Stock Code: 3564

AEWIN Technologies Co., Ltd. and Subsidiaries

Consolidated Financial Statements and Independent Auditors' Review Report

For the nine months ended September 30, 2024 and 2023

This is the translation of the financial statements. CPAs do not review on this translation.

Company Address: 32F, No. 97, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City
Telephone: (02)2697-6866

The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. The translation is not prepared by the independent auditor. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

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Independent Auditors' Review Report

To the Board of Directors and Shareholders of AEWIN Technologies Co., Ltd.

Foreword

We have reviewed the accompanying consolidated balance sheet as of September 30, 2024 and 2023 of AEWIN Technologies Co., Ltd. and its subsidiaries, the consolidated statements of comprehensive income for the three months ended September 30, 2024 and 2023, and for the nine months ended September 30, 2024 and 2023, the consolidated statements of changes in equity, the consolidated statements of cash flows, and the notes to the consolidated financial report (including the summary of significant accounting policies) for the nine months ended September 30, 2024 and 2023. It is the responsibility of the management to prepare fair presentation consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission. The responsibility of the CPAs is to draw conclusions on the consolidated financial report based on the results of their review.

Scope

We conducted our reviews in accordance with SRE 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of the 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 conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the aforementioned consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of AEWIN Technologies Co., Ltd. and its subsidiaries as of September 30, 2024 and 2023, and their consolidated financial performance for the three months ended September 30, 2024 and 2023, and for the nine months ended September 30, 2024 and 2023, as well as their consolidated cash flows for the nine months ended September 30, 2024 and 2023, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting", which have been endorsed by the Financial Supervisory Commission and put into effect.

KPMG Taiwan

CPA:

Assurance Document Number Approved by Securities Authority	:	Jin-Guan-Zheng-Shen-Zi No. 1120333238 Jin-Guan-Zheng-Liu-Zi No. 0950103298

November 1, 2024

Notes to Reader

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

The independent auditors' review report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and financial statements, the Chinese version shall prevail.

AEWIN Technologies Co., Ltd. and Subsidiaries

Consolidated Balance Sheet

September 30, 2024, December 31, 2023 and September 30, 2023 **Unit: NTD thousand**

		2024.9.30		2023.12.31		2023.9.30	
	Assets	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current assets:						
1100	Cash and cash equivalents (Note VI (I))	$ 560,032	20	220,687	9	196,032	8
1110	Financial assets at fair value through profit or loss - current (Notes VI (II) & (X))	7,618	-	11,118	1	531	-
1136	Financial assets at amortized cost - current (Notes VI (I) & VIII)	210	-	209	-	209	-
1170	Net of notes receivable and accounts receivable (Notes VI (IV) & (XVII))	616,741	22	489,136	20	420,638	18
1180	Accounts receivable - related parties (Notes VI (IV), (XVII) and VII)	19,379	1	6,163	-	270	-
130X	Inventories (Note VI (V))	644,786	22	655,564	27	714,891	30
1470	Other current assets	39,652	1	29,683	1	33,921	1
	Total current assets	1,888,418	66	1,412,560	58	1,366,492	57
	Non-current assets:						
1517	Financial assets at fair value through other comprehensive income - non-current (Note VI (III))	740	-	745	-	745	-
1600	Property, plant and equipment (Note VI (VI) & VIII)	880,454	31	899,090	38	907,476	38
1755	Right-of-use assets (Note VI (VII))	55,129	2	70,588	3	78,715	3
1780	Intangible assets (Note VI (VIII))	3,385	-	4,912	-	5,438	-
1840	Deferred income tax assets	33,362	1	33,362	1	48,726	2
1920	Refundable deposits	8,171	-	5,949	-	6,052	-
1975	Net defined benefit assets	2,241	-	1,943	-	2,161	-
	Total non-current assets	983,482	34	1,016,589	42	1,049,313	43
	Total assets	**$ 2,871,900**	**100**	**2,429,149**	**100**	**2,415,805**	**100**

		2024.9.30		2023.12.31		2023.9.30	
	Liabilities and equity	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current liabilities:						
2100	Short-term borrowings (Note VI (IX))	$ 255,399	9	295,046	12	296,273	12
2120	Financial liabilities at fair value through profit or loss - current (Note VI (II))	3,809	-	3,190	-	6,370	-
2130	Contract liabilities - current (Note VI (XVII))	13,659	1	10,874	-	1,902	-
2170	Accounts payable	348,266	12	244,041	10	215,516	9
2180	Accounts payable - related parties (Note VII)	45,779	2	42,512	2	66,996	3
2200	Other payables (Note VII)	111,030	4	108,960	5	98,868	4
2230	Current income tax liabilities	7,971	-	15,676	1	16,513	1
2280	Lease liabilities - current (Note VI (XII))	26,151	1	24,980	1	26,248	1
2322	Long-term borrowings - current portion (Notes VI (XI) & VIII)	30,000	1	-	-	-	-
2399	Other current liabilities	3,335	-	2,931	-	3,574	-
	Total current liabilities	845,399	30	748,210	31	732,260	30
	Non-current liabilities:						
2530	corporate bonds payable (Note VI (X))	466,265	16	-	-	-	-
2540	Long-term borrowings (Notes VI (XI) and VIII)	120,000	4	350,000	14	350,000	15
2570	Deferred income tax liabilities	20,787	1	20,787	1	30,550	1
2580	Lease liabilities - non-current (Note VI (XII))	36,618	1	54,125	2	61,446	3
	Total non-current liabilities	643,670	22	424,912	17	441,996	19
	Total liabilities	1,489,069	52	1,173,122	48	1,174,256	49
	Equity (Note VI (X) and (XV)):						
3110	Share capital - ordinary shares	591,231	21	591,231	25	591,231	25
3200	Capital reserve	548,760	19	445,936	18	445,936	18
3300	Retained earnings	233,627	8	215,209	9	196,871	8
3400	Other equity	9,213	-	3,651	-	7,511	-
	Total equity	1,382,831	48	1,256,027	52	1,241,549	51
	Total liabilities and equity	**$ 2,871,900**	**100**	**2,429,149**	**100**	**2,415,805**	**100**

(Please refer to notes to consolidated financial statements)

Chairman: Tseng Wen-Hsing **Manager: Lin Chang-An** **Accounting Supervisor: Li Yi-Mei**

AEWIN Technologies Co., Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income

July 1 to September 30, 2024 and 2023, and January 1 to September 30, 2024 and 2023

Unit: NTD thousand

Code	Item	July to September 2024 Amount	%	July to September 2023 Amount	%	January to September 2024 Amount	%	January to September 2023 Amount	%
4000	**Net operating revenue (Notes VI (XVII) & VII)**	$ 628,121	100	421,004	100	1,581,069	100	1,393,685	100
5000	**Operating costs (Notes VI (V), (VI), (VII), (VIII), (XII), (XIII), (XVIII), VII and XII)**	(461,363)	(73)	(318,185)	(76)	(1,161,474)	(73)	(1,032,682)	(74)
	Gross profit	166,758	27	102,819	24	419,595	27	361,003	26
	Operating expenses (Notes VI (IV), (VI), (VII), (VIII), (XII), (XIII), (XVIII), VII and XII):								
6100	Selling and marketing expenses	(46,437)	(7)	(41,215)	(10)	(128,942)	(8)	(132,349)	(10)
6200	Management expenses	(28,400)	(5)	(24,502)	(6)	(79,162)	(5)	(76,102)	(5)
6300	Research and development expenses	(50,773)	(8)	(43,919)	(10)	(140,701)	(9)	(127,072)	(9)
6450	Expected credit impairment loss (gain on reversal)	319	-	(970)	-	2,299	-	(1,432)	-
	Total operating expenses	(125,291)	(20)	(110,606)	(26)	(346,506)	(22)	(336,955)	(24)
	Net operating income (loss)	41,467	7	(7,787)	(2)	73,089	5	24,048	2
	Non-operating income and expenses (Note VI (XII) and (XIX)):								
7100	Interest income	474	-	682	-	1,828	-	1,932	-
7010	Other income	438	-	110	-	2,773	-	1,871	-
7020	Other gain and loss	(6,914)	(1)	(4,221)	(1)	(13,358)	(1)	(11,815)	(1)
7050	Finance costs	(5,470)	(1)	(5,087)	(1)	(15,328)	(1)	(15,000)	(1)
	Total non-operating income and expenses	(11,472)	(2)	(8,516)	(2)	(24,085)	(2)	(23,012)	(2)
7900	**Profit before tax**	29,995	5	(16,303)	(4)	49,004	3	1,036	-
7950	**Less: income tax benefit (expense) (Note VI (XIV))**	(6,317)	(1)	2,968	1	(9,893)	(1)	6,986	1
8200	**Net profit (loss) for the period**	23,678	4	(13,335)	(3)	39,111	2	8,022	1
	Other comprehensive income (Note VI (XV)):								
8310	**Items that will not be reclassified to profit or loss**								
8316	Unrealized loss on investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(5)	-	(45)	-
8349	Income tax related to items not reclassified	-	-	-	-	-	-	-	-
		-	-	-	-	(5)	-	(45)	-
8360	**Items that may be subsequently reclassified to profit or loss**								
8361	Exchange differences on translating the financial statements of foreign operations	320	-	5,008	1	5,567	1	1,673	-
8399	Income tax related to items that may be reclassified	-	-	-	-	-	-	-	-
		320	-	5,008	1	5,567	1	1,673	-
	Other comprehensive income for the current period	320	-	5,008	1	5,562	1	1,628	-
8500	**Total comprehensive income (loss) for the period**	**$ 23,998**	**4**	**(8,327)**	**(2)**	**44,673**	**3**	**9,650**	**1**
	Earnings per share (Unit: In New Taiwan Dollars, Note VI (XVI))								
9750	**Basic earnings (loss) per share**	**$**	**0.40**		**(0.22)**		**0.66**		**0.14**
9850	**Diluted earnings (loss) per share**	**$**	**0.39**		**(0.22)**		**0.66**		**0.14**

(Please refer to notes to consolidated financial statements)

Chairman: Tseng Wen-Hsing **Manager: Lin Chang-An** **Accounting Supervisor: Li Yi-Mei**

