No material deviation
(4) Does the Company regularly assess the independence of the CPAs?	V		The Audit Committee regularly evaluates the independence of the attesting CPAs every year, and then submits the evaluation results to the Board. The latest evaluation was approved upon the resolution of the Audit Committee and the Board on March 8, 2024. The evaluation mechanism is as shown below:	No material deviation

Evaluation item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Summary	
			1. Confirming that the attesting CPAs are not related to the Company and its directors. 2. Complying with the Corporate Governance Best Practice Principles to rotate the attesting CPAs. 3. The attesting accounting firm need to obtain the prior approval of the Audit Committee before the engagement of annual attesting and other affairs. 4. Regularly obtaining independent statements issued by the CPAs. The evaluation outcomes are as shown below: 1. The attesting CPAs and their independence relative to the Company comply with the Certified Public Accountant Act and the Norm of Professional Ethics for Certified Public Accountant. 2. The Company has not engaged the same CPAs for consecutive five years. (Note 1)	
4. Has the Company has appointed an appropriate number of competent corporate governance personnel and designated a corporate governance officer to be responsible for corporate governance affairs (including but not limited to providing directors and supervisors with the materials required for performance of their duties, assisting directors and supervisors with compliance, handling matters related to board meetings and the shareholders' meetings, and preparing minutes of board meetings and shareholders' meetings)?	V		The Company has dedicated personnel to take charge of the corporate governance related affairs, including furnishing information required for business execution by directors and independent directors; handling matters relating to board meetings and shareholders meetings according to laws; handling company registration and change registration; and producing minutes of board meetings and shareholders meetings.	No material deviation
5. Has the Company has established communication channels with stakeholders (including but not limited to shareholders, employees, clients, and suppliers) and set up a section dedicated to stakeholders on the Company's website to properly respond to stakeholders' major CSR issues of concern?	V		The Company maintains smooth communication channels with its banks, creditors and employees, and respects and protects their legitimate rights and interests. The Company has established the contact numbers or e-mail mailboxes on the website for business consulting and investor relations; all stakeholders can use e-mail to communicate, when necessary.	No material deviation
6. Does the Company appoint a professional shareholder service agency to handle the affairs related to shareholders' meetings?	V		The Company appoints the Agency Department of CTBC as the Company's shareholder service agency to handle the affairs related to shareholders' meetings.	No material deviation
7. Information disclosures				
(1) Has the Company set up a website to disclose information on financial	V		The Company's website (URL: www.icbn.com.tw) discloses the	No material deviation

Evaluation item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Summary	
business and corporate governance?			information of finance and business, corporate governance, and shareholders' meetings, both regularly and from time to time.	
(2) Does the Company adopt other methods to disclose information (such as setting up an English website, designating personnel to collect and disclose company information, implementing a spokesperson system, or placing the proceeding of investor conferences on the Company website)?	V		The Company discloses related information on the Company's website and the MOPS. The Company's website also has the section specific to investor relations to fully disclose the information of finance and business, investor conference, and corporate governance, both regularly and from time to time, for shareholders and the public to refer to.	No material deviation
(3) Does the Company announce and submit an annual financial report to the competent authority within two months after the end of each fiscal year and announce and submit the financial reports for the first, second, and third quarters and the operations of each month to the competent authority before a specified deadline?	V		The Company complies with the related requirements to announce and submit an annual financial report to the competent authority within three months after the end of each fiscal year and announce and submit the financial reports for the first, second, and third quarters and the operations of each month. For the disclosure of the aforesaid information, please refer to the MOPS (https://mops.twse.com.tw/mops/web/index)	No material deviation
8. Does the Company have other important information that facilitates the understanding of the operations of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' rights, directors' and supervisors' continuing education, the implementation of risk management policies and risk measurement standards, the implementation of client policies, and the Company's purchase of directors and supervisors liability insurance)?	V		(Note 2)	No material deviation
9. Specify any improvements made as per the results of the corporate governance evaluation announced by the Corporate Governance Center, Taiwan Stock Exchange Corporation, in the most recent year and put forth prioritized measures to improve those that have not yet improved: During 2023, it was still actively being researched and improved. In the future, the Company will maintain an effective corporate governance mechanism at all aspects of operation, and implement transparency of information disclosure and enhance the rights and interests of shareholders.				

Note: 2023 Evaluation of the CPAs' Independence and Competence

Item	Results
1. Whether or not the CPAs have any direct or material indirect financial service beneficial relationship with the Company.	No
2. Whether or not the CPAs have any financing or guarantee action with the Company or the directors of the Company.	No
3. Whether or not the CPAs have any close business relationship and potential employment relationship with the Company	No

4. Whether or not the CPAs and their audit team members have served as directors, managerial officer or positions that have a significant influence on the audit task in the Company currently or in the most recent two years	No
5. Do the CPAs provide the Company with non-audit services that may directly affect the audit work?	No
6. Whether or not the CPAs serve as broker of the shares or other securities issued by the Company	No
7. Whether or not the CPAs act as the Company's defender or mediate conflicts with other third parties on behalf of the Company	No
8. Whether or not the CPAs are relatives of the Company's directors, managerial officers, or persons who have significant influence on the audit cases.	No
9. Do the CPAs require, contract or accept any remuneration other than those stipulated?	No
10. The CPAs have accepted the Company's engagement as the audit and attesting CPAs for seven consecutive years	No

Note 2: Does the company have other important information that helps to understand the operation of corporate governance?

1. Employee interests: in addition to establishing the Employee Welfare Committee, planning employee group insurance, arranging regular health examinations, and implementing a pension system, the Company also provides multiple channels for further education, values the labor relations, and creates equal employment opportunities.
2. Employee care: Establish a good relationship of mutual trust and mutual dependence with employees through the welfare system enriching and stabilizing employees' lives, and a good education and training system.
3. Employees' Code of Conduct or Ethics: to implement the Company's concept of ethical management, and enable all employees to act accordingly, comply with legal and moral principles to protect the assets, rights and interests and image of the Company and stakeholders, the Company formulates the Company's Commercial Ethic Policy as shown below:
   - Compliance with relevant government laws and regulations
   - Establishment of the protect for the relevant rights of employees, customers, shareholders, suppliers, communities and the environment
   - Insisting the commercial ethics, fair trade, integrity management, and information disclosure, as well as valuing intellectual property and protection of personal safety and trade secrets
4. Investor relations: the Company has a dedicated investor relations department, acting as the communication bridge between the Company and investors. In addition to holding investor conference from time to time, the Company also has a section dedicated to investors on the Company's website, disclosing the Company's information as required by laws to enable investors to fully understand the Company's operating results and long-term business direction.
5. Supplier relationship: the Company signs contracts with suppliers to protect the rights and interests of both parties and maintain a good relationship.
6. Rights of stakeholders: Stakeholders may communicate with and suggest to the Company to protect their legitimate rights and interests.
7. Implementation of risk management policies and risk measurement standards: formulation of various internal regulations pursuant to law, for various risk management and assessments.
8. Implementation of customer policy: the Company maintains a stable and good relationship with customers to create profits for the Company.
9. The liability insurance for directors purchased by the Company: the Company has purchased the liability insurance for all directors, and the insurance coverage for 2023 is US$ 3,000 thousand.
10. Continuing education of accounting and audit officers:

Title	Name	Date of continuing education	Organizer	Course title	Hours of continuing education:
Accounting Officer	Li, Shu-Cheng	April 13, 2023 to Apri1 14, 2023	Accounting Research Development Foundation	Continuing training courses for accounting supervisors of issuers, securities companies and stock exchanges	12
Audit Officer	Luo, Shi-Tang	December 13, 2023	The Institute of Internal Auditors	Policy Analysis on Financial Report Self-Compilation and Sustainability Reporting, and Discussion on Key Practices of	6

				Internal Audit and Internal Control	
		December 15, 2023	The Institute of Internal Auditors	How to Adjust Internal Control Systems to Respond to New ESG Regulations	6

(4) If the Company has established a remuneration committee, the composition, responsibilities, and operations of the committee shall be disclosed:

The Company has three independent directors to form the Remuneration Committee, and the current term of office is from August 30 2021 to August 29, 2024; their major powers are as below:

(1) Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors and managerial officers.

(2) Periodically evaluate and prescribe the remuneration of directors and managerial officers.

1. Information on Remuneration Committee Members

Capacity	Qualification / Name	Professional qualifications and experience	Independence analysis (Note 1)										No. of other public companies at which the person concurrently serves as an independent director
			1	2	3	4	5	6	7	8	9	10	
Independent Director (Convener)	Weng, Chien-Ren	Possessing working experience in commerce, management, and electronic-related; currently serving as Director of FLH Co., Ltd.	V	V	V	V	V	V	V	V	V	V	–
Independent Director	Mao, Ying-Wen	Possessing working experience in commerce, management, and electronic-related; currently serving as Chairman, Sitronix Technology Corp.	V	V	V	V	V	V	V	V	V	V	–
Independent Director	Chen, Miao-Ling	Possessing expertise of accounting and finance; currently serving as Independent Director of Taiwan Financial Holdings Co., Ltd	V	V	V	V	V	V	V	V	V	V	1

Note 1: During the two years before being elected or during the term of office, any of the following conditions satisfied please tick ("V") the concerned condition.

(I) Not an employee of the Company or any of its affiliates.

(II) Not a director or supervisor of the Company or its affiliates (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary, or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).

(III) Not a director, spouse, minor child thereof, or other natural person shareholders who hold more than 1% of the total issued shares of the Company by nominee arrangement or with top ten ownership.

(IV) Not the manager listed in (1) or the spouse, relatives within the second degree of kinship or a direct blood relative within the third degree of kinship of the person listed in (2) and (3).

(V) Not a director, supervisor, or employee of an institutional shareholder who directly holds more than 5% of the Company's total issued shares, who are among the top five shareholders, or who designates its representative to serve as a director or supervisor of the Company in accordance with Article 27, paragraph 1 or 2 of the Company Act (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).

(VI) Not a director, supervisor, or employee of another company where a majority of the Company's director seats or voting shares and those of another company are controlled by the same person (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).

(VII) Not a director (managing director), supervisor, or employee of another company or institution where the Chairman, the President, or person holding an equivalent position of the Company and a person in an equivalent position at another company or institution are the same person or are spouses (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).

(VIII) Not a director (managing director), supervisor, manager, or shareholder holding 5% or more of the shares of a specific company or institution which has a financial or business relationship with the Company (except for a specific company or institution holding more than 20% and no more than 50% of the total issued shares of the Company and for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).

(IX) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company;

(X) Not under any of the circumstances under the sub-paragraphs of Article 30 of the Company Act.

2. Information on the operation of the Remuneration Committee

The number of remuneration committee meetings held in the most recent fiscal year was: four (A). The attendance by the members was as follows:

Title	Name	No. of meetings attended in person (B)	Attendance by proxy	In-person attendance rate (%)	Remarks
Convener	Weng, Chien-Ren	3	1	75%	None
Member	Mao, Ying-Wen	3	1	75%	
Member	Chen, Miao-Ling	4	—	100%	

3. Cause of discussion, the outcome of the resolution, and the measures taken by the Company with respect to the members' opinion

Session/Date	Proposal description	The outcomes of Remuneration Committee's resolutions	and the measures taken by the Company with respect to the members' opinion.
The 6th meeting, the 3rd Term March 15, 2023	Proposal of the 2022 performance evaluations for the directors and managerial officers	Approved by all attending members of the committee.	Approved upon the Remuneration Committee's resolution, and submitted to the Board for approval upon resolution
	The 2022 profit sharing remuneration to employees and directors		
	The proportion provided for the 2023 profit sharing remuneration to employees and directors		
The 7th meeting, the 3rd Term May 5, 2023	Disbursement of 2023 Dragon Boat Festival Bonus	Approved by all attending members of the committee.	Approved upon the Remuneration Committee's resolution, and submitted to the Board for approval upon resolution
	The 2023 salary adjustment		
The 8th meeting, the 3rd Term August 11, 2023	Disbursement of 2023 Mid-Autumn Festival Bonus	Approved by all attending members of the committee.	Approved upon the Remuneration Committee's resolution, and submitted to the Board for approval upon resolution
The 9th meeting, the 3rd Term November 9, 2023	Disbursement of 2023 Year-end Bonus	Approved by all attending members of the committee.	Approved upon the Remuneration Committee's resolution, and submitted to the Board for approval upon resolution

※Other information required to be disclosed:

- If the Board of Directors did not adopt or amend the Remuneration Committee's suggestions, the date of the board meeting, the session, the content of the proposal, the results of the resolutions by the Board of Directors, and the Company's response to said opinions shall be specified (if the remuneration approved by the Board of Directors is better than the Remuneration Committee's suggestions, the difference and the reasons therefor shall be specified): None.
- For proposals resolved by the Remuneration Committee, if any members expressed objection or reservation with a record or written statement, the date of the Remuneration Committee meeting, the session, the content of the proposal, all members' opinions, and the response to the members' opinions shall be specified: none.

(I) The promotion of sustainable development and the deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx-Listed Companies and the reasons therefor:

Evaluation item	Operations			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and the reasons therefor
	Yes	No	Summary	
1. Has the Company established a governance structure to promote sustainable development and set up a dedicated (concurrent) unit to promote sustainable development, governed by the senior management as authorized by the board of directors, which supervises the implementation?		V	In March 2024, a Sustainable ESG Office was established and a sustainable development business plan is being promoted	The ESG office to be handled by senior management authorized by the board of directors and supervised by the board of directors.
2. Does the Company conduct risk assessments of environmental, social, and corporate governance issues related to company operations per the principle of materiality? Has the Company formulated relevant risk management policies or strategies?	V		After evaluating the risks of environmental, social and corporate governance related to the Company's operation, the "Corporate Social Responsibility Best Practice Principles" have been established.	No material deviation The related Principles are established but the operation is not yet familiarized.
3. Environmental issues (1) Has the Company set up an appropriate environmental management system as per its industrial characteristics?	V		The Company complies with the domestic regulations of environment, safety and health, and effectively operates the management system of the regulations of environment, safety and health.	No material deviation
(2) Is the Company committed to improving energy efficiency and adopting recycled materials with low environmental impact?	V		The Company continues to promote the recycling and reuse of resources by effectively implementing the classification and recycling of waste resources and reducing the use of disposable utensils, such as paper cups and disposable tableware, to reduce environmental loads. According to the statistics of WEEE, the easiness of disassemble and the recycling rate of our products reaches 88.8%~91.2%	No material deviation
(3) Has the Company assessed its current and future potential risks and opportunities of climate change and taken countermeasures against climate-related issues?	V		All employees participate in green design and pollution prevention, and a safe and healthy environment has been established. In the future, the Company will formulate strategies for carbon reduction and greenhouse gas reduction.	No material deviation
(4) Has the Company counted the greenhouse gas emissions, water consumption, and total weight of waste over the past two years and formulated policies on greenhouse gas reduction, water consumption reduction, or other waste management?	V		The Company's energy saving, carbon reduction and greenhouse gas reduction strategies are described as follows: 1. Reducing energy consumption and improving efficiency: selecting energy-saving and carbon-reducing products such as LED lighting; turning off power supplies not in need. 2. Implementing recycling and waste reduction measures to reduce impact: continuously implementing waste reduction management measures, well garbage classification, and	No material deviation

Evaluation item	Operations			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and the reasons therefor
	Yes	No	Summary	
			increasing recyclable waste resources.	
4. Social issues (1) Does the Company formulate relevant management policies and procedures in accordance with applicable laws and the International Bill of Human Rights?	V		The Company has formulated relevant management regulations such as "Control Procedures for the Use of Child labor and Minor Labor," "Control Procedures for Freedom of Association and Rights of Collective Bargaining," "Management Procedures for Prohibiting Discrimination and Punitive Measures," and "Control Procedures for Prohibiting Forced Labor" to protect employees and external stakeholders from working or serving under any reprisal or threat, or as repayments.	No material deviation
(2) Has the Company formulated and implemented reasonable employee benefit measures (including remuneration, leave, and other benefits) and reflected business performance or achievements in employee remuneration appropriately?	V		The Company establishes a reasonable remunerations and related management system to ensure that the Company's remunerations complies with relevant regulations and maintains the market standards. On top of the fixed monthly salary, there are also various bonuses such as year-end (festival) bonuses, patent bonuses, and referrer bonuses. The annual salary adjustment plans are determined based on the Company's operating profits and employees' individual performance to share the operating results with employees. In terms of gender, males account for 66% and females account for 34% among all employees; for the management, male employees account for 58% and 42% for females (due to the type of job, education background and other factors, there are differences in the proportions). Gender does not affect the Company's decisions regarding employment or promotion chance. The Company has established the "Employee Welfare Committee" pursuant to laws, contributes welfare funds pursuant to laws, regularly holds welfare committee meetings and handles employee welfare activities, and supports the diversified development of club activities. Welfare planning includes birthday gift money, annual festival gift money, organization of employee health promotion and leisure activities, domestic and foreign travel, subsidies for wedding, funeral and childbirth, condolences for hospitalization of employees and their families, lucky draw at the year-end	No material deviation

Evaluation item	Operations			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and the reasons therefor
	Yes	No	Summary	
			party, health examination, among other things; additionally, employees are insured with the insurances required by the labor regulations, as well as the employee group insurance (including life insurance, accident insurance, cancer insurance, and medical insurance) to provide comprehensive personal protection.	
(3) Does the Company provide employees with a safe and healthy work environment and offer safety and health education training for employees regularly?	V		The Company formulates environmental safety and health policies and "Occupational Safety and Health Management" related program documents to control the details of each workplace. Starting from designing various software and hardware facilities in the office environment, the safety of employees is the first priority, to ensure that employees to get the greatest protection when they are working. Through labor safety education and training courses, employees are made to understand the safety of the plant area and possible hazard risks, and comply with the "Procedures for Emergency Preparation and Response" to help employees to understand the Company's disaster level and response, evacuation routes, among other things. In addition, the Company cooperates with the Fire Department of Taiyuan Technology Park to conduct fire drills as instructed, and regularly promotion the disaster prevention knowledge to employees every year.	No material deviation
(4) Has the Company established an effective career development training program for employees?	V		The Company values employee planning and is committed to talent cultivation, while actively encouraging employees to participate in various training courses, including internal and external training courses. The internal training courses aim at the exchange of professional technology within the Company, and the improvement of the working ability of employees and the management skills of the management team; for the external training courses, employees are sent to seminars based on the needs of the Company, providing good and specialized training opportunities for Company employees.	No material deviation
(5) Does the Company comply with applicable laws and international standards regarding customer health	V		For product safety and marketing or labeling, and acquisition and storage of customer privacy, have all been handled	No material deviation

Evaluation item	Operations			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and the reasons therefor
	Yes	No	Summary	
and safety, customer privacy, as well as marketing and labelling of products and services? Has it formulated relevant policies and complaint procedures to protect consumers' rights and interest?			pursuant to relevant laws or international standards; the Company also provides e-mail address to accept customer complaints.	
(6) Has the Company formulated a supplier management policy, required suppliers to follow applicable regulations on issues, such as environmental protection, occupational safety and health, or labor rights? The implementation thereof?	V		The Company has a supplier management policy in place, requiring each supplier to sign relevant documents. If any supplier involves violation of corporate social responsibilities such as environmental protection, occupational safety and health, or labor rights, the Company may terminate or rescind the contract.	No material deviation
5. Has the Company referred to the internationally accepted reporting standards or guidelines to prepare reports, such as CSR reports that discloses the Company's non-financial information? Has a third-party verification entity provided assurance or assurance opinion for said report?		V	The Company prepares the corporate social responsibility report pursuant to the internationally accepted report preparation guidelines (GRI Standards), and the reports are verified by the independent third-party impartial agency, GREAT International Certification Co., Ltd, pursuant to the AA1000 accountability principle and GRI standards, to confirm that the reports meet the core options of the GRI standards, and AA1000 Type 1 Moderate Assurance Level, and are disclosed on the Company's website.	The reports will be prepared in the future when needed.
6. Where the Company has formulated its own sustainable development code in accordance with the Sustainable Development Best Practice Principles, please specified the differences between the implementation and the principles: Currently, the Company has only established the "Corporate Social Responsibility Best Practice Principles" and promote various social responsibilities.				
7. Other important information that facilitates the understanding of the promotion of sustainable development: For the community participation, social contribution, social service, social welfare, consumer rights, human rights and other social responsibility activities, the Company actively supports numerous public welfare activities every year, and plans and implements them through the "Corporate Social Responsibility Committee" to feed back to the society by participating in activities and fulfill corporate social responsibility. In 2023, the annual activities are as follows: • Donated Goods: Donated goods to disadvantaged groups totaled NT$31,927 in 2023. • Charitable Fundraising: Through the use of donation boxes, employees voluntarily contribute funds, with the entire amount raised donated to disadvantaged groups in remote areas • Charitable Activities: Participation in beach cleaning events in Nanliao, Hsinchu City, and participation in group-organized joint beach cleaning activities • Blood Donation Activity: The Taiwan Blood Services Foundation regularly sends blood donation buses to enter the Taiwan Yuan Technology Park. Our company regularly mobilizes and encourages colleagues to participate enthusiastically in blood donation activities.				

(II) Implementation of Climate-Related Information

<table>
<tr><th>Item</th><th>Implementation:</th></tr>
<tr><td>1. Describe the oversight and governance of climate-related risks and opportunities by the Board of Directors and management.</td><td>A. In accordance with the regulations of the Taiwan Stock Exchange and the Taipei Exchange, starting from May 2022, the schedule for greenhouse gas inventory and verification is planned to be reported to the Board of Directors for control on a quarterly basis.
B. The Board of Directors of our company serves as the highest governance body for climate change management, responsible for guiding the company's responses and decisions related to climate change. In 2024, the company established the "Sustainable Development Office," led by senior executives, to promote corporate sustainability initiatives.</td></tr>
<tr><td>2. Describe how the identified climate risks and opportunities impact the company's business, strategy, and finances (short-term, medium-term, long-term).</td><td>In the short term, climate-related risks and opportunities do not have a particularly significant impact on the industry in which the company operates. However, the impact of climate risks is expected to increase progressively in the long term. The company will need to plan for green design and green manufacturing to ensure sustainable development in the future. Due to the energy-saving requirements of existing design and production models, capital budgets should be allocated annually for R&D, production, and internal transformation. To meet the company's annual capital allocation needs, the finance department will coordinate the necessary additional capital investments accordingly.</td></tr>
<tr><td>3. Describe the financial impacts of extreme weather events and transition actions.</td><td>
<table>
<tr><th>Extreme Climate Risks</th><th>Operational/Financial Impacts on the Company</th><th>Countermeasures</th></tr>
<tr><td>Windstorm</td><td rowspan="3">* Direct Impact: Production disruptions, supply chain interruptions, etc., resulting in decreased company revenue and profit, leading to financial losses.
* Indirect Impact: Increased capital expenditure and rising insurance costs.</td><td rowspan="3">Diversify the supply chain and establish alternative materials through research and production restructuring</td></tr>
<tr><td>Flood</td></tr>
<tr><td>Drought</td></tr>
</table>
</td></tr>
</table>

<table>
<tr><td>4.Describe the integration of climate risk identification, assessment, and management processes into the overall risk management system.</td><td>For the identification, assessment, and management of climate risks, our company integrates relevant processes into the overall risk management system.
<table>
<tr><th>Risk Identification</th><th>Risk Assessment</th><th>Management Strategy</th><th>Execute unit</th></tr>
<tr><td>According to the nature of the company's operations, the executing units conduct relevant risk identification annually.</td><td>The executing units conduct comprehensive climate risk assessments and integration.</td><td>The company incorporates climate change risks into its long-term operational risk management through the processes of identification, assessment, and management strategies.</td><td>Research and Manufacturing Quality Control Center</td></tr>
</table></td></tr>
<tr><td>5. When conducting scenario analysis to assess resilience to climate change risks, it is essential to outline the scenarios, parameters, assumptions, analysis factors, and major financial impacts used.</td><td>Currently, our company does not utilize scenario analysis to assess resilience to climate change risks.</td></tr>
<tr><td>6. If a transformation plan is in place to manage climate-related risks, describe the plan's content, as well as the indicators and goals used to identify and manage physical and transition risks.</td><td>Currently, our company does not have a transformation plan in place to manage climate-related risks.</td></tr>
<tr><td>7. If internal carbon pricing is used as a planning tool, the basis for price determination should be clarified.</td><td>Our company currently does not utilize internal carbon pricing as a planning tool.</td></tr>
<tr><td>8. If climate-related goals are set, the following details should be specified: activities covered, scope of greenhouse gas emissions, planning timeline, and progress towards targets. If carbon offsets or Renewable Energy Certificates (RECs) are used to meet the goals, details regarding the source and quantity of carbon offsets and RECs should be provided.</td><td>Our company currently does not have climate-related goals set.</td></tr>
</table>

Quantity of Renewable Energy Certificates (RECs)	
9. Greenhouse gas inventory and assurance status, reduction targets, strategies, and specific action plans.	Our company is currently planning greenhouse gas inventory and verification, as well as drafting talent training, strategic objectives, control mechanisms, internal verification, and external verification. The planned schedule is as follows: A. Parent company completes greenhouse gas inventory: March 2026 B. Subsidiaries complete greenhouse gas inventory: March 2027 C. Parent company completes external verification: December 2028 D. Subsidiaries complete external verification: March 2029

(III) The Company's implementation of ethical management and any deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx- Listed Companies and reasons thereof

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons thereof
	Yes	No	Summary	
1. Formulation of ethical management policies and plans				
(1) Has the Company formulated an ethical management policy approved by the board of directors and disclosed the policy and practice of ethical management in its regulations and public documents? Are the board of directors and the senior management committed to actively implementing the policy?	V		In order to implement the culture of ethics and responsibility, the Company has formulated the "Personnel Management Rules," clearly requiring employees to insist the service code of ethic and integrity. The Company also formulated the "Ethical Corporate Management Best Practice Principles." The Company shall establish policies based on ethics on the business philosophy of integrity, transparency and responsibility, while establishing the good mechanism of corporate governance and risk control, to create a sustainable business environment, and require the Board, management and all employees to strictly comply with.	No material deviation
(2) Has the Company established an assessment mechanism for the risk of unethical conduct to regularly analyze and evaluate the business activities with a higher risk of unethical conduct within the business scope and formulated a prevention plan accordingly, at least covering the prevention measures for the acts under each subparagraph under Article 7,	V		The Company has established the “Policy of Commercial Ethical Regulations,” “Corporate Governance Best Practice Principles,” and “Procedures for Ethical Management and Guidelines for Conduct” to regulate the whistle blowing and disciplinary actions for unethical conducts, while auditing the compliance thereof through the implementations of various internal control systems.	No material deviation

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons thereof
	Yes	No	Summary	
paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies?				
(3) Has the Company clearly specified operating procedures, guidelines for conduct, and a violation punishment and complaint system in the unethical conduct prevention plan and duly implemented them? Does the Company regularly review and revise said plan?	V		In the "Ethical Corporate Management Best Practice Principles," the following are specified: prohibition from offering and acceptance of bribes; prohibition from illegal political donations; prohibition from improper charitable donations or sponsorship; prohibition from offering or acceptance of unreasonable presents or hospitality, or other improper benefits; prohibition from infringement of intellectual property rights; prohibition from engaging in unfair competitive practices; prevention from damage to stakeholders by products or services. There are also the conduct guidelines, and the system of disciplinary actions specific to violations and appealing to be implemented accordingly. In addition to strengthening promoting to new employees, the policies are concretely implemented in daily operations, and the content is regularly reviewed and updated in a timely manner when requires.	No material deviation
2. Implementation of ethical management				
(1) Does the Company evaluate each counterparty's records for ethics? Has the Company specified the terms of ethical conduct in each contract signed with each counterparty?	V		The Company insists the philosophy of ethical management, and the performance of commercial activity contracts specify that the ethic cannot be violated.	No material deviation
(2) Has the Company established a dedicated (concurrent) unit under the board of directors to conduct ethical corporate management, regularly (at least once a year) report to the board of directors on its ethical management policies and prevention plans for unethical conduct, and supervise the implementation?		V	While the Company has not yet established a dedicated (concurrent) unit to promote ethical corporate management, the Board adopts the audit function to inspect the implementation of the Company's ethical management policy. The Company assesses the corruption risks of each department and operating base, and purchases liability insurance for directors and members who have a significant influence on the Company.	In the future, the Company will establish a dedicated unit under the Board to promote ethical corporate management when needed.
(3) Has the Company formulated policies to prevent conflicts of interest, provided appropriate methods for stating one's conflicts of interest, and implemented them appropriately?	V		The "Policy of Commercial Ethical Regulations" formulated by the Company specifies the policy of avoiding conflicts of interest. When the personal interests of employees, or family members, relatives and friends outside the workplace that may cause conflicts of interest, and interfere with the overall interests of the Company in any form, as required by the policy, such employees must prepared the conflict of interest report, fully disclosing any circumstance that may cause a conflict of interest, and immediately report to the officers level by level.	No material deviation
(4) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical	V		In order to ensure the implementation of the philosophy of ethical management, the Board has set up three independent directors, and established the Remuneration Committee and the Audit Committee, with a complete and effective internal	No material deviation

Item		Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons thereof
		Yes	No	Summary	
	conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?			control system, related management procedures and accounting systems, to be implemented and reviewed whenever requires, to ensure the continuous effectiveness of the design and implementation of the system. The Company conducts self-inspection every year, and then the internal audit unit reviews the self-inspection reports of each unit, including control environment, risk assessment, control operation, information, communication and supervision, along with the internal control deficiencies found by the audit unit and improvement of abnormal matters, to serve as the main basis for the Board and the President to evaluate the effectiveness of the overall internal control system and issue a statement on the internal control system.	
(5)	Does the Company regularly hold internal and external education and training on ethical management?		V	The Company will plan to incorporate ethical management into education and training courses.	Such will be planned in the future.
3.	Implementation of the Company's whistleblowing system				
(1)	Has the Company formulated a specific whistleblowing and reward system, established a convenient whistleblowing method, and assigned appropriate personnel to handle the party accused?	V		The Company has set up the internal and external whistleblower mailboxes (cbn_whistleblower@compalbn.com), as well as the relevant punishment regulations, for the responsible unit to assign appropriate dedicated personnel to handle such based on the nature and involved parties of the whistleblowing. No whistle blowing was received in 2022.	No material deviation
(2)	Has the Company formulated standard operating procedures for investigation of reported cases, the follow-up measures to be taken after the investigation is completed, and a confidentiality mechanism?	V		In the appealing and whistleblowing procedures, unless otherwise provided by law, the personal information of the whistle blowers will be kept confidential, and appropriate protective measures will be adopted pursuant to laws to protect personal information and privacy.	No material deviation
(3)	Does the Company take measures to protect whistleblowers from being mistreated due to their whistleblowing behavior?	V		Based on the above, the Company adopts appropriate confidentiality measures pursuant to laws. and the Company handles complaints or whistle blowing in a confidential manner promptly, fairly and objectively. If the complaint or the whistle blowing is made by an employee, the Company guarantees that the employee will not be treated improperly due to the complaint or whistle blowing.	No material deviation
4.	Enhanced information disclosure				
(1)	Has the Company disclosed the content of its Corporate Governance Best Practice Principles and the effectiveness of the implementation of the principles on its website and the MOPS?	V		The Company's website has disclosed information related to the corporate governance, and has a dedicated unit responsible for disclosing financial information on the MOPS, with the spokesperson to speak on behalf of the Company.	No material deviation
5.	If the Company has formulated its own Corporate Governance Best Practice Principles as per the Corporate Governance Best Practice Principles for TWSE/TPEx-Listed Companies, please specify the difference between its operation and the principles: The Company has established the "Corporate Governance Best Practice Principles," and "Procedures for Ethical Management and Guidelines for Conduct;" and the Company's operation is not materially deviated from the established				

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons thereof
	Yes	No	Summary	
Principles.				
6. Other important information that facilitates the understanding of the Company's ethical management (e.g., reviewing and amending the Company's corporate governance best practice principles): The Company has announced the "Corporate Governance Best Practice Principles," and "Procedures for Ethical Management and Guidelines for Conduct" on the Company's website.				

