

**NEXCOM INTERNATIONAL CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2022 AND 2021**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of NEXCOM International Co., Ltd.

PWCR22000197

Introduction

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

Scope of Review

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

Basis for Qualified Conclusion

As explained in Notes 4(3) and 6(7), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using equity method were based on the financial statements for the same reporting period which were not reviewed by independent auditors. Those statements reflect total assets, including investments accounted for using equity method, of NT\$1,843,070 thousand and NT\$1,181,363 thousand, constituting 21% and 16% of the consolidated total assets, and total liabilities of NT\$561,740 thousand and NT\$386,875 thousand, constituting 11% and 8% of the consolidated total liabilities as at September 30, 2022 and 2021, respectively, and total comprehensive income (loss) of NT\$71,966 thousand, NT\$14,216 thousand, NT\$85,941 thousand and NT\$10,535 thousand, constituting 10%, 15%, 9% and 19% of the consolidated total comprehensive income for the three months and nine months then ended, respectively.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and investments accounted for using equity method been reviewed by independent auditors, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes 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 at September 30, 2022 and 2021, and of its consolidated financial performance for the three months and nine months then ended, and its consolidated cash flows for the nine months then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Emphasis of matter - disposal of subsidiaries in Beijing

We draw attention to Notes 4(3) and 6(32) to the consolidated financial statements, which describes that the Board of Directors of the Group resolved to dispose all the shares of its subsidiary, NEXSEC Incorporated, the subsidiaries of NEXSEC Incorporated and the Group’s subsidiary, Zhuhai Xinxin Management Consulting Partnership, with the effective date set on August 1, 2022. Consequently, the Group lost control over the abovementioned subsidiaries and recognised a gain on disposal of NT\$846,367 thousand during the third quarter of 2022. Our conclusion is not modified in respect of this matter.

Wu, Han-Chi

Tsai, Yi-Tai

For and on Behalf of PricewaterhouseCoopers, Taiwan

November 2, 2022

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors’ report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2022, DECEMBER 31, 2021 AND SEPTEMBER 30, 2021
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2022 and 2021 are reviewed, not audited)

Assets		Notes	September 30, 2022		December 31, 2021		September 30, 2021	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 774,649	9	\$ 709,436	9	\$ 599,356	8
1150	Notes receivable, net	6(2)	13,044	-	8,713	-	10,138	-
1170	Accounts receivable, net	6(2)	1,956,120	22	1,598,043	20	1,407,549	19
1180	Accounts receivable - related parties	7	72,115	1	107,770	1	106,331	2
1200	Other receivables	6(3)	1,010,025	12	51,056	1	70,293	1
130X	Inventory	6(4)	2,203,689	25	2,782,314	35	2,507,598	33
1410	Prepayments		132,306	2	112,727	1	159,802	2
11XX	Total current assets		<u>6,161,948</u>	<u>71</u>	<u>5,370,059</u>	<u>67</u>	<u>4,861,067</u>	<u>65</u>
Non-current assets								
1517	Non-current financial assets at fair value through other comprehensive income	6(5)	44,932	-	117,664	2	116,727	2
1535	Non-current financial assets at amortised cost	6(6)	1,270	-	3,899	-	3,899	-
1550	Investments accounted for under equity method	6(7)	16,560	-	17,863	-	17,055	-
1600	Property, plant and equipment	6(8) and 8	1,421,894	16	1,495,061	19	1,507,335	20
1755	Right-of-use assets	6(9)	453,374	5	546,523	7	565,423	8
1760	Investment property - net	6(11) and 8	172,935	2	174,075	2	174,455	2
1780	Intangible assets	6(12)	49,570	1	72,981	1	63,964	1
1840	Deferred income tax assets		78,208	1	108,282	1	108,509	1
1900	Other non-current assets	6(13) and 8	325,710	4	77,840	1	95,557	1
15XX	Total non-current assets		<u>2,564,453</u>	<u>29</u>	<u>2,614,188</u>	<u>33</u>	<u>2,652,924</u>	<u>35</u>
1XXX	Total assets		<u>\$ 8,726,401</u>	<u>100</u>	<u>\$ 7,984,247</u>	<u>100</u>	<u>\$ 7,513,991</u>	<u>100</u>

(Continued)

NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2022, DECEMBER 31, 2021 AND SEPTEMBER 30, 2021
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2022 and 2021 are reviewed, not audited)

Liabilities and Equity		Notes	September 30, 2022		December 31, 2021		September 30, 2021	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short-term borrowings	6(14) and 8	\$ 2,655,000	30	\$ 2,542,702	32	\$ 2,176,198	29
2110	Short-term notes and bills payable	6(15)	100,000	1	100,000	1	50,000	1
2130	Current contract liabilities	6(25)	176,357	2	103,003	1	145,826	2
2150	Notes payable		114	-	181	-	529	-
2170	Accounts payable	7	916,184	11	1,340,179	17	1,363,517	18
2200	Other payables	6(16)	502,450	6	422,520	5	393,158	5
2230	Current income tax liabilities		178,391	2	22,646	-	20,376	-
2250	Provisions for liabilities - current	6(17)	30,048	-	27,912	1	32,485	1
2280	Current lease liabilities		67,500	1	93,375	1	94,625	1
2300	Other current liabilities	6(18)	10,071	-	13,176	-	12,170	-
21XX	Total current liabilities		<u>4,636,115</u>	<u>53</u>	<u>4,665,694</u>	<u>58</u>	<u>4,288,884</u>	<u>57</u>
Non-current liabilities								
2540	Long-term borrowings	6(19) and 8	-	-	477	-	1,146	-
2550	Provisions for liabilities - non-current	6(17)	11,180	-	9,744	-	4,773	-
2570	Deferred income tax liabilities		213,419	2	1,514	-	2,037	-
2580	Non-current lease liabilities		398,158	5	467,127	6	483,440	7
2600	Other non-current liabilities		2,222	-	2,065	-	2,251	-
25XX	Total non-current liabilities		<u>624,979</u>	<u>7</u>	<u>480,927</u>	<u>6</u>	<u>493,647</u>	<u>7</u>
2XXX	Total liabilities		<u>5,261,094</u>	<u>60</u>	<u>5,146,621</u>	<u>64</u>	<u>4,782,531</u>	<u>64</u>
Equity attributable to owners of parent								
	Share capital	6(22)						
3110	Common stock		1,412,265	16	1,412,265	18	1,412,265	19
	Capital surplus	6(23)						
3200	Capital surplus		367,763	4	367,763	4	367,409	5
	Retained earnings	6(24)						
3310	Legal reserve		336,749	4	322,108	4	322,108	4
3320	Special reserve		66,125	1	45,978	1	45,978	1
3350	Unappropriated retained earnings		1,226,606	14	548,648	7	459,044	6
	Other equity interest							
3400	Other equity interest		(42,364)	-	(66,125)	(1)	(69,432)	(1)
31XX	Equity attributable to owners of the parent		<u>3,367,144</u>	<u>39</u>	<u>2,630,637</u>	<u>33</u>	<u>2,537,372</u>	<u>34</u>
36XX	Non-controlling interest		<u>98,163</u>	<u>1</u>	<u>206,989</u>	<u>3</u>	<u>194,088</u>	<u>2</u>
3XXX	Total equity		<u>3,465,307</u>	<u>40</u>	<u>2,837,626</u>	<u>36</u>	<u>2,731,460</u>	<u>36</u>
	Significant contingent liabilities and unrecognised contract commitments	9						
	Significant events after the balance date	11						
3X2X	Total liabilities and equity		<u>\$ 8,726,401</u>	<u>100</u>	<u>\$ 7,984,247</u>	<u>100</u>	<u>\$ 7,513,991</u>	<u>100</u>

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

NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for earnings (loss) per share amount)
(UNAUDITED)

	Items	Notes	Three months ended September 30		2021		Nine months ended September 30		2021	
			AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(25) and 7	\$ 2,065,914	100	\$ 1,818,737	100	\$ 5,780,597	100	\$ 4,676,557	100
5000	Operating costs	6(4)(28)(29)								
		and 7	(1,534,990)	(74)	(1,372,217)	(75)	(4,333,326)	(75)	(3,597,875)	(77)
5900	Net operating margin		530,924	26	446,520	25	1,447,271	25	1,078,682	23
	Operating expenses	6(28)(29)								
6100	Selling expenses		(245,900)	(12)	(154,008)	(9)	(597,050)	(11)	(448,610)	(9)
6200	General and administrative expenses		(49,136)	(2)	(44,248)	(2)	(129,096)	(2)	(132,192)	(3)
6300	Research and development expenses		(135,678)	(7)	(142,663)	(8)	(413,115)	(7)	(424,339)	(9)
6450	(Expected credit impairment loss) impairment gain determined in accordance with IFRS 9	12(2)	(712)	-	2,155	-	(7,434)	-	11,427	-
6000	Total operating expenses		(431,426)	(21)	(338,764)	(19)	(1,146,695)	(20)	(993,714)	(21)
6900	Operating profit		99,498	5	107,756	6	300,576	5	84,968	2
	Non-operating income and expenses									
7010	Other income	6(26)	12,952	1	17,348	1	43,286	1	62,713	1
7020	Other gains and losses	6(27)	927,665	45	(1,194)	-	981,468	17	(22,350)	-
7050	Finance costs		(11,658)	(1)	(9,602)	(1)	(32,995)	(1)	(25,557)	(1)
7060	Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(7)	(1,314)	-	701	-	(1,816)	-	701	-
7000	Total non-operating income and expenses		927,645	45	7,253	-	989,943	17	15,507	-
7900	Profit before income tax		1,027,143	50	115,009	6	1,290,519	22	100,475	2
7950	Income tax expense	6(30)	(359,451)	(18)	(20,667)	(1)	(414,309)	(7)	(18,135)	-
8200	Profit for the period		\$ 667,692	32	\$ 94,342	5	\$ 876,210	15	\$ 82,340	2

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NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for earnings (loss) per share amount)
(UNAUDITED)

Items	Notes	Three months ended September 30				Nine months ended September 30			
		2022		2021		2022		2021	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Other comprehensive income									
Components of other comprehensive income that will not be reclassified to profit or loss									
8316 Unrealised gain (loss) on financial assets measured at fair value through other comprehensive income	6(5)	(\$ 3,687)	-	(\$ 2,372)	-	\$ 5,243	-	(\$ 6,015)	-
8310 Other comprehensive income (loss) that will not be reclassified to profit or loss		(3,687)	-	(2,372)	-	5,243	-	(6,015)	-
Components of other comprehensive income that will be reclassified to profit or loss									
8361 Financial statements translation differences of foreign operations		20,162	1	1,341	-	33,359	1	(19,616)	(1)
8360 Other comprehensive income (loss) that will be reclassified to profit or loss		20,162	1	1,341	-	33,359	1	(19,616)	(1)
8300 Total other comprehensive income (loss) for the period		<u>\$ 16,475</u>	<u>1</u>	<u>(\$ 1,031)</u>	<u>-</u>	<u>\$ 38,602</u>	<u>1</u>	<u>(\$ 25,631)</u>	<u>(1)</u>
8500 Total comprehensive income for the period		<u>\$ 684,167</u>	<u>33</u>	<u>\$ 93,311</u>	<u>5</u>	<u>\$ 914,812</u>	<u>16</u>	<u>\$ 56,709</u>	<u>1</u>
Profit attributable to:									
8610 Owners of the parent		\$ 650,972	31	\$ 78,676	4	\$ 842,689	14	\$ 56,801	1
8620 Non-controlling interest		16,720	1	15,666	1	33,521	1	25,539	1
		<u>\$ 667,692</u>	<u>32</u>	<u>\$ 94,342</u>	<u>5</u>	<u>\$ 876,210</u>	<u>15</u>	<u>\$ 82,340</u>	<u>2</u>
Comprehensive income attributable to:									
8710 Owners of the parent		\$ 667,118	32	\$ 73,309	4	\$ 877,733	15	\$ 33,347	-
8720 Non-controlling interest		17,049	1	20,002	1	37,079	1	23,362	1
		<u>\$ 684,167</u>	<u>33</u>	<u>\$ 93,311</u>	<u>5</u>	<u>\$ 914,812</u>	<u>16</u>	<u>\$ 56,709</u>	<u>1</u>
Earnings per share (in dollars)	6(31)								
9750 Basic earnings per share		<u>\$ 4.61</u>		<u>\$ 0.56</u>		<u>\$ 5.97</u>		<u>\$ 0.40</u>	
9850 Diluted earnings per share		<u>\$ 4.60</u>		<u>\$ 0.56</u>		<u>\$ 5.95</u>		<u>\$ 0.40</u>	