AEWIN Technologies Co., Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity

January 1 to September 30, 2024 and 2023

Unit: NTD thousand

			Retained earnings			Other equity items			
	Share capital - ordinary shares	Capital reserve	Statutory surplus reserve	Undistributed earnings	Total	Exchange differences on translating the financial statements of foreign operations	Unrealized loss on financial assets at fair value through other comprehensive income	Total	Total equity
Balance as of January 1, 2023	$ 591,231	445,936	55,380	180,767	236,147	6,507	(624)	5,883	1,279,197
Net income for the period	-	-	-	8,022	8,022	-	-	-	8,022
Other comprehensive income for the current period	-	-	-	-	-	1,673	(45)	1,628	1,628
Total comprehensive income (loss) for the period	-	-	-	8,022	8,022	1,673	(45)	1,628	9,650
Appropriation and distribution of earnings:									
Provision of statutory surplus reserve	-	-	15,128	(15,128)	-	-	-	-	-
Cash dividends for ordinary shares	-	-	-	(47,298)	(47,298)	-	-	-	(47,298)
Balance as of September 30, 2023	**$ 591,231**	**445,936**	**70,508**	**126,363**	**196,871**	**8,180**	**(669)**	**7,511**	**1,241,549**
Balance as of January 1, 2024	$ 591,231	445,936	70,508	144,701	215,209	4,320	(669)	3,651	1,256,027
Net income for the period	-	-	-	39,111	39,111	-	-	-	39,111
Other comprehensive income for the current period	-	-	-	-	-	5,567	(5)	5,562	5,562
Total comprehensive income (loss) for the period	-	-	-	39,111	39,111	5,567	(5)	5,562	44,673
Appropriation and distribution of earnings:									
Provision of statutory surplus reserve	-	-	2,636	(2,636)	-	-	-	-	-
Cash dividends for ordinary shares	-	-	-	(20,693)	(20,693)	-	-	-	(20,693)
Recognition of Stock Options for Issued Convertible Corporate Bonds	-	102,742	-	-	-	-	-	-	102,742
Disposition of employee stock ownership trust inflows	-	82	-	-	-	-	-	-	82
Balance as of September 30, 2024	**$ 591,231**	**548,760**	**73,144**	**160,483**	**233,627**	**9,887**	**(674)**	**9,213**	**1,382,831**

(Please refer to notes to consolidated financial statements)

Chairman: Tseng Wen-Hsing **Manager: Lin Chang-An** **Accounting Supervisor: Li Yi-Mei**

AEWIN Technologies Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
January 1 to September 30, 2024 and 2023

Unit: NTD thousand

	January to September 2024	January to September 2023
Cash flows from operating activities:		
Income before tax for the period	$ 49,004	1,036
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expenses	45,993	46,903
Amortization expenses	1,845	1,949
Expected credit (reversal benefit) impairment losses	(2,299)	1,432
Finance costs	15,328	15,000
Interest income	(1,828)	(1,932)
Net gain on disposal and retirement of property, plant and equipment	-	(16)
Gain from lease modification	-	(123)
Total revenue, expense and loss items	59,039	63,213
Changes in assets/liabilities related to operating activities:		
Net change in assets related to operating activities:		
Financial assets at fair value through profit or loss	5,350	(231)
Notes and accounts receivable	(125,429)	117,872
Accounts receivable - related parties	(13,216)	95,609
Inventories	10,778	140,501
Other current assets	(9,969)	4,379
Net defined benefit assets	(298)	(291)
Total net changes in assets related to operating activities	(132,784)	357,839
Net change in liabilities related to operating activities:		
Financial liabilities at fair value through profit or loss	619	3,491
Contractual liabilities	2,785	(8,388)
Accounts payable	104,225	(20,564)
Accounts payable - related parties	3,267	(174,812)
Other payables	5,394	(54,189)
Other current liabilities	404	1,506
Total net changes in liabilities related to operating activities	116,694	(252,956)
Total net changes in assets and liabilities related to operating activities	(16,090)	104,883
Total adjustments	42,949	168,096
Cash inflows from operating activities	91,953	169,132
Interest received	1,827	1,932
Interest paid	(2,277)	(3,151)
Income tax paid	(17,664)	(23,982)
Net cash inflows from operating activities	73,839	143,931

(Continued on the next page)

(Please refer to notes to consolidated financial statements)

Chairman: Tseng Wen-Hsing **Manager: Lin Chang-An** **Accounting Supervisor: Li Yi-Mei**

AEWIN Technologies Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows (Continued from the previous page)

January 1 to September 30, 2024 and 2023

Unit: NTD thousand

	January to September 2024	January to September 2023
Cash flows from investing activities:		
Purchase of property, plant and equipment	(11,496)	(16,661)
Proceeds from disposal of property, plant and equipment	-	17
(Increase) Decrease in refundable deposits	(2,222)	2,562
Purchase of intangible assets	-	(342)
Net cash outflows from investing activities	(13,718)	(14,424)
Cash flows from financing activities:		
Increase in short-term borrowings	1,113,693	990,000
Decrease in short-term borrowings	(1,156,894)	(1,200,000)
Issuance of corporate bonds	566,323	-
Long-term borrowings	-	150,000
Repayment of long-term borrowings	(200,000)	(150,000)
Repayment of lease principal	(19,230)	(20,680)
Cash dividend distribution	(20,693)	(47,298)
Interest paid	(12,365)	(11,911)
Disposition of employee stock ownership trust inflows	82	-
Net cash inflows (outflows) from financing activities	270,916	(289,889)
Effect of changes in exchange rate	8,308	1,812
Increase (Decrease) in cash and cash equivalents during the period	339,345	(158,570)
Cash and cash equivalents at beginning of period	220,687	354,602
Cash and cash equivalents at end of period	**$ 560,032**	**196,032**

(Please refer to notes to consolidated financial statements)

Chairman: Tseng Wen-Hsing **Manager: Lin Chang-An** **Accounting Supervisor: Li Yi-Mei**

AEWIN Technologies Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements
For the nine months ended September 30, 2024 and 2023
(The amount shall be dominated in thousands of NTD, unless otherwise specified)

I. Development History

On October 24, 2000, AEWIN Technologies Co., Ltd. (the "Company") was established under the approval from the Ministry of Economic Affairs, having the registered address of 32F, No. 97, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City. The Company and its subsidiaries (collectively referred to as the "Group") primarily engage in the design, manufacture, and sale of network security-related products.

II. Date and Procedures for Approval of Financial Statements

The consolidated financial statements were approved and issued by the Board of Directors on November 1, 2024.

III. Application of Newly Issued and Revised Standards and Interpretations

(I) Effect of adopting new and amended standards and interpretations endorsed by the Financial Supervisory Commission (FSC)

As of January 1, 2024, the Group began to apply the following newly revised International Financial Reporting Standards (IFRS), which has not had a significant impact on the consolidated financial statements.

- Amendment to IAS 1 "Classification of Liabilities as Current or Non-current"
- Amendment to IAS 1 "Non-current Liabilities with Covenants"
- Amendment to IAS 7 and IFRS 7 "Supplier Finance Arrangements"
- Amendment to IFRS 16 "Lease Liabilities in a Sale and Leaseback"

(II) Impact of International Financial Reporting Standards not yet adopted

The Group has assessed the applicability of the following new amendments to International Financial Reporting Standards, which are effective from January 1, 2025, and does not expect them to have a significant impact on the consolidated financial statements.

- Amendments to IAS 21 "Lack of Exchangeability"

(III) New and amended standards and interpretations not yet endorsed by the FSC

The standards and interpretations issued and amended by the IASB but not yet endorsed by the FSC that may be related to the Group are as follows:

New issued or amended standards	Main amendments	Effective date of issuance by IASB
International Financial Reporting Standard No. 18 "Presentation and Disclosure in Financial Statements"	The new guidelines introduce three categories of income and expenses, two subtotals on the income statement, and a single footnote regarding management performance measurement. These three amendments and enhancements to the guidance on segmenting information in financial statements lay the foundation for providing users with improved and consistent information, and will have an impact on all companies.	January 1, 2027
International Financial Reporting Standard No. 18 "Presentation and Disclosure in Financial Statements"	• A more structured income statement: The company currently uses various formats to express its financial performance, which makes it challenging for investors to compare the financial performance of different companies. The new guidelines have implemented a more structured income statement. They have introduced a new subtotal called "operating profit" and require that all revenues and expenses be classified into three new categories based on the company's main business activities. • Management Performance Measurement (MPM): The new criteria introduce the concept of management performance measurement. Companies are now required to provide an explanation, in a single footnote in the financial statements, regarding the usefulness of each measurement indicator, its calculation method, and how it is adjusted for amounts recognized in accordance with international financial reporting standards accounting principles. • More detailed information: The new guidelines provide instructions on how companies can improve the organization of information in financial statements. This guidance includes determining whether the information should be included in the primary financial statements or further disaggregated in the notes.	January 1, 2027

The Group is now continuously assessing the impact of the above standards and interpretations on the financial position and operating results of the Group, and will disclose the related impact after completing the assessment.

The Group expects that the following newly issued and amended standards that have not been endorsed by the FSC yet will not deliver a material impact on the consolidated financial statements.

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
- IFRS 17 "Insurance Contracts" and Amendments to IFRS 17
- IFRS 19 "Subsidiaries without Public Accountability: Disclosures"
- Amendment to IFRS 9 and IFRS 7 "Classification and Measurement of Financial Instruments"
- Annual Improvements to IFRS Standards

IV. Summary of Significant Accounting Policies

(I) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("Regulations") and International Accounting Standards 34, “Interim Financial Reporting”, which have been endorsed by the FSC and put into effect. The consolidated financial statements do not include all the necessary information that should be disclosed in the entire annual consolidated financial statements prepared in accordance with the International Financial Reporting Standards, International Accounting Standards, Interpretations, and Interpretative Bulletins, which have been endorsed by the FSC and put into effect.

Besides the descriptions mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2023. For the related information, please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2023.

(II) Basis of consolidation

1. Subsidiaries included in the consolidated financial statements

Name of investor company	Name of subsidiary	Business nature	Percentage of ownership 2024.9.30	2023.12.31	2023.9.30	Description
The Company	WISE WAY	Investment holding	100.00%	100.00%	100.00%	
The Company	AEWIN TECH INC.	Wholesale of computer and peripheral equipment and software	100.00%	100.00%	100.00%	
WISE WAY	BRIGHT PROFIT	Investment holding	100.00%	100.00%	100.00%	
BRIGHT PROFIT	Aewin Beijing Technologies Co., Ltd.	Wholesale of computer and peripheral equipment and software	100.00%	100.00%	100.00%	
Aewin Beijing Technologies Co., Ltd.	Aewin (Shenzhen) Technologies Co., Ltd.	Wholesale of computer and peripheral equipment and software	-	100.00%	100.00%	(Note)

Note: Aewin (Shenzhen) has been fully liquidated in June, 2024 and deregistration has been completed in July, 2024.

