

# **Comtrend Corporation and Subsidiaries**

**Consolidated Financial Statements for the  
Three Months Ended March 31, 2022 and 2021 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, 2022 and 2021, 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 Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### 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, 2022 and 2021, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

May 6, 2022

Notice to Readers

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

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

# COMTREND CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2022 (Reviewed)		December 31, 2021 (Audited)		March 31, 2021 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 617,054	31	\$ 482,213	27	\$ 1,014,369	51
Financial assets at fair value through other comprehensive income - current (Note 8)	51,660	3	59,850	3	56,490	3
Contract assets - current (Note 23)	8,039	-	5,782	-	5,088	-
Notes receivable from unrelated parties (Note 10)	-	-	-	-	11	-
Trade receivables (Notes 10 and 23)	354,221	18	364,988	21	304,105	15
Other receivables (Notes 10 and 30)	823	-	1,374	-	1,232	-
Current tax assets	3,619	-	2,111	-	8,338	-
Inventories (Note 11)	542,521	28	679,664	38	429,117	22
Other current assets (Note 15)	32,858	2	25,329	2	23,833	1
Total current assets	<u>1,610,795</u>	<u>82</u>	<u>1,621,311</u>	<u>91</u>	<u>1,842,583</u>	<u>92</u>
<b>NON-CURRENT ASSETS</b>						
Financial assets at amortized cost - non-current (Notes 9 and 31)	825	-	810	-	865	-
Property, plant and equipment (Notes 13 and 31)	298,981	15	45,411	3	48,509	3
Right-of-use assets (Note 14)	21,500	1	21,712	1	76,313	4
Deferred tax assets	31,344	2	33,191	2	18,980	1
Other non-current assets (Note 15)	2,481	-	61,984	3	5,258	-
Total non-current assets	<u>355,131</u>	<u>18</u>	<u>163,108</u>	<u>9</u>	<u>149,925</u>	<u>8</u>
<b>TOTAL</b>	<u>\$ 1,965,926</u>	<u>100</u>	<u>\$ 1,784,419</u>	<u>100</u>	<u>\$ 1,992,508</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)	31	-	-	-	-	-
Contract liabilities - current (Notes 23 and 30)	6,349	-	1,210	-	24,455	1
Notes payable and trade payables (Note 18)	196,186	10	288,633	16	205,537	10
Trade payables to related parties (Note 30)	59,507	3	91,549	5	101,536	5
Other payables (Notes 19 and 30)	88,249	4	72,882	4	126,590	7
Current tax liabilities	12,208	1	5,752	-	12,622	1
Provisions - current (Note 20)	6,012	-	5,382	-	3,846	-
Lease liabilities - current (Note 14)	11,914	1	12,446	1	18,151	1
Other current liabilities (Note 19)	32,222	2	24,730	2	23,831	1
Total current liabilities	<u>476,518</u>	<u>24</u>	<u>502,584</u>	<u>28</u>	<u>516,568</u>	<u>26</u>
<b>NON-CURRENT LIABILITIES</b>						
Long-term borrowings (Note 17)	200,000	10	-	-	15,873	1
Deferred tax liabilities	1,506	-	-	-	528	-
Lease liabilities - non-current (Note 14)	9,829	1	9,505	1	58,891	3
Net defined benefit liabilities	3,511	-	9,073	-	9,171	-
Total non-current liabilities	<u>214,846</u>	<u>11</u>	<u>18,578</u>	<u>1</u>	<u>84,463</u>	<u>4</u>
Total liabilities	<u>691,364</u>	<u>35</u>	<u>521,162</u>	<u>29</u>	<u>601,031</u>	<u>30</u>
<b>EQUITY (Note 22)</b>						
Share capital						
Common stock	577,568	29	572,963	32	569,723	29
Capital collected in advance	624	-	36	-	852	-
Total share capital	<u>578,192</u>	<u>29</u>	<u>572,999</u>	<u>32</u>	<u>570,575</u>	<u>29</u>
Capital surplus	350,157	18	349,418	20	345,644	17
Retained earnings						
Legal reserve	83,922	4	83,922	4	63,642	3
Unappropriated earnings	251,570	13	246,438	14	405,864	21
Total retained earnings	<u>335,492</u>	<u>17</u>	<u>330,360</u>	<u>18</u>	<u>469,506</u>	<u>24</u>
Other equity						
Exchange differences on translation of financial statements of foreign operations	243	-	(8,188)	-	(511)	-
Unrealized gain on financial assets at fair value through other comprehensive income	10,478	1	18,668	1	6,263	-
Total other equity	<u>10,721</u>	<u>1</u>	<u>10,480</u>	<u>1</u>	<u>5,752</u>	<u>-</u>
Total equity	<u>1,274,562</u>	<u>65</u>	<u>1,263,257</u>	<u>71</u>	<u>1,391,477</u>	<u>70</u>
<b>TOTAL</b>	<u>\$ 1,965,926</u>	<u>100</u>	<u>\$ 1,784,419</u>	<u>100</u>	<u>\$ 1,992,508</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)

