

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

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2023 and 2022 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, 2023 and 2022, the related consolidated statements of comprehensive income for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022, 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 material accounting policy information (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 the Standards on Review Engagements of the Republic of China 2410 "Review of Interim 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, 2023 and 2022, combined total assets of these non-significant subsidiaries were NT\$411,809 thousand and NT\$390,176 thousand, respectively, representing 6% and 5%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$114,587 thousand and NT\$66,800 thousand, respectively, representing 3% and 1%, respectively, of the consolidated total liabilities; for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022, the amounts of combined comprehensive income (loss) of these subsidiaries were NT\$(2,653) thousand, NT\$2,651 thousand, NT\$5,882 thousand and NT\$17,745 thousand, respectively, representing 30%, 2%, (10%) and 6%, respectively, of the consolidated total comprehensive income (loss). As disclosed in Note 13 to the consolidated financial statements, as of September 30, 2023 and 2022, the investments accounted for using the equity method of associates were

NT\$63,047 thousand and NT\$82,249 thousand, respectively; for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022, the share of profit of associates amounted to NT\$2,001 thousand, NT\$6,034 thousand, NT\$6,941 thousand and NT\$15,136 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 accounted for using the equity method of associates 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 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, 2023 and 2022, its consolidated financial performance for the three months ended September 30, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 6, 2023

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)

ASSETS	September 30, 2023		December 31, 2022		September 30, 2022	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 1,388,109	20	\$ 1,692,999	22	\$ 1,471,356	19
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)	59,570	1	14,370	-	3,370	-
Contract assets - current (Note 24)	2,361	-	8,355	-	7,740	-
Notes receivable from unrelated parties (Note 10)	4,356	-	2,462	-	15,484	1
Trade receivables from unrelated parties (Notes 10 and 24)	1,025,949	15	1,238,027	16	1,421,585	18
Other receivables from unrelated parties (Notes 10 and 31)	6,140	-	8,729	-	11,271	-
Other receivables from related parties (Note 32)	19,362	-	18,637	1	-	-
Current tax assets	14,023	-	13,079	-	12,506	-
Inventories (Note 11)	1,413,172	21	1,721,919	23	1,951,673	25
Prepayments	86,539	1	75,480	1	84,298	1
Other current assets	5,428	-	13,794	-	13,472	-
Total current assets	<u>4,025,009</u>	<u>58</u>	<u>4,807,851</u>	<u>63</u>	<u>4,994,020</u>	<u>64</u>
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current (Notes 7, 19 and 31)	95	-	244	-	407	-
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 31)	54,301	1	53,503	1	51,182	1
Financial assets at amortized cost - non-current (Note 9)	26,493	-	20,197	-	6,374	-
Investments accounted for using the equity method (Note 13)	63,047	1	71,531	1	82,249	1
Property, plant and equipment (Notes 14, 32 and 33)	2,461,143	35	2,483,468	33	2,493,883	32
Right-of-use assets (Note 15)	168,389	2	48,499	1	53,403	1
Intangible assets (Note 16)	35,029	1	33,718	-	33,248	-
Deferred tax assets	35,152	1	27,905	-	32,137	-
Refundable deposits	12,939	-	12,354	-	13,899	-
Net provisions for retirement	3,721	-	3,295	-	-	-
Other financial assets - non-current (Note 17)	69,179	1	69,800	1	67,818	1
Other non-current assets	-	-	-	-	526	-
Total non-current assets	<u>2,929,488</u>	<u>42</u>	<u>2,824,514</u>	<u>37</u>	<u>2,835,126</u>	<u>36</u>
TOTAL	<u>\$ 6,954,497</u>	<u>100</u>	<u>\$ 7,632,365</u>	<u>100</u>	<u>\$ 7,829,146</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 18)	\$ 230,346	3	\$ 739,632	10	\$ 903,158	12
Short-term bills payable (Note 18)	-	-	29,969	1	29,986	-
Financial liabilities at fair value through profit or loss - current (Notes 7 and 31)	-	-	783	-	-	-
Contract liabilities - current (Note 24)	120,327	2	93,974	1	95,178	1
Notes payable to unrelated parties	7,426	-	7,060	-	3,026	-
Accounts payable to unrelated parties	786,969	12	880,166	12	871,432	11
Accounts payable to related parties (Note 32)	84,928	1	153,273	2	221,917	3
Other payables (Notes 20 and 32)	499,924	7	330,456	4	302,752	4
Current tax liabilities	49,646	1	40,774	1	37,888	1
Provisions - current (Note 21)	8,393	-	7,914	-	7,279	-
Lease liabilities - current (Note 15)	44,142	1	22,586	-	25,593	-
Current portion of long-term borrowings (Notes 18 and 33)	88,064	1	16,800	-	82,074	1
Other current liabilities (Note 20)	68,983	1	105,307	1	122,742	2
Total current liabilities	<u>1,989,148</u>	<u>29</u>	<u>2,428,694</u>	<u>32</u>	<u>2,703,025</u>	<u>35</u>
NON-CURRENT LIABILITIES						
Bonds payable (Notes 19 and 33)	134,626	2	185,143	3	200,314	3
Long-term borrowings (Notes 18 and 33)	1,496,450	21	1,550,314	20	1,489,240	19
Deferred tax liabilities	7,948	-	6,737	-	2,343	-
Lease liabilities - non-current (Note 15)	124,608	2	26,102	-	28,099	-
Net defined benefit liabilities	67,451	1	75,392	1	79,245	1
Guarantee deposits received	-	-	-	-	5	-
Total non-current liabilities	<u>1,831,083</u>	<u>26</u>	<u>1,843,688</u>	<u>24</u>	<u>1,799,246</u>	<u>23</u>
Total liabilities	<u>3,820,231</u>	<u>55</u>	<u>4,272,382</u>	<u>56</u>	<u>4,502,271</u>	<u>58</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 23)						
Share capital						
Ordinary shares	2,122,860	30	2,070,101	27	1,907,540	24
Capital collected in advance	6,804	-	8,504	-	152,914	2
Total share capital	<u>2,129,664</u>	<u>30</u>	<u>2,078,605</u>	<u>27</u>	<u>2,060,454</u>	<u>26</u>
Capital surplus	257,259	4	284,928	4	281,618	3
Retained earnings						
Legal reserve	29,278	1	10,460	-	10,460	-
Special reserve	22,981	-	38,904	1	38,904	1
Unappropriated earnings	66,241	1	188,181	2	171,907	2
Total retained earnings	<u>118,500</u>	<u>2</u>	<u>237,545</u>	<u>3</u>	<u>221,271</u>	<u>3</u>
Other equity						
Exchange differences on translation of the financial statements of foreign operations	7,308	-	(10,792)	-	(2,395)	-
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	18,113	-	(12,189)	-	(14,510)	-
Total other equity	<u>25,421</u>	<u>-</u>	<u>(22,981)</u>	<u>-</u>	<u>(16,905)</u>	<u>-</u>
Treasury shares	(12,931)	-	(12,973)	-	(13,020)	-
Total equity attributable to owners of the Company	<u>2,517,913</u>	<u>36</u>	<u>2,565,124</u>	<u>34</u>	<u>2,533,418</u>	<u>32</u>
NON-CONTROLLING INTERESTS (Note 23)	<u>616,353</u>	<u>9</u>	<u>794,859</u>	<u>10</u>	<u>793,457</u>	<u>10</u>
Total equity	<u>3,134,266</u>	<u>45</u>	<u>3,359,983</u>	<u>44</u>	<u>3,326,875</u>	<u>42</u>
TOTAL	<u>\$ 6,954,497</u>	<u>100</u>	<u>\$ 7,632,365</u>	<u>100</u>	<u>\$ 7,829,146</u>	<u>100</u>

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

(With Deloitte & Touche review report dated November 6, 2023)

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 24 and 32)	\$ 1,071,144	100	\$ 1,619,753	100	\$ 3,268,689	100	\$ 4,513,780	100
OPERATING COSTS (Notes 11, 25 and 32)	<u>(775,877)</u>	<u>(72)</u>	<u>(1,188,745)</u>	<u>(74)</u>	<u>(2,458,332)</u>	<u>(75)</u>	<u>(3,393,521)</u>	<u>(75)</u>
GROSS PROFIT	<u>295,267</u>	<u>28</u>	<u>431,008</u>	<u>26</u>	<u>810,357</u>	<u>25</u>	<u>1,120,259</u>	<u>25</u>
OPERATING EXPENSES (Notes 22, 25 and 32)								
Selling and marketing expenses	(143,683)	(13)	(147,116)	(9)	(410,086)	(13)	(432,608)	(10)
General and administrative expenses	(78,566)	(7)	(114,593)	(7)	(225,529)	(7)	(250,837)	(6)
Research and development expenses	(111,611)	(11)	(112,346)	(7)	(332,634)	(10)	(331,926)	(7)
Expected credit loss reversed (recognized) (Note 10)	<u>139</u>	<u>-</u>	<u>(311)</u>	<u>-</u>	<u>3,819</u>	<u>-</u>	<u>(5,475)</u>	<u>-</u>
Total operating expenses	<u>(333,721)</u>	<u>(31)</u>	<u>(374,366)</u>	<u>(23)</u>	<u>(964,430)</u>	<u>(30)</u>	<u>(1,020,846)</u>	<u>(23)</u>
(LOSS) PROFIT FROM OPERATION	<u>(38,454)</u>	<u>(3)</u>	<u>56,642</u>	<u>3</u>	<u>(154,073)</u>	<u>(5)</u>	<u>99,413</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 25)	(2,877)	-	14,290	1	12,164	-	33,722	1
Other gains and losses (Note 25)	40,656	4	81,494	5	46,846	2	152,577	3
Finance costs (Note 25)	(8,876)	(1)	(10,233)	(1)	(28,818)	(1)	(26,825)	-
Share of profit of associates	2,001	-	6,034	1	6,941	-	15,136	-
Interest income (Note 25)	<u>3,882</u>	<u>-</u>	<u>1,148</u>	<u>-</u>	<u>14,404</u>	<u>1</u>	<u>2,616</u>	<u>-</u>
Total non-operating income and expenses	<u>34,786</u>	<u>3</u>	<u>92,733</u>	<u>6</u>	<u>51,537</u>	<u>2</u>	<u>177,226</u>	<u>4</u>
(LOSS) PROFIT BEFORE INCOME TAX	(3,668)	-	149,375	9	(102,536)	(3)	276,639	6
INCOME TAX EXPENSE (Note 26)	<u>(17,080)</u>	<u>(2)</u>	<u>(8,869)</u>	<u>-</u>	<u>(25,593)</u>	<u>(1)</u>	<u>(26,434)</u>	<u>(1)</u>
(LOSS) PROFIT FOR THE PERIOD	<u>(20,748)</u>	<u>(2)</u>	<u>140,506</u>	<u>9</u>	<u>(128,129)</u>	<u>(4)</u>	<u>250,205</u>	<u>5</u>