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

(III) Criteria for classifying assets and liabilities as current or non-current

The Group classifies assets meeting one of the following conditions as current assets, while all other assets that are not current assets are classified as non-current assets:

1. The asset is expected to be realized in the normal course of business or is intended to be sold or consumed;
2. The asset is held primarily for trading purposes;
3. The asset is expected to be realized within twelve months after the reporting period; or
4. The asset is cash or cash equivalents unless the asset is restricted from being exchanged or used to settle a liability at least twelve months after the reporting period.

The Group classifies liabilities as current liabilities if one of the following conditions is met, and all other liabilities that are not current liabilities are classified as non-current liabilities:

1. The liability is expected to be settled in the normal course of business;
2. The liability is held primarily for trading purposes;
3. The liability is expected to be due for settlement within twelve months after the reporting period; or
4. The entity does not have the right to defer settlement of the liability beyond twelve months after the end of the reporting period. The counterparty has the option to settle the liability by issuing equity instruments, without affecting its classification.

(IV) Employee benefits

Pensions to defined benefit plans in the interim period are calculated based on the actuarially determined pension cost rate on the reporting date of the previous year. The calculation basis is from the beginning of the year to the end of the period, and it is adjusted for any significant market volatility, significant curtailment, settlement or other significant one-off events after the reporting date.

(V) Income taxes

The income tax expenses have been prepared and disclosed by the Group in accordance with paragraph B12 of International Accounting Standards 34 “Interim Financial Reporting”.

Income tax expenses are best estimated by multiplying income before tax for the interim reporting period by the effective annual tax rate as forecast by the management and are all recognized as the current income tax expenses.

(VI) Financial liabilities and equity instruments

Compound financial instrument

The compound financial instruments issued by the Group are convertible bonds (denominated in New Taiwan Dollars) that give holders the option to convert them into equity. The number of shares to be issued will not change with fluctuations in the fair value of the bonds.

The initial recognition amount of the liability component of the compound financial instrument is determined based on the fair value of a similar liability, excluding the equity conversion feature. The initial recognition amount of the equity component is determined by calculating the difference between the fair value of the entire compound financial instrument and the fair value of the liability component. Any transaction costs directly attributable to the financial instrument are allocated to the liability and equity components based on their respective carrying amounts at initial recognition.

Upon initial recognition, the liability component of the compound financial instrument is subsequently measured at amortized cost using the effective interest method. The equity component of compound financial instruments is not remeasured after initial recognition.

Interest related to financial liabilities is recognized as profit or loss. Financial liabilities are reclassified as equity upon conversion, and this conversion does not result in the recognition of any gain or loss.

V. Major Sources of Uncertainty in Significant Accounting Judgments, Estimates and Assumptions

When preparing the consolidated financial statements in conformity with the Guidelines and the IAS 34 "Interim Financial Reporting" endorsed by the FSC and put into effect, the management shall make judgments, estimates, and assumptions, which will affect the adoption of accounting policies and the reported amounts of assets, liabilities, incomes, and expenses. Actual results may differ from estimates.

In preparing the consolidated financial statements, the significant judgments and the major sources of estimation uncertainty made by the management in applying the accounting policies of the Group are consistent with Note V to the consolidated financial statements for the year ended December 31, 2023.

VI. Description of Significant Accounting Items

Besides the descriptions mentioned below, the description of significant accounting items in the consolidated financial statements has no major differences from that in the consolidated financial statement for the year ended December 31, 2023. For the related information, please refer to Note VI of the consolidated financial statements for the year ended December 31, 2023.

(I) Cash and cash equivalents

	2024.9.30	2023.12.31	2023.9.30
Cash on hand and working capital	$ 2	4	19
Demand deposits and checking accounts	560,030	220,683	196,013
	$ 560,032	220,687	196,032

As of September 30, 2024, December 31, 2023, and September 30, 2023, bank time deposits with original maturities exceeding three months but less than one year amount to NTD210 thousand, NTD209 thousand, and NTD209 thousand, respectively. These are classified as financial assets measured at amortized cost - current.

(II) Financial instruments at fair value through profit or loss - current

	2024.9.30	2023.12.31	2023.9.30
Financial assets at fair value through profit or loss:			
Forward exchange contracts	$ -	-	531
Foreign exchange swap contracts	5,168	11,118	-
Call option on corporate bonds payable (Note VI (X))	2,450	-	-
	$ 7,618	11,118	531

	2024.9.30	2023.12.31	2023.9.30
Financial liabilities at fair value through profit or loss:			
Forward exchange contracts	$ 3,809	3,190	603
Foreign exchange swap contracts	-	-	5,767
	$ 3,809	3,190	6,370

The Group engages in derivative financial instruments to hedge the exposure to exchange rate risk arising from operating activities, which are reported as financial assets or liabilities at fair value through profit or loss because hedge accounting is not applied. The details of the derivative financial instruments of the Group that are not yet matured as of the reporting date are as follows:

1. Forward exchange contracts

	2024.9.30	
	Contract amount (in thousands of NTD)	**Maturity period**
Buy USD/Sell RMB	USD 12,087	2024.10

2023.12.31	Contract amount (in thousands of NTD)	Maturity period
Buy USD/Sell RMB	USD 15,497	2024.01
Buy NTD/Sell USD	USD 500	2024.01

2023.9.30	Contract amount (in thousands of NTD)	Maturity period
Buy USD/Sell RMB	USD 13,873	2023.10

2. Foreign exchange swap contracts

2024.9.30	Contract amount (in thousands of NTD)	Maturity period
Swap in NTD/Swap out USD	USD 18,700	2024.10

2023.12.31	Contract amount (in thousands of NTD)	Maturity period
Swap in NTD/Swap out USD	USD 19,100	2024.01

2023.9.30	Contract amount (in thousands of NTD)	Maturity period
Swap in NTD/Swap out USD	USD 17,300	2023.10

(III) Financial assets at fair value through other comprehensive income - non-current

	2024.9.30	2023.12.31	2023.9.30
Equity instruments at fair value through other comprehensive income:			
Foreign unlisted (OTC) stocks	$ 740	745	745

The Group holds the above-mentioned equity instrument investments for the long-term strategic investment purpose, instead of trading purpose. Therefore, they have been designated as measured at fair value through other comprehensive income.

The Group did not dispose of the above-mentioned strategic investments for the nine months ended September 30, 2024 and 2023, and the gain or loss accumulated during those periods were not transferred to equity.

(IV) Notes and accounts receivable

	2024.9.30	2023.12.31	2023.9.30
Notes receivable - arising from operations	$ 53,109	-	14,429
Accounts receivable	564,272	491,952	407,795
Accounts receivable - related parties	19,379	6,163	270
	636,760	498,115	422,494
Less: allowance for losses	(640)	(2,816)	(1,586)
	$ 636,120	495,299	420,908

The Group uses a simplified approach to estimate expected credit losses for all notes receivable and accounts receivable (including those from related parties), which are measured using the lifetime expected credit losses and includes forward-looking information. The expected credit losses of the Group's notes receivable and accounts receivable (including those from related parties) are analyzed as follows:

	2024.9.30		
	Carrying amount of notes receivable and accounts receivable	Weighted average expected credit loss rate	Allowance for expected credit losses over the remaining life
Not overdue	$ 596,185	-	-
1-30 days overdue	30,849	0~4%	432
31-60 days overdue	3,065	0~35%	208
61-90 days overdue	6,661	0~57%	-
Overdue for more than 91 days	-	100%	-
	$ 636,760		640

	2023.12.31		
	Carrying amount of notes receivable and accounts receivable	Weighted average expected credit loss rate	Allowance for expected credit losses over the remaining life
Not overdue	$ 440,073	-	-
1-30 days overdue	52,120	0~4%	353
31-60 days overdue	5,232	0~36%	1,859
61-90 days overdue	232	0~63%	146
Overdue for more than 91 days	458	100%	458
	$ 498,115		2,816

	2023.9.30		
	Carrying amount of notes receivable and accounts receivable	**Weighted average expected credit loss rate**	**Allowance for expected credit losses over the remaining life**
Not overdue	$ 403,666	-	-
1-30 days overdue	13,816	-	-
31-60 days overdue	2,837	0~10%	274
61-90 days overdue	1,585	0~46%	722
Overdue for more than 91 days	590	100%	590
	$ 422,494		**1,586**

The statements of changes in the allowance for losses of the Group's notes and accounts receivable (including related parties) are listed as follows:

	January to September 2024	**January to September 2023**
Beginning balance	$ 2,816	132
Recognized impairment losses (reversal benefits)	(2,299)	1,432
Foreign currency translation gains and losses	123	22
Ending balance	**$ 640**	**1,586**

(V) Inventories

	2024.9.30	**2023.12.31**	**2023.9.30**
Raw materials	$ 265,619	340,525	379,233
Work in progress	86,726	50,199	59,792
Finished goods and merchandise	292,441	264,840	275,866
	$ 644,786	**655,564**	**714,891**

Details of inventory-related costs recognized in operating expenses for the current period are as follows:

	July to September 2024	**July to September 2023**	**January to September 2024**	**January to September 2023**
Cost of inventory sold	$ 452,801	306,769	1,130,873	1,016,153
Loss on decline in value of inventories and obsolescence losses	8,562	9,532	27,698	14,645
Inventory scrap loss	-	1,884	2,903	1,884
	$ 461,363	**318,185**	**1,161,474**	**1,032,682**

The above loss on decline in value of inventories and obsolescence losses was due to the write-down of inventories to net realizable value, thus recognized as loss on decline in value of inventories and obsolescence losses.