	For the Three Months Ended March 31			
	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 23 and 30)	\$ 474,367	100	\$ 347,576	100
OPERATING COSTS (Notes 11, 24 and 30)	<u>(314,084)</u>	<u>(66)</u>	<u>(226,332)</u>	<u>(65)</u>
GROSS PROFIT	<u>160,283</u>	<u>34</u>	<u>121,244</u>	<u>35</u>
OPERATING EXPENSES (Notes 10, 24 and 30)				
Selling and marketing expenses	(91,295)	(19)	(71,777)	(21)
General and administrative expenses	(23,395)	(5)	(20,840)	(6)
Research and development expenses	(40,823)	(9)	(38,968)	(11)
Expected credit reversal gains and impairment losses	<u>(952)</u>	<u>-</u>	<u>1,055</u>	<u>-</u>
Total operating expenses	<u>(156,465)</u>	<u>(33)</u>	<u>(130,530)</u>	<u>(38)</u>
PROFIT (LOSS) FROM OPERATIONS	<u>3,818</u>	<u>1</u>	<u>(9,286)</u>	<u>(3)</u>
NON-OPERATING INCOME AND EXPENSES				
Other gains and losses (Notes 24 and 30)	11,417	2	(2,797)	(1)
Finance costs (Note 24)	(610)	-	(243)	-
Interest income (Note 24)	<u>11</u>	<u>-</u>	<u>198</u>	<u>-</u>
Total non-operating income and expenses	<u>10,818</u>	<u>2</u>	<u>(2,842)</u>	<u>(1)</u>
PROFIT (LOSS) BEFORE INCOME TAX	14,636	3	(12,128)	(4)
INCOME TAX (EXPENSE) BENEFIT (Note 25)	<u>(9,504)</u>	<u>(2)</u>	<u>1,942</u>	<u>1</u>
NET PROFIT (LOSS) FOR THE PERIOD	<u>5,132</u>	<u>1</u>	<u>(10,186)</u>	<u>(3)</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)

	For the Three Months Ended March 31			
	2022		2021	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE INCOME</b>				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	\$ (8,190)	(2)	\$ (420)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>8,431</u>	<u>2</u>	<u>(3,853)</u>	<u>(1)</u>
Other comprehensive income (loss) for the period, net of income tax	<u>241</u>	<u>-</u>	<u>(4,273)</u>	<u>(1)</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<u>\$ 5,373</u>	<u>1</u>	<u>\$ (14,459)</u>	<u>(4)</u>
<b>EARNINGS (LOSS) PER SHARE (Note 26)</b>				
Basic	<u>\$ 0.09</u>		<u>\$ (0.18)</u>	
Diluted	<u>\$ 0.09</u>		<u>\$ (0.18)</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)			Exchange Differences on Translation of the Financial Statements of Foreign Operations	Other Equity		Total 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	Total	
BALANCE AT JANUARY 1, 2021	\$ 563,846	\$ -	\$ 563,846	\$ 345,520	\$ 63,642	\$ 416,050	\$ 479,692	\$ 3,342	\$ 6,683	\$ 10,025	\$ 1,399,083
Other changes in capital surplus											
Recognition of employee share options by the Company (Note 27)	-	-	-	124	-	-	-	-	-	-	124
Issuance of ordinary shares under employee share options	5,877	852	6,729	-	-	-	-	-	-	-	6,729
Net loss for the three months ended March 31, 2021	-	-	-	-	-	(10,186)	(10,186)	-	-	-	(10,186)
Other comprehensive income (loss) for the three months ended March 31, 2021, net of income tax	-	-	-	-	-	-	-	(3,853)	(420)	(4,273)	(4,273)
Total comprehensive income (loss) for the three months ended March 31, 2021	-	-	-	-	-	(10,186)	(10,186)	(3,853)	(420)	(4,273)	(14,459)
BALANCE AT MARCH 31, 2021	\$ 569,723	\$ 852	\$ 570,575	\$ 345,644	\$ 63,642	\$ 405,864	\$ 469,506	\$ (511)	\$ 6,263	\$ 5,752	\$ 1,391,477
BALANCE AT JANUARY 1, 2022	\$ 572,963	\$ 36	\$ 572,999	\$ 349,418	\$ 83,922	\$ 246,438	\$ 330,360	\$ (8,188)	\$ 18,668	\$ 10,480	\$ 1,263,257
Other changes in capital surplus											
Recognition of employee share options by the Company (Note 27)	-	-	-	739	-	-	-	-	-	-	739
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	-	-	-	-	-	-	-	8,431	(8,190)	241	241
Total comprehensive income (loss) for the three months ended March 31, 2022	-	-	-	-	-	5,132	5,132	8,431	(8,190)	241	5,373
BALANCE AT MARCH 31, 2022	\$ 577,568	\$ 624	\$ 578,192	\$ 350,157	\$ 83,922	\$ 251,570	\$ 335,492	\$ 243	\$ 10,478	\$ 10,721	\$ 1,274,562

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	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit (loss) before income tax	\$ 14,636	\$ (12,128)
Adjustments for:		
Depreciation expense	11,209	12,865
Expected credit reversal gains and impairment losses	952	(1,055)
Net loss on fair value changes of financial liabilities at fair value through profit or loss	31	-
Finance costs	610	243
Interest income	(11)	(198)
Share-based payments	739	124
Write-down of inventories	-	2,143
Reversal of write-downs of inventories	(158)	-
Gain on lease modifications	(2)	-
Net changes in operating assets and liabilities		
Contract assets	(2,257)	(3,668)
Notes receivable from unrelated parties	-	10
Trade receivables	9,700	93,364
Other receivables	551	165
Inventories	136,397	(73,174)
Other current assets	(7,529)	(4,630)
Contract liabilities	5,139	9,660
Notes payable and trade payables (including related parties)	(124,489)	(138,072)
Other payables	15,367	1,250
Provisions	630	405
Other current liabilities	7,492	5,039
Net defined benefit liabilities	(5,562)	(144)
Cash generated from (used in) operations	63,445	(107,801)
Interest received	11	197
Interest paid	(538)	(2)
Income tax paid	(1,203)	(3,130)
Net cash generated from (used in) operating activities	<u>61,715</u>	<u>(110,736)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from financial assets measured at amortized cost	(15)	40
Payments for property, plant and equipment	(204,686)	(7,488)
Decrease in refundable deposits	2,707	13
Net cash used in investing activities	<u>(201,994)</u>	<u>(7,435)</u>

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# 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	
	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ 63,840	\$ -
Proceeds from long-term borrowings	200,000	15,873
Repayment of the principal portion of lease liabilities	(3,303)	(5,205)
Exercise of employee share options	<u>5,193</u>	<u>6,729</u>
Net cash generated from financing activities	<u>265,730</u>	<u>17,397</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>9,390</u>	<u>(3,657)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	134,841	(104,431)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>482,213</u>	<u>1,118,800</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 617,054</u>	<u>\$1,014,369</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, 2022 AND 2021 (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.
- 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.
- 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 33.98%, 34.29% and 34.44%, respectively, of ordinary shares of Comtrend as of March 31, 2022, December 31, 2021 and March 31, 2021, 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 6, 2022.