(Continued)

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (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	\$ 710	-	\$ (10,600)	(1)	\$ 50,096	1	\$ (24,935)	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of the financial statements of foreign operations	<u>11,171</u>	<u>1</u>	<u>32,389</u>	<u>2</u>	<u>19,922</u>	<u>1</u>	<u>62,782</u>	<u>1</u>
Other comprehensive income for the period, net of income tax	<u>11,881</u>	<u>1</u>	<u>21,789</u>	<u>1</u>	<u>70,018</u>	<u>2</u>	<u>37,847</u>	<u>1</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	<u>\$ (8,867)</u>	<u>(1)</u>	<u>\$ 162,295</u>	<u>10</u>	<u>\$ (58,111)</u>	<u>(2)</u>	<u>\$ 288,052</u>	<u>6</u>
NET (LOSS) PROFIT ATTRIBUTABLE TO:								
Owners of the Company	\$ 4,177	-	\$ 122,079	8	\$ 27,531	1	\$ 239,238	6
Non-controlling interests	<u>(24,925)</u>	<u>(2)</u>	<u>18,427</u>	<u>1</u>	<u>(155,660)</u>	<u>(5)</u>	<u>10,967</u>	<u>-</u>
	<u>\$ (20,748)</u>	<u>(2)</u>	<u>\$ 140,506</u>	<u>9</u>	<u>\$ (128,129)</u>	<u>(4)</u>	<u>\$ 250,205</u>	<u>6</u>
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:								
Owners of the Company	\$ 16,726	1	\$ 135,661	8	\$ 95,727	3	\$ 261,730	6
Non-controlling interests	<u>(25,593)</u>	<u>(2)</u>	<u>26,634</u>	<u>2</u>	<u>(153,838)</u>	<u>(5)</u>	<u>26,322</u>	<u>-</u>
	<u>\$ (8,867)</u>	<u>(1)</u>	<u>\$ 162,295</u>	<u>10</u>	<u>\$ (58,111)</u>	<u>(2)</u>	<u>\$ 288,052</u>	<u>6</u>
EARNINGS PER SHARE (Note 27)								
Basic	<u>\$ 0.02</u>		<u>\$ 0.60</u>		<u>\$ 0.13</u>		<u>\$ 1.26</u>	
Diluted	<u>\$ 0.02</u>		<u>\$ 0.51</u>		<u>\$ 0.13</u>		<u>\$ 1.09</u>	

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

(With Deloitte & Touche review report dated November 6, 2023)

(Concluded)

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company (Note 23)														
	Share Capital			Retained Earnings (Accumulated Deficits)					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	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income					
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	-	-	-	288	-	-	-	-	-	-	-	-	288	-	288
Share based payments (Note 28)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	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	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
BALANCE AT JANUARY 1, 2023	\$ 2,070,101	\$ 8,504	\$ 2,078,605	\$ 284,928	\$ 10,460	\$ 38,904	\$ 188,181	\$ 237,545	\$ (10,792)	\$ (12,189)	\$ (22,981)	\$ (12,973)	\$ 2,565,124	\$ 794,859	\$ 3,359,983
Appropriation of 2022 earnings	-	-	-	-	18,818	-	(18,818)	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(15,923)	15,923	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(166,370)	(166,370)	-	-	-	-	(166,370)	-	(166,370)
Other capital surplus change	-	-	-	1,394	-	-	-	-	-	-	-	-	1,394	-	1,394
Share based payments (Note 28)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity component of convertible bonds issued by the Company	-	-	-	(41,592)	-	-	-	-	-	-	-	-	(41,592)	-	(41,592)
Changes in percentage of ownership interests in subsidiaries	-	-	-	(1,166)	-	-	-	-	-	-	-	-	(1,166)	-	(1,166)
Recognition of employee share options by the subsidiaries	-	-	-	496	-	-	-	-	-	-	-	-	496	(496)	-
Issuance of ordinary shares under employee share options	7,055	5,485	12,540	-	-	-	-	-	-	-	-	-	12,540	-	12,540
Convertible bonds converted to common bonds	45,704	(7,185)	38,519	13,199	-	-	-	-	-	-	-	-	51,718	-	51,718
Disposal of investments in equity instruments at fair value through other comprehensive income or loss	-	-	-	-	-	-	19,794	19,794	-	(19,794)	(19,794)	-	-	-	-
Net profit (loss) for the nine months ended September 30, 2023	-	-	-	-	-	-	27,531	27,531	-	-	-	-	27,531	(155,660)	(128,129)
Other comprehensive income for the nine months ended September 30, 2023, net of income tax	-	-	-	-	-	-	-	-	18,100	50,096	68,196	-	68,196	1,822	70,018
Total comprehensive income for the nine months ended September 30, 2023	-	-	-	-	-	-	27,531	27,531	18,100	50,096	68,196	-	95,727	(153,838)	(58,111)
Non-controlling interests (Note 23)	-	-	-	-	-	-	-	-	-	-	-	42	42	(24,172)	(24,130)
BALANCE AT SEPTEMBER 30, 2023	\$ 2,122,860	\$ 6,804	\$ 2,129,664	\$ 257,259	\$ 29,278	\$ 22,981	\$ 66,241	\$ 118,500	\$ 7,308	\$ 18,113	\$ 25,421	\$ (12,931)	\$ 2,517,913	\$ 616,353	\$ 3,134,266

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

(With Deloitte & Touche review report dated November 6, 2023)

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Nine Months Ended September 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) income before income tax	\$ (102,536)	\$ 276,639
Adjustments for:		
Depreciation expenses	99,748	92,800
Amortization expenses	6,924	6,388
Expected credit loss (reversed) recognized	(3,819)	5,475
Net gain on fair value changes of financial assets and liabilities designated as at fair value through profit or loss	(634)	(1,152)
Finance costs	28,818	26,825
Interest income	(14,404)	(2,616)
Dividend income	(728)	(733)
Share-based payments	1,394	1,027
Share of profit of associates	(6,941)	(15,136)
Gain on disposal of property, plant and equipment	(22)	(4)
Write-down of inventories	96,602	33,432
Loss on lease revised	(45)	222
Changes in operating assets and liabilities		
Contract assets	5,994	(1,958)
Notes receivable	(1,894)	361
Trade receivables	215,836	(327,602)
Other receivables (including related parties)	2,589	10,447
Inventories	207,235	257,094
Prepayments	(11,059)	81,275
Other current assets	8,366	2,124
Net provision for retirement	(426)	-
Contract liabilities	26,353	(16,316)
Notes payable and trade payables (including related parties)	(161,176)	(288,371)
Other payables	(38,494)	(14,969)
Provisions	479	1,897
Other current liabilities	(36,324)	3,808
Net defined benefit liabilities	(7,941)	(6,783)
Cash generated from operations	313,895	124,174
Interest received	14,404	2,616
Interest paid	(26,441)	(23,175)
Income tax paid	(23,701)	(39,343)
Net cash generated from operating activities	<u>278,157</u>	<u>64,272</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(3,396)	-
Proceeds from sale of financial assets at fair value through other comprehensive income	52,695	-

(Continued)

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Nine Months Ended September 30	
	2023	2022
Purchase of financial assets at amortized cost	\$ (51,496)	\$ (4,218)
Payments for property, plant and equipment	(42,212)	(226,680)
Proceeds from disposal of property, plant and equipment	585	19
Increase in refundable deposits	(585)	-
Decrease in refundable deposits	-	1,743
Payments for intangible assets	(7,934)	(8,506)
Increase in other financial assets	-	(1,617)
Decrease in other financial assets	621	-
Increase in other non-current assets	-	(521)
Dividends received	<u>19,365</u>	<u>733</u>
Net cash used in investing activities	<u>(32,357)</u>	<u>(239,047)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	-	328,366
Repayments of short-term borrowings	(509,286)	-
Repayment of short-term bonds payable	(29,969)	-
Proceeds from long-term borrowings	30,000	200,000
Repayments of long-term borrowings	(12,600)	(12,600)
Repayment of the principal portion of lease liabilities	(46,923)	(23,852)
Exercise of employee share options	12,540	12,545
Proceeds from treasury shares	-	1,452
Dividends paid to non-controlling interests	(27,313)	(38,275)
Difference in non-controlling interests	<u>3,141</u>	<u>9,558</u>
Net cash (used in) generated from financing activities	<u>(580,410)</u>	<u>477,194</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>29,720</u>	<u>58,348</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(304,890)	360,767
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>1,692,999</u>	<u>1,110,589</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 1,388,109</u>	<u>\$ 1,471,356</u>

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

(With Deloitte & Touche review report dated November 6, 2023)

(Concluded)

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Edimax Technology Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Law 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 6, 2023.

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 a material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2024

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs will be 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.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

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. The IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
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
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 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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 MATERIAL ACCOUNTING POLICY INFORMATION

- 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 (unadjusted) 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 material accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2022.

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) Income tax expense

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. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The material 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, 2022.