(VI) Property, plant and equipment

The details of changes in the cost and accumulated depreciation of property, plant, and equipment for the Group are as follows:

		Land	Building and construction	Machinery and equipment	Production equipment and other equipment	Uncompleted works and equipment pending inspection	Total
Costs:							
Balance as of January1, 2024	$	219,815	704,194	44,862	114,099	-	1,082,970
Addition		-	146	546	6,584	764	8,040
Disposal		-	-	-	(86)	-	(86)
Reclassification and changes in exchange rate effect		-	-	658	2,814	(764)	2,708
Balance as of September 30, 2024	$	219,815	704,340	46,066	123,411	-	1,093,632
Balance as of January 1, 2023	$	219,815	700,447	42,027	112,259	588	1,075,136
Addition		-	3,036	1,497	2,663	2,431	9,627
Disposal		-	-	-	(20)	-	(20)
Reclassification and changes in exchange rate effect		-	711	590	256	(1,899)	(342)
Balance as of September 30, 2023	$	219,815	704,194	44,114	115,158	1,120	1,084,401
Accumulated depreciation:							
Balance as of January1, 2024	$	-	82,230	39,422	62,228	-	183,880
Depreciation for the current period		-	13,665	1,418	12,873	-	27,956
Disposal		-	-	-	(86)	-	(86)
Reclassification and changes in exchange rate effect		-	-	6	1,422	-	1,428
Balance as of September 30, 2024	$	-	95,895	40,846	76,437	-	213,178
Balance as of January 1, 2023	$	-	64,101	39,225	46,810	-	150,136
Depreciation for the current period		-	13,575	1,100	11,979	-	26,654
Disposal		-	-	-	(19)	-	(19)
Reclassification and changes in exchange rate effect		-	-	-	154	-	154
Balance as of September 30, 2023	$	-	77,676	40,325	58,924	-	176,925
Book value:							
September 30, 2024	$	219,815	608,445	5,220	46,974	-	880,454
January 1, 2024	$	219,815	621,964	5,440	51,871	-	899,090
September 30, 2023	$	219,815	626,518	3,789	56,234	1,120	907,476

Please refer to Note 8 for property, plant and equipment pledged as collaterals for long-term borrowings.

(VII) Right-of-use assets

The cost and depreciation details of the right-of-use assets recognized by the Group for leased buildings are as follows:

	Building and construction
Cost of right-of-use assets:	
Balance as of January1, 2024	$ 118,346
Decrease in the current period	(8,809)
Effect of changes in exchange rate	4,659
Balance as of September 30, 2024	**$ 114,196**
Balance as of January 1, 2023	$ 123,552
Lease amendment	(2,607)
Effect of changes in exchange rate	520
Balance as of September 30, 2023	**$ 121,465**
Accumulated depreciation of right-of-use assets:	
Balance as of January1, 2024	$ 47,758
Depreciation for the current period	18,037
Decrease in the current period	(8,809)
Effect of changes in exchange rate	2,081
Balance as of September 30, 2024	**$ 59,067**
Balance as of January 1, 2023	$ 24,943
Depreciation for the current period	20,249
Lease amendment	(2,787)
Effect of changes in exchange rate	345
Balance as of September 30, 2023	**$ 42,750**
Book value:	
September 30, 2024	**$ 55,129**
January 1, 2024	**$ 70,588**
September 30, 2023	**$ 78,715**

(VIII) Intangible assets

	Computer software
Book value:	
September 30, 2024	**$ 3,385**
January 1, 2024	**$ 4,912**
September 30, 2023	**$ 5,438**

There were no significant additions, disposals, impairments, or reversals of impairments related to the Group's intangible assets during the periods from January 1 to September 30, 2024 and 2023. For the amortization amount during the current period, please refer to Note XII (I). For other related information, please refer to Note VI (VIII) of the consolidated financial statements for the year ended December 31, 2023.

(IX) Short-term borrowings

	2024.9.30	2023.12.31	2023.9.30
Unsecured bank loan	$ 255,399	295,046	296,273
Available credit limit	$ 1,050,266	880,000	760,000
Annual interest rate range	1.73%~3.90%	1.56%~4.05%	1.6%~4.05%

(X) corporate bonds payable

	2024.9.30	2023.12.31	2023.9.30
Total amount of corporate bonds payable issued	$ 500,000	-	-
Unamortized balance of discount on corporate bonds payable	(33,735)	-	-
Ending balance of corporate bonds payable	$ 466,265	-	-
Embedded derivative – call option (reported as financial assets measured at fair value through profit or loss, Note VI (II))	$ 2,450	-	-
Equity components - conversion rights (reported in capital surplus - stock options, Note VI (XV))	$ 102,742	-	-

	July to September 2024	July to September 2023	January to September 2024	January to September 2023
Embedded derivative – call option remeasured at fair value through profit or loss (reported as valuation gains on financial assets measured at fair value through profit or loss)	$ 600	-	600	-

On July 16, 2024, the Company's Board of Directors resolved to issue its second domestic unsecured convertible corporate bonds to repay bank loans and strengthen working capital. The issuance was approved by the Financial Supervisory Commission on August 13, 2024, and began on September 3, 2024. The bonds will mature on September 3, 2027, with a term of three years. The total face value of the issuance is NTD500,000 thousand, with a coupon rate of 0%, and the effective interest rate at initial recognition was 2.4%. The convertible corporate bonds were publicly underwritten through a competitive auction. The actual issue price per bond was 114.32% of the face value, resulting in a total amount raised of NTD566,323 thousand (after deducting issuance costs of NTD5,277).

The other terms and conditions of the Company's bond issuance are as follows:

1. Repayment method

   Except for the conversion of the Company's second domestic unsecured convertible corporate bonds into the Company's ordinary shares pursuant to Article 10 of the Regulations on the Issuance and Conversion of the Company's Second Unsecured Convertible Corporate Bonds, or the early redemption by the Company in accordance with Article 18 of the same Regulations, or the repurchase and cancellation by the Company through a securities dealer's business office, the Company shall repay the convertible bonds in cash in a lump sum within ten business days following the maturity date, based on the bond's face value. If the aforementioned date falls on a day when the Taipei Stock Exchange is closed, the repayment date will be postponed to the next business day.

2. Redemption method

   (1) From the day after three months following the issuance date until forty days before the expiration of the issuance period, if the closing price of the Company's ordinary shares exceeds thirty percent (inclusive) of the conversion price for thirty consecutive business days, the Company may, within the next thirty business days, redeem the outstanding bonds in circulation in cash at their face value.

   (2) From the day after three months following the issuance date until forty days before the expiration of the issuance period, if the remaining balance of the bond in circulation is less than NTD50 million, the Company may, at any time thereafter, redeem the outstanding bonds in circulation for cash at their face value.

3. Conversion period

   Shareholders may request the conversion to ordinary shares through the Company's stock transfer agent at any time from the day after three months following the issuance date until the maturity date, except during any legally required suspension of the transfer period.

4. Conversion price

   The conversion price per share at the time of issuance is set at NTD85.0. If any adjustments to the conversion price are required due to changes in the Company's ordinary shares, the conversion price will be modified according to the formula specified in the conversion terms. The bond does not have any reset provisions.

(XI) Long-term borrowings

	2024.9.30	2023.12.31	2023.9.30
Unsecured bank loan	$ 150,000	150,000	150,000
Secured bank loans	-	200,000	200,000
	150,000	350,000	350,000
Less: portion due within one year	(30,000)	-	-
	$ 120,000	350,000	350,000
Available credit limit	$ 400,000	100,000	100,000
Annual interest rate range	1.84%~2.22%	1.84%~2.14%	1.84%~2.14%
Maturity year	115	115	115

Please refer to Note VIII for details of the situation where the Group pledged assets as collaterals for bank loan line.

(XII) Lease liabilities

The carrying amounts of the Group's lease liabilities are as follows:

	2024.9.30	2023.12.31	2023.9.30
Current	$ 26,151	24,980	26,248
Non-current	$ 36,618	54,125	61,446

Please refer to Note VI (XX) Financial Instruments for the maturity analysis of lease liabilities.

The amounts recognized in profit or loss are as follows:

	July to September 2024	July to September 2023	January to September 2024	January to September 2023
Interest expense on lease liabilities	$ 699	958	2,277	3,151
Lease expenses for short-term leases and low-value assets	$ 1,490	1,101	4,246	2,971
COVID-19 related rent concessions (recognized as a reduction in rent expenses)	$ -	-	-	(3,450)

The amounts recognized in the cash flow statement are as follows:

	January to September 2024	January to September 2023
Total cash outflow for leases	$ 25,753	23,352

Important lease conditions:

1. Lease of buildings

   The Group leases buildings for use as factories and offices for a period of two to five years. Upon termination of the lease, the Group does not have a preferential right to acquire the leased building, and it is agreed that the Group shall not sublease or assign all or a portion of the subject of the lease without the consent of the lessor.

2. Other leases

   The Group leases certain office, warehouse, parking spaces and other equipment that expire in less than one year. These leases are short-term or qualify as low value asset leases, and the Group has elected to apply the exemption from the recognition requirement and not to recognize its related right-of-use assets and lease liabilities.

(XIII) Employee benefits

1. Defined benefit plans

   Since there were no significant market fluctuations, significant curtailments, settlements, or other significant one-off events after the reporting date of the prior fiscal year, the Group adopted the actuarial determined pension cost on December 31, 2023 and 2022 to measure and disclose pension costs for interim periods.

   The reported expenses of the Group are detailed as follows:

		July to September 2024	July to September 2023	January to September 2024	January to September 2023
Decrease in operating expenses	$	(7)	(8)	(20)	(23)

2. Defined contribution plans

   The reported expenses of the Group are detailed as follows:

		July to September 2024	July to September 2023	January to September 2024	January to September 2023
Operating costs	$	1,437	1,428	4,400	4,311
Operating expenses		3,761	3,448	11,030	10,001
	$	5,198	4,876	15,430	14,312

(XIV) Income taxes

1. The income tax expenses of the Group are detailed as follows:

		July to September 2024	July to September 2023	January to September 2024	January to September 2023
Current income tax expense (benefit)	$	6,317	(2,968)	9,893	(6,986)

2. The Group did not recognize any income tax in other comprehensive income or directly in equity during the periods from January 1 to September 30, 2024 and 2023.
3. The Company’s business income tax returns have been approved by the tax authorities up to the fiscal year 2021.

(XV) Capital and other equities

1. Equity

As of September 30, 2024, December 31, 2023, and September 30, 2023, the total authorized capital of the Company was NTD1,000,000 thousand, which was divided into 100,000 thousand shares at NTD10 per share. The issued shares are all ordinary shares, totaling 59,123 thousand shares. From the authorized capital stock mentioned above, 10,000 thousand shares are reserved for issuance of stock options to employees.

2. Capital reserve

		2024.9.30	2023.12.31	2023.9.30
May be used to offset losses, distribute cash, or allocate to share capital:				
Share premium	$	426,638	426,638	426,638
May only be used to offset losses:				
Expired convertible corporate bond subscription rights		5,518	5,518	5,518
Expired employee stock options		13,780	13,780	13,780
Convertible corporate bond subscription rights (Note VI (X))		102,742	-	-
Others		82	-	-
	$	548,760	445,936	445,936

According to the Company Act, capital reserves must first be used to offset losses before they can be used to issue new shares or distribute cash in proportion to the shareholders' original shareholdings, using realized capital reserves. The realized capital reserves referred to are the premiums received from issuing shares above their par value. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total amount of capital reserves allocated to share capital each year must not exceed 10% of the paid-in capital.

