

**Edimax Technology Co., Ltd. and  
Subsidiaries**

**Consolidated Financial Statements for the  
Nine Months Ended September 30, 2022 and 2021 and  
Independent Auditors' Review Report**

## INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders  
Edimax Technology Co., Ltd.

### Introduction

We have reviewed the accompanying consolidated balance sheets of Edimax Technology Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group") as of September 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Basis for Qualified Conclusion

As disclosed in Note 12 to the consolidated financial statements, the financial statements of non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of September 30, 2022 and 2021, combined total assets of these non-significant subsidiaries were NT\$390,176 thousand and NT\$369,632 thousand, respectively, representing 4.98% and 5.00%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$66,800 thousand and NT\$66,566 thousand, respectively, representing 1.48% and 1.47%, respectively, of the consolidated total liabilities; for the three months and nine months ended September 30, 2022 and 2021, the amounts of combined comprehensive income (loss) of these subsidiaries were NT\$2,651 thousand, NT\$4,580 thousand, NT\$17,745 thousand and NT\$10,420 thousand, respectively, representing 1.63%, 26.61%, 6.16% and (16.84%), respectively, of the consolidated total comprehensive income (loss). As disclosed in Note 13 to the consolidated financial statements, as of September 30, 2022 and 2021, the investments in associates accounted for using the equity method were NT\$82,249 thousand and

NT\$63,464 thousand, respectively; for the three months and nine months ended September 30, 2022 and 2021, the share of profit of associates amounted to NT\$6,034 thousand, NT\$691 thousand, NT\$15,136 thousand and NT\$2,704 thousand, respectively. The financial statements of associates included in the consolidated financial statements referred to in the first paragraph were not reviewed. Information on other non-significant subsidiaries and investments in associates accounted for using the equity method disclosed in Note 36 to the consolidated financial statements was based on unreviewed financial statements as of and for the same reporting periods as those of the Company.

### **Qualified Conclusion**

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and investments in associates accounted for using the equity method as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2022 and 2021, its consolidated financial performance for the three months ended September 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Tza-Li Gung and Chih-Yuan Chen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

November 4, 2022

### Notice to Readers

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

*For the convenience of readers, the independent auditors’ review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors’ review report and consolidated financial statements shall prevail.*

**EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**  
(In Thousands of New Taiwan Dollars)

	September 30, 2022		December 31, 2021		September 30, 2021	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 1,471,356	19	\$ 1,110,589	15	\$ 1,453,458	20
Financial assets at fair value through profit or loss - current (Notes 7 and 31)	1,265	-	-	-	-	-
Financial assets at amortized cost - current (Notes 9 and 33)	3,370	-	4,716	-	4,716	-
Contract assets - current (Note 24)	7,740	-	5,782	-	8,621	-
Notes receivable from unrelated parties (Note 10)	15,484	1	15,845	-	11,078	-
Trade receivables from unrelated parties (Notes 10 and 24)	1,421,585	18	1,099,908	15	1,095,757	15
Other receivables from unrelated parties (Note 10)	11,271	-	5,110	-	6,723	-
Other receivables from related parties (Note 32)	-	-	16,608	-	-	-
Current tax assets	12,506	-	2,296	-	2,384	-
Inventories (Note 11)	1,951,673	25	2,251,454	31	2,025,669	27
Prepayments	84,298	1	165,573	3	90,979	1
Other current assets	13,472	-	15,596	-	29,388	1
Total current assets	<u>4,994,020</u>	<u>64</u>	<u>4,693,477</u>	<u>64</u>	<u>4,728,773</u>	<u>64</u>
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through profit or loss - non-current (Notes 7, 19 and 31)	407	-	520	-	-	-
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 31)	51,182	1	76,117	1	69,599	1
Financial assets at amortized cost - non-current (Notes 9 and 33)	6,374	-	810	-	835	-
Investments accounted for using the equity method (Note 13)	82,249	1	57,398	1	63,464	1
Property, plant and equipment (Notes 14 and 33)	2,493,883	32	2,276,903	31	2,283,984	31
Right-of-use assets (Note 15)	53,403	1	54,247	1	109,001	2
Intangible assets (Note 16)	33,248	-	30,386	-	30,608	-
Deferred tax assets	32,137	-	35,916	-	33,816	-
Refundable deposits	13,899	-	15,642	-	13,540	-
Other financial assets - non-current (Note 17)	67,818	1	66,201	1	64,294	1
Other non-current assets	526	-	56,801	1	-	-
Total non-current assets	<u>2,835,126</u>	<u>36</u>	<u>2,670,941</u>	<u>36</u>	<u>2,669,141</u>	<u>36</u>
<b>TOTAL</b>	<u>\$ 7,829,146</u>	<u>100</u>	<u>\$ 7,364,418</u>	<u>100</u>	<u>\$ 7,397,914</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Note 18)	\$ 903,158	12	\$ 574,792	8	\$ 489,392	7
Short-term bills payable (Note 18)	29,986	-	29,915	-	29,937	-
Contract liabilities - current (Note 24)	95,178	1	111,494	2	125,532	2
Notes payable to unrelated parties	3,026	-	10,303	-	2,933	-
Accounts payable to unrelated parties	871,432	11	1,227,114	17	1,287,760	17
Accounts payable to related parties (Note 32)	221,917	3	147,329	2	114,228	2
Other payables (Notes 20 and 32)	302,752	4	317,721	4	334,994	4
Current tax liabilities	37,888	1	46,000	1	45,924	1
Provisions - current (Note 21)	7,279	-	5,382	-	4,791	-
Lease liabilities - current (Note 15)	25,593	-	30,518	-	36,890	-
Current portion of long-term borrowings (Notes 18 and 33)	82,074	1	16,800	-	77,466	1
Other current liabilities (Note 20)	122,742	2	118,934	2	122,461	2
Total current liabilities	<u>2,703,025</u>	<u>35</u>	<u>2,636,302</u>	<u>36</u>	<u>2,672,308</u>	<u>36</u>
<b>NON-CURRENT LIABILITIES</b>						
Financial liabilities at fair value through profit or loss - non-current (Notes 7 and 19)	-	-	-	-	1,280	-
Bonds payable (Notes 19 and 33)	200,314	3	390,835	5	389,823	5
Long-term borrowings (Notes 18 and 33)	1,489,240	19	1,367,114	19	1,310,648	18
Deferred tax liabilities	2,343	-	709	-	722	-
Lease liabilities - non-current (Note 15)	28,099	-	24,356	-	72,368	1
Net defined benefit liabilities - non-current	79,245	1	86,028	1	80,491	1
Guarantee deposits received	5	-	5	-	8	-
Total non-current liabilities	<u>1,799,246</u>	<u>23</u>	<u>1,869,047</u>	<u>25</u>	<u>1,855,340</u>	<u>25</u>
Total liabilities	<u>4,502,271</u>	<u>58</u>	<u>4,505,349</u>	<u>61</u>	<u>4,527,648</u>	<u>61</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 23)</b>						
Share capital						
Common stock	1,907,540	24	1,893,702	26	1,893,702	26
Capital collected in advance	152,914	2	8,800	-	125	-
Total share capital	<u>2,060,454</u>	<u>26</u>	<u>1,902,502</u>	<u>26</u>	<u>1,893,827</u>	<u>26</u>
Capital surplus	281,618	3	236,689	3	235,753	3
Retained earnings						
Legal reserve	10,460	-	10,460	-	10,460	-
Special reserve	38,904	1	38,904	1	38,904	1
Unappropriated earnings	171,907	2	(67,331)	(1)	(55,835)	(1)
Total retained earnings	<u>221,271</u>	<u>3</u>	<u>(17,967)</u>	<u>-</u>	<u>(6,471)</u>	<u>-</u>
Other equity						
Exchange differences arising from translation to the presentation currency	(2,395)	-	(49,822)	(1)	(46,352)	(1)
Unrealized loss on financial assets at fair value through other comprehensive income	(14,510)	-	10,425	-	3,908	-
Total other equity	<u>(16,905)</u>	<u>-</u>	<u>(39,397)</u>	<u>(1)</u>	<u>(42,444)</u>	<u>(1)</u>
Treasury shares	(13,020)	-	(13,497)	-	(13,513)	-
Total equity attributable to owners of the Company	2,533,418	32	2,068,330	28	2,067,152	28
<b>NON-CONTROLLING INTERESTS (Note 23)</b>	<u>793,457</u>	<u>10</u>	<u>790,739</u>	<u>11</u>	<u>803,114</u>	<u>11</u>
Total equity	<u>3,326,875</u>	<u>42</u>	<u>2,859,069</u>	<u>39</u>	<u>2,870,266</u>	<u>39</u>
<b>TOTAL</b>	<u>\$ 7,829,146</u>	<u>100</u>	<u>\$ 7,364,418</u>	<u>100</u>	<u>\$ 7,397,914</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte &amp; Touche review report dated November 4, 2022)

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 24 and 32)	\$ 1,619,753	100	\$ 1,344,939	100	\$ 4,513,780	100	\$ 3,867,447	100
OPERATING COSTS (Notes 11, 25 and 32)	<u>(1,188,745)</u>	<u>(74)</u>	<u>(1,017,853)</u>	<u>(75)</u>	<u>(3,393,521)</u>	<u>(75)</u>	<u>(2,997,790)</u>	<u>(77)</u>
GROSS PROFIT	<u>431,008</u>	<u>26</u>	<u>327,086</u>	<u>25</u>	<u>1,120,259</u>	<u>25</u>	<u>869,657</u>	<u>23</u>
OPERATING EXPENSES (Notes 22, 25 and 32)								
Selling and marketing expenses	(147,116)	(9)	(139,445)	(10)	(432,608)	(10)	(385,157)	(10)
General and administrative expenses	(114,593)	(7)	(64,176)	(5)	(250,837)	(6)	(185,934)	(5)
Research and development expenses	(112,346)	(7)	(101,655)	(8)	(331,926)	(7)	(307,466)	(8)
Expected credit loss (Note 10)	<u>(311)</u>	<u>-</u>	<u>(2,078)</u>	<u>-</u>	<u>(5,475)</u>	<u>-</u>	<u>(10,366)</u>	<u>-</u>
Total operating expenses	<u>(374,366)</u>	<u>(23)</u>	<u>(307,354)</u>	<u>(23)</u>	<u>(1,020,846)</u>	<u>(23)</u>	<u>(888,923)</u>	<u>(23)</u>
PROFIT (LOSS) FROM OPERATIONS	<u>56,642</u>	<u>3</u>	<u>19,732</u>	<u>2</u>	<u>99,413</u>	<u>2</u>	<u>(19,266)</u>	<u>-</u>
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 25)	14,290	1	9,223	1	33,722	1	19,704	1
Other gains and losses (Note 25)	81,494	5	279	-	152,577	3	(31,429)	(1)
Finance costs (Note 25)	(10,233)	(1)	(6,625)	(1)	(26,825)	-	(19,891)	(1)
Share of profit or loss of associates	6,034	1	691	-	15,136	-	2,704	-
Interest income (Note 25)	<u>1,148</u>	<u>-</u>	<u>732</u>	<u>-</u>	<u>2,616</u>	<u>-</u>	<u>3,014</u>	<u>-</u>
Total non-operating income and expenses	<u>92,733</u>	<u>6</u>	<u>4,300</u>	<u>-</u>	<u>177,226</u>	<u>4</u>	<u>(25,898)</u>	<u>(1)</u>
PROFIT (LOSS) BEFORE INCOME TAX	149,375	9	24,032	2	276,639	6	(45,164)	(1)
INCOME TAX EXPENSE (Note 26)	<u>(8,869)</u>	<u>-</u>	<u>(10,100)</u>	<u>(1)</u>	<u>(26,434)</u>	<u>(1)</u>	<u>(9,950)</u>	<u>(1)</u>
NET PROFIT (LOSS) FOR THE PERIOD	<u>140,506</u>	<u>9</u>	<u>13,932</u>	<u>1</u>	<u>250,205</u>	<u>5</u>	<u>(55,114)</u>	<u>(2)</u>

(Continued)

