

# **Comtrend Corporation and Subsidiaries**

**Consolidated Financial Statements for the  
Three Months Ended March 31, 2023 and 2022 and  
Independent Auditors' Review Report**

## INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders  
Comtrend Corporation

### Introduction

We have reviewed the accompanying consolidated balance sheets of Comtrend Corporation and its subsidiaries (collectively, the “Group”) as of March 31, 2023 and 2022, and the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

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.

### Conclusion

Based on our reviews, 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 March 31, 2023 and 2022, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 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

May 10, 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.*

# COMTREND CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

	March 31, 2023 (Reviewed)		December 31, 2022 (Audited)		March 31, 2022 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 643,728	40	\$ 523,357	29	\$ 617,054	31
Financial assets at fair value through other comprehensive income - current (Note 8)	69,010	4	62,212	4	51,660	3
Contract assets - current (Note 23)	4,232	-	8,355	-	8,039	-
Trade receivables (Notes 10 and 23)	148,581	9	409,378	23	354,221	18
Other receivables (Notes 10 and 30)	1,994	-	5,314	-	823	-
Current tax assets	13,359	1	11,914	1	3,619	-
Inventories (Note 11)	355,311	22	384,366	22	542,521	28
Other current assets (Note 15)	<u>21,195</u>	<u>1</u>	<u>18,531</u>	<u>1</u>	<u>32,858</u>	<u>2</u>
Total current assets	<u>1,257,410</u>	<u>77</u>	<u>1,423,427</u>	<u>80</u>	<u>1,610,795</u>	<u>82</u>
<b>NON-CURRENT ASSETS</b>						
Financial assets at amortized cost - non-current (Notes 9 and 31)	20,454	1	20,197	1	825	-
Property, plant and equipment (Notes 13 and 31)	286,470	18	292,070	16	298,981	15
Right-of-use assets (Note 14)	22,369	2	18,963	1	21,500	1
Intangible assets	1,610	-	1,601	-	-	-
Deferred tax assets	28,724	2	25,286	2	31,344	2
Net defined benefit assets - non-current (Note 21)	3,491	-	3,295	-	-	-
Other non-current assets (Note 15)	<u>3,829</u>	<u>-</u>	<u>3,711</u>	<u>-</u>	<u>2,481</u>	<u>-</u>
Total non-current assets	<u>366,947</u>	<u>23</u>	<u>365,123</u>	<u>20</u>	<u>355,131</u>	<u>18</u>
<b>TOTAL</b>	<u>\$ 1,624,357</u>	<u>100</u>	<u>\$ 1,788,550</u>	<u>100</u>	<u>\$ 1,965,926</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Note 16)	\$ -	-	\$ -	-	\$ 63,840	3
Financial liabilities at fair value through profit or loss - current (Note 7)	418	-	783	-	31	-
Contract liabilities - current (Notes 23 and 30)	2,532	-	3,801	-	6,349	-
Notes payable and trade payables (Note 18)	122,395	8	152,225	9	196,186	10
Trade payables to related parties (Note 30)	34,853	2	61,984	4	59,507	3
Other payables (Notes 19 and 30)	54,118	3	57,180	3	88,249	4
Current tax liabilities	501	-	494	-	12,208	1
Provisions - current (Note 20)	8,049	-	7,914	-	6,012	-
Lease liabilities - current (Note 14)	12,276	1	10,852	1	11,914	1
Other current liabilities (Note 19)	<u>16,186</u>	<u>1</u>	<u>25,441</u>	<u>1</u>	<u>32,222</u>	<u>2</u>
Total current liabilities	<u>251,328</u>	<u>15</u>	<u>320,674</u>	<u>18</u>	<u>476,518</u>	<u>24</u>
<b>NON-CURRENT LIABILITIES</b>						
Long-term borrowings (Note 17)	200,000	12	200,000	11	200,000	10
Deferred tax liabilities	-	-	270	-	1,506	-
Lease liabilities - non-current (Note 14)	10,302	1	8,339	1	9,829	1
Net defined benefit liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,511</u>	<u>-</u>
Total non-current liabilities	<u>210,302</u>	<u>13</u>	<u>208,609</u>	<u>12</u>	<u>214,846</u>	<u>11</u>
Total liabilities	<u>461,630</u>	<u>28</u>	<u>529,283</u>	<u>30</u>	<u>691,364</u>	<u>35</u>
<b>EQUITY (Note 22)</b>						
<b>Share capital</b>						
Common stock	582,587	36	582,587	33	577,568	29
Capital collected in advance	4,068	-	2,052	-	624	-
Total share capital	<u>586,655</u>	<u>36</u>	<u>584,639</u>	<u>33</u>	<u>578,192</u>	<u>29</u>
Capital surplus	<u>350,157</u>	<u>22</u>	<u>350,157</u>	<u>19</u>	<u>350,157</u>	<u>18</u>
<b>Retained earnings</b>						
Legal reserve	83,922	5	83,922	5	83,922	4
Unappropriated earnings	<u>96,918</u>	<u>6</u>	<u>203,810</u>	<u>11</u>	<u>251,570</u>	<u>13</u>
Total retained earnings	<u>180,840</u>	<u>11</u>	<u>287,732</u>	<u>16</u>	<u>335,492</u>	<u>17</u>
<b>Other equity</b>						
Exchange differences on translation of financial statements of foreign operations	16,497	1	14,959	1	243	-
Unrealized gain on financial assets at fair value through other comprehensive income	<u>28,578</u>	<u>2</u>	<u>21,780</u>	<u>1</u>	<u>10,478</u>	<u>1</u>
Total other equity	<u>45,075</u>	<u>3</u>	<u>36,739</u>	<u>2</u>	<u>10,721</u>	<u>1</u>
Total equity	<u>1,162,727</u>	<u>72</u>	<u>1,259,267</u>	<u>70</u>	<u>1,274,562</u>	<u>65</u>
<b>TOTAL</b>	<u>\$ 1,624,357</u>	<u>100</u>	<u>\$ 1,788,550</u>	<u>100</u>	<u>\$ 1,965,926</u>	<u>100</u>

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

## COMTREND CORPORATION AND SUBSIDIARIES

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

	<b>For the Three Months Ended March 31</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
OPERATING REVENUE (Note 23)	\$ 195,858	100	\$ 474,367	100
OPERATING COSTS (Notes 11, 24 and 30)	<u>(165,917)</u>	<u>(85)</u>	<u>(314,084)</u>	<u>(66)</u>
GROSS PROFIT	<u>29,941</u>	<u>15</u>	<u>160,283</u>	<u>34</u>
OPERATING EXPENSES (Notes 10, 24 and 30)				
Selling and marketing expenses	(79,369)	(41)	(91,295)	(19)
General and administrative expenses	(21,849)	(11)	(23,395)	(5)
Research and development expenses	(35,453)	(18)	(40,823)	(9)
Expected credit losses	<u>(995)</u>	<u>-</u>	<u>(952)</u>	<u>-</u>
Total operating expenses	<u>(137,666)</u>	<u>(70)</u>	<u>(156,465)</u>	<u>(33)</u>
(LOSS) PROFIT FROM OPERATIONS	<u>(107,725)</u>	<u>(55)</u>	<u>3,818</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 24)	324	-	-	-
Other gains and losses (Notes 24 and 30)	(3,134)	(2)	11,417	2
Finance costs (Note 24)	(892)	-	(610)	-
Interest income (Note 24)	<u>822</u>	<u>1</u>	<u>11</u>	<u>-</u>
Total non-operating income and expenses	<u>(2,880)</u>	<u>(1)</u>	<u>10,818</u>	<u>2</u>
(LOSS) PROFIT BEFORE INCOME TAX	(110,605)	(56)	14,636	3
INCOME TAX BENEFIT (EXPENSE) (Note 25)	<u>3,713</u>	<u>2</u>	<u>(9,504)</u>	<u>(2)</u>
NET (LOSS) PROFIT FOR THE PERIOD	<u>(106,892)</u>	<u>(54)</u>	<u>5,132</u>	<u>1</u>