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

NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

Equity attributable to owners of the parent										
Retained Earnings										
Other Equity Interest										
Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income										
Financial statements translation differences of foreign operations										
Total										
Non-controlling interest										
Total equity										
Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total	Non-controlling interest	Total equity
Nine months ended September 30, 2021										
	\$ 1,412,265	\$ 367,368	\$ 311,451	\$ 82,927	\$ 488,932	(\$ 24,993)	(\$ 20,985)	\$ 2,616,965	\$ 195,382	\$ 2,812,347
	-	-	-	-	56,801	-	-	56,801	25,539	82,340
	-	-	-	-	-	(17,439)	(6,015)	(23,454)	(2,177)	(25,631)
	-	-	-	-	56,801	(17,439)	(6,015)	33,347	23,362	56,709
Distribution of 2020 earnings	6(24)									
Legal reserve	-	-	10,657	-	(10,657)	-	-	-	-	-
Special reserve	-	-	-	(36,949)	36,949	-	-	-	-	-
Cash dividends	-	-	-	-	(112,981)	-	-	(112,981)	-	(112,981)
Share-based payment	6(21)	-	41	-	-	-	-	41	-	41
Changes in non-controlling interest		-	-	-	-	-	-	-	(4,336)	(4,336)
Changes in ownership interests in subsidiaries		-	-	-	-	-	-	-	(20,320)	(20,320)
Balance at September 30, 2021		\$ 1,412,265	\$ 367,409	\$ 322,108	\$ 45,978	\$ 459,044	(\$ 42,432)	(\$ 27,000)	\$ 2,537,372	\$ 194,088
Nine months ended September 30, 2022										
	\$ 1,412,265	\$ 367,763	\$ 322,108	\$ 45,978	\$ 548,648	(\$ 40,062)	(\$ 26,063)	\$ 2,630,637	\$ 206,989	\$ 2,837,626
	-	-	-	-	842,689	-	-	842,689	33,521	876,210
	-	-	-	-	-	29,801	5,243	35,044	3,558	38,602
	-	-	-	-	842,689	29,801	5,243	877,733	37,079	914,812
Distribution of 2021 earnings	6(24)									
Legal reserve	-	-	14,641	-	(14,641)	-	-	-	-	-
Special reserve	-	-	-	20,147	(20,147)	-	-	-	-	-
Cash dividends	-	-	-	-	(141,226)	-	-	(141,226)	-	(141,226)
Disposal of equity instruments at fair value through other comprehensive income	6(5)	-	-	-	11,283	-	(11,283)	-	-	-
Disposal of subsidiaries	6(32)	-	-	-	-	-	-	-	(150,137)	(150,137)
Changes in non-controlling interest		-	-	-	-	-	-	-	4,232	4,232
Balance at September 30, 2022		\$ 1,412,265	\$ 367,763	\$ 336,749	\$ 66,125	\$ 1,226,606	(\$ 10,261)	(\$ 32,103)	\$ 3,367,144	\$ 98,163

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

NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Nine months ended September 30	
	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 1,290,519	\$ 100,475
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including investment property)	6(28)	73,059	85,728
Depreciation (Right-of-use assets)	6(8)(28)	72,030	78,635
Amortization	6(12)(28)	28,382	31,333
Expected credit impairment loss (impairment gain)	12(2)	7,434	(11,427)
Interest expense		26,194	17,997
Interest expense (lease liability)	6(9)	6,801	7,560
Interest income	6(26)	(502)	(731)
Dividend income	6(26)	(5,200)	(4,250)
Share-based payments	6(21)	-	41
Share of loss (profit) of associates accounted for under the equity method	6(7)	1,816	(701)
(Gain) loss on disposal and scrap of property, plant and equipment	6(27)	(1,125)	293
Gain on disposal of subsidiaries	6(27)	(846,367)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable	(	4,531)	7,502
Accounts receivable	(	624,561)	157,693
Accounts receivable - related parties		35,655	(92,050)
Other receivables	(	35,927)	(35,886)
Inventories	(	127,645)	(1,078,879)
Prepayments	(	37,288)	(119,571)
Other non-current assets	(	9,395)	(165)
Changes in operating liabilities			
Contract liabilities		80,396	57,341
Notes payable	(	67)	(1,385)
Accounts payable		110,536	556,978
Other payables		137,111	(75,259)
Provision		3,572	(3,340)
Other current liabilities		1,691	(10,931)
Cash inflow (outflow) generated from operations		182,588	(332,999)
Interest received		497	727
Dividends received		5,200	4,250
Interest paid	(	32,653)	(26,006)
Income tax paid	(	23,017)	(35,899)
Net cash flows from (used in) operating activities		132,615	(389,927)
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of financial assets at fair value through other comprehensive income	6(5)	77,975	-
Decrease in financial assets at amortised cost		2,629	92
Acquisition of property, plant and equipment	6(32)	(46,966)	(59,470)
Proceeds from disposal of property, plant and equipment		1,128	78
Acquisition of intangible assets	6(32)	(18,956)	(16,105)
Decrease in refundable deposits		11,367	3,177
(Increase) decrease in restricted assets	(	20)	11,947
Increase in other non-current assets	(	28,997)	(1,573)
Cash outflow from disposal of subsidiaries	6(32)	(64,040)	(4,704)
Net cash flows used in investing activities	(	65,880)	(66,558)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		210,931	293,994
Increase in short-term notes and bills payable		-	50,000
Payment of long-term borrowings	(	5,245)	(4,141)
Increase (decrease) in guarantee deposits received		170	(8,356)
Payment of lease liabilities	(	74,153)	(79,864)
Cash dividends paid	6(24)	(141,226)	-
Change in non-controlling interest		8,659	(4,336)
Net cash flows (used in) from financing activities	(864)	247,297

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NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Nine months ended September 30	
		2022	2021
Effect of foreign exchange translations		(\$ 658)	(\$ 25,924)
Net increase (decrease) in cash and cash equivalents		65,213	(235,112)
Cash and cash equivalents at beginning of period	6(1)	709,436	834,468
Cash and cash equivalents at end of period	6(1)	\$ 774,649	\$ 599,356

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

NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

1. HISTORY AND ORGANISATION

Nexcom International Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) in November 1992. The Company and its subsidiaries (collectively referred herein as the "Group") are engaged in the manufacture and sales of industrial personal computers and peripherals, agent of distribution, design of computer programs and computer software applications, etc. The shares of the Company have been traded on the Taipei Exchange since June 7, 2007.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on November 2, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Accounting Standard 34, 'Interim financial reporting' as endorsed by the FSC.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets at fair value through other comprehensive income.
 - (b) Defined benefit asset recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
 - (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
 - (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Footnote
			September 30, 2022	December 31, 2021	September 30, 2021	
Nexcom International Co., Ltd.	Nex Computers, Inc.	Sales of PCs and peripherals	100	100	100	Note 1
Nexcom International Co., Ltd.	Nexcom International Co., Ltd. (SAMOA)	General investment	100	100	100	
Nexcom International Co., Ltd.	Nexcom Japan Co., Ltd.	Sales of PCs and peripherals	100	100	100	Notes 1 and 2
Nexcom International Co., Ltd.	Nexcom Europe Ltd.	Sales of PCs and peripherals	100	100	100	Notes 1 and 2
Nexcom International Co., Ltd.	Nexcom France	Sales of PCs and peripherals	100	100	100	Notes 1 and 2

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Footnote
			September 30, 2022	December 31, 2021	September 30, 2021	
Nexcom International Co., Ltd.	Greenbase Technology Corp.	Sales of PCs and peripherals	79.62	79.62	79.62	Notes 1 and 2
Nexcom International Co., Ltd.	NexAIoT Co., Ltd.	Sales of PCs and peripherals	82.73	82.73	82.72	Notes 1 and 2
Nexcom International Co., Ltd.	All IoTCloud Corp.	Sales of PCs and peripherals	100	100	100	Notes 1 and 2
Nexcom International Co., Ltd.	EMBUX Technology Co., Ltd.	Sales of PCs and peripherals	100	100	100	Notes 1 and 2
Nexcom International Co., Ltd.	TMR Technologies Co., Ltd.	Sales of PCs and peripherals	80	80	80	Notes 1 and 2
Nexcom International Co., Ltd.	NexCOBOT Taiwan Co., Ltd.	Sales of PCs and peripherals	-	-	82.76	Notes 1, 2 and 3
Nexcom International Co., Ltd.	Nexcobot Inc.	Sales of PCs and peripherals	100	100	100	Notes 1 and 2
NexAIoT Co., Ltd.	NexCOBOT Taiwan Co., Ltd.	Sales of PCs and peripherals	100	100	-	Notes 1, 2 and 3
NexAIoT Co., Ltd.	Nexcom Shanghai Co., Ltd.	Sales of PCs and peripherals	100	100	-	Notes 1, 2 and 4
Nexcom International Co., Ltd. (SAMOA)	Nexcom Shanghai Co., Ltd.	Sales of PCs and peripherals	-	-	100	Notes 1, 2 and 4

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Footnote
			September 30, 2022	December 31, 2021	September 30, 2021	
Nexcom International Co., Ltd. (SAMOA)	NEXSEC Incorporated	Sales of PCs and peripherals	-	69.73	69.73	Notes 6
Nexcom International Co., Ltd. (SAMOA)	Zhuhai Xinxin Management Consulting Partnership	General investment	-	6.98	6.98	Notes 6
Nexcom International Co., Ltd. (SAMOA)	Nexcom United System Service Co., Ltd.	Sales of PCs and peripherals	100	100	100	Notes 1 and 2
Nexcom Shanghai Co., Ltd.	NEXGOL Co., Ltd.	Sales of PCs and peripherals	80	80	80	Notes 1 and 2
Nexcom Shanghai Co., Ltd.	Chongqing NEXRAY Technology Co., Ltd.	Sales of PCs and peripherals	75	75	75	Notes 1 and 2
Zhuhai Xinxin Management Consulting Partnership	NEXSEC Incorporated	Sales of PCs and peripherals	-	13.03	13.03	Notes 5
NexCOBOT Taiwan Co., Ltd.	GuangZhou NexCOBOT China Co., Ltd.	Sales of PCs and peripherals	100	100	100	Notes 5 and 6

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Footnote
			September 30, 2022	December 31, 2021	September 30, 2021	
NEXSEC Incorporated	Dongguan Xing Han Yun Zhi Electronics Co., Ltd.	Sales of PCs and peripherals	-	60	60	Notes 2 and 5
Greenbase Technology Corp.	Nexcom Surveillance Technology Co., Ltd.	Sales of PCs and peripherals	100	100	100	Notes 1 and 2
Greenbase Technology Corp.	DIVIOTEC INC.	Sales of PCs and peripherals	100	100	100	Notes 1 and 2

Note 1: The financial statements of the entity as of and for the nine months ended September 30, 2022 were not reviewed by the independent auditors as the entity did not meet the definition of a significant subsidiary.

Note 2: The financial statements of the entity as of and for the nine months ended September 30, 2021 were not reviewed by the independent auditors as the entity did not meet the definition of a significant subsidiary.

Note 3: On December 30, 2021, the Company and the subsidiary, NexAIoT Co., Ltd., acquired a 100% equity interest in NexCOBOT Taiwan Co., Ltd. through a share swap, and NexCOBOT Taiwan Co., Ltd. became a subsidiary of NexAIoT Co., Ltd.

Note 4: On December 30, 2021, the Group had an organisational restructuring whereby Nexcom Shanghai Co., Ltd. will now be held by NexAIoT Co., Ltd.

Note 5: On July 27, 2022, the Board of Directors of the Group resolved to dispose all the shares of its subsidiary, NEXSEC Incorporated, the subsidiaries of NEXSEC Incorporated and the Group's subsidiary, Zhuhai Xinxin Management Consulting Partnership, with the effective date set on August 1, 2022. Consequently, the Group lost control over the abovementioned subsidiaries during the third quarter of 2022. Refer to 6(32) C for more details.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in "New Taiwan Dollars", which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Financial assets at fair value through other comprehensive income

- A. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- B. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(7) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
- (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Leasing arrangements (lessor) — operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated cost necessary to make the sale.

(13) Investments accounted for using equity method

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic

benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	5 ~ 50 years
Machinery and equipment	1 ~ 10 years
Office equipment	1 ~ 10 years
Leasehold improvements	1 ~ 10 years
Transportation equipment	2 ~ 5 years

(15) Leasing arrangements (lessee) — right-of-use assets / lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the Group's incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 20 to 50 years.

(17) Intangible assets

- A. Goodwill arises in a business combination accounted for by applying the acquisition method.
- B. Intangible assets are computer software and patent stated at historical cost and amortised over their estimated useful lives of 1 to 10 years.

(18) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(19) Borrowings

Borrowings comprise long-term, short-term bank borrowings and other short-term borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(20) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(22) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(23) Provisions

Provisions (including warranties) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date.

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.
- iv. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(25) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(26) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.
- G. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

H. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(27) Dividends

Dividends are recorded in the Group's financial statements in the period in which they are approved by the Group's shareholders. Cash dividends are recorded as liabilities.