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE LOSS								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	\$ (10,600)	(1)	\$ 7,657	-	\$ (24,935)	-	\$ 4,244	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations	<u>32,389</u>	<u>2</u>	<u>(4,375)</u>	<u>-</u>	<u>62,782</u>	<u>1</u>	<u>(11,024)</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>21,789</u>	<u>1</u>	<u>3,282</u>	<u>-</u>	<u>37,847</u>	<u>1</u>	<u>(6,780)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ 162,295</u>	<u>10</u>	<u>\$ 17,214</u>	<u>1</u>	<u>\$ 288,052</u>	<u>6</u>	<u>\$ (61,894)</u>	<u>(2)</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 122,079	8	\$ 11,725	1	\$ 239,238	6	\$ (51,080)	(1)
Non-controlling interests	<u>18,427</u>	<u>1</u>	<u>2,207</u>	<u>-</u>	<u>10,967</u>	<u>-</u>	<u>(4,034)</u>	<u>-</u>
	<u>\$ 140,506</u>	<u>9</u>	<u>\$ 13,932</u>	<u>1</u>	<u>\$ 250,205</u>	<u>6</u>	<u>\$ (55,114)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 135,661	8	\$ 16,949	1	\$ 261,730	6	\$ (59,720)	(2)
Non-controlling interests	<u>26,634</u>	<u>2</u>	<u>265</u>	<u>-</u>	<u>26,322</u>	<u>-</u>	<u>(2,174)</u>	<u>-</u>
	<u>\$ 162,295</u>	<u>10</u>	<u>\$ 17,214</u>	<u>1</u>	<u>\$ 288,052</u>	<u>6</u>	<u>\$ (61,894)</u>	<u>(2)</u>
EARNINGS (LOSS) PER SHARE (Note 27)								
Basic	<u>\$ 0.60</u>		<u>\$ 0.06</u>		<u>\$ 1.26</u>		<u>\$ (0.27)</u>	
Diluted	<u>\$ 0.51</u>		<u>\$ 0.06</u>		<u>\$ 1.09</u>			

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated November 4, 2022)

(Concluded)

**EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company (Note 23)															
	Share Capital			Retained Earnings (Accumulated Deficits)					Exchange Differences on Translating Foreign Operations		Other Equity		Treasury Shares	Total	Non-controlling Interests (Note 23)	Total Equity
	Ordinary Shares	Capital Collected in Advance	Total	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Total	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total						
BALANCE AT JANUARY 1, 2021	\$ 1,864,916	\$ 27,492	\$ 1,892,408	\$ 228,100	\$ 1,802	\$ 16,214	\$ 86,582	\$ 104,598	\$ (33,468)	\$ (5,436)	\$ (38,904)	\$ (13,714)	\$ 2,172,488	\$ 873,808	\$ 3,046,296	
Appropriation of 2020 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Legal reserve	-	-	-	-	8,658	-	(8,658)	-	-	-	-	-	-	-	-	
Special reserve	-	-	-	-	-	22,690	(22,690)	-	-	-	-	-	-	-	-	
Cash dividends distributed by the Company	-	-	-	-	-	-	(54,889)	(54,889)	-	-	-	-	(54,889)	-	(54,889)	
Other capital surplus change	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Share based payments (Note 28)	-	-	-	738	-	-	-	-	-	-	-	-	738	-	738	
Equity component of convertible bonds issued by the Company (Note 19)	-	-	-	10,684	-	-	-	-	-	-	-	-	10,684	-	10,684	
Disposal of investment in equity instruments designated as at fair value through other comprehensive income by subsidiaries	-	-	-	-	-	-	(5,100)	(5,100)	-	5,100	5,100	-	-	-	-	
Dividends distributed to subsidiaries to adjust capital surplus	-	-	-	418	-	-	-	-	-	-	-	-	418	-	418	
Changes in percentage of ownership interests in subsidiaries	-	-	-	(4,992)	-	-	-	-	-	-	-	-	(4,992)	-	(4,992)	
Recognition of employee share options by the subsidiaries (Note 28)	-	-	-	85	-	-	-	-	-	-	-	-	85	1,054	1,139	
Issuance of ordinary shares under employee share options (Note 28)	28,786	(27,367)	1,419	720	-	-	-	-	-	-	-	-	2,139	-	2,139	
Net loss for the nine months ended September 30, 2021	-	-	-	-	-	-	(51,080)	(51,080)	-	-	-	-	(51,080)	(4,034)	(55,114)	
Other comprehensive loss for the nine months ended September 30, 2021, net of income tax	-	-	-	-	-	-	-	-	(12,884)	4,244	(8,640)	-	(8,640)	1,860	(6,780)	
Total comprehensive income for the nine months ended September 30, 2021	-	-	-	-	-	-	(51,080)	(51,080)	(12,884)	4,244	(8,640)	-	(59,720)	(2,174)	(61,894)	
Non-controlling interests (Note 23)	-	-	-	-	-	-	-	-	-	-	-	201	201	(69,574)	(69,373)	
BALANCE AT SEPTEMBER 30, 2021	\$ 1,893,702	\$ 125	\$ 1,893,827	\$ 235,753	\$ 10,460	\$ 38,904	\$ (55,835)	\$ (6,471)	\$ (46,352)	\$ 3,908	\$ (42,444)	\$ (13,513)	\$ 2,067,152	\$ 803,114	\$ 2,870,266	
BALANCE AT JANUARY 1, 2022	\$ 1,893,702	\$ 8,800	\$ 1,902,502	\$ 236,689	\$ 10,460	\$ 38,904	\$ (67,331)	\$ (17,967)	\$ (49,822)	\$ 10,425	\$ (39,397)	\$ (13,497)	\$ 2,068,330	\$ 790,739	\$ 2,859,069	
Other capital surplus change	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Share based payments (Note 28)	-	-	-	288	-	-	-	-	-	-	-	-	288	-	288	
Changes in percentage of ownership interests in subsidiaries	-	-	-	(3,883)	-	-	-	-	-	-	-	-	(3,883)	-	(3,883)	
Disposal of the parent company's treasury shares by subsidiaries treated as treasury share transactions	-	-	-	237	-	-	-	-	-	-	-	253	490	962	1,452	
Recognition of employee share options by the subsidiaries (Note 28)	-	-	-	249	-	-	-	-	-	-	-	-	249	490	739	
Convertible bonds converted to common stock	-	145,407	145,407	48,038	-	-	-	-	-	-	-	-	193,445	-	193,445	
Issuance of ordinary shares under employee share options (Note 28)	13,838	(1,293)	12,545	-	-	-	-	-	-	-	-	-	12,545	-	12,545	
Net profit for the nine months ended September 30, 2022	-	-	-	-	-	-	239,238	239,238	-	-	-	-	239,238	10,967	250,205	
Other comprehensive income for the nine months ended September 30, 2022, net of income tax	-	-	-	-	-	-	-	-	47,427	(24,935)	22,492	-	22,492	15,355	37,847	
Total comprehensive income for the nine months ended September 30, 2022	-	-	-	-	-	-	239,238	239,238	47,427	(24,935)	22,492	-	261,730	26,322	288,052	
Non-controlling interests (Note 23)	-	-	-	-	-	-	-	-	-	-	-	224	224	(25,056)	(24,832)	
BALANCE AT SEPTEMBER 30, 2022	\$ 1,907,540	\$ 152,914	\$ 2,060,454	\$ 281,618	\$ 10,460	\$ 38,904	\$ 171,907	\$ 221,271	\$ (2,395)	\$ (14,510)	\$ (16,905)	\$ (13,020)	\$ 2,533,418	\$ 793,457	\$ 3,326,875	

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated November 4, 2022)

# EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income tax	\$ 276,639	\$ (45,164)
Adjustments for:		
Depreciation expenses	92,800	100,319
Amortization expenses	6,388	4,142
Expected credit loss recognized	5,475	10,366
Net (gain) loss on fair value changes of financial assets and liabilities designated as at fair value through profit or loss	(1,152)	1,118
Finance costs	26,825	19,891
Interest income	(2,616)	(3,014)
Dividend income	(733)	(3,091)
Share-based payments	1,027	1,877
Share of profit of associates	(15,136)	(2,704)
Gain on disposal of property, plant and equipment	(4)	(133)
Write-down of inventories	33,432	23,263
Loss on lease revised	222	-
Changes in operating assets and liabilities		
Contract assets	(1,958)	(7,201)
Notes receivable	361	(228)
Trade receivables	(327,602)	117,636
Other receivables	10,447	(902)
Inventories	257,094	(545,449)
Prepayments	81,275	(16,068)
Other current assets (including related parties)	2,124	(390)
Contract liabilities	(16,316)	(1,091)
Notes payable and trade payables (including related parties)	(288,371)	(32,485)
Other payables	(14,969)	(15,093)
Provisions	1,897	1,350
Other current liabilities	3,808	9,235
Net defined benefit liabilities	(6,783)	(3,844)
Cash generated from (used in) operations	124,174	(387,660)
Interest received	2,616	3,014
Interest paid	(23,175)	(16,763)
Income tax paid	(39,343)	(13,663)
Net cash generated from (used in) operating activities	<u>64,272</u>	<u>(415,072)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	-	(1,825)
Purchase of financial assets at amortized cost	(4,218)	(591)
Payments for property, plant and equipment	(226,680)	(40,480)

(Continued)



# EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2022	2021
Proceeds from disposal of property, plant and equipment	\$ 19	\$ 445
Decrease in refundable deposits	1,743	932
Payments for intangible assets	(8,506)	(6,262)
Increase in other financial assets	(1,617)	(1,106)
Increase in other non-current assets	(521)	-
Dividends received	<u>733</u>	<u>3,091</u>
Net cash used in investing activities	<u>(239,047)</u>	<u>(45,796)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	328,366	-
Repayments of short-term borrowings	-	(368,376)
Proceeds from bonds payable	-	398,653
Proceeds from long-term borrowings	200,000	-
Repayments of long-term borrowings	(12,600)	(12,600)
Decrease in refundable deposits	-	(6,672)
Repayment of the principal portion of lease liabilities	(23,852)	(33,397)
Dividends paid to owners of the Company	-	(54,889)
Exercise of employee share options	12,545	2,139
Proceeds from treasury shares	1,452	418
Dividends paid to non-controlling interests	(38,275)	(74,826)
Difference in non-controlling interests	<u>9,558</u>	<u>8,457</u>
Net cash generated from (used in) financing activities	<u>477,194</u>	<u>(141,093)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>		
	<u>58,348</u>	<u>(15,175)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>360,767</b>	<b>(617,136)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u><b>1,110,589</b></u>	<u><b>2,070,594</b></u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u><b>\$ 1,471,356</b></u>	<u><b>\$ 1,453,458</b></u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated November 4, 2022)

(Concluded)

# EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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### 1. GENERAL INFORMATION

Edimax Technology Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (ROC) in June 1986 and has been listed on the Taiwan Stock Exchange since March 20, 2001. Edimax Technology Co., Ltd. is dedicated to the design, development, manufacture and marketing of a broad range of networking solutions.

The Company and its subsidiaries are hereinafter collectively referred to as the “Group”.

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on November 4, 2022.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments are applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Leases Liability in a Sale and leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

- b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (adjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 12 and Tables 5 and 6 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

d. Other significant accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2021.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The critical accounting judgments and key sources of estimation uncertainty used in the preparation of these interim consolidated financial statements are the same as those used in the preparation of the Group's consolidated financial statements for the year ended December 31, 2021.

## 6. CASH AND CASH EQUIVALENTS

	September 30, 2022	December 31, 2021	September 30, 2021
Cash on hand	\$ 1,014	\$ 1,011	\$ 1,088
Checking accounts and demand deposits	1,254,467	1,095,738	1,338,445
Cash equivalents (investments with original maturities within 3 months)			
Time deposits	<u>215,875</u>	<u>13,840</u>	<u>113,925</u>
	<u>\$ 1,471,356</u>	<u>\$ 1,110,589</u>	<u>\$ 1,453,458</u>

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Financial assets - current</u>			
Held for trading derivatives instruments (not under hedge accounting)			
Foreign exchange forward contracts	<u>\$ 1,265</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Financial assets - non-current</u>			
Held for trading derivatives instruments (not under hedge accounting)			
Redeemable and puttable options of convertible bonds (Note 19)	<u>\$ 407</u>	<u>\$ 520</u>	<u>\$ -</u>
<u>Financial liabilities - non-current</u>			
Held for trading derivatives instruments (not under hedge accounting)			
Redeemable and puttable options of convertible bonds (Note 19)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,280</u>

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Monetary Items	Maturity Date	Contract Amount (In Thousands)
<u>September 30, 2022</u>			
Foreign exchange forward contracts	EUR exchange USD	2023.01.20	EUR200/USD207
Foreign exchange forward contracts	EUR exchange USD	2023.07.24	EUR300/USD315
Foreign exchange forward contracts	EUR exchange USD	2023.07.24	EUR200/USD210
Foreign exchange forward contracts	EUR exchange USD	2023.07.25	EUR200/USD210

The Group entered into derivative trade to manage exposures due to exchange rate and interest rate fluctuations of foreign currency-denominated assets and liabilities. However, these conditions did not meet the criteria for hedge effectiveness, they were not accounted for using hedge accounting.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### Investments in Equity Instruments at FVTOCI

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Non-current</u>			
Overseas unlisted ordinary shares			
Bluechip Infotech Pty. Ltd.	\$ 18,479	\$ 24,149	\$ 25,379
Domestic unlisted ordinary shares			
Status Internet Co., Ltd.	4,347	6,078	7,206
Ecobear Technology Corp.	6,548	7,942	4,899
Newgreen Tech Co., Ltd	5,112	20,940	17,163
Onward Security Corp.	<u>16,696</u>	<u>17,008</u>	<u>14,952</u>
	<u>\$ 51,182</u>	<u>\$ 76,117</u>	<u>\$ 69,599</u>

The Group acquired the ordinary shares of Bluechip Infotech Pty. Ltd., Status Internet Co., Ltd., Ecobear Technology Corp., Onward Security Corp., Ltd. and Newgreen Tech Co. for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

Due to the implementation of the liquidation procedures of Interchan Taiwan ("8086") during the nine months ended September 30, 2021, related other equity - unrealized loss on financial assets at fair value through other comprehensive income of \$5,100 thousand was transferred to retained earnings.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Current</u>			
Domestic investments			
Time deposits with original maturities of more than 3 months	<u>\$ 3,370</u>	<u>\$ 4,716</u>	<u>\$ 4,716</u>
<u>Non-current</u>			
Domestic investments			
Time deposits with original maturities of more than 3 months	<u>\$ 6,374</u>	<u>\$ 810</u>	<u>\$ 835</u>

Refer to Note 33 for information relating to investments in financial assets at amortized cost pledged as security.

