Stock Code:8114

Posiflex Technology, Inc. and Subsidiaries

Consolidated Financial Statements

With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2023 and 2022

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The independent auditors' review report and the accompanying consolidated 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 consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Review Report

To the Board of Directors
Posiflex Technology, Inc.:

Introduction

We have reviewed the accompanying consolidated balance sheets of the Posiflex Technology, Inc. (the "Company") and its subsidiaries (together referred as the "Group") as of September 30, 2023, and 2022, the related consolidated statements of comprehensive income for the three and nine months ended September 30, 2023 and 2022 as well as the consolidated statement of changes in equity and cash flows for the nine months ended September 30, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards ("IASs") 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with the Standard on Review Engagements 2410, " Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. 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 Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(2), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to $1,805,126 thousand and $1,982,585 thousand, constituting 11.80% and 11.62% of the consolidated total assets as of September 30, 2023, and 2022, respectively, the total liabilities amounting to $493,760 thousand and $256,017 thousand, constituting 5.59% and 2.40% of the consolidated total liabilities as of September 30, 2023 and 2022, as well as the total comprehensive income amounting to $(11,448) thousand, $44,818 thousand, $(10,662) thousand and $27,345 thousand, constituting (2.80)%, 6.14%, (1.24)% and 1.78% of the total consolidated comprehensive income for the three and nine months ended September 30, 2023 and 2022, respectively.

Furthermore, as stated in Note 6(4), the other equity accounted investments of the Group in its investee companies of $250,105 thousand and $255,610 thousand as of September 30, 2023 and 2022, respectively, and its equity in net earnings on these investee companies of $(690) thousand, $13,982 thousand, $384 thousand and $4,467 thousand for three and nine months ended September 30, 2023 and 2022, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2023 and 2022, and of its consolidated financial performance for the three and nine months ended September 30, 2023 and 2022, as well as its consolidated cash flows for the nine months ended September 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' report are Chi-Lung Yu and Pei-Chi Chen.

KPMG

Taipei, Taiwan (Republic of China)
November 9, 2023

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' review report and the accompanying consolidated 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' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Posiflex Technology, Inc. and Subsidiaries

Consolidated Balance Sheets

September 30, 2023, and December 31 and September 30, 2022

(Expressed in Thousands of New Taiwan Dollars)

		September 30, 2023		December 31, 2022		September 30, 2022	
	Assets	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current assets:						
1100	Cash and cash equivalents (note 6(1))	$ 2,921,092	19	2,303,346	15	2,048,690	12
1136	Financial assets at amortized cost－current (notes 6(2) and 8)	105,000	1	1,012,070	6	1,011,188	6
1150	Notes receivable (note 6(2))	10,226	-	10,626	-	15,991	-
1170	Accounts receivable, net (note 6(2))	1,432,243	9	1,583,858	10	2,234,709	14
1180	Accounts receivable－related parties (notes 6(2) and 7)	18,395	-	120,839	1	225,591	1
1210	Other receivables－related parties (note 7)	2,101	-	2,217	-	1,429	-
1310	Inventories (note 6(3))	2,780,322	18	3,280,348	21	3,812,836	22
1476	Other financial assets－current (notes 6(5) and 8)	24,725	-	16,280	-	19,510	-
1479	Other current assets (note 6(7))	150,578	1	104,720	1	138,990	1
	Total current assets	7,444,682	48	8,434,304	54	9,508,934	56
	Non-current assets:						
1517	Financial assets at fair value through other comprehensive income－non-current (note 6(2))	119,788	1	137,232	1	135,790	1
1535	Financial assets at amortized cost－non-current (notes 6(2) and 8)	485,919	3	-	-	-	-
1550	Investments accounted for using equity method (note 6(4))	250,105	2	259,483	2	255,610	1
1600	Property, plant and equipment (notes 6(8) and 8)	3,329,867	22	3,365,007	21	3,400,451	20
1755	Right-of-use assets (note 6(9))	284,541	2	243,589	1	262,964	2
1760	Investment property (note 6(10))	47,940	-	48,077	-	48,122	-
1805	Goodwill (note 6(12))	1,926,467	13	1,840,856	12	1,897,930	11
1821	Intangible assets (note 6(13))	866,484	6	906,859	6	986,355	6
1840	Deferred tax assets	463,598	3	482,030	3	508,741	3
1975	Net defined benefit asset－non-current	38,827	-	37,909	-	30,084	-
1980	Other financial assets－non-current (notes 6(5) and 8)	24,497	-	27,295	-	27,155	-
1990	Other non-current assets (note 6(7))	11,881	-	15,458	-	5,488	-
	Total non-current assets	7,849,914	52	7,363,795	46	7,558,690	44
	Total assets	$ 15,294,596	100	15,798,099	100	17,067,624	100