6. CASH AND CASH EQUIVALENTS

	September 30, 2023	December 31, 2022	September 30, 2022
Cash on hand	\$ 868	\$ 933	\$ 1,014
Checking accounts and demand deposits	1,183,833	1,388,493	1,254,467
Cash equivalents (investments with original maturities of 3 months or less)			
Time deposits	<u>203,408</u>	<u>303,573</u>	<u>215,875</u>
	<u>\$ 1,388,109</u>	<u>\$ 1,692,999</u>	<u>\$ 1,471,356</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Financial assets - current</u>			
Held for trading derivatives instruments (not under hedge accounting)			
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,265</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>\$ 95</u>	<u>\$ 244</u>	<u>\$ 407</u>
<u>Financial liabilities - current</u>			
Held for trading derivatives instruments (not under hedge accounting)			
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 783</u>	<u>\$ -</u>

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2022</u>			
Foreign exchange forward contracts	EUR/USD	2023.01.20	EUR200/USD207
Foreign exchange forward contracts	EUR/USD	2023.07.24	EUR300/USD315
Foreign exchange forward contracts	EUR/USD	2023.07.24	EUR200/USD210
Foreign exchange forward contracts	EUR/USD	2023.07.25	EUR200/USD210

(Continued)

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

The Group engaged in derivative transactions mainly to manage exposures to exchange rate fluctuations of foreign currency-denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and, therefore, 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, 2023	December 31, 2022	September 30, 2022
<u>Non-current</u>			
Overseas unlisted ordinary shares			
Bluechip Infotech Pty. Ltd.	\$ 35,747	\$ 18,798	\$ 18,479
Domestic unlisted ordinary shares			
Ecobear Technology Corp.	11,343	6,621	6,548
Status Internet Co., Ltd.	3,895	4,516	4,347
Newgreen Tech Co., Ltd	3,316	6,498	5,112
Onward Security Corp.	<u>-</u>	<u>17,070</u>	<u>16,696</u>
	<u>\$ 54,301</u>	<u>\$ 53,503</u>	<u>\$ 51,182</u>

The Group acquired 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.

In order to manage a portfolio of investments, the Group disposed its investments in Onward Security Corp. and Newgreen Tech Co., Ltd. at fair value of \$52,695 thousand, with unrealized loss on financial assets at FVTOCI in other equity and a corresponding amount reclassified to retained earnings for \$19,794 thousand in March 2023.

9. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Current</u>			
Domestic investments			
Time deposits with original maturities of more than 3 months	\$ <u>59,570</u>	\$ <u>14,370</u>	\$ <u>3,370</u>
<u>Non-current</u>			
Domestic investments			
Time deposits with original maturities of more than 3 months	\$ <u>26,493</u>	\$ <u>20,197</u>	\$ <u>6,374</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, 2023	December 31, 2022	September 30, 2022
<u>Notes receivable</u>			
At amortized cost			
Gross carrying amount	\$ <u>4,356</u>	\$ <u>2,462</u>	\$ <u>15,484</u>
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$ 1,033,011	\$ 1,296,717	\$ 1,495,859
Less: Allowance for impairment loss	<u>(7,062)</u>	<u>(58,690)</u>	<u>(74,274)</u>
	\$ <u>1,025,949</u>	\$ <u>1,238,027</u>	\$ <u>1,421,585</u>
<u>Other receivables</u>			
Others	\$ <u>6,140</u>	\$ <u>8,729</u>	\$ <u>11,271</u>

Trade Receivables

At amortized cost

The average credit period of the Group's sales of goods varies 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 risk management committee, and counterparty limits are reviewed and approved 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 experience of the customer, the customer's current financial position and economic conditions of the industry in which the customer operates. 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 evidence 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, 2023

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	0.24%	1.54%	24.52%	37.31%	38.08%	
Gross carrying amount	\$ 936,442	\$ 85,079	\$ 6,701	\$ 67	\$ 4,722	\$ 1,033,011
Loss allowance (Lifetime ECLs)	<u>(2,288)</u>	<u>(1,308)</u>	<u>(1,643)</u>	<u>(25)</u>	<u>(1,798)</u>	<u>(7,062)</u>
Amortized cost	<u>\$ 934,154</u>	<u>\$ 83,771</u>	<u>\$ 5,058</u>	<u>\$ 42</u>	<u>\$ 2,924</u>	<u>\$ 1,025,949</u>

December 31, 2022

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	0.27%	1.37%	7.28%	42.97%	95.21%	
Gross carrying amount	\$ 1,111,472	\$ 101,044	\$ 24,157	\$ 8,842	\$ 51,202	\$ 1,296,717
Loss allowance (Lifetime ECLs)	<u>(2,998)</u>	<u>(1,384)</u>	<u>(1,758)</u>	<u>(3,799)</u>	<u>(48,751)</u>	<u>(58,690)</u>
Amortized cost	<u>\$ 1,108,474</u>	<u>\$ 99,660</u>	<u>\$ 22,399</u>	<u>\$ 5,043</u>	<u>\$ 2,451</u>	<u>\$ 1,238,027</u>

September 30, 2022

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 180 Days	Total
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>

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

	For the Nine Months Ended September 30	
	2023	2022
Balance at January 1	\$ 58,690	\$ 68,349
Add: Net remeasurement of loss allowance	-	5,475
Less: Reversals of impairment loss	(3,819)	-
Less: Amounts written off (Note)	(47,870)	-
Foreign exchange gains and losses	<u>61</u>	<u>450</u>
Balance at September 30	<u>\$ 7,062</u>	<u>\$ 74,274</u>

Note: For the nine months ended September 30, 2023, the Group wrote off accounts receivable of \$47,870 thousand and the loss allowance of \$47,870 thousand due to unrecoverable accounts.

11. INVENTORIES

	September 30, 2023	December 31, 2022	September 30, 2022
Raw materials	\$ 462,278	\$ 580,526	\$ 912,517
Finished goods	416,835	254,619	295,794
Work-in-process	325,835	624,171	342,451
Merchandise	<u>208,224</u>	<u>262,603</u>	<u>400,911</u>
	<u>\$ 1,413,172</u>	<u>\$ 1,721,919</u>	<u>\$ 1,951,673</u>

The cost of goods sold included (reversals) loss of inventory write-downs for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022 amounted to \$22,479 thousand, \$(8,953) thousand, \$96,602 thousand and \$33,432 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, 2023	December 31, 2022	September 30, 2022	
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)
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	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	33.49%	33.60%	33.72%	
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)

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership			Remark
			September 30, 2023	December 31, 2022	September 30, 2022	
Comtrend	Comtrend Corporation, USA (“CUSA”)	Cable and cableless transmission equipment wholesale, retail sale, and international trade	100.00%	100.00%	100.00%	
Comtrend	Interchan Global Limited (“Interchan Global”)	Investing	-	-	100.00%	2), 3)
Comtrend	Comtrend Technology (Netherlands) B.V. (“CTBV”)	Cable and cableless transmission equipment wholesale, retail sale, and international trade	100.00%	100.00%	100.00%	
Datamax HK	Edimax Electronic (Dongguan) Co., Ltd. (“Edimax Electronic (Dongguan)”)	Networking production and marketing	100.00%	100.00%	100.00%	
ABST	ABST Information Telecom Service Inc. (“ABST Information Telecom Service”)	Telecommunication equipment wholesale, transmission and rental	100.00%	100.00%	100.00%	1), 2)
Interchan Global	Interchan Taiwan (“8086”)	Telecommunication value-added services	-	-	-	2), 3)
CTBV	Comtrend Central Europe S.R.O. (“CCE”)	Cable and cableless transmission equipment wholesale, retail sale, and international trade, etc.	100.00%	100.00%	100.00%	
CTBV	Comtrend Iberia S.L. (“Comtrend Iberia”)	Cable and cableless transmission equipment wholesale, retail sale, and international trade, etc.	100.00%	100.00%	100.00%	

(Concluded)

- 1) As the subsidiary is not a major subsidiary, its financial statements for the nine months ended September 30, 2023 have not been reviewed.
- 2) As the subsidiary is not a major subsidiary, its financial statements for the nine months ended September 30, 2022 have not been reviewed.
- 3) The Group completed the liquidation procedures of Interchan Global and 8086 in December 2022 and July 2022, respectively.

As of September 30, 2023, December 31, 2022 and September 30, 2022, the Company held 33.49%, 33.60% and 33.72% of Comtrend’s voting shares, respectively, but the Company 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:

	September 30			
	2023		2022	
Unreviewed total assets	\$ 411,809		\$ 390,176	
Proportion of total consolidated assets	6%		5%	
Unreviewed total liabilities	\$ 114,587		\$ 66,800	
Proportion of total consolidated liabilities	3%		1%	
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Unreviewed comprehensive (loss) income	\$ (2,653)	\$ 2,651	\$ 5,882	\$ 17,745
Proportion of total consolidated comprehensive income (loss)	30%	2%	(10%)	6%

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

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests		
		September 30, 2023	December 31, 2022	September 30, 2022
Comtrend	Taiwan	66.51%	66.40%	66.28%

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests For the Nine Months Ended September 30		Accumulated Non-controlling Interests		
	2023	2022	September 30, 2023	December 31, 2022	September 30, 2022
Comtrend	\$ (155,660)	\$ 10,967	\$ 616,353	\$ 794,859	\$ 793,457

The summarized financial information below represents amounts before intragroup eliminations.