(IV) Methods to inquire the Company's Corporate Governance Best Practice Principles and Related Regulations:

The Company's website: www.icbn.com.tw is available for investors to inquire the Company's management regulations:

• Articles of Incorporation	• Operating Procedures for Making Endorsement/Guarantee
• Rules of Procedure for Shareholders Meetings	• Operational Procedures for Loaning of Funds to Others
• Rules of Procedure for Board of Directors Meetings	• Operational Procedures for the Acquisition and Disposal of Assets
• Regulations Governing Election of Directors	• Corporate Governance Best Practice Principles
• Ethical Corporate Management Best Practice	• Corporate Social Responsibility Best Practice

(V) Other key information enhance the understanding to the operations of the corporate governance

1. The Company's website is www.icbn.com.tw; the information is collected and maintained by a dedicated personnel, and regularly disclosed and updated, for investors to check the financial, business, investor conference and other information.
2. To establish the management for preventing insider trading, avoid the improper leakage of material internal information, and ensure the consistency and accuracy of the information released by the Company externally, the Company has stipulated the "management of preventing insider trading" in the internal control system. The Company will handle relevant promotion through the Company's website, contracts, and education and training, and notify directors, managerial officers and all employees to comply with relevant regulations

(VI) Implementation of the internal control system

1. Statement of the Internal Control System

Compal Broadband Networks

Statement of the Internal Control System

Date: March 8, 2024

The Company's internal control system for 2023 as per the results of our self-assessment is hereby declared as follows:

I. The Company is clearly aware that the establishment, implementation, and maintenance of an internal control system are the responsibility of the Company's Board of Directors and managers, and the Company has established such a system. It aims to provide reasonable assurance for the achievement of the objectives, namely the effectiveness and efficiency of operations (including profitability, performance, and asset security protection), the reliability, timeliness, and transparency of financial reporting, and compliance with applicable laws and regulations.

II. Some limitations are inherent in all internal control systems. No matter how perfect the design is, an effective internal control system can only provide a reasonable assurance regarding the achievement of the above three intended objectives; moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the Company's internal control system is equipped with a self-monitoring mechanism. Once a defect is identified, the Company will take action to rectify it.

III. The Company judges whether the design and implementation of the internal control system is effective based on the criteria for judging the effectiveness of the internal control system set out in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). Said criteria under the Regulations are divided into five constituent elements as per the management and control process: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communication, and 5. monitoring activities. Each constituent element includes several items. For said items, please refer to the Regulations.

IV. The Company has adopted the aforesaid judgment criteria for the internal control system to determine whether the design and implementation of the internal control system are effective.

V. Based on the results of the assessment in the preceding paragraph, the Company is of the opinion that, as of December 31, 2023, the internal control system (including the supervision and management of its subsidiaries), including the understanding the effectiveness of operations and the extent to which efficiency targets are achieved, reliable, timely, and transparent reporting, and compliance with applicable rules and applicable laws and regulations, is effective and can reasonably assure the achievement of the foregoing objectives.

VI. This statement will form the main content of the Company's annual report and prospectus and will be made public. If the disclosed content above is false or there is material information concealed deliberately or otherwise, the Company will be legally liable pursuant to Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This statement has been approved by the Company's Board of Directors on March 8, 2024. Among the seven directors present, none of them expressed objections. All the others agreed with the content of this statement. Therefore, this statement is hereby declared.

Compal Broadband Networks, Inc.

Chairman, Wong, Chung-Pin

President: Wang, Yu-Ho

2. Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report: none.

(VII) If there has been any legal penalty against the Company and its internal personnel, or any disciplinary penalty by the Company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the Annual Report, where the result of such penalty could have a material effect on shareholder interests or securities prices, the Annual Report shall disclose the penalty, the main defects, and the improvements made: none.

(VIII) Important resolutions by the shareholders' meeting and the Board of Directors in the most recent year and up to the publication date of the annual report

1. Regular shareholders' meeting

   Time: 9:00 am, June 30, 2023

   Venue: 10F, No. 6, Taiyuan 1st Street, Zhubei City, Hsinchu County, conference room of Compal Broadband Networks, Inc.

   Key resolutions:

   (1) Ratification of the 2022 business report and financial statements.

   (2) Ratification of the 2022 earning distribution.

   (3) Lifting the non-compete restriction on the directors.

Implementation:

1. Implementation of 2022 cash dividend distribution:
   - Cash dividend: NT$0.5 was distributed per share
   - Base date of dividend distribution: May 6, 2023.
   - Cash disbursement date: May 26, 2023.
2. Lifting the non-compete restriction on the directors: announced on the MOPS on June 30, 2023.

2. Board of Directors

Date	Key resolutions
May 5, 2023	1. Approved the consolidated financial statements of Q1 2023. 2. Approved the 2023 business plan. 3. Approved to lift the non-compete restriction on directors. 4. Approved the disbursement of 2023 Dragon Boat Festival Bonus. 5. Approved the 2023 salary adjustment
August 11, 2023	1. Approved Corporate Governance Officer 2. Approved the consolidated financial statements of Q2 2023. 3. Approved to cancel the new restricted employee shares failing to meet the vesting conditions 4. Approved the disbursement of 2023 Mid-Autumn Festival Bonus. 5. Approved the authorization to borrow from financial institutions
November 9, 2023	1. Approved the consolidated financial statements of Q4 2023. 2. Approved the 2024 audit plan. 3. Approved the disbursement of 2023 Year-end Bonus. 4. Approved the authorization to borrow from financial institutions
March 8, 2024	1. Approved the 2023 profit sharing remuneration to employees and directors. 2. Approved the proportion provided for the 2024 profit sharing remuneration to employees and directors. 3. Approved the 2023 business report, and consolidated and parent-company only financial statements. 4. Approved the 2023 Statement of the Internal Control System. 5. Approved the evaluation of the CPAs' independence and competence. 6. Approved the Company's 2023 deficit compensation. 7. Approved board of Directors and Functional Committee Performance Evaluation Methodology 8. Approved the convention of 2024 regular shareholders' meeting. 9. Approved to elect the 6th Directors of the company

Date	Key resolutions
May 9, 2024	1. Approved the consolidated financial statements of Q1 2024 2. Approved the 2024 business plan 3. Approved to cancel the new restricted employee shares failing to meet the vesting conditions 4. Approved nomination List for the Sixth Term Board of Directors (including Independent Directors) 5. Approved the concurrent positions held by directors and the lifting of their non-compete restrictions. 6. Approved amendment of the 'Board Meeting Regulations' and 'Audit Committee Organization Regulations 7. Approved the authorization to borrow from financial institutions

(IX) During the most recent year and up to the date publication of this annual report, if the directors or supervisors had different opinions on important resolutions approved by the Board of Directors with records or written statements, the main content of the opinions: none.

(X) During the most recent year and up to the date publication of this annual report, a summary of the resignation and dismissal of the Company’s Chairman, President, chief accounting officer, chief financial officer, chief internal auditor, corporate governance officer, or R&D officer: none.

Title	Name	Date of Appointment	Date of Termination	Reason for Resignation or Dismissal
Corporate Governance Officer	Liu, Yi-Hsuan	2023.3.15	2023.7.10	Adjustment of job

V、Information on the Company’s audit fees

1. Range table of CPA’s service fees

Unit: NT$ thousand

Name of accounting firm	Name of CPA	Audit period	Audit fees	Non-audit fees (Note)	Remarks
KPMG Taiwan	Chien, Szu-Chuan Au, Yiu-Kwan	January 1, 2023 to December 31, 2023	2,375	300	None

Note: Including NT$70 thousand for company registration service; NT$230 thousand for taxation attestation service, report of information on the wages of full-time non-management employees.

2. If the CPA firm is replaced and the audit fees paid during the year in which the replacement occurs are less than those paid in the prior year, the amount of the decrease in the audit fees and the reason thereof shall be disclosed: none.

3. When the audit fees paid for the current year are lower than those paid for the prior year by 15% or more, the amount and percentage of the decrease and thereof shall be disclosed: none.

VI、 Replacement of CPAs

(1) Information on the former CPAs:

<table>
<tr><td>Date of Replacement</td><td colspan="4">Board of Directors resolution made on March 15, 2023</td></tr>
<tr><td>Causes for the replacement</td><td colspan="4">In coordination with the internal rotation of accountants at KPMG Taiwan, starting from the first quarter of 2023, the company’s CPAs changed from Ms. Kuo, Kuan-Ying and Ms. Chien, Szu-Chuan to Ms. Chien, Szu-Chuan and Mr. Au, Yiu-Kwan.</td></tr>
<tr><td rowspan="3">Termination by the Company or the CPA</td><td colspan="2">Party / Condition</td><td>CPA</td><td>Client</td></tr>
<tr><td colspan="2">Termination by the Company</td><td colspan="2" rowspan="2">N/A</td></tr>
<tr><td colspan="2">Rejection of appointment</td></tr>
<tr><td>For the most recent two years, the causes for an audit opinion other than unqualified audit opinion</td><td colspan="4">N/A</td></tr>
<tr><td rowspan="7">Deviation from the Issuer</td><td rowspan="5">YES</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial statements</td></tr>
<tr><td></td><td colspan="2">Audit scope or steps</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td></td><td colspan="2"></td></tr>
<tr><td>None</td><td colspan="3"></td></tr>
<tr><td colspan="4">Description: N/A</td></tr>
<tr><td>Additional Disclosures (under Subparagraphs 1-4 to 1-7,Paragraph 6, Article 10 of the Guidelines)</td><td colspan="4">None</td></tr>
</table>

(2) **Information on new CPAs:**

Name of CPA Firm	KPMG Taiwan
Name of CPA	Chien, Szu-Chuan Au, Yiu-Kwan
Date of Appointment	Board of Directors resolution made on March 15, 2023
Inquiries into Accounting Treatments or principles for Specific Transactions and possible Opinions on Financial Statements before Appointment	N/A
Succeeding CPA's written opinion of disagreement toward the former CPA	N/A

(3) **Reply from the former CPAs to the matters under Article 10, subparagraph 5, items 1 and 2-3 of the Regulations: none.**

VII、Where the company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed ：None.

VIII、The changes in the transfer or pledge of equity shares by directors, supervisors, managers, or shareholders holding more than 10% of the shares issued by the Company in the most recent year and up to the publication date of this annual report

(1) **Changes in Shareholding of Directors, Supervisors, Managerial Officers, and Major Shareholders**

Unit: Shares

Job title	Name	2023		Current year up to April 26	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged	Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged
Shareholder with 10% or more stake	Compal Electronics, Inc.	–	–	–	–
Chairman	Compal Electronics, Inc. Representative: Wong, Chung-Pin				
Director	Compal Electronics, Inc. Representative: Chen, Rui-Tsun				
Director	Compal Electronics, Inc. Representative: Wang, Yu-Ho				
Director	Rui Xin Investment Co., Ltd. Representative: Tsai, Rong-Jin	–	–	–	–
Independent Director	Weng, Chien-Ren	–	–	–	–
Independent Director	Mao, Ying-Wen	–	–	–	–
Independent Director	Chen, Miao-Ling	–	–	–	–

Shareholder with 10% or more stake	Topower Co., Ltd.	—	—	—	—
President	Wang, Yu-Ho	—	—	—	—
Vice President	Chang, Chia-Ling	—	—	—	—
Vice President	Huang, Wei-Hsin	0 (41,000)	—	0 (31,000)	—
Chief of Division	Chu, Yuan-Ping	7,000	—	—	—
Vice Chief of Division	He, Chung-Yu	—	—	—	—
Vice Chief of Division	Chen, Hung-Wei	—	—	—	—
Vice Chief of Division	Chen, Kuo-Hsin	—	—	—	—
Vice Chief of Division	Hsiao, Hsu-Shuen	0 (10,000)	—	0 (185)	—
Officer of Accounting and Finance	Li, Shu-Cheng	—	—	—	—
Audit Officer	Luo, Shi-Tang	—	—	—	—
Corporate Governance Officer(Note 1)	Liu, Yi-Hsuan	—	—	—	—
Vice Chief of Division(Note 1)	Yang, Yu-Kuan	—	—	—	—

Note 1:During 2023 Yang, Yu-Kuan, Vice Chief of Division and Liu, Yi-Hsuan, Corporate Governance Officer.

(2) Any counterparty in any such transfer or pledge of equity interests is a related party

(i) Information on equity transfer: none.

(ii) Information on equity pledge: none.

IX、Information about the top ten shareholders with shareholding ratio, and their relationship with each other or their spouses or relatives within the second degree of kinship

April 26, 2024; Unit: shares; %

Name	Shareholding		Shareholding of spouse and minor children		Total shareholding by nominee arrangements		Specify the name of the entity or person and their relationship to any of the other top 10 shareholders with which the person is a related party or has a relationship of spouse or relative within the 2nd degree		Remarks
	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	Name	Relationship	
Compal Electronics, Inc. Representative: Hsu, Sheng-Hsiung	29,060,176	42.96%	—	—	—	—	Topower Co., Ltd. Arcadyan Technology Corporation	Affiliates	—
Topower Co., Ltd. Representative: Tseng, Chao-Peng	13,139,637	19.43%	—	—	—	—	Compal Electronics, Inc. Arcadyan Technology Corporation	Affiliates	—
China Development Advantageous Venture Capital Limited Partnership Representative: CDIB Capital Co., Ltd.	4,119,000	6.09%	—	—	—	—	—	—	—
Rui Xin Investment Co., Ltd. Representative: Huang, Yi-Wei	3,575,000	5.29%	—	—	—	—	PacketX Investment Co. Ltd.	Affiliates	—
PacketX Investment Co. Ltd. Representative: Yeh, Bo-Ren	3,575,000	5.29%	—	—	—	—	Rui Xin Investment Co., Ltd.	Affiliates	—
Lin, Kao-Huang	2,300,000	3.40%	—	—	—	—	—	—	—
Wang, Yu-Ho	1,160,010	1.72%	—	—	645,000	0.95%	Jinshang Investment Co. Ltd.	The same person in charge	—
Chang, Chia-Ling	755,597	1.12%	—	—	171,000	0.25%	—	—	—
Jinshang Investment Co. Ltd. Representative: Wang, Yu-Ho	645,000	0.95%	—	—	—	—	Wang, Yu-Ho	The same person in charge	—
	1,160,010	1.72%	—	—	—	—	—	—	—
Arcadyan Technology Corporation Representative: Chen, Rui-Tsun	533,217	0.79%					Compal Electronics, Inc. Topower Co., Ltd.	Affiliates	—

X、The total number of shares held and the consolidated shareholdings in any single investee by the Company, its directors, supervisors, managers, or any companies controlled either directly or indirectly by the Company

December 31, 2023; Unit: shares; %

Investee enterprise	Investment by the Company		Investment by the Directors, Supervisors, Managerial Officers and Directly or Indirectly Controlled Entities of the Company		Total investment	
	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio
Compal Broadband Networkds Belgium BVBA	20	100%	—	—	20	100%
Compal Broadband Networks Netherlands B.V.	20	100%	—	—	20	100%
Starmems Semiconductor Corp.	1,000	10%	—	—	1,000	10%

Fundraising

I、Capital and shares

(I) Source of share capital

April 26, 2024; Unit: thousand shares; NT$ thousand

Year/ month	Issue price (NT$)	Authorized capital		Paid-in capital		Remarks		
		No. of shares	Amount	No. of shares	Amount	Source of share capital	Capital increased by assets other than cash	Other
2009.08	10	20,000	200,000	10,000	100,000	Cash capital increase	None	Approved with Letter Fu-Chan-Yeh-Shang-Zhi No.09887916800 for reference
2011.12	10	20,000	200,000	14,840	148,400	Capitalization of earnings	None	Approved with Letter Fu-Chan-Yeh-Shang-Zhi No.10090611910 for reference
2013.08	10	20,000	200,000	19,292	192,920	Capitalization of earnings	None	Approved with Letter Fu-Chan-Yeh-Shang-Zhi No.10287070600 for reference
2014.08	10	60,000	600,000	25,079	250,796	Capitalization of earnings	None	Approved with Letter Fu-Chan-Yeh-Shang-Zhi No.10387277200 for reference
2015.06	10	60,000	600,000	25,387	253,872	Conversion of subscription warrants	None	Approved with Letter Fu-Chan-Yeh-Shang-Zhi No.10484714400 for reference
2015.08	10	60,000	600,000	33,003	330,033	Capitalization of earnings	None	Approved with Letter Fu-Chan-Yeh-Shang-Zhi No.10486667700 for reference
2016.05	10	60,000	600,000	33,252	332,525	Conversion of subscription warrants	None	Approved with Letter Fu-Chan-Yeh-Shang-Zhi No.10585978700 for reference
2017.01	10	60,000	600,000	53,252	532,525	Cash capital increase	None	Approved with Letter Jing-Shou-Shang-Zhi No.10601008420 for reference
2017.03	10	60,000	600,000	53,528	535,276	Conversion of subscription warrants	None	Approved with Letter Jing-Shou-Shang-Zhi No.10601040970 for reference
2017.06	10	60,000	600,000	54,865	548,648	Conversion of subscription warrants	None	Approved with Letter Jing-Shou-Shang-Zhi No.10601074300 for reference
2017.11	10	100,000	1,000,000	60,351	603,512	Capitalization of earnings	None	Approved with Letter Jing-Shou-Shang-Zhi No.10601150080 for reference
2018.07	10	100,000	1,000,000	60,490	604,897	Conversion of subscription warrants	None	Approved with Letter Jing-Shou-Shang-Zhi No.10701085060 for reference
2018.11	10	100,000	1,000,000	60,702	607,024	Conversion of subscription warrants	None	Approved with Letter Jing-Shou-Shang-Zhi No.10701141960 for reference
2018.12	10	100,000	1,000,000	66,818	668,184	Cash capital increase	None	Approved with Letter Jing-Shou-Shang-Zhi No.10701155380 for reference
2019.03	10	100,000	1,000,000	66,838	668,377	Conversion of subscription warrants	None	Approved with Letter Jing-Shou-Shang-Zhi No.10801030990 for reference
2019.11	10	100,000	1,000,000	66,887	668,871	Conversion of subscription warrants	None	Approved with Letter Jing-Shou-Shang-Zhi No.10801167250 for reference
2020.11	10	100,000	1,000,000	66,932	669,324	Conversion of subscription warrants	None	Approved with Letter Jing-Shou-Shang-Zhi No.10901223370 for reference
2021.01	10	100,000	1,000,000	66,970	669,704	Conversion of subscription warrants	None	Approved with Letter Jing-Shou-Shang-Zhi No.11001055130 for reference
2022.01	10	100,000	1,000,000	68,470	684,704	Issuance of restricted stock for employees	None	Approved with Letter Jing-Shou-Shang-Zhi No.11001241670 for reference
2022.03	10	100,000	1,000,000	68,419	684,194	Cancellation of new restricted stock for employees	None	Approved with Letter Jing-Shou-Shang-Zhi No.11101047130 for reference
2022.05	10	100,000	1,000,000	68,405	684,049	Cancellation of new restricted stock for employees	None	Approved with Letter Jing-Shou-Shang-Zhi No.11101081820 for reference
2022.07	10	100,000	1,000,000	68,405	684,049	Amendment to the Articles of Incorporation	None	Approved with Letter Jing-Shou-Shang-Zhi No.11101129800 for reference
2022.08	10	100,000	1,000,000	68,381	683,808	Cancellation of new restricted stock for employees	None	Approved with Letter Jing-Shou-Shang-Zhi No.11101161320 for reference
2022.11	10	100,000	1,000,000	68,002	680,021	Cancellation of new restricted stock for employees	None	Approved with Letter Jing-Shou-Shang-Zhi No.11101221710 for reference
2023.04	10	100,000	1,000,000	67,654	676,537	Cancellation of new restricted stock for employees	None	Approved with Letter Jing-Shou-Shang-Zhi No.11230055520 for reference
2023.08	10	100,000	1,000,000	67,638	676,381	Cancellation of new restricted stock for employees	None	Approved with Letter Jing-Shou-Shang-Zhi No.11230168020 for reference

April 26, 2024; Unit: shares

Share type	Authorized capital			Remarks
	Outstanding shares	Unissued share	Total	
Common share	67,638,059	32,361,941	100,000,000	Authorized shares include ten million shares for employee subscription warrants or corporate bonds with subscription right to exercise the subscription right

Note: The Company's shares were listed on November 28, 2018.

※Information Relating to the Shelf Registration System: not applicable

(II) Shareholder structure

April 26, 2024; Unit: shares

Shareholder structure / Quantity	Government agencies	Financial institutions	Other legal entities	Foreign institutions and foreign individuals	Individuals	Treasury shares	Total
No. of shareholders	—	1	13	10	1,429	—	1,453
Number of shares held	—	302,400	54,863,030	95,123	12,377,506	—	67,638,059
Shareholding (%)	—	0.45%	81.11%	0.14%	18.3%	—	100.00%

(III) Distribution of shareholding

April 26, 2024; Unit: shares

Range of no. of shares held	Number of shareholders	Number of shares held	Shareholding (%)
1 to 999	199	19,108	0.03%
1,000 to 5,000	969	1,924,918	2.85%
5,001 to 10,000	138	1,108,488	1.64%
10,001 to 15,000	46	593,908	0.88%
15,001 to 20,000	27	501,880	0.74%
20,001 to 30,000	23	558,000	0.82%
30,001 to 40,000	15	535,419	0.79%
40,001 to 50,000	5	224,164	0.33%
50,001 to 100,000	12	816,000	1.21%
100,001 to 200,000	4	621,330	0.92%
200,001 to 400,000	3	889,400	1.31%
400,001 to 600,000	3	1,516,024	2.24%
600,001 to 800,000	2	1,400,597	2.07%
800,001 to 1,000,000	0	0	0%
1,000,001 above	7	56,928,823	84.17%
Total	1,453	67,638,059	100.00%

(IV) List of Major Shareholders

April 26, 2024; Unit: shares

Names of major shareholders \ Shares	Number of shares held	Shareholding (%)
Compal Electronics, Inc.	29,060,176	42.96%
Topower Co., Ltd.	13,139,637	19.43%
China Development Advantageous Venture Capital Limited Partnership	4,119,000	6.09%
Rui Xin Investment Co., Ltd.	3,575,000	5.29%
PacketX Investment Co. Ltd.	3,575,000	5.29%
Lin, Kao-Huang	2,300,000	3.40%
Wang, Yu-Ho	1,160,010	1.72%
Chang, Chia-Ling	755,597	1.12%
Jinshang Investment Co. Ltd.	645,000	0.95%
Arcadyan Technology Corporation	533,217	0.79%

(V) Market price and net asset value per share, earnings, dividends, and relevant information in the most recent two years

Unit: thousand shares NT$

Item \ Year			2022	2023	Current year up to March 31
Market price per share	Highest		34.40	29.75	27.95
	Lowest		20.85	24.20	22.70
	Average		27.15	27.38	25.94
Net worth per share	Before distribution		22.25	17.01	16.42
	After distribution		21.75	17.01(Note 2)	—
EPS	Weighted average shares		68,002	67,336	67,336
	EPS		(0.94)	(4.84)	(0.61)
Dividends per share	Cash dividends		0.50	—(Note 2)	—
	Stock dividends	—	—	—	—
		—	—	—	—
	Accumulated undistributed dividends		—	—	—
Return on investment analysis	Price/earnings ratio		(28.88)(Note 3)	(5.66)(Note 3)	—
	Price/dividend ratio		54.30(Note 4)	—(Note 4)	—
	Cash dividend yield		1.84%(Note 5)	—(Note 5)	—

Note 1: 2022 earnings are distributed in cash

Note 2: The 2023 distribution was approved upon the resolution of the board on March 8, 2024.

Note 3: Price/earnings ratio = average closing price per share for the year / earnings per share.

Note 4: Price / dividend ratio = average closing price per share for the year / cash dividends per share.

Note 5: Cash dividend yield = cash dividend per share / average closing price per share for the year.

(VI) Dividend policy and implementation

1. The dividend policy stipulated in the Articles of Incorporation

   Pursuant to the Company's Articles of Incorporation, if there is any surplus in the Company's earnings as concluded by the annual accounting book close, after paying tax and making up for accumulated losses, 10% shall be set aside as legal reserve, except when the legal reserve has reached the Company's paid-in capital, and the remainder shall be set aside or reversed as special reserve in accordance with the law; if there is any remaining earnings, the balance plus the accumulated undistributed earnings may be proposed by the board of directors for distribution upon the resolution of the shareholders' meeting; provided, the distribution may be exempted if the EPS is less than NT$1.