(28) Revenue recognition

A. Sales of goods

- (a.) The Group researches and develops, manufactures and sells industrial personal computers. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b.) Sales revenue arising from industrial personal computers is recognised based on the price that is made from negotiating with customers based on purchased volume and items. No element of financing is deemed present as the sales are made with a credit terms that are the same with the general commercial transactions, which is consistent with market practice.
- (c.) The Group's obligation to provide a maintenance service for faulty products under the standard warranty terms is recognised as a provision.
- (d.) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Service revenue

Service revenue arises from extended warranty and maintenance service. Revenue from delivering services is recognised based on the progress of the services to be provided when the outcome of services provided can be estimated reliably.

(29) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value at balance sheet date, and writes down the cost of inventories to the net realisable value. Such evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of September 30, 2022, the carrying amount of inventories is described in Note 6(4).

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Cash on hand and petty cash	\$ 828	\$ 1,300	\$ 1,326
Checking accounts and demand deposits	773,821	708,136	598,030
Time deposits	<u>17,096</u>	<u>17,076</u>	<u>38,125</u>
	791,745	726,512	637,481
Transferred to restricted assets (shown as other non-current assets)	(<u>17,096</u>)	(<u>17,076</u>)	(<u>38,125</u>)
	<u>\$ 774,649</u>	<u>\$ 709,436</u>	<u>\$ 599,356</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. The time deposits as of September 30, 2022, December 31, 2021 and September 30, 2021 were transferred to restricted assets based on their nature as they were pledged as performance guarantee and guarantee for import duty. Refer to Note 8 for details.

(2) Notes and accounts receivable

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Notes receivable	\$ <u>13,044</u>	\$ <u>8,713</u>	\$ <u>10,138</u>
	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Accounts receivable	\$ 1,994,338	\$ 1,636,835	\$ 1,451,407
Less: Allowance for uncollectible accounts	(<u>38,218</u>)	(<u>38,792</u>)	(<u>43,858</u>)
	\$ <u>1,956,120</u>	\$ <u>1,598,043</u>	\$ <u>1,407,549</u>

- A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Not past due	\$ 1,320,832	\$ 1,423,909	\$ 1,280,739
1 to 90 days	287,749	165,408	127,005
91 to 180 days	7,319	11,845	1,201
Over 181 days	<u>378,438</u>	<u>35,673</u>	<u>42,462</u>
	\$ <u>1,994,338</u>	\$ <u>1,636,835</u>	\$ <u>1,451,407</u>

The above ageing analysis was based on past due date.

- B. As of September 30, 2022, December 31, 2021 and September 30, 2021, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$1,696,708.
- C. As at September 30, 2022, December 31, 2021 and September 30, 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable were \$13,045, \$8,713 and \$10,138, and accounts receivable were \$1,956,235, \$1,598,043 and \$1,407,549, respectively.
- D. Information relating to credit risk is provided in Note 12(2).

(3) Other receivables

	September 30, 2022	December 31, 2021	September 30, 2021
Receivables from disposal of subsidiaries (Note)	\$ 948,649	\$ -	\$ -
Tax refund receivable	55,434	43,793	64,001
Others	5,942	7,263	6,292
	<u>\$ 1,010,025</u>	<u>\$ 51,056</u>	<u>\$ 70,293</u>

Note: On July 27, 2022, the Board of Directors of the Group resolved to dispose all the shares of its subsidiary, NEXSEC Incorporated, the subsidiaries of NEXSEC Incorporated and the Group's subsidiary, Zhuhai Xinxin Management Consulting Partnership, with the effective date set on August 1, 2022. Consequently, the Group lost control over the abovementioned subsidiaries during the third quarter of 2022. Refer to 6(32) C for more details.

(4) Inventories

September 30, 2022			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,479,921	(\$ 167,173)	\$ 1,312,748
Work in progress	418,676	(2,327)	416,349
Semi-finished goods	188,589	(37,575)	151,014
Finished goods	435,253	(111,675)	323,578
	<u>\$ 2,522,439</u>	<u>(\$ 318,750)</u>	<u>\$ 2,203,689</u>
December 31, 2021			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 2,132,381	(\$ 221,628)	\$ 1,910,753
Work in progress	198,673	(651)	198,022
Semi-finished goods	277,865	(54,007)	223,858
Finished goods	548,128	(98,447)	449,681
	<u>\$ 3,157,047</u>	<u>(\$ 374,733)</u>	<u>\$ 2,782,314</u>
September 30, 2021			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,824,022	(\$ 213,403)	\$ 1,610,619
Work in progress	338,460	(1,969)	336,491
Semi-finished goods	238,059	(59,157)	178,902
Finished goods	489,008	(107,422)	381,586
	<u>\$ 2,889,549</u>	<u>(\$ 381,951)</u>	<u>\$ 2,507,598</u>

The cost of inventories recognised as expense for the period:

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Cost of goods sold	\$ 1,515,744	\$ 1,390,554
Loss on inventory valuation (Note 1)	13,198	10,734
Gain from scrap inventory	(875)	(31,243)
Others	6,923	2,172
	<u>\$ 1,534,990</u>	<u>\$ 1,372,217</u>
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Cost of goods sold	\$ 4,296,536	\$ 3,586,915
Loss on inventory valuation	13,305	10,829
Loss on (gain from) scrap inventory	689	(26,862)
Others	22,796	26,993
	<u>\$ 4,333,326</u>	<u>\$ 3,597,875</u>

Note 1: In the third quarters of 2022 and 2021 and the previous three quarters of 2021, the Group reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold as certain inventory items which were previously provided with allowance were subsequently sold.

Note 2: Others include gain or loss on physical inventory, revenue from scrap and low capacity utilisation.

(5) Financial assets at fair value through other comprehensive income

<u>Items</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Unlisted stocks	\$ 80,257	\$ 146,949	\$ 146,949
Valuation adjustment	(35,325)	(29,285)	(30,222)
	<u>\$ 44,932</u>	<u>\$ 117,664</u>	<u>\$ 116,727</u>

A. In the first half of 2022, the fair value of the equity investments sold was \$77,975, taking into consideration the Group's operations.

B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>2022</u>	<u>2021</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 3,687)	\$ 5,243
Cumulative gains (losses) reclassified to retained earnings due to derecognition	\$ -	\$ 11,283

C. The Group has elected to classify financial assets that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$44,932, \$117,664 and \$116,727 as at September 30, 2022, December 31, 2021 and September 30, 2021, respectively.

D. As of September 30, 2022, December 31, 2021 and September 30, 2021, no financial assets at fair value through other comprehensive income held by the Group were pledged to others.

(6) Financial assets at amortised cost

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Non-current items:			
Time deposits with original maturity over twelve months	\$ <u>1,270</u>	\$ <u>3,899</u>	\$ <u>3,899</u>

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Interest income	\$ <u>-</u>	\$ <u>3</u>
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Interest income	\$ <u>6</u>	\$ <u>15</u>

B. As of September 30, 2022, December 31, 2021 and September 30, 2021, no financial assets at amortised cost held by the Group were pledged to others.

C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(7) Investments accounted for using equity method

A. Details are as follows:

	<u>September 30, 2022</u>	
	<u>Percentage of ownership</u>	<u>Carrying amount</u>
Beijing NexGemo Technology Co., Ltd.	45%	\$ <u>16,560</u>
	<u>December 31, 2021</u>	
	<u>Percentage of ownership</u>	<u>Carrying amount</u>
Beijing NexGemo Technology Co., Ltd.	45%	\$ <u>17,863</u>
	<u>September 30, 2021</u>	
	<u>Percentage of ownership</u>	<u>Carrying amount</u>
Beijing NexGemo Technology Co., Ltd.	45%	\$ <u>17,055</u>

- B. Amount recognised in profit (loss) of associates and joint ventures accounted for using equity method for the three months and nine months ended September 30, 2022 were (\$1,314) and (\$1,816), respectively.

The Group's share of profit (loss) and other comprehensive income of associates accounted for using equity method amounting to \$701 during the period from August 1, 2021 to September 30, 2021 was recognised based on the financial statements which were not reviewed by independent auditors.

- C. The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

As of September 30, 2022, December 31, 2021 and September 30, 2021, the carrying amount of the Group's individually immaterial associates amounted to \$36,799, \$39,697 and \$37,895, respectively.

	Three months ended September 30, 2022	Three months ended September 30, 2021
Loss from continuing operations	(\$ 2,919)	\$ 2,871
Total comprehensive income	(\$ 2,919)	\$ 2,871
	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Loss from continuing operations	(\$ 4,035)	\$ 2,871
Total comprehensive income	(\$ 4,035)	\$ 2,871

- D. The Group's subsidiary, Nexcom Shanghai Co., Ltd., terminated the minor equity investment cooperation agreement with Beijing NEXGEMO Technology Co., Ltd., on July 31, 2021. Nexcom Shanghai Co., Ltd. was assessed to have significant influence on the operating decisions of Beijing NEXGEMO Technology Co., Ltd., but have no actual control power, thus, it was transferred from consolidated entity to investments accounted for using equity method.

(8) Property, plant and equipment

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2022</u>						
Cost	\$ 839,249	\$ 567,495	\$ 706,798	\$ 91,990	\$ 159,478	\$ 2,365,010
Accumulated depreciation	<u>-</u>	<u>(174,522)</u>	<u>(511,225)</u>	<u>(75,630)</u>	<u>(108,572)</u>	<u>(869,949)</u>
	<u>\$ 839,249</u>	<u>\$ 392,973</u>	<u>\$ 195,573</u>	<u>\$ 16,360</u>	<u>\$ 50,906</u>	<u>\$ 1,495,061</u>
<u>2022</u>						
At January 1	\$ 839,249	\$ 392,973	\$ 195,573	\$ 16,360	\$ 50,906	\$ 1,495,061
Additions	-	-	36,403	2,742	7,256	46,401
Disposals	-	-	-	(3)	-	(3)
Disposal of subsidiaries	-	-	(40,605)	(3,578)	(6,885)	(51,068)
Transfers	-	-	1,207	-	-	1,207
Depreciation	-	(7,072)	(45,003)	(5,058)	(14,786)	(71,919)
Net exchange differences	<u>-</u>	<u>-</u>	<u>1,092</u>	<u>791</u>	<u>332</u>	<u>2,215</u>
At September 30	<u>\$ 839,249</u>	<u>\$ 385,901</u>	<u>\$ 148,667</u>	<u>\$ 11,254</u>	<u>\$ 36,823</u>	<u>\$ 1,421,894</u>
<u>At September 30, 2022</u>						
Cost	\$ 839,249	\$ 567,495	\$ 666,783	\$ 85,415	\$ 145,790	\$ 2,304,732
Accumulated depreciation	<u>-</u>	<u>(181,594)</u>	<u>(518,116)</u>	<u>(74,161)</u>	<u>(108,967)</u>	<u>(882,838)</u>
	<u>\$ 839,249</u>	<u>\$ 385,901</u>	<u>\$ 148,667</u>	<u>\$ 11,254</u>	<u>\$ 36,823</u>	<u>\$ 1,421,894</u>

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2021</u>						
Cost	\$ 839,249	\$ 567,495	\$ 671,593	\$ 89,423	\$ 155,450	\$ 2,323,210
Accumulated depreciation	- (160,764)	(467,065)	(72,661)	(88,513)	(789,003)	
	<u>\$ 839,249</u>	<u>\$ 406,731</u>	<u>\$ 204,528</u>	<u>\$ 16,762</u>	<u>\$ 66,937</u>	<u>\$ 1,534,207</u>

2021

At January 1	\$ 839,249	\$ 406,731	\$ 204,528	\$ 16,762	\$ 66,937	\$ 1,534,207
Additions	-	-	42,876	7,981	4,576	55,433
Disposals	-	- (369)	(2)	-	(371)	
Disposal of subsidiaries	-	- (571)	(150)	-	(721)	
Transfers	-	-	3,876	-	400	4,276
Depreciation	- (11,401)	(46,803)	(5,861)	(20,523)	(84,588)	
Net exchange differences	-	- (322)	(135)	(444)	(901)	
At September 30	<u>\$ 839,249</u>	<u>\$ 395,330</u>	<u>\$ 203,215</u>	<u>\$ 18,595</u>	<u>\$ 50,946</u>	<u>\$ 1,507,335</u>

At September 30, 2021

Cost	\$ 839,249	\$ 567,495	\$ 704,733	\$ 95,824	\$ 155,132	\$ 2,362,433
Accumulated depreciation	- (172,165)	(501,518)	(77,229)	(104,186)	(855,098)	
	<u>\$ 839,249</u>	<u>\$ 395,330</u>	<u>\$ 203,215</u>	<u>\$ 18,595</u>	<u>\$ 50,946</u>	<u>\$ 1,507,335</u>

Refer to Note 8 for the pledged property, plant and equipment.