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

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

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

- b. New 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
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, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Statement of compliance

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

##### b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (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 5 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

##### d. Other significant accounting policies

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

##### 1) Retirement benefits

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

## 2) Taxation

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

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

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

## 6. CASH AND CASH EQUIVALENTS

	March 31, 2022	December 31, 2021	March 31, 2021
Cash on hand	\$ 456	\$ 467	\$ 313
Checking accounts and demand deposits	602,285	467,906	699,788
Cash equivalents			
Time deposits with original maturities within 3 months	<u>14,313</u>	<u>13,840</u>	<u>314,268</u>
	<u>\$ 617,054</u>	<u>\$ 482,213</u>	<u>\$ 1,014,369</u>

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

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Financial liabilities - current</u>			
Held for trading			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange forward contracts	<u>\$ 31</u>	<u>\$ -</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>March 31, 2022</u>			
Foreign exchange forward contracts	EUR/USD	July 1, 2022	EUR300/USD334
Foreign exchange forward contracts	EUR/USD	July 5, 2022	EUR300/USD336

The Group entered into foreign exchange forward contracts 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

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Current</u>			
Domestic listed shares			
Ordinary shares - Edimax	<u>\$ 51,660</u>	<u>\$ 59,850</u>	<u>\$ 56,490</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, 2022	December 31, 2021	March 31, 2021
<u>Non-current</u>			
Domestic investments			
Time deposits with original maturities of more than 3 months	<u>\$ 825</u>	<u>\$ 810</u>	<u>\$ 865</u>

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

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

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Note receivables</u>			
At amortized cost			
Gross carrying amount	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11</u>
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$ 358,000	\$ 367,700	\$ 308,628
Less: Allowance for impairment loss	<u>(3,779)</u>	<u>(2,712)</u>	<u>(4,523)</u>
	<u>\$ 354,221</u>	<u>\$ 364,988</u>	<u>\$ 304,105</u>
<u>Other receivables</u>			
Others	<u>\$ 823</u>	<u>\$ 1,374</u>	<u>\$ 1,232</u>

The average credit period of sales of goods was 60-130 days. No interest was charged on trade receivables for the first 60-130 days from the date of the invoice. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from independent rating agencies where available or, if not available, 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 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 applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

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

March 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	0.05%	0.51%	11.32%	-	-	100.00%	
Gross carrying amount	\$ 282,319	\$ 62,328	\$ 11,302	\$ -	\$ -	\$ 2,051	\$ 358,000
Loss allowance (Lifetime ECLs)	(132)	(317)	(1,279)	-	-	(2,051)	(3,779)
Amortized cost	<u>\$ 282,187</u>	<u>\$ 62,011</u>	<u>\$ 10,023</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 354,221</u>

December 31, 2021

	<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	0.05%	1.06%	20.00%	-	100.00%	100.00%	
Gross carrying amount	\$ 355,275	\$ 9,986	\$ 20	\$ -	\$ 425	\$ 1,994	\$ 367,700
Loss allowance (Lifetime ECLs)	(183)	(106)	(4)	-	(425)	(1,994)	(2,712)
Amortized cost	<u>\$ 355,092</u>	<u>\$ 9,880</u>	<u>\$ 16</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 364,988</u>

## March 31, 2021

	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	-	2.20%	20.00%	50.00%	-	100.00%	
Gross carrying amount	\$ 280,841	\$ 16,577	\$ 8,810	\$ 8	\$ -	\$ 2,392	\$ 308,628
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(365)</u>	<u>(1,762)</u>	<u>(4)</u>	<u>-</u>	<u>(2,392)</u>	<u>(4,523)</u>
Amortized cost	<u>\$ 280,841</u>	<u>\$ 16,212</u>	<u>\$ 7,048</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 304,105</u>

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

	For the Three Months Ended March 31	
	2022	2021
Balance at January 1	\$ 2,712	\$ 5,624
Add: Net remeasurement of loss allowance	952	-
Less: Amounts written off	-	(1,055)
Foreign exchange gains and losses	<u>115</u>	<u>(46)</u>
Balance at March 31	<u>\$ 3,779</u>	<u>\$ 4,523</u>

## 11. INVENTORIES

	March 31, 2022	December 31, 2021	March 31, 2021
Raw materials	\$ 184,734	\$ 187,944	\$ 197,319
Work in progress and semi-finished goods	80,780	68,049	62,148
Finished goods	150,226	135,703	80,961
Inventories in transit	126,781	287,959	88,689
Merchandise	<u>-</u>	<u>9</u>	<u>-</u>
	<u>\$ 542,521</u>	<u>\$ 679,664</u>	<u>\$ 429,117</u>

The cost of goods sold for the three months ended March 31, 2022 and 2021 included reversals of inventory write-downs of \$(158) thousand and inventory write-downs of \$2,143 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 (%)		
				March 31, 2022	December 31, 2021	March 31, 2021
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	100.00	100.00
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	100.00	100.00

(Continued)



Investor	Investee	Nature of Activities	Location	Proportion of Ownership (%)		
				March 31, 2022	December 31, 2021	March 31, 2021
CTBV	Iberia	Cable & cableless transmission services	Spain	100.00	100.00	100.00
CTBV	CCE	Cable & cableless transmission equipment wholesale, retail sale, and international trade, etc.	Czech Republic	100.00	100.00	100.00

(Concluded)