(Continued)

## COMTREND CORPORATION AND SUBSIDIARIES

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

	<u>For the Three Months Ended March 31</u>			
	<u>2023</u>		<u>2022</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OTHER COMPREHENSIVE INCOME				
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	\$ 6,798	3	\$ (8,190)	(2)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>1,538</u>	<u>1</u>	<u>8,431</u>	<u>2</u>
Other comprehensive income (loss) for the period, net of income tax	<u>8,336</u>	<u>4</u>	<u>241</u>	<u>-</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	<u>\$ (98,556)</u>	<u>(50)</u>	<u>\$ 5,373</u>	<u>1</u>
(LOSS) EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ (1.82)</u>		<u>\$ 0.09</u>	
Diluted	<u>\$ (1.82)</u>		<u>\$ 0.09</u>	

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

(Concluded)

**COMTREND CORPORATION AND SUBSIDIARIES**

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

	Share Capital (Note 22)		Capital Surplus (Notes 22 and 27)		Retained Earnings (Note 22)		Other Equity		
	Common Stock	Collected in Advance	Total		Legal Reserve	Unappropriated Earnings	Total	Unrealized Gain (Loss) on Investments in Equity Instruments at Fair Value through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2022	\$ 572,963	\$ 36	\$ 572,999	\$ 349,418	\$ 83,922	\$ 246,438	\$ 330,360	\$ 18,668	\$ 1,263,257
Other changes in capital surplus	-	-	-	739	-	-	-	-	739
Recognition of employee share options by the Company (Note 27)	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares under employee share options	4,605	588	5,193	-	-	-	-	-	5,193
Net income for the three months ended March 31, 2022	-	-	-	-	-	5,132	5,132	-	5,132
Other comprehensive income (loss) for the three months ended March 31, 2022, net of income tax	-	-	-	-	-	-	-	(8,190)	241
Total comprehensive income (loss) for the three months ended March 31, 2022	-	-	-	-	-	5,132	5,132	(8,190)	241
BALANCE AT MARCH 31, 2022	\$ 577,568	\$ 624	\$ 578,192	\$ 350,157	\$ 83,922	\$ 251,570	\$ 335,492	\$ 10,478	\$ 1,274,562
BALANCE AT JANUARY 1, 2023	\$ 582,587	\$ 2,052	\$ 584,639	\$ 350,157	\$ 83,922	\$ 203,810	\$ 287,732	\$ 21,780	\$ 1,259,267
Issuance of ordinary shares under employee share options	-	2,016	2,016	-	-	-	-	-	2,016
Net loss for the three months ended March 31, 2023	-	-	-	-	-	(106,892)	(106,892)	-	(106,892)
Other comprehensive income (loss) for the three months ended March 31, 2023, net of income tax	-	-	-	-	-	-	-	6,798	8,336
Total comprehensive income (loss) for the three months ended March 31, 2023	-	-	-	-	-	(106,892)	(106,892)	6,798	(98,556)
BALANCE AT MARCH 31, 2023	\$ 582,587	\$ 4,068	\$ 586,655	\$ 350,157	\$ 83,922	\$ 96,918	\$ 180,840	\$ 28,578	\$ 1,162,727

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

# COMTREND CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) profit before income tax	\$ (110,605)	\$ 14,636
Adjustments for:		
Depreciation expense	11,157	11,209
Amortization expenses	167	-
Expected credit losses	995	952
Net loss on fair value changes of financial liabilities at fair value through profit or loss	63	31
Finance costs	892	610
Interest income	(822)	(11)
Dividend income	(324)	-
Share-based payments	-	739
Write-down of inventories	17,177	-
Reversal of write-down of inventories	-	(158)
Gain on lease modifications	-	(2)
Net changes in operating assets and liabilities		
Contract assets	4,123	(2,257)
Trade receivables	259,845	9,700
Other receivables	3,320	551
Inventories	12,243	136,397
Other current assets	(2,664)	(7,529)
Net defined benefit assets	(196)	-
Financial liabilities at fair value through profit or loss	(428)	-
Contract liabilities	(1,269)	5,139
Notes payable and trade payables (including related parties)	(56,961)	(124,489)
Other payables	(3,062)	15,367
Provisions	135	630
Other current liabilities	(9,255)	7,492
Net defined benefit liabilities	-	(5,562)
Cash generated from operations	124,531	63,445
Interest received	822	11
Dividends received	324	-
Interest paid	(822)	(538)
Income tax paid	(1,433)	(1,203)
Net cash generated from operating activities	<u>123,422</u>	<u>61,715</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	(257)	(15)
Payments for property, plant and equipment	(1,920)	(204,686)

(Continued)



# COMTREND CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended	
	March 31	
	2023	2022
(Increase)/decrease in refundable deposits	\$ (118)	\$ 2,707
Payments for intangible assets	<u>(176)</u>	<u>-</u>
Net cash used in investing activities	<u>(2,471)</u>	<u>(201,994)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	-	63,840
Proceeds from long-term borrowings	-	200,000
Repayment of the principal portion of lease liabilities	(3,735)	(3,303)
Exercise of employee share options	<u>2,016</u>	<u>5,193</u>
Net cash (used in) generated from financing activities	<u>(1,719)</u>	<u>265,730</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>1,139</u>	<u>9,390</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	120,371	134,841
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>523,357</u>	<u>482,213</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 643,728</u>	<u>\$ 617,054</u>

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

(Concluded)

# COMTREND CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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### 1. ORGANIZATION AND OPERATIONS

- a. Comtrend Corporation (“Comtrend”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (ROC) on April 7, 1990. Comtrend engages in the research, manufacturing, marketing and maintaining of cable and wireless transmission equipment, multiplexers, digital subscriber lines and loop carrier systems, synchronous optical network equipment and synchronous cable accessories.

Comtrend’s shares have been listed on the Taipei Exchange (TPEX) since September 2020.

- b. Comtrend Corporation, USA (“CUSA”), incorporated in April 2001, engages in wholesale, retail sale and international trade of broadband communication equipment.
- c. Interchan Global Limited (“Interchan Global”), incorporated in June 2005, engages mainly in the reinvesting business. Management decided to dissolve and liquidate Interchan Global as profitability was not as expected based on the conclusion of the board meeting on April 25, 2019. The liquidation was completed in December 2022, and Interchan Global has ceased to be included in the consolidated financial report since December 2022.
- d. Comtrend Technology (Netherlands) B.V. (“CTBV”), incorporated in December 2011, engages mainly in the wholesale and retail sale of network communication equipment, and the reinvestment business.
- e. Interchan Taiwan (“8086”), incorporated in November 2005, engages in the wholesale and construction of equipment. Management decided to dissolve and liquidate 8086 as profitability was not as expected based on the conclusion of the board meeting on April 25, 2019. The liquidation was completed in July 2022, and 8086 has ceased to be included in the consolidated financial report since July 2022.
- f. Comtrend Central Europe S.R.O. (“CCE”), incorporated in July 2006, engages in wholesale and retail sale of network communication equipment.
- g. Comtrend Iberia S.L. (“Iberia”), incorporated in December 2006, engages in wholesale and retail sale of network communication equipment.
- h. Comtrend’s parent is Edimax Technology Co., Ltd. (“Edimax”), which held 33.49%, 33.60% and 33.98%, respectively, of ordinary shares of Comtrend as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively.