## 10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Notes receivable</u>			
At amortized cost			
Gross carrying amount	\$ 15,484	\$ 15,845	\$ 11,078
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$ 1,495,859	\$ 1,168,257	\$ 1,165,908
Less: Allowance for impairment loss	(74,274)	(68,349)	(70,151)
	<u>\$ 1,421,585</u>	<u>\$ 1,099,908</u>	<u>\$ 1,095,757</u>
<u>Other receivables</u>			
Others	<u>\$ 11,271</u>	<u>\$ 5,110</u>	<u>\$ 6,723</u>

### Trade Receivables

#### At amortized cost

The average credit period of the Group's sales of goods vary among customers, and no interest was charged on trade receivables. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default records of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix:

September 30, 2022

	<b>Not Past Due</b>	<b>1 to 30 Days</b>	<b>31 to 90 Days</b>	<b>91 to 180 Days</b>	<b>Over 180 Days</b>	<b>Total</b>
Expected credit loss rate	0.15%	2.46%	14.83%	59.82%	93.63%	
Gross carrying amount	\$ 1,279,650	\$ 124,524	\$ 19,430	\$ 3,830	\$ 68,425	\$ 1,495,859
Loss allowance (Lifetime ECLs)	<u>(1,971)</u>	<u>(3,066)</u>	<u>(2,881)</u>	<u>(2,291)</u>	<u>(64,065)</u>	<u>(74,274)</u>
Amortized cost	<u>\$ 1,277,679</u>	<u>\$ 121,458</u>	<u>\$ 16,549</u>	<u>\$ 1,539</u>	<u>\$ 4,360</u>	<u>\$ 1,421,585</u>

December 31, 2021

	<b>Not Past Due</b>	<b>1 to 30 Days</b>	<b>31 to 90 Days</b>	<b>91 to 180 Days</b>	<b>Over 180 Days</b>	<b>Total</b>
Expected credit loss rate	0.06%	0.57%	14.70%	75.52%	99.64%	
Gross carrying amount	\$ 987,734	\$ 102,598	\$ 11,614	\$ 2,418	\$ 63,893	\$ 1,168,257
Loss allowance (Lifetime ECLs)	<u>(575)</u>	<u>(581)</u>	<u>(1,707)</u>	<u>(1,826)</u>	<u>(63,660)</u>	<u>(68,349)</u>
Amortized cost	<u>\$ 987,159</u>	<u>\$ 102,017</u>	<u>\$ 9,907</u>	<u>\$ 592</u>	<u>\$ 233</u>	<u>\$ 1,099,908</u>

September 30, 2021

	<b>Not Past Due</b>	<b>1 to 30 Days</b>	<b>31 to 90 Days</b>	<b>91 to 180 Days</b>	<b>Over 180 Days</b>	<b>Total</b>
Expected credit loss rate	0.02%	1.06%	6.73%	8.32%	93.75%	
Gross carrying amount	\$ 976,743	\$ 72,215	\$ 28,137	\$ 18,665	\$ 70,148	\$ 1,165,908
Loss allowance (Lifetime ECLs)	<u>(174)</u>	<u>(764)</u>	<u>(1,893)</u>	<u>(1,553)</u>	<u>(65,767)</u>	<u>(70,151)</u>
Amortized cost	<u>\$ 976,569</u>	<u>\$ 71,451</u>	<u>\$ 26,244</u>	<u>\$ 17,112</u>	<u>\$ 4,381</u>	<u>\$ 1,095,757</u>

The movements of the loss allowance of trade receivables were as follows:

	<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 68,349	\$ 59,935
Add: Net remeasurement of loss allowance	5,475	10,366
Foreign exchange gains and losses	<u>450</u>	<u>(150)</u>
Balance at September 30	<u>\$ 74,274</u>	<u>\$ 70,151</u>



## 11. INVENTORIES

	September 30, 2022	December 31, 2021	September 30, 2021
Raw materials	\$ 912,517	\$ 1,327,787	\$ 1,424,737
Finished goods	295,794	209,533	169,091
Work-in-process	342,451	361,584	287,661
Merchandise	<u>400,911</u>	<u>352,550</u>	<u>144,180</u>
	<u>\$ 1,951,673</u>	<u>\$ 2,251,454</u>	<u>\$ 2,025,669</u>

The cost of goods sold included (reversals) loss of inventory write-downs for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021 amounted to \$(8,953) thousand, \$(7,349) thousand, \$33,432 thousand and \$23,263 thousand, respectively. The increase in the net realizable value of inventories is due to an increase in the selling price of inventories in a specific market or the sale of aging inventory.

## 12. SUBSIDIARIES

### a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership			Remark
			September 30, 2022	December 31, 2021	September 30, 2021	
The Company	Edimax Computer Co. ("Edimax USA")	Networking equipment wholesale	100.00%	100.00%	100.00%	1), 2)
The Company	Edimax Technology Europe B.V. ("Edimax Europe")	Networking equipment wholesale	100.00%	100.00%	100.00%	1), 2), 5)
The Company	Edimax Technology (BVI) Co., Ltd. ("Edimax BVI")	Networking equipment wholesale	100.00%	100.00%	100.00%	
The Company	ABS Telecom Inc. ("ABS Telecom")	Telecommunication equipment wholesale, transmission and rental	100.00%	100.00%	100.00%	1), 2)
The Company	Edimax Technology Australia Pty, Ltd. ("Edimax AU")	Networking equipment wholesale	100.00%	100.00%	100.00%	1), 2)
The Company	SMAX Technology Co., Ltd. ("SMAX Technology")	Wired and wireless telecommunication equipment for manufacturing	100.00%	100.00%	100.00%	1), 2)
The Company	Comtrend Corporation ("Comtrend")	Cable and telecommunication transmission equipment	33.72%	34.29%	34.33%	
Edimax Europe	Edimax Technology Poland. Sp. Zo.o. ("Edimax Poland")	Networking equipment wholesale	-	100.00%	100.00%	1), 2), 3)
Edimax BVI	Datamax (HK) Co., Ltd. ("Datamax HK")	Investing	100.00%	100.00%	100.00%	
ABS Telecom	ABST Information International Inc. ("ABST")	Investing	100.00%	100.00%	100.00%	1), 2)
SMAX Technology	Smax Japan Co., Ltd. ("Smax Japan")	Networking equipment wholesale	100.00%	100.00%	100.00%	1), 2), 4)
Comtrend	Comtrend Corporation, USA ("CUSA")	Cable & cableless transmission equipment wholesale, retail sale, and international trade, etc.	100.00%	100.00%	100.00%	
Comtrend	Interchan Global Limited ("Interchan Global")	Investing	100.00%	100.00%	100.00%	
Comtrend	Comtrend Technology (Netherlands) B.V. ("CTBV")	Wholesale, retail sale, and international trade, etc.	100.00%	100.00%	100.00%	
Datamax HK	Edimax Electronic (Dongguan) Co., Ltd.	Networking production and marketing	100.00%	100.00%	100.00%	
ABST	ABST Information Telecom Service Inc.	Telecommunication equipment wholesale, transmission and rental	100.00%	100.00%	100.00%	1), 2)
Interchan Global	Just Top Limited ("Just Top")	Telecommunication construction and wholesale	100.00%	100.00%	100.00%	
CTBV	Comtrend Central Europe S.R.O. ("CCE")	Cable & cableless transmission equipment wholesale, retail sale, and international trade, etc.	100.00%	100.00%	100.00%	
CTBV	Comtrend Iberia S.L. ("Iberia")	Cable & cableless transmission service	100.00%	100.00%	100.00%	

- 1) As the subsidiary is not significant, its financial statements for the nine months ended September 30, 2022 have not been reviewed.
- 2) As the subsidiary is not significant, its financial statements for the nine months ended September 30, 2021 have not been reviewed.
- 3) Edimax Poland cancelled the registration in July 2022.
- 4) The Group invested in SMAX JAPAN in July 2021.

5) The Group holds Edimax Europe which converted liabilities into equities that amounted to \$28,439 thousand in 2021, please refer to Table 5.

As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group held 33.72%, 34.29% and 34.33% of Comtrend's voting shares, respectively, but the Group has the practical ability to direct the relevant activities of Comtrend; thus, Comtrend was listed as a subsidiary of the Group.

The total assets, liabilities and comprehensive income (loss) in the financial statements of non-significant subsidiaries which were not reviewed in the consolidated financial statements mentioned above were as follows:

	<b>September 30</b>			
	<b>2022</b>		<b>2021</b>	
Unreviewed total assets	<u>\$ 390,176</u>		<u>\$ 369,632</u>	
Proportion of total consolidated assets	<u>4.98%</u>		<u>5.00%</u>	
Unreviewed total liabilities	<u>\$ 66,800</u>		<u>\$ 66,566</u>	
Proportion of total consolidated liabilities	<u>1.48%</u>		<u>1.47%</u>	

  

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Unreviewed comprehensive income	<u>\$ 2,651</u>	<u>\$ 4,580</u>	<u>\$ 17,745</u>	<u>\$ 10,420</u>
Proportion of total consolidated comprehensive income (loss)	<u>1.63%</u>	<u>26.61%</u>	<u>6.16%</u>	<u>(16.84%)</u>

b. Details of subsidiaries that have material non-controlling interests

<b>Name of Subsidiary</b>	<b>Principal Place of Business</b>	<b>Proportion of Ownership and Voting Rights Held by Non-controlling Interests</b>		
		<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Comtrend	Taiwan	66.28%	65.71%	65.67%

  

<b>Name of Subsidiary</b>	<b>Profit (Loss) Allocated to Non-controlling Interests</b>		<b>Accumulated Non-controlling Interests</b>		
	<b>For the Nine Months Ended September 30</b>		<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
	<b>2022</b>	<b>2021</b>			
Comtrend	<u>\$ 10,967</u>	<u>\$ (4,034)</u>	<u>\$ 793,457</u>	<u>\$ 790,739</u>	<u>\$ 803,114</u>

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Comtrend and its subsidiaries

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Current assets	\$ 1,729,219	\$ 1,621,311	\$ 1,853,907
Non-current assets	353,812	163,108	155,229
Current liabilities	(603,913)	(502,584)	(678,741)
Non-current liabilities	<u>(215,452)</u>	<u>(18,578)</u>	<u>(62,707)</u>
Equity	<u>\$ 1,263,666</u>	<u>\$ 1,263,257</u>	<u>\$ 1,267,688</u>
Equity attributable to:			
Owners of Comtrend	\$ 426,108	\$ 433,171	\$ 435,197
Non-controlling interests of Comtrend	<u>837,558</u>	<u>830,086</u>	<u>832,491</u>
	<u>\$ 1,263,666</u>	<u>\$ 1,263,257</u>	<u>\$ 1,267,688</u>
		<b>For the Nine Months Ended September 30</b>	
		<b>2022</b>	<b>2021</b>
Revenue		<u>\$ 1,437,452</u>	<u>\$ 1,154,296</u>
Net profit (loss) for the period		\$ 16,563	\$ (6,160)
Other comprehensive income (loss) for the period		<u>31,306</u>	<u>(20,886)</u>
Total comprehensive income (loss) for the period		<u>\$ 47,869</u>	<u>\$ (27,046)</u>
Profit (loss) attributable to:			
Owners of Comtrend		\$ 5,596	\$ (2,126)
Non-controlling interests of Comtrend		<u>10,967</u>	<u>(4,034)</u>
		<u>\$ 16,563</u>	<u>\$ (6,160)</u>
Total comprehensive income attributable to:			
Owners of Comtrend		\$ 21,547	\$ (24,872)
Non-controlling interests of Comtrend		<u>26,322</u>	<u>(2,174)</u>
		<u>\$ 47,869</u>	<u>\$ (27,046)</u>
Net cash inflow (outflow) from:			
Operating activities		\$ 46,004	\$ (272,403)
Investing activities		(215,319)	(19,524)
Financing activities		226,061	(121,148)
Effect of exchange rate		<u>28,120</u>	<u>(8,488)</u>
Net cash inflow (outflow)		<u>\$ 84,866</u>	<u>\$ (421,563)</u>

### 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	September 30, 2022	December 31, 2021	September 30, 2021
Associates that are not individually material	<u>\$ 82,249</u>	<u>\$ 57,398</u>	<u>\$ 63,464</u>

Refer to Table 5 “Information on Investees” for the nature of activities, principal places of business and countries of incorporation of the associates.

Investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements which have been audited. Management considers there is no material impact on the amounts investments accounted for using the equity method or the calculation of the share of profit or loss and other comprehensive income from the unaudited financial statements.

### 14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2022	\$ 1,299,846	\$ 919,692	\$ 385,623	\$ 557,529	\$ 3,162,690
Additions	190,052	67,047	784	25,593	283,476
Disposals	-	-	(210)	(16,619)	(16,829)
Effect of foreign currency exchange differences	-	-	11,340	3,499	14,839
Balance at September 30, 2022	<u>\$ 1,489,898</u>	<u>\$ 986,739</u>	<u>\$ 397,537</u>	<u>\$ 570,002</u>	<u>\$ 3,444,176</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2022	\$ -	\$ 133,945	\$ 323,339	\$ 428,503	\$ 885,787
Depreciation expense	-	17,279	10,023	40,569	67,871
Disposals	-	-	(210)	(16,604)	(16,814)
Effect of foreign currency exchange differences	-	-	10,020	3,429	13,449
Balance at September 30, 2022	<u>\$ -</u>	<u>\$ 151,224</u>	<u>\$ 343,172</u>	<u>\$ 455,897</u>	<u>\$ 950,293</u>
Carrying amount at September 30, 2022	<u>\$ 1,489,898</u>	<u>\$ 835,515</u>	<u>\$ 54,365</u>	<u>\$ 114,105</u>	<u>\$ 2,493,883</u>
<u>Cost</u>					
Balance at January 1, 2021	\$ 1,299,846	\$ 919,692	\$ 430,880	\$ 617,307	\$ 3,267,725
Additions	-	-	7,539	32,941	40,480
Disposals	-	-	(6,191)	(103,768)	(109,959)
Effect of foreign currency exchange differences	-	-	(6,921)	(2,087)	(9,008)
Balance at September 30, 2021	<u>\$ 1,299,846</u>	<u>\$ 919,692</u>	<u>\$ 425,307</u>	<u>\$ 544,393</u>	<u>\$ 3,189,238</u>

(Continued)

	<b>Freehold Land</b>	<b>Buildings</b>	<b>Machinery and Equipment</b>	<b>Other Equipment</b>	<b>Total</b>
<u>Accumulated depreciation</u>					
Balance at January 1, 2021	\$ -	\$ 113,954	\$ 362,390	\$ 473,916	\$ 950,260
Depreciation expense	-	14,993	12,439	45,099	72,531
Disposals	-	-	(6,191)	(103,456)	(109,647)
Effect of foreign currency exchange differences	-	-	(5,862)	(2,028)	(7,890)
Balance at September 30, 2021	<u>\$ -</u>	<u>\$ 128,947</u>	<u>\$ 362,776</u>	<u>\$ 413,531</u>	<u>\$ 905,254</u>
Carrying amount at September 30, 2021	<u>\$ 1,299,846</u>	<u>\$ 790,745</u>	<u>\$ 62,531</u>	<u>\$ 130,862</u>	<u>\$ 2,283,984</u> (Concluded)

No impairment assessment was performed for the nine months ended September 30, 2022 and 2021 as there was no indication of impairment.

The subsidiary of the Group, Comtrend Corporation, the cash flow information of purchased property, plant and equipment are as follows:

	<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>
Increase in property, plant and equipment	\$ 283,476	\$ 40,480
Less: Prepayment for land and building purchased at the beginning of the period	(56,796)	-
Add: Prepayment for land and building purchased at the end of the period	-	-
Paid in cash	<u>\$ 226,680</u>	<u>\$ 40,480</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	21-50 years
Machinery and equipment	2-13 years
Other equipment	1-10 years

Property, plant and equipment pledged as collateral for bank borrowings and for the issuance of bonds are set out in Note 33.

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Carrying amounts</u>			
Buildings	\$ 45,482	\$ 44,252	\$ 97,762
Transportation equipment	<u>7,921</u>	<u>9,995</u>	<u>11,239</u>
	<u>\$ 53,403</u>	<u>\$ 54,247</u>	<u>\$ 109,001</u>
	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>
	2022	2021	2022
	2022	2021	2021
Additions to right-of-use assets			<u>\$ 22,015</u>
			<u>\$ 29,067</u>
Depreciation charge for right-of-use assets			
Buildings	\$ 8,081	\$ 8,450	\$ 21,619
Transportation equipment	<u>1,090</u>	<u>937</u>	<u>3,310</u>
	<u>\$ 9,171</u>	<u>\$ 9,387</u>	<u>\$ 24,929</u>
			<u>\$ 27,788</u>

Except for the aforementioned additions and recognized depreciation, the Group did not have significant subleases or impairment of right-of-use assets during the nine months ended September 30, 2022 and 2021.

### b. Lease liabilities

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Carrying amounts</u>			
Current	<u>\$ 25,593</u>	<u>\$ 30,518</u>	<u>\$ 36,890</u>
Non-current	<u>\$ 28,099</u>	<u>\$ 24,356</u>	<u>\$ 72,368</u>

Discount rates for lease liabilities were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Buildings	1.36%-1.38%	1.36%	1.36%
Transportation equipment	1.25%-1.38%	1.36%	1.36%

### c. Material leasing activities and terms

The Group leases certain transportation equipment for the use of transportation with lease terms of 3 to 8 years.

The Group also leases buildings for the use of offices and warehouses with lease terms of 2 to 15 years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

	For the Three Months Ended		For the Nine Months Ended	
	September 30		September 30	
	2022	2021	2022	2021
Expenses relating to short-term leases and low-value asset leases	<u>\$ 721</u>	<u>\$ 308</u>	<u>\$ 1,654</u>	<u>\$ 1,823</u>
Total cash outflow for leases			<u>\$ (26,161)</u>	<u>\$ (36,329)</u>

The Group's leases of certain office equipment qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 16. INTANGIBLE ASSETS

	September 30, 2022	December 31, 2021	September 30, 2021
Goodwill	\$ 23,231	\$ 23,231	\$ 23,231
Computer software	<u>10,017</u>	<u>7,155</u>	<u>7,377</u>
	<u>\$ 33,248</u>	<u>\$ 30,386</u>	<u>\$ 30,608</u>

Except for the amortization recognized, the Group did not have any significant addition, disposal, or impairment of intangible assets during the nine months ended September 30, 2022 and 2021.

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	1-11 years
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## 17. OTHER FINANCIAL ASSETS

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Non-current</u>			
Pension reserve fund	\$ 67,818	\$ 65,801	\$ 64,294
Reserve account	<u>-</u>	<u>400</u>	<u>-</u>
	<u>\$ 67,818</u>	<u>\$ 66,201</u>	<u>\$ 64,294</u>

The pension reserve fund comprises pension contributions to the pension fund of managerial personnel of the Company.

## 18. BORROWINGS

### a. Short-term borrowings

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Unsecured borrowings</u>			
Bank loans	<u>\$ 903,158</u>	<u>\$ 574,792</u>	<u>\$ 489,392</u>

The ranges of weighted average effective interest rates on bank loans were 1.35%-1.66%, 1.00%-1.10% and 1.00%-1.10% per annum as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively.

### b. Short-term bills payable

	September 30, 2022	December 31, 2021	September 30, 2021
Commercial paper	\$ 30,000	\$ 30,000	\$ 30,000
Less: Unamortized discounts on bills payable	<u>(14)</u>	<u>(85)</u>	<u>(63)</u>
	<u>\$ 29,986</u>	<u>\$ 29,915</u>	<u>\$ 29,937</u>

The weighted average effective interest rate on commercial paper were 1.41%, 1.00% and 1.00% per annum as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively.

### c. Long-term borrowings

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Secured borrowings</u>			
Bank loans (Note 1)	\$ 1,371,314	\$ 1,383,914	\$ 1,388,114
Bank loans (Note 2)	<u>200,000</u>	<u>-</u>	<u>-</u>
	1,571,314	1,383,914	1,388,114
Less: Current portion	<u>(82,074)</u>	<u>(16,800)</u>	<u>(77,466)</u>
Long-term borrowings	<u>\$ 1,489,240</u>	<u>\$ 1,367,114</u>	<u>\$ 1,310,648</u>

1) The bank borrowings are secured by the Group's land and buildings; please refer to Note 33 for additional information. The maturity date is on February 1, 2036 and the effective annual interest rates was 1.5%. The purpose of the borrowings is to purchase land and buildings for operations.

2) The bank borrowings are secured by the Group's land and buildings; please refer to Note 33 for additional information. The maturity date is on January 14, 2042. The maturity period is three years and the effective interest rate from January 14, 2022 to January 14, 2024 is 1.25% to 1.5%, and the effective interest rate from January 15, 2024 to January 14, 2042 is 1.61%. The purpose of the borrowings is to purchase land and buildings for operations.



## 19. BONDS PAYABLE

	September 30, 2022	December 31, 2021	September 30, 2021
Secured domestic convertible bonds	<u>\$ 200,314</u>	<u>\$ 390,835</u>	<u>\$ 389,823</u>

On March 30, 2021, the Company issued 4 thousand, 0% NTD-denominated unsecured five years convertible bonds in Taiwan, with an aggregate principal amount of \$404,000 thousand.

Each bond entitles the holder to convert it into ordinary shares of the Company at a conversion price of \$13.88. In case of ex-right or ex-dividend, the price shall be adjusted according to the conversion price adjustment formula. The conversion price was adjusted from \$13.88 to \$13.50 as of September 1, 2021. Conversion may occur at any time during the period July 1, 2021 to March 30, 2026.

From the day following the expiration of 3 months after the issuance of the convertible bonds to the 40 days before the expiry date, if the closing price of the Company's ordinary shares exceeds 30% of the conversion price at that time for 30 consecutive business days, the Company is entitled to recover all the outstanding convertible bonds in cash based on the face value within the next 30 business day. In addition, if the outstanding balance of the convertible bonds is less than 10% of the original total amount issued, the Company is entitled to recover all the outstanding convertible bonds in cash based on the face value at any time thereafter.

The convertible bonds contain both liability and equity components. The equity components are presented in equity under the heading of capital surplus - options. The asset (liability) components are classified as embedded derivatives assets (liabilities) and non-embedded assets (liabilities). The embedded derivatives, which are measured at fair value, amounted to \$407 thousand, \$520 thousand and \$(1,280) thousand on September 30, 2022, December 31, 2021 and September 30, 2021. The non-derivative, which are measured at amortized cost, amounted to \$200,314 thousand, \$390,835 thousand and \$389,823 thousand on September 30, 2022, December 31, 2021 and September 30, 2021. The effective interest rate of the liability components was 1.04% per annum on initial recognition.

Proceeds from issuance (less transaction costs of \$5,347 thousand)	\$ 398,653
Equity component (less transaction costs allocated to the equity component of \$143 thousand)	<u>(10,684)</u>
Liability component at the date of issue (less transaction costs allocated to the liability component of \$5,204 thousand)	387,969
Interest charged at an effective interest rate of 1.04%	2,016
Valuation loss on financial investments	<u>1,118</u>
Liability component at September 30, 2021	<u>\$ 391,103</u>
Liability component at January 1, 2022	\$ 390,315
Interest charged at an effective interest rate of 1.04%	2,924
Conversion of convertible bonds into common stock	(193,445)
Valuation loss on financial investments	<u>113</u>
Liability component at September 30, 2022	<u>\$ 199,907</u>

As of September 30, 2022, the convertible bonds with face value of \$196,300 thousand were converted into 14,541 thousand ordinary shares.