   The Company is in the stage of operation growth; the dividend distribution policy shall consider the operating environment, operating performance, and financial structures, among other things, for the distribution. No less than 10% of the distributable earnings shall be provided for shareholder's bonus; provided, the board of directors may adjust the percentage based on the overall operating conditions at that time, and submit the proposal for the resolution of shareholders' meeting. However, the cash dividends distributed to the shareholders must not less than 10% of the sum of the cash and share dividends.

2. Dividend distribution proposed in the shareholders' meeting

   The Company authorizes the board meeting attended by two-third or more directors, and the resolution by the majority of the attended directors, to distribute all or part of the shareholders' dividends and bonus, in cash, and report to the shareholders' meeting.

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

3. When the dividend policy is expected to be changed materially, please described: none.

(VII) The influence of the stock dividend proposed at the shareholders' meeting on the Company's operating performance and earnings per share:

not applicable. (The Company did not disclose the financial forecast of 2023.)

(VIII) Employee and director's remuneration:

(I) The percentage of the profit for or scope of employee remuneration and directors' remuneration as stated in the Company's Articles of Incorporation:

The Company shall distribute no lower than 5% of the profit of the year as the employees' remunerations, and no more than 2% of the same as the directors' remunerations; however, the accumulated losses shall be offset first.

The "profit of the year" in the preceding paragraph refers to the income after the pre-tax income of the year deducting the distribution of the employees' and directors' remunerations.

The distribution of the employees' and directors' remunerations shall be resolved by the majority of the attending directors in a board meeting attended by two-third or more of the all directors, and reported to the shareholders' meeting.

The employee's remuneration may be paid in shares or cash, and the employees entitled to receive the remuneration include the employees of parents or subsidiaries of the company meeting certain specific requirements.

(II) Basis for estimation of employee remuneration and directors' and supervisors' remuneration in this period, basis for the calculation of the number of shares for stock dividends to employees, and accounting treatment if the amount paid out is different from the estimated amount:

The Company estimates the amount of employee remuneration and director remuneration pursuant with the Articles of Incorporation, and reports to the shareholders' meeting after the deliberation of the Remuneration Committee and the resolution of the board of directors.

After the end of the year, if there is a major change in the distribution amount resolved by the board of directors before the release date of the consolidated financial report, the change will adjust the expenses in the year when the provision is made. If the amount changes after the release date of the consolidated financial report, it will treated as the change in accounting estimates, and will be adjusted and accounted in the next year.

The Company did not estimate employee remuneration and directors' remuneration due to loss before income tax for the year ended December 31, 2023.

(III) The distribution of remuneration approved by the Board of Directors:

1. Amount of employee remuneration and director remuneration distributed in cash or share are as below:
   Employee remuneration is NT$0.
   Director remuneration is NT$0.
   Where there is a difference with the estimated amount for the year, in which the expenses are recognized, the amount of difference, reason, and accounting treatment shall be disclosed: no difference from the estimated amount recognized in annual expenses.
2. The amount of employee remuneration in stock and the amount as a percentage of the sum of net income after tax as in the standalone financial statement for this period and the total employee dividends for this period: no such situation.

(IV) Actual distribution of remunerations to employees, directors, and supervisors in the previous year:

Unit: NT$

The 2022 earnings distribution proposal	Actual distribution	Distribution proposal approved by the Board	Amount of difference	Recognized	Amount of difference
Employee remuneration	0	0	0	0	0
Directors remuneration	0	0	0	0	0

The 2022 employee and director remunerations were resolved by the board of directors on March 15, 2023, and reported to the shareholders' meeting on June 30, 2023. The actual amount distributed was identical to the estimate.

(IX) The repurchase of the Company's shares: none.

II、Issuance of corporate bonds: none.

III、Issuance of preference shares: none.

IV、Issuance of depository receipts: none.

V、Issuance of employee subscription warrants: none.

VI、Issuance of new restricted employee shares

1. Issuance of new restricted employee shares

April 26, 2024

Type of new restricted employee shares	2021 new restricted employee shares
Effective registration date and total number of shares	May 31, 2021
Issue date	December 20, 2021
Number of new restricted employee shares issued	1,500,000
Issue price	NT$0 (as share dividends)
Ratio of the number of new restricted employee shares issued to the total number of issued shares	2.20%
Vesting conditions of the new restricted employee shares	1. Where an employee is on the service at the end of each following schedule after the new restricted employee shares are allocated, while meeting the personal and Company's annual performance evaluation indicators, the maximum proportion of the shares to be vested are as following; provided that the actual shares to be vested will be calculated based the degree of achievement of the performance evaluation indicators. Lapse of one full year 40 % Lapse of two full years 30 % Lapse of three full years 30 % 2. Appraisal indicators 1. Personal performance: upon the expiration of each vesting period, the employee’s performance evaluation result of the most recent year is B or above. 2. Company’s performance The consolidated financial statement audited and attested by the CPAs for the most recent year when the vesting period expires generates net profit after-tax, and the following performance standards are met: (一)Consolidated operating revenue: upon the expiration of each vesting period, the consolidated financial statement audited and attested by the CPAs of the most recent year has increased by more than 20% (inclusive) relative to the Company's average value for the previous two years. (二)Consolidated net profit after-tax: upon the expiration of each vesting period, the consolidated financial statement audited and attested by the CPAs of the most recent year has increased by more than 20% (inclusive) relative to the Company's average value for the previous two years. To incorporate the interests of employees participating in this project with the interests of shareholders, the Company will use the above two indicators as the Company's performance standards, each weighted 50%. Where the performance indicators of both items A and B are achieved, the maximum ratio for each year stipulated in subparagraph 2 of this paragraph is multiplied by 1 as the actual shareholding ratio. If items A and B are only partially achieved, then the performance achievement percentage is calculated (up the integer of the percentage, the next decimal place is rounded up), and multiplied by the proportion of vesting shares, to be the actual proportion of acquired shares. The aforementioned consolidated net profit after tax is the net profit of the current period in the consolidated financial statements audited and attested by the CPAs
Rights restricted of the new restricted employee shares	• Employees shall not sell, transfer, gift to others, pledge or set up any burden on the new restricted employee shares, or dispose of them in other ways. • After the new restricted employee shares are issued, they should be delivered to the trust immediately, and before the vesting conditions are met, the trustee shall not be requested to return or deliver the new restricted employee shares for any reason or in any manner. However, the new restricted employee shares are still entitled to participate in the share and dividend distribution and cash capital increase subscription.
Custody of new restricted	Entrusted
Treatment of new restricted employee shares allocated or subscribed but failed to meet the vesting conditions	The new restricted employee shares allocated failing to meet the vesting conditions will be retrieved by the Company without paying and cancelled.
Number of new restricted employee shares that have been retired or bought back	832,332
Number of new restricted shares that have vested	365,268
Number of unvested new restricted shares	302,400
The ratio of the number of unvested new restricted shares	0.45%

The effect on shareholders' equity	(As presented in the proposal to the board of directors in May 2020) Amount may be accounted as expenses: currently, the Company has 66,887,091 outstanding shares. It is estimated that the issuance of new restricted employee shares will account for 2% of the total number of issued shares. Based on the average closing price of NT$21.29 in April 2020, the amount that may be accounted as expense per share is NT$21.29, and the total for three years is NT$31,935 thousand. Dilution of earnings per share and other matters affecting shareholders' equity: based on the vesting conditions and the current number of outstanding shares, the annual expense would dilute about NT$0.16 per share, which will not have a significant impact on shareholders' equity.

Note: the issued shares are based on the issued 67,638,059 common shares as of December 31, 2023.

2. Names and Acquisition Status of Managerial Officers Who Have Acquired New Restricted Employee Shares and the Top Ten Employees Who Have Acquired New Restricted Employee Shares

April 26, 2024; Unit: thousand shares; NT$ thousand

	Title	Name	Number of new restricted employee shares granted	Ratio of the number of new restricted employee shares granted to the total number of issued shares	Vested Restricted Shares				Unvested Restricted Shares			
					Number of vested shares	Issue price	Issue amount	Ratio of the number of vested restricted shares to the total number of issued shares	Number of unvested shares	Issue price	Issue amount	Ratio of the number of unvested restricted shares to the total number of issued shares
Managerial officers	President	Wang, Yu-Ho	553	0.82%	221	0	0	0.33%	166	0	0	0.25%
	Vice President	Chang, Chia-Ling										
	Vice President	Huang, Wei-Hsin										
	Vice Chief of Division	He, Chung-Yu										
	Vice Chief of Division	Chen, Hung-Wei										
	Vice Chief of Division	Chen, Kuo-Hsin										
	Vice Chief of Division	Hsiao, Hsu-Shuen										
Employees	Senior Manager	Yu, Huei-Ming	207	0.31%	83	0	0	0.12%	62	0	0	0.09%
	Senior Manager	Peng, Yu-Ming										
	Senior Manager	Lin, Chien-Rong										
	Manager	Hsu, Liang-San										
	Vice Manager	Kuo, Shi-Hsien										
	Vice Manager	Pan, Chung-Ming										
	Vice Manager	Fan, Cheng-En										
	Vice Manager	Chen, Jian-Ru										
	Section Chief	Luo, Wei-Da										
	Section Chief	Fan, Chieh-Ru										

Note 1: the issued shares are based on the issued 67,638,059 common shares as of December 31, 2023.

Note 2: Unvested rights do not include shares retrieved and cancelled due to resignation and failure to meet the vesting conditions.

VII、Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies: none.

VIII、Implementation of the capital allocation plans: none.

1. Description of the plans: for the period as of the quarter preceding the date of publication of the annual report, with respect to each uncompleted public issue or private placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits: none.

2. **Implementation: With respect to funds usage under the plans referred to in the preceding subparagraph, the annual report shall (for the period as of the quarter preceding the date of publication of the annual report) analyze the status of implementation and compare actual benefits with expected benefits. Where implementation has failed to yield the expected progress or benefits, specific reasons for such failure shall be provided, explain any effect it might have upon shareholders' equity, and outline the plan for correcting the situation: none.**

Overview of operations

The Company prepares the consolidated financial statements with 100% owned reinvested subsidiaries - Compal Broadband Networks Belgium BVBA and Compal Broadband Networks Netherlands B.V. As each subsidiary is mainly engaged in research, development and sales of smart gateways, the operation overview of each consolidated entity is the same as that of the Company.

I、Information on business

(I) Scope of business

1. The businesses operated by the Company are as below:

A. CC01060 Wired Communication Mechanical Equipment Manufacturing
B. CC01070 Wireless Communication Mechanical Equipment Manufacturing
C. CC01080 Electronics Components Manufacturing
D. CC01101 Controlled Telecommunications Radio-Frequency Devices and Materials Manufacturing
E. CC01110 Computer and Peripheral Equipment Manufacturing
F. E701030 Controlled Telecommunications Radio-Frequency Devices Installation Engineering
G. F113070 Wholesale of Telecommunication Apparatus
H. F213060 Retail Sale of Telecommunication Apparatus
I. F401010 International Trade
J. I501010 Product Designing
K. ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

2. Sales weight of main products

Unit: NT$ thousand; %

Year / Product	2022		2023	
	Amount	Weight of business	Amount	Weight of business
Communication network product	2,384,498	94.82%	732,397	62.92%
Revenue from sales of materials and others	130,197	5.18%	431,657	37.08%
Total	2,514,695	100.00%	1,164,054	100.00%

3. The products (services) provided by the Company

The main businesses of the Company and its subsidiaries are research, development and sales of communication products such as smart gateways, digital set-top boxes and Wi-Fi routers.

4. New products (services) planned to be developed

Based on the original technologies and products, the Company will continue to develop the following new products:

A. Developing the DOCSIS 3.1 innovative technology smart home gateway that integrates the latest Wi-Fi 7 specifications and Mesh function, closer to the strategic goals of operator customers (high-end products have more stringent requirements for Wi-Fi specifications and user experience); regarding software, through the RDK platform, the development time is shortened, the user experience is extended, and it is able to provide highly competitive high-quality services and products to compete with competitors.
B. Strategically cooperating with chip manufacturers to develop new products for the next generation of DOCSIS 4.0 home gateways.
C. Committed to developing a variety of household fiber optic gateways (2.5G/10G PON ONU/HGU) and residential Ethernet gateways, to provide operators with more diversified home network solutions.
D. Launching various LTE/5G FWA based on LTE and 5G mobile networks, allowing telecom and cable

operator in Europe and the United States to customers with more diverse household broadband Internet access options.

E. To cope with the needs of smart homes and Wi-Fi Mesh, the Company will continue to develop dual-band or even triple-band Wi-Fi extenders, and match them with household wireless gateways to build complete home Wi-Fi signal coverage, allowing operators' customers to enjoy enhanced user experience through high-quality Wi-Fi services.

(II) Overview of the industry

1. Current status and development of the industry

The western countries provide simultaneously various subsidies and incentive programs to promote broadband penetration and increase broadband Internet access speed. In addition to actively subsidizing remote rural areas to build broadband, the United States will invest USD65 billion in the construction of broadband networks through major infrastructure projects. The EU has proposed the EU's vision for digital transformation of 2030. Emerging markets such as India and South Americas have also begun the plan to penetrate and accelerate broadband networks.

In addition, according to the report of the Institute for Information Industry, the annual shipment of Cable CPE in 2023 will be 56.78 million units, with an annual growth rate of 2.8%. Operators in the Cable CPE market and telecom operators continue to expand to various fields to provide consumers with a more complete online experience and various value-added services, to enhance user interface. The high-speed Internet services integrate home network and high reliability surveillance service, to continuously drive the demand for integrated voice, data, video and audio, home networking and high-speed Internet access, and driving the production value of Cable CPE to grow continuously and steadily.

2. The relations between the up-, mid-, and downstream industries

The Company is a mid-stream manufacturer in the netcom industry, mainly providing R&D, production, and sales of network communication products; the upstream is mainly integrated circuit chip manufacturers, printed circuit boards and electronic components; the downstream includes network telecommunications and cable TV operators, retailers, enterprise users and general users. The Company integrates upstream and downstream R&D systems, provides integrated network system communication products, and drives the development of communication network-related platforms and industries.

Upstream	Midstream	Downstream
SoC IC design PC PCB Memory Power supply Mechanism and package	Research, development, production and manufacture, and sales of cable modems and networking communication products.	MSO & Telecom operators Retailers Enterprise users General users

3. Various product development trends

Under the rapid replacement of technologies, the market players are actively increasing the diversity and complete functions of its products, and also accelerating the replacement of old with the new with flexible adoption of product and service mixes. Furthermore, the wave of mergers and acquisitions among the western telecommunications companies has risen, and the competition in technology and price has been intensified.

In the ever-changing market, the Company still continuously improves its research and development capabilities, provides customers with the most reasonable value-added services, while maintaining cost optimization capabilities, to increase pioneering advantages, and actively cultivate mutually trustworthy and beneficial partnership with customers to increase market share, become the top choice of customers!

4. Product competitions

As the DOCSIS 3.1 market gets matured, operators' demand for DOCSIS 3.1 house gateways has also increased to the point where Wi-Fi Mesh function is required and even the latest generation of Wi-Fi 7 specifications is required to be integrated to meet the users experience increasingly important to customers. As for the new generation of DOCSIS 4.0 specifications, chip manufacturers will successively launch chipset solutions in the second half of 2023. However, to support DOCSIS 4.0 operation, operators need to spend huge capital expenditures to fully update the HFC network and equipment. Hence, most operators still wait and see,

The Company has always proposed the marketing strategies close to customers' needs with the fastest product design and development and software value-added services, while conducting supply chain management to facilitate effective cost control; For the future industrial planning, the Company will continue to improve software functions and applications, and facilitate customers to integrate network communication value-added products, to become a total solution provider for customers.

With the penetration of the Internet of Things (IoT), it is clear and specific that Wi-Fi Mesh Extender extends Wi-Fi signals, to fully cover demand. The market for household wireless gateways integrating Wi-Fi Mesh function with Wi-Fi Extender is showing a growing trend.

In terms of wireless communication networks, except that the WLAN MAC and baseband chips can be designed and produced domestically, the sources of most of the other key parts and components in the system mainly depend on foreign chip manufacturers, so that Taiwan has controls relatively low proportion key chipsets that cost of 60% to 80% of the total cost

The domestic competitors of smart gateways are also gradually consolidating or withdrawing from the market. The main pure OEMs include Hon Hai Precision and Pegatron, and the companies specific for in-house design include the Company, Hitron Technologies, Sercomm, among other companies. Looking to the future, in addition to the in-house design for product research and development as always, the Company will also cooperate with brand customers to develop and produce parallelly, to respond to market demand in a timely manner, and closely integrate with customers, for providing customers with better value-added service through innovation, as well as the pursuit of higher quality products to improve the cost structure; it is expected to have more and greater growth in the future.

(III) Overview of technology and R&D

A. Research and development expenses invested during the most recent fiscal year up to the date of publication of the annual report:

Unit: NT$ thousand; %

Year	Research and development expenses	Operating revenue	Ratio of research and development expenses to operating revenue
2023	235,030	1,164,054	20.19%
Q1 2024	51,841	225,459	22.99%

B. Technologies or products successfully developed

1. DOCSIS 3.1 products integrating MoCA 2.0 design
2. 5G FWA routers with chipsets from the second 5G chip supplier
3. A smart gateway (DOCSIS 3.1) supporting Wi-Fi 7 integration

(IV) Long-term and short-term business development plans:

1. Short-term business development plans:

(1) Continue to develop existing customers and markets, actively expand its scale and mixes based on existing products, continuously improve technical capabilities and provide value-added services to deepen the value and position in the customer ecosystem.

(2) Strengthen the operation management, optimize production, cost and quality and other logistics management key points, and thereby solidify the competitive advantages.

2. Long-term business development plans:

(1) Develop value-added innovative network and smart home products, strengthen the development of new products and key technologies, provide a diversified product mixes, enhance competitiveness and timely meet customers' needs for rapid update of system specifications.

(2) Develop jointly with chip manufacturers to ensure leading product technologies and functions, and cooperate in market development.

(3) Develop new product lines and new market customers, effectively diversify customer and market risks, and maintain stable growth.

II、Overview of market, production, and sales

(I) Market analysis

1. Geographic areas where the main products (services) of the company are provided (supplied)

Unit: NT$ thousand; %

Sales area	2022		2023	
	Amount	Weight (%)	Amount	Weight (%)
Europe	1,119,909	44.53%	232,076	19.94%
Americas	1,069,239	42.52%	780,654	67.06%
Asia and others	325,547	12.95%	151,324	13.00%
Total	2,514,695	100.00%	1,164,054	100.00%

2. Market shares

In the European market, MSO is the Company's long-term main customer, but due to the adjustment of the customer's product lines, the proportion of shipments has shown a downward trend. Currently, the Company's Cable CPE shipment of global market share is around 0.6%.

3. Demand and supply conditions for the market in the future, the market's growth potential

In overall consideration of the US Infrastructure Budget Act, the EU Digital Decade Policy Programme 2030, and the demand gap in the Indian network infrastructure sector, it is projected that demand for network communication equipment will continue to surge in the next few years. Businesses in this industry also hold a cautiously optimistic view.

4. Competitive edges

The Company proposes marketing strategies based on customer needs, conducts rapid product design and development and software value-added services, and with supply chain management to facilitate effective cost control; the Company has been favored by the customers because it provides rich application functions in the market.

For future industrial planning, the Company will continue to improve software functions and applications, such as self-optimizing networks, smart bridge and smart home gateway, to help customers integrate network communication value-added products and become customers' total solution provider.

5. The favorable and unfavorable factors for future development and countermeasures

Favorable factors

(1) Professional R&D team

The R&D team has professional technical advantages. Meanwhile, the Company continuously introduces domestic and foreign advanced software and hardware systems, increases the added values of products to integrate technologies, invests in in-house research and development results and masters core technologies, to meet future market trends.

(2) Customized product design

Based on rich product experience and in-depth understanding of operator customer needs, the R&D team provides highly customized flexibility in product design, such as Airtime Management, Smart Bridg, Softblock, Wi-Fi Statistics, Radius Accounting, Mesh Wi-Fi, Cloud, among other things, to meet customers' needs for product differentiation.

Unfavorable factors and countermeasures

(1)Accelerated product replacement rate

With the diversified development of network services and the increasingly wide application range through the expansion of network bandwidth, the introduction of new functions and higher speed products will also accelerate the replacement rate and the demand for inter-substitution with other products.

Countermeasures: the Company will continue to improve its technical capabilities, monitor market trends, work closely with customers, enhance the advantages of time to market and actively cultivate mutually trustworthy and beneficial cooperation with customers.

(2)Currency fluctuation and currency exchange risk

Countermeasures: manage these risks through regular operating and financing activities, shorten the payment schedule of customers, and regularly use derivatives, such as foreign exchange forwards and swap tradings to reduce exchange risk.

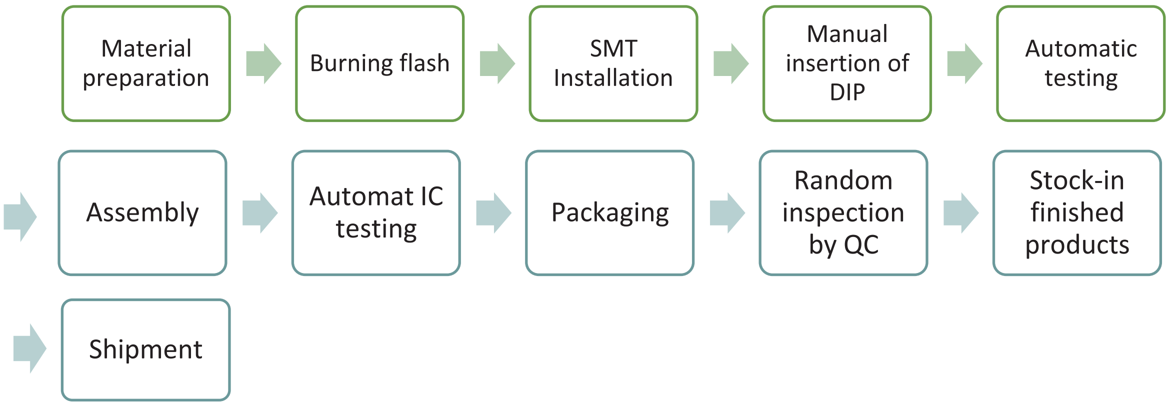
(II) Important usage and production processes of main products

(1) Important usage of main products

The Company's product business scope includes the provision of products integrating broadband, voice, wireless network, and communication network, to provide convenient network services at the user end. The Company has established a world-class leadership position with its strength regarding the network product integration accumulated over the years. By combining the professional technologies and integrated development of application platforms, the Company continuously improve and innovate the technologies, to provide complete solutions to meet customers' diversified needs for digital integration and network communication.

(2) Production process

The Company's product manufacturing process includes circuit board assembly and finished product assembly. The production process is as follows:



(III) Supply of main raw materials

The main raw material suppliers of the Company's products come from the United States, Israel, Taiwan, and China; the Company maintains good supply relationships with each supplier and signs supply contracts to stabilize the supply source and avoid material shortages. Since the Company's shipments have reached an economical scale, and it has good relationships with operator customers with technological leadership, all major chip manufacturers are willing to provide close technical services and competitive prices to meet customers' requirements for production capacity and price.

(IV) The names of clients/suppliers with purchases (sales) accounting for at least 10% of the total in any of the last two years, the amount and percentage of the purchases (sales), and reason for increase/decrease:

(1) Information of major suppliers:

Unit: NT$ thousand

	2022				2023			
Item	Name	Amount	As a percentage of the annual net purchase (%)	Relations with the issuer	Name	Amount	As a percentage of the annual net purchase (%)	Relations with the issuer
1	Company Seven	729,443	32.02%	None	Company Seven	343,713	35.74%	None
2	Compal Electronics, Inc.	439,192	19.28%	Parent company	Compal Electronics, Inc.	144,765	15.06%	Parent company
3	Company Six	324,771	14.25%	None	Company Six	57,321	5.96%	None
4	Other	784,944	34.45%		Other	415,831	43.24%	
	Net purchase	2,278,350	100.00%		Net purchase	961,630	100.00%	

Reason of change: there was no major change in the major supplier, and thus no analysis is intended.

(2) Information of major sales

Unit: NT$ thousand

	2022				2023			
Item	Name	Amount	As a percentage of the annual net sales (%)	Relations with the issuer	Name	Amount	As a percentage of the annual net sales (%)	Relations with the issuer
1	Group A	919,008	36.55%	None	Group A	93,058	7.99%	None
2	Company G	797,485	31.71%	None	Company G	7,458	0.64%	None
3	Group I	157,326	6.26%	None	Group I	729,260	62.65%	None
	Other	640,876	25.48%		Other	334,278	28.72%	
	Net sales	2,514,695	100.00%		Net sales	1,164,054	100.00%	

Reason of change: the market competition is intense, and the performance of each customer varies. Therefore, there are differences in sales to individual customers.

(V) Product volume and value in the last two years: the Company outsourced the production, so this is not applicable.

(VI) Sales volume and value in the last two years

Unit: NT$ thousand; thousand units

Year / Main product	2022				2023			
	Domestic sales		Export		Domestic sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Communication network product	148	325,545	1,035	2,058,954	64	151,068	251	581,329
Revenue from sales of materials and others	—	—	350	130,196	—	—	—	431,657
Total	148	325,545	1,385	2,189,150	64	151,068	251	1,012,986

III、The number, average years of service, average age, and distribution of education attainment of in-service employees during the most recent two years

Unit: persons; years old; year

Year		2022	2023	April 2, 2024
Number of employees	Direct employees	—	—	—
	Indirect employees	187	154	146
	Total	187	154	146
Average age		36	36	37
Average years of service		3.8	4.1	4.5
Education distribution percentage (%)	Ph.D.	1.07%	0.65%	0.68%
	Master's degree	40.64%	42.21%	43.84%
	College	56.69%	55.84%	54.11%
	Below senior high school	1.60%	1.3%	1.37%

IV、Disbursements for environmental protection

Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents, and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken:

The operation of the Company generates none of special pollution; therefore, there is no amount of loss or compensation from environmental pollution, and no such expenditure is expected in the future years.

V、Labor relations

(I) List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests

1. Employee benefit plans

The Company's employee welfare plans, in addition to the entitlement of labor insurance, national health insurance, new labor pension system and employee group insurance pursuant to law, the Employee Welfare Committee is established, with the contribution of welfare funds as required; except the subsidies for weddings, funerals, illness and childbirth of employees, various sports and tourism activities, birthday celebrations and evening parties are regularly held to reconcile the physical and mental health of employees and strengthen employee interaction. In addition, the Company provides birthday gift certificates, festival gift certificates, employee health examinations, domestic and foreign travel subsidies, hospital condolences for employees and their families, lucky draw at the year-end party and other welfare plans.

To support the government's encouragement of reproduction and the Group's policy, the Company will issue a generous incentives to any employee of the Company who gives birth. So far, the incentive has been disbursed for about NT$132 thousand.

2. Continuing education, training, and implementation thereof

The Company regards the Company's employees as important assets, and values talent cultivation, to arrange professional on-the-job training courses and management courses for employees based on the needs of each function, including: internal classes and external training from time to time, to integrate internal and external resources of the enterprise, and cultivates talents in a planned way to cultivate talents with rich professional challenging abilities.

3. Retirement systems, and implementation thereof

According to the new labor retirement system of the Labor Pension Act, the Company contributes 6% of the total month salary of employees as a pension and deposit it into the individual pension account with the Bureau of Labor Insurance.

4. Status of labor-management agreements and measures for preserving employees' rights and interests

The Company values employee welfare and care, regularly holds labor-management meetings, and provides channels for employees to appeal, to maintain the smooth labor-management communication channels, so that all difficulties, needs and problems of employees can be valued and properly handled by managers at all levels.

5. Employee’s code of conduct

The Company has established the “Ethical Corporate Management Best Practice Principles;” all employees of the Company should strictly observe the Company's business ethics policy when engaging in daily work and business, maintain the Company's reputation, and gain the respect and trust of customers, suppliers and other people from all society. The main contents are:

(1) Employees should avoid any conflict or possible influence between personal interests and Company interests.