Comtrend and all its subsidiaries mentioned above (from b. to g.) are collectively referred to as the “Group”. The consolidated financial statements are presented in Comtrend’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by Comtrend’s board of directors on May 10, 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 FSC

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

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

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

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

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

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact of 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 Comtrend and the entities controlled by Comtrend (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 Comtrend.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 12 and Table 4 for 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

	March 31, 2023	December 31, 2022	March 31, 2022
Cash on hand	\$ 312	\$ 376	\$ 456
Checking accounts and demand deposits	352,516	422,981	602,285
Cash equivalents			
Time deposits with original maturities within 3 months	<u>290,900</u>	<u>100,000</u>	<u>14,313</u>
	<u>\$ 643,728</u>	<u>\$ 523,357</u>	<u>\$ 617,054</u>

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

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Financial liabilities - current</u>			
Held for trading			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange forward contracts	<u>\$ 418</u>	<u>\$ 783</u>	<u>\$ 31</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>March 31, 2023</u>			
Foreign exchange forward contracts	EUR/USD	2023.07.24	EUR300/USD315
	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
	Currency	Maturity Date	Notional Amount (In Thousands)
<u>March 31, 2022</u>			
Foreign exchange forward contracts	EUR/USD	2022.07.01	EUR300/USD334
Foreign exchange forward contracts	EUR/USD	2022.07.05	EUR300/USD336

The purpose of the Group trading in derivative financial instruments is to avoid the risks of foreign currency assets and liabilities from exchange rate fluctuations. However, such derivative financial instrument does not meet the conditions for effective hedging; therefore, hedge accounting is inapplicable.

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

### Investments in Equity Instruments at FVTOCI

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Current</u>			
Domestic listed shares			
Ordinary shares - Edimax	\$ <u>69,010</u>	\$ <u>62,212</u>	\$ <u>51,660</u>

The Group invested in ordinary shares of Edimax (classified as equity instruments as at FVTOCI) per their strategic purpose as they expect to profit from the fluctuations in the share price.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Non-current</u>			
Domestic investments			
Time deposits with original maturities of more than 3 months	\$ <u>20,454</u>	\$ <u>20,197</u>	\$ <u>825</u>

Refer to Note 31 for information relating to investments in financial assets at amortized cost pledged as security.

## 10. TRADE RECEIVABLES AND OTHER RECEIVABLES

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$ 154,804	\$ 414,649	\$ 358,000
Less: Allowance for impairment loss	<u>(6,223)</u>	<u>(5,271)</u>	<u>(3,779)</u>
	<u>\$ 148,581</u>	<u>\$ 409,378</u>	<u>\$ 354,221</u>
<u>Other receivables</u>			
Others	<u>\$ 1,994</u>	<u>\$ 5,314</u>	<u>\$ 823</u>

The average credit period of sales of goods was 60-180 days. No interest was charged on trade receivables for the first 60-180 days from the date of the invoice. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals, accounts receivable insurance 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 prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition 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, e.g. when the debtor has been placed under liquidation. 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:

March 31, 2023

	<b>Not Past Due</b>	<b>1 to 30 Days</b>	<b>31 to 90 Days</b>	<b>91 to 120 Days</b>	<b>121 to 180 Days</b>	<b>Over 181 Days</b>	<b>Total</b>
Expected credit loss rate	0.10%	3.05%	-	-	100.00%	100.00%	
Gross carrying amount	\$ 146,119	\$ 2,690	\$ -	\$ -	\$ 5,827	\$ 168	\$ 154,804
Loss allowance (Lifetime ECLs)	<u>(146)</u>	<u>(82)</u>	<u>-</u>	<u>-</u>	<u>(5,827)</u>	<u>(168)</u>	<u>(6,223)</u>
Amortized cost	<u>\$ 145,973</u>	<u>\$ 2,608</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148,581</u>

December 31, 2022

	<b>Not Past Due</b>	<b>1 to 30 Days</b>	<b>31 to 90 Days</b>	<b>91 to 120 Days</b>	<b>121 to 180 Days</b>	<b>Over 181 Days</b>	<b>Total</b>
Expected credit loss rate	0.09%	1.09%	13.97%	-	100.00%	-	
Gross carrying amount	\$ 357,905	\$ 45,874	\$ 7,475	\$ -	\$ 3,395	\$ -	\$ 414,649
Loss allowance (Lifetime ECLs)	<u>(330)</u>	<u>(502)</u>	<u>(1,044)</u>	<u>-</u>	<u>(3,395)</u>	<u>-</u>	<u>(5,271)</u>
Amortized cost	<u>\$ 357,575</u>	<u>\$ 45,372</u>	<u>\$ 6,431</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 409,378</u>

March 31, 2022

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 120 Days	121 to 180 Days	Over 181 Days	Total
Expected credit loss rate	0.05%	0.51%	11.32%	-	-	100.00%	
Gross carrying amount	\$ 282,319	\$ 62,328	\$ 11,302	\$ -	\$ -	\$ 2,051	\$ 358,000
Loss allowance (Lifetime ECLs)	<u>(132)</u>	<u>(317)</u>	<u>(1,279)</u>	<u>-</u>	<u>-</u>	<u>(2,051)</u>	<u>(3,779)</u>
Amortized cost	<u>\$ 282,187</u>	<u>\$ 62,011</u>	<u>\$ 10,023</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 354,221</u>

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

	For the Three Months Ended March 31	
	2023	2022
Balance at January 1	\$ 5,271	\$ 2,712
Add: Net remeasurement of loss allowance	995	952
Foreign exchange gains and losses	<u>(43)</u>	<u>115</u>
Balance at March 31	<u>\$ 6,223</u>	<u>\$ 3,779</u>

**11. INVENTORIES**

	March 31, 2023	December 31, 2022	March 31, 2022
Raw materials	\$ 152,078	\$ 90,385	\$ 184,734
Work in progress and semi-finished goods	56,295	64,976	80,780
Finished goods	124,351	121,024	150,226
Inventories in transit	21,812	105,786	126,781
Merchandise	<u>775</u>	<u>2,195</u>	<u>-</u>
	<u>\$ 355,311</u>	<u>\$ 384,366</u>	<u>\$ 542,521</u>

The cost of goods sold for the three months ended March 31, 2023 and 2022 included inventory write-downs of \$17,177 thousand and reversals of inventory write-downs of \$158 thousand. The reversals of previous write-downs resulted from increased selling prices in certain markets or the increase in the sale of the aged inventories.



## 12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Investee	Nature of Activities	Location	Proportion of Ownership (%)			Remark
				March 31, 2023	December 31, 2022	March 31, 2022	
Comtrend	CUSA	Cable & cableless transmission equipment wholesale, retail sale, and international trade, etc.	USA	100.00	100.00	100.00	
Comtrend	Interchan Global	Investing	Samoa	-	-	100.00	Note
Comtrend	CTBV	Wholesale, retail sale, and international trade, etc.	Netherlands	100.00	100.00	100.00	
Interchan Global	8086	Telecommunication construction and wholesale	Taiwan	-	-	100.00	Note
CTBV	Iberia	Cable and cableless transmission services	Spain	100.00	100.00	100.00	
CTBV	CCE	Cable and cableless transmission equipment wholesale, retail sale, and international trade, etc.	Czech Republic	100.00	100.00	100.00	

Note: The Group completed the liquidation procedures of Interchan Global and 8086 in December 2022 and July 2022, respectively.