		September 30, 2023		December 31, 2022		September 30, 2022	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current liabilities:						
2100	Short-term borrowings (note 6(14))	$ 1,170,888	8	1,206,677	8	1,093,510	7
2120	Financial liabilities at fair value through profit or loss－current (note 6(2))	438	-	203	-	2,883	-
2130	Contract liabilities－current (note 6(25))	353,176	2	327,160	2	392,968	2
2150	Notes payable	13,091	-	15,297	-	18,613	-
2170	Accounts payable	767,207	5	698,859	5	1,025,715	6
2180	Payables to related parties (note 7)	20,687	-	46,710	-	182,771	1
2200	Other payables (note 6(15))	745,530	5	750,090	5	720,558	4
2230	Current tax liabilities	223,764	1	296,528	2	237,324	1
2250	Provisions－current (note 6(16))	85,546	1	117,893	1	119,977	1
2280	Lease liabilities－current (note 6(17))	65,482	-	56,831	-	60,716	-
2320	Current portion of long-term liabilities (note 6(18))	27,457	-	6,275	-	322,559	2
2399	Other current liabilities	11,896	-	31,724	-	42,921	-
	Total current liabilities	3,485,162	22	3,554,247	23	4,220,515	24
	Non-current liabilities:						
2527	Contract liabilities－non-current (note 6(25))	81,656	1	129,697	1	118,118	1
2540	Long-term borrowings (note 6(18))	65,671	-	582,288	4	1,126,033	7
2570	Deferred tax liabilities	47,471	-	46,629	-	40,082	-
2580	Lease liabilities－non-current (note 6(17))	397,424	3	365,220	2	382,058	2
2635	Preference share liabilities－non-current (note 6(19))	4,595,089	30	4,595,089	29	4,595,089	27
2640	Net defined benefit liability－non-current	13,102	-	13,672	-	19,273	-
2645	Guarantee deposits received (notes 7 and 9)	139,931	1	147,972	1	152,880	1
	Total non-current liabilities	5,340,344	35	5,880,567	37	6,433,533	38
	Total liabilities	8,825,506	57	9,434,814	60	10,654,048	62
	Equity (notes 6(22) and (23)):						
	Equity attributable to parent company shareholders:						
3110	Ordinary share	755,958	5	754,828	5	754,728	4
3140	Advance receipts for share capital	-	-	320	-	-	-
3200	Capital surplus	775,619	5	953,103	6	947,933	6
3300	Retained earnings	2,231,694	15	2,212,008	14	2,139,938	13
3400	Other equity	(28,999)	-	(164,267)	(1)	(32,692)	-
	Total equity attributable to parent company shareholders	3,734,272	25	3,755,992	24	3,809,907	23
36XX	Non-controlling interests	2,734,818	18	2,607,293	16	2,603,669	15
	Total equity	6,469,090	43	6,363,285	40	6,413,576	38
	Total liabilities and equity	$ 15,294,596	100	15,798,099	100	17,067,624	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Posiflex Technology, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the Three and Nine Months Ended September 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