(2) For suppliers, customers, and other people from the society related to the Company's business, the highest business ethics standards must be maintained, and any gifts, money, and entertainment must not be accepted or given to affect normal business relationships and judgments. Any form of bribery should be absolutely prohibited.

(3) Employees of the Company shall not disclose any confidential business information or intellectual property of the Company to any other person, manufacturer or companies without authorization during their service and after resignation.

(4) All employees are responsible for complying with this policy and related procedures. The management at all levels will fully implement and ensure that their subordinates understand, accept and observe relevant regulations.

6. Work environment and employee personal safety protection measures

Starting from designing various software and hardware facilities in the office environment, the Company deems the safety of employees the first priority, to ensure that employees to get the greatest protection when they are working. All entrances and exits of the Company are equipped with access control card reading devices. Tai Yuen Hi-Tech Industrial Park where the Company is located is equipped with AEDs, and security personnel guard the park 24 hours to ensure the personal safety of employees.

The Company's various electromechanical or fire-fighting equipment (such as fire alarms or fire extinguishers) are regularly maintained or serviced according to the specified time to ensure that they are in the best available condition.

In addition, the COVID-19 pandemic cannot be overlooked yet. To reduce the risk of employee infection, the Company has actively deployed the following pandemic prevention measures:

(1) Prepare appropriate and sufficient pandemic containment items (such as masks, alcohol, thermometers, thermal imaging cameras, and rapid screening reagents).
(2) Establish temperature measurement and screening measures to strengthen labor health management.
(3) Strengthen the cleaning and disinfection of all areas of the workplace.
(4) Strengthen education and training on workplace infection prevention and labor self-protection.
(5) Conduct pandemic containment information investigations, monitor the personal health status of employees, and take necessary tracking and management measures.
(6) Strengthen drills for alternative/ divided work and working from home.

(II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor disputes, and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

- The Company's labor relations has always been harmonious, and there has been no loss due to labor disputes, nor any loss due to labor disputes is expected in the coming years.

- Possible expenses that could be incurred currently and in the future and measures being or to be taken: none.

VI、Cyber security management

- **Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management**

1. Cyber security risk management:

(1) Information security management system:

As information security is becoming increasingly important to industries nowadays, the Company's President Office and Information Unit must strengthen relevant operations pursuant to international standards, to meet relevant requirements of regulations, contracts, and customers and suppliers, while obtaining international certification to ensure the effectiveness of relevant operations.

(2) Information security risk management framework

To maintain the Company's information security, the Company has established the Operation Management Committee, an information security management representative (dedicated personnel), a document editing team, a risk management and evaluation team, and an internal audit team to manage related information security risks. Every six months, the information security management representative reports the effectiveness of the information security management, issues related to information security and the directions, to ensure its continuous suitability, appropriateness and effectiveness.

(3) Cyber security policies:

Based on the principle of being simple, easy-to remember, consistent to the goal of information security management, the Company disseminate the information security announcement to remind the employees with "three don'ts, four dos, and one without" as the promotion of information security.

(4) Concrete management programs:

To strengthen the management of information security, dedicated information security officer and staff will be appointed. Each unit implements relevant operations pursuant to the established information security policies, management procedures, operating guidelines and norms, and implementation operations with regular internal and external audits performed. The purchase of information security insurance is being measured.

- **List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: none of such situation.**

VII、Important contracts

Nature of contract	Parties	Beginning and end dates of contract	Major content	Restrictive clauses
Sales contract	Company A	Took effective on July 1, 2015, and either of the parties may terminate the contract upon notice to the other party 12 months in advance.	Commissioned design, R&D, and manufacture of wireless network communication product	Non-disclosure terms
Sales contract	Company B	Took effective on September 9, 2015, and either of the parties may terminate the contract upon notice to the other party 6 months in advance.	Commissioned design, R&D, and manufacture of wireless network communication product	Non-disclosure terms
Purchase contract	Compal Electronics, Inc.	Took effective on July 15, 2016, and either of the parties may terminate the contract upon notice to the other party 6 months in advance.	Commissioning the production of wireless network communication products	Non-disclosure terms

Overview of Financial Information

I、Condensed balance sheets and statements of comprehensive income for the past 5 fiscal years, showing the name of the certified public accountant and the auditor's opinion given thereby

(I) Condensed Balance Sheet - IFRS (Consolidate)

Unit: NT$ thousand

Item		Financial data in the most recent five years (Note 1)					
		2019	2020	2021	2022	2023	Current year up to March 31 (Note 1)
Current asset		2,415,009	2,565,888	2,920,676	2,323,771	1,390,982	1,264,113
Property, plant and equipment		81,640	76,254	138,261	158,344	159,578	149,174
Right-of-use assets		32,757	15,800	83,203	67,945	55,155	51,325
Intangible assets		14,508	9,054	6,810	3,997	658	605
Other assets		88,614	79,163	90,554	88,128	64,749	64,099
Total assets		2,632,528	2,746,159	3,239,504	2,642,185	1,671,122	1,529,316
Current liabilities	Before distribution	910,785	1,083,015	1,544,934	1,075,231	478,397	380,123
	After distribution	1,004,427	1,176,657	1,613,353	1,109,058	478,397(Note 3)	Not applicable
Non-current liabilities		16,802	3,988	69,853	53,777	42,066	38,469
Total liabilities	Before distribution	927,587	1,087,003	1,614,787	1,129,008	520,463	418,592
	After distribution	1,021,229	1,180,654	1,683,206	1,162,835	520,463(Note 3)	Not applicable
Equity attributable to owners of parent company		1,704,941	1,659,156	1,624,717	1,513,177	1,150,659	1,110,724
Share capital		668,871	669,674(Note 2)	684,704	680,021	676,381	676,381
Capital reserve		465,695	378,674	389,633	379,939	372,404	372,404
Retained earnings	Before distribution	570,684	610,718	596,583	465,018	105,082	64,240
	After distribution	563,993	517,076	528,164	431,191	105,082(Note 3)	Not applicable
Other equity		(309)	90	(46,203)	(11,801)	(3,208)	(2,301)
Treasury shares		—	—	—	—	—	—
Non-controlling interests		—	—	—	—	—	—
Total equity	Before distribution	1,704,941	1,624,717	1,659,156	1,513,177	1,150,659	1,110,724
	After distribution	1,611,299	1,556,298	1,565,514	1,479,350	1,150,659(Note 3)	Not applicable

Note 1: The financial data of the five years above are audited by the CPAs; the financial data as of March 31, 2024 are reviewed by the CPAs.

Note 2: Including share capital received in advance.

Note 3: The amount approved upon the resolution of the Board on March 8, 2024.

(II) Condensed Balance Sheet - IFRS (parent-company only)

Unit: NT$ thousand

Item		Financial data in the most recent five years (Note 1)				
		2019	2020	2021	2022	2023
Current asset		2,401,947	2,552,719	2,909,244	2,312,217	1,379,449
Property, plant and equipment		81,640	76,254	138,261	158,344	159,578
Right-of-use assets		32,757	15,800	83,203	67,945	55,155
Intangible assets		14,508	9,054	6,810	3,997	658
Other assets		101,676	92,332	101,986	99,682	76,282
Total assets		2,632,528	2,746,159	3,239,504	2,642,185	1,671,122
Current liabilities	Before distribution	910,785	1,083,015	1,544,934	1,075,231	478,379
	After distribution	1,004,427	1,176,657	1,613,353	1,109,058	478,379(Note 3)
Non-current liabilities		16,802	3,988	69,853	53,777	42,066
Total liabilities	Before distribution	927,587	1,087,003	1,614,787	1,129,008	520,463
	After distribution	1,021,229	1,180,645	1,683,206	1,162,835	520,463(Note 3)
Equity attributable to owners of parent company		1,704,941	1,659,156	1,624,717	1,513,177	1,150,659
Share capital		668,871	669,674(Note 2)	684,704	680,021	676,381
Capital reserve		465,695	378,674	389,633	379,939	372,404
Retained earnings	Before distribution	570,684	610,718	596,583	465,018	105,082
	After distribution	563,995	517,076	528,164	431,191	105,082(Note 3)
Other equity		(309)	90	(46,203)	(11,801)	(3,208)
Treasury shares		—	—	—	—	—
Non-controlling interests		—	—	—	—	—
Total equity	Before distribution	1,704,941	1,659,156	1,624,717	1,513,177	1,150,659
	After distribution	1,611,299	1,565,514	1,556,298	1,479,350	1,150,659(註3)

Note 1: The financial data are audited and attested by the CPAs.
Note 2: Including share capital received in advance.
Note 3: The amount approved upon the resolution of the Board on March 8, 2024.

(III) Condensed Statement of Comprehensive Income - IFRS (consolidated)

Unit: NT$ thousand

Item	Financial data in the most recent five years (Note 1)					Current year up to March 31 (Note 2)
	2019	2020	2021	2022	2023	
Operating revenue	2,832,098	2,704,414	2,906,921	2,514,695	1,164,054	225,459
Gross operating profit	379,394	383,258	572,635	369,589	82,857	42,447
Operating income or loss	763	23,065	83,833	(99,979)	(318,329)	(45,290)
Non-operating income and expenses	5,482	21,956	(47,205)	32,213	12,765	4,448
Net profit before tax	6,245	45,021	36,628	(67,766)	(305,564)	(40,842)
Net income of continuing operations in this period	10,514	46,723	32,744	(63,146)	(326,109)	(40,842)
Loss on discontinued operations	—	—	—	—	—	—
Net profit of the period	10,514	46,723	32,744	(63,146)	(326,109)	(40,842)
Other comprehensive income for this period (net of tax)	(497)	399	(1,074)	396	390	85
Total comprehensive loss and profit of the period	10,017	47,122	31,670	(62,750)	(325,719)	(40,757)
Net income attributable to owners of parent company	10,514	46,723	32,744	(63,146)	(326,109)	(40,842)
Net income attributable to non-controlling interests	—	—	—	—	—	—
Total comprehensive income attributable to owners of parent company	10,017	47,122	31,670	(62,750)	(325,719)	(40,757)
Total comprehensive income attributable to non-controlling interests	—	—	—	—	—	—
Earnings per share (NTD)	0.16	0.70	0.49	(0.94)	(4.84)	(0.61)

Note 1: The financial data are audited and attested by the CPAs.
Note 2: The financial data are reviewed and attested by the CPAs.

(IV) Condensed Statement of Comprehensive Income - IFRS (parent-company only)

Unit: NT$ thousand

Item	Financial data in the most recent five years (Note 1)				
	2019	2020	2021	2022	2023
Operating revenue	2,832,098	2,704,393	2,906,921	2,514,695	1,164,054
Gross operating profit	379,394	383,237	572,635	369,589	82,857
Operating income or loss	1,042	23,456	84,288	(99,606)	(317,821)
Non-operating income and expenses	5,203	21,565	(47,600)	31,840	12,257
Net profit before tax	6,245	45,021	36,628	(67,766)	(305,564)
Net income of continuing operations in this period	10,514	46,723	32,744	(63,146)	(326,109)
Loss on discontinued operations	—	—	—	—	—
Net profit of the period	10,514	46,723	32,744	(63,146)	(326,109)
Other comprehensive income for this period (net of tax)	(497)	399	(1,074)	396	390
Total comprehensive loss and profit of the period	10,017	47,122	31,670	(62,750)	(325,719)
Net income attributable to owners of parent company	10,514	46,723	32,744	(63,146)	(326,109)
Net income attributable to non-controlling interests	—	—	—	—	—
Total comprehensive income attributable to owners of parent company	10,017	47,122	31,670	(62,750)	(325,719)
Total comprehensive income attributable to non-controlling interests	—	—	—	—	—
Earnings per share (NTD)	0.16	0.70	0.49	(0.94)	(4.84)

Note 1: The financial data are audited and attested by the CPAs.

(V) The name of the certified public accountant and the auditor's opinion given thereby for the most recent year

Year	Accounting firm	Name of CPA	Opinion
2019	KPMG Taiwan	Chien, Szu-Chuan and Kuo, Guan-Ying	Unqualified opinion
2020	KPMG Taiwan	Kuo, Guan-Ying and Chien, Szu-Chuan	Unqualified opinion
2021	KPMG Taiwan	Kuo, Guan-Ying and Chien, Szu-Chuan	Unqualified opinion
2022	KPMG Taiwan	Kuo, Guan-Ying and Chien, Szu-Chuan	Unqualified opinion
2022	KPMG Taiwan	Chien, Szu-Chuan and Au, Yiu-Kwan	Unqualified opinion

II、Financial analysis for the most recent five years

1. IFRSs (consolidated)

Item		Financial analysis for the most recent five years					Current year up to March 31
		2019	2020	2021	2022	2023	
Financial structure	Debt ratio (%)	35.24	39.58	49.85	42.73	31.14	27.37
	Ratio of long-term capital to property, plant and equipment (%)	2,108.95	2,181.06	1,225.63	989.59	747.42	770.37
Solvency (%)	Current ratio (%)	265.16	236.92	189.05	216.12	290.76	332.55
	Quick ratio (%)	180.81	203.27	145.77	143.17	152.66	181.54
	Interest earned ratio	15.42	151.57	90.34	(67.18)	(451.69)	(265.94)
Operating performance	Accounts receivable turnover (times)	8.82	5.43	4.10	3.63	2.53	2.68
	Average collection period (days)	41	67	89	100	144	136.19
	Inventory turnover (times)	2.36	4.50	5.07	3.17	1.54	1.22
	Accounts payable turnover (times)	3.60	3.74	2.41	2.12	2.16	4.23
	Average days in sales	154	81	72	115	237	299
	Property, plant and equipment turnover (times)	27.86	34.26	27.10	16.96	7.32	5.84
	Total assets turnover (times)	0.98	1.01	0.97	0.86	0.54	0.56
Profitability	Return on total assets (%)	0.38	1.75	1.11	(2.12)	(15.10)	(10.18)
	Return on equity (%)	0.60	2.78	1.99	(4.02)	(24.48)	(14.45)
	Pre-tax income to paid-in capital (%)	0.93	6.72	5.35	(9.97)	(45.18)	(24.15)
	Profit margin (%)	0.37	1.73	1.13	(2.51)	(28.01)	(18.12)
	Earnings per share (NT$)	0.16	0.70	0.49	(0.94)	(4.84)	(0.61)
Cash flows	Cash flow ratio (%)	9.91	59.84	Note 1	Note 1	Note 1	0.40
	Cash flow adequacy ratio (%)	9.07	35.60	91.82	68.39	69.69	85.91
	Cash reinvestment ratio (%)	Note 1	28.01	Note 1	Note 1	Note 1	9.87
Leverage	Operating leverage	348.17	11.97	4.45	(2.16)	0.1	(0.40)
	Financial leverage	2.31	1.01	1.00	0.99	1.00	1.00

The financial data of the five years above are audited by the CPAs; the financial data as of March 31, 2023 are reviewed by the CPAs.
Note 1: the ratio is a negative figure.
Changes in financial ratios reaches 20% for the most recent two years:
1. Deb ratio, current ration: mainly due to the decrease in accounts payable (including accounts payable to related parties) from the previous period.
2. Accounts receivable turnover, average collection period: mainly due to the delay in the collection of some accounts receivable.
3. Inventory turnover, average days in sales: mainly due to the decrease in market demand and the reduced pace of customer orders.
4. Property, plant and equipment turnover, total assets turnover: mainly due to the decrease in operating revenue from the previous period.
5. Ratio of long-term capital to property, plant and equipment, interest earned ratio, return on total assets, return on equity, pre-tax income to paid-in capital, profit margin, earnings per share, operating leverage: mainly due to the widening of operating losses.

2. IFRSs (parent-company only)

Item		Financial analysis for the most recent five years				
		2019	2020	2021	2022	2023
Financial structure	Debt ratio (%)	35.24	39.58	49.85	42.73	31.14
	Ratio of long-term capital to property, plant and equipment (%)	2,108.95	2,181.06	1,225.63	989.59	747.42
Solvency (%)	Current ratio (%)	263.72	235.70	188.31	215.04	288.35
	Quick ratio (%)	179.37	202.06	145.03	142.10	150.25
	Interest earned ratio	15.42	151.57	90.34	67.18	(451.69)
Operating performance	Accounts receivable turnover (times)	8.82	5.43	4.10	3.63	2.53
	Average collection period (days)	41	67	89	100	144
	Inventory turnover (times)	2.36	4.50	5.07	3.17	1.54
	Accounts payable turnover (times)	3.60	3.74	2.41	2.12	2.16
	Average days in sales	154	81	72	115	237
	Property, plant and equipment turnover (times)	27.86	34.26	27.10	31.76	7.32
	Total assets turnover (times)	0.98	1.01	0.97	1.90	0.54
Profitability	Return on total assets (%)	0.38	1.75	1.11	(4.72)	(15.10)
	Return on equity (%)	0.60	2.78	1.99	(8.35)	(24.48)
	Pre-tax income to paid-in capital (%)	0.93	6.72	5.35	(9.97)	(45.18)
	Profit margin (%)	0.37	1.73	1.13	(2.51)	(28.01)
	Earnings per share (NT$)	0.16	0.70	0.49	(0.94)	(4.84)
Cash flows	Cash flow ratio (%)	9.93	59.88	Note 1	Note 1	Note 1
	Cash flow adequacy ratio (%)	9.02	35.43	91.18	70.24	69.74
	Cash reinvestment ratio (%)	Note 1	28.03	Note 1	Note 1	Note 1
Leverage	Operating leverage	254.97	11.78	4.43	(2.17)	0.10
	Financial leverage	1.71	1.01	1.00	0.99	1.00

The financial data of five years are audited and attested by the CPAs.

Note 1: the ratio is a negative figure.

Changes in financial ratios reaches 20% for the most recent two years

1. Deb ratio, current ration: mainly due to the decrease in accounts payable (including accounts payable to related parties) from the previous period.
2. Accounts receivable turnover, average collection period: mainly due to the delay in the collection of some accounts receivable.
3. Inventory turnover, average days in sales: mainly due to the decrease in market demand and the reduced pace of customer orders.
4. Property, plant and equipment turnover, total assets turnover: mainly due to the decrease in operating revenue from the previous period.
5. Ratio of long-term capital to property, plant and equipment, interest earned ratio, return on total assets, return on equity, pre-tax income to paid-in capital, profit margin, earnings per share, operating leverage: mainly due to the widening of operating losses.

Note 3: The following formulas for the calculation of the financial ratios shall be listed below this table

1. Financial structure
(1) Debt to assets ratio = total liabilities / total assets.
(2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency (%)
(1) Current ratio = current assets / current liabilities.
(2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
(3) Times interest earned = earnings before tax and interest expenses / current interest expenses.
3. Operating performance
(1) Accounts receivable turnover (including accounts receivable and notes receivable from operating activities) = Net sales/Balance of average accounts receivable in each period (including accounts receivable and notes receivable from operating activities).
(2) Average collection period (days) = 365/Accounts receivable turnover.
(3) Inventory turnover = Cost of sales/Average inventory.
(4) Payables turnover (including accounts payable and notes payable from operating activities) = Cost of sales/Balance of average accounts payable in each period (including accounts payable and notes payable from operating activities).
(5) Average days in sales = 365/Inventory turnover.
(6) Property, plant and equipment turnover = Net sales/Average net property, plant, and equipment.
(7) Total asset turnover = Net sales/Average total assets.
4. Profitability
(1) Return on assets = [Profit or loss after tax + Interest expenses × (1 - Tax rate)]/Average total assets.
(2) Return on equity = Profit or loss after tax/Average total equity.
(3) Profit margin = Profit or loss after tax/Net sales.
(4) Earnings per share = (Income or loss attributable to owners of parent company - Preference shares dividends)/Weighted average number of shares issued.
5. Cash flows
(1) Cash flow ratio = Net cash flows from operating activities/Current liabilities.
(2) Cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years/(Capital expenditures + Inventory increment + Cash dividends) for the most recent five years.
(3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends)/ (Gross property, plant and equipment + Long-term investment + Other non-current assets + Working capital).
6. Leverage:
(1) Operating leverage = (Net operating revenue - Variable operating costs and expenses)/Operating income.
(2) Financial leverage = Operating income/(Operating income - Interest expenses).

Note 4: Special attention should be paid to the following when calculating earnings per share by the above equation:

1. The weighted average quantity of outstanding common shares shall be taken as the standard, not the quantity of outstanding shares at the end of the year.
2. If there is any cash capital increase or treasury stock transaction, take the circulation periods into account when calculating the weighted average quantity of outstanding shares.
3. If there is any capitalization of retained earnings or capital surplus, the annual and semi-annual earnings per share of past years shall be retrospectively adjusted pro rata to the size of the capital increase, without considering the issuance period of the capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividend for the fiscal year (whether it has been distributed or not) shall be deducted from the net income after tax or added to the net loss after tax. If the preferred shares are non-cumulative, the dividend shall be deducted from the net income after tax if there is net income after tax and no adjustment is required in case there is loss.

Note 5: Special attention shall be paid to the following when making the calculations for cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditures refers to the annual cash outflow used in capital investment.
3. Increase in inventory is counted only when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory has decreased at the end of the year, it is counted as zero.
4. Cash dividends include the cash dividends of common stock and preferred stock.
5. Gross property, plant and equipment refers to the total property, plant and equipment without deduction of accumulated depreciation.

Note 6: The issuer shall categorize the operating costs and operating expenses into fixed ones and variable ones in accordance with their properties. If the categorization is subject to estimation or subjective judgment, attention shall be paid to ensure that it is done rationally and consistently.

Note 7: If the Company’s shares have no par value or the par value per share is not NT$10, the paid-in capital involved in the calculation of the above ratio shall be replaced by the equity attributable to owners of the parent company on the balance sheet.

III、 Review Report of Audit Committee for the Financial Report of the Most Recent Year

Audit Report of the Audit Committee

The 2023 financial statements of Compal Broadband Networks, Inc. (hereafter "the Company") have been approved by the Audit Committee and resolved by the board of directors, as well as audited by Chien, Szu-Chuan, CPA and Au, Yiu-Kwan, CAP from KPMG Taiwan with the auditor's report issued. Additionally, the board of directors also prepared and submit the 2023 Business Report and Proposal of Deficit Compensation; after audit by the Audit Committee, it found no inconsistency to the related regulations including the Company Act. Pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, it is reported as above, for your review.

To

2024 Regular Shareholders' Meeting

Compal Broadband Networks, Inc.

Convener of the Audit Committee: Weng, Chien-Ren

March 8, 2024

IV、 Consolidated Financial Report of the Most Recent Year

安侯建業聯合會計師事務所
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Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Compal Broadband Networks, Inc. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended December 31, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended December 31, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we judged shall be presented in the auditors' report as follows:

1. Inventory valuation

   Please refer to Note (4)(h) and Note (5) for the accounting policy of inventory valuation, as well as the estimation and assumption uncertainty of the valuation of inventory, respectively. Information regarding the inventory is shown in Note (6)(e) of the financial statements.

Description of key audit matter:

Inventory is measured at the lower of cost and net realizable value. 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 significant change in supply and competitive market of demand may cause fluctuation in product price. Consequently, the book value of inventory may exceed its net realizable value. Therefore, the valuation of inventory is one of the key audit matters.

How the matter was addressed in our audit:

Our principal audit procedures included: assessing the rationality of the Group's accounting policies, such as the policy of provision for inventory loss due to price decline, obsolete, and slow moving inventories; inspecting the Group's inventory aging reports' accuracy and analyzing the changes of inventory aging which are in accordance with the Group's accounting policies; sampling and inspecting the Group's sales price, as well as verifying the calculation of the lower of cost or net realizable value; and assessing the disclosure of provision for inventory valuation and obsolescence was appropriate.

Other Matter

Compal Broadband Networks, Inc. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chien, Szu-Chuan and Au, Yiu-Kwan.

KPMG

Taipei, Taiwan (Republic of China)
March 8, 2024

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit 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

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note (6)(a))	$ 316,940	19	660,964	25
1110	Current financial assets at fair value through profit or loss (note (6)(b))	4,373	-	-	-
1170	Accounts receivable, net (notes (6)(c) and (6)(q))	400,967	24	488,778	19
1200	Other receivables, net (notes (6)(d) and (7))	2,551	-	381,840	14
1310	Inventories (note (6)(e))	612,302	37	738,905	28
1410	Prepayments	48,368	3	45,431	2
1470	Other current assets	5,481	-	7,853	-
		1,390,982	83	2,323,771	88
	Non-current assets:				
1550	Investments accounted for using equity method (note (6)(f))	3,502	-	7,140	-
1600	Property, plant and equipment (note (6)(g))	159,578	10	158,344	6
1755	Right-of-use assets (note (6)(h))	55,155	3	67,945	3
1780	Intangible assets (note (6)(i))	658	-	3,997	-
1840	Deferred tax assets (note (6)(m))	57,018	4	76,787	3
1900	Other non-current assets (note (8))	4,229	-	4,201	-
		280,140	17	318,414	12
	Total assets	$ 1,671,122	100	2,642,185	100

	Liabilities and Equity	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current liabilities:				
2120	Current financial liabilities at fair value through profit or loss (note (6)(b))	$ -	-	8,006	-
2130	Current contract liabilities (note (6)(q))	1,846	-	1,926	-
2170	Accounts payable	59,773	4	550,823	21
2180	Accounts payable to related parties (note (7))	130,494	8	259,331	10
2200	Other payables (note (7))	186,946	11	121,419	5
2250	Current provisions (note (6)(j))	80,598	5	117,404	4
2280	Current lease liabilities (note (6)(k))	14,620	1	14,702	1
2300	Other current liabilities	4,120	-	1,620	-
		478,397	29	1,075,231	41
	Non-current liabilities:				
2570	Deferred tax liabilities (note (6)(m))	874	-	-	-
2580	Non-current lease liabilities (note (6)(k))	41,192	2	53,777	2
		42,066	2	53,777	2
	Total liabilities	520,463	31	1,129,008	43
	Equity (notes (6)(n) and (6)(o)):				
3110	Ordinary shares	676,381	41	680,021	26
3200	Capital surplus	372,404	22	379,939	14
3300	Retained earnings	105,082	6	465,018	17
3410	Exchange differences on translation of foreign financial statements	(198)	-	(588)	-
3491	Unearned employee benefit	(3,010)	-	(11,213)	-
	Total equity	1,150,659	69	1,513,177	57
	Total liabilities and equity	$ 1,671,122	100	2,642,185	100

See accompanying notes to consolidated financial statements.