3. Retained earnings

According to the Company's profit distribution policy as stipulated in its Articles of Incorporation, if there is any surplus after the annual financial statements, the Company must first pay taxes, cover losses, and allocate statutory surplus reserve in accordance with statutory requirements. However, if the statutory surplus reserve has reached the Company's paid-in capital, this requirement does not apply. Any remaining surplus should then be allocated or reversed as special surplus reserve as required by laws or business needs. If there is still a remaining balance, it, together with the accumulated undistributed earnings, will be included in a profit distribution proposal prepared by the Board of Directors for approval by the shareholders' meeting. If the dividends of the profit distribution proposal are distributed in cash, the Board of Directors shall be authorized to pass a resolution in respect of the distribution and report to the shareholders' meeting.

Given the current phase of business growth, the dividend distribution policy must consider various factors, including the present and future investment climate, capital requirements, domestic and international competitive conditions, and capital budgeting. Simultaneously, it must also prioritize the interests of shareholders, strike a balance between dividends, and facilitate long-term financial planning. In the event of a surplus in the annual financial statements, where the distributable surplus for that year exceeds 2% of the capital, the dividend distribution should not fall below 10% of the distributable surplus. Furthermore, the proportion of cash dividends distributed annually must not be less than 10% of the total cash and stock dividends distributed for that year.

(1) Statutory surplus reserve

Under the Company Act, when a company has no deficit, it may issue new shares or cash out of statutory surplus reserve by resolution of the shareholders' meeting, provided that such reserve shall not exceed 25% of the paid-in capital.

(2) Special surplus reserve

According to the regulations of the FSC, when the Company distributes distributable earnings, it must allocate a special surplus reserve from the current period's after-tax net income, plus amounts included in the current period's undistributed earnings from items other than the current period's after-tax net income, to cover the net amount of other equity deductions recorded during the year. For amounts related to other equity deductions accumulated in prior periods, a special surplus reserve must be allocated from prior periods' undistributed earnings and cannot be distributed. If there is a reversal of other equity deductions in the future, the amount of the reversal may be distributed as earnings.

4. Distribution of earnings

The Company's Board of Directors resolved on March 1, 2024, and March 2, 2023, respectively, regarding the distribution of cash dividends for the fiscal years 2023 and 2022. The details of the cash dividend amounts are as follows:

	2023		2022	
	Dividend per share (NTD)	Amount	Dividend per share (NTD)	Amount
Dividends distributed to owners of ordinary shares:				
Cash	$ 0.35	20,693	0.8	47,298

The related information mentioned above can be found through platforms such as the Market Observation Post System.

5. Other equity (net amount after tax)

(1) Exchange differences on translating the financial statements of foreign operations

	January to September 2024	January to September 2023
Beginning balance	$ 4,320	6,507
Exchange difference from conversion of net assets of foreign operating organizations	5,567	1,673
Ending balance	$ 9,887	8,180

(2) Unrealized valuation losses on financial assets measured at fair value through other comprehensive income

	January to September 2024	January to September 2023
Beginning balance	$ (669)	(624)
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(5)	(45)
Ending balance	$ (674)	(669)

(XVI) Earnings per share

1. Basic earnings per share

	July to September 2024	July to September 2023	January to September 2024	January to September 2023
Net income (loss) attributable to equity holders of the Company's ordinary shares	$ 23,678	(13,335)	39,111	8,022
Weighted average number of ordinary shares outstanding (in thousands)	$ 59,123	59,123	59,123	59,123
Basic earnings (loss) per share (NTD)	$ 0.40	(0.22)	0.66	0.14

2. Diluted earnings per share

	July to September 2024	July to September 2023	January to September 2024	January to September 2023
Net income (loss) attributable to equity holders of the Company's ordinary shares (basic)	$ 23,678	(13,335)	39,111	8,022
Interest expense and fair value gain (loss) on convertible corporate bonds	188	-	188	-
Net income (loss) attributable to equity holders of the Company's ordinary shares (diluted)	$ 23,866	(13,335)	39,299	8,022
Weighted average number of ordinary shares outstanding (basic) (in thousands)	59,123	59,123	59,123	59,123
Impact of potential ordinary shares with dilutive effect (in thousands):				
Impact of employee remuneration	41		52	92
Impact of Convertible Corporate Bond Conversion	1,790		601	-
Weighted average number of ordinary shares outstanding (in thousands) (after adjusting for dilutive potential ordinary shares)	60,954		59,776	59,215
Diluted earnings (loss) per share (NTD)	$ 0.39	(0.22)	0.66	0.14

Due to losses incurred from July to September in 2023, diluted earnings per share are not calculated separately.

(XVII) Revenue from customer contracts

1. Breakdown of revenue

		July to September 2024	July to September 2023	January to September 2024	January to September 2023
Main products and services:					
Network communication equipment	$	586,833	392,553	1,478,330	1,309,024
Others		41,288	28,451	102,739	84,661
	$	628,121	421,004	1,581,069	1,393,685

2. Contract balance

		2024.9.30	2023.12.31	2023.9.30
Notes and accounts receivable (including related parties)	$	636,760	498,115	422,494
Less: allowance for losses		(640)	(2,816)	(1,586)
	$	636,120	495,299	420,908
Contractual liabilities	$	13,659	10,874	1,902

Disclosure of notes receivable and accounts receivable (including related parties) and their impairment is detailed in Note 6(4).

The changes in contractual liabilities mainly come from the difference between the time point of satisfying the performance obligation when the Group transfers goods to a customer and the time point of the customer's payment.

The beginning balance of contract liabilities as of January 1, 2024 and 2023, recognized as revenue during the periods from January 1 to September 30, 2024 and 2023, were NTD10,526 thousand and NTD9,234 thousand, respectively.

(XVIII) Renumeration of employees and directors

According to the Company's Articles of Incorporation, if there is a profit for the year, 5% to 20% shall be allocated as employee remuneration, and up to 1% shall be allocated as directors' remuneration. Nonetheless, in case of accumulated deficit in the Company, a proportion of the profit shall be reserved for recovering the loss before an amount is appropriated at the aforementioned ratio as remuneration to employees and directors. The recipients of the employee remuneration mentioned above, whether in the form of shares or cash, may include employees of subsidiaries or affiliates who meet certain criteria. The criteria and distribution method shall be determined by the Board of Directors or its authorized person.

The estimated amounts of employee remuneration for the periods from July 1 to September 30, 2024 and 2023, and from January 1 to September 30, 2024 and 2023, were NTD2,276 thousand, (1,237) thousand, NTD3,804 thousand, and NTD786 thousand, respectively. The estimated amounts of directors' remuneration for the same periods were

NTD244 thousand, NTD(133) thousand, NTD408 thousand, and NTD84 thousand, respectively. These amounts are based on the income before tax of the Company for each period, minus the employee and directors' remuneration, multiplied by the proposed distribution ratio for employee and directors' remuneration, and are reported as operating costs or operating expenses for each period. If the actually distributed amount of next year is different from the estimate, the difference will be treated as an accounting estimate change and listed in the profit and loss of next year.

The estimated amounts of employee remuneration for the years 2023 and 2022 were NTD2,573 thousand and NTD14,042 thousand, respectively. The estimated amounts of directors' remuneration for the same years were NTD276 thousand and NTD1,504 thousand, respectively. These amounts are consistent with the distribution approved by the Board of Directors. Relevant information can be found on the Market Observation Post System.

(XIX) Non-operating income and expenses

1. Interest income

	July to September 2024	July to September 2023	January to September 2024	January to September 2023
Interest on bank deposit	$ 474	682	1,823	1,930
Interest on deposits	-	-	5	2
	$ 474	682	1,828	1,932

2. Other income

	July to September 2024	July to September 2023	January to September 2024	January to September 2023
Grant income	$ 157	-	1,506	1,452
Others	281	110	1,267	419
	$ 438	110	2,773	1,871

3. Other gain and loss

	July to September 2024	July to September 2023	January to September 2024	January to September 2023
Net gain on disposal of property, plant and equipment	$ -	-	-	16
Gain from lease modification	-	-	-	123
Net foreign exchange (loss) gain	(1,667)	18,990	23,166	5,609
Net loss on financial instruments at fair value through profit or loss	(5,225)	(23,181)	(36,465)	(17,444)
Miscellaneous expenses	(22)	(30)	(59)	(119)
	$ (6,914)	(4,221)	(13,358)	(11,815)

4. Finance costs

	July to September 2024	July to September 2023	January to September 2024	January to September 2023
Interest expense on bank loans	$ (3,937)	(4,129)	(12,217)	(11,849)
Interest expense on lease liabilities	(699)	(958)	(2,277)	(3,151)
Interest expense on corporate bonds payable	(834)	-	(834)	-
	$ (5,470)	(5,087)	(15,328)	(15,000)

(XX) Financial instruments

Besides the descriptions mentioned below, there are no significant changes in the fair value of financial instruments, and credit risk, liquidity risk, and market risk due to the exposure of financial instruments of the Group. For the related information, please refer to Note VI (XIX) of the consolidated financial statements for the year ended December 31, 2023.

1. Types of financial instruments

(1) Financial assets

	2024.9.30	2023.12.31	2023.9.30
Financial assets at fair value through profit or loss	$ 7,618	11,118	531
Financial assets at fair value through other comprehensive income	740	745	745
Financial assets measured at amortized cost:			
Cash and cash equivalents	560,032	220,687	196,032
Financial assets measured at amortized cost - current	210	209	209
Notes and accounts receivable (including related parties)	636,120	495,299	420,908
Refundable deposits	8,171	5,949	6,052
Total	$ 1,212,891	734,007	624,477

(2) Financial liabilities

	2024.9.30	2023.12.31	2023.9.30
Financial liabilities at fair value through profit or loss	$ 3,809	3,190	6,370
Financial liabilities measured at amortized cost:			
Short-term borrowings	255,399	295,046	296,273
corporate bonds payable	466,265	-	-
Accounts payable and other payables (including related parties)	505,075	395,513	381,380
Lease liabilities (including current and non-current)	62,769	79,105	87,694
Long-term borrowings (including the part due within one year)	150,000	350,000	350,000
Total	$ 1,443,317	1,122,854	1,121,717

2. Credit risk

Credit risk is the risk of financial loss to the Group arising from a counterparty's failure to meet its contractual obligations. This risk primarily comes from financial assets such as bank deposits (including bank deposits classified as financial assets measured at amortized cost - current) and accounts receivable. The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's bank deposits are held with reputable financial institutions, and thus, the Group believes that significant credit risk is unlikely.