## 13. PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Machinery Equipment	Computer and Communication Equipment	Office Equipment	Transportation Equipment	Other Equipment	Total
<b>Cost</b>								
Balance at January 1, 2022	\$ -	\$ -	\$ 27,128	\$ 37,812	\$ 916	\$ 3,150	\$ 119,819	\$ 188,825
Additions	189,267	67,832	219	1,430	-	500	2,234	261,482
Disposals	-	-	-	-	-	-	(756)	(756)
Effects of foreign currency exchange differences	-	-	184	-	13	-	14	211
Balance at March 31, 2022	<u>\$ 189,267</u>	<u>\$ 67,832</u>	<u>\$ 27,531</u>	<u>\$ 39,242</u>	<u>\$ 929</u>	<u>\$ 3,650</u>	<u>\$ 121,311</u>	<u>\$ 449,762</u>
<b>Accumulated depreciation and impairment</b>								
Balance at January 1, 2022	\$ -	\$ -	\$ 22,599	\$ 29,422	\$ 802	\$ 1,375	\$ 89,216	\$ 143,414
Disposals	-	-	-	-	-	-	(756)	(756)
Depreciation expense	-	762	455	1,558	9	182	5,014	7,980
Effects of foreign currency exchange differences	-	-	122	-	13	-	8	143
Balance at March 31, 2022	<u>\$ -</u>	<u>\$ 762</u>	<u>\$ 23,176</u>	<u>\$ 30,980</u>	<u>\$ 824</u>	<u>\$ 1,557</u>	<u>\$ 93,482</u>	<u>\$ 150,781</u>
Carrying amount at March 31, 2022	<u>\$ 189,267</u>	<u>\$ 67,070</u>	<u>\$ 4,355</u>	<u>\$ 8,262</u>	<u>\$ 105</u>	<u>\$ 2,093</u>	<u>\$ 27,829</u>	<u>\$ 298,981</u>
<b>Cost</b>								
Balance at January 1, 2023	\$ 190,052	\$ 67,047	\$ 27,824	\$ 42,912	\$ 1,966	\$ 4,150	\$ 132,443	\$ 466,394
Additions	-	-	-	1,305	-	-	615	1,920
Disposals	-	-	-	-	-	-	(2)	(2)
Effects of foreign currency exchange differences	-	-	(42)	-	(4)	-	(4)	(50)
Balance at March 31, 2023	<u>\$ 190,052</u>	<u>\$ 67,047</u>	<u>\$ 27,782</u>	<u>\$ 44,217</u>	<u>\$ 1,962</u>	<u>\$ 4,150</u>	<u>\$ 133,052</u>	<u>\$ 468,262</u>
<b>Accumulated depreciation and impairment</b>								
Balance at January 1, 2023	\$ -	\$ 3,047	\$ 24,745	\$ 36,485	\$ 941	\$ 2,138	\$ 106,968	\$ 174,324
Disposals	-	-	-	-	-	-	(2)	(2)
Depreciation expense	-	763	441	1,702	95	183	4,328	7,512
Effects of foreign currency exchange differences	-	-	(34)	-	(3)	-	(5)	(42)
Balance at March 31, 2023	<u>\$ -</u>	<u>\$ 3,810</u>	<u>\$ 25,152</u>	<u>\$ 38,187</u>	<u>\$ 1,033</u>	<u>\$ 2,321</u>	<u>\$ 111,289</u>	<u>\$ 181,792</u>
Carrying amount at March 31, 2023	<u>\$ 190,052</u>	<u>\$ 63,237</u>	<u>\$ 2,630</u>	<u>\$ 6,030</u>	<u>\$ 929</u>	<u>\$ 1,829</u>	<u>\$ 21,763</u>	<u>\$ 286,470</u>

- a. No impairment loss or reversal of impairment loss was recognized for the three months ended March 31, 2023 and 2022.

- b. The cash flow information for the acquisition of property, plant and equipment by the Group for the three months ended March 31, 2023 and 2022 is adjusted as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Additions to property, plant and equipment	\$ 1,920	\$ 261,482
Prepayments for land and buildings, beginning of period	-	(56,796)
Prepayments for land and buildings, end of period	<u>-</u>	<u>-</u>
Payment for property, plant and equipment	<u>\$ 1,920</u>	<u>\$ 204,686</u>

- c. Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 31.
- d. The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	21 years
Machinery equipment	2-13 years
Computer and communication equipment	1-5 years
Office equipment	3-5 years
Transportation equipment	5 years
Other equipment	2-5 years

#### 14. LEASE ARRANGEMENTS

- a. Right-of-use assets

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
<u>Carrying amount</u>			
Buildings	\$ 20,441	\$ 16,804	\$ 18,592
Transportation equipment	<u>1,928</u>	<u>2,159</u>	<u>2,908</u>
	<u>\$ 22,369</u>	<u>\$ 18,963</u>	<u>\$ 21,500</u>
		<b>For the Three Months Ended March 31</b>	
		<b>2023</b>	<b>2022</b>
Additions to right-of-use assets		<u>\$ 6,911</u>	<u>\$ 4,090</u>
Depreciation charge for right-of-use assets			
Buildings		\$ 3,374	\$ 2,856
Transportation equipment		<u>271</u>	<u>373</u>
		<u>\$ 3,645</u>	<u>\$ 3,229</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the three months ended March 31, 2023 and 2022.

b. Lease liabilities

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
<u>Carrying amount</u>			
Current	<u>\$ 12,276</u>	<u>\$ 10,852</u>	<u>\$ 11,914</u>
Non-current	<u>\$ 10,302</u>	<u>\$ 8,339</u>	<u>\$ 9,829</u>

Range of discount rates for lease liabilities was as follows:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Buildings	1.375%-1.625%	1.375%	1.36%
Transportation equipment	1.25%-1.36%	1.25%-1.36%	1.25%-1.36%

c. Material lease-in activities and terms

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

The Group also leases buildings for use as offices and warehouses with lease terms of 2 to 5 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

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Expenses relating to low-value asset leases	<u>\$ 717</u>	<u>\$ 811</u>
Total cash outflow for leases	<u>\$ (4,522)</u>	<u>\$ (4,186)</u>

The Group's leases of certain office equipment, transportation equipment and parking spaces 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.

**15. OTHER ASSETS**

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
<u>Current</u>			
Prepaid expenses	\$ 8,576	\$ 8,742	\$ 12,407
Input VAT and tax deduction	9,518	7,569	19,213
Prepayments	2,007	995	45
Others	<u>1,094</u>	<u>1,225</u>	<u>1,193</u>
	<u>\$ 21,195</u>	<u>\$ 18,531</u>	<u>\$ 32,858</u>

(Continued)

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
<u>Non-current</u>			
Refundable deposits	<u>\$ 3,829</u>	<u>\$ 3,711</u>	<u>\$ 2,481</u> (Concluded)

#### 16. SHORT-TERM BORROWINGS

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
<u>Unsecured borrowings</u>			
Bank loans	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,840</u>

The maturity date of the bank loan is May 31, 2022, and the effective interest rate is 0.85%.

#### 17. LONG-TERM BORROWINGS

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
<u>Secured borrowings</u>			
Bank loans	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>

The bank borrowings are secured by the Group's land and buildings, please refer to Note 31 for additional information. The maturity date is January 14, 2042 and the grace period is three years. The effective annual interest rate from January 14, 2022 to January 14, 2025 is 1.25%-1.75%, and the effective annual interest rate from January 15, 2025 to January 14, 2042 is 1.86%. The purpose of the borrowings is to purchase land and buildings for operations.

#### 18. NOTES PAYABLE AND TRADE PAYABLES

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Notes payable	\$ 28	\$ 7	\$ 28
Trade payables	<u>122,367</u>	<u>152,218</u>	<u>196,158</u>
	<u>\$ 122,395</u>	<u>\$ 152,225</u>	<u>\$ 196,186</u>

The Group's payment terms of notes payable and trade payables take financial risk into consideration in place to ensure that all payables are paid within the pre-agreed credit terms.