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

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

		2023		2022	
		Amount	%	Amount	%
4000	**Operating revenue (note (6)(q))**	$ 1,164,054	100	2,514,695	100
5000	**Operating costs (notes (6)(e), (7) and (12))**	1,081,197	93	2,145,106	85
	Gross profit from operations	82,857	7	369,589	15
	Operating expenses: (notes (6)(k), (6)(l), (6)(r), (7) and (12))				
6100	Selling expenses	68,030	6	122,624	5
6200	Administrative expenses	74,594	6	103,684	4
6300	Research and development expenses	235,030	20	242,424	10
7055	Expected credit loss (notes (6)(c) and (6)(d))	23,532	2	836	-
	Total operating expenses	401,186	34	469,568	19
	Net operating loss	(318,329)	(27)	(99,979)	(4)
	Non-operating income and expenses:				
7010	Other income	4,552	-	6,262	-
7020	Other gains and losses (note (6)(s))	2,074	-	18,825	1
7100	Interest income	10,452	1	10,686	-
7510	Interest expense (note (6)(k))	(675)	-	(994)	-
7770	Share of loss of associates accounted for using equity method (note (6)(f))	(3,638)	-	(2,566)	-
		12,765	1	32,213	1
7900	**Loss from continuing operations before tax**	(305,564)	(26)	(67,766)	(3)
7950	**Less: Income tax expense (benefit) (note (6)(m))**	20,545	2	(4,620)	-
	Loss	(326,109)	(28)	(63,146)	(3)
8300	**Other comprehensive income :**				
8360	**Components of other comprehensive income that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	487	-	495	-
8399	Less: income tax related to items that will be reclassified to profit or loss (note (6)(m))	97	-	99	-
	Components of other comprehensive income that will be reclassified to profit or loss	390	-	396	-
8300	**Other comprehensive income**	390	-	396	-
	Total comprehensive loss	**$ (325,719)**	**(28)**	**(62,750)**	**(3)**
	Loss per share (note (6)(p))				
9750	Basic loss per share	**$**	**(4.84)**		**(0.94)**
9850	Diluted loss per share	**$**	**(4.84)**		**(0.94)**

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 years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings				Other equity			
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated losses)	Total	Exchange differences on translation of foreign financial statements	Unearned employee benefit	Total	Total equity
Balance at January 1, 2022	$ 684,704	389,633	143,735	-	452,848	596,583	(984)	(45,219)	(46,203)	1,624,717
Loss for the year ended December 31, 2022	-	-	-	-	(63,146)	(63,146)	-	-	-	(63,146)
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	-	-	396	-	396	396
Total comprehensive loss for the year ended December 31, 2022	-	-	-	-	(63,146)	(63,146)	396	-	396	(62,750)
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	(4,683)	(9,694)	-	-	-	-	-	34,006	34,006	19,629
Balance at December 31, 2022	680,021	379,939	147,010	984	317,024	465,018	(588)	(11,213)	(11,801)	1,513,177
Loss for the year ended December 31, 2023	-	-	-	-	(326,109)	(326,109)	-	-	-	(326,109)
Other comprehensive income for the year ended December 31, 2023	-	-	-	-	-	-	390	-	390	390
Total comprehensive loss for the year ended December 31, 2023	-	-	-	-	(326,109)	(326,109)	390	-	390	(325,719)
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)	-	-	-	-	-	8,203	8,203	(2,972)
Balance at December 31, 2023	**$ 676,381**	**372,404**	**147,010**	**588**	**(42,516)**	**105,082**	**(198)**	**(3,010)**	**(3,208)**	**1,150,659**

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 years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		2023	2022
Cash flows used in operating activities:			
Loss before tax	$	(305,564)	(67,766)
Adjustments:			
Adjustments to reconcile profit :			
Depreciation and amortization expense		63,368	64,058
Expected credit loss		23,532	836
Interest expense		675	994
Interest income		(10,452)	(10,686)
Compensation cost of employee share-based payment		(2,972)	19,629
Share of loss of associates accounted for using equity method		3,638	2,566
Gain on disposal of property, plant and equipment		-	(13)
Gain on lease modification		(3)	-
Total adjustments to reconcile profit		77,786	77,384
Changes in operating assets and liabilities:			
Change in financial assets mandatorily measured at fair value through profit or loss		(4,373)	8,476
Decrease in accounts receivable		64,181	405,181
Decrease (increase) in other receivables		379,495	(105,277)
Decrease (increase) in inventories		126,603	(126,057)
(Increase) decrease in prepayments		(2,937)	10,358
Decrease (increase) in other current assets		2,912	(3,298)
(Decrease) increase in financial liabilities held for trading		(8,006)	8,006
(Decrease) increase in contract liabilities		(80)	827
Decrease in accounts payable		(619,887)	(400,019)
Increase (decrease) in other payables		65,527	(12,365)
Decrease in provisions		(36,806)	(62,173)
Increase in other current liabilities		2,500	96
Total changes in operating assets and liabilities		(30,871)	(276,245)
Total adjustments		46,915	(198,861)
Cash outflow generated from operations		(258,649)	(266,627)
Interest received		10,344	10,569
Interest paid		(675)	(994)
Income taxes (paid) refund		(539)	20,424
Net cash flows used in operating activities		(249,519)	(236,628)
Cash flows used in investing activities:			
Acquisition of property, plant and equipment		(45,096)	(62,097)
Proceeds from disposal of property, plant and equipment		-	888
Increase in refundable deposits		(28)	(9)
Acquisition of intangible assets		(1,296)	(4,294)
Net cash flows used in investing activities		(46,420)	(65,512)
Cash flows used in financing activities:			
Payment of lease liabilities		(14,745)	(15,486)
Cash dividends paid		(33,827)	(68,419)
Net cash flows used in financing activities		(48,572)	(83,905)
Effect of exchange rate changes on cash and cash equivalents		487	495
Net decrease in cash and cash equivalents		(344,024)	(385,550)
Cash and cash equivalents at beginning of period		660,964	1,046,514
Cash and cash equivalents at end of period	$	**316,940**	**660,964**

See accompanying notes to consolidated financial statements.

(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 December 31, 2023 and 2022, Compal Electronics and its subsidiaries held 63% shares in the Company.

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

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

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

These consolidated financial statements were authorized for issue by the Board of Directors on March 8, 2024.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. 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)

(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:

The material accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(Continued)

(b) Basis of preparation

(i) Basis of measurement

Except for the financial instruments at fair value through profit or loss are measured at fair value, the consolidated financial statements have been prepared on a historical cost basis.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intra group balances and transactions, and any unrealized income and expenses arising from intra group transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

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

(Continued)

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

1) an investment in equity securities designated as at fair value through other comprehensive income;

2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the NTD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the NTD at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future. Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(Continued)

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

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

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Account receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a account receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A account receivable without a significant financing component is initially measured at the transaction price.

(Continued)

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

· it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, trade receivables, other receivable, guarantee deposit paid and other financial assets).

(Continued)

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

(Continued)

- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

(Continued)

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

(Continued)

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1)	Research and development equipment	2~10 years
2)	Model equipment	2~4 years
3)	Machinery and equipment	2~5 years
4)	Lease improvement and other equipment	2~10 years

(Continued)

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a leasee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

— fixed payments, including in substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable under a residual value guarantee; and

— payments for purchase or termination options that are reasonably certain to be exercised.

(Continued)

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of other equipment and parking space that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a leasor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(Continued)

(l) Intangible assets

(i) Recognition and measurement

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives of computer software for current and comparative periods are as follows is 1 to 3 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment of non financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

(Continued)

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on the historical datas of provision expenses and all available results weighted by its coherence rate as percentage.

(o) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

(i) Sale of goods

The Group sells communication products such as smart gateways, set-top boxes, and wireless broadband routers. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(ii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(Continued)

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

Grant date of a share-based payment award is the date which the board of directors authorized the chairman to approve the price and number of shares that employees can subscribe for.

(r) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

(Continued)

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary difference.

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off currenttax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(s) Earnings per share

The Group discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Group. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Group divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Group divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as new employee restricted shares and distribution of remunerations to employees in shares not yet approved by the Board of Directors.

(Continued)

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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

The preparation of the consolidated financial statements in conformity with the Regulations 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 management continues to monitor the accounting estimates and assumptions.The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

There are no critical judgments in applying accounting policies that have significant effect on the amounts recognized in the financial statements.

Information about assumptions and estimation uncertainties made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates its net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand. Due to the industrial and the market transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(e) for further description of the valuation of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

		December 31, 2023	December 31, 2022
Cash on hand	$	395	402
Checking accounts and demand deposits		99,866	185,562
Time deposits		216,679	475,000
	$	**316,940**	**660,964**

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

(Continued)

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

	December 31, 2023	December 31, 2022
Current financial assets mandatorily measured at fair value through profit or loss:		
Derivative instruments not used for hedging:		
Foreign exchange forward contracts	$ **4,373**	**-**
Held-for-trading financial liabilities:		
Derivative instruments not used for hedging:		
Foreign exchange forward contracts	$ **-**	**8,006**

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

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

	December 31, 2023		
	Contract amount (in thousands)	**Currency**	**Maturity date**
Derivative financial assets:			
Foreign exchange contracts:			
Foreign exchange sold	USD 7,087	USD to TWD	January 5, 2024~ March 25, 2024

	December 31, 2022		
	Contract amount (in thousands)	**Currency**	**Maturity date**
Derivative financial liabilities:			
Foreign exchange contracts:			
Foreign exchange sold	EUR 5,500	EUR to USD	Febuary 8, 2023~ April 20, 2023

(c) Accounts receivable

	December 31, 2023	December 31, 2022
Accounts receivable	$ 427,808	491,989
Less: loss allowance	(26,841)	(3,211)
	$ **400,967**	**488,778**

(Continued)

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:

	December 31, 2023			
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance**	**Credit impaired**
Level B	$ 83,403	0.10%	84	No
Level C	268,813	1.00%	2,688	No
Level E	75,592	31.84%	24,069	Yes
	$ 427,808		**26,841**	

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

The aging analysis of accounts receivable were as follows:

	December 31, 2023	**December 31, 2022**
Overdue 1~30 days	$ 139,459	54,013
Overdue 31~60 days	-	51,267
Overdue 61~90 days	11,045	41,196
Overdue 91~180 days	5,758	6,346
Overdue 181~270 days	5,174	-
Overdue 360 days	70,418	-
	$ 231,854	**152,822**

The movements of allowance for accounts receivable were as follows:

	2023	**2022**
Balance at January 1	$ 3,211	1,632
Impairment loss recognized	23,630	1,579
Balance at December 31	**$ 26,841**	**3,211**

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

(Continued)

(d) Other receivables

	December 31, 2023	December 31, 2022
Other receivables	$ 2,609	381,996
Less: loss allowance	(58)	(156)
	$ 2,551	**381,840**

The aging analysis of overdue other receivables were as follows:

	December 31, 2023	December 31, 2022
Overdue 1~30 days	$ 152	140,261
Overdue 31~60 days	-	156,140
Overdue 61~90 days	103	940
Overdue 91~180 days	-	12,286
	$ 255	**309,627**

The movements of allowance for other receivables were as follows:

	2023	2022
Balance at January 1	$ 156	899
Impairment loss reversed	(98)	(743)
Balance at December 31	**$ 58**	**156**

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

(e) Inventories

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

	December 31, 2023	December 31, 2022
Raw materials	$ 543,265	653,315
Work in progress and semi-finished goods	380	11,678
Merchandise	68,657	73,912
	$ 612,302	**738,905**

(Continued)

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

	2023	2022
Cost of sales and expenses	$ 1,078,953	2,136,446
Inventory valuation and obsolescence loss	1,332	4,067
Loss on scrapping of inventory	1,210	4,593
Gain on physical inventory	(298)	-
	$ 1,081,197	2,145,106

For the years ended December 31, 2023 and 2022, the write-down of the inventories to the net realizable value was recorded as an operating cost.

(iii) As of December 31, 2023 and 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:

	December 31, 2023	December 31, 2022
The carrying amount of individually insignificant associates equity	$ 3,502	7,140

	2023	2022
Attributable to the Group:		
Net loss from continuing operations	$ (3,638)	(2,566)
Total comprehensive loss	$ (3,638)	(2,566)

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

(Continued)

(g) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group for the years ended 2023 and 2022 were as follows:

		Research and development equipment	Mold equipment	Machinery and equipment	Leasehold improvement and other equipment	Construction in progress and prepayment for purchase of equipment	Total
Cost or deemed cost:							
Balance at January 1, 2023	$	420,532	16,424	6,946	96,405	643	540,950
Additions		28,925	6,163	313	9,695	-	45,096
Disposals		-	-	-	(2,921)	-	(2,921)
Reclassifications		643	-	-	-	(643)	-
Balance at December 31, 2023	**$**	**450,100**	**22,587**	**7,259**	**103,179**	**-**	**583,125**
Balance at January 1, 2022	$	372,091	13,152	6,318	85,726	5,121	482,408
Additions		49,737	3,272	628	7,265	1,195	62,097
Disposals		(2,398)	-	-	(1,157)	-	(3,555)
Reclassifications		1,102	-	-	4,571	(5,673)	-
Balance at December 31, 2022	**$**	**420,532**	**16,424**	**6,946**	**96,405**	**643**	**540,950**
Depreciation:							
Balance at January 1, 2023	$	304,467	13,723	6,337	58,079	-	382,606
Depreciation		31,511	2,000	307	10,044	-	43,862
Disposals		-	-	-	(2,921)	-	(2,921)
Balance at December 31, 2023	**$**	**335,978**	**15,723**	**6,644**	**65,202**	**-**	**423,547**
Balance at January 1, 2022	$	274,735	12,845	6,201	50,366	-	344,147
Depreciation		32,130	878	136	7,995	-	41,139
Disposals		(2,398)	-	-	(282)	-	(2,680)
Balance at December 31, 2022	**$**	**304,467**	**13,723**	**6,337**	**58,079**	**-**	**382,606**
Carrying amounts:							
Balance at December 31, 2023	**$**	**114,122**	**6,864**	**615**	**37,977**	**-**	**159,578**
Balance at January 1, 2022	**$**	**97,356**	**307**	**117**	**35,360**	**5,121**	**138,261**
Balance at December 31, 2022	**$**	**116,065**	**2,701**	**609**	**38,326**	**643**	**158,344**

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

(Continued)

(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:

		Buildings	Vehicles	Total
Cost:				
Balance at January 1, 2023	$	120,453	4,306	124,759
Additions		220	2,151	2,371
Disposals		(757)	-	(757)
Balance at December 31, 2023	**$**	**119,916**	**6,457**	**126,373**
Balance at January 1, 2022	$	120,203	7,039	127,242
Additions		554	-	554
Disposals		(304)	(2,733)	(3,037)
Balance at December 31, 2022	**$**	**120,453**	**4,306**	**124,759**
Depreciation:				
Balance at January 1, 2023	$	54,664	2,150	56,814
Depreciation		13,547	1,324	14,871
Disposals		(467)	-	(467)
Balance at December 31, 2023	**$**	**67,744**	**3,474**	**71,218**
Balance at January 1, 2022	$	41,229	2,810	44,039
Depreciation		13,739	2,073	15,812
Disposals		(304)	(2,733)	(3,037)
Balance at December 31, 2022	**$**	**54,664**	**2,150**	**56,814**
Carrying amount:				
Balance at December 31, 2023	**$**	**52,172**	**2,983**	**55,155**
Balance at January 1, 2022	**$**	**78,974**	**4,229**	**83,203**
Balance at December 31, 2022	**$**	**65,789**	**2,156**	**67,945**

(i) Intangible assets

The cost and accumulated amortization of intangible assets of the Group for the years ended 2023 and 2022 were as follows:

		Computer software
Cost:		
Balance at January 1, 2023	$	13,937
Additions		1,296
Disposals		(12,134)
Balance at December 31, 2023	**$**	**3,099**

(Continued)

	Computer software
Balance at January 1, 2022	$ 16,683
Additions	4,294
Disposals	(7,040)
Balance at December 31, 2022	**$ 13,937**
Accumulated amortization:	
Balance at January 1, 2023	$ 9,940
Amortization	4,635
Disposals	(12,134)
Balance at December 31, 2023	**$ 2,441**
Balance at January 1, 2022	$ 9,873
Amortization	7,107
Disposals	(7,040)
Balance at December 31, 2022	**$ 9,940**
Carrying amount:	
Balance at December 31, 2023	**$ 658**
Balance at January 1, 2022	**$ 6,810**
Balance at December 31, 2022	**$ 3,997**

For the years ended 2023 and 2022, the amortization of intangible assets are included in the statement of comprehensive income as operating expenses amounted to $4,635 and $7,107, respectively.

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

(j) Provisions

	Warranty provisions
Balance at January 1, 2023	$ 117,404
Provisions made during the period	7,699
Provisions reversed during the period	(3,318)
Provisions used during the period	(41,187)
Balance at December 31, 2023	**$ 80,598**
Balance at January 1, 2022	$ 179,577
Provisions made during the period	15,267
Provisions reversed during the period	(5,252)
Provisions used during the period	(72,188)
Balance at December 31, 2022	**$ 117,404**

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.

(Continued)

(k) Lease liabilities

The details of lease liabilities were as follows:

	December 31, 2023	December 31, 2022
Current	$ 14,620	14,702
Non-current	$ 41,192	53,777

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

The amounts recognized in profit or loss were as follows:

	2023	2022
Interest expense on lease liabilities	$ 675	826
Expenses relating to short-term leases	$ 1,047	443
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 105	101
Gain on lease modification	$ (3)	-

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

	2023	2022
Total cash outflow for leases	$ 16,572	16,856

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 Company allocates 6% of each employee's monthly wages to their labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligationse.

The pension expenses of the Group under the pension plan contributed to the Bureau of Labor Insurance for the years ended 2023 and 2022 were amounted to $7,980 and $8,604, respectively.

(Continued)

(m) Income taxes

(i) The amount of income tax expense (benefit) for the years ended 2023 and 2022 were as follows:

	2023	2022
Current tax benefit		
Adjustment for prior periods	$ (1)	(2,695)
	(1)	(2,695)
Deferred tax expense (benefit)		
Recognition and reversal of temporary differences	20,546	(1,925)
Income tax expense (benefit)	**$ 20,545**	**(4,620)**

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

	2023	2022
Items that might be reclassified subsequently to profit or loss:		
Exchamge differences on translation of foreign financial statements	**$ 97**	**99**

The income tax expense (benefit) that was reconciled between the actual income tax expense (benefit) and loss before tax for the years ended 2023 and 2022, was as follows:

	2023		2022	
	Rate	**Amount**	**Rate**	**Amount**
Loss before tax	20%	$ (305,564)	20%	(67,766)
Income tax calculated based on tax rate		(61,113)		(13,553)
Changes in unrecognized temporary differences		18,274		-
Current years losses for which no deferred tax asset was recognized		62,769		10,712
Change in provision in prior periods		(1)		(2,695)
Others		616		916
		$ 20,545		**(4,620)**

(Continued)

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilites: None.

2) Unrecognized deferred tax assets:

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2023	December 31, 2022
The carryforward of unused tax losses	$ 91,755	10,712

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2023, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

Year of loss	Unused loss	Expiry date
2022(Declared)	$ 153,071	2032
2023(Estimated)	313,843	2033
	$ 466,914	

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2023 and 2022 were as follows:

	Financial asset valuation gain
Deferred tax liabilities:	
Balance at January 1, 2023	$ -
Recognized in profit or loss	874
Balance at December 31, 2023	$ 874
Balance at January 1, 2022	$ 1,695
Recognized in profit or loss	(1,695)
Balance at December 31, 2022	$ -

(Continued)

		Warranty preparation	Royalty payable	Loss on inventory valuation	Unrealized exchange gains and losses,net	Tax effect of loss	Others	Total
Deferred tax assets:								
Balance at January 1, 2023	$	23,481	1,858	4,990	23,748	19,782	2,928	76,787
Recognized in profit or loss		(7,361)	(880)	267	3,728	(18,154)	2,728	(19,672)
Recognized in other comprehensive income		-	-	-	-	-	(97)	(97)
Balance at December 31, 2023	$	**16,120**	**978**	**5,257**	**27,476**	**1,628**	**5,559**	**57,018**
Balance at January 1, 2022	$	35,915	2,771	4,176	32,478	-	1,316	76,656
Recognized in profit or loss		(12,434)	(913)	814	(8,730)	19,782	1,711	230
Recognized in other comprehensive income		-	-	-	-	-	(99)	(99)
Balance at December 31, 2022	$	**23,481**	**1,858**	**4,990**	**23,748**	**19,782**	**2,928**	**76,787**

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

(n) Capital and other equities

For the years ended December 31, 2023 and 2022, the authorized ordinary shares were both $1,000,000 of which 67,638 thousand shares and 68,002 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

(i) Ordinary shares

Reconciliation of shares outstanding for the years ended 2023 and 2022 were as follow:

Unit: in thousands of shares

	Ordinary shares	
	2023	**2022**
Balance at January 1	68,002	68,470
Cancellation of employee restricted shares	(364)	(468)
Balance at December 31	**67,638**	**68,002**

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 years ended December 31, 2023 and 2022, the share capital of $3,640 and $4,683 were canceled, which reduced the capital reserve of $7,535 and $9,694, respectively, because some employees who received restricted stock options did not meet the vesting conditions. The registration procedures had been completed.

(Continued)

(ii) Capital surplus

The balance of capital surplus were as follows:

		December 31, 2023	December 31, 2022
Additional paid in capital premium	$	318,043	310,482
Employee share options		48,101	48,101
Issuance of employee restricted shares		6,260	21,356
	$	**372,404**	**379,939**

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total ordinary stock outstanding.

(iii) Retained earnings

1) Limits of distributed earnings and dividend policy

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

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

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

(Continued)

2) Legal reverse

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

3) Special reverse

A portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current period total net reduction of other shareholders' equity. The amount to be reclassified to special reserve shall be a portion of currentperiod earnings plus other line items in the retained earnings movements and undistributed priorperiod earnings. A portion of previous unappropriated earnings shall be set aside as a special reserve, which should not be distributed, to account for cumulative changes to other equity interests pertaining to prior periods. The special reserve shall be made available for appropriation when the net deductions of other equity interests are reversed in the subsequent periods.

(iv) Earnings distributed (Accumulated losses appropriated)

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:

	2022		2021	
	Amount per share	**Total amount**	**Amount per share**	**Total amount**
Cash dividends distributed to ordinary shareholders	$ 0.5	**33,827**	1.0	**68,419**

The Company suffered accumulated losses for the year ended 2023. On March 8, 2024, the Board of Directors resolved not to distribute dividends. The Board also proposed to offset the accumulated losses of $42,516 with legal reserves, the proposal is still pending for approval at the shareholders' meeting.

(o) Share-based payment - Employee restricted share

The Company issued 1,500 thousand shares of employee restricted shares (without consideration) to the Company's fulltime employees who meet certain requirements based on the resolution approved during the annual stockholders' meeting held on June 24, 2020, with the base date set on December 20, 2021. All the above restricted shares have been registered with, and approved by, the Securities and Futures Bureau of FSC. All registration procedures had been completed on January 7, 2022.

(Continued)

40%, 30% and 30% of the restricted shares are vested when the employees continue to provide service for at least 1 year, 2 years and 3 years, respectively, from the registration and the effective date, and at the same time, meet the performance requirement. After the issuance, the restricted shares are kept by a trust, which is appointed by the Company, before they are vested. These restricted shares shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties, except for inheritance, during the custody period. The voting rights of these shares are executed by a custodian, who shall comply in accordance with the laws and regulations. If the shares remain unvested after the vesting period, the Company will purchase all the unvested shares without consideration and cancel the shares thereafter.
The information of the Company's employee restricted shares is as follows:

	2023	2022
Outstanding unit at January 1	666	1,500
Vested during the period	-	(365)
Canceled during the period	(364)	(469)
Outstanding unit at December 31	**302**	**666**

The fair value of the restricted employee shares was evaluated by using the closing price of $30.70 at the grant date on December 20, 2021, and the capital surplus recognized due to the restricted shares amounted to $31,050. As of December 31, 2023 and 2022, the unearned employee benefit amounted to $3,010 and $11,213, respectively.

The compensation (reversed) recognized due to the restricted shares amounted to ($2,972) and $19,629 for the years ended December 31, 2023 and 2022, respectively.

(p) Loss per share

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

	2023	2022
Basic loss per share		
Loss attributable to ordinary shareholders of the Company	**$ (326,109)**	**(63,146)**
Weighted-average number of outstanding ordinary shares (in thousands)	**67,336**	**67,325**
Basic loss per share (dollars)	**$ (4.84)**	**(0.94)**
Diluted loss per share		
Weighted-average number of ordinary shares (after adjustment of potential diluted ordinary shares) (in thousands)	**67,336**	**67,325**
Diluted loss per share (dollars)	**$ (4.84)**	**(0.94)**

The employee restricted shares issued by the Company were not included in the calculation of diluted loss per share for 2023 and 2022 due to their auti-dilutive effect.

(Continued)

(q) Revenue from contracts with customers

(i) Details of revenue

		2023	2022
Primary geographical markets:			
Europe	$	232,076	1,119,909
America		780,654	1,069,239
Asia and others		151,324	325,547
	$	**1,164,054**	**2,514,695**
Major products / service lines:			
Communication network products	$	732,397	2,384,498
Material sales revenue and others		431,657	130,197
	$	**1,164,054**	**2,514,695**

(ii) Contract balances

		December 31, 2023	December 31, 2022	January 1, 2022
Accounts receivable	$	427,808	491,989	897,170
Less: loss allowance		(26,841)	(3,211)	(1,632)
	$	**400,967**	**488,778**	**895,538**
Contract liabilities	$	**1,846**	**1,926**	**1,099**

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

The amount of revenue recognized for the years ended 2023 and 2022 that were included in the balance of contract liabilities at the beginning of the period were $80 and $280, 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.

The Company did not estimate employee remuneration and directors’ remuneration due to loss before income tax for the years ended December 31, 2023 and 2022.

(Continued)

(s) Other gains and losses

The other gains and losses of the Group for the years ended 2023 and 2022 were as follow:

		2023	2022
Foreign currency exchange losses, net	$	(3,068)	(44,234)
Gain on financial assets (liabilities) at fair value through profit or loss, net		5,139	63,046
Gain on lease modification		3	-
Gain on disposal of property, plant and equipment		-	13
	$	**2,074**	**18,825**

(t) Financial instruments

(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 years ended 2023 and 2022, amounted to $729,260 and $1,716,493, respectively. The carrying amounts of the accounts receivable as of December 31, 2023 and 2022 amounted to $263,399 and $247,866, 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.

		Carrying amount	Contractual cash flows	Within a year	1 ~ 2 years	Over 2 years
December 31, 2023						
Non derivative financial liabilities						
Accounts payable (including related parties)	$	190,267	(190,267)	(190,267)	-	-
Other payables(including related parties)		186,946	(186,946)	(186,946)	-	-
Lease liabilities－current and non-current		55,812	(57,047)	(15,169)	(14,663)	(27,215)
	$	**433,025**	**(434,260)**	**(392,382)**	**(14,663)**	**(27,215)**

(Continued)

	Carrying amount	Contractual cash flows	Within a year	1 ~ 2 years	Over 2 years
December 31, 2022					
Non derivative financial liabilities					
Accounts payable (including related parties)	$ 810,154	(810,154)	(810,154)	-	-
Other payables (including related parties)	121,419	(121,419)	(121,419)	-	-
Lease liabilities－current and non-current	68,479	(70,307)	(15,374)	(14,628)	(40,305)
Foreign exchange forward contracts:	8,006				
Outflow		(179,960)	(179,960)	-	-
Inflow		177,794	177,794	-	-
	$ 1,008,058	**(1,004,046)**	**(949,113)**	**(14,628)**	**(40,305)**

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

	December 31, 2023			December 31, 2022		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 16,910	USD/TWD =30.705	519,222	30,074	USD/TWD =30.71	923,573
EUR	959	EUR/TWD =34.14	32,740	9,142	EUR/TWD =32.72	299,126
Financial liabilities						
Monetary items						
USD	6,756	USD/TWD =30.705	207,443	27,261	USD/TWD =30.71	837,185

(Continued)

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

		December 31, 2023	December 31, 2022
USD (against the TWD)			
Strengthening 5%	$	15,589	4,319
Weakening 5%		(15,589)	(4,319)
EUR (against the TWD)			
Strengthening 5%		1,637	14,956
Weakening 5%		(1,637)	(14,956)

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 years ended December 31, 2023 and 2022, the foreign exchange gain (including realized and unrealized portions) amounted to $3,068 and $44,234, 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 $248 and $443 for the years ended December 31, 2023 and 2022 respectively, which would be mainly resulted from the bank deposits with variable interest rates.

(Continued)

(v) Fair value

1) The categories and fair value of financial instruments

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.

	December 31, 2023				
		Fair value			
	Book value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss					
Derivative financial assets	$ 4,373	-	4,373	-	4,373
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 316,940	-	-	-	-
Accounts receivable, net	400,967	-	-	-	-
Other receivables, net	2,551	-	-	-	-
Other non-current asset (refundable deposits)	3,729	-	-	-	-
Other non-current asset (Pledged certificate of deposits)	500	-	-	-	-
Subtotal	724,687				
Total	**$ 729,060**				
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	$ 190,267	-	-	-	-
Other payables (including related parties)	186,946	-	-	-	-
Lease liabilities–current and non-current	55,812	-	-	-	-
Total	**$ 433,025**				

(Continued)

	December 31, 2022				
		Fair value			
	Book value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 660,964	-	-	-	-
Accounts receivable, net	488,778	-	-	-	-
Other receivables, net	381,840	-	-	-	-
Other non-current asset (refundable deposits)	3,701	-	-	-	-
Other non-current asset (Pledged certificate of deposits)	500	-	-	-	-
Subtotal	1,535,783				
Total	**$ 1,535,783**				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	$ 8,006	-	8,006	-	8,006
Financial liabilities at amortized cost					
Accounts payable (including related parties)	810,154	-	-	-	-
Other payables (including related parties)	121,419	-	-	-	-
Lease liabilities–current and non-current	68,479	-	-	-	-
Subtotal	1,000,052				
Total	**$ 1,008,058**				

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 years ended 2023 and 2022.