The Group has established a credit policy that involves analyzing the financial condition of each customer to determine their credit limits. As of September 30, 2024, December 31, 2023, and September 30, 2023, 56%, 38%, and 45% of the total receivables and accounts receivable, respectively, were from the Group's top five customers. The Group regularly assesses the financial condition of these customers and uses insurance to mitigate credit risk. For details on credit risk exposure related to accounts receivable, please refer to Note VI (IV).

3. Liquidity risk

Liquidity risk is the risk that the Group will be unable to deliver cash or other financial assets to settle financial liabilities and fulfill related obligations. The Group regularly monitors its short-term and projected medium- to long-term funding needs, and manages liquidity risk by maintaining sufficient cash and cash equivalents, as well as available bank credit lines, and ensuring compliance with borrowing contract terms. As of September 30, 2024, December 31, 2023, and September 30, 2023, the undrawn borrowing amounts were NTD1,450,266 thousand, NTD980,000 thousand, and NTD860,000 thousand, respectively.

The following table shows the contractual maturity date of financial liabilities, including the impact of estimated interest, and prepared at the undiscounted cash flow.

	Contractual cash flows	1-6 months	6-12 months	1-2 years	2-5 years
September 30, 2024					
Non-derivative financial liabilities:					
Short-term borrowings	$ 256,596	256,596	-	-	-
Notes payable, accounts payable and other payables (including related parties)	505,075	505,075	-	-	-
corporate bonds payable	500,000	-	-	-	500,000
Long-term borrowings (including the part due within one year)	154,966	1,478	31,494	121,994	-
Lease liabilities (including current and non-current)	65,996	14,144	14,144	37,708	-
	$ 1,482,633	777,293	45,638	159,702	500,000
Derivative financial instruments:					
Forward foreign exchange contracts:					
Outflow	$ 386,357	386,357	-	-	-
Inflow	(382,548)	(382,548)	-	-	-
Foreign exchange swap contracts:					
Outflow	591,334	591,334	-	-	-
Inflow	(596,502)	(596,502)	-	-	-
	$ (1,359)	(1,359)	-	-	-
December 31, 2023					
Non-derivative financial liabilities					
Short-term borrowings	$ 295,461	295,461	-	-	-
Notes payable, accounts payable and other payables (including related parties)	395,513	395,513	-	-	-
Long-term borrowings	364,870	3,386	3,480	36,705	321,299
Lease liabilities (including current and non-current)	84,439	14,228	13,589	54,357	2,265
	$ 1,140,283	708,588	17,069	91,062	323,564
Derivative financial instruments:					

	Contractual cash flows	1-6 months	6-12 months	1-2 years	2-5 years
Forward foreign exchange contracts:					
Outflow	$ 495,040	495,040	-	-	-
Inflow	(491,850)	(491,850)	-	-	-
Foreign exchange swap contracts:					
Outflow	585,548	585,548	-	-	-
Inflow	(596,666)	(596,666)	-	-	-
	$ (7,928)	(7,928)	-	-	-
September 30, 2023					
Non-derivative financial liabilities					
Short-term borrowings	$ 297,374	297,374	-	-	-
Notes payable, accounts payable and other payables (including related parties)	381,380	381,380	-	-	-
Long-term borrowings	366,578	3,381	3,475	36,834	322,888
Lease liabilities (including current and non-current)	94,030	15,249	14,168	55,383	9,230
	$ 1,139,362	697,384	17,643	92,217	332,118
Derivative financial instruments:					
Forward foreign exchange contracts:					
Outflow	$ 447,751	447,751	-	-	-
Inflow	(447,679)	(447,679)	-	-	-
Foreign exchange swap contracts:					
Outflow	557,288	557,288	-	-	-
Inflow	(551,521)	(551,521)	-	-	-
	$ 5,839	5,839	-	-	-

The Group doesn’t expect the time point of the cash flow under the maturity date analysis will come much earlier or the actual amount will be substantially different.

4. Market risk

(1) Exchange rate risk

The Group's exchange rate risk primarily arises from cash and cash equivalents, notes and accounts receivable/payable (including related parties), and other receivables/payables (including related parties) that are not denominated in the functional currency, resulting in foreign currency exchange gains and losses upon translation.

As of the reporting date, the carrying amounts of monetary assets and liabilities not denominated in the functional currency (including non-functional currency monetary items that have been offset in the consolidated financial statements) are as follows (Monetary unit: In thousands of NTD):

	2024.9.30				
	Foreign currency	**Exchange rate**	**NTD**	**Exchange rate fluctuations**	**Profit and loss impact (before tax)**
Financial assets					
Monetary items					
USD	$ 25,393	31.65 (Note 1)	803,685	2%	16,074
USD	211	7.013 (Note 2)	6,686	2%	134
Financial liabilities					
Monetary items					
USD	5,992	31.65 (Note 1)	189,690	2%	3,794
USD	13,102	7.013 (Note 2)	414,684	2%	8,294

	2023.12.31				
	Foreign currency	**Exchange rate**	**NTD**	**Exchange rate fluctuations**	**Profit and loss impact (before tax)**
Financial assets					
Monetary items					
USD	$ 24,416	30.75 (Note 1)	750,782	2%	15,016
Financial liabilities					
Monetary items					
USD	3,980	30.75 (Note 1)	122,390	2%	2,448
USD	15,486	7.091 (Note 2)	476,206	2%	9,524

	2023.9.30				
	Foreign currency	**Exchange rate**	**NTD**	**Exchange rate fluctuations**	**Profit and loss impact (before tax)**
Financial assets					
Monetary items					
USD	$ 21,912	32.27 (Note 1)	707,100	2%	14,142
Financial liabilities					
Monetary items					
USD	4,594	32.27 (Note 1)	148,228	2%	2,965
USD	13,974	7.304 (Note 2)	450,943	2%	9,019

Note 1: The exchange rate is USD to NTD.

Note 2: The exchange rate is USD to RMB.

Foreign exchange gains (losses) (including realized and unrealized) for the periods from July 1 to September 30, 2024 and 2023, and from January 1 to September 30, 2024 and 2023, are detailed in Note VI (XIX) on other gains and losses.

(2) Interest rate risk

The Group's bank borrowings are all based on floating interest rates. To manage interest rate risk, the Group primarily assesses bank and currency-specific borrowing rates regularly and maintains good relationships with financial institutions to obtain lower financing costs. At the same time, it enhances working capital management to reduce dependence on bank borrowings and diversify interest rate risk.

The following sensitivity analysis is based on the interest rate exposure of floating-rate bank borrowings as of the reporting date, assuming that the amount of borrowings outstanding remains constant throughout the year. The sensitivity analysis uses a change rate of 1% increase or decrease in the annual interest rate, which reflects the management’s assessment of reasonable potential variations in interest rates.

If the annual interest rate increases/decreases by 1%, with all other variables held constant, the Group’s income before tax for the periods from January 1 to September 30, 2024, and January 1 to September 30, 2023, will decrease/increase by NTD3,040 thousand and NTD4,847 thousand, respectively.

5. Fair value

(1) Financial instruments not measured at fair value

The management of the Group believes that the carrying amounts of financial assets and financial liabilities classified as measured at amortized cost in the consolidated financial statements approximate their fair values.

(2) Financial instruments measured at fair value

The Group's financial assets/liabilities measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income are valued at fair value on a recurring basis. The following table provides an analysis of the financial instruments measured at fair value after initial recognition, classified into Levels 1 to 3 based on the degree to which the fair value is observable. Each fair value level is defined as follows:

A. Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

B. Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

C. Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

	2024.9.30				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Derivative financial instruments	$ 5,168	-	5,168	-	5,168
Call option on corporate bonds payable	2,450	-	-	2,450	2,450
Financial assets at fair value through other comprehensive income:					
Foreign unlisted (OTC) stocks	740	-	-	740	740
	$ 8,358	-	5,168	3,190	8,358
Financial liabilities at fair value through profit or loss:					
Derivative financial instruments	$ 3,809	-	3,809	-	3,809

	2023.12.31				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Derivative financial instruments	$ 11,118	-	11,118	-	11,118
Financial assets at fair value through other comprehensive income:					
Foreign unlisted (OTC) stocks	745	-	-	745	745
	$ 11,863	-	11,118	745	11,863
Financial liabilities at fair value through profit or loss:					
Derivative financial instruments	$ 3,190	-	3,190	-	3,190

	2023.9.30				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Derivative financial instruments	$ 531	-	531	-	531
Financial assets at fair value through other comprehensive income:					
Foreign unlisted (OTC) stocks	745	-	-	745	745
	$ 1,27	**-**	**531**	**745**	**1,276**
Financial liabilities at fair value through profit or loss:					
Derivative financial instruments	**$ 6,370**	-	**6,370**	-	**6,370**

(3) Valuation techniques for fair value measurement of financial instruments

A. Non-derivative financial instruments

For financial instruments with an active market, the fair value is determined based on the quoted market price in that active market.

For financial instruments without an active market, fair value is determined using valuation techniques or based on quotes from counterparties. The fair value obtained through valuation techniques can be referenced from the current fair value of similar financial instruments with substantially similar conditions and characteristics, discounted cash flow methods, or other valuation techniques, including models that use market information available as of the reporting date.

The fair value of the financial instruments held by the Group is presented by category and attribute as follows:

- For unlisted (OTC) stocks without an active market held by the Group, fair value is primarily estimated using the asset-based approach. This valuation is determined by evaluating the total market value of the individual assets and liabilities covered by the valuation target. Additionally, significant unobservable inputs mainly include liquidity discounts. However, since potential changes in liquidity discounts are not expected to have a significant financial impact, quantitative information regarding these inputs is not disclosed.

B. Derivative financial instruments

Are valued based on valuation models widely accepted by market participants. Forward exchange contracts and foreign exchange swap contracts are typically valued based on the current forward exchange rates.

(4) Transfer between fair value levels

There were no transfers of fair value levels of any financial asset and financial liability for the nine months ended September 30, 2024 and 2023.

(XXI) Financial risk management

There were no significant changes in the objectives and policies of the Group's financial risk management compared to those disclosed in Note VI (XX) of the consolidated financial statements for the year ended December 31, 2023.

(XXII) Capital management

There were no significant changes in the objectives, policies and procedures of the Group's financial risk management compared to those disclosed in Note VI (XXI) of the consolidated financial statements for the year ended December 31, 2023.