		For the three months ended September 30,				For the nine months ended September 30,			
		2023		2022		2023		2022	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	**Operating revenue** (notes 6(25) and 7)	$ 2,542,478	100	3,547,807	100	7,466,981	100	9,122,303	100
5000	**Operating costs** (notes 6(3), (20), (23), (26), 7 and 12)	1,525,254	60	2,297,125	65	4,585,088	61	5,908,573	65
5900	**Gross profit**	1,017,224	40	1,250,682	35	2,881,893	39	3,213,730	35
5910	Unrealized gain (loss) from sales	(5)	-	53	-	(2)	-	61	-
5900	**Realized gross profit**	1,017,219	40	1,250,735	35	2,881,891	39	3,213,791	35
6000	**Operating expenses** (notes 6(2), (20), (23), (26), 7 and 12):								
6100	Selling expenses	278,243	11	299,850	8	795,950	11	833,078	9
6200	Administrative expenses	271,730	11	247,839	7	739,828	10	686,984	7
6300	Research and development expenses	154,932	6	149,612	4	437,861	6	403,656	4
6450	Expected credit loss (gain)	(19,152)	(1)	19,891	1	(50,110)	(1)	51,724	1
	Total operating expenses	685,753	27	717,192	20	1,923,529	26	1,975,442	21
6900	**Net operating income**	331,466	13	533,543	15	958,362	13	1,238,349	14
7000	**Non-operating income and expenses** (notes 6(27) and 7):								
7100	Interest income	10,601	-	4,603	-	33,985	-	9,399	-
7010	Other income	5,736	-	9,145	-	19,973	-	23,710	-
7020	Other gains and losses	41,320	3	96,739	3	56,002	1	197,615	2
7050	Finance costs	(49,352)	(2)	(54,259)	(1)	(145,668)	(2)	(160,024)	(2)
7060	Share of profit (loss) of associates accounted for using equity method (note 6(4))	(690)	-	13,982	-	384	-	4,467	-
	Total non-operating income and expenses	7,615	1	70,210	2	(35,324)	(1)	75,167	-
7900	**Income before income tax**	339,081	14	603,753	17	923,038	12	1,313,516	14
7950	**Income tax expenses** (note 6(21))	73,952	3	151,817	4	247,762	3	345,318	4
8200	**Net income**	265,129	11	451,936	13	675,276	9	968,198	10
8300	**Other comprehensive income:**								
8310	**Items that will not be reclassified subsequently to profit or loss**								
8316	Unrealized gains or losses from investments in equity instruments measured at fair value through other comprehensive income	(6,671)	-	(8,319)	-	(11,813)	-	24,467	-
8320	Shares of other comprehensive income of associates accounted for using equity method	(629)	-	301	-	(3,565)	-	(711)	-
8349	Less: Income tax related to items that will not be reclassified subsequently (note 6(21))	-	-	-	-	-	-	-	-
	Total items that will not be reclassified subsequently to profit or loss	(7,300)	-	(8,018)	-	(15,378)	-	23,756	-
8360	**Items that may be reclassified subsequently to profit or loss**								
8361	Exchange differences on translation of foreign financial statements	194,870	8	308,782	9	249,444	3	586,467	7
8370	Shares of other comprehensive income of associates accounted for using equity method	1,754	-	3,325	-	2,435	-	7,949	-
8399	Less: Income tax related to items that may be reclassified subsequently (note 6(21))	44,926	2	27,312	1	50,519	1	54,223	1
	Total items that may be reclassified subsequently to profit or loss	151,698	6	284,795	8	201,360	2	540,193	6
8300	**Other comprehensive income (loss), net**	144,398	6	276,777	8	185,982	2	563,949	6
8500	**Total comprehensive income**	**$ 409,527**	**17**	**728,713**	**21**	**861,258**	**11**	**1,532,147**	**16**
	Profit attributable to:								
	Owners of parent	$ 166,522	7	321,496	9	392,734	5	782,322	8
	Non-controlling interests	98,607	4	130,440	4	282,542	4	185,876	2
		$ 265,129	**11**	**451,936**	**13**	**675,276**	**9**	**968,198**	**10**
	Comprehensive income attributable to:								
	Owners of parent	$ 267,751	11	519,814	15	528,002	7	1,223,327	13
	Non-controlling interests	141,776	6	208,899	6	333,256	4	308,820	3
		$ 409,527	**17**	**728,713**	**21**	**861,258**	**11**	**1,532,147**	**16**
	Earnings per share (New Taiwan Dollars) (note 6(24))								
9750	Basic earnings per share	**$**	**2.20**		**4.27**		**5.20**		**10.41**
9850	Diluted earnings per share	**$**	**1.91**		**3.35**		**4.73**		**8.37**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Posiflex Technology, Inc. and Subsidiaries