### 13. PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Machinery Equipment	Computer and Communication Equipment	Office Equipment	Transportation Equipment	Other Equipment	Total
<u>Cost</u>								
Balance at January 1, 2021	\$ -	\$ -	\$ 32,513	\$ 41,586	\$ 3,543	\$ 3,150	\$ 101,959	\$ 182,751
Additions	-	-	-	1,288	-	-	6,200	7,488
Disposals	-	-	(3,340)	(23)	(2,606)	-	(3,997)	(9,966)
Effects of foreign currency exchange differences	-	-	(1)	-	(10)	-	(15)	(26)
Balance at March 31, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,172</u>	<u>\$ 42,851</u>	<u>\$ 927</u>	<u>\$ 3,150</u>	<u>\$ 104,147</u>	<u>\$ 180,247</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2021	\$ -	\$ -	\$ 27,960	\$ 29,749	\$ 3,391	\$ 766	\$ 71,903	\$ 133,769
Disposals	-	-	(3,340)	(23)	(2,606)	-	(3,997)	(9,966)
Depreciation expense	-	-	330	1,544	9	137	5,946	7,966
Effects of foreign currency exchange differences	-	-	(10)	-	(10)	-	(11)	(31)
Balance at March 31, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,940</u>	<u>\$ 31,270</u>	<u>\$ 784</u>	<u>\$ 903</u>	<u>\$ 73,841</u>	<u>\$ 131,738</u>
Carrying amount at March 31, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,232</u>	<u>\$ 11,581</u>	<u>\$ 143</u>	<u>\$ 2,247</u>	<u>\$ 30,306</u>	<u>\$ 48,509</u>
<u>Cost</u>								
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>
<u>Accumulated depreciation and impairment</u>								
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>

- No impairment was recognized or reversed for the three months ended March 31, 2022 and 2021.
- The cash flow information for the acquisition of property, plant and equipment by the Group for the three months ended March 31, 2022 and 2021 is adjusted as follows:

	For the Three Months Ended March 31	
	2022	2021
Additions to property, plant and equipment	\$ 261,482	\$ 7,488
Prepayments for land and buildings, beginning of period	(56,796)	-
Prepayments for land and buildings, end of period	-	-
Payment for property, plant and equipment	<u>\$ 204,686</u>	<u>\$ 7,488</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:

Building	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	1-6 years

#### 14. LEASE ARRANGEMENTS

- a. Right-of-use assets

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Carrying amount</u>			
Buildings	\$ 18,592	\$ 19,612	\$ 73,600
Transportation equipment	<u>2,908</u>	<u>2,100</u>	<u>2,713</u>
	<u>\$ 21,500</u>	<u>\$ 21,712</u>	<u>\$ 76,313</u>
		<b>For the Three Months Ended March 31</b>	
		<b>2022</b>	<b>2021</b>
Additions to right-of-use assets		<u>\$ 4,090</u>	<u>\$ 13,171</u>
Depreciation charge for right-of-use assets			
Buildings		\$ 2,856	\$ 4,497
Transportation equipment		<u>373</u>	<u>402</u>
		<u>\$ 3,229</u>	<u>\$ 4,899</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, 2022 and 2021.

- b. Lease liabilities

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Carrying amount</u>			
Current	<u>\$ 11,914</u>	<u>\$ 12,446</u>	<u>\$ 18,151</u>
Non-current	<u>\$ 9,829</u>	<u>\$ 9,505</u>	<u>\$ 58,891</u>

Range of discount rate for lease liabilities was as follows:

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Buildings	1.36%	1.36%	1.36%
Transportation equipment	1.25%-1.36%	1.36%	1.36%

c. Material lease-in activities and terms

The Group leases certain transportation equipment for transportation 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>2022</b>	<b>2021</b>
Expenses relating to low-value asset leases	<u>\$ 811</u>	<u>\$ 512</u>
Total cash outflow for leases	<u>\$ (4,186)</u>	<u>\$ (5,957)</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, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
<u>Current</u>			
Prepaid expenses	\$ 12,407	\$ 9,609	\$ 7,268
Input VAT and tax deduction	19,213	15,494	15,625
Prepayments	45	99	852
Others	<u>1,193</u>	<u>127</u>	<u>88</u>
	<u>\$ 32,858</u>	<u>\$ 25,329</u>	<u>\$ 23,833</u>
<u>Non-current</u>			
Refundable deposits	\$ 2,481	\$ 5,188	\$ 5,258
Prepayments for land and buildings*	<u>-</u>	<u>56,796</u>	<u>-</u>
	<u>\$ 2,481</u>	<u>\$ 61,984</u>	<u>\$ 5,258</u>

\* On November 10, 2021, Comtrend officially signed a contract with a unrelated party to acquire real estate for its operation. The total price was \$259,351 thousand. As of December 31, 2021, the registration of the transfer of the real estate had not been completed and the payment had not been paid yet, thus, the down payment was listed as prepayment for land and buildings. In addition, the registration of the transfer was completed on January 6, 2022.

## 16. SHORT-TERM BORROWINGS

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Unsecured borrowings</u>			
Bank loans	\$ <u>63,840</u>	\$ <u>-</u>	\$ <u>-</u>

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

## 17. LONG-TERM BORROWINGS

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Secured borrowings</u>			
Bank loans (Note a)	\$ 200,000	\$ -	\$ -
<u>Unsecured borrowings</u>			
Bank loans (Note b)	<u>-</u>	<u>-</u>	<u>15,873</u>
Long-term borrowings	\$ <u>200,000</u>	\$ <u>-</u>	\$ <u>15,873</u>

a. 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, 2024 is 1.25%, and the effective annual interest rate from January 15, 2024 to January 14, 2042 is 1.36%. The purpose of the borrowings is to purchase land and buildings for operations.

b. The maturity date of the bank loan is February 6, 2026, and the effective interest rate is 1.00%.

## 18. NOTES PAYABLE AND TRADE PAYABLES

	March 31, 2022	December 31, 2021	March 31, 2021
Notes payable	\$ 28	\$ 7	\$ 38
Trade payables	<u>196,158</u>	<u>288,626</u>	<u>205,499</u>
	\$ <u>196,186</u>	\$ <u>288,633</u>	\$ <u>205,537</u>

The Group takes financial risk into consideration when deciding on the payment terms of notes payable and trade payables to ensure that all payables are paid within the pre-agreed credit terms.