(Continued)

(u) Financial risk management

(i) Overview

The Group is exposed to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

In this note expressed the information on risk exposure and objectives, policies and procedures of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

The Group's risk management policies are set for identifying and analyzing the risk that the Group confronts for setting the appropriate amount of the risk and complying with the policies. The Group continually reviews the risk management policies to reflect the market condition and the changes of the Group's operation. The Group develops a disciplined and constructive environment and makes employees understand their rules and obligations through training, management guidelines, and operating procedures.

The Board of Directors ensures that the monitoring of the management is in compliance with the Group's risk management policies and procedures, and reviews the appropriateness of the related risk management framework. The Group's internal auditors assist the Board of Directors to supervise and review the control and procedures of the risk management periodically and aperiodically, and report the findings to the Board of Directors.

(iii) Credit risk

1) Credit risk is the risk on the financial loss to the Group if a customer or a counterparty fails to meet its contractual obligations. It rises principally from the Group's receivables from customers and bank savings.

2) The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings or financial statements provided by customers (internal ratings). Purchase limits are established for each customer, and these limits are reviewed periodically. Customer who do not meet the basic credit rating of the Group only can make transactions by either advanced payment or obtain consent by authorized superisors.

The Group's customers are mainly from the communications industry. In order to monitor the credit risk of accounts receivable, the Group constantly assesses the financial status of the customers, and requests the customers to provide guarantee or security if necessary. The Group regularly accesses the collectability of accounts receivable and recognizes the allowance for accounts receivable. The impairment losses are always within management's expectation.

(Continued)

The Group set the allowance for bad debt account to reflect the estimated losses for trade and other receivables. The allowance for bad debt account is based on extensive analysis for customers' credit worthiness and historical collection records.

3) Investments

The credit risks exposure in the bank deposits and other financial instruments are measured and monitored by the Group' s finance department. Since the Group' s transaction counterparties and the contractually obligated counterparties are banks,financial institutes and corporate organizations with good credits and investment grade,there are no compliance issues, and therefore, no significant credit risk.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group' s management supervises the banking facilities and ensures in compliance with the terms of the loan agreements.

The loans and borrowings from the bank form an important source of liquidity for the Group. As of December 31, 2023 and 2022, the unused long-term and short-term bank financing lines are $584,870 and $744,940, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group' s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

In order to manage market risk, there are some financial liabilities incurred by the Group from its buying and selling of derivatives. All transactions are executed in accordance with management guidelines.

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currencies of the Group, primarily USD and EUR. The Group designates the spot element of forward foreign exchange contracts to hedge its currency risk. Most of these contracts have a maturity of less than one year from the reporting date. As for other monetary assets and liabilities denominated in other foreign currencies, when short-term imbalance takes place, the Group buys or sells foreign currencies at spot rate or exchange rate to ensure that the net exposure is kept on an acceptable level.

(Continued)

(v) Capital management

The Group' s policy is to maintain a strong capital base considering the current operating characteristics of the industry, future development, and changes in external environment, to assure there are financial resources and operating plan to support working capital, capital expenditures, research & development expense, debt redemption and dividend payment, and so on. The management decides the optimal capital structure by using an appropriate debt ratio. To maintain a strong capital base, the Group monitor through periodic review of debt ratio by optimizing debt ratio. The Group's debt ratio at the reporting date was as follows:

	December 31, 2023	December 31, 2022
Total liabilities	$ 520,463	1,129,008
Total assets	1,671,122	2,642,185
Debt ratio	31 %	43 %

As of December 31, 2023, there were no changes in the Group's approach to capital management.

(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 years ended 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:

			Non-cash changes		
	January 1, 2023	**Cash flows**	**Increases**	**Decreases**	**December 31, 2023**
Lease liabilities	$ 68,479	(14,745)	2,371	(293)	55,812

			Non-cash changes		
	January 1, 2022	**Cash flows**	**Increases**	**Decreases**	**December 31, 2022**
Lease liabilities	$ 83,411	(15,486)	554	-	68,479

(7) Related-party transactions

(a) Parent company and ultimate controlling party

Compal Electronics, Inc. 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.

(Continued)

(b) Names and relationship with related parties

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

Name of related party	Relationship with the Group
Compal Electronics, INC. ("Compal Electronics")	Parent company
Compal Display Electronics (Kunshan) Co., Ltd. ("CDE")	A subsidiary of parent company
Compal (Vietnam) Co., Ltd. ("CVC")	A subsidiary of parent company
Kinpo Group Management Service Company ("Kinpo")	The chairman of parent company is the same as that of the entity
LIZ Electronics (Nantong) Co., Ltd. ("LIZ Nantong")	An associate of parent company
Starmems Semiconductor Corp. ("Starmems")	An associate

(c) Significant transactions with related parties

(i) Purchases and processing fee

	2023	2022
Parent Company- Compal Electronics	$ 144,765	439,192
Other related parties	-	2,032
	$ 144,765	**441,224**

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 sale 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:

	2023	2022
Parent Company- Compal Electronics	$ 13,939	41,968
Other related parties	95	122
	$ 14,034	**42,090**

(Continued)

(iii) Rental income

The Group rents out office space and machinery equipment to its associates. The rental agreements are signed with reference to the office rental rates in neighboring areas and the rentals are collected on a monthly basis. For the years ended December 31, 2023 and 2022, the rental income recognised amounted to $2,910 and $3,256, respectively.

(iv) Receivables from related parties

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

Account	Related party categories	December 31, 2023	December 31, 2022
Other receivables	Other related parties-CVC	$ -	364,925
Other receivables	Associate	130	161
		$ 130	365,086

(v) Payables to related parties

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

Account	Related party categories	December 31, 2023	December 31, 2022
Accounts payable	Parent Company-Compal Electronics	$ 130,494	258,313
Accounts payable	Other related parties	-	1,018
Other payables	Other related parties-CDE	29,618	31,413
Other payables	Other related parties-CVC	90,302	-
Other payables	Other related parties	21	18
		$ 250,435	290,762

(d) Transactions with key management personnel

Key management personnel compensation comprised:

	2023	2022
Short-term employee benefits	$ 30,431	29,869
Post-employment benefits	911	753
Share-based payments	2,196	11,549
	$ 33,538	42,171

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

(Continued)

(8) Pledged assets:

The carrying amount of pledged assets were as follows:

Assets	Subject	December 31, 2023	December 31, 2022
Other non-current assets-restricted asset-time deposit	Guarantee payment for import VAT	$ 500	500

(9) Significant Commitments and contingencies: None.

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

(12) Other:

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

By function / By item	2023 Cost of sale	2023 Operating expense	2023 Total	2022 Cost of sale	2022 Operating expense	2022 Total
Employee benefits						
Salary	-	187,164	187,164	-	216,365	216,365
Labor and health insurance	-	15,320	15,320	-	16,747	16,747
Pension	-	7,980	7,980	-	8,604	8,604
Remuneration of directors	-	2,640	2,640	-	2,640	2,640
Others	-	5,722	5,722	-	7,047	7,047
Depreciation	4,872	53,861	58,733	2,718	54,233	56,951
Amortization	-	4,635	4,635	-	7,107	7,107

(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 year ended December 31, 2023:

(i) Loans to other parties: None.

(ii) Guarantees and endorsements for other parties: None.

(iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures): None.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(Continued)

(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	144,765	16 %	Net 90 days from delivery	-	No Significant difference	Accounts payable (130,494)	(69)%	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.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2023 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			The highest holdings in the period		Net income (losses) of investee	Investment Income (losses)	Note
				December 31, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value	Shares (thousands)	Percentage of ownership			
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 %	5,266	20	100.00 %	(344)	(344)	Notes 1、2
The Company	CBNN	Netherlands	〃	7,016	7,016	20	100.00 %	6,267	20	100.00 %	(164)	(164)	Notes 1、2
The Company	Starmems	Taiwan	Research and development of micro-electro-mechanical system (MEMS) microphone technology products	10,000	10,000	1,000	10.00 %	3,502	1,000	10.00 %	(36,374)	(3,638)	The company of investments accounted for using equity method

Note 1: The amounts in New Taiwan Dollars were translated at the exchange rate of EUR@34.14 based on the year end exchange rate.
Note 2: The transaction had been eliminated in the consolidated financial statements.

(c) Information on investment in mainland China: None.

(Continued)

(d) Major shareholders:

Shareholding / Shareholder's Name	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/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:

(a) General 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 consolidated balance sheet and the consolidated statement of comprehensive income for details of departmental profit and loss, departmental assets, and departmental liabilities in line with the consolidated financial statements.

(b) Information about the products

The following is the Group's information from external customers:

Products		2023	2022
Communication network products	$	732,397	2,384,498
Material sales revenue and others		431,657	130,197
	$	**1,164,054**	**2,514,695**

(Continued)

(c) Geographical information

In presenting information on the basis of geography, segment revenue is based on the geographical location of the shipment and segment assets are based on the geographical location of the assets.

(i) Revenue from external customers:

Geographical information	**2023**	**2022**
Belgium	$ 60,336	395,949
Brazil	7,459	797,486
Netherlands	11,872	263,845
United States	730,988	162,390
Others	353,399	895,025
	$ 1,164,054	**2,514,695**

(ii) Non-current assets:

Geographical information	**2023**	**2022**
Taiwan	$ 168,016	202,125
Vietnam	44,051	28,939
Others	7,553	3,423
	$ 219,620	**234,487**

Non-current assets include property, plant and equipment, intangible assets, right-of-use assets and other assets excluding deferred tax assets.

(d) Information about major customers

Sales to individual customers constituting over 10% of the total revenue in the consolidated statements of income are summarized as follows:

	2023	**2022**
Group A	$ 93,058	919,008
Group G	7,458	797,485
Group I	729,260	157,326
	$ 829,776	**1,873,819**

V、 Parent Company Only Financial Report of the Most Recent Year

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of Compal Broadband Networks, Inc.(“ the Company”), which comprise the balance sheet as of December 31, 2023 and 2022, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended December 31, 2023 and 2022, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we judged shall be presented in the auditors' report as follows:

1. Inventory valuation

   Please refer to Note (4)(g) and Note (5) for the accounting policy of inventory valuation, as well as the estimation and assumption uncertainty of the valuation of inventory, respectively. Information regarding the inventory is shown in Note (6)(e) of the financial statements.

   Description of key audit matters：

   Inventory is measured at the lower of cost and net realizable value. The Company primarily engaged in the research, development, and sale of communication products such as smart gateways, set-top boxes, and wireless broadband routers. The significant change in supply and competitive market of demand may cause fluctuation in product price. Consequently, the book value of inventory may exceed its net realizable value. Therefore, the valuation of inventory is one of the key audit matters.

How the matter was addressed in our audit:

Our principal audit procedures included : assessing the rationality of the Company' s accounting policies, such as the policy of provision for inventory loss due to price decline, obsolete, and slow moving inventories; inspecting the Company' s inventory aging reports' accuracy and analyzing the changes of inventory aging which are in accordance with the Company's accounting policies; sampling and inspecting the Company's sales price, as well as verifying the calculation of the lower of cost or net realizable value; and assessing the disclosure of provision for inventory valuation and obsolescence was appropriate.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company' s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chien, Szu-Chuan and Au, Yiu-Kwan.

KPMG

Taipei, Taiwan (Republic of China)
March 8, 2024

Notes to Readers

The accompanying parent company only financial statements are intended only to present the 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 audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent company only 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 parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

COMPAL BROADBAND NETWORKS, INC.

Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note (6)(a))	$ 305,429	18	649,430	25
1110	Current financial assets at fair value through profit or loss (note (6)(b))	4,373	-	-	-
1170	Accounts receivable, net (notes (6)(c) and (6)(q))	400,967	24	488,778	18
1200	Other receivables, net (notes (6)(d) and (7))	2,529	-	381,820	14
1310	Inventories (note (6)(e))	612,302	37	738,905	28
1410	Prepayments	48,368	3	45,431	2
1470	Other current assets	5,481	-	7,853	-
		1,379,449	82	2,312,217	87
	Non-current assets:				
1550	Investments accounted for using equity method (note (6)(f))	15,035	1	18,694	1
1600	Property, plant and equipment (note (6)(g))	159,578	10	158,344	6
1755	Right-of-use assets (note (6)(h))	55,155	3	67,945	3
1780	Intangible assets (note (6)(i))	658	-	3,997	-
1840	Deferred tax assets (note (6)(m))	57,018	4	76,787	3
1900	Other non-current assets (note (8))	4,229	-	4,201	-
		291,673	18	329,968	13
	Total assets	**$ 1,671,122**	**100**	**2,642,185**	**100**

	Liabilities and Equity	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current liabilities:				
2120	Current financial liabilities at fair value through profit or loss (note (6)(b))	$ -	-	8,006	-
2130	Current contract liabilities (note (6)(q))	1,846	-	1,926	-
2170	Accounts payable	59,773	4	550,823	21
2180	Accounts payable to related parties (note (7))	130,494	8	259,331	10
2200	Other payables (note (7))	186,946	11	121,419	5
2250	Current provisions (note (6)(j))	80,598	5	117,404	4
2280	Current lease liabilities (note (6)(k))	14,620	1	14,702	1
2300	Other current liabilities	4,120	-	1,620	-
		478,397	29	1,075,231	41
	Non-current liabilities:				
2570	Deferred tax liabilities (note (6)(m))	874	-	-	-
2580	Non-current lease liabilities (note (6)(k))	41,192	2	53,777	2
		42,066	2	53,777	2
	Total liabilities	520,463	31	1,129,008	43
	Equity (notes (6)(n) and (6)(o)):				
3100	Ordinary shares	676,381	41	680,021	26
3200	Capital surplus	372,404	22	379,939	14
3300	Retained earnings	105,082	6	465,018	17
3410	Exchange differences on translation of foreign financial statements	(198)	-	(588)	-
3491	Unearned employee benefit	(3,010)	-	(11,213)	-
	Total equity	1,150,659	69	1,513,177	57
	Total liabilities and equity	**$ 1,671,122**	**100**	**2,642,185**	**100**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

COMPAL BROADBAND NETWORKS, INC.

Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

		2023		2022	
		Amount	%	Amount	%
4000	**Operating revenue (note (6)(q))**	$ 1,164,054	100	2,514,695	100
5000	**Operating costs (notes (6)(e), (7) and (12))**	1,081,197	93	2,145,106	85
	Gross profit from operations	82,857	7	369,589	15
	Operating expenses: (notes (6)(i), (6)(k), (6)(l), (7) and (12))				
6100	Selling expenses	68,030	6	122,624	5
6200	Administrative expenses	74,086	6	103,311	4
6300	Research and development expenses	235,030	20	242,424	10
6450	Expected credit loss (notes (6)(c) and (6)(d))	23,532	2	836	-
	Total operating expenses	400,678	34	469,195	19
	Net operating loss	(317,821)	(27)	(99,606)	(4)
	Non-operating income and expenses:				
7010	Other income (note (7))	4,552	-	6,262	-
7020	Other gains and losses (note (6)(s))	2,074	-	18,825	1
7100	Interest income	10,452	1	10,686	-
7510	Interest expense (note (6)(k))	(675)	-	(994)	-
7775	Share of loss of associates accounted for using equity method (note (6)(f))	(4,146)	-	(2,939)	-
		12,257	1	31,840	1
7900	**Loss from continuing operations before tax**	(305,564)	(26)	(67,766)	(3)
7950	**Less: Income tax expenses (benefit) (note (6)(m))**	20,545	2	(4,620)	-
	Loss	(326,109)	(28)	(63,146)	(3)
8300	**Other comprehensive income:**				
8360	**Components of other comprehensive income that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	487	-	495	-
8399	Less: income tax related to items that will be reclassified to profit or loss (note (6)(m))	97	-	99	-
	Components of other comprehensive income that will be reclassified to profit or loss	390	-	396	-
8300	**Other comprehensive income**	390	-	396	-
	Total comprehensive loss	**$ (325,719)**	**(28)**	**(62,750)**	**(3)**
	Loss per share (note (6)(p))				
9750	Basic loss per share	**$ (4.84)**		**(0.94)**	
9850	Diluted loss per share	**$ (4.84)**		**(0.94)**	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

COMPAL BROADBAND NETWORKS, INC.

Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings				Other equity			
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated losses)	Total	Exchange differences on translation of foreign financial statements	Unearned employee benefit	Total	Total equity
Balance at January 1, 2022	$ 684,704	389,633	143,735	-	452,848	596,583	(984)	(45,219)	(46,203)	1,624,717
Loss for the year ended December 31, 2022	-	-	-	-	(63,146)	(63,146)	-	-	-	(63,146)
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	-	-	396	-	396	396
Total comprehensive loss for the year ended December 31, 2022	-	-	-	-	(63,146)	(63,146)	396	-	396	(62,750)
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	(4,683)	(9,694)	-	-	-	-	-	34,006	34,006	19,629
Balance at December 31, 2022	680,021	379,939	147,010	984	317,024	465,018	(588)	(11,213)	(11,801)	1,513,177
Loss for the year ended December 31, 2023	-	-	-	-	(326,109)	(326,109)	-	-	-	(326,109)
Other comprehensive income for the year ended December 31, 2023	-	-	-	-	-	-	390	-	390	390
Total comprehensive loss for the year ended December 31, 2023	-	-	-	-	(326,109)	(326,109)	390	-	390	(325,719)
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)	-	-	-	-	-	8,203	8,203	(2,972)
Balance at December 31, 2023	**$ 676,381**	**372,404**	**147,010**	**588**	**(42,516)**	**105,082**	**(198)**	**(3,010)**	**(3,208)**	**1,150,659**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

COMPAL BROADBAND NETWORKS, INC.

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		2023	2022
Cash flows used in operating activities:			
Loss before tax	$	(305,564)	(67,766)
Adjustments:			
Adjustments to reconcile profit:			
Depreciation and amortization expense		63,368	64,058
Expected credit loss		23,532	836
Interest expense		675	994
Interest income		(10,452)	(10,686)
Compensation cost of employee share-based payment		(2,972)	19,629
Share of loss of associates accounted for using equity method		4,146	2,939
Gain on disposal of property, plant and equipment		-	(13)
Gain on lease modification		(3)	-
Total adjustments to reconcile profit		78,294	77,757
Changes in operating assets and liabilities:			
Change in financial assets mandatorily measured at fair value through profit or loss		(4,373)	8,476
Decrease in accounts receivable		64,181	405,181
Decrease (increase) in other receivables		379,497	(105,276)
Decrease (increase) in inventories		126,603	(126,057)
(Increase) decrease in prepayments		(2,937)	10,358
Decrease (increase) in other current assets		2,912	(3,298)
(Decrease) increase in financial liabilities held for trading		(8,006)	8,006
(Decrease) increase in contract liabilities		(80)	827
Decrease in accounts payable		(619,887)	(400,019)
Increase (decrease) in other payable		65,527	(12,365)
Decrease in provisions		(36,806)	(62,173)
Increase in other current liabilities		2,500	96
Total changes in operating assets and liabilities		(30,869)	(276,244)
Total adjustments		47,425	(198,487)
Cash outflow generated from operations		(258,139)	(266,253)
Interest received		10,344	10,569
Interest paid		(675)	(994)
Income taxes (paid) refund		(539)	20,424
Net cash flows used in operating activities		(249,009)	(236,254)
Cash flows used in investing activities:			
Acquisition of property, plant and equipment		(45,096)	(62,097)
Proceeds from disposal of property, plant and equipment		-	888
Increase in refundable deposits		(28)	(9)
Acquisition of intangible assets		(1,296)	(4,294)
Net cash flows used in investing activities		(46,420)	(65,512)
Cash flows used in financing activities:			
Payment of lease liabilities		(14,745)	(15,486)
Cash dividends paid		(33,827)	(68,419)
Net cash flows used in financing activities		(48,572)	(83,905)
Net decrease in cash and cash equivalents		(344,001)	(385,671)
Cash and cash equivalents at beginning of period		649,430	1,035,101
Cash and cash equivalents at end of period	$	**305,429**	**649,430**

See accompanying notes to parent company only financial statements.

(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 December 31, 2023 and 2022, Compal Electronics and its subsidiaries held 63% shares in the Company.

The address of the Company's registered office is 13F.-1, No. 1, Taiyuan 1st St., Zhubei City, Hsinchu County. The Company 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 financial statements:

These financial statements were authorized for issuance by the Board of Directors on March 8, 2024.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2023:

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

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

- Amendments to IAS 12 "International Tax Reform—Pillar Two Model Rules"

(Continued)

(b) The impact of IFRS issued by the FSC but not yet effective

The Company 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 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 Company 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 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:

The material accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

Except for the financial instruments at fair value through profit or loss are measured at fair value, the financial statements have been prepared on a historical cost basis.

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The financial statements are presented in New Taiwan Dollar (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(Continued)

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

1) an investment in equity securities designated as at fair value through other comprehensive income;

2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the NTD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the NTD at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future. Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(Continued)

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

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

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Account receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a account receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A account receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(Continued)

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

· it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, trade receivables, other recei.vable, guarantee deposit paid and other financial assets),

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

· debt securities that are determined to have low credit risk at the reporting date; and

· other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

(Continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ' investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

(Continued)

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(Continued)

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted-average-cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

(Continued)

The financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(i) Investments in subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the non-consolidated financial statements. Under equity method, the net income, other comprehensive income and equity in the non-consolidated financial statement are the same as those attributable to the owners of the parent in the consolidated financial statements.

The changes in ownership of the subsidiaries are recognized as equity transaction.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

(Continued)

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Research and development equipment 2~10 years

2) Model equipment 2~4 years

3) Machinery and equipment 2~5 years

4) Lease improvement and other equipment 2~10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a leasee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

— fixed payments, including in substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable under a residual value guarantee; and

(Continued)

— payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

— there is a change in future lease payments arising from the change in an index or rate; or

— there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

— there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

— there is a change of its assessment on whether it will exercise a extension or termination option; or

— there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of other equipment and parking space that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a leasor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(Continued)

(l) Intangible assets

(i) Recognition and measurement

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives of computer software for current and comparative periods are as follows is 1 to 3 years.

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(m) Impairment of non financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

(Continued)

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on the historical datas of provision expenses and all available results weighted by its coherence rate as percentage.

(o) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

(i) Sale of goods

The Company sells communication products such as smart gateways, set-top boxes, and wireless broadband routers. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

(i) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(Continued)

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Short term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

Grant date of a share-based payment award is the date which the board of directors authorized the chairman to approve the price and number of shares that employees can subscribe for.

(r) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

(Continued)

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary difference.

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(s) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee restricted shares.

(Continued)

(t) Operating segments

Please refer to the Company’ s consolidated financial statements for the years ended December 31, 2023 and 2022, for further details.

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

The preparation of the financial statements in conformity with the Regulations 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 management continues to monitor the accounting estimates and assumptions.The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

There are no critical judgments in applying accounting policies that have significant effect on the amounts recognized in the financial statements.

Information about assumptions and estimation uncertainties made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates its net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand. Due to the industrial and the market transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(e) for further description of the valuation of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand	$ 395	402
Checking accounts and demand deposits	88,355	174,028
Time deposits	216,679	475,000
	$ 305,429	**649,430**

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 Company.

(Continued)

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

	December 31, 2023	December 31, 2022
Current financial assets mandatorily measured at fair value through profit or loss:		
Derivative instruments not used for hedging:		
Foreign exchange forward contracts	$ 4,373	-
Held-for-trading financial liabilities:		
Derivative instruments not used for hedging:		
Foreign exchange forward contracts	$ -	8,006

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

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

	December 31, 2023		
	Contract amount (in thousands)	**Currency**	**Maturity date**
Derivative financial assets:			
Foreign exchange contracts:			
Foreign exchange sold	USD 7,087	USD to TWD	January 5, 2024~ March 25, 2024

	December 31, 2022		
	Contract amount (in thousands)	**Currency**	**Maturity date**
Derivative financial liabilities:			
Foreign exchange contracts:			
Foreign exchange sold	EUR 5,500	EUR to USD	Febuary 8, 2023~ April 20, 2023

(Continued)

(c) Accounts receivable

		December 31, 2023	December 31, 2022
Accounts receivable	$	427,808	491,989
Less: loss allowance		(26,841)	(3,211)
	$	**400,967**	**488,778**

The Company 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:

	December 31, 2023				
		Gross carrying amount	Weighted-average loss rate	Loss allowance	Credit impaired
Level B	$	83,403	0.10%	84	No
Level C		268,813	1.00%	2,688	No
Level E		75,592	31.84%	24,069	Yes
	$	**427,808**		**26,841**	

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

The aging analysis of accounts receivable were as follows:

		December 31, 2023	December 31, 2022
Overdue 1~30 days	$	139,459	54,013
Overdue 31~60 days		-	51,267
Overdue 61~90 days		11,045	41,196
Overdue 91~180 days		5,758	6,346
Overdue 181~270 days		5,174	-
Overdue 360 days		70,418	-
	$	**231,854**	**152,822**

(Continued)

The movements of allowance for accounts receivable were as follows:

	2023	2022
Balance at January 1	$ 3,211	1,632
Impairment loss recognized	23,630	1,579
Balance at December 31	**$ 26,841**	**3,211**

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

(d) Other receivables

	December 31, 2023	December 31, 2022
Other receivables	$ 2,587	381,976
Less: loss allowance	(58)	(156)
	$ 2,529	**381,820**

The aging analysis of overdue other receivables were as follows:

	December 31, 2023	December 31, 2022
Overdue 1~30 days	$ 152	140,261
Overdue 31~60 days	-	156,140
Overdue 61~90 days	103	940
Overdue 91~180 days	-	**12,286**
	$ 255	**309,627**

(Continued)

The movements of allowance for other receivables were as follows:

	2023	2022
Balance at January 1	$ 156	899
Impairment loss reversed	(98)	(743)
Balance at December 31	**$ 58**	**156**

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

(e) Inventories

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

	December 31, 2023	December 31, 2022
Raw materials	$ 543,265	653,315
Work in progress and semi-finished goods	380	11,678
Merchandise	68,657	73,912
	$ 612,302	**738,905**

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

	2023	2022
Cost of sales and expenses	$ 1,078,953	2,136,446
Inventory valuation and obsolescence loss	1,332	4,067
Loss on scrapping of inventory	1,210	4,593
Gain on physical inventory	(298)	-
	$ 1,081,197	**2,145,106**

For the years ended December 31, 2023 and 2022, the write-down of the inventories to the net realizable value was recorded as an operating cost.

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

(Continued)

(f) Investments accounted for using equity method

A summary of the Company's financial information for investments accounted for using the equity method at the reporting date were as follows:

	December 31, 2023	December 31, 2022
Subsidiaries	$ 11,533	11,554
Associates	3,502	7,140
	$ 15,035	**18,694**

(i) Subsidiaries

Please refer to the consolidated financial statement for the year ended December 31, 2023.

(ii) Associates

The Company's financial information for investment accounted for using equity method that are individually insignificant was as follows:

	December 31, 2023	December 31, 2022
The carrying amount of the Company's interests in all individually insignificant associates' equity	**$ 3,502**	**7,140**

	2023	2022
Attributable to the Company:		
Net loss from continuing operations	**$ (3,638)**	**(2,566)**
Total comprehensive loss	**$ (3,638)**	**(2,566)**

(iii) As of December 31, 2023 and 2022, the Company did not provide any investment accounted for using equity method as collaterals.