## 20. OTHER LIABILITIES

	September 30, 2022	December 31, 2021	September 30, 2021
Other payables			
Payable for salaries	\$ 126,324	\$ 106,715	\$ 132,051
Payable for labor fee	20,046	15,577	18,741
Payable for compensation of employees and remuneration of directors	19,274	-	27,159
Payable for freight and customs fee	14,307	27,626	21,674
Payable for royalties	2,818	2,457	2,472
Output VAT	1,947	930	3,942
Others	<u>118,036</u>	<u>164,416</u>	<u>128,955</u>
	<u>\$ 302,752</u>	<u>\$ 317,721</u>	<u>\$ 334,994</u>
Other liabilities			
Refund liabilities	\$ 43,547	\$ 37,973	\$ 39,360
Receipts under custody	57,509	61,079	66,503
Temporary credit	21,076	16,010	14,557
Others	<u>610</u>	<u>3,872</u>	<u>2,041</u>
	<u>\$ 122,742</u>	<u>\$ 118,934</u>	<u>\$ 122,461</u>

## 21. PROVISIONS

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Current</u>			
Warranties	<u>\$ 7,279</u>	<u>\$ 5,382</u>	<u>\$ 4,791</u>

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under contracts for the sale of goods.

## 22. RETIREMENT BENEFIT PLANS

For the three months and the nine months ended September 30, 2022 and 2021, the pension expenses of defined benefit plans were \$554 thousand, \$554 thousand, \$1,660 thousand and \$1,660 thousand, respectively, and these were calculated based on the actuarially determined pension cost rate on December 31, 2021 and 2020, respectively.

## 23. EQUITY

### a. Share capital

#### Ordinary shares

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Number of shares authorized (in thousands)	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
Shares authorized	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>190,754</u>	<u>189,370</u>	<u>189,370</u>
Shares issued	<u>\$ 1,907,540</u>	<u>\$ 1,893,702</u>	<u>\$ 1,893,702</u>
Capital collected in advance	<u>\$ 152,914</u>	<u>\$ 8,800</u>	<u>\$ 125</u>

The Company converted employee share options of 125 thousand, converted equivalent to 12 thousand shares, with a subscription price of \$10.00. As the change registration has not been completed as of September 30, 2021, it was listed as capital collected in advance. The change registration has been completed as of January 22, 2022.

The Company converted employee share options of \$28,786 thousand during the period from January 1, 2021 through December 31, 2021, equivalent to 2,879 thousand shares, with a subscription price of \$10.00. The outstanding ordinary shares after the new shares had been issued amounted to \$1,893,702 thousand.

Employees exercised the share options for \$8,800 thousand which is capital collected in advance of the Company on December 31, 2021, issued 880 thousand ordinary shares, with a subscription price for \$10.00 per share. As of December 31, 2021, the Company did not change registration, so the share options were recognized as capital collected in advance. The change registration has been completed as of January 22, 2022 and April 12, 2022.

Employees exercised the share options for \$7,507 thousand which is capital collected in advance of the Company on September 30, 2022, issued 751 thousand ordinary shares, with a subscription price for \$10.00 per share. As of September 30, 2022, the Company did not change registration, so the share options were recognized as capital collected in advance.

As of September 30, 2022, the holders of unsecured convertible bonds converted the bonds into 145,407 thousand ordinary shares, issued 14,541 thousand ordinary shares. The Company did not change registration, so the share options were recognized as capital collected in advance.

b. Capital surplus

	September 30, 2022	December 31, 2021	September 30, 2021
May be used to offset a deficit, distributed as cash dividends, or <u>transferred to share capital (1)</u>			
Premium from issuance of ordinary shares	\$ 39,732	\$ 34,447	\$ 33,665
Premium from conversion of bonds	67,458	24,662	24,662
Treasury share transactions	6,836	6,600	6,600
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	49,362	49,362	49,362
<u>May be used to offset a deficit only</u>			
Changes in percentage of ownership interest in subsidiaries (2)	66,393	70,027	69,332
Others	33,437	33,437	33,437
<u>May not be used for any purpose</u>			
Employee share options	7,716	7,470	8,011
Share options from convertible bonds (Note 19)	<u>10,684</u>	<u>10,684</u>	<u>10,684</u>
	<u>\$ 281,618</u>	<u>\$ 236,689</u>	<u>\$ 235,753</u>

- 1) Such capital surplus may be used to offset a deficit; when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary that resulted from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 25 (h).

Under the dividends policy of the Company, no less than 20% of the undistributed retained earnings should be distributed as dividends to shareholders unless the undistributed retained earnings is less than 20% of outstanding ordinary shares. The dividends can be distributed in the form of shares or cash, but the cash dividends should not be less than 10% of total dividends. The Company determines the dividend distribution in consideration of the investment environment, capital demand, financial structure, earnings, domestic and international competition and shareholders' interest and the future development plan.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriation of earnings 2020 that was approved in the shareholders' meeting on July 30, 2021 is as follows:

	<b>For the Year Ended December 31, 2020</b>
Legal reserve	<u>\$ 8,658</u>
Special reserve	<u>\$ 22,690</u>
Cash dividends per share (NT\$)	\$ 0.29

The Company held a regular shareholders' meeting on June 1, 2022, and resolved to approve the loss make-up proposal for 2021.

d. Treasury shares

<b>Purpose of Buy-back</b>	<b>Shares Transferred to Employees (In Thousands of Shares)</b>	<b>Shares Cancelled (In Thousands of Shares)</b>	<b>Shares Held by Its Subsidiaries (In Thousands of Shares)</b>	<b>Total (In Thousands of Shares)</b>
Number of shares at January 1, 2022	-	-	1,440	1,440
Decrease during the period	<u>-</u>	<u>-</u>	<u>(51)</u>	<u>(51)</u>
Number of shares at September 30, 2022	<u>-</u>	<u>-</u>	<u>1,389</u>	<u>1,389</u>
Number of shares at January 1, 2021	-	-	1,463	1,463
Decrease during the period	<u>-</u>	<u>-</u>	<u>(21)</u>	<u>(21)</u>
Number of shares at September 30, 2021	<u>-</u>	<u>-</u>	<u>1,442</u>	<u>1,442</u>

The Company's shares held by its subsidiaries at the end of the reporting periods were as follows:

Name of Subsidiary	Number of Shares Held (In Thousands of Shares)	Carrying Amount	Market Price
<u>September 30, 2022</u>			
Comtrend	1,389	\$ 13,020	\$ 22,437
<u>December 31, 2021</u>			
Comtrend	1,440	13,497	20,523
<u>September 30, 2021</u>			
Comtrend	1,442	13,513	15,356

As of September 30, 2022, December 31, 2021 and September 30, 2021, Comtrend held 4,120 thousand, 4,200 thousand and 4,200 thousand ordinary shares of the Company, respectively, and the Company recognized treasury shares amounting to \$1,389 thousand, \$1,440 thousand and \$1,442 thousand based on their ownership percentage of 33.72%, 34.29% and 34.33% as at September 30, 2022, December 31, 2021 and September 30, 2021, respectively.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote. The subsidiaries holding treasury shares, however, are bestowed shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

e. Non-controlling interests

	<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 790,739	\$ 873,808
Share of gain (loss) for the period	10,967	(4,034)
Other comprehensive income (loss) during the period		
Exchange differences on translating the financial statements of foreign operations	15,355	1,860
Cash dividends of the subsidiaries	(38,275)	(74,826)
Employee share options of the subsidiaries	490	1,054
Share of changes in capital surplus of subsidiaries	<u>14,181</u>	<u>5,252</u>
Balance at September 30	<u>\$ 793,457</u>	<u>\$ 803,114</u>

## 24. REVENUE

### a. Disaggregation of revenue

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Revenue from the sale of goods	\$ 1,617,327	\$ 1,342,368	\$ 4,502,812	\$ 3,858,805
Revenue from the rendering of services	2,385	2,526	10,598	8,536
Other income	<u>41</u>	<u>45</u>	<u>370</u>	<u>106</u>
	<u>\$ 1,619,753</u>	<u>\$ 1,344,939</u>	<u>\$ 4,513,780</u>	<u>\$ 3,867,447</u>

### b. Contract balances

	September 30, 2022	December 31, 2021	September 30, 2021	January 1, 2021
Trade receivables (Note 10)	<u>\$ 1,495,859</u>	<u>\$ 1,168,257</u>	<u>\$ 1,165,908</u>	<u>\$ 1,283,544</u>
Contract assets - sale of goods	<u>\$ 7,740</u>	<u>\$ 5,782</u>	<u>\$ 8,621</u>	<u>\$ 1,420</u>
Contract liabilities - sale of goods	<u>\$ 95,178</u>	<u>\$ 111,494</u>	<u>\$ 125,532</u>	<u>\$ 126,623</u>

Changes in contract assets are mainly due to contracts with a right of return signed by customers under repurchase agreements. The changes in the balance of contract liabilities primarily result from the timing difference between the Group's satisfaction of performance obligations and the respective customer's payment.

## 25. NET PROFIT (LOSS)

### a. Interest income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Bank deposits	<u>\$ 1,148</u>	<u>\$ 732</u>	<u>\$ 2,616</u>	<u>\$ 3,014</u>

### b. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Dividends				
Investments in equity instruments at FVTOCI	\$ 182	\$ 2,571	\$ 733	\$ 3,091
Others	<u>14,108</u>	<u>6,652</u>	<u>32,989</u>	<u>16,613</u>
	<u>\$ 14,290</u>	<u>\$ 9,223</u>	<u>\$ 33,722</u>	<u>\$ 19,704</u>

c. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
(Loss) gain on disposal of property, plant and equipment	\$ (739)	\$ (52)	\$ 4	\$ 133
Net foreign exchange gain (loss)	84,363	2,652	166,907	(24,067)
Fair value changes of financial assets and financial liabilities				
Financial assets mandatorily classified as at FVTPL	1,927	(440)	(1,152)	(1,118)
Others	<u>(4,057)</u>	<u>(1,881)</u>	<u>(13,182)</u>	<u>(6,377)</u>
	<u>\$ 81,494</u>	<u>\$ 279</u>	<u>\$ 152,577</u>	<u>\$ (31,429)</u>

d. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Interest on bank loans	\$ 9,077	\$ 5,262	\$ 23,246	\$ 16,766
Interest on convertible bonds	893	1,009	2,924	2,016
Interest on lease liabilities	<u>263</u>	<u>354</u>	<u>655</u>	<u>1,109</u>
	<u>\$ 10,233</u>	<u>\$ 6,625</u>	<u>\$ 26,825</u>	<u>\$ 19,891</u>

e. Impairment losses recognized (reversed)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Trade receivables	<u>\$ 311</u>	<u>\$ 2,078</u>	<u>\$ 5,475</u>	<u>\$ 10,366</u>
Inventories (included in operating costs)	<u>\$ (8,953)</u>	<u>\$ (7,349)</u>	<u>\$ 33,432</u>	<u>\$ 23,263</u>



f. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Property, plant and equipment	\$ 22,107	\$ 24,305	\$ 67,871	\$ 72,531
Right-of-use assets	9,171	9,387	24,929	27,788
Intangible assets	<u>1,457</u>	<u>1,512</u>	<u>6,388</u>	<u>4,142</u>
	<u>\$ 32,735</u>	<u>\$ 35,204</u>	<u>\$ 99,188</u>	<u>\$ 104,461</u>
An analysis of depreciation by function				
Operating costs	\$ 5,552	\$ 8,566	\$ 20,149	\$ 25,341
Operating expenses	<u>25,726</u>	<u>25,126</u>	<u>72,651</u>	<u>74,978</u>
	<u>\$ 31,278</u>	<u>\$ 33,692</u>	<u>\$ 92,800</u>	<u>\$ 100,319</u>
An analysis of amortization by function				
Operating costs	\$ 189	\$ 141	\$ 623	\$ 559
Operating expenses	<u>1,268</u>	<u>1,371</u>	<u>5,765</u>	<u>3,583</u>
	<u>\$ 1,457</u>	<u>\$ 1,512</u>	<u>\$ 6,388</u>	<u>\$ 4,142</u>

g. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Post-employment benefits				
Defined contribution plans	\$ 7,766	\$ 6,667	\$ 23,089	\$ 20,024
Defined benefit plans (Note 22)	<u>554</u>	<u>554</u>	<u>1,660</u>	<u>1,660</u>
	<u>8,320</u>	<u>7,221</u>	<u>24,749</u>	<u>21,684</u>
Share-based payments				
Equity-settled	<u>96</u>	<u>1,137</u>	<u>1,027</u>	<u>1,877</u>
Other employee benefits	<u>252,011</u>	<u>242,343</u>	<u>755,440</u>	<u>711,082</u>
Total employee benefits expense	<u>\$ 260,427</u>	<u>\$ 250,701</u>	<u>\$ 781,216</u>	<u>\$ 734,643</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 49,723	\$ 51,756	\$ 158,757	\$ 151,705
Operating expenses	<u>210,704</u>	<u>198,945</u>	<u>622,459</u>	<u>582,938</u>
	<u>\$ 260,427</u>	<u>\$ 250,701</u>	<u>\$ 781,216</u>	<u>\$ 734,643</u>

h. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrued compensation of employees and remuneration of directors at rates of no less than 5% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors.