Comtrend and its subsidiaries

	September 30, 2023	December 31, 2022	September 30, 2022
Current assets	\$ 1,169,799	\$ 1,423,427	\$ 1,729,219
Non-current assets	363,350	365,123	353,812
Current liabilities	(339,907)	(320,674)	(603,913)
Non-current liabilities	<u>(209,269)</u>	<u>(208,609)</u>	<u>(215,452)</u>
Equity	<u>\$ 983,973</u>	<u>\$ 1,259,267</u>	<u>\$ 1,263,666</u>
Equity attributable to:			
Owners of Comtrend	\$ 329,533	\$ 423,114	\$ 426,108
Non-controlling interests of Comtrend	<u>654,440</u>	<u>836,153</u>	<u>837,558</u>
	<u>\$ 983,973</u>	<u>\$ 1,259,267</u>	<u>\$ 1,263,666</u>
		For the Nine Months Ended September 30	
		2023	2022
Revenue		<u>\$ 715,617</u>	<u>\$ 1,437,452</u>
Net (loss) profit for the period		\$ (234,040)	\$ 16,563
Other comprehensive (loss) income for the period		<u>(2,204)</u>	<u>31,306</u>
Total comprehensive (loss) income for the period		<u>\$ (236,244)</u>	<u>\$ 47,869</u>
(Loss) profit attributable to:			
Owners of Comtrend		\$ (78,380)	\$ 5,596
Non-controlling interests of Comtrend		<u>(155,660)</u>	<u>10,967</u>
		<u>\$ (234,040)</u>	<u>\$ 16,563</u>

(Continued)

	For the Nine Months Ended September 30	
	2023	2022
Total comprehensive (loss) income attributable to:		
Owners of Comtrend	\$ (82,406)	\$ 21,547
Non-controlling interests of Comtrend	<u>(153,838)</u>	<u>26,322</u>
	<u>\$ (236,244)</u>	<u>\$ 47,869</u>
Net cash (outflow) inflow from:		
Operating activities	\$ 10,102	\$ 46,004
Investing activities	(15,478)	(215,319)
Financing activities	(49,753)	226,061
Effects of exchange rates	<u>7,672</u>	<u>28,120</u>
Net cash (outflow) inflow	<u>\$ (47,457)</u>	<u>\$ 84,866</u>

(Concluded)

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	September 30, 2023	December 31, 2022	September 30, 2022
Associates that are not individually material	<u>\$ 63,047</u>	<u>\$ 71,531</u>	<u>\$ 82,249</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 not been audited. Management considers there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the unreviewed financial statements.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2023	\$ 1,489,898	\$ 986,739	\$ 392,188	\$ 526,536	\$ 3,395,361
Additions	12,684	5,300	1,185	23,043	42,212
Disposals	-	-	(250,335)	(67,551)	(317,886)
Reclassifications	-	(5,194)	-	5,194	-
Effects of foreign currency exchange differences	<u>-</u>	<u>-</u>	<u>(195)</u>	<u>(79)</u>	<u>(274)</u>
Balance at September 30, 2023	<u>\$ 1,502,582</u>	<u>\$ 986,845</u>	<u>\$ 142,843</u>	<u>\$ 487,143</u>	<u>\$ 3,119,413</u>

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Total
<u>Accumulated depreciation</u>					
Balance at January 1, 2023	\$ -	\$ 156,983	\$ 341,734	\$ 413,176	\$ 911,893
Depreciation expense	-	17,349	8,197	38,552	64,098
Disposals	-	-	(250,335)	(66,988)	(317,323)
Reclassifications	-	(5,194)	-	5,194	-
Effects of foreign currency exchange differences	-	-	(306)	(92)	(398)
Balance at September 30, 2023	<u>\$ -</u>	<u>\$ 169,138</u>	<u>\$ 99,290</u>	<u>\$ 389,842</u>	<u>\$ 658,270</u>
Carrying amount at September 30, 2023	<u>\$ 1,502,582</u>	<u>\$ 817,707</u>	<u>\$ 43,553</u>	<u>\$ 97,301</u>	<u>\$ 2,461,143</u>
<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)
Effects 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)
Effects 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>

(Concluded)

- a. No impairment loss was recognized or reversed for the nine months ended September 30, 2023 and 2022.
- b. The cash flow information for the acquisition of property, plant and equipment by the Group, for the nine months ended September 30, 2023 and 2022 is adjusted as follows:

	For the Nine Months Ended September 30	
	2023	2022
Increase in property, plant and equipment	\$ 42,212	\$ 283,476
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>\$ 42,212</u>	<u>\$ 226,680</u>

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

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

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings were set out in Note 33.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2023	December 31, 2022	September 30, 2022	
<u>Carrying amount</u>				
Buildings	\$ 164,802	\$ 41,593	\$ 45,482	
Transportation equipment	<u>3,587</u>	<u>6,906</u>	<u>7,921</u>	
	<u>\$ 168,389</u>	<u>\$ 48,499</u>	<u>\$ 53,403</u>	
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Additions to right-of-use assets			<u>\$ 165,809</u>	<u>\$ 22,015</u>
Depreciation charge for right-of-use assets				
Buildings	\$ 12,434	\$ 8,081	\$ 32,334	\$ 21,619
Transportation equipment	<u>1,102</u>	<u>1,090</u>	<u>3,316</u>	<u>3,310</u>
	<u>\$ 13,536</u>	<u>\$ 9,171</u>	<u>\$ 35,650</u>	<u>\$ 24,929</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, 2023 and 2022.

b. Lease liabilities

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Carrying amount</u>			
Current	<u>\$ 44,142</u>	<u>\$ 22,586</u>	<u>\$ 25,593</u>
Non-current	<u>\$ 124,608</u>	<u>\$ 26,102</u>	<u>\$ 28,099</u>

Discount rates for lease liabilities were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Buildings	1.11%-1.75%	1.38%-1.50%	1.36%-1.38%
Transportation equipment	1.25%-1.36%	1.25%-1.36%	1.25%-1.38%

c. Material leasing activities and terms

The Group leases certain transportation equipment for the use of transportation with lease terms of 3 to 5 years.

The Group also leases buildings for the use of offices and warehouses with lease terms of 1 to 6 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 September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Expenses relating to short-term leases and low-value asset leases	<u>\$ 1,365</u>	<u>\$ 721</u>	<u>\$ 4,796</u>	<u>\$ 1,654</u>
Total cash outflow for leases			<u>\$ (52,895)</u>	<u>\$ (26,161)</u>

The Group's leases of certain office equipment, transportation equipment, and car parking lots 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, 2023	December 31, 2022	September 30, 2022
Goodwill	\$ 23,231	\$ 23,231	\$ 23,231
Computer software	<u>11,798</u>	<u>10,487</u>	<u>10,017</u>
	<u>\$ 35,029</u>	<u>\$ 33,718</u>	<u>\$ 33,248</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, 2023 and 2022.

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, 2023	December 31, 2022	September 30, 2022
<u>Non-current</u>			
Pension reserve fund	\$ 66,692	\$ 69,400	\$ 67,818
Reserve account	<u>2,487</u>	<u>400</u>	<u>-</u>
	<u>\$ 69,179</u>	<u>\$ 69,800</u>	<u>\$ 67,818</u>

The pension reserve fund contributed by the Company is for the managerial personnel.

18. BORROWINGS

a. Short-term borrowings

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Unsecured borrowings</u>			
Bank loans	<u>\$ 230,346</u>	<u>\$ 739,632</u>	<u>\$ 903,158</u>

The ranges of weighted average effective interest rates on bank loans were 1.76%-1.89%, 1.49%-2.19% and 1.35%-1.66% per annum as of September 30, 2023, December 31, 2022 and September 30, 2022, respectively.

b. Short-term bills payable

	September 30, 2023	December 31, 2022	September 30, 2022
Commercial paper	\$ -	\$ 30,000	\$ 30,000
Less: Unamortized discounts on bills payable	<u>-</u>	<u>(31)</u>	<u>(14)</u>
	<u>\$ -</u>	<u>\$ 29,969</u>	<u>\$ 29,986</u>

c. Long-term borrowings

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Secured borrowings</u>			
Bank loans (Note 1)	\$ 1,354,514	\$ 1,367,114	\$ 1,371,314
Bank loans (Note 2)	200,000	200,000	200,000
Bank loans (Note 3)	<u>30,000</u>	<u>-</u>	<u>-</u>
	1,584,514	1,567,114	1,571,314
Less: Current portion	<u>(88,064)</u>	<u>(16,800)</u>	<u>(82,074)</u>
Long-term borrowings	<u>\$ 1,496,450</u>	<u>\$ 1,550,314</u>	<u>\$ 1,489,240</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 1.86%. 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 January 14, 2042 with grace period of 3 years, and the effective annual interest rates were 1.25%-1.75% and 1.86% on January 14, 2022 to January 14, 2025 and January 15, 2025 to January 14, 2042, respectively. The purpose of the borrowings is to purchase land and buildings for operations.
- 3) 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 September 25, 2028 and the effective annual interest rates was 2.10%. The purpose of the borrowings is to purchase land and buildings for operations.

19. BONDS PAYABLE

	September 30, 2023	December 31, 2022	September 30, 2022
Secured domestic convertible bonds	\$ <u>134,626</u>	\$ <u>185,143</u>	\$ <u>200,314</u>

On March 30, 2021, the Company issued 4 thousand of five-year zero coupon unsecured 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. In addition, the conversion price was adjusted from \$13.50 to \$12.66 as of September 18, 2023. 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 components are classified as embedded derivative assets and non-embedded derivative assets. The embedded derivatives, which are measured at fair value, amounted to \$95 thousand, \$244 thousand and \$407 thousand on September 30, 2023, December 31, 2022 and September 30, 2022, respectively. The non-derivatives, which are measured at amortized cost, amounted to \$134,626 thousand, \$185,143 thousand and \$200,314 thousand on September 30, 2023, December 31, 2022 and September 30, 2022, respectively. The effective interest rate of the liability components was 1.04% per annum on initial recognition.

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 ordinary shares	(193,445)
Valuation loss on financial investments	<u>113</u>
Liability component at September 30, 2022	<u>\$ 199,907</u>
Liability component at January 1, 2023	\$ 184,899
Interest charged at an effective interest rate of 1.04%	1,201
Conversion of convertible bonds into ordinary shares	(51,718)
Valuation loss on financial investments	<u>149</u>
Liability component at September 30, 2023	<u>\$ 134,531</u>

As of September 30, 2023, the convertible bonds with face value of \$264,100 thousand were converted into 19,563 thousand ordinary shares.