(9) Leasing arrangements - lessee

- A. The Group leases various assets including buildings. Rental contracts are typically made for periods from 2017 to 2031. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise certain parking spaces and warehouses.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	<u>\$ 453,374</u>	<u>\$ 546,523</u>	<u>\$ 565,423</u>

	Three months ended September 30,	
	2022	2021
	Depreciation charge	Depreciation charge
Buildings	\$ 20,914	\$ 26,549
	Nine months ended September 30,	
	2022	2021
	Depreciation charge	Depreciation charge
Buildings	\$ 72,030	\$ 78,635

C. For the nine months ended September 30, 2022 and 2021, the additions to right-of-use assets were \$36,993 and \$331,027, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	Three months ended September 30,	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,896	\$ 2,584
Expense on short-term lease contracts	\$ 5,116	\$ 9,136
	Nine months ended September 30,	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 6,801	\$ 7,560
Expense on short-term lease contracts	\$ 19,132	\$ 19,791

E. For the nine months ended September 30, 2022 and 2021, the Group's total cash outflow for leases were \$100,086 and \$107,215, respectively.

(10) Leasing arrangements - lessor

A. The Group leases various assets including buildings and structures. Rental contracts are typically made for periods of 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. For the three months and nine months ended September 30, 2022 and 2021, the Group recognised rent income in the amounts of \$3,010, \$2,963, \$8,649 and \$8,855, respectively, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
2021	\$ -	\$ -	\$ 3,476
2022	2,711	13,904	13,904
	<u>\$ 2,711</u>	<u>\$ 13,904</u>	<u>\$ 17,380</u>

(11) Investment property

	Land	Buildings and structures	Total
<u>At January 1, 2022</u>			
Cost	\$ 128,902	\$ 97,512	\$ 226,414
Accumulated depreciation	-	(52,339)	(52,339)
	<u>\$ 128,902</u>	<u>\$ 45,173</u>	<u>\$ 174,075</u>
<u>2022</u>			
At January 1	\$ 128,902	\$ 45,173	\$ 174,075
Depreciation	-	(1,140)	(1,140)
At September 30	<u>\$ 128,902</u>	<u>\$ 44,033</u>	<u>\$ 172,935</u>
<u>At September 30, 2022</u>			
Cost	\$ 128,902	\$ 97,512	\$ 226,414
Accumulated depreciation	-	(53,479)	(53,479)
	<u>\$ 128,902</u>	<u>\$ 44,033</u>	<u>\$ 172,935</u>
	Land	Buildings and structures	Total
<u>At January 1, 2021</u>			
Cost	\$ 128,902	\$ 97,512	\$ 226,414
Accumulated depreciation	-	(50,819)	(50,819)
	<u>\$ 128,902</u>	<u>\$ 46,693</u>	<u>\$ 175,595</u>
<u>2021</u>			
At January 1	\$ 128,902	\$ 46,693	\$ 175,595
Depreciation	-	(1,140)	(1,140)
At September 30	<u>\$ 128,902</u>	<u>\$ 45,553</u>	<u>\$ 174,455</u>
<u>At September 30, 2021</u>			
Cost	\$ 128,902	\$ 97,512	\$ 226,414
Accumulated depreciation	-	(51,959)	(51,959)
	<u>\$ 128,902</u>	<u>\$ 45,553</u>	<u>\$ 174,455</u>

- A. The Group leased land and buildings at Sanchong Dist. and Zhonghe Dist., New Taipei City to other companies as factories or offices until December 2022. The Group received the rental payment monthly.
- B. Refer to Note 8 for the pledged investment property.
- C. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Three months ended September 30,	
	2022	2021
Rental income from investment property	\$ 2,781	\$ 2,783
Direct operating expenses arising from the investment property that generated rental income during the period	\$ 550	\$ 300
	Nine months ended September 30,	
	2022	2021
Rental income from investment property	\$ 7,878	\$ 7,941
Direct operating expenses arising from the investment property that generated rental income during the period	\$ 1,650	\$ 1,408

D. The fair value of the investment property held by the Group as at September 30, 2022, December 31, 2021 and September 30, 2021 was \$383,755, \$354,452 and \$354,452, respectively, which was revalued based on market trading prices of similar property in the neighbouring areas. Valuations were categorised within Level 3 in the fair value hierarchy.

(12) Intangible assets

	Goodwill	Software	Others	Total
<u>At January 1, 2022</u>				
Cost	\$ 2,167	\$ 193,629	\$ 9,503	\$ 205,299
Accumulated amortisation	-	(125,613)	(6,705)	(132,318)
	<u>\$ 2,167</u>	<u>\$ 68,016</u>	<u>\$ 2,798</u>	<u>\$ 72,981</u>
<u>2022</u>				
At January 1	\$ 2,167	\$ 68,016	\$ 2,798	\$ 72,981
Additions	-	9,335	1,413	10,748
Disposal of subsidiaries	-	(6,032)	-	(6,032)
Amortisation charge	-	(26,296)	(2,086)	(28,382)
Exchange differences	-	241	14	255
At September 30	<u>\$ 2,167</u>	<u>\$ 45,264</u>	<u>\$ 2,139</u>	<u>\$ 49,570</u>
<u>At September 30, 2022</u>				
Cost	\$ 2,167	\$ 162,055	\$ 11,169	\$ 175,391
Accumulated amortisation	-	(116,791)	(9,030)	(125,821)
	<u>\$ 2,167</u>	<u>\$ 45,264</u>	<u>\$ 2,139</u>	<u>\$ 49,570</u>

	Goodwill	Software	Others	Total
<u>At January 1, 2021</u>				
Cost	\$ 2,167	\$ 161,518	\$ 6,737	\$ 170,422
Accumulated amortisation	-	(87,081)	(4,090)	(91,171)
	<u>\$ 2,167</u>	<u>\$ 74,437</u>	<u>\$ 2,647</u>	<u>\$ 79,251</u>
<u>2021</u>				
At January 1	\$ 2,167	\$ 74,437	\$ 2,647	\$ 79,251
Additions	-	14,335	1,770	16,105
Amortisation charge	-	(29,387)	(1,946)	(31,333)
Exchange differences	-	(38)	(21)	(59)
At September 30	<u>\$ 2,167</u>	<u>\$ 59,347</u>	<u>\$ 2,450</u>	<u>\$ 63,964</u>
<u>At September 30, 2021</u>				
Cost	\$ 2,167	\$ 175,811	\$ 8,469	\$ 186,447
Accumulated amortisation	-	(116,464)	(6,019)	(122,483)
	<u>\$ 2,167</u>	<u>\$ 59,347</u>	<u>\$ 2,450</u>	<u>\$ 63,964</u>

A. Details of amortisation on intangible assets are as follows:

	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Operating costs	\$ 7,863	\$ 4,392
Selling expenses	3,835	4,599
Administrative expenses	9,659	21,341
Research and development expenses	7,025	1,001
	<u>\$ 28,382</u>	<u>\$ 31,333</u>

(13) Other non-current assets

	September 30, 2022	December 31, 2021	September 30, 2021
Long-term receivables from disposal of subsidiaries (Note)	\$ 232,252	\$ -	\$ -
Prepayments for equipment	28,320	530	3,747
Refundable deposits	25,228	36,595	36,583
Net defined benefit assets	22,218	22,218	16,132
Restricted assets	17,096	17,076	38,125
Others	596	1,421	970
	<u>\$ 325,710</u>	<u>\$ 77,840</u>	<u>\$ 95,557</u>

Note: On July 27, 2022, the Board of Directors of the Group resolved to dispose all the shares of its subsidiary, NEXSEC Incorporated, the subsidiaries of NEXSEC Incorporated and the Group's subsidiary, Zhuhai Xinxin Management Consulting Partnership, with the effective date set on August 1, 2022. Consequently, the Group lost control over the abovementioned subsidiaries during the third quarter of 2022. Refer to 6(32) C for more details.

(14) Short-term borrowings

Type of borrowings	September 30, 2022	Interest rate range
Bank borrowings		
Unsecured borrowings	\$ 1,435,000	1.22% ~ 1.70%
Secured borrowings	1,220,000	1.29% ~ 1.57%
	<u>\$ 2,655,000</u>	
Type of borrowings	December 31, 2021	Interest rate range
Bank borrowings		
Unsecured borrowings	\$ 1,412,702	0.52% ~ 3.85%
Secured borrowings	1,130,000	0.88% ~ 1.00%
	<u>\$ 2,542,702</u>	
Type of borrowings	September 30, 2021	Interest rate range
Bank borrowings		
Unsecured borrowings	\$ 1,526,198	0.55% ~ 4.07%
Secured borrowings	650,000	0.88% ~ 1.00%
	<u>\$ 2,176,198</u>	

Details of collateral for short-term borrowings are provided in Note 8.

(15) Short-term notes and bills payable

	September 30, 2022	December 31, 2021	September 30, 2021
Commercial paper	\$ 100,000	\$ 100,000	\$ 50,000
Interest rate	<u>1.425%~1.550%</u>	<u>1.012%~1.05%</u>	<u>1.01%</u>

(16) Other payables

	September 30, 2022	December 31, 2021	September 30, 2021
Accrued salaries and bonus	\$ 266,226	\$ 233,383	\$ 125,213
Dividends payable	-	-	112,981
Processing fees payable	17,283	3,763	3,501
Labour and health insurance payable	15,164	18,918	21,465
Pension cost payable	10,681	7,328	7,218
Business tax payable	8,934	7,137	-
Payable on machinery and equipment	1,324	1,889	901
Payable on software	1,234	9,442	-
Others	181,604	140,660	121,879
	<u>\$ 502,450</u>	<u>\$ 422,520</u>	<u>\$ 393,158</u>

(17) Provisions

	<u>2022</u>	<u>2021</u>
At January 1	\$ 37,616	\$ 40,598
Additional provisions	22,000	25,718
Used during the period	(18,388)	(29,058)
At September 30	<u>\$ 41,228</u>	<u>\$ 37,258</u>

Analysis of total provisions:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Current	\$ 30,048	\$ 27,912	\$ 32,485
Non-current	<u>\$ 11,180</u>	<u>\$ 9,744</u>	<u>\$ 4,773</u>

The Group's warranty provisions were associated with the sales of industrial personal computer products, and were estimated in accordance with the historical warranty data of products.

(18) Other current liabilities

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Current portion of long-term borrowings	\$ -	\$ 4,768	\$ 5,405
Others	10,071	8,408	6,765
	<u>\$ 10,071</u>	<u>\$ 13,176</u>	<u>\$ 12,170</u>

(19) Long-term borrowings

Type of borrowings	Borrowing period / repayment term	December 31, 2021
Installment-repayment borrowings		
Secured borrowings	Borrowing period is from April 2020 to June 2023; interest and principal are payable monthly	\$ 5,245
Less: Current portion		(4,768)
		\$ 477
Undrawn borrowing facilities		\$ -
Interest rate		4.65%~4.75%

Type of borrowings	Borrowing period / repayment term	September 30, 2021
Installment-repayment borrowings		
Secured borrowings	Borrowing period is from April 2020 to June 2023; interest and principal are payable monthly	\$ 6,551
Less: Current portion		(5,405)
		\$ 1,146
Undrawn borrowing facilities		\$ -
Interest rate		4.75%

There were no such transactions on September 30, 2022.

Details of collateral for long-term borrowings are provided in Note 8.

(20) Pensions

A.(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 4% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December

31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contribution for the deficit by next March.

(b)The actuarial report showed that the Group had contributed sufficient pension funds. Thus, the Group discontinued contributing to the labor pension reserve funds temporarily from June 2020 to May 2022 in accordance with Labor Affairs Department, New Taipei City Government Letter No.1101223971 and No. 1091145569.

(c)The pension costs under the defined benefit pension plan of the Group for the three months and nine months ended September 30, 2022 and 2021 were \$0, \$13, \$0 and \$37, respectively.

B.(a)Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b)The Group’s overseas subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the local pension regulations are based on a certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(c)The pension costs under the defined contribution pension plans of the Group for the three months and nine months ended September 30, 2022 and 2021 were \$10,214, \$9,574, \$35,345 and \$28,976, respectively.

(21) Share-based payment

A. The Company’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Employee stock option certificates	2016.8.30	600 units	5 years	Note 1
“	2017.4.25	400 units	“	“

Note 1: Employee stock options grant period and exercise conditions are as follows:

Vesting period	Accumulated maximum exercisable employee stock options
After 2 years	40%
After 3 years	80%
After 4 years	100%

B. Details of the share-based payment arrangements are as follows:

	Nine months ended September 30,			
	2022		2021	
	No. of options	Weighted -average exercise price (in dollars)	No. of options	Weighted -average exercise price (in dollars)
Options outstanding at beginning of the period	400	\$ 30.51	960	\$ 31.60
Options forfeited	(400)	29.42	(560)	31.60
Options outstanding at end of the period	-	-	400	30.51
Options exercisable at end of the period	-	-	400	30.51

C. As of September 30, 2022, December 31, 2021 and September 30, 2021, the exercise prices of stock options outstanding were \$29.42, \$30.51 and \$30.51 (in dollars), respectively; while the weighted-average remaining contractual periods were 0 year, 0.50 year and 0.75 year, respectively.