## 19. OTHER LIABILITIES

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Current</u>			
Other payables			
Payables for salaries	\$ 26,058	\$ 18,315	\$ 42,402
Payables for professional service fees	6,005	6,728	6,048
Payables for royalties	2,703	2,726	2,541
Payables for freight and customs fees	1,746	4,100	14,369
Payables for compensation of employees and remuneration of directors	1,597	1,597	813
Output VAT	187	312	216
Others	<u>15,822</u>	<u>23,402</u>	<u>21,860</u>
	<u>\$ 54,118</u>	<u>\$ 57,180</u>	<u>\$ 88,249</u>
Other liabilities			
Refund liabilities	\$ 14,604	\$ 24,497	\$ 30,187
Others	<u>1,582</u>	<u>944</u>	<u>2,035</u>
	<u>\$ 16,186</u>	<u>\$ 25,441</u>	<u>\$ 32,222</u>

## 20. PROVISIONS

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Current</u>			
Warranties	<u>\$ 8,049</u>	<u>\$ 7,914</u>	<u>\$ 6,012</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.

## 21. RETIREMENT BENEFIT PLANS

For the three months ended March 31, 2023 and 2022, the pension expenses of defined benefit plans both were \$0 thousand, and these were calculated based on the actuarially determined pension cost rate on December 31, 2022 and 2021, respectively.

## 22. EQUITY

### a. Share capital

	March 31, 2023	December 31, 2022	March 31, 2022
Shares authorized (in thousands of shares)	<u>130,000</u>	<u>130,000</u>	<u>130,000</u>
Shares authorized (in thousands of N.T. dollars)	<u>\$ 1,300,000</u>	<u>\$ 1,300,000</u>	<u>\$ 1,300,000</u>
Shares issued and fully paid (in thousands of shares)	<u>58,259</u>	<u>58,259</u>	<u>57,757</u>
Shares issued (in thousands of N.T. dollars)	<u>\$ 582,587</u>	<u>\$ 582,587</u>	<u>\$ 577,568</u>
Shares collected in advance (in thousands of N.T. dollars)	<u>\$ 4,068</u>	<u>\$ 2,052</u>	<u>\$ 624</u>

The fully paid ordinary shares, which have a par value of \$10, carry one vote per share and a right to dividends.

Comtrend converted employee share options of 624 thousand, equivalent to 62 thousand shares. Since the change registration has not been completed as of March 31, 2022, it is listed as capital collected in advance. The registration for the capital change has been filed with the Ministry of Economic Affairs on June 13, 2022.

Comtrend converted employee share options of \$2,052 thousand, equivalent to 205 thousand shares. Since the change registration has not been completed as of December 31, 2022, it is listed as capital collected in advance.

Comtrend converted employee share options of \$4,068 thousand, equivalent to 407 thousand shares. Since the change registration has not been completed as of March 31, 2023, it is listed as capital collected in advance.

### b. Capital surplus

	March 31, 2023	December 31, 2022	March 31, 2022
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*</u>			
Premium from issuance of ordinary shares	\$ 346,078	\$ 344,596	\$ 342,074
Difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	4,079	4,079	4,079
<u>May not be used for any purpose</u>			
Employee share options	<u>-</u>	<u>1,482</u>	<u>4,004</u>
	<u>\$ 350,157</u>	<u>\$ 350,157</u>	<u>\$ 350,157</u>

\* Such capital surplus may be used to offset a deficit; in addition, when Comtrend has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of Comtrend's capital surplus and to once a year).

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where Comtrend made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by Comtrend'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 24 (h).

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

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

The appropriations of earnings for the years ended December 31, 2022 and 2021, which had been proposed by the board of directors on March 3, 2023 and resolved by the shareholders' meetings on June 14, 2022, were as follows:

	2022	2021
Legal reserve	\$ 1,513	\$ -
Cash dividends	<u>\$ 41,066</u>	<u>\$ 57,757</u>
Cash dividends per share (NT\$)	\$ 0.7	\$ 1

The appropriation of earnings for 2022 is subject to the resolution of the shareholders in their meeting to be held on June 15, 2023.

## 23. REVENUE

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Revenue from the sale of goods	\$ 194,150	\$ 470,792
Revenue from the rendering of services	<u>1,708</u>	<u>3,575</u>
	<u>\$ 195,858</u>	<u>\$ 474,367</u>

## Contract Balances

	March 31, 2023	December 31, 2022	March 31, 2022	January 1, 2022
Trade receivables (Note 10)	<u>\$ 154,804</u>	<u>\$ 414,649</u>	<u>\$ 358,000</u>	<u>\$ 367,700</u>
Contract assets - sale of goods	<u>\$ 4,232</u>	<u>\$ 8,355</u>	<u>\$ 8,039</u>	<u>\$ 5,782</u>
Contract liabilities - sale of goods	<u>\$ 2,532</u>	<u>\$ 3,801</u>	<u>\$ 6,349</u>	<u>\$ 1,210</u>

The changes in the balance of contract assets primarily resulted from the right-of return arising from repurchase agreements. The changes in the balance of contract liabilities primarily resulted from the timing difference between the Group's satisfaction of performance obligations and the respective customer's payment.

## 24. NET (LOSS) PROFIT

### a. Interest income

	For the Three Months Ended March 31	
	2023	2022
Bank deposits	<u>\$ 822</u>	<u>\$ 11</u>

### b. Other income

	For the Three Months Ended March 31	
	2023	2022
Dividend income	<u>\$ 324</u>	<u>\$ -</u>

### c. Other gains and losses

	For the Three Months Ended March 31	
	2023	2022
Net loss on fair value changes of financial liabilities at FVTPL	\$ (63)	\$ (31)
Net foreign exchange (losses) gain	(4,504)	10,203
Other gain	<u>1,433</u>	<u>1,245</u>
	<u>\$ (3,134)</u>	<u>\$ 11,417</u>

### d. Finance costs

	For the Three Months Ended March 31	
	2023	2022
Interest on lease liabilities	\$ 70	\$ 72
Interest on bank loans	<u>822</u>	<u>538</u>
	<u>\$ 892</u>	<u>\$ 610</u>



e. Impairment losses recognized (reversed)

**For the Three Months Ended  
March 31**

	<b>2023</b>	<b>2022</b>
Trade receivables	<u>\$ 995</u>	<u>\$ 952</u>
Inventories (included in operating costs)	<u>\$ 17,177</u>	<u>\$ (158)</u>

f. Depreciation and amortization

**For the Three Months Ended  
March 31**

	<b>2023</b>	<b>2022</b>
Property, plant and equipment	\$ 7,512	\$ 7,980
Right-of-use assets	3,645	3,229
Intangible assets	<u>167</u>	<u>-</u>
	<u>\$ 11,324</u>	<u>\$ 11,209</u>
 An analysis of depreciation by function		
Operating expenses	<u>\$ 11,157</u>	<u>\$ 11,209</u>
 An analysis of amortization by function		
Operating expenses	<u>\$ 167</u>	<u>\$ -</u>

g. Employee benefits expense

**For the Three Months Ended  
March 31**

	<b>2023</b>	<b>2022</b>
Short-term benefits	\$ 94,832	\$ 94,966
Post-employment benefits		
Defined contribution plans	3,116	3,106
Share-based payments		
Equity-settled	-	739
Termination benefits	<u>-</u>	<u>1,132</u>
Total employee benefits expense	<u>\$ 97,948</u>	<u>\$ 99,943</u>
 An analysis of employee benefits expense by function		
Operating expenses	<u>\$ 97,948</u>	<u>\$ 99,943</u>

h. Compensation of employees and remuneration of directors

According to Comtrend's Articles, Comtrend 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. There was no employees' compensation and remuneration of directors estimated as Comtrend reported a net loss before tax for the three months ended March 31, 2023. The compensation of employees and remuneration of directors for the three months ended March 31, 2022 are as follows:

Accrual rate

	<b>For the Three Months Ended March 31, 2022</b>
Compensation of employees	7.5%
Remuneration of directors	1.5%

Amount

	<b>For the Three Months Ended March 31, 2022</b>
Compensation of employees	\$ 678
Remuneration of directors	\$ 135

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 compensation of employees and remuneration of directors for the years ended December 31, 2022 which have been approved by Comtrend's board of directors on March 3, 2023, are as follows:

Accrual rate

	<b>For the Year Ended December 31, 2022</b>
Compensation of employees	7.5%
Remuneration of directors	1.5%

Amount

	<b>For the Year Ended December 31, 2022</b>
Compensation of employees	\$ 1,331
Remuneration of directors	266

There was no employees' compensation and remuneration of directors estimated as Comtrend reported a net loss before tax for the years ended December 31, 2021.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2022.

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

i. Gains (losses) on foreign currency exchange

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Foreign exchange gains	\$ 7,114	\$ 17,182
Foreign exchange losses	<u>(11,618)</u>	<u>(6,979)</u>
	<u>\$ (4,504)</u>	<u>\$ 10,203</u>

## 25. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax benefit (expense) are as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Current tax		
In respect of the current period	\$ -	\$ (7,334)
Adjustments for prior periods	5	1,184
Deferred tax		
In respect of the current period	<u>3,708</u>	<u>(3,354)</u>
Income tax benefit (expense) recognized in profit or loss	<u>\$ 3,713</u>	<u>\$ (9,504)</u>

b. Income tax assessments

The tax returns of Comtrend and its subsidiaries for the three months ended March 31, 2023 that have been assessed by the authorities are as follows:

	<b>Year of Tax Assessment</b>
Comtrend	2020
CUSA	2021
CTBV	2021
CCE	2022
Iberia	2021

## 26. (LOSS) EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Basic (loss) earnings per share	<u>\$ (1.82)</u>	<u>\$ 0.09</u>
Diluted (loss) earnings per share	<u>\$ (1.82)</u>	<u>\$ 0.09</u>

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

### Net (Loss) Profit for the Period

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Net (loss) profit for the period	<u>\$ (106,892)</u>	<u>\$ 5,132</u>

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

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	58,598	57,527
Effect of potentially dilutive ordinary shares:		
Employee share options	-	643
Compensation of employees	<u>-</u>	<u>25</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>58,598</u>	<u>58,195</u>

The Group may settle the compensation paid to employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares will be 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.

## 27. SHARE-BASED PAYMENT ARRANGEMENTS

The Group did not issue any employee share options during the three months ended March 31, 2023 and 2022 both.

Information on outstanding issued employees share options is as follows:

	For the Three Months Ended March 31			
	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	(1)	10.00
Options exercised	<u>(202)</u>	10.00	<u>(519)</u>	10.00
Balance at March 31	<u>-</u>		<u>1,027</u>	10.00
Options exercisable, end of period	<u>-</u>		<u>1,027</u>	

Information on outstanding options at the end of the reporting period were as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Range of exercise price (NT\$)	-	\$10.00	\$10.00
Weighted-average remaining contractual life (in years)	-	0.07 years	0.82 years

Compensation costs recognized were \$0 thousand and \$739 thousand for the three months ended March 31, 2023 and 2022, respectively.

## 28. 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 amount of dividends paid to shareholders, the number of new shares issued, and the amount of new debt issued or existing debt redeemed.

## 29. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments not measured at fair value

Management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

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

1) Fair value hierarchy

March 31, 2023

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Listed shares and emerging market shares	\$ 69,010	\$ -	\$ -	\$ 69,010
Unlisted shares	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 69,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,010</u>

Financial liabilities at FVTPL

Derivatives	<u>\$ -</u>	<u>\$ 418</u>	<u>\$ -</u>	<u>\$ 418</u>
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December 31, 2022

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Listed shares and emerging market shares	\$ 62,212	\$ -	\$ -	\$ 62,212
Unlisted shares	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 62,212</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,212</u>

Financial liabilities at FVTPL

Derivatives	<u>\$ -</u>	<u>\$ 783</u>	<u>\$ -</u>	<u>\$ 783</u>
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March 31, 2022

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Listed shares and emerging market shares	\$ 51,660	\$ -	\$ -	\$ 51,660
Unlisted shares	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 51,660</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,660</u>

(Continued)

	Level 1	Level 2	Level 3	Total
<u>Financial liabilities at FVTPL</u>				
Derivatives	\$ -	\$ 31	\$ -	\$ 31 (Concluded)

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

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

<u>Financial Instrument</u>	<u>Valuation Technique and Inputs</u>
Derivatives - foreign exchange forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

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

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

c. Categories of financial instruments

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Financial assets</u>			
Financial assets at amortized cost (1)	\$ 818,586	\$ 961,957	\$ 975,404
Financial assets at FVTOCI	69,010	62,212	51,660
<u>Financial liabilities</u>			
Financial liability at FVTPL	418	783	31
Amortized cost (2)	411,366	471,389	607,782

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost, trade receivables, other receivables, and refundable deposits.

2) The balances include financial liabilities measured at amortized cost, which comprise short-term loans, notes payable, trade payables (including related parties), other payables, and long-term loans.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, trade receivables, notes and trade payables, borrowings, and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price 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), interest rates (see (b) below) and other prices (see (c) below).

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

a) Foreign currency risk

Several subsidiaries of Comtrend have sales and purchases denominated in foreign currencies, 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 33.

Sensitivity analysis

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

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar and the Czech Koruna (CZK, the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. 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 in pre-tax (loss) profit associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax (loss) profit, and the balances below would be negative.

	<b>EUR impact</b>		<b>USD impact</b>	
	<b>For the Three Months Ended</b>		<b>For the Three Months Ended</b>	
	<b>March 31</b>		<b>March 31</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Profit or loss	\$ (807) (i)	\$ (1,025) (i)	\$ (2,270) (ii)	\$ (3,008) (ii)

i. This was mainly attributable to the exposure on outstanding receivables in EUR that were not hedged at the end of the reporting period.

ii. This was mainly attributable to the exposure on outstanding receivables and payables in USD that were not hedged at the end of the reporting period.

The Group's sensitivity to foreign currency both decreased during the reporting period mainly due to the balance of accounts receivable denominated in USD and the balance of accounts receivable denominated in EUR.



b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow 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. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetites ensuring the most cost-effective hedging strategies are applied.

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

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Fair value interest rate risk			
Financial assets	\$ 311,354	\$ 120,197	\$ 15,138
Financial liabilities	222,578	219,191	285,583
Cash flow interest rate risk			
Financial assets	352,516	422,981	602,285

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. One basis point 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 basis point higher/lower and all other variables were held constant, the Group's pre-tax loss for the three months ended March 31, 2023 would have decreased/increased by \$881 thousand and the pre-tax profit for the three months ended March 31, 2022 would have increased/decreased by \$1,506 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 listed equity securities. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

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

If equity prices had been 1% higher/lower, pre-tax other comprehensive income for the three months ended March 31, 2023 and 2022 would have increased/decreased by \$690 thousand and \$517 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

The Group's sensitivity to other price risk 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 would cause a financial loss to the Group due to the failure of counterparties to discharge an obligation and due to the financial guarantees provided by the Group, could be equal to the total of the following:

- 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 or factored trade receivables and insurance, where appropriate, as a means of mitigating the risk of financial loss from defaults.