20. OTHER LIABILITIES

	September 30, 2023	December 31, 2022	September 30, 2022
Other payables			
Payables for salaries	\$ 122,082	\$ 97,648	\$ 126,324
Payables for dividends (Note)	207,962	-	-
Payables for labor fee	19,426	17,713	20,046
Payables for compensation of employees and remuneration of directors	19,206	22,821	19,274
Output VAT	7,313	-	1,947
Payables for freight and customs fee	4,068	5,785	14,307
Payables for royalties	2,864	2,726	2,818
Others	<u>117,003</u>	<u>183,763</u>	<u>118,036</u>
	<u>\$ 499,924</u>	<u>\$ 330,456</u>	<u>\$ 302,752</u>
Other liabilities			
Receipts under custody	\$ 34,263	\$ 40,453	\$ 57,509
Temporary credit	18,556	29,585	21,076
Refund liabilities	16,164	35,269	43,547
Others	<u>-</u>	<u>-</u>	<u>610</u>
	<u>\$ 68,983</u>	<u>\$ 105,307</u>	<u>\$ 122,742</u>

Note: Dividends were distributed by the Company.

21. PROVISIONS

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Current</u>			
Warranties	<u>\$ 8,393</u>	<u>\$ 7,914</u>	<u>\$ 7,279</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, 2023 and 2022, the pension expenses of defined benefit plans were \$244 thousand, \$554 thousand, \$1,350 thousand and \$1,660 thousand, respectively, and these were calculated based on the actuarially determined pension cost rate on December 31, 2022 and 2021, respectively.

23. EQUITY

a. Share capital

Ordinary shares

	September 30, 2023	December 31, 2022	September 30, 2022
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>212,286</u>	<u>207,010</u>	<u>190,754</u>
Shares issued	<u>\$ 2,122,860</u>	<u>\$ 2,070,101</u>	<u>\$ 1,907,540</u>
Capital collected in advance	<u>\$ 6,804</u>	<u>\$ 8,504</u>	<u>\$ 152,914</u>

The capital collected in advance of the Company on September 30, 2022, resulted from exercising the options of \$7,507 thousand, and the issuance of the ordinary shares was 751 thousand units, the exercise price was \$10. As of September 30, 2022, the applying for change of registration was not done, therefore, the share options were recognized as capital collected in advance. The change registration has been completed as of December 21, 2022.

In addition, as of September 30, 2022, the holders of the Company's unsecured convertible bond claimed the conversion into ordinary shares of \$145,407 thousand, the issuance of the ordinary shares was 14,541 thousand units. As of September 30, 2022, the applying for change of registration was not done, therefore, the share options were recognized as capital collected in advance. The change registration has been completed as of December 31, 2022.

The capital collected in advance of the Company on December 31, 2022, resulted from exercising the options of \$430 thousand, and the issuance of the ordinary shares was 43 thousand units, the exercise price was \$10. As of December 31, 2022, the applying for change of registration was not done, therefore, the share options were recognized as capital collected in advance. The change registration has been completed as of March 21, 2023.

In addition, as of December 31, 2022, the holders of the Company's unsecured convertible bond claimed the conversion into ordinary shares of \$8,074 thousand, the issuance of the ordinary shares was 807 thousand units. As of December 31, 2022, the applying for change of registration was not done, therefore, the share options were recognized as capital collected in advance. The change registration has been completed as of March 21, 2023.

The capital collected in advance of the Company on September 30, 2023, resulted from exercising the options of \$5,915 thousand, and the issuance of the ordinary shares was 592 thousand units, the exercise price was \$10. As of September 30, 2023, the applying for change of registration was not done, therefore, the share options were recognized as capital collected in advance.

In addition, as of September 30, 2023, the holders of the Company's unsecured convertible bond claimed the conversion into ordinary shares of \$889 thousand, the issuance of the ordinary shares was 89 thousand units. As of September 30, 2023, the applying for change of registration was not done, therefore, the share options were recognized as capital collected in advance.

b. Capital surplus

	September 30, 2023	December 31, 2022	September 30, 2022
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Premium from issuance of ordinary shares	\$ 1,966	\$ 41,417	\$ 39,732
Premium from conversion of bonds	89,704	76,681	67,458
Treasury share transactions	6,836	6,836	6,836
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)	64,956	65,624	66,393
Others	33,437	33,437	33,437
<u>May not be used for any purpose</u>			
Employee share options	7,368	6,552	7,716
Share options from convertible bonds (Note 19)	<u>3,630</u>	<u>5,019</u>	<u>10,684</u>
	<u>\$ 257,259</u>	<u>\$ 284,928</u>	<u>\$ 281,618</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 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 unless the legal reserve equals the Company's paid-in capital, 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 offset of deficit for 2021, which was proposed by the Company's board of directors in 2022, was approved by the shareholders in their meeting on June 1, 2022.

The appropriation of earnings 2022 that was approved in the shareholders' meeting on June 14, 2023 was as follows:

	For the Year Ended December 31, 2022
Legal reserve	<u>\$ 18,818</u>
Special reserve	<u>\$ (15,923)</u>
Cash dividends	<u>\$ 166,370</u>
Capital reserve cash dividends	<u>\$ 41,592</u>
Cash dividends per share	\$ 0.8
Capital reserve cash dividends per share	\$ 0.2

d. Treasury shares

Purpose of Buy-back	Shares Transferred to Employees (In Thousands of Shares)	Shares Cancelled (In Thousands of Shares)	Shares Held by Its Subsidiaries (In Thousands of Shares)	Total (In Thousands of Shares)
Number of shares at January 1, 2023	-	-	1,384	1,384
Decrease during the period	<u>-</u>	<u>-</u>	<u>(4)</u>	<u>(4)</u>
Number of shares at September 30, 2023	<u>-</u>	<u>-</u>	<u>1,380</u>	<u>1,380</u>
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>

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, 2023</u>			
Comtrend	1,380	\$ 12,931	\$ 19,179
<u>December 31, 2022</u>			
Comtrend	1,384	12,974	20,903
<u>September 30, 2022</u>			
Comtrend	1,389	13,020	22,437

As of September 30, 2023, December 31, 2022 and September 30, 2022, Comtrend held 4,120 thousand, 4,120 thousand and 4,120 thousand ordinary shares of the Company, respectively, and the Company recognized treasury shares amounting to \$1,380 thousand, \$1,384 thousand and \$1,389 thousand based on their ownership percentage of 33.49%, 33.60% and 33.72% as at September 30, 2023, December 31, 2022 and September 30, 2022, 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, were bestowed shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

e. Non-controlling interests

	For the Nine Months Ended September 30	
	2023	2022
Balance at January 1	\$ 794,859	\$ 790,739
Share of (loss) profit for the period	(155,660)	10,967
Other comprehensive income (loss) during the period		
Exchange differences on translating the financial statements of foreign operations	1,822	15,355
Cash dividends distributed by the subsidiaries	(27,313)	(38,275)
Employee share options of the subsidiaries	(496)	490
Share of changes in ownership of subsidiaries	<u>3,141</u>	<u>14,181</u>
Balance at September 30	<u>\$ 616,353</u>	<u>\$ 793,457</u>

24. REVENUE

a. Disaggregation of revenue

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Revenue from the sale of goods	\$ 1,067,339	\$ 1,617,327	\$ 3,261,261	\$ 4,502,812
Revenue from the rendering of services	3,797	2,385	7,418	10,598
Other income	<u>8</u>	<u>41</u>	<u>10</u>	<u>370</u>
	<u>\$ 1,071,144</u>	<u>\$ 1,619,753</u>	<u>\$ 3,268,689</u>	<u>\$ 4,513,780</u>

b. Contract balances

	September 30, 2023	December 31, 2022	September 30, 2022	January 1, 2022
Trade receivables (Note 10)	<u>\$ 1,033,011</u>	<u>\$ 1,296,717</u>	<u>\$ 1,495,859</u>	<u>\$ 1,168,257</u>
Contract assets - sale of goods	<u>\$ 2,361</u>	<u>\$ 8,355</u>	<u>\$ 7,740</u>	<u>\$ 5,782</u>
Contract liabilities - sale of goods	<u>\$ 120,327</u>	<u>\$ 93,974</u>	<u>\$ 95,178</u>	<u>\$ 111,494</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 (LOSS) PROFIT

a. Interest income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Bank deposits	\$ <u>3,882</u>	\$ <u>1,148</u>	\$ <u>14,404</u>	\$ <u>2,616</u>

b. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Dividends				
Investments in equity instruments at FVTOCI	\$ -	\$ 182	\$ 728	\$ 733
Others	<u>(2,877)</u>	<u>14,108</u>	<u>11,436</u>	<u>32,989</u>
	\$ <u>(2,877)</u>	\$ <u>14,290</u>	\$ <u>12,164</u>	\$ <u>33,722</u>

c. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Net foreign exchange gain	\$ 41,849	\$ 84,363	\$ 48,610	\$ 166,907
Gain (loss) on disposal of property, plant and equipment	22	(739)	22	4
(Loss) gain on fair value changes of financial assets and financial liabilities as at FVTPL	(260)	1,927	634	(1,152)
Others	<u>(955)</u>	<u>(4,057)</u>	<u>(2,420)</u>	<u>(13,182)</u>
	\$ <u>40,656</u>	\$ <u>81,494</u>	\$ <u>46,846</u>	\$ <u>152,577</u>

d. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Interest on bank loans	\$ 8,077	\$ 9,077	\$ 26,441	\$ 23,246
Interest on convertible bonds	356	893	1,201	2,924
Interest on lease liabilities	<u>443</u>	<u>263</u>	<u>1,176</u>	<u>655</u>
	\$ <u>8,876</u>	\$ <u>10,233</u>	\$ <u>28,818</u>	\$ <u>26,825</u>

e. Impairment losses recognized (reversed)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Trade receivables	\$ (139)	\$ 311	\$ (3,819)	\$ 5,475
Inventories (included in operating costs)	\$ 22,479	\$ (8,953)	\$ 96,602	\$ 33,432

f. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Property, plant and equipment	\$ 20,766	\$ 22,107	\$ 64,098	\$ 67,871
Right-of-use assets	13,536	9,171	35,650	24,929
Intangible assets	2,188	1,457	6,924	6,388
	<u>\$ 36,490</u>	<u>\$ 32,735</u>	<u>\$ 106,672</u>	<u>\$ 99,188</u>
An analysis of depreciation by function				
Operating costs	\$ 12,194	\$ 5,552	\$ 32,710	\$ 20,149
Operating expenses	22,108	25,726	67,038	72,651
	<u>\$ 34,302</u>	<u>\$ 31,278</u>	<u>\$ 99,748</u>	<u>\$ 92,800</u>
An analysis of amortization by function				
Operating costs	\$ 277	\$ 189	\$ 509	\$ 623
Operating expenses	1,911	1,268	6,415	5,765
	<u>\$ 2,188</u>	<u>\$ 1,457</u>	<u>\$ 6,924</u>	<u>\$ 6,388</u>

g. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Post-employment benefits				
Defined contribution plans	\$ 8,062	\$ 7,766	\$ 23,694	\$ 23,089
Defined benefit plans (Note 22)	244	554	1,350	1,660
	<u>8,306</u>	<u>8,320</u>	<u>25,044</u>	<u>24,749</u>
Share-based payments				
Equity-settled	-	96	-	1,027
Termination benefits	8,317	-	10,631	-
Other employee benefits	238,948	252,011	730,917	755,440
Total employee benefits expense	<u>\$ 255,571</u>	<u>\$ 260,427</u>	<u>\$ 766,592</u>	<u>\$ 781,216</u>