D. The fair value of stock options granted is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Exercise price volatility	Expected vesting period	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock option certificates	2016.8.30	\$ 29.1	35	36.71%	3.9 years	0%	0.50%	\$ 6.5633
Employee stock option certificates	2017.4.25	31.6	35	38.64%	3.9 years	0%	0.80%	8.5859

Note: The calculation of expected price volatility was based on the historical closing price of the target stock within the approximate length of expected duration.

E. Expenses incurred on share-based payment transactions are shown below:

	Three months ended September 30,	
	2022	2021
Equity-settled	\$ -	\$ -
	Nine months ended September 30,	
	2022	2021
Equity-settled	\$ -	\$ 41

(22) Share capital

As of September 30, 2022, the Company's authorised capital was \$1,800,000 (including 15,000 thousand shares reserved for employee stock options), and the paid-in capital was \$1,412,265, consisting of 141,226 thousand shares with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(23) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

2022				
	Share premium	Treasury share transactions	Employee restricted shares	Changes in subsidiaries accounted for using equity method
At January 1	\$ 351,234	\$ 2,880	\$ 9,521	\$ 4,128
Share-based payment transactions	9,521	-	(9,521)	-
At September 30	<u>\$ 360,755</u>	<u>\$ 2,880</u>	<u>\$ -</u>	<u>\$ 4,128</u>
2021				
	Share premium	Treasury share transactions	Employee restricted shares	Changes in subsidiaries accounted for using equity method
At January 1	\$ 345,520	\$ 2,880	\$ 15,194	\$ 3,774
Share-based payment transactions	-	-	41	-
At September 30	<u>\$ 345,520</u>	<u>\$ 2,880</u>	<u>\$ 15,235</u>	<u>\$ 3,774</u>

(24) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings (after appropriation of no less than 1% as employees' compensation and no more than 1% as directors' remuneration), if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve unless the legal reserve equals the total authorised capital. In addition, special reserve that has been appropriated or reversed in accordance with related regulations along with the beginning unappropriated retained earnings can be distributed as dividend provided that the appropriation is proposed by the Board of Directors and approved by shareholders during their meeting.
- B. In order to meet future capital requirements and long-term financial plan, the Company takes into account the Company's business environment and growth stage. Every year, total distributed shareholders' dividends shall not be higher than 90% of the total earnings distributable, and cash dividends shall not be lower than 5% of total dividends. If the total dividends distributable is lower than \$0.5 (in dollars) per share, the above restriction on ratio shall not apply.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve for the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. The appropriations of 2021 and 2020 earnings as resolved by the shareholders at their meetings on June 29, 2022 and August 27, 2021, respectively, are as follows:

	2021		2020	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 14,641		\$ 10,657	
Special reserve	20,147		(36,949)	
Cash dividends	141,226	\$ 1.00	112,981	\$ 0.80

The information on distribution of earnings of the Company as resolved by the Board of Directors and shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

- F. For the information relating to employees' compensation and directors' remuneration, refer to Note 6(29).

(25) Operating revenue

A. The Group derives revenue from the transfer of goods and services at a point in time, as follows:

	Three months ended September 30,	
	2022	2021
Revenue from industrial personal computers	\$ 1,844,263	\$ 1,705,650
Others	221,651	113,087
	<u>\$ 2,065,914</u>	<u>\$ 1,818,737</u>
	Nine months ended September 30,	
	2022	2021
Revenue from industrial personal computers	\$ 5,240,380	\$ 4,314,838
Others	540,217	361,719
	<u>\$ 5,780,597</u>	<u>\$ 4,676,557</u>

B. Contract liabilities

(a) The Group has recognised the following revenue-related contract liabilities:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>	<u>January 1, 2021</u>
Contract liabilities:				
Contract liabilities				
-Advance				
sales receipts	<u>\$ 176,357</u>	<u>\$ 103,003</u>	<u>\$ 145,826</u>	<u>\$ 130,824</u>

(b) Revenue recognised that was included in the contract liability balance at the beginning of the period:

	Three months ended September 30,	
	2022	2021
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Advance sales receipts	<u>\$ 7,459</u>	<u>\$ 11,778</u>
	Nine months ended September 30,	
	2022	2021
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Advance sales receipts	<u>\$ 69,644</u>	<u>\$ 56,825</u>

(26) Other income

	Three months ended September 30,	
	2022	2021
Government grants revenue	\$ 7,702	\$ 4,771
Rental revenue	3,010	2,963
Marketing allowance revenue	1,646	2,102
Interest income from bank deposits	92	181
Reimbursement income	-	4,533
Others	502	2,798
	<u>\$ 12,952</u>	<u>\$ 17,348</u>
	Nine months ended September 30,	
	2022	2021
Government grants revenue	\$ 17,997	\$ 20,926
Rental revenue	8,649	8,855
Marketing allowance revenue	6,990	4,112
Dividend income	5,200	4,250
Interest income from bank deposits	502	731
Reimbursement income	-	13,872
Others	3,948	9,967
	<u>\$ 43,286</u>	<u>\$ 62,713</u>

(27) Other gains and losses

	Three months ended September 30,	
	2022	2021
Gain on disposals of investments (Note)	\$ 846,367	\$ -
Net gain on foreign exchange	81,845	654
Gain (loss) on disposal of property, plant and equipment	285 (	293)
Investment property depreciation expense	(380) (	380)
Other losses	(452) (	1,175)
	<u>\$ 927,665</u>	<u>(\$ 1,194)</u>
	Nine months ended September 30,	
	2022	2021
Gain on disposals of investments (Note)	\$ 846,367	\$ -
Net gain (loss) on foreign exchange	135,578 (	18,652)
Gain (loss) on disposal of property, plant and equipment	1,125 (	293)
Investment property depreciation expense	(1,140) (	1,140)
Other losses	(462) (	2,265)
	<u>\$ 981,468</u>	<u>(\$ 22,350)</u>

Note: On July 27, 2022, the Board of Directors of the Group resolved to dispose all the shares of its subsidiary, NEXSEC Incorporated, the subsidiaries of NEXSEC Incorporated and the Group's subsidiary, Zhuhai Xinxin Management Consulting Partnership, with the effective date set on August 1, 2022. Consequently, the Group lost control over the abovementioned subsidiaries during the third quarter of 2022. Refer to 6(32) C for more details.

(28) Expenses by nature

	Three months ended September 30, 2022		
	Recognised in operating costs	Recognised in operating expenses	Total
Employee benefit expense	\$ 111,855	\$ 303,395	\$ 415,250
Depreciation charges on right-of-use assets	14,823	6,091	20,914
Depreciation charges on property, plant and equipment	15,926	6,048	21,974
Amortisation charges on intangible assets	2,489	6,263	8,752
	<u>\$ 145,093</u>	<u>\$ 321,797</u>	<u>\$ 466,890</u>
	Three months ended September 30, 2021		
	Recognised in operating costs	Recognised in operating expenses	Total
Employee benefit expense	\$ 81,889	\$ 230,881	\$ 312,770
Depreciation charges on right-of-use assets	18,675	7,874	26,549
Depreciation charges on property, plant and equipment	12,477	14,375	26,852
Amortisation charges on intangible assets	1,382	8,929	10,311
	<u>\$ 114,423</u>	<u>\$ 262,059</u>	<u>\$ 376,482</u>
	Nine months ended September 30, 2022		
	Recognised in operating costs	Recognised in operating expenses	Total
Employee benefit expense	\$ 301,536	\$ 799,244	\$ 1,100,780
Depreciation charges on right-of-use assets	50,021	22,009	72,030
Depreciation charges on property, plant and equipment	39,650	32,269	71,919
Amortisation charges on intangible assets	7,863	20,519	28,382
	<u>\$ 399,070</u>	<u>\$ 874,041</u>	<u>\$ 1,273,111</u>

	Nine months ended September 30, 2021		
	Recognised in operating costs	Recognised in operating expenses	Total
Employee benefit expense	\$ 232,623	\$ 675,047	\$ 907,670
Depreciation charges on right-of-use assets	54,849	23,786	78,635
Depreciation charges on property, plant and equipment	39,405	45,183	84,588
Amortisation charges on intangible assets	4,392	26,941	31,333
	<u>\$ 331,269</u>	<u>\$ 770,957</u>	<u>\$ 1,102,226</u>

(29) Employee benefit expense

	Three months ended September 30, 2022		
	Recognised in operating costs	Recognised in operating expenses	Total
Wages and salaries	\$ 91,379	\$ 285,074	\$ 376,453
Labour and health insurance fees	10,074	9,986	20,060
Pension costs	6,309	3,905	10,214
Other personnel expenses	4,093	4,430	8,523
	<u>\$ 111,855</u>	<u>\$ 303,395</u>	<u>\$ 415,250</u>

	Three months ended September 30, 2021		
	Recognised in operating costs	Recognised in operating expenses	Total
Wages and salaries	\$ 73,412	\$ 198,017	\$ 271,429
Labour and health insurance fees	5,929	17,430	23,359
Pension costs	958	8,603	9,561
Other personnel expenses	1,590	6,831	8,421
	<u>\$ 81,889</u>	<u>\$ 230,881</u>	<u>\$ 312,770</u>

	Nine months ended September 30, 2022		
	Recognised in operating costs	Recognised in operating expenses	Total
Wages and salaries	\$ 251,560	\$ 708,417	\$ 959,977
Labour and health insurance fees	26,647	48,010	74,657
Pension costs	11,908	23,437	35,345
Other personnel expenses	11,421	19,380	30,801
	<u>\$ 301,536</u>	<u>\$ 799,244</u>	<u>\$ 1,100,780</u>

	Nine months ended September 30, 2021		
	Recognised in operating costs	Recognised in operating expenses	Total
Wages and salaries	\$ 202,160	\$ 580,142	\$ 782,302
Labour and health insurance fees	18,832	52,087	70,919
Pension costs	5,460	23,479	28,939
Other personnel expenses	6,171	19,339	25,510
	<u>\$ 232,623</u>	<u>\$ 675,047</u>	<u>\$ 907,670</u>

- A. According to the Articles of Incorporation of the Company, a ratio of the current year's profit (profit before tax without provision for employees' compensation and directors' remuneration), if any, shall be accrued as employees' compensation and directors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 1% for directors' remuneration. However, if the Company has accumulated deficit, earnings shall first be reserved to cover the deficit.
- B. For the three months and nine months ended September 30, 2022 and 2021, employees' compensation was accrued at \$7,868, \$1,082, \$11,205 and \$1,082, respectively; directors' remuneration was accrued at \$1,238, \$508, \$2,940 and \$508, respectively. The aforementioned amounts were recognised in salary expenses.

Employees' compensation and directors' and supervisors' remuneration for 2021 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(30) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended September 30,	
	2022	2021
Current tax:		
Current tax on profits for the period	\$ 141,436	\$ 13,267
Deferred tax:		
Origination and reversal of temporary differences	218,015	7,400
Income tax expense	<u>\$ 359,451</u>	<u>\$ 20,667</u>
	Nine months ended September 30,	
	2022	2021
Current tax:		
Current tax on profits for the period	\$ 182,302	\$ 23,685
Prior year income tax overestimation	(5,378)	(6,515)
Total current tax	176,924	17,170
Deferred tax:		
Origination and reversal of temporary differences	237,385	965
Income tax expense	<u>\$ 414,309</u>	<u>\$ 18,135</u>

- B. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority. The income tax returns of the Taiwan subsidiary, NexAIoT Co., Ltd., through 2019 have been assessed and approved by the Tax Authority, and the income tax returns of remaining subsidiaries through 2020 have been assessed and approved by the Tax Authority.