Consolidated Statements of Changes in Equity

For the Nine Months Ended September 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Attributable to owner of parent: Share capital: Ordinary share capital	Share capital: Advance receipts for share capital	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Unappropriated retained earnings	Retained earnings: Total	Other equity: Exchange differences on translation of foreign financial statements	Other equity: Unrealized gains or losses from investments in equity instruments measured at fair value through other comprehensive income	Other equity: Total	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as of January 1, 2022	$ 749,218	-	857,762	753,152	369,460	573,097	1,695,709	(398,104)	(75,593)	(473,697)	2,828,992	1,640,539	4,469,531
Net income for the period	-	-	-	-	-	782,322	782,322	-	-	-	782,322	185,876	968,198
Other comprehensive income for the period	-	-	-	-	-	-	-	417,248	23,757	441,005	441,005	122,944	563,949
Total comprehensive income for the period	-	-	-	-	-	782,322	782,322	417,248	23,757	441,005	1,223,327	308,820	1,532,147
Appropriation and distribution of retained earnings:													
Appropriation for legal reserve	-	-	-	46,636	-	(46,636)	-	-	-	-	-	-	-
Appropriation for special reserve	-	-	-	-	104,237	(104,237)	-	-	-	-	-	-	-
Cash dividends distributed to common shareholders	-	-	-	-	-	(338,093)	(338,093)	-	-	-	(338,093)	-	(338,093)
Changes in equity of associates and joint ventures accounted for using equity method	-	-	515	-	-	-	-	-	-	-	515	582	1,097
Share-based payment transactions	-	-	5,132	-	-	-	-	-	-	-	5,132	1,071	6,203
Exercise of employee stock options	3,210	2,300	44,902	-	-	-	-	-	-	-	50,412	-	50,412
Partial disposal of interests in subsidiaries	-	-	39,622	-	-	-	-	-	-	-	39,622	785,378	825,000
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(132,721)	(132,721)
Balance as of September 30, 2022	**$ 752,428**	**2,300**	**947,933**	**799,788**	**473,697**	**866,453**	**2,139,938**	**19,144**	**(51,836)**	**(32,692)**	**3,809,907**	**2,603,669**	**6,413,576**
Balance as of January 1, 2023	$ 754,828	320	953,103	799,788	473,697	938,523	2,212,008	(113,577)	(50,690)	(164,267)	3,755,992	2,607,293	6,363,285
Net income for the period	-	-	-	-	-	392,734	392,734	-	-	-	392,734	282,542	675,276
Other comprehensive income for the period	-	-	-	-	-	-	-	150,646	(15,378)	135,268	135,268	50,714	185,982
Total comprehensive income for the period	-	-	-	-	-	392,734	392,734	150,646	(15,378)	135,268	528,002	333,256	861,258
Appropriation and distribution of retained earnings:													
Appropriation for legal reserve	-	-	-	85,439	-	(85,439)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(309,429)	309,429	-	-	-	-	-	-	-
Cash dividends distributed to common shareholders	-	-	-	-	-	(373,048)	(373,048)	-	-	-	(373,048)	-	(373,048)
Cash distribution from capital surplus	-	-	(188,585)	-	-	-	-	-	-	-	(188,585)	-	(188,585)
Difference between consideration and carrying amount of subsidiaries shareholding acquired or disposed	-	-	(97)	-	-	-	-	-	-	-	(97)	(1)	(98)
Share-based payment transactions	-	-	4,749	-	-	-	-	-	-	-	4,749	991	5,740
Exercise of employee stock options	1,130	(320)	6,449	-	-	-	-	-	-	-	7,259	-	7,259
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(206,721)	(206,721)
Balance as of September 30, 2023	**$ 755,958**	**-**	**775,619**	**885,227**	**164,268**	**1,182,199**	**2,231,694**	**37,069**	**(66,068)**	**(28,999)**	**3,734,272**	**2,734,818**	**6,469,090**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Posiflex Technology, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