For the three months and the nine months periods ended September 30, 2022, the employees' compensation and the remuneration of directors are as follows:

Accrual rate

	<b>For the Nine Months Ended September 30, 2022</b>
Compensation of employees	7%
Remuneration of directors	2%

Amount

	<b>For the Three Months Ended September 30, 2022</b>	<b>For the Nine Months Ended September 30, 2022</b>
Compensation of employees	<u>\$ 8,203</u>	<u>\$ 13,241</u>
Remuneration of directors	<u>\$ 2,344</u>	<u>\$ 3,783</u>

There was no compensation of employees and remuneration of directors estimated as the Company reported a net loss before tax for the nine months ended September 30, 2021.

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no compensation of employees and remuneration of directors estimated as the Company reported a net loss before tax for 2021.

The appropriations of compensation of employees and remuneration of directors for 2020 that were resolved by the board of directors on March 23, 2021 are as shown below:

Accrual rate

	<b>For the Nine Months Ended September 30, 2020</b>
Compensation of employees	7%
Remuneration of directors	2%

Amount

	<b>For the Nine Months Ended September 30, 2020</b>
	<b>Cash</b>
Compensation of employees	\$ 7,818
Remuneration of directors	2,233

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2020.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

i. Gain or loss on foreign currency exchange

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Foreign exchange gains	\$ 213,382	\$ 29,067	\$ 342,832	\$ 96,221
Foreign exchange losses	<u>(129,019)</u>	<u>(26,415)</u>	<u>(175,925)</u>	<u>(120,288)</u>
	<u>\$ 84,363</u>	<u>\$ 2,652</u>	<u>\$ 166,907</u>	<u>\$ (24,067)</u>

## 26. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Current tax				
In respect of the current period	\$ 8,417	\$ 8,449	\$ 26,822	\$ 13,249
Income tax on unappropriated earnings	-	3,428	-	3,428
Adjustments for prior year	(987)	2,150	(2,533)	2,150
Deferred tax				
In respect of the current period	<u>1,439</u>	<u>(3,927)</u>	<u>2,145</u>	<u>(8,877)</u>
Income tax expense recognized in profit or loss	<u>\$ 8,869</u>	<u>\$ 10,100</u>	<u>\$ 26,434</u>	<u>\$ 9,950</u>

b. Income tax assessments

As of September 30, 2022, the tax returns of the Company and its subsidiaries have been assessed by the tax authorities as follows:

	<b>Last Tax Assessment Year</b>
The Company	2020
Edimax Electronic (Dongguan) Co., Ltd.	2020
Comtrend	2020
CUSA	2021
CTBV	2021
CCE	2021
Comtrend Iberia	2021
8086	2020
ABS Telecom	2020
SMAX Technology	2020

**27. EARNINGS (LOSS) PER SHARE**

Unit: NT\$ Per Share

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Basic earnings (loss) per share	<u>\$ 0.60</u>	<u>\$ 0.06</u>	<u>\$ 1.26</u>	<u>\$ (0.27)</u>
Diluted earnings per share	<u>\$ 0.51</u>	<u>\$ 0.06</u>	<u>\$ 1.09</u>	

The earnings (loss) and weighted average number of ordinary shares outstanding used in the computation of earnings (loss) per share were as follows:

**Net Profit (Loss) for the Year**

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Profit (loss) used in the computation of earnings (loss) per share	\$ 122,079	\$ 11,725	\$ 239,238	\$ (51,080)
Effect of potentially dilutive ordinary shares				
Interest on convertible bonds	<u>(1,034)</u>	<u>1,449</u>	<u>3,037</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share from continuing operations	<u>\$ 121,045</u>	<u>\$ 13,174</u>	<u>\$ 242,275</u>	<u>\$ (51,080)</u>

Weighted average number of ordinary shares outstanding (in thousands of shares) is as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings (loss) per share	204,410	187,520	190,254	187,500
Effect of potentially dilutive ordinary shares				
Convertible bonds	29,630	29,630	29,630	-
Employee share options	712	86	506	-
Employees' compensation or bonuses issued to employees	<u>1,054</u>	<u>82</u>	<u>1,054</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>235,806</u>	<u>217,318</u>	<u>221,444</u>	<u>187,500</u>

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

The Company had after-tax deficits for the nine months ended September 30, 2021. If the outstanding convertible bonds issued by the Company were converted to ordinary shares, they would be anti-dilutive and excluded from the computation of diluted earnings per share.

## 28. SHARE-BASED PAYMENT ARRANGEMENTS

### a. Employee share option plan of the Company

The Company did not issue any employee share options during the nine months ended September 30, 2022 and 2021.

Information on outstanding issued employee share options is as follows:

	<b>For the Nine Months Ended September 30</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	3,512	\$10.00	4,873	\$10.25
Options exercised	(1,255)	10.00	(209)	10.00
Options forfeited	<u>(279)</u>	10.00	<u>(164)</u>	10.00
Balance at September 30	<u>1,978</u>	10.00	<u>4,500</u>	10.00
Options exercisable, end of period	<u>1,978</u>		<u>2,250</u>	

The options were granted at an exercise price equal to the closing price of the Company's ordinary shares listed on the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly. If the price of the employee share options is lower than the face value of the ordinary shares, the exercise price shall be equal to the price of ordinary shares.

The weighted-average exercise price was adjusted from \$10.25 to \$10.00 since September 1, 2021.

Compensation costs recognized by the Company were \$96 thousand, \$246 thousand, \$288 thousand and \$738 thousand for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, respectively.

b. Employee share option plan of the subsidiaries

Comtrend did not issue any employee share options during the nine months ended September 30, 2022 and 2021.

Information on outstanding employee share options is as follows:

	<b>For the Nine Months Ended September 30</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	1,547	\$10.00	2,513	\$10.00
Options forfeited	(3)	10.00	(43)	10.00
Options exercised	<u>(956)</u>	10.00	<u>(846)</u>	10.00
Balance at September 30	<u>588</u>	10.00	<u>1,624</u>	10.00
Options exercisable, end of period	<u>588</u>		<u>543</u>	

Compensation costs recognized by the subsidiary were \$0, \$891 thousand, \$739 thousand and \$1,139 thousand for the three months and the nine months ended September 30, 2022 and 2021, respectively.

## 29. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In March 2021, June 2021 and September 2021, Comtrend exercised employee share options, decreasing the Group's continuing interest from 34.84% to 34.33% and 34.33%.

In March 2022, June 2022 and September 2022, Comtrend exercised employee share options, decreasing the Group continuing interest from 34.29% to 33.73% and 33.72%.

The above transaction was accounted for as an equity transaction since the Group did not cease to have control over the subsidiary.

## 30. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. Key management personnel of the Group review the capital structure on an annual basis. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the number of new shares issued, and the amount of new debt issued or existing debt redeemed.

## 31. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments that are not measured at fair value

Except for the following, management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

#### September 30, 2022

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Convertible bonds	\$ 200,314	\$ -	\$ 193,576	\$ -	\$ 193,576

#### December 31, 2022

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Convertible bonds	\$ 390,835	\$ -	\$ 390,240	\$ -	\$ 390,240

September 30, 2021

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Convertible bonds	\$ 389,823	\$ -	\$ 390,560	\$ -	\$ 390,560

The fair value of the financial liabilities included in the Level 2 category above had been determined in accordance with the income approach based on a discounted cash flow analysis.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

September 30, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss - current</u>				
Derivative	\$ -	\$ 1,265	\$ -	\$ 1,265
<u>Financial assets at fair value through profit or loss - non-current</u>				
Redeemable and puttable options of convertible bonds	\$ -	\$ 407	\$ -	\$ 407
<u>Financial assets at FVTOCI - non-current</u>				
Investments in equity instruments				
Foreign unlisted shares	\$ -	\$ -	\$ 18,479	\$ 18,479
Domestic unlisted shares	-	-	32,703	32,703
	\$ -	\$ -	\$ 51,182	\$ 51,182



December 31, 2021

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTOCI - non-current</u>				
Investments in equity instruments				
Foreign unlisted shares	\$ -	\$ -	\$ 24,149	\$ 24,149
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>51,968</u>	<u>51,968</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,117</u>	<u>\$ 76,117</u>
<u>Financial assets at fair value through profit or loss - non-current</u>				
Redeemable and puttable options of convertible bonds	<u>\$ -</u>	<u>\$ 520</u>	<u>\$ -</u>	<u>\$ 520</u>

September 30, 2021

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTOCI - non-current</u>				
Investments in equity instruments				
Foreign unlisted shares	\$ -	\$ -	\$ 25,379	\$ 25,379
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>44,220</u>	<u>44,220</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,599</u>	<u>\$ 69,599</u>
<u>Financial liabilities at FVTOCI - non-current</u>				
Redeemable and puttable options of convertible bonds	<u>\$ -</u>	<u>\$ 1,280</u>	<u>\$ -</u>	<u>\$ 1,280</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instrument</u>	<u>Valuation Technique and Inputs</u>
Derivatives - foreign exchange forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Financial liabilities - options of convertible bonds	The evaluation is based on the binary tree convertible bonds evaluation model, which is based on the evaluation of share price volatility, risk-free interest rate, risk discount rate and the number of remaining years.

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of unlisted equity securities - ROC were determined using the market approach.

c. Categories of financial instruments

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at FVTPL	\$ 1,672	\$ 520	\$ -
Financial assets at amortized cost (1)	3,011,157	2,335,429	2,650,401
Financial assets at FVTOCI			
Equity instruments	51,182	76,117	69,599
<u>Financial liabilities</u>			
FVTPL			
Held for trading	-	-	1,280
Amortized cost (2)	4,103,904	4,081,928	4,037,189

- 1) The balances included financial assets at amortized cost, which comprise cash and cash equivalents, financial assets measured at cost, notes receivable, trade receivables, other receivables, other receivables from related parties, other financial assets, and refundable deposits.
- 2) The balances included financial liabilities measured at amortized cost, which comprise short-term loans, short-term bills payable, notes payable, trade payables, trade payable to related parties, other payables, bonds payable, long-term loans (including current portion), and guarantee deposits.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivables, trade payables, bonds payable, borrowings, and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

Several subsidiaries of the Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 35.

### Sensitivity analysis

The Group was mainly exposed to the USD and the EUR.

The following table details the Group's sensitivity to a 1% increase and decrease in the functional currency against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A negative number below indicates a decrease in pre-tax profit (loss) and other equity when the New Taiwan dollar or other functional currency weakens by 1% against the relevant foreign currency. Conversely, a positive number indicates an increase in pre-tax profit (loss) profit when the functional currency strengthens by 1% against the relevant foreign currency.

	<b>USD Impact</b>		<b>EUR Impact</b>	
	<b>For the Nine Months Ended</b>		<b>For the Nine Months Ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Profit or loss	\$ (13,098) (i)	\$ (7,344) (i)	\$ (548) (i)	\$ (1,440) (i)

- i. This was mainly attributable to the exposure of outstanding account USD receivables and payables which were not hedged at the end of the reporting period.

The Group's sensitivity to USD currency increased during the current period due to the increase in the balance of accounts receivable denominated in USD.

#### b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Fair value interest rate risk			
Financial assets	\$ 225,619	\$ 19,366	\$ 119,476
Financial liabilities	2,758,464	2,434,331	2,406,524
Cash flow interest rate risk			
Financial assets	1,322,285	1,161,939	1,402,739

### Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets, the analysis was prepared assuming the amount of the assets outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the nine months ended September 30, 2022 and 2021 would have increased/decreased by \$9,917 thousand and \$10,521 thousand, respectively.

The Group's sensitivity to interest rates was not significantly different during the current period compared to the previous period.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than for trading purposes; the Group does not actively trade these investments.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the period.

If equity prices had been 1% higher/lower, pre-tax other comprehensive income for the nine months ended September 30, 2022 and 2021 would have increased/decreased by \$512 thousand and \$696 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

The Group's sensitivity to equity prices was not significantly different during the current period compare to the previous period.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral and factoring of trade receivables, where appropriate, as a means of mitigating the risk of financial loss from defaults.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Group's credit risk was significantly reduced.

The Group transacted with a large number of unrelated customers; thus, no concentration of credit risk was observed.

### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group had available unutilized short-term bank loan facilities set out in (b) below.