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
An analysis of employee benefits expense by function				
Operating costs	\$ 30,749	\$ 49,723	\$ 108,518	\$ 158,757
Operating expenses	<u>224,822</u>	<u>210,704</u>	<u>658,074</u>	<u>622,459</u>
	<u>\$ 255,571</u>	<u>\$ 260,427</u>	<u>\$ 766,592</u>	<u>\$ 781,216</u> (Concluded)

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 ended September 30, 2023 and 2022, the employees' compensation and the remuneration of directors are as follows:

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Compensation of employees	<u>\$ 1,129</u>	<u>\$ 8,203</u>	<u>\$ 3,354</u>	<u>\$ 13,241</u>
Remuneration of directors	<u>\$ 322</u>	<u>\$ 2,344</u>	<u>\$ 958</u>	<u>\$ 3,783</u>

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.

The appropriations of compensation of employees and remuneration of directors for 2022 that were resolved by the board of directors on March 3, 2023 are as shown below:

Amount

	For the Year Ended December 31, 2022
Compensation of employees	\$ 14,534
Remuneration of directors	4,152

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. Gains on foreign currency exchange

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Foreign exchange gains	\$ 58,568	\$ 213,382	\$ 122,149	\$ 342,832
Foreign exchange losses	<u>(16,719)</u>	<u>(129,019)</u>	<u>(73,539)</u>	<u>(175,925)</u>
	<u>\$ 41,849</u>	<u>\$ 84,363</u>	<u>\$ 48,610</u>	<u>\$ 166,907</u>

26. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Current tax				
In respect of the current period	\$ (29,475)	\$ 8,417	\$ (33,112)	\$ 26,822
Income tax on unappropriated earnings	-	-	(946)	-
Adjustments for prior years	<u>2</u>	<u>(987)</u>	<u>7</u>	<u>(2,533)</u>
	<u>(29,473)</u>	<u>7,431</u>	<u>(34,051)</u>	<u>24,289</u>
Deferred tax				
In respect of the current period	<u>12,393</u>	<u>1,439</u>	<u>8,458</u>	<u>2,145</u>
Income tax expense recognized in profit or loss	<u>\$ (17,080)</u>	<u>\$ 8,869</u>	<u>\$ (25,593)</u>	<u>\$ 26,434</u>

b. Income tax assessments

As of September 30, 2023, the tax returns of the Company and its subsidiaries have been assessed by the tax authorities as follows:

	<u>Last Tax Assessment Year</u>
The Company	2021
Edimax Electronic (Dongguan) Co., Ltd.	2021
Comtrend	2021
CUSA	2022
CTBV	2022
CCE	2022
Comtrend Iberia	2022
ABS Telecom	2021
SMAX Technology	2021

27. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Basic earnings per share	<u>\$ 0.02</u>	<u>\$ 0.60</u>	<u>\$ 0.13</u>	<u>\$ 1.26</u>
Diluted earnings per share	<u>\$ 0.02</u>	<u>\$ 0.51</u>	<u>\$ 0.13</u>	<u>\$ 1.09</u>

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

Net Profit for the Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Profit used in the computation of earnings per share	\$ 4,177	\$ 122,079	\$ 27,531	\$ 239,238
Effect of potentially dilutive ordinary shares				
Convertible bonds	<u>538</u>	<u>(1,034)</u>	<u>1,459</u>	<u>3,037</u>
Earnings used in the computation of diluted earnings per share from continuing operations	<u>\$ 4,715</u>	<u>\$ 121,045</u>	<u>\$ 28,990</u>	<u>\$ 242,275</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	
	2023	2022	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings (loss) per share	206,422	204,410	208,971	190,254
Effect of potentially dilutive ordinary shares				
Convertible bonds	11,408	29,630	14,586	29,630
Employee share options	370	712	148	506
Compensation of employees	<u>708</u>	<u>1,054</u>	<u>450</u>	<u>1,054</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>218,908</u>	<u>235,806</u>	<u>224,155</u>	<u>221,444</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 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.

28. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan of the Company

1) Information of the Company issued employee share options on September 30, 2017 was as follows:

	For the Nine Months Ended September 30			
	2023		2022	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	1,334	\$ 10.00	3,512	\$ 10.00
Options exercised	(1,254)	10.00	(1,255)	10.00
Options forfeited	<u>(80)</u>	10.00	<u>(279)</u>	10.00
Balance at September 30	<u>-</u>	10.00	<u>1,978</u>	10.00
Options exercisable, end of period	<u>-</u>	10.00	<u>1,978</u>	

The compensation costs recognized by the Company were \$0 and \$96 thousand for the three months ended September 30, 2023 and 2022, respectively, and the compensation costs recognized by the Company were \$0 and \$288 thousand for the nine months ended September 30, 2023 and 2022, respectively.

- 2) The Company issued 8,000 thousand units of employee share options on August 10, 2023, with each unit entitling to subscribe for one share of ordinary share. The target recipients include employees of the Company and its subsidiaries who meet certain criteria. The share options have a term of 6 years. The holders of the share options may exercise a certain percentage of the share options within 2 years from the date of issuance. The exercise price of the share options is the closing price of the Company's ordinary share on the date of issuance. After the issuance of the share options, the exercise price of the share options will be adjusted in accordance with a prescribed formula in the event of any changes in the Company's ordinary share after the issuance of the share options. Information of the share options was as follows:

	For the Nine Months Ended September 30 2023	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	-	\$ -
Options given	8,000	15.25
Options exercised	<u>-</u>	-
Balance at September 30	<u>8,000</u>	14.30
Options exercisable, end of period	<u>-</u>	

Information on outstanding employee share options is as follows:

	September 30, 2023
Range of exercise price	\$14.30
Weighted average remaining contract term	5.83 years

The Company granted the employee share options in August 2023 were valued using the Binomial Option Valuation Model, and the inputs used in the valuation model were as follows:

	August 2023
Stock price on the date of grant	\$15.25
Exercise price (Note)	14.30
Expected volatility	41.08%
Duration	6 years
Risk-free interest rate	1.0261%

Note: The closing price of our ordinary share on the issuance date of 2023 employee share options was \$15.25, and then the share option price was adjusted to \$14.30 as of September 30, 2023 due to the payment of 2022 cash dividends.

Compensation costs recognized by the Company were \$1,394 thousand and \$1,394 thousand for the three months ended September 30, 2023 and for the nine months ended September 30, 2023, respectively.

b. Employee share option plan of the subsidiaries

Comtrend did not issue any employee share options during the nine months ended September 30, 2023 and 2022. Information on employee share options were as follows:

	For the Nine Months Ended September 30			
	2023		2022	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	380	\$ 10.00	1,547	\$ 10.00
Options forfeited	(178)	10.00	(3)	10.00
Options exercised	<u>(202)</u>	10.00	<u>(956)</u>	10.00
Balance at September 30	<u>-</u>	10.00	<u>588</u>	10.00
Options exercisable, end of period	<u>-</u>		<u>588</u>	

The compensation costs recognized by the subsidiary were \$0, \$0 for the three months ended September 30, 2023 and 2022, respectively. The compensation costs recognized by the subsidiary were \$0 and \$739 thousand for the nine months ended September 30, 2023 and 2022, respectively.

29. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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%.

In March 2023, June 2023 and September 2023, Comtrend exercised employee share options, decreasing the Group continuing interest from 33.60% to 33.49% and 33.49%.

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, 2023

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Convertible bonds	\$ 134,626	\$ -	\$ 131,157	\$ -	\$ 131,157

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	\$ 185,143	\$ -	\$ 178,467	\$ -	\$ 178,467

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

Level 2 inputs are except quoted prices according to an active market that are observable for the asset or liability, either directly or indirectly.

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

1) Fair value hierarchy

September 30, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss - non-current</u>				
Redeemable and puttable options of convertible bonds	\$ -	\$ 95	\$ -	\$ 95
<u>Financial assets at FVTOCI - non-current</u>				
Investments in equity instruments				
Foreign unlisted shares	\$ -	\$ -	\$ 35,747	\$ 35,747
Domestic unlisted shares	-	-	18,554	18,554
	\$ -	\$ -	\$ 54,301	\$ 54,301

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI - non-current</u>				
Convertible bond redemption and put option	\$ -	\$ 244	\$ -	\$ 244
Investments in equity instruments				
Foreign unlisted shares	\$ -	\$ -	\$ 18,798	\$ 18,798
Domestic unlisted shares	-	-	34,705	34,705
	\$ -	\$ -	\$ 53,503	\$ 53,503
<u>Financial assets at fair value through profit or loss - current</u>				
Derivative	\$ -	\$ 783	\$ -	\$ 783

September 30, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss - current</u>				
Derivative	\$ <u> -</u>	\$ <u> 1,265</u>	\$ <u> -</u>	\$ <u> 1,265</u>
<u>Financial assets at fair value through profit or loss - non-current</u>				
Redeemable and puttable options of convertible bonds	\$ <u> -</u>	\$ <u> 407</u>	\$ <u> -</u>	\$ <u> 407</u>
<u>Financial assets at FVTOCI - non-current</u>				
Investments in equity instruments				
Foreign unlisted shares	\$ -	\$ -	\$ 18,479	\$ 18,479
Domestic unlisted shares	<u> -</u>	<u> -</u>	<u> 32,703</u>	<u> 32,703</u>
	<u>\$ <u> -</u></u>	<u>\$ <u> -</u></u>	<u>\$ <u>51,182</u></u>	<u>\$ <u>51,182</u></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 reporting period and contractual forward exchange rates, discounted at a rate that reflects the credit risk of various.
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, 2023	December 31, 2022	September 30, 2022
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at FVTPL	\$ 95	\$ 244	\$ 1,672
Financial assets at amortized cost (1)	2,612,097	3,077,575	3,011,157
Financial assets at FVTOCI			
Equity instruments	54,301	53,503	51,182
<u>Financial liabilities</u>			
FVTPL			
Held for trading	-	783	-
Amortized cost (2)	3,328,733	3,892,813	4,103,904

- 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 payables 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 (see (a) below) and interest rates (see (b) below).