(XXIII) Non-cash transactions in investing and financing activities

1. Please refer to Note VI (VII) for the right-of-use assets acquired by the Group through lease.
2. Investment activities with only partial cash outflows:

		January to September 2024	January to September 2023
Purchase of property, plant and equipment	$	8,040	9,627
Add: accounts payable for equipment at beginning of period		4,202	8,210
Less: accounts payable for equipment at end of period		(746)	(1,176)
Cash paid during the period	**$**	**11,496**	**16,661**

3. The liabilities from financing activities are reconciled in the following table:

				Non-cash change		
		2024.1.1	**Cash flows**	**Lease amendment**	**Exchange rate changes and others**	**2024.9.30**
Short-term borrowings	$	295,046	(43,201)	-	3,554	255,399
corporate bonds payable		-	566,323	-	(100,058)	466,265
Long-term borrowings		350,000	(200,000)	-	-	150,000
Lease liabilities (including current and non-current)		79,105	(19,230)	-	2,894	62,769
Total liabilities from financing activities	**$**	**724,151**	**303,892**	**-**	**(93,610)**	**934,433**

			Non-cash change		
	2023.1.1	Cash flows	Lease amendment	Exchange rate changes and others	2023.9.30
Short-term borrowings	$ 506,085	(210,000)	-	188	296,273
Long-term borrowings	350,000	-	-	-	350,000
Lease liabilities (including current and non-current)	108,120	(20,680)	57	197	87,694
Total liabilities from financing activities	**$ 964,205**	**(230,680)**	**57**	**385**	**733,967**

VII. Related Party Transactions

(I) Parent company and ultimate controller

DFI Inc. (hereinafter referred to as "DFI") is the parent company of the Company, holding 51.38% of the Company's outstanding ordinary shares. Qisda Corporation (hereinafter referred to as "Qisda") is the ultimate controlling entity of the group to which the Company belongs. Both DFI and Qisda have prepared consolidated financial statements for public use.

(II) Name and relationship of related parties

The related parties with whom the Group had transactions during the reporting period covered by this consolidated financial report are as follows:

Name of related party	Relationship with the Group
Qisda Corporation (Qisda)	Ultimate controller of the Group
DFI Inc. (DFI)	Parent company of the Group
Alpha Networks Inc.	Subsidiaries directly or indirectly held by Qisda
Metaage Corporation	Subsidiaries directly or indirectly held by Qisda
Global Intelligence Network Co., Ltd.	Subsidiaries directly or indirectly held by Qisda
AdvancedTEK International Corp.	Subsidiaries directly or indirectly held by Qisda
Golden Spirit Co., Ltd.	Subsidiaries directly or indirectly held by Qisda
BenQ Material Corp.	Subsidiaries directly or indirectly held by Qisda
BenQ Asia Pacific Corp.	Subsidiaries directly or indirectly held by Qisda
BenQ Healthcare Corporation	Subsidiaries directly or indirectly held by Qisda
BenQ AB DentCare Corp.	Subsidiaries directly or indirectly held by Qisda
Concord Medical Co., Ltd.	Subsidiaries directly or indirectly held by Qisda
BenQ Technology (Shanghai) Co., Ltd.	Subsidiaries directly or indirectly held by Qisda
Metaguru Corporation	Subsidiaries directly or indirectly held by Qisda
EXPERT ALLIANCE SYSTEMS & CONSULTANCY (HK) COMPANY LIMITED	Subsidiaries directly or indirectly held by Qisda
AEWIN KOREA TECHNOLOGIES CO., LTD.	Substantive related party

(III) Material transactions with related party

1. Operating revenue

	July to September 2024	July to September 2023	January to September 2024	January to September 2023
Parent company	$ -	-	7	12
Other related parties	722	262	3,930	10,640
	$ 722	262	3,937	10,652

The selling prices of goods to related parties by the Group are not significantly different from general sales prices. If the specifications are unique and there are no comparable transactions, the transactions are conducted at mutually agreed-upon prices.

2. Purchases

	July to September 2024	July to September 2023	January to September 2024	January to September 2023
Ultimate controller	$ 28,587	-	69,106	22,396
Parent company	3,931	16,268	10,038	299,080
	$ 32,518	16,268	79,144	321,476

The purchase prices from the aforementioned related parties by the Group are not significantly different from those of other suppliers. If the specifications are unique and there are no comparable transactions, the transactions are conducted at mutually agreed-upon prices.

3. Accounts receivable from related parties

In summary, the details of accounts receivable from related parties by the Group are as follows:

Account items	Category of related party	2024.9.30	2023.12.31	2023.9.30
Accounts receivable - related parties	Ultimate controller	$ 19,379	5,814	-
	Other related parties	-	349	270
		$ 19,379	6,163	270

The Company provides certain raw materials to the ultimate controlling party and the parent company for manufacturing. The semi-finished products produced are then sold back to the Company for further processing and assembly. To avoid double-counting the above purchase and sales amounts, the Company does not recognize the value of the raw materials provided to the ultimate controlling party and the parent company as operating revenue. Additionally, the accounts receivable and payable resulting from the sale of raw materials and the repurchase of semi-finished products are not offset against each other and are not presented on a net basis.

4. Others

The details of operating costs and expenses incurred by the Group due to related parties providing product manufacturing, management, and promotion services are as follows:

Account items	Category of related party	July to September 2024	July to September 2023	January to September 2024	January to September 2023
Operating costs	Ultimate controller	$ 3,071	-	3,477	57
	Parent company	11,254	5,329	28,407	12,263
	Other related parties	188	42	386	265
		$ 14,513	5,371	32,270	12,585
Operating expenses	Ultimate controller	$ 417	242	1,147	762
	Parent company	35	-	38	580
	Other related parties	1,119	3,113	3,881	9,704
		$ 1,571	3,355	5,066	11,046

5. Accounts payable to related parties

In summary, the details of accounts payable to related parties by the Group are as follows:

Account items	Category of related party	2024.9.30	2023.12.31	2023.9.30
Accounts payable - related parties	Ultimate controller	$ 22,647	9,450	-
	Parent company	23,132	33,062	66,996
		$ 45,779	42,512	66,996
Other payables	Ultimate controller	$ 365	136	64
	Parent company	969	1,472	4,308
	Other related parties	1,368	786	2,116
		$ 2,702	2,394	6,488

(IV) Remuneration of key management personnel

Remuneration of key management executives

	July to September 2024	July to September 2023	January to September 2024	January to September 2023
Short-term employee benefits	$ 6,168	3,430	15,158	12,076
Post-employment benefits	113	113	340	339
	$ 6,281	3,543	15,498	12,415

VIII. Pledged Assets

Details of the book value of assets provided as collateral by the Group are as follows:

Asset name	Subject matter of pledge guarantee	2024.9.30	2023.12.31	2023.9.30
Financial assets measured at amortized cost - fixed deposits	Customs deposit	$ 210	209	209
Land, buildings and structures	Bank loan guarantees	440,913	446,422	448,258
		$ 441,123	446,631	448,467

IX. Significant Contingent Liabilities and Unrecognized Contractual Commitments: None.

X. Significant Disaster Losses: None.

XI. Significant Events after the Balance Sheet Date: None.

XII. Others

(I) Employee benefits, depreciation and amortization charges are summarized below by function:

By function / By nature	July to September 2024			July to September 2023		
	Attributable to operating costs	Attributable to operating expenses	Total	Attributable to operating costs	Attributable to operating expenses	Total
Employee benefit expenses						
Salary expense	17,855	67,371	85,226	13,665	51,864	65,529
Labor and health insurance expenses	1,725	4,813	6,538	1,704	4,798	6,502
Pension expense	1,437	3,754	5,191	1,428	3,440	4,868
Other employee benefit expenses	1,856	4,725	6,581	1,557	3,337	4,894
Depreciation expenses	5,944	9,633	15,577	5,870	9,510	15,380
Amortization expenses	147	437	584	146	533	679

By function / By nature	January to September 2024			January to September 2023		
	Attributable to operating costs	Attributable to operating expenses	Total	Attributable to operating costs	Attributable to operating expenses	Total
Employee benefit expenses						
Salary expense	48,603	182,394	230,997	44,397	169,722	214,119
Labor and health insurance expenses	5,301	14,700	20,001	5,285	14,810	20,095
Pension expense	4,400	11,010	15,410	4,311	9,978	14,289
Other employee benefit expenses	5,196	11,822	17,018	4,585	10,016	14,601
Depreciation expenses	17,800	28,193	45,993	17,665	29,238	46,903
Amortization expenses	460	1,385	1,845	355	1,594	1,949

(II) The Group's operation is not affected significantly by seasonal or periodical fluctuations.

(III) On August 15, 2023, the Company's Board of Directors resolved to activate company assets and increase operating capital by proposing to sell the Company's land and building located at Farglory U-TOWN, Xizhi District, New Taipei City, and to lease them back after the sale in order to maintain operations.

XIII. Notes Disclosure

(I) Information on significant transactions:

For the period from January 1, 2024 to September 30, 2024, the Group disclosed the following information regarding significant transactions that should be disclosed again in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers:

1. Lending funds to others: Please refer to Table 1.
2. Providing endorsements or guarantees for others: None.
3. Marketable securities held at the end of the period (excluding the investments in subsidiaries, associates and equity interests in joint ventures): Please refer to Table 2.
4. The cumulative purchase or sale of the same securities amounted to NTD 300 million or 20% and above of the paid-in capital: None.
5. The amount of property acquired reached NTD 300 million or 20% and above of the paid-in capital: None.
6. The amount of property disposal reached NTD 300 million or 20% and above of the paid-in capital: None.
7. The amount of purchases or sales with related parties reached NTD 100 million or 20% and above of the paid-in capital: Please refer to Table 3.
8. Receivables from related parties reached NTD 100 million or 20% and above of paid-in capital: Please refer to Table 4.
9. Engaged in derivative products transactions: Note 6 (2).
10. Business relationship and important transactions between the parent company and the subsidiaries: Please refer to Table 5.

(II) Information on investees: Please refer to Table 6.

(III) Information on investments in mainland China: Please refer to Table 7.

(IV) Information on major shareholders:

Unit: Shares

Shares / Name of major shareholders	Number of shares held	Shareholding ratio
DFI Inc.	30,376,000	51.38%
Qixin Co., Ltd.	6,710,610	11.35%

Note: This table displays the information of the shareholders who have delivered a total of more than 5% of the ordinary shares (including treasury stocks) of the Company without physical share registration until the final working day every quarter, as calculated by the central clearing company. The number of shares recorded in the Company's financial report may differ from the actual number of shares that have been fully dematerialized due to differences in calculation bases.