## 19. OTHER LIABILITIES

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Current</u>			
Other payables			
Payables for salaries	\$ 42,402	\$ 16,903	\$ 39,218
Payables for freight and customs fees	14,369	25,485	10,330
Payables for professional service fees	6,048	6,725	9,573
Payables for royalties	2,541	2,457	2,533
Payables for compensation of employees and remuneration of directors	813	-	23,209
Output VAT	216	930	12,707
Others	<u>21,860</u>	<u>20,382</u>	<u>29,020</u>
	<u>\$ 88,249</u>	<u>\$ 72,882</u>	<u>\$ 126,590</u>
Other liabilities			
Refund liabilities	\$ 30,187	\$ 23,823	\$ 21,473
Others	<u>2,035</u>	<u>907</u>	<u>2,358</u>
	<u>\$ 32,222</u>	<u>\$ 24,730</u>	<u>\$ 23,831</u>

## 20. PROVISIONS

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Non-current</u>			
Warranties	<u>\$ 6,012</u>	<u>\$ 5,382</u>	<u>\$ 3,846</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, 2022 and 2021, 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, 2021 and 2020, respectively.

## 22. EQUITY

### a. Share capital

	March 31, 2022	December 31, 2021	March 31, 2021
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>57,757</u>	<u>57,296</u>	<u>56,972</u>
Shares issued (in thousands of N.T. dollars)	<u>\$ 577,568</u>	<u>\$ 572,963</u>	<u>\$ 569,723</u>
Shares collected in advance (in thousands of N.T. dollars)	<u>\$ 624</u>	<u>\$ 36</u>	<u>\$ 852</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 \$5,877 thousand, equivalent to 587 thousand shares, with a subscription price of \$10, into ordinary shares for the three months ended March 31, 2021. The outstanding ordinary shares after the new shares issued were 569,723 thousand. The registration for the capital change has been filed with the Ministry of Economic Affairs on March 31, 2021.

Comtrend converted employee share options of 852 thousand, converted equivalent to 85 thousand shares. As the change registration has not been completed as of March 31, 2021, it was listed as capital collected in advance.

Comtrend converted employee share options of \$9,117 thousand, equivalent to 911 thousand shares, with a subscription price of \$10, into ordinary shares for the year ended December 31, 2021. The outstanding ordinary shares after the new shares issued were 572,963 thousand. The registration for the capital change has been filed with the Ministry of Economic Affairs on November 25, 2021.

Comtrend converted employee share options of 36 thousand, converted equivalent to 4 thousand shares. As the change registration has not been completed as of December 31, 2021, it was listed as capital collected in advance. The registration for the capital change has been filed with the Ministry of Economic Affairs on April 11, 2022.

Comtrend converted employee share options of \$4,569 thousand, equivalent to 457 thousand shares, with a subscription price of \$10, into ordinary shares for the three months ended March 31, 2022. The outstanding ordinary shares after the new shares issued were 577,568 thousand. The registration for the capital change has been filed with the Ministry of Economic Affairs on April 11, 2022.

Comtrend converted employee share options of 624 thousand, converted equivalent to 62 thousand shares. As the change registration has not been completed as of March 31, 2022, it was listed as capital collected in advance.

Comtrend issued 2,114 thousand ordinary shares by private placement, with a par value of NT\$10 and an issue price of NT\$14.7 per share on December 13, 2017. The private ordinary shares shall be handled according to Article 43-8 of the Securities and Exchange Act. When the private ordinary shares was issued over 3 years, Comtrend may apply to TPEX for supplemental public issuance in accordance with relevant regulations. The aforesaid transaction has been applied to TPEX for supplemental public issuance, and it has been declared effective by TPEX on October 6, 2021.

b. Capital surplus

	March 31, 2022	December 31, 2021	March 31, 2021
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*			
Premium from issuance of ordinary shares	\$ 342,074	\$ 337,269	\$ 336,392
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>4,004</u>	<u>8,070</u>	<u>5,173</u>
	<u>\$ 350,157</u>	<u>\$ 349,418</u>	<u>\$ 345,644</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 amended 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 (g).

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 the 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, 2021 and 2020, which had been proposed by the Company's board of directors on March 11, 2022 and resolved in the shareholders' meetings on July 29, 2021, were as follows:

	<b>2021</b>	<b>2020</b>
Legal reserve	\$ <u>          -</u>	\$ <u>  20,280</u>
Cash dividends	\$ <u>  57,757</u>	\$ <u> 113,945</u>
Cash dividends per share (NT\$)	\$ <u>          1</u>	\$ <u>          2</u>

The appropriation of earnings for 2021 is subject to the resolution of the shareholders in the shareholders' meeting to be held on June 14, 2022.

### 23. REVENUE

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Revenue from the sale of goods	\$ 470,792	\$ 343,300
Revenue from the rendering of services	<u>      3,575</u>	<u>      4,276</u>
	<u>\$ 474,367</u>	<u>\$ 347,576</u>

#### Contract Balances

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>	<b>January 1, 2021</b>
Trade receivables (Note 10)	<u>\$ 358,000</u>	<u>\$ 367,700</u>	<u>\$ 308,639</u>	<u>\$ 402,105</u>
Contract assets - sale of goods	<u>\$ 8,039</u>	<u>\$ 5,782</u>	<u>\$ 5,088</u>	<u>\$ 1,420</u>
Contract liabilities - sale of goods	<u>\$ 6,349</u>	<u>\$ 1,210</u>	<u>\$ 24,455</u>	<u>\$ 14,795</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 PROFIT (LOSS)