#### a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following tables detail the remaining contractual maturities of the Group's non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

#### September 30, 2022

	<b>Carrying Amount</b>	<b>Less than 3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 903,158	\$ 743,199	\$ 159,959	\$ -	\$ -
Lease liabilities	59,619	9,797	16,442	27,143	6,237
Short-term bills payable	29,986	29,986	-	-	-
Long-term loans payable	1,640,814	-	-	520,042	1,120,772
Notes payable and trade payables	1,096,375	850,082	246,197	55	41
Other payables	302,752	266,350	27,168	6,676	2,558
Bonds payable	200,314	-	-	200,314	-
Current portion of long-term loans payable	<u>105,191</u>	<u>10,077</u>	<u>95,114</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,338,209</u>	<u>\$ 1,909,491</u>	<u>\$ 544,880</u>	<u>\$ 754,230</u>	<u>\$ 1,129,608</u>

#### Additional information about the maturity analysis for the above-mentioned financial liabilities

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	\$ <u>26,239</u>	\$ <u>27,143</u>	\$ <u>3,742</u>	\$ <u>2,495</u>	\$ -	\$ -
Long-term loans payable	\$ <u>105,191</u>	\$ <u>520,042</u>	\$ <u>632,235</u>	\$ <u>430,749</u>	\$ <u>57,788</u>	\$ -
Notes payable and trade payables	\$ <u>1,096,279</u>	\$ <u>55</u>	\$ <u>41</u>	\$ -	\$ -	\$ -
Other payables	\$ <u>293,518</u>	\$ <u>6,676</u>	\$ <u>2,558</u>	\$ -	\$ -	\$ -

December 31, 2021

	<b>Carrying Amount</b>	<b>Less than 3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 574,792	\$ 484,792	\$ 90,000	\$ -	\$ -
Lease liabilities	56,613	8,302	22,939	19,322	6,050
Short-term bills payable	29,915	29,915	-	-	-
Long-term loans payable	1,367,114	-	-	415,326	951,788
Notes payable and trade payables	1,384,746	1,127,137	250,204	7,405	-
Other payables	317,721	274,049	29,650	14,022	-
Bonds payable	390,835	-	-	390,835	-
Current portion of long-term loans payable	<u>16,800</u>	<u>4,200</u>	<u>12,600</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,138,536</u>	<u>\$ 1,928,395</u>	<u>\$ 405,393</u>	<u>\$ 846,910</u>	<u>\$ 957,838</u>

Additional information about the maturity analysis for the above-mentioned financial liabilities

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$ 31,241</u>	<u>\$ 19,322</u>	<u>\$ 3,742</u>	<u>\$ 2,308</u>	<u>\$ -</u>	<u>\$ -</u>
Long-term loans payable	<u>\$ 16,800</u>	<u>\$ 415,326</u>	<u>\$ 519,157</u>	<u>\$ 432,631</u>	<u>\$ -</u>	<u>\$ -</u>

September 30, 2021

	<b>Carrying Amount</b>	<b>Less than 3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 489,392	\$ 459,392	\$ 30,000	\$ -	\$ -
Lease liabilities	108,840	10,356	28,370	48,423	21,691
Short-term bills payable	29,937	29,937	-	-	-
Long-term loans payable	1,310,648	-	-	390,752	919,896
Notes payable and trade payables	1,404,921	1,127,584	276,717	620	-
Other payables	334,994	246,484	73,278	15,232	-
Bonds payable	389,823	-	-	389,823	-
Current portion of long-term loans payable	<u>77,466</u>	<u>4,200</u>	<u>73,266</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,146,021</u>	<u>\$ 1,877,953</u>	<u>\$ 481,631</u>	<u>\$ 844,850</u>	<u>\$ 941,587</u>

Additional information about the maturity analysis for the above-mentioned financial liabilities

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$ 38,726</u>	<u>\$ 48,423</u>	<u>\$ 19,196</u>	<u>\$ 2,495</u>	<u>\$ -</u>	<u>\$ -</u>
Long-term loans payable	<u>\$ 77,466</u>	<u>\$ 390,752</u>	<u>\$ 390,752</u>	<u>\$ 390,752</u>	<u>\$ 138,392</u>	<u>\$ -</u>

Bank loans with a repayment on demand clause were included in the “1-5 years” time band in the above maturity analysis. As of September 30, 2022, December 31, 2021 and September 30, 2021, the aggregate undiscounted principal amounts of these bank loans amounted to \$2,474,472 thousand, \$1,367,114 thousand and \$1,310,648 thousand, respectively. Taking into account the Group’s financial position, management does not believe that it is probable that the

banks will exercise their discretionary rights to demand immediate repayment. Management believes that such bank loans will be repaid within two years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to \$2,649,204 thousand, \$1,457,685 thousand and \$1,408,848 thousand, respectively.

b) Liquidity and interest rate risk table for derivative financial liabilities

The following table details the Group's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed is determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

September 30, 2022

	<b>Demand or Less than 1 Month</b>	<b>1 Month to 3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Forward exchange contracts					
Outflows	\$ -	\$ -	\$ 29,918	\$ -	\$ -
Inflows	<u>-</u>	<u>-</u>	<u>(28,653)</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,265</u>	<u>\$ -</u>	<u>\$ -</u>

c) Financing facilities

As of September 30, 2022, December 31, 2021 and September 30, 2021, unused financing facilities amounted to \$1,180,611 thousand, \$1,135,078 thousand and \$1,238,774 thousand, respectively.

### 32. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Talent Vantage Limited (ITI)	Associate
Crystal Centre Int'l Corp. (Crystal)	Associate
Onward Security Corp	Related party in substance

b. Sale of goods

<b>Line Item</b>	<b>Related Party Category</b>	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
		<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Sales	Associate	<u>\$ -</u>	<u>\$ 2,336</u>	<u>\$ -</u>	<u>\$ 5,106</u>

There was no significant difference between related parties and clients regarding transaction terms of sale prices and collection terms.

c. Purchases of goods

Related Party Category	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Associate - ITI	<u>\$ 253,706</u>	<u>\$ 164,490</u>	<u>\$ 691,502</u>	<u>\$ 484,758</u>

The purchase prices and payment terms for transactions with related parties were not significantly different from third parties.

d. Receivables from related parties

Line Item	Related Party Category	September 30, 2022	December 31, 2021	September 30, 2021
Other receivables from related parties	Associate - Crystal	<u>\$ -</u>	<u>\$ 16,608</u>	<u>\$ -</u>

Other receivables are dividends receivable from related parties.

e. Payables to related parties

Line Item	Related Party Category	September 30, 2022	December 31, 2021	September 30, 2021
Accounts payable	Associate - ITI	<u>\$ 221,917</u>	<u>\$ 147,329</u>	<u>\$ 114,228</u>
Other payables	Associate	<u>\$ 640</u>	<u>\$ 1,556</u>	<u>\$ 1,457</u>
Other payables	Related party in substance	<u>\$ -</u>	<u>\$ 562</u>	<u>\$ -</u>

The outstanding trade payables to related parties are unsecured.

f. Other transactions with related parties

Line Item	Related Party Category	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2022	2021	2022	2021
Operating expense	Associate	<u>\$ 1,620</u>	<u>\$ 380</u>	<u>\$ 3,116</u>	<u>\$ 1,029</u>
Operating expense	Related party in substance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 142</u>	<u>\$ 142</u>

g. Remuneration of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Short-term employee benefits	\$ 10,573	\$ 9,970	\$ 31,757	\$ 31,255
Share-based payments	<u>70</u>	<u>218</u>	<u>271</u>	<u>362</u>
	<u>\$ 10,643</u>	<u>\$ 10,188</u>	<u>\$ 32,028</u>	<u>\$ 31,617</u>



The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and on market trends.

### 33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings, convertible bonds and the court's provisional attachment of property:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Pledged deposits (classified as financial assets at amortized cost)	\$ 3,370	\$ 5,526	\$ 5,551
Property, plant and equipment	<u>2,204,769</u>	<u>2,007,999</u>	<u>1,968,890</u>
	<u>\$ 2,208,139</u>	<u>\$ 2,013,525</u>	<u>\$ 1,974,441</u>

### 34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group as of September 30, 2022 were as follows:

- a. As of September 30, 2022, the Group issued promissory notes with stated amounts of \$1,871,000 thousand and US\$24,000 thousand as collateral for loans and foreign exchange forward contracts.
- b. Taipei Fubon Bank issued to the Taipei Customs Office a guarantee note for customs duties on the bonded warehouse of the Group; the stated amount of the note was \$2,000 thousand as of September 30, 2022.
- c. As of September 30, 2022, the Group made endorsements and guarantees for SMAX Technology and Edimax Europe with stated amounts of \$20,000 thousand and \$62,520 thousand, respectively, and actual borrowings amounted to \$0 and \$18,756 thousand, respectively.

### 35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities of the Group's entities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

September 30, 2022

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 66,029	31.75 (USD:NTD)	\$ 2,096,421
USD	3,095	1.02 (USD:EUR)	98,282
USD	1,924	25.18 (USD:CZK)	61,095
EUR	4,145	31.26 (EUR:NTD)	129,573
EUR	369	24.55 (EUR:CZK)	11,548
Non-monetary items			
Investments accounted for using the equity method			
USD	2,591	31.75 (USD:NTD)	82,249
<u>Financial liabilities</u>			
Monetary items			
USD	24,177	31.75 (USD:NTD)	767,620
USD	1,414	7.1 (USD:RMB)	44,906
USD	2,665	1.02 (USD:EUR)	84,622
USD	1,538	25.18 (USD:CZK)	48,824
EUR	2,761	31.26 (EUR:CZK)	86,324

December 31, 2021

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 54,342	27.68 (USD:NTD)	\$ 1,504,187
USD	13,905	6.37 (USD:RMB)	384,769
USD	1,243	21.95 (USD: CZK)	34,417
USD	1,340	0.88 (USD: EUR)	37,091
EUR	6,811	31.32 (EUR:NTD)	213,321
EUR	708	24.86 (EUR:CZK)	22,175
Non-monetary items			
Investments accounted for using the equity method			
USD	2,074	27.68 (USD:NTD)	57,398
<u>Financial liabilities</u>			
Monetary items			
USD	29,664	27.68 (USD:NTD)	821,100
USD	2,723	6.37 (USD:RMB)	75,349
USD	723	0.88 (USD:EUR)	20,024
USD	451	21.95 (USD:CZK)	12,489

September 30, 2021

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 60,572	27.85 (USD:NTD)	\$ 1,686,930
USD	4,108	0.86 (USD:EUR)	114,398
USD	1,077	22.02 (USD:CZK)	30,005
EUR	3,535	32.32 (EUR:NTD)	114,251
EUR	921	25.50 (EUR:CZK)	29,769
Non-monetary items			
Investments accounted for using the equity method			
USD	2,279	27.85 (USD:NTD)	63,464
<u>Financial liabilities</u>			
Monetary items			
USD	32,767	27.85 (USD:NTD)	912,561
USD	3,521	6.47 (USD:RMB)	98,072
USD	2,632	0.86 (USD:EUR)	73,294
USD	467	22.02 (USD:CZK)	13,002

The Group is mainly exposed to the USD and the EUR. The following information was aggregated by the functional currencies of the entities in the Group, and the exchange rates between the respective functional currencies and the presentation currency were disclosed. The significant realized and unrealized foreign exchange gains (losses) were as follows:

<b>For the Three Months Ended September 30</b>				
<b>2022</b>		<b>2021</b>		
<b>Functional Currency</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>
NTD	1 (NTD:NTD)	\$ 110,801	1 (NTD:NTD)	\$ (3,543)
USD	30.40 (USD:NTD)	(24,249)	27.86 (USD:NTD)	6,264
EUR	30.62 (EUR:NTD)	<u>(2,189)</u>	32.85 (EUR:NTD)	<u>(69)</u>
		<u>\$ 84,363</u>		<u>\$ 2,652</u>

  

<b>For the Nine Months Ended September 30</b>				
<b>2022</b>		<b>2021</b>		
<b>Functional Currency</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>
NTD	1 (NTD:NTD)	\$ 208,216	1 (NTD:NTD)	\$ (43,100)
USD	29.29 (USD:NTD)	(39,610)	28.07 (USD:NTD)	19,779
EUR	31.15 (EUR:NTD)	<u>(1,699)</u>	33.59 (EUR:NTD)	<u>(746)</u>
		<u>\$ 166,907</u>		<u>\$ (24,067)</u>

### 36. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

- 1) Financing provided to others (None).
- 2) Endorsements/guarantees provided (Table 1).
- 3) Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities) (Table 2).
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None).
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None).
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None).

- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3).
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4).
  - 9) Trading in derivative instruments (Note 7).
  - 10) Intercompany relationships and significant intercompany transactions (Table 8).
- b. Information on investees (Table 5).
- c. Information on investments in mainland China:
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 6).
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 7)
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
    - c) The amount of property transactions and the amount of the resultant gains or losses.
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds.
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9).