(31) Earnings per share

Three months ended September 30, 2022			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 650,972	141,227	\$ 4.61
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	283	
Profit plus effect of potential ordinary shares	\$ 650,972	141,510	\$ 4.60
Three months ended September 30, 2021			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 78,676	141,226	\$ 0.56
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	49	
Employee stock option certificates	-	106	
Profit plus effect of potential ordinary shares	\$ 78,676	141,381	\$ 0.56

Nine months ended September 30, 2022			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 842,689	141,227	\$ 5.97
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares	-	402	
Employees' compensation	-		
Profit plus effect of potential ordinary shares	\$ 842,689	141,629	\$ 5.95
Nine months ended September 30, 2021			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 56,801	141,226	\$ 0.40
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares	-	49	
Employees' compensation	-		
Employee stock option certificates	-	106	
Profit plus effect of potential ordinary shares	\$ 56,801	141,381	\$ 0.40

(32) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Nine months ended September 30,	
	2022	2021
Purchase of property, plant and equipment	\$ 46,401	\$ 55,433
Add: Opening balance of payable on equipment	1,889	4,938
Less: Ending balance of payable on equipment	(1,324)	(901)
Cash paid during the period	<u>\$ 46,966</u>	<u>\$ 59,470</u>

	Nine months ended September 30,	
	2022	2021
Purchase of software	\$ 10,748	\$ 16,105
Add: Opening balance of payable on software	9,442	-
Less: Ending balance of payable on software	(1,234)	-
Cash paid during the period	<u>\$ 18,956</u>	<u>\$ 16,105</u>

B. Financing activities with no cash flow effects

	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Dividends	<u>\$ -</u>	<u>\$ 112,981</u>

- C. On July 27, 2022, the Board of Directors of the Group resolved to dispose all the shares of its subsidiary, NEXSEC Incorporated (NEXSEC), the subsidiaries of NEXSEC and the Group's subsidiary, Zhuhai Xinxin Management Consulting Partnership (Zhuhai Xinxin), with the effective date set on August 1, 2022. Consequently, the Group lost control over the abovementioned subsidiaries during the third quarter of 2022. The details of the consideration received from the transaction (including cash and cash equivalents) and assets and liabilities relating to the subsidiaries are as follows:

	July 27, 2022
Total consideration	\$ 1,207,710
Present value of long-term other receivables	(26,809)
Ending balance of other receivables	<u>1,180,901</u>
Carrying amount of the assets and liabilities of NEXSEC, the subsidiaries of NEXSEC and Zhuhai Xinxin	
Cash	64,040
Notes receivable	200
Accounts receivable (including related parties)	259,050
Other receivables	25,613
Inventories	706,270
Prepayments	13,071
Other current assets	4,638
Property, plant and equipment	51,068
Right-of-use assets	65,712
Intangible assets	6,032
Other non-current assets	10,219
Bank borrowings (including current portion)	(98,633)
Contract liabilities	(7,043)
Accounts payable	(534,531)
Other payables	(42,782)
Current tax liabilities	(5,401)
Other current liabilities	(27)
Lease liabilities	(70,738)
Other non-current liabilities	(13)
Carrying amount of subsidiaries disposed	<u>446,745</u>
Non-controlling interest	(150,137)
Effect of exchange rate changes	<u>37,926</u>
Gain on disposal of subsidiaries	<u><u>\$ 846,367</u></u>
Proceeds from disposal of subsidiaries	\$ 1,180,901
Less: Cash held by subsidiaries	(64,040)
Ending balance of other receivables	<u>(1,180,901)</u>
Cash outflows from disposal of subsidiaries	<u><u>(\$ 64,040)</u></u>

The above equity interest disposal can be divided into two parts, including the disposals of equity interests in NEXSEC and Zhuhai Xinxin by Nexcom International Co., Ltd. (SAMOA).

For the disposal of equity interest in NEXSEC, SAMOA agreed with the buyer to divide the payment into three installments. The first instalment amounted to \$588,311 (RMB 131,525 thousand), of which \$469,665 (RMB 105,000 thousand), net of tax, was deposited by the buyer on July 28, 2022 to a joint account opened in the name of the buyer. Provided that there is any discrepancy between the actual and estimated tax amount, the overpayment or underpayment will be refunded or collected in the second instalment. As of November 2, 2022, the first instalment was being reviewed by the China's State Administration of Foreign Exchange (SAFE) and will be collected after the review is completed.

In addition, the second instalment of \$362,313 (RMB 81,000 thousand) is expected to be collected by April 30, 2023; while, the third instalment of \$241,542 (RMB 54,000 thousand) is expected to be collected by April 30, 2024. Under the agreement, Industrial and Commercial Bank of China and China Merchants Bank will issue irrevocable guarantees for the above payments. However, since the guarantees have not yet been issued, the buyer has deposited the second and third instalments in a joint account opened in the name of the buyer. The joint account will be cancelled upon the issuance of the guarantees. As of November 2, 2022, the guarantees were being reviewed by SAFE and will be issued after the review is completed.

As for the disposal of equity interest in Zhuhai Xinxin, based on the agreement, SAMOA will withdraw from the partnership with Zhuhai Xinxin after Zhuhai Xinxin disposes its equity interest in NEXSEC. The proceeds from the disposal of equity interest in NEXSEC by Zhuhai Xinxin amounted to \$15,544 (RMB 3,475 thousand). Based on the agreement, the buyer will make the payment (net of tax) to Zhuhai Xinxin and Zhuhai Xinxin will carry out the partnership withdrawal process after the legal documents of Zhuhai Xinxin's disposal of equity interest in NEXSEC and the SAMOA's withdrawal from the partnership with Zhuhai Xinxin are signed. As of November 2, 2022, the buyer has made the aforesaid payment, and such payment will be remitted to SAMOA to complete the partnership withdrawal process after SAFE completes the review.

D. The Group terminated the minor equity investment cooperation agreement with Beijing NEXGEMO Technology Co., Ltd., on July 31, 2021. Nexcom Shanghai Co., Ltd. was assessed to have significant influence on the operating decisions of Beijing NEXGEMO Technology Co., Ltd., but it has no actual control power; thus, the Group lost control over the subsidiary. Assets and liabilities relating to the subsidiary are as follows:

Carrying amount of Beijing NexGemo Technology Co., Ltd.'s assets and liabilities:		July 31, 2022
Cash	\$	4,704
Notes receivable		43,672
Accounts receivable		30,023
Inventory		44,189
Prepayments		4,801
Property, plant and equipment		721
Other non-current assets		1,355
Contract liability	(	81)
Accounts payable	(	85,402)
Other payables	(	6,308)
Total net assets	\$	<u>37,674</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
EXOR International S.P.A	Associate (Note)
Nexcom Italia S.R.L.	Subsidiary of associate (Note)
Beijing NexGemo Technology Co., Ltd.	Associate

Note: The Group sold its equity interest in EXOR on June 24, 2022, thus, the Group is no longer a related party of the company starting from June 24, 2022.

(2) Significant transactions with related parties

A. Operating revenue

	Three months ended September 30,	
	2022	2021
Sales of goods:		
Associate	\$ <u>9,476</u>	\$ <u>38,858</u>
	Nine months ended September 30,	
	2022	2021
Sales of goods:		
Associate	\$ <u>81,870</u>	\$ <u>71,109</u>

Goods are sold based on the price lists in force and terms that would be available to third parties.

B. Purchases

	Three months ended September 30,	
	2022	2021
Purchases of goods:		
Associate	\$ 3,279	\$ -
	Nine months ended September 30,	
	2022	2021
Purchases of goods:		
Associate	\$ 5,714	\$ -

Goods are purchased based on the price lists in force and terms that would be available to third parties.

C. Accounts receivable:

	September 30, 2022	December 31, 2021	September 30, 2021
Accounts receivable:			
Associate	\$ 72,115	\$ 107,770	\$ 106,326
Subsidiary of associate	-	-	5
	<u>\$ 72,115</u>	<u>\$ 107,770</u>	<u>\$ 106,331</u>

The receivables due from related parties had no collateral, were not pledged and do not bear interest.

D. Accounts payable:

	September 30, 2022	December 31, 2021	September 30, 2021
Accounts payable:			
Associate	\$ 4,196	\$ 5,916	\$ -

(3) Key management compensation

	Three months ended September 30,	
	2022	2021
Salaries and other short-term employee benefits	\$ 25,922	\$ 10,795
Post-employment benefits	255	221
	<u>\$ 26,177</u>	<u>\$ 11,016</u>
	Nine months ended September 30,	
	2022	2021
Salaries and other short-term employee benefits	\$ 46,515	\$ 26,732
Post-employment benefits	991	662
	<u>\$ 47,506</u>	<u>\$ 27,394</u>

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value			Purpose
	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>	
Other non-current assets-time deposits	\$ 17,096	\$ 17,076	\$ 38,125	Guarantee for import duty and performance guarantee
Property, plant and equipment -land and buildings and structures	1,224,934	1,231,876	1,234,190	Guarantee for long-term secured borrowings
Investment property-land and buildings and structures	138,399	139,273	139,564	Guarantee for short-term secured borrowings
	<u>\$ 1,380,429</u>	<u>\$ 1,388,225</u>	<u>\$ 1,411,879</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

- A. The Group had issued and deposited certified checks amounting to \$2,540,000, RMB30 million and US\$32 million for the Group's short and long-term credit facilities and forward exchange contracts.
- B. The amount of endorsements and guarantees provided by the Group in order to assist its subsidiaries for the lease of warehouses, offices, enter into cooperative contracts, purchases of raw materials and financing loan are as follows:

	September 30, 2022	December 31, 2021
Nexcom Japan Co., Ltd.	\$ 5,506 (JPY 25,018 thousand)	\$ 6,107 (JPY 25,018 thousand)
NexAIoT Co., Ltd.	209,375 (USD 2,500 thousand) (NTD 130,000 thousand)	199,200 (USD 2,500 thousand) (NTD 130,000 thousand)
NEXSEC Incorporated (Note)	134,190 (RMB 30,000 thousand)	29,440 (RMB 35,000 thousand) (USD 5,000 thousand)
Dongguan Xing Han Yun Zhi Electronics Co., Ltd.	-	17,376 (RMB 4,000 thousand)
EMBUX Technology Co., Ltd.	25,000 (NTD 25,000 thousand)	25,000 (NTD 25,000 thousand)
NEXGOL Co., Ltd.	22,365 (RMB 5,000 thousand)	21,720 (RMB 5,000 thousand)
NexCOBOT Taiwan Co., Ltd.	90,000 (NTD 90,000 thousand)	
		September 30, 2021
Nexcom Japan Co., Ltd.		\$ 6,229 (JPY 25,018 thousand)
NexAIoT Co., Ltd.		199,625 (USD 2,500 thousand) (NTD 130,000 thousand)
NEXSEC Incorporated		150,675 (RMB 35,000 thousand)
Dongguan Xing Han Yun Zhi Electronics Co., Ltd.		17,220 (RMB 4,000 thousand)
EMBUX Technology Co., Ltd.		25,000 (NTD 25,000 thousand)

Note: The Company's comprehensive shareholding ratio in NEXSEC Incorporated decreased from the original 70.64% to 0% after the disposal on July 27, 2022. The subsequent rectification plan on the outstanding endorsements and guarantees provided before the disposal has been reported to the Board of Directors on August 3, 2022. As of September 30, 2022, the balance of outstanding endorsements and guarantees provided to NEXSEC Incorporated amounted to RMB 30,000 thousand.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
<u>Financial assets</u>			
Financial assets at fair value through other comprehensive income	\$ 44,932	\$ 117,664	\$ 116,727
Financial assets at amortised cost (Note)	\$ 4,084,703	\$ 2,515,512	\$ 2,234,149
	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost (Note)	\$ 4,175,970	\$ 4,412,890	\$ 3,992,204
Lease liability	\$ 465,658	\$ 560,502	\$ 578,065

Note: For financial assets at amortised cost, including cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable (including related parties), other receivables (including related parties) and guarantee deposits paid, and financial liabilities at amortised cost, including short-term borrowings, short-term notes and bills payable, notes payable, accounts payable, other payables, long-term borrowings (including current portion) and guarantee deposits received, refer to the balance sheet for details.

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.

- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's each operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, EUR, GBP and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. The Group's businesses involve some non-functional currency operations (the Group's functional currency: NTD; subsidiaries' functional currency: USD, EUR, RMB, JPY and GBP). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

September 30, 2022							
(Foreign currency: functional currency)	Foreign Currency	Exchange Rate	Book Value (NTD)	Sensitivity Analysis			
	Amount (In thousands)			Degree of variation	Effect on profit (loss)	Effect on other comprehensive income	
	<u>Financial assets</u>						
	<u>Monetary items</u>						
	USD : NTD	\$ 52,880	31.75	\$ 1,678,940	1%	\$ 16,789	\$ -
EUR : NTD	4,660	31.26	145,672	1%	1,457	-	
RMB : NTD	155,915	4.47	696,940	1%	6,969	-	
RMB : USD	266,525	0.14	1,191,367	1%	11,914	-	
USD : RMB	1,233	7.10	39,148	1%	391	-	
USD : JPY	455	144.25	14,446	1%	144	-	
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD : NTD	\$ 18,508	31.75	\$ 587,629	1%	\$ 5,876	\$ -	
USD : JPY	1,310	144.25	188,968	1%	1,890	-	
RMB : NTD	6,986	4.47	31,227	1%	312	-	

December 31, 2021

December 31, 2021							
(Foreign currency: functional currency)	Foreign Currency	Exchange Rate	Book Value (NTD)	Sensitivity Analysis			
	Amount (In thousands)			Degree of variation	Effect on profit (loss)	Effect on other comprehensive income	
	<u>Financial assets</u>						
	<u>Monetary items</u>						
	USD : NTD	\$ 44,013	27.68	\$ 1,218,280	1%	\$ 12,183	\$ -
EUR : NTD	3,029	31.32	94,868	1%	949	-	
RMB : NTD	173,935	4.34	755,574	1%	7,556	-	
USD : RMB	1,266	6.37	35,055	1%	351	-	
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD : NTD	\$ 27,003	27.68	\$ 747,443	1%	\$ 7,474	\$ -	
USD : RMB	16,042	6.37	444,037	1%	4,440	-	
USD : JPY	136	115.09	3,764	1%	38	-	
RMB : NTD	10,885	4.34	47,284	1%	473	-	

September 30, 2021

(Foreign currency: functional currency)	Foreign Currency	Exchange Rate	Book Value (NTD)	Sensitivity Analysis			
	Amount (In thousands)			Degree of variation	Effect on profit (loss)	Effect on other comprehensive income	
	<u>Financial assets</u>						
	<u>Monetary items</u>						
	USD : NTD	\$ 41,108	27.85	\$ 1,144,858	1%	\$ 11,449	\$ -
EUR : NTD	2,308	32.32	74,605	1%	746	-	
RMB : NTD	129,707	4.31	558,388	1%	5,584	-	
USD : RMB	1,507	6.47	41,961	1%	420	-	
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD : NTD	\$ 26,577	27.85	\$ 740,164	1%	\$ 7,402	\$ -	
USD : RMB	4,047	6.47	112,707	1%	1,127	-	
USD : JPY	137	111.85	3,802	1%	38	-	
RMB : NTD	11,778	4.31	50,704	1%	507	-	

Total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the three months and nine months ended September 30, 2022 and 2021 amounted to \$81,845, \$654, \$135,578 and (\$18,652), respectively.