#### a. Interest income

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Bank deposits	<u>\$ 11</u>	<u>\$ 198</u>



b. Other gains and losses

**For the Three Months Ended  
March 31**

	2022	2021
Net loss on fair value changes of financial liabilities at fair value through profit or loss	\$ (31)	\$ -
Net foreign exchange gain (losses)	10,203	(4,330)
Other gain	<u>1,245</u>	<u>1,533</u>
	<u>\$ 11,417</u>	<u>\$ (2,797)</u>

c. Finance costs

**For the Three Months Ended  
March 31**

	2022	2021
Interest on lease liabilities	\$ 72	\$ 240
Interest on bank loans	<u>538</u>	<u>3</u>
	<u>\$ 610</u>	<u>\$ 243</u>

d. Impairment losses recognized (reversed)

**For the Three Months Ended  
March 31**

	2022	2021
Trade receivables	<u>\$ 952</u>	<u>\$ (1,055)</u>
Inventories (included in operating costs)	<u>\$ (158)</u>	<u>\$ 2,143</u>

e. Depreciation and amortization

**For the Three Months Ended  
March 31**

	2022	2021
Property, plant and equipment	\$ 7,980	\$ 7,966
Right-of-use assets	<u>3,229</u>	<u>4,899</u>
	<u>\$ 11,209</u>	<u>\$ 12,865</u>
An analysis of depreciation by function		
Operating expenses	<u>\$ 11,209</u>	<u>\$ 12,865</u>

f. Employee benefits expense

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Short-term benefits	\$ 94,966	\$ 93,190
Post-employment benefits		
Defined contribution plans	3,106	2,273
Share-based payments		
Equity-settled	739	124
Termination benefits	<u>1,132</u>	<u>304</u>
Total employee benefits expense	<u>\$ 99,943</u>	<u>\$ 95,891</u>
An analysis of employee benefits expense by function		
Operating expenses	<u>\$ 99,943</u>	<u>\$ 95,891</u>

g. 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, 2021. 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	<u>\$ 678</u>
Remuneration of directors	<u>\$ 135</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.

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, 2021 and 2020.

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.

h. Gains (losses) on foreign currency exchange

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Foreign exchange gains	\$ 17,182	\$ 7,556
Foreign exchange losses	<u>(6,979)</u>	<u>(11,886)</u>
	<u>\$ 10,203</u>	<u>\$ (4,330)</u>

**25. INCOME TAXES**

a. Income tax recognized in profit or loss

Major components of tax (expense) benefit recognized in profit or loss:

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Current tax		
In respect of the current period	\$ (7,334)	\$ 2,024
Adjustments for prior periods	1,184	-
Deferred tax		
In respect of the current period	<u>(3,354)</u>	<u>(82)</u>
Income tax (expense) benefit recognized in profit or loss	<u>\$ (9,504)</u>	<u>\$ 1,942</u>

b. Income tax assessments

The tax returns of Comtrend and its subsidiaries for the three months ended March 31, 2022 that have been assessed by the authorities are as follows:

	<b>Year of Tax Assessment</b>
Comtrend	2019
CUSA	2020
CTBV	2020
CCE	2021
Iberia	2020
8086	2020

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

**Unit: NT\$ Per Share**

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Basic earnings (loss) per share	<u>\$ 0.09</u>	<u>\$ (0.18)</u>
Diluted earnings (loss) per share	<u>\$ 0.09</u>	<u>\$ (0.18)</u>

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

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

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Net profit (loss) for the period	<u>\$ 5,132</u>	<u>\$ (10,186)</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>2022</b>	<b>2021</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	57,527	56,722
Effect of potentially dilutive ordinary shares:		
Employee share options	643	-
Compensation of employees	<u>25</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>58,195</u>	<u>56,722</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 are 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, 2022 and 2021 both.

Information on outstanding issued employee share options is as follows:

	<b>For the Three Months Ended March 31</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	1,547	\$ 10.00	2,513	\$ 10.00
Options forfeited	(1)	10.00	(33)	10.00
Options exercised	<u>(519)</u>	10.00	<u>(673)</u>	10.00
Balance at March 31	<u>1,027</u>	10.00	<u>1,807</u>	10.00
Options exercisable, end of period	<u>1,027</u>		<u>722</u>	

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

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Range of exercise price (NT\$)	\$10.00	\$10.00	\$10.00
Weighted-average remaining contractual life (in years)	0.82 years	1.07 years	1.82 years

Compensation costs recognized were \$739 thousand and \$124 thousand for the three months ended March 31, 2022 and 2021, 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, 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>
<u>Financial liabilities at FVTPL</u>				
Derivatives	<u>\$ -</u>	<u>\$ 31</u>	<u>\$ -</u>	<u>\$ 31</u>

December 31, 2021

	<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	\$ 59,850	\$ -	\$ -	\$ 59,850
Unlisted shares	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 59,850</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,850</u>

March 31, 2021

	<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	\$ 56,490	\$ -	\$ -	\$ 56,490
Unlisted shares	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 56,490</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,490</u>

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

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

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

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, 2022	December 31, 2021	March 31, 2021
<u>Financial assets</u>			
Financial assets at amortized cost (1)	\$ 975,404	\$ 854,573	\$ 1,325,840
Financial assets at FVTOCI	51,660	59,850	56,490
<u>Financial liabilities</u>			
FVTPL			
Held for trading	31	-	-
Amortized cost (2)	607,782	453,064	449,536

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost, notes receivable, trade receivables and other receivables, and refundable deposits.
- 2) The balances include financial liabilities measured at amortized cost, which comprise short-term loans, notes payable, trade payable (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, notes receivable, 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 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), 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 34.

## 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 foreign exchange forward contracts designated as cash flow hedges, 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 profit (loss) and other equity 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 profit (loss) and other equity, 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>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Profit or loss	\$ (1,025) (i)	\$ (1,418) (i)	\$ (3,008) (ii)	\$ (2,222) (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 increased during the reporting period mainly due to the increase in the balance of accounts receivable denominated in USD and increase in 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 appetite 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, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Fair value interest rate risk			
Financial assets	\$ 15,138	\$ 14,650	\$ 315,133
Financial liabilities	285,583	21,951	92,915
Cash flow interest rate risk			
Financial assets	602,285	467,906	699,788



### 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 profit (loss) for the three months ended March 31, 2022 and 2021 would have increased/decreased by \$1,506 thousand and \$1,749 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, 2022 and 2021 would have increased/decreased by \$517 thousand and \$565 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. As 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 80.81%, 79.95% and 78.16% of the total trade receivables as of March 31, 2022, December 31, 2021, and March 31, 2021, 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, 2022, December 31, 2021 and March 31, 2021, 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.