### 37. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's reportable segments by business areas were as follows:

#### Segment Revenue and Results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

	<b>Enterprise, Retail Products and Services</b>	<b>Telecommuni- cation Products and Services</b>	<b>Others</b>	<b>Total</b>
For the nine months ended <u>September 30, 2022</u>				
Revenues from external customers	<u>\$ 2,924,248</u>	<u>\$ 1,437,452</u>	<u>\$ 152,080</u>	<u>\$ 4,513,780</u>
Segment profit (loss)	<u>\$ 94,726</u>	<u>\$ (12,726)</u>	<u>\$ 17,413</u>	<u>\$ 99,413</u>
Non-operating income and expense				<u>177,226</u>
Profit before tax				<u>\$ 276,639</u>
For the nine months ended <u>September 30, 2021</u>				
Revenues from external customers	<u>\$ 2,582,347</u>	<u>\$ 1,154,296</u>	<u>\$ 130,804</u>	<u>\$ 3,867,447</u>
Segment profit (loss)	<u>\$ (29,609)</u>	<u>\$ (3,982)</u>	<u>\$ 14,325</u>	<u>\$ (19,266)</u>
Non-operating income and expense				<u>(25,898)</u>
Loss before tax				<u>\$ (45,164)</u>

Segment profit represents the profit before tax earned by each segment without allocation of interest income, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of financial instruments, exchange gain or loss, valuation gain or loss on financial instruments, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022  
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 2)											
0	The Company	SMAX Technology	b.	\$ 506,683	\$ 20,000	\$ 20,000	\$ -	\$ -	0.79	\$ 1,266,709	Y	N	N	Note 3
		Edimax Europe	b.	506,683	63,840	62,520	18,756	-	2.47	1,266,709	Y	N	N	Note 3

Note 1: Endorser/Guarantor is numbered as follows:

- Parent: 0.
- Subsidiaries are numbered from 1 in order.

Note 2: Relationship between endorser/guarantor and endorsee/guarantee are categorized as follows:

- Business deals between the Company and guarantee party.
- Sum of direct holding of the subsidiaries' ordinary shares through the Company and its subsidiaries for more than 50%.
- Direct and indirect holding of the subsidiaries' ordinary shares through the Company and its subsidiaries for more than 50%.
- Sum of direct holding of the subsidiaries' ordinary shares through the Company and its subsidiaries for more than 90%.
- Owing to the joint venture funded by all shareholders on its endorsement of its holding company.
- Owing to the joint venture funded by each shareholders on its endorsement of its holding company.
- Inter-industry performance guarantee joint guarantees for pre-sale house sales contracts in accordance with the Consumer Protection Law.

Note 3: a. The limit on endorsement/guarantee given on behalf of each party is 20% of the individual companies' net assets based on the most recent financial statements.  
b. The aggregate endorsement/guarantee limit is 50% of the individual companies' net assets based on the most recent financial statements.

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD  
 SEPTEMBER 30, 2022  
 (In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2022				Note
				Shares/Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
The Company	<u>Shares</u>							
	Bluechip Infotech Pty Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	333	\$ 18,479	6.58	\$ 18,479	
	Status Internet Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	345	4,437	16.66	4,347	
	Ecobear Technology Corp.	None	Financial assets at fair value through other comprehensive income - non-current	1,212	6,548	13.54	6,548	
	Onward Security Corp.	Related party by substance	Financial assets at fair value through other comprehensive income - non-current	6,230	16,696	10.04	16,696	
	Newgreen tech Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	300	5,112	8.33	5,112	
Comtrend	<u>Shares</u>							
	EMMT Systems	None	Financial assets at fair value through other comprehensive income - non-current	324	-	0.47	-	Note 2
	Edimax	Parent company	Financial assets at fair value through other comprehensive income - current	4,120	66,538	2.16	66,538	

Note 1: For information about investment subsidiaries, please refer to Table 5 and Table 6.

Note 2: The Company has recognized an impairment loss on these securities.



## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022  
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Detail				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	Comtrend Edimax Electronic (Dongguan) Co., Ltd. ITI	Subsidiary Subsidiary Associate	Sales	\$ (166,949)	(5.48)	Normal	Normal	Normal	\$ 61,817	5.33	
			Processing fee	950,331	28.21	By operating condition	Normal	By operating condition	86,357	17.42	
			Purchase	623,539	18.51	By operating condition	Normal	By operating condition	(178,066)	(35.91)	
Comtrend	CUSA CTBV	Subsidiary Subsidiary	Sales	(337,818)	(26.82)	Normal; collection period: 60-180 days	Normal	Normal; collection period: 60-180 days	177,420	36.48	
			Sales	(448,012)	35.57	Normal; collection period: 60-180 days	Normal	Normal; collection period: 60-180 days	195,633	40.22	

Note: Except for ITI, the transactions with the related parties have been eliminated in the consolidated financial statements as of and for the nine months ended September 30, 2022.

**EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**SEPTEMBER 30, 2022**

**(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Comtrend	CUSA	Subsidiary	\$ 177,420	3.30	\$ -	-	\$ -	\$ -
	CTBV	Subsidiary	195,633	3.50	-	-	60,875	-

Note: The transactions of the related parties have been eliminated in the consolidated financial statements as of and for the nine months ended September 30, 2022.

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022  
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 2022	December 31, 2021	Number of Shares	%	Carrying Amount			
The Company	Edimax USA	USA	Networking equipment wholesale	\$ 49,803	\$ 49,803	17,046	100.00	\$ 76,123	\$ 4,715	\$ 2,553	Subsidiary
	Edimax BVI	British Virgin Islands	Networking equipment wholesale	287,735	287,735	8,966,000	100.00	126,202	(43,737)	(47,337)	Subsidiary
	Edimax Europe	Netherlands	Networking equipment wholesale	196,773	196,773	2,000	100.00	27,179	(1,785)	(3,720)	Subsidiary
	Edimax AU	Australia	Networking equipment wholesale	22,641	22,641	800,000	100.00	486	-	-	Subsidiary
	ABS Telecom	Taiwan	Telecommunication equipment wholesale, transmission and rental	66,000	66,000	10,500,000	100.00	141,897	13,599	9,707	Subsidiary
	SMAX Technology	Taiwan	Wired/wireless telecommunications equipment manufacturing	137,175	137,175	2,139,400	100.00	23,035	1,215	1,215	Subsidiary
Comtrend	Comtrend	Taiwan	Cable and cableless transmission equipment wholesale, research and development and retail sale	278,084	278,084	19,649,060	33.72	426,812	16,563	6,201	Subsidiary
		Seychelles	Seychelles General import and export trade and investing	31,815	31,815	1,050,000	30.00	82,249	50,454	15,136	Associate
Edimax BVI	Datamax HK	Hong Kong	Investing	271,417	271,417	64,906,002	100.00	(29,840)	(62,219)	(62,219)	Second-tier subsidiary
Edimax Europe	Edimax Poland	Poland	Networking equipment wholesale	-	10,801	-	-	-	-	-	Second-tier subsidiary
ABS Telecom	ABST	Mauritius	Investing	4,175	4,175	140,000	100.00	10,834	(7)	(7)	Second-tier subsidiary
SMAX Technology	Smax Japan Inc.	Japan	Networking equipment wholesale	1,992	1,992	8,000,000	100.00	54	(920)	(920)	Second-tier subsidiary
Comtrend	CUSA	USA	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	98,341	98,341	200,000	100.00	99,575	(6,381)	(26,640)	Subsidiary
	Interchan CTBV	Samoa Netherlands	Investing Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	42,393 50,901	42,393 50,901	1,298,686 1,518,000	100.00 100.00	31,715 99,592	3 2,680	3 2,680	Subsidiary Subsidiary
Interchan	8086	Taiwan	Telecommunication value-added services	2,915	2,915	291,500	100.00	-	-	-	Second-tier subsidiary
CTBV	CCE	Czech Republic	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	71,438	71,438	-	100.00	48,093	(2,496)	(2,496)	Second-tier subsidiary
	Iberia	Spain	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	12,294	12,294	-	100.00	10,141	2,631	2,631	Second-tier subsidiary

Note 1: Please refer to Table 6 for the information on investments in mainland China.

Note 2: The share of profits/losses of the investee included net income of \$4,715 thousand less the unrealized gross loss of \$2,162 thousand on intercompany transactions.

Note 3: The share of profits/losses of the investee included net loss of \$1,785 thousand less the unrealized gross loss of \$1,935 thousand on intercompany transactions.

Note 4: The share of profits/losses of the investee included net income of \$13,599 thousand less the unrealized gross loss of \$3,892 thousand on intercompany transactions.

Note 5: The share of profits/losses of the investee included net income of \$16,563 thousand less the unrealized gross loss of \$10,362 thousand on intercompany transactions.

Note 6: The share of profits/losses of the investee included net income of \$50,454 thousand less the unrealized gross loss of \$35,318 thousand on intercompany transactions.

Note 7: The share of profits/losses of the investee included net loss of \$6,381 thousand less the unrealized gross loss of \$20,259 thousand on intercompany transactions.

Note 8: Except for Crystal, the transactions with the related parties have been eliminated in the consolidated financial statements as of and for the nine months ended September 30, 2022.

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

(In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of September 30, 2022	Accumulated Repatriation of Investment Income as of September 30, 2022	Note
					Outward	Inward							
Edimax Electronic (Dongguan) Co., Ltd.	Networking production and marketing	\$ 257,046	b.	\$ 257,046	\$ -	\$ -	\$ 257,046	\$ (62,253)	100	\$ (62,253)	\$ (29,921)	\$ -	Note 2
ABST Information Telecom Service	Telecommunication equipment wholesale, transmission and rental	4,175	b.	4,175	-	-	4,175	(6)	100	(6)	11,551	-	Note 3

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$264,698	\$289,040 (Note 4)	\$1,520,050

Note 1: The methods of making investments in mainland China include the following:

- a. Direct investment in mainland China.
- b. Indirect investment in mainland China through companies registered in a third region.
- c. Other methods.

Note 2: Calculated based on the financial statements of the investee company reviewed by an accountant during the same period.

Note 3: Calculated based on the financial statements of the investee company that have not been reviewed by an accountant during the same period.

Note 4: The conversion is based on the spot exchange rate on the balance sheet date.

Note 5: The transactions with the related parties have been eliminated in the consolidated financial statements as of and for the nine months ended September 30, 2022.

**EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022**  
**(In Thousands of New Taiwan Dollars)**

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with Normal Transaction	Ending Balance	%		
Edimax Electronic (Dongguan)	Processing fees	\$ 950,331	28.21	Normal	By operating conditions	By operating conditions	\$ 86,357	17.42	\$ -	

Note: The transactions with the related parties have been eliminated in the consolidated financial statements as of and for the nine months ended September 30, 2022.

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022  
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Intercompany Transactions			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	The Company	<u>For the nine months ended September 30, 2022</u>					
		Edimax Europe	a	Sales revenue	\$ 50,367	Normal	1.12
		Edimax Europe	a	Accounts receivable	11,960	Normal	0.15
		Comtrend	a	Sales revenue	166,949	Normal	3.70
		Comtrend	a	Accounts receivable	61,817	Normal	0.79
		Edimax Electronic (Dongguan)	a	Processing fees	950,331	By operating condition	20.61
		Edimax Electronic (Dongguan)	a	Accounts payable	86,357	By operating condition	1.10
		Edimax USA	a	Sales revenue	29,614	Normal	0.66
		Edimax USA	a	Accounts receivable	13,489	Normal	0.17
		ABST Information Telecom Service	b	Sales revenue	7,563	Normal	0.17
1	Comtrend	CUSA	a	Sales revenue	337,818	Normal	23.50
		CUSA	a	Labor income	18,940	Normal	1.32
		CUSA	a	Accounts receivable	177,420	Normal, collection period: 60-180 days	8.52
		CTBV	a	Sales revenue	448,012	Normal	31.17
		CTBV	a	Accounts receivable	195,633	Normal, collection period: 60-180 days	9.39
		CCE	a	Sales revenue	43,784	Normal	3.05
		CCE	a	Accounts receivable	27,098	Normal, collection period: 60-180 days	1.30

Note 1: Business relationships between the parent and subsidiaries are numbered as follows:

- a. Parent: 0.
- b. Subsidiaries are numbered from 1 in order.

Note 2: Relationships between parties are numbered as follows:

- a. Parent to subsidiary.
- b. Parent to sub-subsidiary.
- c. Subsidiary to parent.
- d. One subsidiary to another subsidiary.

Note 3: Percentage of consolidated operating revenue or consolidated total assets: For balance sheet accounts, the percentage is calculated by dividing the ending balance of the account by consolidated total assets; for income statement accounts, the percentage is calculated by dividing the ending balance of the account by the consolidated operating revenues.

Note 4: The transactions with the related parties have been eliminated in the consolidated financial statements as of and for the nine months ended September 30, 2022.

Note 5: The amount of the significant transactions between related parties listed above is over NT\$5 million.

**EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
SEPTEMBER 30, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Trust account of CTBC Bank Co., Ltd for employee stock ownership of Edimax Technology Co., Ltd.	10,658,057	5.18

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day of the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different basis in preparation.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Securities and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have the right to determine the use of trust property. For information relating to insider shareholding declaration, please refer to the Market Observation Post System.