Price risk

The Group invests in equity securities issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, profit before income tax for the nine months ended September 30, 2022 and 2021 would have increased/decreased by \$803 and \$1,469, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's interest rate risk arises from long-term and short-term borrowings and short-term notes and bills payable. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.
- ii. At September 30, 2022 and 2021, if interest rates on borrowings had been 0.25% higher/lower with all other variables held constant, post-tax profit for the nine months ended September 30, 2022 and 2021 would have been \$6,888 and \$5,581 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- ii. The Group manages its credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts the following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
 - (i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - (ii) The actual or expected significant changes of customer operating results.
 - (iii) The existing or estimated adverse changes in operations, finance or economic circumstances that were expected to cause significant changes in the customer's ability to fulfil its debt obligation.

- iv. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 180 days.
- v. The Group classifies customer's accounts receivable in accordance with customer's types. The Group applies the simplified approach using the provision matrix to estimate expected credit loss.
- vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On September 30, 2022, December 31, 2021 and September 30, 2021, the provision matrix is as follows:

	Not past due	Up to 90 days past due	91 ~ 180 days past due	Over 180 days past due	Total
<u>At September 30, 2022</u>					
Expected loss rate	0.03%-0.07%	0.03%-19.39%	3.08%-66.15%	82.99%-100%	
Total book value	\$ 1,320,832	\$ 287,749	\$ 7,319	\$ 378,438	\$ 1,994,338
Loss allowance	\$ 386	\$ 37	\$ 1,739	\$ 36,056	\$ 38,218

	Not past due	Up to 90 days past due	91 ~ 180 days past due	Over 180 days past due	Total
<u>At December 31, 2021</u>					
Expected loss rate	0.03%	0.03%	18%-50%	91.42%-100%	
Total book value	\$1,423,909	\$ 165,408	\$ 11,845	\$ 35,673	\$ 1,636,835
Loss allowance	\$ 971	\$ 813	\$ 2,168	\$ 34,840	\$ 38,792

	Not past due	Up to 90 days past due	91 ~ 180 days past due	Over 180 days past due	Total
<u>At September 30, 2021</u>					
Expected loss rate	0.03%	0.03%	50%-100%	100.00%	
Total book value	\$1,280,739	\$ 127,005	\$ 1,201	\$ 42,462	\$ 1,451,407
Loss allowance	\$ 345	\$ 25	\$ 1,026	\$ 42,462	\$ 43,858

viii. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2022	2021
	Accounts receivable	Accounts receivable
At January 1	\$ 38,792	\$ 55,871
Reversal of provision for impairment	-	(11,427)
Provision for impairment	7,434	-
Disposal of subsidiaries	(8,299)	-
Effect of foreign exchange	291	(586)
At September 30	<u>\$ 38,218</u>	<u>\$ 43,858</u>

ix. The Group has no loss allowance for investments in debt instruments carried at amortised cost.

(c) Liquidity risk

- i. Surplus cash held by the operating entities over and above balance required for working capital management are used and invested properly. The Group chooses instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom.
- ii. The Group's non-derivative financial liabilities classified into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities.

Except for the following, the maturity dates of non-derivative financial liabilities comprising short-term borrowings, short-term notes and bills payable, notes payable, accounts payable, other payables and long-term borrowings expiring within one year are all less than 360 days as of September 30, 2022, December 31, 2021 and September 30, 2021.

Non-derivative financial liabilities:

		Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>September 30, 2022</u>	<u>Less than 1 year</u>			
Lease liability	\$ 73,444	\$ 70,125	\$ 194,926	\$ 146,605
<u>December 31, 2021</u>	<u>Less than 1 year</u>	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long-term borrowings	\$ 4,902	\$ 483	\$ -	\$ -
(including current portion)				
Lease liability	104,583	87,375	207,055	195,705

<u>September 30, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Long-term borrowings (including current portion)	\$ 5,599	\$ 1,161	\$ -	\$ -
Lease liability	104,112	88,768	206,271	213,100

iii. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. Fair value information of investment property at cost is provided in Note 6(10).

C. The related information on financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at September 30, 2022, December 31, 2021 and September 30, 2021 is as follows:

On September 30, 2022, December 31, 2021 and September 30, 2021, financial assets at fair value through other comprehensive income categorised within Level 3 amounted to \$44,932, \$117,664 and \$116,727, respectively.

D. The methods and assumptions the Group used to measure fair value are as follows:

The valuation of financial assets at fair value through other comprehensive income uses the most recent non-active market price, market comparable companies and the net assets value as their fair values (that is, Level 3).

E. For the nine months ended September 30, 2022 and 2021, there was no transfer among each valuation level.

F. The following chart is the movements of Level 3 for the nine months ended September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
	<u>Equity instruments</u>	<u>Equity instruments</u>
At January 1	\$ 117,664	\$ 122,742
Gains and losses recognised in other comprehensive income	5,243 (	6,015)
Disposal of equity instruments at fair value through other comprehensive income	(77,975)	-
At September 30	<u>\$ 44,932</u>	<u>\$ 116,727</u>

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	<u>Fair value at September 30, 2022</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instruments:				
Unlisted shares	\$ 457	Market comparable companies	Enterprise value to EBITA multiple and discount for lack of marketability	The higher the discount for lack of marketability, the lower the fair value
Venture capital shares				
Private equity fund investment	44,475	Net asset value	N/A	N/A

	<u>Fair value at December 31, 2021</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instruments:				
Unlisted shares	\$ 67,149	Market comparable companies	Enterprise value to EBITA multiple and discount for lack of marketability	The higher the discount for lack of marketability, the lower the fair value
Venture capital shares				
Private equity fund investment	50,515	Net asset value	N/A	N/A
	<u>Fair value at September 30, 2021</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instruments:				
Unlisted shares	\$ 50,035	Market comparable companies	Enterprise value to EBITA multiple and discount for lack of marketability	The higher the discount for lack of marketability, the lower the fair value
Venture capital shares				
Private equity fund investment	66,692	Net asset value	N/A	N/A

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: Refer to table 3.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Refer to table 4.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Refer to table 5.
- I. Derivative financial instruments: None.
- J. Significant inter-company transactions during the reporting periods: Refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 7.

(3) Information on investments in Mainland China

- A. Basic information: Refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Shareholders information:

Major shareholders information: Refer to table 9.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. There is no material change in the basis for formation of entities and division of segments in the Group or in the measurement basis for segment information during this period.

(2) Segment information

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

<u>Nine months ended September 30, 2022</u>	<u>Taiwan</u>	<u>Asia</u>	<u>America</u>	<u>Europe</u>	<u>Adjustments and elimination</u>	<u>Total</u>
Revenue from external customers	\$ 4,365,550	\$ 998,351	\$ 405,412	\$ 11,284	\$ -	\$ 5,780,597
Inter-segment revenue	442,413	105,181	5,511	6,653	(559,758)	-
Total segment revenue	<u>\$ 4,807,963</u>	<u>\$ 1,103,532</u>	<u>\$ 410,923</u>	<u>\$ 17,937</u>	<u>(\$ 559,758)</u>	<u>\$ 5,780,597</u>
Segment profit (loss) - profit (loss) before tax	<u>\$ 1,252,959</u>	<u>\$ 895,754</u>	<u>(\$ 6,490)</u>	<u>(\$ 759)</u>	<u>(\$ 850,945)</u>	<u>\$ 1,290,519</u>

<u>Nine months ended September 30, 2021</u>	<u>Taiwan</u>	<u>Asia</u>	<u>America</u>	<u>Europe</u>	<u>Adjustments and elimination</u>	<u>Total</u>
Revenue from external customers	\$ 3,336,440	\$ 974,969	\$ 346,083	\$ 19,065	\$ -	\$ 4,676,557
Inter-segment revenue	454,535	117,167	5,514	5,161	(582,377)	-
Total segment revenue	<u>\$ 3,790,975</u>	<u>\$ 1,092,136</u>	<u>\$ 351,597</u>	<u>\$ 24,226</u>	<u>(\$ 582,377)</u>	<u>\$ 4,676,557</u>
Segment profit (loss) - profit (loss) before tax	<u>\$ 94,947</u>	<u>\$ 75,851</u>	<u>(\$ 6,107)</u>	<u>(\$ 704)</u>	<u>(\$ 63,512)</u>	<u>\$ 100,475</u>

Note 1: Since the Company does not prepare such information for management and thus the relevant information is not disclosed.

Note 2: Segment information is based on geographic location of each segment.

(3) Reconciliation for segment income (loss)

The revenue from external customers and gains or losses reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

Table 1

NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Provision of endorsements and guarantees to others
For the nine-month period ended September 30, 2022

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Company name	Party being endorsed/guaranteed	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of September 30, 2022 (Note 4)	Outstanding endorsement/ guarantee amount at September 30, 2022 (Notes 5, 6)	Actual amount drawn down (Note 7)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/guarantees by parent company to subsidiary (Note 8)	Provision of endorsements/guarantees by subsidiary to parent company (Note 8)	Provision of endorsements/guarantees to the party in Mainland China (Note 8)	Footnote
			Relationship with the endorser/ guarantor (Note 2)											
0	The Company	Nexcom Japan Co., Ltd.	2	\$ 1,010,143	\$ 6,085	\$ 5,506	\$ 5,506	\$ -	0.16	\$ 1,683,572	Y	N	N	-
0	The Company	NexAIoT Co., Ltd.	2	1,010,143	209,375	209,375	79,375	-	6.22	1,683,572	Y	N	N	-
0	The Company	EMBUX Technology Co., Ltd.	2	1,010,143	25,000	25,000	15,000	15,000	0.74	1,683,572	Y	N	N	-
0	The Company	NEXSEC Incorporated	2	-	349,815	134,190	71,160	-	3.99	1,683,572	Y	N	Y	Note 9
0	The Company	NEXGOL Co., Ltd.	2	1,010,143	22,530	22,365	9,487	-	0.66	1,683,572	Y	N	Y	-
0	The Company	NexCOBOT Taiwan Co., Ltd.	2	1,010,143	90,000	90,000	50,000	-	2.67	1,683,572	Y	N	N	-

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: The guarantee ceiling is calculated as follows:

- (1) The Company's total guarantees and endorsements to others should not exceed 50% of the Company's net worth. Net worth is determined based on the latest audited financial statements.
- (2) The guarantees and endorsements for a single party should not exceed 20% of the Company's net worth, except that the guarantees and endorsements for any single foreign subsidiary should not exceed 30% of the Company's net worth. If the guarantees and endorsements were made upon business relationships, the guarantees and endorsements should not exceed the total transaction amount (higher of the purchase or the sales between the two parties) for the most recent year ended.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: The amount guaranteed by the Company to Nexcom Japan Co.,Ltd., NEXSEC Incorporated, EMBUX Technology Co., Ltd., NexAIoT Co., Ltd., NEXGOL Co., Ltd. and NexCOBOT Taiwan Co., Ltd. was JPY 25,018 thousand, RMB 30,000 , NTD 25,000 , USD 2,500 & NTD130,000 , RMB 5,000 thousand and NTD 90,000 thousand, respectively.

Note 6: Fill in the amount approved by the Board of Directors of the chairman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 7: Fill in the actual ammount of endorsements/guarantees used by the ensorsed/guaranteed company.

Note 8: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland Chain.

Note 9: The Company's comprehensive shareholding ratio in NEXSEC Incorporated decreased from the original 70.64% to 0% after the disposal on July 27, 2022. The subsequent rectification plan on the outstanding endorsements and guarantees provided before the disposal has been reported to the Board of Directors on August 3, 2022. As of September 30, 2022, the balance of outstanding endorsements and guarantees provided to NEXSEC Incorporated amounted to RMB 30,000 thousand.

NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
For the nine-month period ended September 30, 2022

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

				As of September 30, 2022			
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares (in thousands)	Book value	Ownership (%)	Fair value (Note)
The Company	Lionic Co., Ltd.	None	Financial assets at fair value through other comprehensive income-non-current	190	-	0.86	-
The Company	WK Technology Fund Co., Ltd.	"	Financial assets at fair value through other comprehensive income-non-current	2,500	44,475	2.50	44,475
The Company	Datacom Technology Corp.	"	Financial assets at fair value through other comprehensive income-non-current	700	-	6.54	-
Greenbase Technology Corp.	Iryx Corporation	"	Financial assets at fair value through other comprehensive income-non-current	550	-	4.35	-
DIVIOTEC INC.	DIVIOTEC COMPANY LIMITED	"	Financial assets at fair value through other comprehensive income-non-current	5	457	19.00	457

NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

For the nine-month period ended September 30, 2022

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable	General	Counterparty	Relationship	Balance as at		Addition		Disposal			Balance as at September 30, 2022		
	securities	ledger		with	January 1, 2022		(Note 3)		(Note 3 and 5)					
	(Note 1)	account		(Note 2)	Number of	Amount	Number of	Amount	Number of	Selling price	Book value	Gain (loss) on	Number of	Amount
					shares		shares		shares			disposal	shares	
Nexcom International Co., Ltd. (SAMOA)	NEXSEC Incorporated and Zhuhai Xinxin Management Consulting Partnership	Investments accounted for under equity method	Beijing Dahao Technology Co., Ltd.	The subsidiary of the Company	20,367,661	\$ 278,012	-	\$ -	20,367,661	\$ 1,180,901	\$ 334,534	\$ 846,367	-	\$ -

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 5: Refer to 6(32) C for details of related transactions.

NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
For the nine-month period ended September 30, 2022

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)
The Company	NeAIoT Co., Ltd.	The Company's consolidated subsidiary	Sales	\$ 397,630	10	90 days after monthly billing	The Company's sales price to related parties was approximately the same as third parties.	The credit term to related parties was approximately the same as third parties.	\$ 203,059	10
The Company	Greenbase Technology Corp.	The Company's consolidated subsidiary	Sales	336,168	9	90 days after monthly billing	The Company's sales price to related parties was approximately the same as third parties.	The credit term to related parties was approximately the same as third parties.	75,766	4
The Company	Nex Computer, Inc.	The Company's consolidated subsidiary	Sales	195,111	5	90 days after monthly billing	The Company's sales price to related parties was approximately the same as third parties.	The credit term to related parties was approximately the same as third parties.	52,558	3
The Company	NexCOBOT Taiwan Co., Ltd.	The Company's consolidated subsidiary	Sales	167,074	4	90 days after monthly billing	The Company's sales price to related parties was approximately the same as third parties.	The credit term to related parties was approximately the same as third parties.	98,491	5

NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 For the nine-month period ended September 30, 2022

Table 5

Expressed in thousands of NTD
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2022	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date (Note)	Allowance for doubtful accounts
					Amount	Action taken		
The Company	NeAIoT Co., Ltd.	The Company's consolidated subsidiary	\$ 203,059	1.49	\$ 700	Taking prompt action in demanding the overdue receivables.	\$ 88,239	\$ -

Note: Represents amounts collected up to November 2, 2022.

NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
For the nine-month period ended September 30, 2022

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number	Company name	Counterparty	Relationship (Note 1)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 2)
				General ledger account	Amount	Transaction terms	
0	The Company	NexAIoT Co., Ltd.	1	Sales	\$ 397,630	Note 3	7
0	The Company	NexAIoT Co., Ltd.	1	Accounts receivable	203,059	Note 3	2
0	The Company	NexCOBOT Taiwan Co., Ltd.	1	Sales	167,074	Note 3	3
0	The Company	NexCOBOT Taiwan Co., Ltd.	1	Accounts receivable	98,491	Note 3	1
0	The Company	Greenbase Technology Corp.	1	Sales	336,168	Note 3	6
0	The Company	Greenbase Technology Corp.	1	Accounts receivable	75,776	Note 3	1
0	The Company	Nexcom Computer, Inc.	1	Sales	195,111	Note 3	3
0	The Company	Nexcom Computer, Inc.	1	Accounts receivable	52,558	Note 3	1

Note 1: Relationship between transaction company and counterparty is classified into the following three categories:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 2: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 3: Sales and collection terms of sales to related parties are approximately the same as with third parties.

NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Information on investees

For the nine-month period ended September 30, 2022

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2022			Net profit (loss) of the investee for the nine- month period ended September 30, 2022	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2022	Footnote
				Balance as at September 30, 2022	Balance as at December 31, 2021	Number of shares (shares in thousands)	Ownership (%)	Book value			
The Company	Nex Computers, Inc.	United States of America	Sales of PCs and peripherals	\$ 56,977	\$ 56,977	5,000	100	\$ 103,759	(\$ 6,490)	(\$ 6,490)	Note 2
The Company	Nexcom Japan Co., Ltd.	Japan	Sales of PCs and peripherals	16,780	16,780	1	100	25,992	(6,018)	(6,018)	Note 2
The Company	Nexcom International Co., Ltd. (SAMOA)	Samoa	General investment	195,893	232,392	7,658	100	1,080,053	774,800	774,800	
The Company	Nexcom Europe Ltd.	United Kingdom	Sales of PCs and peripherals	73,215	73,215	580	100	26,052	(515)	(515)	Note 2
The Company	Greenbase Technology Corp.	Taiwan	Sales of PCs and peripherals	82,834	82,834	12,640	79.62	210,178	64,521	51,371	Note 2
The Company	Nexcom France	France	Sales of PCs and peripherals	32,761	32,761	-	100	735	(244)	(244)	Note 2
The Company	NexAIoT Co., Ltd.	Taiwan	Sales of PCs and peripherals	97,063	97,063	16,139	82.73	205,010	58,420	48,331	Note 2
The Company	All IoTCloud Corp.	Taiwan	Sales of PCs and peripherals	34,415	34,415	1,000	100	4,292	(283)	(283)	Note 2
The Company	EMBUX Technology Co., Ltd.	Taiwan	Sales of PCs and peripherals	12,100	12,100	7,290	100	(4,853)	(4,044)	(4,044)	Note 2
The Company	TMR Technologies Co., Ltd.	Taiwan	Sales of PCs and peripherals	22,080	22,080	2,208	80	(1,148)	(7,453)	(5,962)	Note 2
The Company	NEXCOBOT INC.	United States of America	Sales of PCs and peripherals	5,921	5,921	200	100	34	-	-	Note 2
Greenbase Technology Corp.	DIVIOTED INC.	Taiwan	Sales of PCs and peripherals	12,579	12,579	804	100	15,311	3,713	3,713	Note 2
NexAIoT Co., Ltd.	NexCOBOT Taiwan Co., Ltd.	Taiwan	Sales of PCs and peripherals	67,549	67,549	6,000	100	108,768	40,521	40,521	Notes 1 and 2

Note 1: On December 30, 2021, the Company and the subsidiary, NexAIoT Co., Ltd., acquired a 100% equity interest in NexCOBOT Taiwan Co., Ltd. through a share swap, and NexCOBOT Taiwan Co., Ltd. became a subsidiary of NexAIoT Co., Ltd.

Note 2: Since the consolidated subsidiary was an insignificant subsidiary, the investment income or loss was recognised based on the financial statements which were not reviewed by the independent auditors.

NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Information on investments in Mainland China
For the nine-month period ended September 30, 2022

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine-month period ended September 30, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2022	Net income of investee for the nine-month period ended September 30, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2022	Book value of investments in Mainland China as of September 30, 2022	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2022		Footnote
					Remitted to Mainland China	Remitted back to Taiwan								
NEXSEC Incorporated	Sales of PCs and peripherals	\$ 127,504	Through investing in an existing company (Nexcom International Co., Ltd. (SAMOA)) in the third area, which then invested in the investee in Mainland China.	\$ 56,126	\$ -	\$ -	\$ 56,126	\$ 52,652	-	\$ 37,193	\$ -	\$ 15,757		Note 5
Nexcom Shanghai Co., Ltd.	Sales of PCs and peripherals	104,234	Through investing in an investee company (NexAIoT Co., Ltd.) in Mainland China, which then invested in the investee in Mainland China.	104,234	-	-	104,234	(7,885)	82.73	(6,523)	21,582	-		Notes 1 and 3
Nexcom Surveillance Technology Co., Ltd.	Sales of PCs and peripherals	30,321	Through investing in an investee company (Greenbase Technology Corp.) in Mainland China, which then invested in the investee in Mainland China.	30,321	-	-	30,321	5,898	79.62	4,696	37,656	-		Note 3
Nexcom United System Service Co., Ltd.	Sales of PCs and peripherals	33,998	Through investing in an existing company (Nexcom Interrational Co., Ltd. (SAMOA)) in the third area, which then invested in the investee in Mainland China.	28,691	-	-	28,691	(601)	100	(601)	930	-		Note 3
NEXGOL Co., Ltd.	Sales of PCs and peripherals	44,650	Through investing in an investee (Nexcom Shanghai Co., Ltd.) in Mainland China, which then invested in the investee in Mainland China.	-	-	-	-	90	66.18	60	(8,774)	-		Note 3
Zhuhai Xinxin Management Consulting Partnership	General investment	9,421	Through investing in an existing company (Nexcom International Co. , Ltd. (SAMOA)) in the third area, which then invested in the investee in Mainland China.	2,275	-	-	2,275	6,759	-	471	-	-		Notes 3 and 5
Beijing NexGemo Technology Co., Ltd.	Sales of PCs and peripherals	45,770	Through investing in an investee (Nexcom Shanghai Co., Ltd.) in Mainland China, which then invested in the investee in Mainland China.	-	-	-	-	(4,035)	37.23	(1,502)	16,560	-		Notes 2 and 3
Dongguan Xing Han Yun Zhi Electronics Co., Ltd	Sales of PCs and peripherals	47,938	Through investing in investees in Mainland China, which then invested in the investee in Mainland China (investment of NEXSEC Incorporated).	-	-	-	-	(3,389)	-	(1,436)	-	-		Notes 3 and 5
GuangZhou NexCOBOT China CO., Ltd.	Sales of PCs and peripherals	15,777	Through investing in investees, which then invested in the investee in Mainland China (investment of NexCOBOT Taiwan Co., Ltd.).	15,777	-	-	15,777	(76)	82.73	(63)	(1,572)	-		Note 3
Chongqing Keli Ruixing Technology Co., Ltd.	Sales of PCs and peripherals	17,888	Through investing in an investee (Nexcom Shanghai Co., Ltd.) in Mainland China, which then invested in the investee in Mainland China.	-	-	-	-	(2,369)	62.05	(1,470)	2,933	-		Note 3
Chengdu Xinghan Xinchuang Technology Co., LTD	Sales of PCs and peripherals	13,517	Through investing in an investee (NEXSEC Incorporated) in Mainland China, which then invested in the investee in Mainland China.	-	-	-	-	(1,400)	-	(346)	-	-		Notes 3 and 4 and 5

Note 1: In the fourth quarter of 2021, the Group adjusted organisation, Nexcom Shanghai Co., Ltd. was changed to be held by NexAIoT Co., Ltd.

Note 2: The minor equity investment cooperation agreement of the Group's subsidiary, Beijing NEXGEMO Technology Co., Ltd., was terminated on July 31, 2021.

Accordingly, the Group lost control over the subsidiary and was not anymore included in the consolidated financial statements.

Note 3: Since the consolidated subsidiary was an insignificant subsidiary, the investment income or loss was recognised based on the financial statements which were not reviewed by the independent auditors.

Note 4: In February 2022, the Group invested and established a new company, Chengdu Xinghan Xinchuang Technology Co., Ltd. as resolved by the Board of Directors.

Note 5: On July 27, 2022, the Board of Directors of the Group resolved to dispose all the shares of its subsidiary, NEXSEC Incorporated, the subsidiaries of NEXSEC Incorporated and the Group’s subsidiary, Zhuhai Xinxin Management Consulting Partnership, with the effective date set on August 1, 2022.

Consequently, the Group lost control over the abovementioned subsidiaries during the third quarter of 2022. Refer to 6(32) C for more details.

	Accumulated amount of remittance from Taiwan to Mainland China as of September 30,	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Company name	2022	(MOEA)	
The Company	\$ 237,424	\$ 274,951	\$ 2,020,286

NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Major shareholders information
For the nine-month period ended September 30, 2022

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Tai Ying Investment Co., Ltd.	9,687	6.85%
Meng-Ying, Lin	9,426	6.67%

Note: (a) The major shareholders' information was derived from the data using the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference in the calculation basis.

(b) If the aforementioned data contains shares which were kept in the trust by the shareholders, the data was disclosed as a separate account of the client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio was greater than 10% in accordance with the Securities and Exchange Act, the shareholding ratio included the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information on reported share equity of insiders, please refer to the Market Observation Post System.