For the Nine Months Ended September 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		For the nine months ended September 30,	
		2023	2022
Cash flows from operating activities:			
Income before income tax	$	923,038	1,313,516
Adjustments:			
Adjustments to reconcile profit (loss)			
Depreciation expenses		172,794	164,226
Amortization expenses		85,681	125,348
Expected credit loss (gain)		(50,110)	51,724
Net loss on financial assets at fair value through profit or loss		3,383	8,045
Interest expense		145,668	160,024
Interest income		(33,985)	(9,399)
Dividend income		(9)	(1,942)
Compensation cost arising from share-based payment transactions		5,740	6,203
Shares of loss (gain) of associates accounted for using equity method		(384)	(4,467)
Loss (gain) on disposal of property, plant and equipment		692	(39)
Provisions for inventory devaluation and obsolescence loss		108,861	50,259
Adjustment for other non-cash-related losses (profit), net		(3)	(500)
Total adjustments to reconcile profit (loss)		438,328	549,482
Changes in operating assets and liabilities:			
Notes receivable		400	8,885
Accounts receivable (including related parties)		315,506	(785,689)
Inventories		422,007	(706,153)
Other operating assets		(44,159)	2,588
Contract liabilities		(37,869)	(125,857)
Notes payable		(2,206)	(9,470)
Accounts payable (including related parties)		43,706	(18,128)
Other payables		22,099	171,895
Net defined benefit assets/liabilities		(1,488)	(1,489)
Other operating liabilities		(76,210)	183,809
Total changes in operating assets and liabilities		641,786	(1,279,609)
Total adjustments		1,080,114	(730,127)
Cash flows generated from operations		2,003,152	583,389
Interest received		23,036	6,946
Interest paid (including preference share)		(184,020)	(198,023)
Income taxes paid		(337,696)	(334,518)
Net cash flows from operating activities		1,504,472	57,794

(Continued)

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Posiflex Technology, Inc. and Subsidiaries
Consolidated Statements of Cash Flows (Continued)
For the Nine Months Ended September 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30, 2023	2022
Cash flows from investing activities:		
Decrease (increase) in financial assets at amortized cost	444,551	(870,550)
Proceeds from disposal of financial instruments at fair value through profit or loss	(3,148)	(5,162)
Proceeds from disposal of subsidiaries	-	825,000
Acquisition of property, plant and equipment	(63,111)	(85,598)
Proceeds from disposal of property, plant and equipment	19	8,562
Acquisition of intangible assets	(9,854)	(9,563)
Decrease in other financial assets	2,176	6,267
Increase in other non-current assets	(8,796)	(4,034)
Dividends received	12,204	9,266
Net cash flows from (used in) investing activities	374,041	(125,812)
Cash flows from financing activities:		
Increase in short-term borrowings	1,292,052	1,706,628
Decrease in short-term borrowings	(1,333,454)	(1,080,686)
Proceeds from long-term borrowings	-	825,000
Repayments of long-term borrowings	(488,294)	(1,023,685)
(Decrease) increase in guarantee deposits received	(10,094)	1,808
Repayment of the principal portion of lease liabilities	(50,577)	(47,389)
Cash dividends paid	(561,633)	(338,093)
Payments of non-controlling cash dividends	(206,721)	(132,721)
Exercise of employee share options	7,259	50,412
Net cash flows used in financing activities	(1,351,462)	(38,726)
Effect of exchange rate changes on cash and cash equivalents	90,695	220,967
Net increase in cash and cash equivalents	617,746	114,223
Cash and cash equivalents at beginning of period	2,303,346	1,934,467
Cash and cash equivalents at end of period	$ **2,921,092**	**2,048,690**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Posiflex Technology, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