In order to minimize credit risk, 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's concentration of credit risk by geographical locations was mainly in the European and American regions, which accounted for 69.46%, 65.23% and 80.81% of the total trade receivables as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively.

## 3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of March 31, 2023, December 31, 2022 and March 31, 2022, the Group had available unutilized short-term bank loan facilities set out in (c) below.

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

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has 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 table includes 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 upon repayment dates.

March 31, 2023

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Lease liabilities	\$ 1,138	\$ 2,277	\$ 9,100	\$ 10,402	\$ -
Long-term borrowings	282	583	2,625	46,400	189,954
Notes payable and trade payables	27,047	82,552	47,552	57	40
Other payables	<u>19,784</u>	<u>15,262</u>	<u>10,521</u>	<u>8,551</u>	<u>-</u>
	<u>\$ 48,251</u>	<u>\$ 100,674</u>	<u>\$ 69,798</u>	<u>\$ 65,410</u>	<u>\$ 189,994</u>

Additional information about the maturity analysis for long-term borrowings, notes and trade payables, and other payables:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>
Long-term borrowings	<u>\$ 3,490</u>	<u>\$ 46,400</u>	<u>\$ 68,658</u>	<u>\$ 68,658</u>	<u>\$ 52,638</u>
Notes payable and trade payables	<u>\$ 157,151</u>	<u>\$ 57</u>	<u>\$ 40</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2022

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Lease liabilities	\$ 1,309	\$ 2,151	\$ 7,579	\$ 8,439	\$ -
Long-term borrowings	266	542	2,437	43,168	191,439
Notes payable and trade payables	34,802	130,412	48,939	56	-
Other payables	<u>12,136</u>	<u>6,798</u>	<u>24,040</u>	<u>14,206</u>	<u>-</u>
	<u>\$ 48,513</u>	<u>\$ 139,903</u>	<u>\$ 82,995</u>	<u>\$ 65,869</u>	<u>\$ 191,439</u>

Additional information about the maturity analysis for long-term borrowings:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>
Long-term borrowings	\$ <u>3,245</u>	\$ <u>43,168</u>	\$ <u>67,967</u>	\$ <u>67,967</u>	\$ <u>55,505</u>

March 31, 2022

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ -	\$ 63,931	\$ -	\$ -	\$ -
Lease liabilities	1,045	2,090	8,969	9,990	-
Long-term borrowings	196	417	1,875	33,368	195,558
Notes payable and trade payables	75,896	154,428	19,309	6,023	37
Other payables	<u>35,877</u>	<u>24,552</u>	<u>13,745</u>	<u>11,671</u>	<u>2,404</u>
	<u>\$ 113,014</u>	<u>\$ 245,418</u>	<u>\$ 43,898</u>	<u>\$ 61,052</u>	<u>\$ 197,999</u>

Additional information about the maturity analysis for long-term borrowings, notes and trade payables, and other payables:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>
Long-term borrowings	\$ 2,488	\$ 33,368	\$ 65,919	\$ 65,919	\$ 63,720
Notes payable and trade payables	249,633	6,023	37	-	-
Other payables	<u>73,904</u>	<u>11,671</u>	<u>2,404</u>	<u>-</u>	<u>-</u>
	<u>\$ 326,025</u>	<u>\$ 51,062</u>	<u>\$ 68,360</u>	<u>\$ 65,919</u>	<u>\$ 63,720</u>

Bank loans with a repayment on demand clause were included in the time band in the above maturity analysis. As of March 31, 2023, December 31, 2022 and March 31, 2022, the aggregate undiscounted principal amounts of these bank loans amounted to \$200,000 thousand, \$200,000 thousand and \$263,840 thousand, respectively. Taking into account the Group's financial position, management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Management believes that such bank loans will be repaid within twenty years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to \$239,844 thousand, \$237,852 thousand and \$295,345 thousand, respectively.

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

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

March 31, 2023

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Foreign exchange forward contracts					
Inflows	\$ -	\$ -	\$ 9,580	\$ -	\$ -
Outflows	<u>-</u>	<u>-</u>	<u>(9,998)</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (418)</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2022

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
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>

March 31, 2022

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Foreign exchange forward contracts					
Inflows	\$ -	\$ -	\$ 19,148	\$ -	\$ -
Outflows	<u>-</u>	<u>-</u>	<u>(19,179)</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (31)</u>	<u>\$ -</u>	<u>\$ -</u>

c) Financing facilities

As of March 31, 2023, December 31, 2022 and March 31, 2022, unused financing facilities amounted to \$531,005 thousand, \$533,319 thousand and \$219,529 thousand, respectively.

### 30. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between Comtrend and its subsidiaries, which are related parties of Comtrend, 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 as follows.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Edimax	The parent of Comtrend
ABS Telecom Inc.	Fellow company
Talent Vantage Limited (Talent)	Associate of the Company's parent
Humax Co., Ltd. (Humax)	Key management personnel (unrelated party of Comtrend starting from the second quarter of 2022)

b. Purchases of goods

<u>Related Party Category</u>	<u>For the Three Months Ended March 31</u>	
	<u>2023</u>	<u>2022</u>
The Company's parent - Edimax	\$ 26,655	\$ 49,267
Associate of the Company's parent - Talent	<u>4,344</u>	<u>2,387</u>
	<u>\$ 30,999</u>	<u>\$ 51,654</u>

There was no significant difference between related parties and third parties regarding transaction terms of purchase prices and payment terms.

c. Contract liabilities

<u>Related Party Category</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Key management personnel	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4</u>

d. Receivables from related parties

<u>Line Item</u>	<u>Related Party Category</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Other receivables	The Company's parent - Edimax	<u>\$ 471</u>	<u>\$ 406</u>	<u>\$ 509</u>

The outstanding trade receivables from related parties are unsecured. For the three months ended March 31, 2023 and 2022, no impairment loss was recognized for trade receivables from related parties.

e. Payables to related parties

<b>Line Item</b>	<b>Related Party Category</b>	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Accounts payable	The Company's parent - Edimax	\$ 26,038	\$ 55,006	\$ 50,156
	Associate of the Company's parent - Talent	<u>8,815</u>	<u>6,978</u>	<u>9,351</u>
		<u>\$ 34,853</u>	<u>\$ 61,984</u>	<u>\$ 59,507</u>
Other payables	The Company's parent	\$ 211	\$ 2,940	\$ 2,355
	Associate of the Company's parent	197	679	306
	Fellow company	67	15	15
	Key management personnel	<u>-</u>	<u>-</u>	<u>12</u>
		<u>\$ 475</u>	<u>\$ 3,634</u>	<u>\$ 2,688</u>

The outstanding trade payables to related parties are unsecured.

f. Other transactions with related parties

<b>Line Item</b>	<b>Related Party Category</b>	<b>For the Three Months Ended March 31</b>	
		<b>2023</b>	<b>2022</b>
Operating expenses	The Company's parent	\$ 1,097	\$ 7,175
	Associate of the Company's parent	198	835
	Fellow company	<u>63</u>	<u>29</u>
		<u>\$ 1,358</u>	<u>\$ 8,039</u>
Miscellaneous revenue	The Company's parent - Edimax	<u>\$ 1,391</u>	<u>\$ 991</u>

g. Remuneration of key management personnel

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Short-term employee benefits	\$ 5,243	\$ 5,900
Share-based payments	<u>-</u>	<u>140</u>
	<u>\$ 5,243</u>	<u>\$ 6,040</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.