#### 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>					
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>

December 31, 2021

	<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	\$ 1,130	\$ 2,170	\$ 9,367	\$ 9,568	\$ -
Notes payable and trade payables	144,839	184,652	43,672	7,019	-
Other payables	<u>23,556</u>	<u>11,959</u>	<u>24,631</u>	<u>12,736</u>	<u>-</u>
	<u>\$ 169,525</u>	<u>\$ 198,781</u>	<u>\$ 77,670</u>	<u>\$ 29,323</u>	<u>\$ -</u>

March 31, 2021

	<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	\$ 1,816	\$ 3,633	\$ 15,424	\$ 41,252	\$ 18,806
Long-term borrowings	-	-	-	15,873	-
Notes payable and trade payables	107,709	156,383	42,594	387	-
Other payables	<u>28,742</u>	<u>6,219</u>	<u>79,311</u>	<u>12,318</u>	<u>-</u>
	<u>\$ 138,267</u>	<u>\$ 166,235</u>	<u>\$ 137,329</u>	<u>\$ 69,830</u>	<u>\$ 18,806</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$20,873</u>	<u>\$41,252</u>	<u>\$18,806</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Bank loans with a repayment on demand clause were included in the time band in the above maturity analysis. As of March 31, 2022, December 31, 2021 and March 31, 2021, the aggregate undiscounted principal amounts of these bank loans amounted to \$263,840 thousand, \$0 thousand and \$15,873 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 \$295,345 thousand, \$0 thousand and \$15,896, 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, 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	-	-	(19,179)	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (31)</u>	<u>\$ -</u>	<u>\$ -</u>

c) Financing facilities

As of March 31, 2022, December 31, 2021 and March 31, 2021, unused financing facilities amounted to \$219,529 thousand, \$500,192 thousand and \$508,229 thousand, respectively.

### 30. TRANSACTIONS WITH RELATED PARTIES

Comtrend's parent is Edimax, which held 33.98%, 34.29% and 34.44%, respectively, of ordinary shares of Comtrend at March 31, 2022, December 31, 2021 and March 31, 2021, respectively.

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
Talent Vantage Limited (Talent)	Associate of the Company's parent
Humax Co., Ltd. (Humax)	Key management personnel

b. Sales of goods

<b>Line Item</b>	<b>Related Party Category</b>	<b>For the Three Months Ended March 31</b>	
		<b>2022</b>	<b>2021</b>
Sales	Associate of the Company's parent	\$ <u>-</u>	\$ <u>871</u>

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

c. Purchases of goods

<b>Related Party Category</b>	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
The Company's parent - Edimax	\$ 49,267	\$ 76,088
Associate of the Company's parent - Talent	<u>2,387</u>	<u>30,067</u>
	<u>\$ 51,654</u>	<u>\$ 106,155</u>

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

d. Contract liabilities

<b>Related Party Category</b>	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Key management personnel	\$ <u>4</u>	\$ <u>4</u>	\$ <u>599</u>

e. Receivables from related parties

<b>Line Item</b>	<b>Related Party Category</b>	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Other receivables	The Company's parent - Edimax	\$ 509	\$ -	\$ 234
	Key management personnel - Humax	<u>-</u>	<u>666</u>	<u>666</u>
		<u>\$ 509</u>	<u>\$ 666</u>	<u>\$ 900</u>

The outstanding trade receivables from related parties are unsecured. For the three months ended March 31, 2022 and 2021, no impairment loss was recognized for trade receivables from related parties.

f. Payables to related parties

<b>Line Item</b>	<b>Related Party Category</b>	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Accounts payable	The Company's parent - Edimax	\$ 50,156	\$ 57,961	\$ 76,821
	Associate of the Company's parent - Talent	<u>9,351</u>	<u>33,588</u>	<u>24,715</u>
		<u>\$ 59,507</u>	<u>\$ 91,549</u>	<u>\$ 101,536</u>
Other payables	The Company's parent	\$ 2,355	\$ 2,069	\$ 30
	Associate of the Company's parent	306	84	104
	Key management personnel	<u>12</u>	<u>12</u>	<u>12</u>
		<u>\$ 2,673</u>	<u>\$ 2,165</u>	<u>\$ 146</u>

The outstanding trade payables to related parties are unsecured.

g. Other transactions with related parties

<b>Line Item</b>	<b>Related Party Category</b>	<b>For the Three Months Ended March 31</b>	
		<b>2022</b>	<b>2021</b>
Operating expenses	The Company's parent	\$ 7,175	\$ 2,492
	Associate of the Company's parent	<u>835</u>	<u>374</u>
		<u>\$ 8,010</u>	<u>\$ 2,866</u>
Miscellaneous revenue	The Company's parent - Edimax	<u>\$ 991</u>	<u>\$ 860</u>

h. Remuneration of key management personnel

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Short-term employee benefits	\$ 5,900	\$ 5,664
Share-based payments	<u>140</u>	<u>23</u>
	<u>\$ 6,040</u>	<u>\$ 5,687</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, 2022	December 31, 2021	March 31, 2021
Pledged deposits (classified as financial assets at amortized cost)	\$ 825	\$ 810	\$ 865
Property, plant and equipment	<u>255,238</u>	<u>-</u>	<u>-</u>
	<u>\$ 256,063</u>	<u>\$ 810</u>	<u>\$ 865</u>

### 32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group as of March 31, 2022 were as follows:

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 March 31, 2022.

### 33. OTHER ITEMS

The Group has been affected by the COVID-19 pandemic, other than serious port congestion around the world for the three months ended March 31, 2022, the Group's operations have not been affected.