(Continued)

(g) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2023 and 2022 were as follows:

	Research and development equipment	Mold equipment	Machinery and equipment	Leasehold improvement and other equipment	Construction in progress and prepayment for purchase of equipment	Total
Cost or deemed cost:						
Balance at January 1, 2023	$ 420,532	16,424	6,946	96,405	643	540,950
Additions	28,925	6,163	313	9,695	-	45,096
Disposals	-	-	-	(2,921)	-	(2,921)
Reclassifications	643	-	-	-	(643)	-
Balance at December 31, 2023	**$ 450,100**	**22,587**	**7,259**	**103,179**	**-**	**583,125**
Balance at January 1, 2022	$ 372,091	13,152	6,318	85,726	5,121	482,408
Additions	49,737	3,272	628	7,265	1,195	62,097
Disposals	(2,398)	-	-	(1,157)	-	(3,555)
Reclassifications	1,102	-	-	4,571	(5,673)	-
Balance at December 31, 2022	**$ 420,532**	**16,424**	**6,946**	**96,405**	**643**	**540,950**
Depreciation:						
Balance at January 1, 2023	$ 304,467	13,723	6,337	58,079	-	382,606
Depreciation	31,511	2,000	307	10,044	-	43,862
Disposals	-	-	-	(2,921)	-	(2,921)
Balance at December 31, 2023	**$ 335,978**	**15,723**	**6,644**	**65,202**	**-**	**423,547**
Balance at January 1, 2022	$ 274,735	12,845	6,201	50,366	-	344,147
Depreciation	32,130	878	136	7,995	-	41,139
Disposals	(2,398)	-	-	(282)	-	(2,680)
Balance at December 31, 2022	**$ 304,467**	**13,723**	**6,337**	**58,079**	**-**	**382,606**
Carrying amounts:						
Balance at December 31, 2023	**$ 114,122**	**6,864**	**615**	**37,977**	**-**	**159,578**
Balance at January 1, 2022	**$ 97,356**	**307**	**117**	**35,360**	**5,121**	**138,261**
Balance at December 31, 2022	**$ 116,065**	**2,701**	**609**	**38,326**	**643**	**158,344**

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

(Continued)

(h) Right-of-use assets

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

	Buildings	Vehicles	Total
Cost:			
Balance at January 1, 2023	$ 120,453	4,306	124,759
Additions	220	2,151	2,371
Disposals	(757)	-	(757)
Balance at December 31, 2023	**$ 119,916**	**6,457**	**126,373**
Balance at January 1, 2022	$ 120,203	7,039	127,242
Additions	554	-	554
Disposals	(304)	(2,733)	(3,037)
Balance at December 31, 2022	**$ 120,453**	**4,306**	**124,759**
Depreciation:			
Balance at January 1, 2023	$ 54,664	2,150	56,814
Depreciation	13,547	1,324	14,871
Disposals	(467)	-	(467)
Balance at December 31, 2023	**$ 67,744**	**3,474**	**71,218**
Balance at January 1, 2022	$ 41,229	2,810	44,039
Depreciation	13,739	2,073	15,812
Disposals	(304)	(2,733)	(3,037)
Balance at December 31, 2022	**$ 54,664**	**2,150**	**56,814**
Carrying amount:			
Balance at December 31, 2023	**$ 52,172**	**2,983**	**55,155**
Balance at January 1, 2022	**$ 78,974**	**4,229**	**83,203**
Balance at December 31, 2022	**$ 65,789**	**2,156**	**67,945**

(Continued)

(i) Intangible assets

The cost and accumulated amortization of intangible assets of the Company for the years ended December 31, 2023 and 2022 were as follows:

		Computer software
Cost:		
Balance at January 1, 2023	$	13,937
Additions		1,296
Disposals		(12,134)
Balance at December 31, 2023	**$**	**3,099**
Balance at January 1, 2022	$	16,683
Additions		4,294
Disposals		(7,040)
Balance at December 31, 2022	**$**	**13,937**
Accumulated amortization:		
Balance at January 1, 2023	$	9,940
Amortization		4,635
Disposals		(12,134)
Balance at December 31, 2023	**$**	**2,441**
Balance at January 1, 2022	$	9,873
Amortization		7,107
Disposals		(7,040)
Balance at December 31, 2022	**$**	**9,940**
Carrying amount:		
Balance at December 31, 2023	**$**	**658**
Balance at January 1, 2022	**$**	**6,810**
Balance at December 31, 2022	**$**	**3,997**

For the years ended December 31, 2023 and 2022, the amortization of intangible assets are included in the statement of comprehensive income as operating expenses amounted to $4,635 and $7,107, respectively.

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

(Continued)

(j) Provisions

	Warranty Provisions
Balance at January 1, 2023	$ 117,404
Provisions made during the period	7,699
Provisions reversed during the period	(3,318)
Provisions used during the period	(41,187)
Balance at December 31, 2023	**$ 80,598**
Balance at January 1, 2022	$ 179,577
Provisions made during the period	15,267
Provisions reversed during the period	(5,252)
Provisions used during the period	(72,188)
Balance at December 31, 2022	**$ 117,404**

The Company' 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:

	December 31, 2023	December 31, 2022
Current	**$ 14,620**	**14,702**
Non-current	**$ 41,192**	**53,777**

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

The amounts recognized in profit or loss were as follows:

	2023	2022
Interest expense on lease liabilities	**$ 675**	**826**
Expenses relating to short-term leases	**$ 1,047**	**443**
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**$ 105**	**101**
Gain on lease modification	**$ (3)**	**-**

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

	2023	2022
Total cash outflow for leases	**$ 16,572**	**16,856**

The Company 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.

(Continued)

The Company 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 Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(l) Employee benefits - Defined contribution plans

The Company allocates 6% of each employee’s monthly wages to their labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligationse.

The pension expenses of the Company under the pension plan contributed to the Bureau of Labor Insurance for the years ended December 31, 2023 and 2022 were amounted to $7,980 and $8,604, respectively.

(m) Income taxes

(i) The amount of income tax expense (benefit) for the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
Current tax benefit		
Adjustment for prior periods	$ (1)	(2,695)
	(1)	(2,695)
Deferred tax expense (benefit)		
Recognition and reversal of temporary differences	20,546	(1,925)
Income tax expense (benefit)	**$ 20,545**	**(4,620)**

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

	2023	2022
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	**$ 97**	**99**

(Continued)

The income tax expense (benefit) that was reconciled between the actual income tax expense (benefit) and loss before tax for the years ended December 31, 2023 and 2022, was as follows:

	2023		2022	
	Rate	**Amount**	**Rate**	**Amount**
Loss before tax	20%	$ (305,564)	20%	(67,766)
Income tax calculated based on tax rate		(61,113)		(13,553)
Changes in unrecognized temporary differences		18,274		-
Current year losses for which no deferred tax asset was recognized		62,769		10,712
Change in provision in prior periods		(1)		(2,695)
Others		616		916
		$ 20,545		**(4,620)**

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilites: None.

2) Unrecognized deferred tax assets:

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2023	**December 31, 2022**
The carryforward of unused tax losses	**$ 91,755**	**10,712**

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

As of December 31, 2023, the information of the Company's unused tax losses for which no deferred tax assets were recognized are as follows:

Year of loss	**Unused loss**	**Expiry date**
2022(Declared)	$ 153,071	2032
2023(Estimated)	313,843	2033
	$ 466,914	

(Continued)

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2023 and 2022 were as follows:

		Financial asset valuation gain
Deferred tax liabilities:		
Balance at January 1, 2023	$	-
Recognized in profit or loss		874
Balance at December 31, 2023	**$**	**874**
Balance at January 1, 2022	$	1,695
Recognized in profit or loss		(1,695)
Balance at December 31, 2022	**$**	**-**

		Warranty preparation	Royalty payable	Loss on inventory valuation	Unrealized exchange gains and losses,net	Tax effect of loss	Others	Total
Deferred tax assets:								
Balance at January 1, 2023	$	23,481	1,858	4,990	23,748	19,782	2,928	76,787
Recognized in profit or loss		(7,361)	(880)	267	3,728	(18,154)	2,728	(19,672)
Recognized in other comprehensive income		-	-	-	-	-	(97)	(97)
Balance at December 31, 2023	**$**	**16,120**	**978**	**5,257**	**27,476**	**1,628**	**5,559**	**57,018**
Balance at January 1, 2022	$	35,915	2,771	4,176	32,478	-	1,316	76,656
Recognized in profit or loss		(12,434)	(913)	814	(8,730)	19,782	1,711	230
Recognized in other comprehensive income		-	-	-	-	-	(99)	(99)
Balance at December 31, 2022	**$**	**23,481**	**1,858**	**4,990**	**23,748**	**19,782**	**2,928**	**76,787**

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

(Continued)

(n) Capital and other equities

For the years ended December 31, 2023 and 2022, the authorized ordinary shares were both $1,000,000 of which 67,638 thousand shares and 68,002 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

(i) Ordinary shares

Reconciliation of shares outstanding for the years ended December 31, 2023 and 2022 were as follow:

Unit: in thousands of shares

	Ordinary shares	
	2023	**2022**
Balance at January 1	68,002	68,470
Cancellation of employee restricted shares	(364)	(468)
Balance at December 31	**67,638**	**68,002**

The Company issued new restricted employee stocks amounting to $15,000 in 2021. The base date of the share issuance was December 20, 2021. For the years ended December 31, 2023 and 2022, the share capital of $3,640 and $4,683 were canceled, which reduced the capital reserve of $7,535 and $9,694, respectively, because some employees who received restricted stock options did not meet the vesting conditions. The registration procedures had been completed.

(ii) Capital surplus

The balance of capital surplus were as follows:

	December 31, 2023	**December 31, 2022**
Additional paid in capital premium	$ 318,043	310,482
Employee share options	48,101	48,101
Issuance of employee restricted shares	6,260	21,356
	$ 372,404	**379,939**

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total ordinary stock outstanding.

(Continued)

(iii) Retained earnings

1) Limits of distributed earnings and dividend policy

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.

2) Legal reverse

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

3) Special reverse

A portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current period total net reduction of other shareholders' equity. The amount to be reclassified to special reserve shall be a portion of currentperiod earnings plus other line items in the retained earnings movements and undistributed priorperiod earnings. A portion of previous unappropriated earnings shall be set aside as a special reserve, which should not be distributed, to account for cumulative changes to other equity interests pertaining to prior periods. The special reserve shall be made available for appropriation when the net deductions of other equity interests are reversed in the subsequent periods.

(Continued)

(iv) Earnings distributed (Accumulated losses appropriated)

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:

	2022		2021	
	Amount per share	**Total amount**	**Amount per share**	**Total amount**
Cash dividends distributed to ordinary shareholders	$ 0.5	**33,827**	1.0	**68,419**

The Company suffered accumulated losses for the year ended 2023. On March 8, 2023, the Board of Directors resolved not to distribute dividends. The Board also proposed to offset the accumulated losses of $42,516 with legal reserves, the proposal is still pending for approval at the shareholders' meeting.

(o) Share-based payment—Employee restricted share

The Company issued 1,500 thousand shares of employee restricted shares (without consideration) to the Company's fulltime employees who meet certain requirements based on the resolution approved during the annual stockholders' meeting held on June 24, 2020, with the base date set on December 20, 2021. All the above restricted shares have been registered with, and approved by, the Securities and Futures Bureau of FSC. All registration procedures had been completed on January 7, 2022.

40%, 30% and 30% of the restricted shares are vested when the employees continue to provide service for at least 1 year, 2 years and 3 years, respectively, from the registration and the effective date, and at the same time, meet the performance requirement. After the issuance, the restricted shares are kept by a trust, which is appointed by the Company, before they are vested. These restricted shares shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties, except for inheritance, during the custody period. The voting rights of these shares are executed by a custodian, who shall comply in accordance with the laws and regulations. If the shares remain unvested after the vesting period, the Company will purchase all the unvested shares without consideration and cancel the shares thereafter.

The information of the Company's employee restricted shares is as follows:

Unit: in thousands of shares

	2023	**2022**
Outstanding unit at January 1	666	1,500
Vested during the period	-	(365)
Canceled during the period	(364)	(469)
Outstanding unit at December 31	**302**	**666**

(Continued)

The fair value of the restricted employee shares was evaluated by using the closing price of $30.70 at the grant date on December 20, 2021, and the capital surplus recognized due to the restricted shares amounted to $31,050. As of December 31, 2023 and 2022, the unearned employee benefit amounted to $3,010 and $11,213, respectively.

The compensation (reversed) recognized due to the restricted shares amounted to ($2,972) and $19,629 for the years ended December 31, 2023 and 2022, respectively.

(p) Loss per share

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

		2023	2022
Basic loss per share			
Loss attributable to ordinary shareholders of the Company	$	(326,109)	(63,146)
Weighted-average number of outstanding ordinary shares (in thousands)		67,336	67,325
Basic loss per share (dollars)	$	(4.84)	(0.94)
Diluted loss per share			
Weighted-average number of ordinary shares (after adjustment of potential diluted ordinary shares) (in thousands)		67,336	67,325
Diluted loss per share (dollars)	$	(4.84)	(0.94)

The employee restricted shares issued by the Company were not included in the calculation of diluted loss per share for 2023 and 2022 due to their auti-dilutive effect.

(q) Revenue from contracts with customers

(i) Details of revenue

		2023	2022
Primary geographical markets:			
Europe	$	232,076	1,119,909
America		780,654	1,069,239
Asia and others		151,324	325,547
	$	1,164,054	2,514,695
Major products / service lines:			
Communication network poducts	$	732,397	2,384,498
Material sales revenue and others		431,657	130,197
	$	1,164,054	2,514,695

(Continued)

(ii) Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Accounts receivable	$ 427,808	491,989	897,170
Less: loss allowance	(26,841)	(3,211)	(1,632)
	$ 400,967	**488,778**	**895,538**
Contract liabilities	**$ 1,846**	**1,926**	**1,099**

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

The amount of revenue recognized for the years ended December 31, 2023 and 2022 that were included in the contract liability balance at the beginning of the period were $80 and $280, 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.

The Company did not estimate employee remuneration and directors' remuneration due to loss before income tax for the years ended December 31, 2023 and 2022.

(s) Other gains and losses

The other gains and losses of the Company for the years ended December 31, 2023 and 2022 were as follow:

	2023	2022
Foreign currency exchange losses, net	$ (3,068)	(44,234)
Gain on financial assets (liabilities) at fair value through profit or loss, net	5,139	63,046
Gain on lease modification	3	-
Gain on disposal of property, plant and equipment	-	13
	$ 2,074	**18,825**

(Continued)

(t) Financial instruments

(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 year ended December 31, 2023 and 2022, amounted to $729,260 and $1,716,493, respectively. The carrying amounts of the accounts receivable as of December 31, 2023 and 2022 amounted to $263,399 and $247,866, respectively. In order to reduce credit risk, the Company 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.

	Carrying amount	Contractual cash flows	Within a year	1 ~ 2 years	Over 2 years
December 31, 2023					
Non derivative financial liabilities					
Accounts payable (including related parties)	$ 190,267	(190,267)	(190,267)	-	-
Other payables (including related parties)	186,946	(186,946)	(186,946)	-	-
Lease liabilities－current and non-current	55,812	(57,047)	(15,169)	(14,663)	(27,215)
	$ 433,025	**(434,260)**	**(392,382)**	**(14,663)**	**(27,215)**

(Continued)

	Carrying amount	Contractual cash flows	Within a year	1 ~ 2 years	Over 2 years
December 31, 2022					
Non derivative financial liabilities					
Accounts payable (including related parties)	$ 810,154	(810,154)	(810,154)	-	-
Other payables (including related parties)	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	-	-
	$ 1,008,058	**(1,004,046)**	**(949,113)**	**(14,628)**	**(40,305)**

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

Unit: thousands of foreign currency

	December 31, 2023			December 31, 2022		
	Foreign currency	**Exchange rate**	**TWD**	**Foreign currency**	**Exchange rate**	**TWD**
Financial assets						
Monetary items						
USD	$ 16,910	USD/TWD =30.705	519,222	30,074	USD/TWD =30.71	923,573
EUR	959	EUR/TWD =34.14	32,740	9,142	EUR/TWD =32.72	299,126
Financial liabilities						
Monetary items						
USD	6,756	USD/TWD =30.705	207,443	27,261	USD/TWD =30.71	837,185

(Continued)

2) Sensitivity analysis

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

	2023	2022
USD (against the TWD)		
Strengthening 5%	$ 15,589	4,319
Weakening 5%	(15,589)	(4,319)
EUR (against the TWD)		
Strengthening 5%	1,637	14,956
Weakening 5%	(1,637)	(14,956)

3) Exchange gains and losses of monetary items

As the Company deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2023 and 2022, the foreign exchange loss (including realized and unrealized portions) amounted to $3,068 and $44,234, respectively.

(iv) Interest rate analysis

The Company'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 Company'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 $219 and $414 for the years ended December 31, 2023 and 2022, respectively, which would be mainly resulted from the bank deposits with variable interest rates.

(Continued)

(v) Fair value

1) The categories and fair value of financial instruments

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 Company'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.

	December 31, 2023				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Derivative financial assets	$ 4,373	-	4,373	-	4,373
Financial assets measured at amortized cost					
Cash and cash equivalents	305,429	-	-	-	-
Accounts receivable, net	400,967	-	-	-	-
Other receivables, net	2,529	-	-	-	-
Other non-current asset (refundable deposits)	3,729	-	-	-	-
Other non-current asset (Pledged certificate of deposits)	500	-	-	-	-
Subtotal	713,154				
Total	**$ 717,527**				
Financial liabilities at amortized cost					
Accounts payable (including related parties)	$ 190,267	-	-	-	-
Other payables (including related parties)	186,946	-	-	-	-
Lease liabilities–current and non-current	55,812	-	-	-	-
Total	**$ 433,025**				

(Continued)

	December 31, 2022				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 649,430	-	-	-	-
Accounts receivable, net	488,778	-	-	-	-
Other receivables, net	381,820	-	-	-	-
Other non-current asset (refundable deposits)	3,701	-	-	-	-
Other non-current asset (Pledged certificate of deposits)	500	-	-	-	-
Total	$ 1,524,229				
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities	$ 8,006	-	8,006	-	8,006
Financial liabilities at amortized cost					
Accounts payable (including related parties)	810,154	-	-	-	-
Other payables (including related parties)	121,419	-	-	-	-
Lease liabilities–current and non-current	68,479	-	-	-	-
Subtotal	1,000,052				
Total	$ 1,008,058				

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

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

a) Financial assets and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the most recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Valuation technique for financial instruments measured at fair value

a) Derivative financial instruments

Measurement of fair value of derivative instruments is based on the valuation techniques that are generally accepted by the market participants. For instance, discount method or option pricing models. Fair value of forward contracts is usually determined by using the forward currency rate.

(Continued)

4) There were no transfers from one level to another for the years ended December 31, 2023 and 2022.

(u) Financial risk management

(i) Overview

The Company is exposed to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

In this note expressed the information on risk exposure and objectives, policies and procedures of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

The Company's risk management policies are set for identifying and analyzing the risk that the Company confronts for setting the appropriate amount of the risk and complying with the policies. The Company continually reviews the risk management policies to reflect the market condition and the changes of the Company's operation. The Company develops a disciplined and constructive environment and makes employees understand their rules and obligations through training, management guidelines, and operating procedures.

The Board of Directors ensures that the monitoring of the management is in compliance with the Company's risk management policies and procedures, and reviews the appropriateness of the related risk management framework. The Company's internal auditors assist the Board of Directors to supervise and review the control and procedures of the risk management periodically and aperiodically, and report the findings to the Board of Directors.

(iii) Credit risk

1) Credit risk is the risk on the financial loss to the Company if a customer or a counterparty fails to meet its contractual obligations. It rises principally from the Company' s receivables from customers and bank savings.

2) The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company' s review includes external ratings or financial statements provided by customers (internal ratings). Purchase limits are established for each customer, and these limits are reviewed periodically. Customer who do not meet the basic credit rating of the Company only can make transactions by either advanced payment or obtain consent by authorized superisors.

(Continued)

The Company’s customers are mainly from the communications industry. In order to monitor the credit risk of accounts receivable, the Company constantly assesses the financial status of the customers, and requests the customers to provide guarantee or security if necessary. The Company regularly accesses the collectability of accounts receivable and recognizes the allowance for accounts receivable. The impairment losses are always within management’s expectation.

The Company set the allowance for bad debt account to reflect the estimated losses for trade and other receivables. The allowance for bad debt account is based on extensive analysis for customers’ credit worthiness and historical collection records.

3) Investments

The credit risks exposure in the bank deposits and other financial instruments are measured and monitored by the Company’ s finance department. Since the Company’s transaction counterparties and the contractually obligated counterparties are banks,financial institutes and corporate organizations with good credits and investment grade,there are no compliance issues, and therefore, no significant credit risk.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company’s management supervises the banking facilities and ensures in compliance with the terms of the loan agreements.

The loans and borrowings from the bank form an important source of liquidity for the Company. As of December 31, 2023 and 2022, the unused long-term and short-term bank financing lines are $584,870 and $744,940, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company’ s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

In order to manage market risk, there are some financial liabilities incurred by the Company from its buying and selling of derivatives. All transactions are executed in accordance with management guidelines.

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currencies of the Company, primarily USD and EUR. The Company designates the spot element of forward foreign exchange contracts to hedge its currency risk. Most of these contracts have a maturity of less than one year from the reporting date. As for other monetary assets and liabilities denominated in other foreign currencies, when short-term imbalance takes place, the Company buys or sells foreign currencies at spot rate or exchange rate to ensure that the net exposure is kept on an acceptable level.

(Continued)

(v) Capital management

The Company' s policy is to maintain a strong capital base considering the current operating characteristics of the industry, future development, and changes in external environment, to assure there are financial resources and operating plan to support working capital, capital expenditures, research & development expense, debt redemption and dividend payment, and so on. The management decides the optimal capital structure by using an appropriate debt ratio. To maintain a strong capital base, the Company monitor through periodic review of debt ratio by optimizing debt ratio. The Company's debt ratio at the reporting date was as follows:

	December 31, 2023	December 31, 2022
Total liabilities	$ 520,463	1,129,008
Total assets	1,671,122	2,642,185
Debt ratio	31 %	43 %

As of December 31, 2023, there were no changes in the Company's approach to capital management.

(w) Investing and financing activities not affecting cash flow

The Company's investing and financing activities which did not affect the cash flow for the years ended December 31, 2023 and 2022 was the acquisition of right-of-use assets by lease, please see notes (6)(h).

Reconciliation of liabilities arising from financing activities were as follows:

			Non-cash changes		
	January 1, 2023	**Cash flows**	**Increases**	**Decreases**	**December 31, 2023**
Lease liabilities	$ **68,479**	**(14,745)**	**2,371**	**(293)**	**55,812**

			Non-cash changes		
	January 1, 2022	**Cash flows**	**Increases**	**Decreases**	**December 31, 2022**
Lease liabilities	$ **83,411**	**(15,486)**	**554**	**-**	**68,479**

(7) Related-party transactions

(a) Parent company and ultimate controlling party

Compal Electronics Inc. is the parent company of the consolidated entity but also the ultimate controlling party of the Company. Compal Electronics Inc. has issued the consolidated financial statements available for public use.

(Continued)

(b) Names and relationship with related parties

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

Name of related party	Relationship with the Company
Compal Electronics, INC. ("Compal Electronics")	Parent company
Compal Display Electronics (Kunshan) Co., Ltd. ("CDE")	A subsidiary of parent company
Compal (Vietnam) Co., Ltd. ("CVC")	A 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
Compal Broadband Networks Belgium BVBA ("CBNB")	A subsidiary
Compal Broadband Networks Netherlands B.V. ("CBNN")	A subsidiary
Starmems Semicondustor Corp. ("Starmems")	An associate

(c) Significant transactions with related parties

(i) Purchases and processing fee

	2023	2022
Parent Company- Compal Electronics	$ 144,765	439,192
Other related parties	-	2,032
	$ 144,765	**441,224**

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

	2023	2022
Parent Company- Compal Electronics	$ 13,939	41,968
Other related parties	95	122
	$ 14,034	**42,090**

(Continued)

(iii) Rental income

The Group rents out office space and machinery equipment to its associates. The rental agreements are signed with reference to the office rental rates in neighboring areas and the rentals are collected on a monthly basis. For the years ended December 31, 2023 and 2022, the rental income recognised amounted to $2,910 and $3,256, respectively.

(iv) Receivables from related parties

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

Account	**Related party categories**	**December 31, 2023**	**December 31, 2022**
Other receivables	Other related parties- CVC	$ -	364,925
Other receivables	Associate	130	161
		$ 130	**365,086**

(v) Payables to related parties

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

Account	**Related party categories**	**December 31, 2023**	**December 31, 2022**
Accounts payable	Parent Company-Compal Electronics	$ 130,494	258,313
Accounts payable	Other related parties	-	1,018
Other payables	Other related parties- CDE	29,618	31,413
Other payables	Other related parties- CVC	90,302	-
Other payables	Other related parties	21	18
		$ 250,435	**290,762**

(d) Transactions with key management personnel

Key management personnel compensation comprised:

	2023	**2022**
Short-term employee benefits	$ 30,431	29,869
Post-employment benefits	911	753
Share-based payments	2,196	11,549
	$ 33,538	**42,171**

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

(Continued)

(8) Pledged assets:

The carrying amount of pledged assets were as follows:

Assets	Subject	December 31, 2023	December 31, 2022
Other non-current assets-restricted asset -time deposit	Guarantee payment for import VAT	$ 500	500

(9) Significant Commitments and contingencies:None.

(10) Losses due to major disasters:None.

(11) Subsequent events:None.

(12) Other:

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

By function / By item	2023 Cost of sale	2023 Operating expense	2023 Total	2022 Cost of sale	2022 Operating expense	2022 Total
Employee benefits						
Salary	-	187,164	187,164	-	216,365	216,365
Labor and health insurance	-	15,320	15,320	-	16,747	16,747
Pension	-	7,980	7,980	-	8,604	8,604
Remuneration of directors	-	2,640	2,640	-	2,640	2,640
Others	-	5,722	5,722	-	7,047	7,047
Depreciation	4,872	53,861	58,733	2,718	54,233	56,951
Amortization	-	4,635	4,635	-	7,107	7,107

The following are the additional information on the numbers of the Company's employees and their benefits:

	2023	2022
Number of employees	178	193
Number of directors who were not employees	6	6
The average employee benefit	$ 1,257	1,330
The average salaries and wages	$ 1,088	1,157
Average salary expense adjustment	(5.96)%	10.82 %
Remuneration of supervisors	$ -	-

(Continued)

The Company's salary and remuneration policy (including directors, managers and employees) is as follows:

(i) Directors' remuneration: According to the company's articles of association, the company should distribute directors' remuneration no more than 2% of the current year's profit; and when directors execute the business of the company, regardless of operating profit or loss, the company shall pay salaries. The remuneration of all directors is based on the degree of participation in the company's operations and the value of their contributions, and in consideration of the industry standards. The Compensation Committee submits it to the Board of Directors for resolution.

(ii) Employees and managers' remuneration: It's handled in accordance with the company's personnel regulations and salary adjustments which are based on performance and price levels every year. Managers' salaries are recommended by the Salary and Compensation Committee and submitted to the Board of Directors for approval in accordance with regulations.

(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 Company for the year ended December 31, 2023:

(i) Loans to other parties: None.

(ii) Guarantees and endorsements for other parties: None.

(iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures): None.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

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

			Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		
Name of company	Related party	Nature of relationship	Purchase/ (Sale)	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	Note
The Company	Compal Electronics	Parent company	Purchases	144,765	16 %	Net 90 days from delivery	-	No Significant difference	Accounts payable (130,494)	(69)%	Note

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

(Continued)

(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).

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2023 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Net income (losses) of investee	Investment Income (losses)	Note
				December 31, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	CBNB	Belgium	Import, export, technical support, and consulting services for broadband network products and related components	6,842	6,842	20	100.00 %	5,266	(344)	(344)	Note 1
The Company	CBNN	Netherlands	〃	7,016	7,016	20	100.00 %	6,267	(164)	(164)	〃
The Company	Starmems	Taiwan	Research and development of micro-electro-mechanical system (MEMS) microphone technology products	10,000	10,000	1,000	10.00 %	3,502	(36,374)	(3,638)	The company of investments accounted for using equity method

Note 1: The amounts in New Taiwan Dollars were translated at the exchange rate of EUR@34.14 based on the year end exchange rate.

(c) Information on investment in mainland China: None.

(d) Major shareholders:

Shareholding / Shareholder's Name	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/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.

(Continued)

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:

Please refer the consolidated financial report of 2023.

Compal Broadband Networks, Inc.

Statement of Cash and Cash Equivalents

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Items	Description	Amount
Cash on hand		$ 395
Checking accounts and demand deposits	TWD	72,831
	Foreign currency (USD492 thousand, EUR11 thousand and others)	15,524
		88,355
Time deposits	TWD (maturity date: January 4, 2024~February 15, 2024)	216,679
Total		**$ 305,429**

Note：The exchange rate: USD 1 = NTD 30.705 ; EUR 1 = NTD 34.14

Statement of Accounts Receivable

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Client Name	Description	Amount
Company I	Sales of non-related-parties	$ 263,399
Company H	〃	75,592
Other (note)	〃	88,817
Subtotal		427,808
Less: loss allowance		(26,841)
Net amount		**$ 400,967**

Note: The amount of each item in others does not exceed 5% of the account balance.