XIV. Segment Information

The information provided to the chief operating decision-maker for resource allocation and performance evaluation focuses on the types of products delivered or services provided. Since the Company and its subsidiaries are engaged only in the design, manufacturing, and sale of network security-related products within a single industry, management views the entire company as a single segment. Therefore, the operating segment information is consistent with the consolidated financial statements.

AEWIN Technologies Co., Ltd. and Subsidiaries

Lending funds to others

From January 1 to September 30, 2024

Table 1:

Unit: In thousands of New Taiwan Dollars /In thousands of foreign currencies

No.	Creditor	Borrower	Subject	Is a related party	Maximum outstanding balance	Ending balance	Actual amount drawn down for the current period	Range of interest rate	Nature of financing (Note 2)	Business transaction amounts (Note 3)	Reason for short-term financing	Allowance for bad debts recognized	Collateral		Financing limits for each borrowing company (Note 1)	Total financing limits (Note 1)
													Name	Value		
0	The Company	Aewin Beijing Technologies Co., Ltd.	Other receivables	Yes	237,676 (USD 7,427)	200,035 (USD 6,320)	200,035 (USD 6,320)	-	1	268,376	Business interaction	-	-	-	276,566	553,132

Note 1: The total loan limit to related parties and the loan limit to individual counterparties are 40% and 20%, respectively, of the net equity as reported in the most recent financial statements audited or reviewed by the accountants.

Note 2: The nature of financing is described as follows:

1. For parties with business transactions.
2. For parties with a short-term need for funding.

Note 3: The amount of business transactions is based on the sales transactions amount for the most recent fiscal year between the parties.

Note 4: The aforesaid transactions had been offset when the consolidated financial statements were prepared.

AEWIN Technologies Co., Ltd. and Subsidiaries
Marketable securities held at the end of the period (excluding the investments in subsidiaries, associates and joint ventures)
September 30, 2024

Table 2:

Unit: In thousands of New Taiwan Dollars /In thousands of shares

Company held	Type and name of marketable securities	Relationship with the issuer of marketable securities	Accounts	End of period				Remarks
				Number of shares/units	Carrying amount	Shareholding ratio	Fair value	
The Company	AEWIN KOREA TECHNOLOGIES CO., LTD stock	Substantive related party	Financial assets at fair value through other comprehensive income - non-current	10	740	16.67%	740	
The Company	Authentrend Technology Inc. - stock (Former name: Stock: Authentrend Technology Inc.)	-	Financial assets at fair value through profit or loss - non-current	300	-	1.19%	-	

AEWIN Technologies Co., Ltd. and Subsidiaries

The amount of purchases or sales with related parties reached NTD 100 million or 20% and above of the paid-in capital

From January 1 to September 30, 2024

Table 3:

Unit: NTD thousand

Companies for Purchases (Sales)	Name of counterparty	Relationship	Transaction status				Situation and reason for difference between the trading terms and those of the general trading		Notes and accounts receivable (payable)		Remarks
			Purchase (Sales)	Amount	Proportion to total purchase (sales)	Credit period	Unit price	Credit period	Balance	Proportion to total notes and accounts receivable (payable)	
The Company	Aewin Beijing Technologies Co., Ltd.	Parent company and subsidiary	(Sales)	(141,288)	12%	150 days after shipment	Comparable to general customers	(Note 1)	214,649	41%	(Note 2)
The Company	AEWIN TECH	Parent company and subsidiary	(Sales)	(330,429)	28%	120 days after shipment	Comparable to general customers	(Note 1)	158,411	30%	(Note 2)
Aewin Beijing Technologies Co., Ltd.	The Company	Parent company and subsidiary	Purchases	141,288	36%	150 days after shipment	Comparable to general customers	(Note 1)	(214,649)	41%	(Note 2)
AEWIN TECH	The Company	Parent company and subsidiary	Purchases	330,429	100%	120 days after shipment	Comparable to general customers	(Note 1)	(158,411)	100%	(Note 2)

Note 1: Receivables are recognized 120 days after shipment, with possible extensions considered based on market conditions.
Note 2: The aforesaid transactions had been offset when the consolidated financial statements were prepared.

AEWIN Technologies Co., Ltd. and Subsidiaries
Receivables from related parties reached NTD 100 million or 20% and above of paid-in capital
September 30, 2024

Table 4:

Unit: NTD thousand

Company with receivables	Name of counterparty	Relationship	Balance of receivables from related parties	Turnover rate	Overdue receivables from related parties		Recovery amount of receivables from related parties after the balance sheet date	Allowance for bad debts recognized
					Amount	Treatment		
The Company	Aewin Beijing Technologies Co., Ltd.	Parent company and subsidiary	214,649	0.77	108,313	Strengthen collection	-	-
The Company	Aewin Beijing Technologies Co., Ltd.	Parent company and subsidiary	200,035	-	-	-	48,638	-
The Company	AEWIN TECH INC.	Parent company and subsidiary	158,411	3.51	-	-	28,714	-

Note 1: The aforesaid transactions had been offset when the consolidated financial statements were prepared.

AEWIN Technologies Co., Ltd. and Subsidiaries

Business relationship and significant transactions between the parent company and the subsidiaries

From January 1 to September 30, 2024

Table 5:

Unit: NTD thousand

No. (Note 1)	Name of trader	Counterparty	Relationship with trader (Note 2)	Transaction situation			
				Account	Amount	Transaction terms	Proportion to consolidated revenue or asset (Note 5)
0	The Company	Aewin Beijing Technologies Co., Ltd.	1	Sales	141,288	(Note 3)	9%
0	The Company	Aewin Beijing Technologies Co., Ltd.	1	Accounts receivable	214,649	(Note 3)	7%
0	The Company	Aewin Beijing Technologies Co., Ltd.	1	Other receivables	200,035	-	7%
0	The Company	AEWIN TECH INC.	1	Sales	330,429	(Note 4)	21%
0	The Company	AEWIN TECH INC.	1	Accounts receivable	158,411	(Note 4)	6%

Note 1: The numbering format is as follows:

1. 0 represents the parent company.
2. The subsidiaries are numbered with Arabic numbers starting with 1.

Note 2: The types of relationships with traders are indicated as follows:

1. Parent company - subsidiary.
2. Subsidiary - parent company.
3. Subsidiary - subsidiary.

Note 3: 150 days after shipment and subject to extension according to market conditions.

Note 4: 120 days after shipment and subject to extension according to market conditions.

Note 5: It is calculated by dividing the transaction amount by the consolidated operating income or total consolidated assets.

Note 6: The aforesaid transactions had been offset when the consolidated financial statements were prepared.

Note 7: With respect to the business relationships and important transactions between parent and subsidiary companies, only information regarding those accounting for 1% or more of the consolidated revenue or assets are disclosed. Corresponding purchases and payables are not further explained.

AEWIN Technologies Co., Ltd. and Subsidiaries
Information on reinvestment (excluding investments in mainland China)
From January 1 to September 30, 2024

Table 6:

Unit: In thousands of New Taiwan Dollars /In thousands of shares

Name of investor company	Name of investee	Location	Primary business	Original investment amount		Ending shareholding			Profit (loss) of the investee for the period	Investment profit (loss) recognized for the period	Remarks
				End of current period	End of last year	Number of shares	Ratio	Carrying amount			
The Company	Wise Way	Anguilla	Investment holding	46,129	46,129	1,500	100%	92,541	(19,992)	(19,992)	Parent company and subsidiary
The Company	Aewin Tech Inc.	USA	Business of wholesaling computers and their peripheral equipment and software	77,791	77,791	2,560	100%	27,515	18,373	18,373	Parent company and subsidiary
Wise Way	Bright Profit	Hong Kong	Investment holding	46,129	46,129	1,500	100%	131,403	(19,993)	-	

Note 1: The subsidiaries directly and indirectly controlled by the Company in the above table have been written off when preparing the consolidated financial report.

AEWIN Technologies Co., Ltd. and Subsidiaries
Investment Information in Mainland China
From January 1 to September 30, 2024

Table 7:

1. Information on reinvestment in mainland China:

Unit: In thousands of New Taiwan Dollars/In thousands of foreign currencies

Investee in mainland China	Primary business	Paid-in capital	Investment method	Accumulated amount of investment remitted out of Taiwan at the beginning of the period	Remitted or repatriated amount of investment for the period		Accumulated investment amount remitted from Taiwan at the end of current period	Current profit (loss) of the investee in the period	Shareholding ratio of direct or indirect investment of the Company	Investment profit (loss) recognized in the period	Ending carrying value of investment (Note 6)	Repatriated investment income as of the end of the period
					Remitted	Repatriated						
Aewin Beijing Technologies Co., Ltd.	Business of wholesaling computers and their peripheral equipment and software	46,129 (USD 1,500)	(Note 1)	46,129 (USD 1,500)	-	-	46,129 (USD 1,500)	(19,993)	100%	(19,993) (Note 3)	131,403	-
Aewin (Shenzhen) Technologies Co., Ltd.	Business of wholesaling computers and their peripheral equipment and software	15,265 (CNY 3,500)	(Note 2)	- -	-	-	- -	1,288 (CNY 286)	100%	1,288 (CNY 286)	(Note 5)	-

2. Limit of investment in mainland China:

Name of investor company	The cumulative amount of investment remitted from Taiwan to the Mainland China at the end of the current period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Upper Limit on Investment in mainland China regulated by the Investment Commission of the Ministry of Economic Affairs
The Company	46,129 (USD 1,500)	47,475 (USD 1,500)	829,699 (Note 4)

Note 1: Investment in mainland China was made through the establishment of the company BRIGHT PROFIT in a third region.
Note 2: It is a Mainland China-based company reinvested by Beijing AEWIN.
Note 3: It is recognized in line with the financial report prepared by the investee and reviewed by the CPA of the parent company in Taiwan.
Note 4: According to the Review Principles for Investment or Technical Cooperation in Mainland China, the investment limit in Mainland China shall not exceed 60% of the net value.
Note 5: Aewin (Shenzhen) has been fully liquidated in June, 2024 and deregistration has been completed in July, 2024.
Note 6: The aforesaid investments had been offset when the consolidated financial statements were prepared.

3. Material transactions with investees in Mainland China:
Please refer to the statement under the "Information on significant transactions" and "Business relationship and important transactions between the parent company and the subsidiaries" for the direct or indirect material transactions between the Group and the investees in mainland China from January 1 to September 30, 2024 (these transactions had been written off when the consolidated financial statements were prepared).