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

a) Foreign currency risk

Several subsidiaries of the Group had foreign currency denominated 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) and of the derivatives exposed to foreign currency risk 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 positive number below indicates an increase/a decrease in pre-tax profit or loss and other equity when the functional currency strengthening by 1% against the relevant currency. For a 1% weakening of the functional currency against the relevant currency, there would be an equal and opposite impact on pre-tax profit or loss and other equity, and the balances below would be negative.

	USD Impact		EUR Impact	
	For the Nine Months Ended		For the Nine Months Ended	
	September 30		September 30	
	2023	2022	2023	2022
Profit or loss	\$ (10,899)*	\$ (13,098)*	\$ (453)*	\$ (548)*

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

The Group's sensitivity to USD currency decreased during the current period due to the decrease 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:

	September 30, 2023	December 31, 2022	September 30, 2022
Fair value interest rate risk			
Financial assets	\$ 289,471	\$ 338,140	\$ 225,619
Financial liabilities	2,118,236	2,570,546	2,758,464
Cash flow interest rate risk			
Financial assets	1,253,012	1,458,293	1,322,285

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 or loss for the nine months ended September 30, 2023 and 2022 would have increased/decreased by \$9,398 thousand and \$9,917 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, 2023 and 2022 would have increased/decreased by \$543 thousand and \$512 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 compared 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. 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, credit risk is not highly concentrated.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash 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, 2023, December 31, 2022 and September 30, 2022, 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 upon repayment periods. The tables have 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, 2023

	Carrying Amount	Less than 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 230,346	\$ 230,346	\$ -	\$ -	\$ -
Lease liabilities	176,902	12,973	33,411	120,216	10,302
Long-term loans payable	1,667,798	-	-	604,160	1,063,638
Notes payable and trade payables	879,323	732,763	146,018	542	-
Other payables	499,924	356,958	133,909	9,057	-
Bonds payable	135,900	-	-	135,900	-
Current portion of long-term loans payable	<u>116,805</u>	<u>11,524</u>	<u>105,281</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,706,998</u>	<u>\$ 1,344,564</u>	<u>\$ 418,619</u>	<u>\$ 869,875</u>	<u>\$ 1,073,940</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years
Lease liabilities	<u>\$ 46,384</u>	<u>\$ 120,216</u>	<u>\$ 10,302</u>	<u>\$ -</u>	<u>\$ -</u>
Long-term loans payable	<u>\$ 116,805</u>	<u>\$ 604,160</u>	<u>\$ 674,759</u>	<u>\$ 343,107</u>	<u>\$ 45,772</u>

December 31, 2022

	Carrying Amount	Less than 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 739,632	\$ 399,632	\$ 340,000	\$ -	\$ -
Lease liabilities	50,678	7,324	15,785	22,268	5,301
Short-term bills payable	30,000	30,000	-	-	-
Long-term loans payable	1,728,417	-	-	565,735	1,162,682
Notes payable and trade payables	1,040,499	853,028	187,415	56	-
Other payables	330,456	282,857	32,586	15,013	-
Bonds payable	187,900	-	-	187,900	-
Current portion of long-term loans payable	<u>43,631</u>	<u>10,932</u>	<u>32,699</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,151,213</u>	<u>\$ 1,583,773</u>	<u>\$ 608,485</u>	<u>\$ 790,972</u>	<u>\$ 1,167,983</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years
Lease liabilities	<u>\$ 23,109</u>	<u>\$ 22,268</u>	<u>\$ 3,742</u>	<u>\$ 1,559</u>	<u>\$ -</u>
Long-term loans payable	<u>\$ 43,631</u>	<u>\$ 565,735</u>	<u>\$ 677,850</u>	<u>\$ 429,327</u>	<u>\$ 55,505</u>

September 30, 2022

	Carrying Amount	Less than 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<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>

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 26,239</u>	<u>\$ 27,143</u>	<u>\$ 3,742</u>	<u>\$ 2,495</u>	<u>\$ -</u>	<u>\$ -</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>	<u>\$ -</u>
Notes payable and trade payables	<u>\$ 1,096,279</u>	<u>\$ 55</u>	<u>\$ 41</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other payables	<u>\$ 293,518</u>	<u>\$ 6,676</u>	<u>\$ 2,558</u>	<u>\$ -</u>	<u>\$ -</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, 2023, December 31, 2022 and September 30, 2022, the aggregate undiscounted principal amounts of these bank loans amounted to \$1,814,860 thousand, \$2,306,746 thousand and \$2,474,472 thousand, respectively. After considering financial position of the Group, it is unfeasible that the banks will require the Group to settle the loans immediately in management opinion. Management believes the bank loans will be settled in 2 years after the end of reporting date period according to agreement, and the cash outflow of principal and interest are \$2,013,090 thousand, \$2,511,680 thousand and \$2,649,204 thousand, respectively.

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

The following table details the Group’s liquidity analysis of its derivatives, which is based on the undiscounted contractual net cash inflows and outflows on derivatives that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount of payable or receivable is variable, the disclosed amount is determined by reference to the projected interest rates as illustrated by the yield curves on the balance sheet date.

December 31, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Foreign exchange					
forward contracts					
Inflows	\$ 6,362	\$ -	\$ 22,580	\$ -	\$ -
Outflows	<u>(6,550)</u>	<u>-</u>	<u>(23,175)</u>	<u>-</u>	<u>-</u>
	<u>\$ (188)</u>	<u>\$ -</u>	<u>\$ (595)</u>	<u>\$ -</u>	<u>\$ -</u>

September 30, 2022

	Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Forward exchange					
forward contracts					
Inflows	\$ -	\$ -	\$ 29,918	\$ -	\$ -
Outflows	<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, 2023, December 31, 2022 and September 30, 2022, unused financing facilities amounted to \$1,926,211 thousand, \$1,320,417 thousand and \$1,180,611 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

Line Item	Related Party Category	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
		2023	2022	2023	2022
Sales	Associate	\$ <u>245</u>	\$ <u>-</u>	\$ <u>1,637</u>	\$ <u>-</u>

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

c. Purchases of goods

Related Party Category	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2023	2022	2023	2022
Associate - ITI	\$ <u>134,126</u>	\$ <u>253,706</u>	\$ <u>399,773</u>	\$ <u>691,502</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, 2023	December 31, 2022	September 30, 2022
Other receivables from related parties	Associate - Crystal	\$ <u>19,362</u>	\$ <u>18,637</u>	\$ <u>-</u>

Other receivables are dividends receivable from related parties.

e. Payables to related parties

Line Item	Related Party Category	September 30, 2023	December 31, 2022	September 30, 2022
Accounts payable	Associate - ITI	\$ <u>84,928</u>	\$ <u>153,273</u>	\$ <u>221,917</u>
Other payables	Associate	\$ <u>409</u>	\$ <u>4,516</u>	\$ <u>640</u>

The outstanding trade payables to related parties are unsecured.

f. Acquisition of property, plant and equipment

Line Item	Related Party Category	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2023	2022	2023	2022
Other equipment	Associate - ITI	\$ 796	\$ 100	\$ 796	\$ 1,557

g. Other transactions with related parties

Line Item	Related Party Category	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2023	2022	2023	2022
Operating expense	Associate	\$ 1,078	\$ 1,620	\$ 1,610	\$ 3,116
Operating expense	Related party in substance	\$ -	\$ -	\$ -	\$ 142

h. Remuneration of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Short-term employee benefits	\$ 11,413	\$ 10,573	\$ 32,171	\$ 31,757
Share-based payments	115	70	115	271
	<u>\$ 11,528</u>	<u>\$ 10,643</u>	<u>\$ 32,286</u>	<u>\$ 32,028</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:

	September 30, 2023	December 31, 2022	September 30, 2022
Pledged deposits (classified as financial assets at amortized cost)	\$ 3,370	\$ 3,370	\$ 3,370
Property, plant and equipment	<u>2,183,261</u>	<u>2,202,292</u>	<u>2,204,769</u>
	<u>\$ 2,186,631</u>	<u>\$ 2,205,662</u>	<u>\$ 2,208,139</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, 2023 were as follows:

- a. As of September 30, 2023, the Group issued promissory notes with stated amounts of \$1,821,000 thousand and US\$23,500 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, 2023.
- c. As of September 30, 2023, the Group made endorsements and guarantees for SMAX Technology and Edimax Europe with stated amounts of \$20,000 thousand and \$67,820 thousand, respectively, and actual borrowings amounted to \$0 and \$20,346 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, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 56,118	32.27 (USD:NTD)	\$ 1,810,916
USD	920	23.21 (USD:EUR)	29,678
EUR	1,025	33.91 (EUR:NTD)	34,772
EUR	310	24.47 (EUR:CZK)	10,501
Non-monetary items			
Investments accounted for using the equity method			
USD	1,954	32.27 (USD:NTD)	63,047
<u>Financial liabilities</u>			
Monetary items			
USD	21,496	32.27 (USD:NTD)	693,682
USD	1,528	7.31 (USD:RMB)	49,313
USD	240	23.21 (USD:CZK)	7,740