For the Nine Months Ended September 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, except for per share information and unless otherwise specified)

1. Company History

Posiflex Technology, Inc. (the "Company") was founded in New Taipei City, Republic of China (R.O.C.), on August 11, 1984. The registered address of the Company's office is 4-8F., No. 23, Datong St., Tucheng Dist., New Taipei City 236, Taiwan, R.O.C. The Company's ordinary shares were publicly listed on Taipei Exchange and Taiwan Stock Exchange Corporation on July 20, 2005 and November 26, 2012, respectively.

The Company and its subsidiaries (together referred to as the "Group") are engaged mainly in the manufacture and sale of industrial computers and peripheral equipment.

2. Approval Date and Procedures of the Financial Statements

The consolidated financial statements were authorized for issue by the Board of Directors on November 9, 2023.

3. New Standards, Amendments and Interpretations Adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The Group has initially adopted the new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 "International Tax Reform—Pillar Two Model Rules"

(Continued)

Posiflex Technology, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

(b) The impact of IFRS issued by the FSC but not yet effective

The Group's adoption of the new amendments, effective for annual period beginning on January 1, 2024, are expected to have the following impacts:

(i) Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" and "Non-current Liabilities with Covenants"

Under existing IAS 1 requirements, entities classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now require that a right to defer settlement must exist at the reporting date and have substance.

The amendments clarify the classification of liabilities is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement or will choose to settle early. An entity will classify a liability as non-current if it has a right to defer settlement for at least 12 months after the reporting date. This right may be subject to an entity complying with covenants specified in a loan arrangement. The amendments specify only covenants with which an entity must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the entity must comply after the reporting date (i.e., future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, entities will now need to disclose additional information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments also clarify how an entity classifies a liability that can be settled in its own shares – e.g. convertible debt. When a liability includes a counterparty conversion option that involves a transfer of the entity's own equity instruments, the conversion option is recognised as either equity or a liability separately from the host liability under IAS 32 Financial Instruments: Presentation. The amendments have now clarified that when an entity classifies the host liability as current or non-current, it can ignore only those conversion options that are recognised as equity.

The Group may need to change the liquidity classification of loans and preference share liabilities and is evaluating the impact of its initial adoption of the amendments on its consolidated financial position.

(ii) Other amendments

The following amendments are not expected to have a significant impact on the Group's consolidated financial statements.

- Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"
- Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"

(Continued)

Posiflex Technology, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its 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 “ Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

4. Summary of Material Accounting Policies

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with the “ Regulations Governing the Preparation of Financial Reports by Securities Issuers” (hereinafter referred to as the Regulations) and the guidelines of IAS 34 Interim Financial Reporting (hereinafter referred to as “ IAS 34”) which are endorsed by the FSC, and do not include all of the information required by the Regulations and by the IFRS endorsed by the FSC for a complete set of the annual consolidated financial statements.

Except as described in the following paragraph, the Group’s material accounting policies are applied consistently for the consolidated financial statements for the year ended December 31, 2022. For related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2022.

(2) Basis of consolidation

The principle of preparation of the consolidated financial statements is consistent with those of the consolidated financial statements for the year ended December 31, 2022. For related information, please refer to note 4(3) of the consolidated financial statements for the year ended December 31, 2022.

A. List of subsidiaries in the consolidated financial statements

The list of subsidiaries is included in the consolidated financial statements:

			Percentage of Ownership			
Name of Investor	**Name of Subsidiary**	**Business**	**September 30, 2023**	**December 31, 2022**	**September 30, 2022**	**Note**
The Company	Portwell Inc. (PORTWELL)	Manufacture and sale of industrial computers and peripheral equipment and information software services	55 %	55 %	55 %	
The Company	Posiflex Business Machines, Inc. (PBM)	Foreign trade	100 %	100 %	100 %	
The Company	Posiflex GmbH (PG)	Foreign trade	100 %	100 %	100 %	Note 1