Compal Broadband Networks, Inc.

Statement of Inventories

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net realizable value
Merchandise	$ 68,657	86,037
Work in process and semi-finished goods	380	380
Raw material	543,265	562,650
	$ 612,302	**649,067**

Note: Allowance for obsolesence loss and inventory valuation is the result of taking the lower of cost and net realizable value and evaluating the inventory which is not changed for more than three months.

Compal Broadband Networks, Inc.

Statement of Changes in Investment Accounted for Using The Equity Method

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

	Beginning Balance		Increase		Decrease		Profit or loss of investment	Other	Ending Balance			Net assets value	Pledge or collateral
Name of investee	Shares	Amount	Shares	Amount	Shares	Amount			Shares	Percentage of shareholding	Amount		
Compal Broadband Networks Belgium BVBA	20	$ 5,386	-	-	-	-	(344)	224	20	100 %	5,266	5,266	None
Compal Broadband Networks Netherlands B.V.	20	6,168	-	-	-	-	(164)	263	20	100 %	6,267	6,267	〃
Starmems Semiconductor Corp.	1,000	7,140	-	-	-	-	(3,638)	-	1,000	10 %	3,502	35,026	〃
Total		**$ 18,694**		**-**		**-**	**(4,146)**	**487**			**15,035**		

Compal Broadband Networks, Inc.

Statement of Changes in Property, Plant and Equipment

For the year ended December 31, 2023

Please refer to note 6(g) for property, plant and equipment.

Statement of Accounts Payable

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Supplier Name	Amount
Company E	$ 11,623
Company A	10,687
Company F	8,005
Company B	5,659
Company H	4,217
Company C	3,393
Others (Note)	16,189
	$ 59,773

Note: The amount of each item in others does not exceed 5% of the account balance.

Compal Broadband Networks, Inc.

Statement of Other Payables

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Payroll payables and year-end bonuses payable		$ 32,454
Other payables to related parties		119,941
Others (Note)	Payable life insurance expenses and others	34,551
		$ 186,946

Note: The amount of each item in others does not exceed 5% of the account balance.

Statement of Operating Revenue

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Quantity (in thousands)	Amount
Sales revenue:		
Communication network products	315	$ 732,397
Material sales revenue and others		431,657
Net operating revenue		**$ 1,164,054**

Compal Broadband Networks, Inc.

Statement of Operating Costs

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw materials	
Raw materials, beginning of year	$ 669,228
Add: Purchases	401,961
Gains on physical counts of raw materials	298
Less: Raw materials, end of year	(553,639)
Cost of raw materials sold	(346,243)
Transferred to operating expense and others	(178)
Raw material used	171,427
Processing fee, royalty and depreciation	8,612
Add: Work in progess and semi finished goods, beginning of the year	13,600
Purchase of semi-finished products and others	4,887
Less: Work in progess and semi finished goods, end of the year	(3,735)
Cost of merchandise	194,791
Add: Merchandise, beginning of year	81,028
Purchases	553,995
Less: Merchandise, end of year	(82,321)
Transferred to operating expense and others	(14,783)
Cost of merchandise sold	732,710
Cost of materials sold	346,243
Allowance for obsolesence loss and inventory valuation	1,332
Gains on physical counts of inventory	(298)
Scrap loss of stock	1,210
Operating costs	**$ 1,081,197**

Compal Broadband Networks, Inc.

Statement of Selling, Administrative, Research and Development Expenses

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Selling expenses	Administrativee expenses	Research and development expenses
Salaries	$ 35,811	38,483	112,870
Depreciation	2,048	7,609	44,204
Import and export costs	7,357	-	815
Miscellaneous expense	5,157	7,614	2,440
Service expense	2,741	6,035	502
Testing expense	-	-	17,689
Research material	-	-	19,497
Others (Note)	14,916	14,345	37,013
Total	**$ 68,030**	**74,086**	**235,030**

Note: The amount of each item in others does not exceed 5% of the account balance.

VI、 Influence of any difficulty with financial solvency of the Company or its affiliate on the Company’s financial position in the most recent year and up to the publication date of this annual report: none.

Financial Position and Financial Performance Review Analysis and Risk Management

I、 Financial position

(I) The assets, liabilities, or equity during the past 2 fiscal years

Unit: NT$ thousand

Accounting item \ Year	2023	2022	Difference	
			Amount	%
Current asset	1,390,982	2,323,771	(932,789)	(40.14)
Property, plant and equipment	159,578	158,344	1,234	0.78
Other assets	120,562	160,070	(39,508)	(24.68)
Total assets	1,671,122	2,642,185	(971,063)	(36.75)
Current liabilities	478,397	1,075,231	(596,834)	(55.51)
Non-current liabilities	42,066	53,777	(11,711)	(21.78)
Total liabilities	520,463	1,129,008	(608,545)	(53.90)
Share capital (including share capital received in advance)	676,381	680,021	(3,640)	(0.54)
Capital reserve	372,404	379,939	(7,535)	(1.98)
Retained earnings	105,082	465,018	(359,936)	(77.40)
Other equity	(3,208)	(11,801)	8,593	(72.82)
Total equity	1,150,659	1,513,177	(362,518)	(23.96)

(II)、The main reasons for any material change and the effect thereof

(The change is 20% or more, with amount of NT$10 million or more)

A. Current assets: mainly due to the decrease in cash and accounts receivables.
B. Other Assets: mainly due to the decrease in deferred tax assets.
C. Current liabilities: mainly due to the reduction in purchases, resulting in a corresponding decrease in accounts payable (including accounts payable to related parties).
D. Non-current liabilities: due to the decreased lease liabilities.
E. Retained earnings: the net loss of the period decreased the retained earnings.
F. Other equity: mainly due to the change in the unearned employees’ remunerations from cancellation of restricted employee shares.

(III)、The effect of material changes during the past 2 fiscal years, and the measures to be taken in response

Based on the above analysis, it can be deduced that the major changes in the Company's financial status in the past two years are the impacts from normal operating activities.

II、 Financial performance

(I) Operating revenues, operating income, or income before tax during the past 2 fiscal years (consolidated)

Unit: NT$ thousand

Item \ Year	2023	2022	Amount increased (decrease)	Change percentage (%)
Net operating revenue	1,164,054	2,514,695	(1,350,641)	(53.71)
Operating costs	1,081,197	2,145,106	(1,063,909)	(49.60)
Gross operating profit	82,857	369,589	(286,732)	(77.58)
Operating expenses	401,186	469,568	68,382	(14.56)
Net operating profit	(318,329)	(99,979)	(218,350)	(218.40)
Non-operating income and expenses	12,765	32,213	(19,448)	(60.37)
Net profit before tax	(305,564)	(67,766)	(237,798)	(350.91)
Income tax expense (income)	20,545	(4,620)	25,165	—
Net profit of the period	(326,109)	(63,146)	(262,963)	(416.44)
Other comprehensive income	390	396	(6)	(1.52)
Total comprehensive loss and profit of the period	(325,719)	(62,750)	(262,969)	(419.07)

(II) Main reason of material changes

(The change is 10% or more, with amount of NT$10 million or more)

1. Net operating revenue, operating costs and gross operating profit: mainly due to the slowdown in global economic growth and the weakening overall market demand, which had led to reduced orders from customers in Europe and South America. Additionally, factors such as price pressure from competitors and customers had resulted in a reduction in business scale and a decline in gross profit.
2. Operating expenses: operating expenses had decreased in line with the reduction in business scale.
3. Non-operating income and expenses: mainly due to the decrease in net profit from foreign currency exchange.
4. Income tax expense (income): mainly due to the recognition of deferred income tax expenses for the current period.
5. Net operating profit, net profit before tax, net profit for the current period, and total comprehensive income for the current period: mainly due to the reduction in business scale and the decline in gross profit, as stated in the first point above.

(III) Expected sales volume and the basis thereof

Since the gloomy economic outlook has deepened, customers' attitudes towards purchases have shifted from positive to cautious. As a whole, the visibility of customers' orders in the first half of 2024 is still low, but based on the customer's purchase plan, the operation in the second half of 2024 will be better than that in the first half.

(IV) Possible effect upon the company's finance and operations as well as measures to be taken in response

To cope with the growth of operations, the Company has formulated appropriate financial strategies. For the capital requirement plan for the year, please refer to the liquidity analysis for the coming year in this annual report.

III、 Cash flows (consolidated)

(I) Analysis of changes in cash flows during the most recent year

Unit: NT$ thousand

Beginning balance of cash	Net cash flow from operating activities for the whole year	Net cash flow from investing and financing activities for the whole year	Effect from exchange rate	Amount of remaining cash	Remedial measures for cash flow deficit	
					Investing plan	Financing plan
660,964	(249,519)	(94,992)	487	316,940	None	None

1. Net cash outflow from operating activities: mainly due to the operational losses.
2. Net cash outflow from investing activities: mainly due to the acquisition of property, plant and equipment.
3. Net cash outflow from financing activities: mainly due to distribution of dividends.

(II) Corrective measures to be taken in response to illiquidity: not applicable.

(III) Liquidity analysis for the coming year:

Unit: NT$ thousand

Beginning balance of cash	Expected net cash flow from operating activities for the whole year	Expected net cash flow from investing and financing activities for the whole year	Expected amount of remaining cash	Expected remedial measures for cash flow deficit	
				Investing plan	Financing plan
316,940	16,853	(31,375)	302,418	None	None

1. Net cash outflow from operating activities: mainly the expected cash inflow from operating activities.
2. Net cash outflow from investing and financing activities: mainly the expected increased capital expenditure and payment of lease liabilities.

IV、 Influence of major capital expenditures on finance and business in the most recent year

1. Allocation of major capital expenditures and source of capital: none.
2. Expected possible benefits: none.

V、 Reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year

1. Reinvestment policy for the most recent fiscal year

The Company's reinvestment strategy is mainly to strengthen the scale of operations and focus on the development of the broadband wireless network industry, to accumulate the Company's core resources.

2. The main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability:

The reinvestment of the Company, Compal Broadband Networks Belgium BVBA and

Compal Broadband Networks Netherlands B.V. generated losses due to government levies and insurance premiums before operation in the initial stage of establishment. This situation will be improved when the scale of operation is stabilized in the future.

Starmems Semiconductor is still at the initial stage of operation, the improvement is expected when the new-generation MEMS microphone is developed and the sales of such is promoted.

3. Investment plans for the coming year:

There is no investment plan with material amount in the coming year for the time being.

VI、 Risks

(I) The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate during the most recent fiscal year up to the date of publication of the annual report, and response measures to be taken in the future.

1. The effect upon the company's profits (losses) of interest rate fluctuations and response measures to be taken in the future

The interest income of the Company and its subsidiaries in 2022 and 2023 was NT$10,686 thousand and NT$10,452 thousand, accounting for 0.42%, and 0.90%, and -15.78% and -3.42% of the revenue and net profit (loss) before tax of each period. In addition, the interest expense of the Company and its subsidiaries in 2022 and 2023 was NT$994 thousand and NT$675 thousand, accounting for 0.04% and 0.06%, and -1.47% and -0.22% of the revenue and net profit (loss) before tax of each period. Overall, interest rate fluctuation have no significant effect on the profits and losses of the Company and its subsidiaries. The Company maintains good credit relationships with banks, and collects interest rate related information. When the Company's operation scale expands in the future and there is a need for funds, it can obtain preferential interest rate conditions.

2. he effect upon the company's profits (losses) of exchange rate fluctuations and response measures to be taken in the future

The net exchange losses of the Company and its subsidiaries in 2023 were NT$3,068 thousand, accounting for 0.26% of the net operating revenue. The exchange rate risk to which the Company and the subsidiaries are exposed to is the effect of fluctuating exchange rates of USD and EUR; the sensitivity analysis is as below:

(1) When USD appreciates (depreciates) 5% against TWD, the profit and loss of 2023 will increase or decrease by NT$15,589 thousand.

(2) When EUR appreciates (depreciates) 5% against TWD, the profit and loss of 2023 will increase or decrease by NT$1,637 thousand.

The specific measures taken by the Company and its subsidiaries in response to exchange rate fluctuation are as follows

A. In addition to the natural hedging effect of the purchase and sale of goods denominated in foreign currencies, for the net foreign currency positions, the exchange rate market information, the movement, and trend forecasts are collected and evaluated by financial staff all the time, to make exchange whenever needed to lower the risk.
B. The Company maintains close contact with major banks, to fully grasp the changes in the foreign exchange market, and provide the information to relevant personnel as a basis for quotations,for reflecting changes in exchange rates in a timely manner.
C. The Company has established the "Operational Procedures for the Acquisition and Disposal of Assets" to regulate the operational procedures of derivative transactions. In addition, necessary measures may be taken depending on foreign currency positions and exchange rate changes to reduce the exchange rate risks arising from the Company's business operations.
D. When sales persons offer quotations, factors arising from exchange rate fluctuation are considered together to avoid the risk of exchange rate fluctuations.

3. The effect upon the company's profits (losses) of changes in the inflation rate and response measures to be taken in the future

The profits and losses of the Company and its subsidiaries in the past have not been significantly affected by inflation. If the purchase cost increases due to inflation, the Company and its subsidiaries will also adjust the sales price in due course accordingly.

(II) The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby during the most recent fiscal year up to the date of publication of the annual report; and response measures to be taken in the future

1. The policy regarding high-risk investments, highly leveraged investments, the main reasons for the profits/losses generated thereby; and response measures to be taken in the future

   During the most recent fiscal year up to the date of publication of the annual report, the Company and the subsidiaries have not engaged in high-risk and highly leveraged investment based on the principle of conservativeness and robustness. In the future, any investment made by the Company and the subsidiaries will be implemented pursuant to the internal regulations after prudential assessments.

2. The policy regarding loans to other parties, the main reasons for the profits/losses generated thereby; and response measures to be taken in the future

   During the most recent fiscal year up to the date of publication of the annual report, the Company and the subsidiaries have not loaned any funds to others. Additionally, upon the approval resolved by the shareholders' meeting, the "Operational Procedures for Loaning of Funds to Others" have been established to be complied with in the future if any fund is to be loaned to other as required by the business.

3. The policy regarding endorsements and guarantee, the main reasons for the profits/losses generated thereby; and response measures to be taken in the future

During the most recent fiscal year up to the date of publication of the annual report, the Company and the subsidiaries have not made any endorsement/guarantee to others. Additionally, upon the approval resolved by the shareholders' meeting, the "Operational Procedures for Making Endorsement and Guarantee" have been established to be complied with in the future if any endorsement/guarantee will be made to others.

4. The policy regarding derivatives transactions, the main reasons for the profits/losses generated thereby; and response measures to be taken in the future

The carrying amounts of derivatives held by the Company and its subsidiaries on December 31, 2023 and March 31, 2024 are as follows:

	March 31, 2024	**December 31, 2023**
Financial assets FVTPL mandatorily		
Non-hedging derivatives		
Forward contracts of foreign exchange		
Contract of foreign exchange swap		4,373
	$	**4,373**
Financial liabilities held for trading		
Non-hedging derivatives		
Forward contracts of foreign exchange	$ 139	
Contract of foreign exchange swap	313	-
	$ 442	

In 2023 and the first quarter of 2024, the recognized gains(losses) from the derivative trading (including foreign exchange forwards and foreign exchange swap contracts) engaged by the Company and its subsidiaries and were NT$5,139 thousand and NT$(5,130) thousand, respectively; the Company has entered contracts of derivative trading with several banks, mainly aiming to avoid the market risks that may arise from the exchange rate and interest rate fluctuations of the net positions of assets and liabilities denominated in foreign currencies. They are not used for arbitrage and speculation, so the market risk is not large. In addition, other than the regulations promulgated by competent authorities and generally accepted accounting standards, upon the approval resolved by the shareholders' meeting, the "Operational Procedures for the Acquisition and Disposal of Assets" and the "Operational Procedures for Engaging in Derivative Trading" have been established to regulate the procedures of engaging in derivative transactions.

(III) Research and development work to be carried out in the future, and further expenditures expected for research and development work during the most recent fiscal year up to the date of publication of the annual report:

The future research and development plan of the Company and its subsidiaries is mainly to develop value-added innovative network and smart home products, and to strengthen the development of new products and key technologies. The growth of business scale will gradually increase the annual research and development expenses to support future research and development plans and increase market competitiveness; it is estimated the research and development expenses to be invested in 2024 will be approximately NT$141,444 thousand.

(IV) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response during the most recent fiscal year up to the date of publication of the annual report:

The Company complies with the important policies and legal changes of the competent authority on corporate governance, Company Act and Securities and Exchange Act. Moreover, the Company's operations have always been in compliance with relevant laws and regulations at home and abroad. The Company and its subsidiaries also collect information on changes in relevant policies and laws at any time, and consult relevant professionals to provide reference to the management.

(V) Effect on the company's financial operations of developments in science and technology (including cyber security risks) as well as industrial change, and measures to be taken in response during the most recent fiscal year up to the date of publication of the annual report:

The Company and its subsidiaries monitor the technology, development and changes related to the industry in which it operates, and quickly grasp the industry trends. Coupled with the continuous improvement of research and development capabilities, technological changes and industrial changes will not have a major effect on the Company's finance and business.

- Information security management risk:
  1. Risk of cyber attack

The Company has established a network and computer security protection system to control or maintain important business functions such as the Company's operations and accounting, but it cannot guarantee that its computer system can completely prevent network attacks from any third-party aiming to paralyzing system. These cyber attacks invade the Company's internal network system illegally, and conduct activities such as disrupting the Company's operations and damaging the Company's reputation. In the event of a serious cyber attack, the Company's operating system may lose important company data and be shut down indefinitely due to unresolved issues under attack.

The Company reviews and evaluates its network security procedures every year to ensure its adequacy and effectiveness, but it cannot guarantee that the Company will not be affected by new risks and attacks in the ever-changing network security threats. Cyber attacks may also attempt to steal the Company's trade secrets, other intellectual property and confidential information, such as proprietary information of customers or other stakeholders, and personal information of employees. Malicious hackers can also try to introduce computer viruses, destructive software or ransomware into the Company's network system to interfere with the Company's operations, regain control over the computer system, to blackmail the Company or spy on confidential information. These attacks may cause the Company to compensate customers for losses due to delay or interruption of orders; or to undertake remedial and improvement measures at huge costs to strengthen the Company's network security system, while involving the Company in the relevant legal cases or regulatory investigations, and where the Company assumes material legal responsibility to the leakage of customer or third-party information to which the Company is obliged for confidentiality.

As of the publication date of the annual report, the Company has not discovered any major cyber attacks or incidents that have or may have a material adverse effect on the Company's business and operations, nor has it been involved in any related legal cases or regulatory investigations

2. Damage of information system

The information system structure establishes host backup and off-site data backup mechanisms based on its risk level, to reduce the risk of service interruption; the backup media is sent to off-site storage for custody, and the inspection of operating mainframes and contingency drills are enhanced to ensure the normal operation of the information system and data preservation, to reduce the risk of system interruption caused by unpredicted natural disasters and human errors, and ensure that the expected target timeframe of system recovery to be met.

To restore business as soon as possible and reduce possible losses and risks when information system damage occurs, emergency contingency drills are conducted every year to evaluate the importance of the functions, as well as the risks and impacts on operations, for planning, designing and upgrading appropriate hardware and software devices, improving operating process. For the information security risk control, the Company has established and implemented an information security management system, formulated information security policy documents to regulate the Company's information security, while regularly conducting information security risk assessments and internal and external audit for information security cycle, to ensure the effectiveness of the management system and compliance with laws and regulations.

(VI) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response during the most recent fiscal year up to the date of publication of the annual report:

The Company and its subsidiaries have always insists the operating principles of professionalism and ethics, focusing on the core business operations, complying with laws and regulations, implementing risk control and maintaining the corporate image. As of the publication date of this annual report, the Company and its subsidiaries have not no crisis management resulted from changes in corporate image.

(VII) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken during the most recent fiscal year up to the date of publication of the annual report: none.

(VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken during the most recent fiscal year up to the date of publication of the annual report: none.

(IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken during the most recent fiscal year up to the date of publication of the annual report:

A. Consolidation of purchase

The main operating focus of the Company and its subsidiaries is on R&D and sales. The main products are manufactured by the parent company, Compal Group, as an OEM to secure the stability of supply and ensure no concern of shortage. However, the Company has been actively looking for and evaluating the possibility of cooperation with other OEMs to diversify the risk of consolidation of purchases.

B. Consolidation of sales

The business model of the Company and its subsidiaries is in-house brand promotion oriented. With excellent R&D and design capabilities, the Company can quickly provide customized products meeting customer needs. Therefore, the Company's sales targets are mainly international manufacturers, distributed in Europe, Americas, Asia and other places around the world, the two parties have close and nice business relationships and cooperation. However, in addition to continuing to stabilize existing customer sources, the Company is also actively expanding and developing new customer sources to diversify the risk of consolidated sales.

(X) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken during the most recent fiscal year up to the date of publication of the annual report: none.

(XI) Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken during the most recent fiscal year up to the date of publication of the annual report: none.

(XII) List major litigious, non-litigious or administrative disputes that involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report during the most recent fiscal year up to the date of publication of the annual report:

The corporate director of the Company, Compal Electronics, Inc. (“Compal”) has the following litigation:

Because an former employee of Inventec Co., Ltd. (“Inventec”) moved to Compal Computer, Inventec accused them of violating the Trade Secrets Act and Copyright Act, and claim the related damages. In August 2019, Compal was sued by the Taipei District Prosecutor's Office. To ensure the rights and interests of Compal, Compal has appointed lawyers to handle it. This case is still pending for trial, so Compal cannot reasonably estimate the possible impact.

(XIII) Other important risks, and mitigation measures being or to be taken: none.

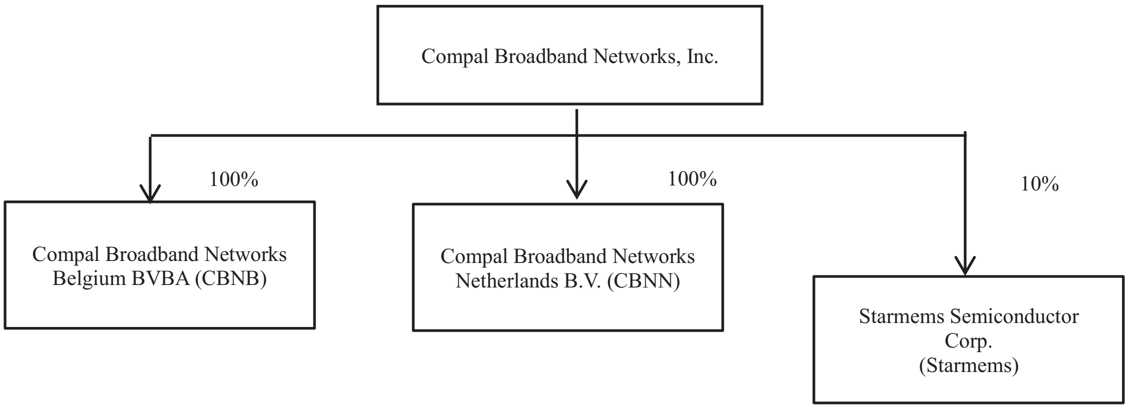
VII、Other important matters: none.

Special items to be included

I、Information related to the company's affiliates

(I) Consolidated business report of affiliates

1. Organizational chart of affiliates (2023.12.31)



2. Basic information on each affiliate (2023.12.31)

Unit: NT$ thousand

Name of corporate	Date of incorporation	Address	Paid-in capital	Main business or item produced
Compal Broadband Networks Belgium BVBA	2017.01.01	Bekersveld 192630 Aartselaar Belgium	EUR$ 200	Import and export of broadband network products and related parts and components, and technical support and consulting service
Compal Broadband Networks Netherlands B.V.	2019.11.25	Het Poortgebouw Beech Avenue 54-62 Schiphol 1119 PW Netherlands	EUR$ 200	Import and export of broadband network products and related parts and components, and technical support and consulting service
Starmems Semiconductor Corp.	2021.04.21	10F, No. 6, Taiyuan 1st Street, Zhubei City, Hsinchu County	NT$100,000	Research and development of MEMS microphone technology and products

3. Interrelationship among the business operated by affiliates

December 31, 2023

Industry	Name of affiliate	Connection to the business operated by affiliates
Wholesale of electronic products	Compal Broadband Networks Belgium BVBA	Sales of communication network products
	Compal Broadband Networks Netherlands B.V.	Sales of communication network products
	Starmems Semiconductor Corp.	R&D and sales of MEMS microphone technology and products

4. Information on directors, supervisors, and presidents of affiliates (2023.12.31)

Unit: thousand shares; %

Name of corporate	Title	Name or representative	Shares held	
			No. of shares	Shareholding ratio
Compal Broadband Networks Belgium BVBA	Director	Wang, Yu-Ho (Compal Broadband Networks)	20	100%
Compal Broadband Networks Netherlands B.V.	Director	Wang, Yu-Ho (Compal Broadband Networks)	20	100%
Starmems Semiconductor Corp.	Chairman	Wong, Chung-Pin (Compal Electronics, Inc.)	3,500	35%
	Vice Chairman	Wang, Yu-Ho (Compal Electronics, Inc.)	3,500	35%
	Director	Lin, Hou-Wei (Rui Xin Investment Co., Ltd.)	2,300	23%
	Supervisor	Lu, Hung-Hsu	0	0%

5. Overview of the operations of affiliates for 2023

Unit: NT$ thousand

Name of corporate	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating (loss) income	(Loss) income after tax for the period	EPS (NT$; after tax)
Compal Broadband Networks Belgium BVBA	6,842	5,266	—	5,266	—	(344)	(344)	(17.2)
Compal Broadband Networks Netherlands B.V.	7,016	6,266	—	6,266	—	(164)	(164)	(8.2)
Starmems Semiconductor Corp.	10,000	44,535	9,509	35,026	79	(36,899)	(36,374)	(3.64)

II、Consolidated financial statements of affiliates

Declaration

The entities that are required to be included in the consolidated financial statements of the Company for the year ended December 31, 2023 (January 1 to December 31, 2023) under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission. In addition, the information required to be disclosed in the consolidated financial statements and is included in the consolidated financial statements. Consequently, no consolidated financial statements are prepared separately.

Company name: Compal Broadband Networks, Inc

Chairman: Wong, Chung-Pin

Date: March 8, 2024

III、Relationship Statement (2023.12.31)

(I) Relationship between the Company, the controlling company, and the affiliates constructive with controlling and subordinate relation

Unit: Shares

Name of holding company	Reason of controlling	Shareholding and pledge of the controlling company			Directors, supervisors, or managerial officers appointed by the controlling company	
		Number of shares held	Shareholding percentage	Number of shares pledged	Title	Name
Compal Electronics, Inc.	The Company's parent company	29,060,176	42.96%	—	Director	Wong, Chung-Pin, Chen, Rui-Tsun, Wang, Yu-Ho

(II) Transactions between the Company and the controlling company

1. Purchase (sales) transaction between the Company and the controlling company:
   In 2023, the Company commissioned Compal Electronics, Inc. to purchase goods for NT$144,765 thousand. As the Company did not commissioned other suppliers to produce products with the same spec, the purchase price is incomparable to general suppliers; the payment term is 90 days after shipment.
2. Property transactions between the Company and the controlling company: none.
3. Financing between the Company and the controlling company: none.
4. Asset leases between the Company and the controlling company: none.
5. Other key transactions:
   The Company commissioned Compal Electronics, Inc. to provide labor service in 2023 for NT$13,939 thousand.

(III) The endorsement/guarantee provided by the Company to the controlling company, and transactions with the controlling company: none.

II、Private placement of securities in the most recent year up to the publication date of this annual report: none.

III、Subsidiaries holding or disposing of the Company's shares in the most recent year and up to the publication date of this annual report: none.

IV、Other necessary supplementary information: none.

V、Any event as specified in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act with a material impact on shareholders' rights and interest or securities prices occurred to the Company during the most recent year and up to the publication date of this annual report: none.

Compal Broadband Networks, Inc.

Chairman: Wong, Chung-Pin

President: Wang, Yu-Ho