December 31, 2022

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 66,663	30.71 (USD:NTD)	\$ 2,047,221
USD	12,957	6.97 (USD:RMB)	398,088
USD	3,099	22.62 (USD: CZK)	95,173
USD	1,582	0.94 (USD: EUR)	48,580
EUR	2,901	32.72 (EUR:NTD)	94,921
EUR	647	24.12 (EUR:CZK)	21,158
Non-monetary items			
Investments accounted for using the equity method			
USD	2,329	30.71 (USD:NTD)	71,532

Financial liabilities

Monetary items			
USD	20,954	30.71 (USD:NTD)	643,497
USD	1,428	6.97 (USD:RMB)	43,874
USD	1,119	0.94 (USD:EUR)	34,377
USD	1,825	22.62 (USD:CZK)	56,059
EUR	494	24.12 (EUR:CZK)	16,148

September 30, 2022

	Foreign Currency	Exchange Rate	Carrying Amount
<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

Financial liabilities

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

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:

For the Three Months Ended September 30				
2023		2022		
Functional Currency	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	\$ 59,021	1 (NTD:NTD)	\$ 110,801
USD	31.68 (USD:NTD)	(17,030)	30.40 (USD:NTD)	(24,249)
EUR	34.49 (EUR:NTD)	<u>(142)</u>	30.62 (EUR:NTD)	<u>(2,189)</u>
		<u>\$ 41,849</u>		<u>\$ 84,363</u>

For the Nine Months Ended September 30				
2023		2022		
Functional Currency	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	\$ 94,514	1 (NTD:NTD)	\$ 208,216
USD	30.93 (USD:NTD)	(46,024)	29.29 (USD:NTD)	(39,610)
EUR	33.52 (EUR:NTD)	<u>120</u>	31.15 (EUR:NTD)	<u>(1,699)</u>
		<u>\$ 48,610</u>		<u>\$ 166,907</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 ventures) (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 (None).
- 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.

	Enterprise, Retail Products and Services	Telecommuni- cation Products and Services	Others	Total
For the nine months ended <u>September 30, 2023</u>				
Revenue from external customers	<u>\$ 2,437,589</u>	<u>\$ 715,617</u>	<u>\$ 115,483</u>	<u>\$ 3,268,689</u>
Segment income (loss)	<u>\$ 76,805</u>	<u>\$ (238,305)</u>	<u>\$ 7,427</u>	<u>\$ (154,073)</u>
Non-operating income and expense				<u>51,537</u>
Loss before tax				<u>\$ (102,536)</u>
For the nine months ended <u>September 30, 2022</u>				
Revenue from external customers	<u>\$ 2,924,248</u>	<u>\$ 1,437,452</u>	<u>\$ 152,080</u>	<u>\$ 4,513,780</u>
Segment income (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>

Segment profit represents the profit before tax earned by each segment without allocation of non-operating income and 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, 2023

(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.	\$ 503,582	\$ 20,000	\$ 20,000	\$ -	\$ -	0.79	\$ 1,258,956	Y	N	N	Note 3
		Edimax Europe	b.	503,582	69,420	67,820	20,346	-	2.69	1,258,956	Y	N	N	Note 3

Note 1: Endorser/guarantor is numbered as follows:

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

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

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

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, 2023

(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, 2023				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 FVTOCI - non-current	333	\$ 35,747	6.58	\$ 35,747	
	Status Internet Co., Ltd.	None	Financial assets at FVTOCI - non-current	345	3,895	16.31	3,895	
	Ecobear Technology Corp.	None	Financial assets at FVTOCI - non-current	1,783	11,343	19.91	11,343	
	Newgreen tech Co., Ltd.	None	Financial assets at FVTOCI - non-current	130	3,316	3.61	3,316	
Comtrend	<u>Shares</u>							
	EMMT Systems	None	Financial assets at FVTOCI - non-current	357	-	0.39	-	
	Edimax	Parent company	Financial assets at FVTOCI - current	4,120	57,268	1.94	57,268	

Note: For information about investments in subsidiaries, please refer to Tables 5 and 6.

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, 2023
(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	\$ 150,397	5.93	Normal	Normal	Normal	\$ 89,553	10.40	
			Processing fee	797,667	30.48	By operating condition	Normal	By operating condition	(63,235)	(13.19)	
			Purchase	393,245	15.02	By operating condition	Normal	By operating condition	(84,626)	(17.66)	
Comtrend	CUSA	Subsidiary	Sales	(173,037)	(25.63)	Normal; collection period: 60-180 days	Normal	Normal; collection period: 60-180 days	249,173	55.73	

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, 2023.

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, 2023

(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	\$ 249,173	1.03	\$ 108,109	Subsidiary repayment has been actively arranged	\$ 6,476	\$ -

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, 2023.

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 2023	December 31, 2022	Number of Shares	%	Carrying Amount			
The Company	Edimax USA	USA	Networking equipment wholesale	\$ 49,803	\$ 49,803	17,046	100.00	\$ 71,792	\$ (3,273)	\$ (2,007)	Subsidiary
	Edimax BVI	British Virgin Islands	Networking equipment wholesale	287,735	287,735	8,966,076	100.00	164,783	606	606	Subsidiary
	Edimax Europe	Netherlands	Networking equipment wholesale	196,773	196,773	1,600	100.00	30,371	2,421	3,737	Subsidiary
	ABS Telecom	Taiwan	Telecommunication equipment wholesale, transmission and rental	66,000	66,000	10,500,000	100.00	132,860	4,924	2,306	Subsidiary
	SMAX Technology	Taiwan	Wired/wireless telecommunications equipment manufacturing	137,175	137,175	2,139,400	100.00	24,306	1,811	1,811	Subsidiary
	Comtrend	Taiwan	Cable and cableless transmission equipment wholesale, research and development and retail sale	278,084	278,084	19,649,060	33.49	333,583	(234,040)	(78,306)	(78,306)
	Crystal	Seychelles	Seychelles General import and export trade and investing	31,815	31,815	1,050,000	30.00	63,047	23,138	6,941	Associate
Edimax BVI	Datamax HK	Hong Kong	Investing	271,417	271,417	64,906,002	100.00	(3,001)	(5,634)	(5,634)	Second-tier subsidiary
ABS Telecom	ABST	Mauritius	Investing	4,175	4,175	140,000	100.00	12,403	(430)	(430)	Second-tier subsidiary
SMAX Technology	Smax Japan Inc.	Japan	Networking equipment wholesale	1,992	1,992	8,000,000	100.00	1,122	(1,399)	(1,399)	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	(98,344)	(155,195)	(171,427)	Subsidiary
	CTBV	Netherlands	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	50,901	50,901	1,518,000	100.00	87,967	(21,269)	(21,169)	Subsidiary
CTBV	CCE	Czech Republic	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	71,438	71,438	-	100.00	41,821	(13,366)	(13,366)	Second-tier subsidiary
	Iberia	Spain	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	12,294	12,294	-	100.00	973	(8,257)	(8,257)	Second-tier subsidiary

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

Note 2: The transactions of the related parties have been eliminated in the consolidated financial statements as of and for the nine months ended September 30, 2023.

Note 3: The share of profits/losses of the investee included net loss of \$3,273 thousand plus the unrealized gross loss of \$1,266 thousand on intercompany transactions.

Note 4: The share of profits/losses of the investee included net income of \$2,421 thousand plus the unrealized gross loss of \$1,316 thousand on intercompany transactions.

Note 5: The share of profits/losses of the investee included net income of \$4,924 thousand less the unrealized gross profit of \$2,618 thousand on intercompany transactions.

Note 6: The share of profits/losses of the investee included net loss of \$78,380 thousand plus the unrealized gross loss of \$74 thousand on intercompany transactions.

Note 7: The share of profits/losses of the investee included net loss of \$155,195 thousand less the unrealized gross loss of \$16,232 thousand on intercompany transactions.

Note 8: The share of profits/losses of the investee included net loss of \$21,269 thousand plus the unrealized gross loss of \$100 thousand on intercompany transactions.

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(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, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of September 30, 2023	Accumulated Repatriation of Investment Income as of September 30, 2023	Note
					Outward	Inward							
Edimax Electronic (Dongguan)	Networking production and marketing	\$ 257,046	b	\$ 257,046	\$ -	\$ -	\$ 257,046	\$ (5,588)	100	\$ (5,588)	\$ (3,031)	\$ -	Note 2
ABST Information Telecom Service	Telecommunication equipment wholesale, transmission and rental	4,175	b	4,175	-	-	4,175	(430)	100	(430)	13,230	-	Note 3

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by Investment Commission, MOEA
\$264,698	\$293,774 (Note 4)	\$1,510,747

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, 2023.

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, 2023
(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	\$ 797,667	30.48	Normal	By operating conditions	By operating conditions	\$ (63,235)	(13.19)	\$ -	

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, 2023.

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(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	For the nine months ended September 30, 2023					
		Edimax Europe	a	Sales revenue	\$ 38,970	Normal	1.19
		Edimax Europe	a	Accounts receivable	7,479	Normal	0.11
		Comtrend	a	Sales revenue	150,397	Normal	4.60
		Comtrend	a	Accounts receivable	89,553	Normal	1.29
		Edimax Electronic (Dongguan)	a	Processing fees	797,667	By operating condition	24.40
		Edimax Electronic (Dongguan)	a	Accounts payable	63,235	By operating condition	0.91
		Edimax Electronic (Dongguan)	a	Expenses payable	5,057	By operating condition	-
	Edimax USA	a	Sales revenue	5,161	Normal	0.16	
1	Comtrend	CUSA	a	Sales revenue	173,037	Normal	24.18
		CUSA	a	Accounts receivable	249,173	Normal, collection period: 60-180 days	16.25
		CTBV	a	Sales revenue	79,649	Normal	11.13
		CTBV	a	Accounts receivable	20,406	Normal, collection period: 60-180 days	1.33
		CCE	a	Sales revenue	22,485	Normal	3.14
		CCE	a	Accounts receivable	7,149	Normal, collection period: 60-180 days	0.47

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, 2023.

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, 2023**

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.	10,756,192	5.05

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.