(Continued)

Posiflex Technology, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Business	Percentage of Ownership September 30, 2023	December 31, 2022	September 30, 2022	Note
The Company	Posiflex International Co., Ltd. (PIC)	Foreign trade	100 %	100 %	100 %	"
The Company	Posiflex Business Machines Sdn. Bhd. (PBMM)	Foreign trade	83.46 %	83.46 %	83.46 %	"
The Company	Posiflex Technologies South Cone (PTSC)	Foreign trade	100 %	100 %	100 %	"
The Company	Posiflex Technology (India) Pvt Ltd. (PTIL)	Foreign trade	51 %	51 %	51 %	"
The Company	Posiflex Technology Pte. Ltd. (PTPL)	Foreign trade	100 %	100 %	100 %	"
The Company	Posiflex Technology Japan (PJ)	Foreign trade	100 %	100 %	100 %	"
The Company	KOMING Technology Inc. (KOMING)	Foreign trade and software services	100 %	100 %	100 %	"
The Company	BonusPay Technology Inc. (BonusPay)	Software services	- %	96 %	96 %	Notes 2
The Company	ONK Cloud Computing Technology Inc. (ONK Cloud)	Software services	99.90 %	99.90 %	99.90 %	Notes 1, 3
The Company	Ultra Systems Inc. (ULTRA)	Software services	51.49 %	51 %	51 %	Notes 1, 3 and 4
The Company	Penetek Technology Inc. (PENETEK)	Manufacture and sale of industrial computers and peripheral equipment	61.52 %	61.52 %	61.52 %	Note 1
The Company	KIOSK Integrated (KIOSKTW)	Software services	100 %	100 %	- %	Notes 1, 5
PIC	Posiflex Business Machines (Beijing) Co., Ltd. (PBMB)	Foreign trade	100 %	100 %	100 %	Note 1
PTIL	Mustek Automation Pvt Ltd. (Mustek)	Foreign trade	100 %	100 %	100 %	"
PTIL	Quinta Systems Pvt Ltd. (QUINTA)	Foreign trade	70 %	70 %	70 %	"
ONK Cloud	ONK Clouding International Ltd. (ONK International)	Investing	100 %	100 %	100 %	"
ONK International	ONK Clouding Shanghai (ONK Shanghai)	Software services	100 %	100 %	100 %	"
PBM	KIS Acquisition Corp. (KIA)	Investing	82 %	82 %	82 %	
KIA	KIOSK Information Systems, Inc. (KIOSK)	Development, manufacture and sale of self-service equipment and software	100 %	100 %	100 %	

(Continued)

Posiflex Technology, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Business	Percentage of Ownership September 30, 2023	December 31, 2022	September 30, 2022	Note
PORTWELL	American Portwell Technology, Inc. (APT)	Manufacture and sale of industrial computers and peripheral equipment	100 %	100 %	100 %	
PORTWELL	Portwell Japan, Inc. (PJI)	Manufacture and sale of industrial computers and peripheral equipment	99 %	99 %	99 %	Note 1
PORTWELL	Portwell Development Co., Ltd. (DEVELOPMENT)	Investing	100 %	100 %	100 %	"
PORTWELL	European Portwell Technology B.V. (EPT)	Manufacture and sale of industrial computers and peripheral equipment	100 %	100 %	100 %	"
PORTWELL	Portwell India Technology Private Limited (PIT)	Manufacture and sale of industrial computers and peripheral equipment	51 %	51 %	51 %	"
PORTWELL	Portwell Korea, Inc. (PKI)	Manufacture and sale of industrial computers and peripheral equipment and information software services	100 %	100 %	100 %	"
PORTWELL	GANLOT, Inc. (GANLOT)	Manufacture and sale of industrial computers and peripheral equipment	100 %	100 %	100 %	"
PORTWELL	Holdwel Co., Ltd. (HOLDWEL)	Investing	83.33 %	83.33 %	83.33 %	"
APT	KIS Acquisition Corp. (KIA)	Investing	18 %	18 %	18 %	"
HOLDWEL	MEDWEL, Inc. (MEDWEL)	Manufacture and sale of industrial computers and peripheral equipment	100 %	100 %	100 %	"
DEVELOPMENT	Portwell Holding Ltd. (HOLDING)	Investing	100 %	100 %	100 %	"
EPT	Portwell (UK) Ltd. (PUK)	Manufacture and sale of industrial computers and peripheral equipment	100 %	100 %	100 %	"
EPT	KIOSK Embedded Systems GmbH (KES)	Manufacture and sale of industrial computers and peripheral equipment	100 %	100 %	100 %	"
EPT	Kiosk Embedded Systems Srl(KESI)	Manufacture and sale of industrial computers and peripheral equipment	100 %	100 %	- %	Notes 1, 6
HOLDING	Welink Technology Co., Ltd. (WELINK)	Foreign trade and software services	100 %	100 %	100 %	Note 1