### 34. 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, 2022

	Foreign Currency	Exchange Rate	Carrying Amount
<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
<u>Financial liabilities</u>			
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:CZK)	67,399

December 31, 2021

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 15,273	27.68 (USD:NTD)	\$ 422,758
USD	1,340	0.88 (USD:EUR)	37,091
USD	1,243	21.95 (USD:CZK)	34,417
EUR	6,693	31.32 (EUR:NTD)	209,618
EUR	708	24.86 (EUR:CZK)	22,175
<u>Financial liabilities</u>			
Monetary items			
USD	11,735	27.68 (USD:NTD)	324,833
USD	723	0.88 (USD:EUR)	20,024
USD	451	21.95 (USD:CZK)	12,489

March 31, 2021

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 15,544	28.54 (USD:NTD)	\$ 443,540
USD	5,692	0.85 (USD:EUR)	162,431
USD	804	22.30 (USD:CZK)	22,955
EUR	3,370	33.48 (EUR:NTD)	112,820
EUR	1,082	26.15 (EUR:CZK)	36,230
<u>Financial liabilities</u>			
Monetary items			
USD	10,009	28.54 (USD:NTD)	285,598
USD	4,620	0.85 (USD:EUR)	131,839
USD	237	22.30 (USD:CZK)	6,767
EUR	215	26.15 (EUR:CZK)	7,212

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>2022</b>		<b>2021</b>	
<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Loss</b>
NTD	1 (NTD:NTD)	\$ 10,347	1 (NTD:NTD)	\$ (5,714)
EUR	31.45 (EUR:NTD)	(144)	34.20 (EUR:NTD)	1,384
		<u>\$ 10,203</u>		<u>\$ (4,330)</u>



### 35. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and b. Information about investees:

- 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 (Table 2)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3)
- 9) Trading in derivative instruments (Note 7)
- 10) Intercompany relationships and significant intercompany transactions (Table 4)
- 11) 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 (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)
  - 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 ending balance, the interest rate range, and total current period interest with respect to 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 6).

### 36. 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.

a. 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>2022</b>	<b>2021</b>
Revenue from external customers	\$ 474,367	\$ 347,576
Inter-segment revenue	<u>-</u>	<u>-</u>
Segment revenue	474,367	347,576
Eliminations	<u>-</u>	<u>-</u>
Consolidated revenue	<u>\$ 474,367</u>	<u>\$ 347,576</u>
Segment income (loss)	\$ 3,818	\$ (9,286)
Non-operating income and expense	<u>10,818</u>	<u>(2,842)</u>
Income (loss) before income tax from continuing operations	<u>\$ 14,636</u>	<u>\$ (12,128)</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, 2022  
(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, 2022				Note
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Comtrend	Share EMMT Systems Corporation	None	Financial assets at FVTOCI - non-current	324	\$ -	0.52	\$ -	
Comtrend	Share Edimax	Parent Company	Financial assets at FVTOCI - current	4,200	51,660	2.21	51,660	

**COMTREND CORPORATION AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE THREE MONTHS ENDED MARCH 31, 2022  
(In Thousands of New Taiwan Dollars)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Comtrend	CUSA	Subsidiary	Sale	\$ (129,395)	(30.63)	By operating conditions; collection period: 60-180 days.	Normal	By operating conditions; collection period: 60-180 days.	\$ 107,647	33.33	Note
	CTBV	Subsidiary	Sale	(166,611)	(39.44)	By operating conditions; collection period: 60-180 days.	Normal	By operating conditions; collection period: 60-180 days.	141,769	43.90	Note

Note: The transactions of the related parties have been eliminated in the consolidated financial statements as of and for the three months ended March 31, 2022.

**COMTREND CORPORATION AND SUBSIDIARIES**

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

**MARCH 31, 2022**

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

Group Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Comtrend	CUSA	Subsidiary	\$ 107,647	4.72	\$ -	-	\$ 33,571	\$ -
	CTBV	Subsidiary	141,769	4.58	-	-	98,859	-

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, 2022.

## COMTREND CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
 FOR THE THREE MONTHS ENDED MARCH 31, 2022  
 (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	a	Sale revenue	\$ 129,395	Normal	27.28
		CUSA	a	Accounts receivable	107,647	Normal; collection period: 60-180 days	5.48
		CUSA	a	Other receivable	8,208	Normal	0.42
		CCE	a	Sales revenue	5,391	Normal	1.14
		CTBV	a	Sales revenue	166,611	Normal	35.12
		CTBV	a	Accounts receivable	141,769	Normal; collection period: 60-180 days	7.21

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, 2022.

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, 2022  
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of March 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				March 31, 2022	January 1, 2022	Number of Shares (In Thousands)	%	Carrying Amount			
Comtrend	CUSA	USA	Wholesale, retail sale, and international trade, etc.	\$ 98,341	\$ 98,341	200	100.00	\$ 113,467	\$ 10,064	\$ 1,221	Subsidiary (Note 1)
	Interchan Global CTBV	Samoa	Reinvesting business	42,393	42,393	1,299	100.00	28,482	(106)	(106)	Subsidiary
		Netherlands	Wholesale, retail sale, and international trade, etc.	50,901	50,901	1,518	100.00	98,689	(582)	(582)	Subsidiary
Interchan Global	8086	Taiwan	Telecommunication construction and wholesale	2,915	2,915	292	100.00	-	-	-	Sub-subsubsidiary
CTBV	CCE	Czech Republic	Wholesale, retail sale, and international trade, etc.	71,438	71,438	-	100.00	49,394	(2,564)	(2,564)	Sub-subsubsidiary
	Iberia	Spain	Wholesale, retail sale, and international trade, etc.	12,294	12,294	-	100.00	9,465	1,780	1,780	Sub-subsubsidiary

Note 1: The share of profits/losses of investees includes a net profit of \$10,064 thousand and the effect of unrealized gross loss of \$8,843 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, 2022.

**TABLE 6****COMTREND CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
MARCH 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Edimax	19,649,060	33.98

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.