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

The following assets were provided as collateral for bank borrowings and the leasing of buildings:

	March 31, 2023	December 31, 2022	March 31, 2022
Pledged deposits (classified as financial assets at amortized cost)	\$ -	\$ -	\$ 825
Property, plant and equipment	<u>252,192</u>	<u>252,953</u>	<u>255,238</u>
	<u>\$ 252,192</u>	<u>\$ 252,953</u>	<u>\$ 256,063</u>

### 32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Company as of March 31, 2023 were as follows:

Taipei Fubon Bank issued to the Taipei Customs Office a guarantee note for customs duties on the bonded warehouse of the Company; the stated amount of the note was \$2,000 thousand as of March 31, 2023.

### 33. SIGNIFICANT FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities 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:

March 31, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 10,764	30.45 (USD:NTD)	\$ 327,770
USD	476	0.92 (USD:EUR)	14,490
USD	2,533	21.60 (USD:CZK)	77,115
EUR	2,254	33.15 (EUR:NTD)	74,716
EUR	716	23.49 (EUR:CZK)	23,742
<u>Financial liabilities</u>			
Monetary items			
USD	4,888	30.45 (USD:NTD)	148,845
USD	1,430	21.60 (USD:CZK)	43,546
EUR	535	23.49 (EUR:CZK)	17,719



December 31, 2022

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 20,484	30.71 (USD:NTD)	\$ 629,077
USD	1,582	0.94 (USD:EUR)	48,580
USD	3,099	22.62 (USD:CZK)	95,173
EUR	2,801	32.72 (EUR:NTD)	91,638
EUR	647	24.12 (EUR:CZK)	21,158

Financial liabilities

Monetary items			
USD	6,762	30.71 (USD:NTD)	207,671
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

March 31, 2022

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 18,049	28.63 (USD:NTD)	\$ 516,643
USD	2,811	0.90 (USD:EUR)	80,472
USD	943	21.96 (USD:CZK)	26,982
EUR	4,825	31.92 (EUR:NTD)	153,998
EUR	499	24.39 (EUR:CZK)	15,915

Financial liabilities

Monetary items			
USD	9,196	28.63 (USD:NTD)	263,240
USD	2,097	0.90 (USD:EUR)	60,030
EUR	2,111	31.92 (EUR:NTD)	67,399

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 are disclosed. The significant realized and unrealized foreign exchange gains (losses) were as follows:

	<b>For the Three Months Ended March 31</b>			
	<b>2023</b>		<b>2022</b>	
<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gains (Losses)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gains (Losses)</b>
NTD	1 (NTD:NTD)	\$ (3,959)	1 (NTD:NTD)	\$ 10,347
EUR	32.62 (EUR:NTD)	<u>(545)</u>	31.45 (EUR:NTD)	<u>(144)</u>
		<u>\$ (4,504)</u>		<u>\$ 10,203</u>

#### **34. SEPARATELY DISCLOSED ITEMS**

a. Information on significant transactions:

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 1)
- 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 (None)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 2)
- 9) Trading in derivative instruments (Note 7)
- 10) Intercompany relationships and significant intercompany transactions (Table 3)

b. Information on investees (Table 4)

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 (None)

- 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 (None)
- The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
  - The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
  - The amount of property transactions and the amount of the resultant gains or losses.
  - The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
  - The highest balance, the ending balance, the interest rate range, and total current period interest with respect to financing of funds.
  - 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 5).

### 35. 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.

#### Segment revenue and results

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

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Revenue from external customers	\$ 195,858	\$ 474,367
Inter-segment revenue	<u>-</u>	<u>-</u>
Segment revenue	195,858	474,367
Eliminations	<u>-</u>	<u>-</u>
Consolidated revenue	<u>\$ 195,858</u>	<u>\$ 474,367</u>
Segment (loss) income	\$ (107,725)	\$ 3,818
Non-operating income and expense	<u>(2,880)</u>	<u>10,818</u>
(Loss) income before income tax from continuing operations	<u>\$ (110,605)</u>	<u>\$ 14,636</u>

Segment (loss) profit represents the profit before tax earned by each segment without allocation of interest income, exchange gains or losses, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

## COMTREND CORPORATION AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

MARCH 31, 2023

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2023			Note
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	
Comtrend	Share EMMT Systems Corporation	None	Financial assets at FVTOCI - non-current	357	\$ -	0.52	\$ -
Comtrend	Share Edimax	Parent Company	Financial assets at FVTOCI - current	4,120	69,010	1.98	69,010

TABLE 2

**COMTRENDD CORPORATION AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL  
MARCH 31, 2023  
(In Thousands of New Taiwan Dollars)**

Group Name	Related Party	Relationship	Ending Balance	Turnover Rate	Amount	Overdue		Allowance for Impairment Loss
						Amount	Actions Taken	
Comtrend	CUSA	Subsidiary	\$ 146,647	1.56	\$ 62,681	CUSA has actively arranged for the repayment to Comtrend	\$ 6,131	\$ -

Note: The transactions with the related parties have been eliminated in the consolidated financial statements as of and for the three months ended March 31, 2023.

**TABLE 3**

**COMTREND CORPORATION AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	For the three months ended March 31, 2022 Comtrend	CUSA CUSA CCE CCE CTBV CTBV	a a a a a a	Sales revenue Accounts receivable Sales revenue Accounts receivable Sales revenue Accounts receivable	\$ 66,960 146,647 6,371 57,183 52,624 40,679	Normal Normal, collection period: 60-180 days Normal Normal, collection period: 60-180 days Normal Normal, collection period: 60-180 days	34.19 9.03 3.25 3.52 26.87 2.50

Note 1: Investee companies are numbered as follows:

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

Note 2: Relationships between counterparties are numbered as follows:

- a. Parent to subsidiary.
- b. Subsidiary to parent.
- c. Subsidiary to subsidiary.

Note 3: Percentage of consolidated operating revenue or consolidated total assets: If the account is a balance sheet account, it was calculated by dividing the ending balance with consolidated total assets; if the account is an income statement account, it was calculated by dividing the interim cumulative balance with the consolidated operating revenue.

Note 4: The transactions with the related parties have been eliminated in the consolidated financial statements as of and for the three months ended March 31, 2023.

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

## COMTREND CORPORATION AND SUBSIDIARIES

 INFORMATION ON INVESTEEES  
 FOR THE THREE MONTHS ENDED MARCH 31, 2023  
 (In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of March 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				March 31, 2023	January 1, 2023	Number of Shares	%	Carrying Amount			
Comtrend	CUSA	USA	Wholesale, retail sale, and international trade, etc.	\$ 98,341	\$ 98,341	200,000	100.00	\$ 20,174	\$ (52,206)	Subsidiary (Note 1)	
	CTBV	Netherlands	Wholesale, retail sale, and international trade, etc.	50,901	50,901	1,518,000	100.00	101,651	(6,987)	Subsidiary	
CTBV	CCE	Czech Republic	Wholesale, retail sale, and international trade, etc.	71,438	71,438	-	100.00	50,775	(5,070)	Sub-subsubsidiary	
	Iberia	Spain	Wholesale, retail sale, and international trade, etc.	12,294	12,294	-	100.00	6,935	(2,147)	Sub-subsubsidiary	

Note 1: The share of profits/losses of investees includes a net loss of \$44,501 thousand and the effect of unrealized gross profit of \$7,705 thousand on intercompany transactions.

Note 2: The transactions with the related parties have been eliminated in the consolidated financial statements as of and for the three months ended March 31, 2023.



**TABLE 5****COMTREND CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
MARCH 31, 2023**

<b>Name of Major Shareholder</b>	<b>Shares</b>	
	<b>Number of Shares</b>	<b>Percentage of Ownership (%)</b>
Edimax	19,649,060	33.49

Note: 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 preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by Comtrend as of the last business day for 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 preparation basis.