(Continued)

Note 1: The financial statements of non-significant subsidary have not been reviewed.
Note 2: The liquidation process had been completed in July 2023.
Note 3: In June 2022, ONK Cloud reduced its capital to offset its accumulated losses; and on the same day, increased its capital, which were fully subscribed by the Group.
Note 4: In March,2023 ULTRA increase its capital by cash, which were fully subscribed by the group.
Note 5: Founded in November 2022.
Note 6: Founded in October 2022.

B. List of subsidiaries which are not included in the consolidated financial statements: None.

(3) Employee benefits

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

(4) Income tax

Income tax expense in the financial statements is measured and disclosed according to paragraph B12 of IAS 34 endorsed by the FSC.

Income tax expense for the period are measured by multiplying together the pretax income for the interim reporting period and the management's best estimate of effective annual tax rate. This is allocated to current and deferred taxes based on its proportionate size.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases are measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled and recognized directly in equity or other comprehensive income as income tax expense.

5. Major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRS (in accordance with IAS 34 endorsed by the FSC) requires management to make judgments, estimations and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimations.

Except for the following, the preparation of the consolidated financial statements, as well as the major sources of accounting judgments, estimations and assumptions of uncertainty, are applied consistently with note 5 to the consolidated financial statements for the year ended December 31, 2022.

The Group holds 18.86% and 31.67% of the outstanding voting shares of both of its associates. Although the remaining shares of associates are not concentrated within specific shareholders, the Group still cannot obtain more than half of the total number of associates' directors, and it also cannot obtain more than half of the voting rights at a shareholders' meeting. Therefore, it is determined that the Group does not have substantive control over its associates.

Posiflex Technology, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

6. Description of Significant Accounts

Except as described below, there were no significant changes in the description of significant accounts mentioned in the consolidated financial statements for the year ended December 31, 2022. For other information about the description of significant accounts, please refer to note 6 of the consolidated financial statements for the year ended December 31, 2022.

(1) Cash and cash equivalents

	September 30, 2023	December 31, 2022	September 30, 2022
Cash on hand	$ 1,136	1,212	1,280
Cash in bank and checking deposits	2,718,698	2,048,588	1,685,739
Time deposits	201,258	253,546	361,671
	$ 2,921,092	**2,303,346**	**2,048,690**

Please refer to note 6(28) for the disclosure of currency risk of the financial assets and liabilities.

(2) Financial assets and liabilities

A. Financial assets at fair value through other comprehensive income－non-current:

	September 30, 2023	December 31, 2022	September 30, 2022
Domestic listed companies	$ 357	328	316
Domestic emerging market shares	65,111	77,993	78,078
Domestic unlisted shares	25,911	24,871	22,981
Foreign unlisted shares	28,409	34,040	34,415
	$ 119,788	**137,232**	**135,790**

The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purposes.

B. Financial assets measured at amortized cost

	September 30, 2023	December 31, 2022	September 30, 2022
Current:			
Cash in bank (restricted)	$ 15,000	15,000	-
Cash in bank (restricted)	75,000	535,650	547,688
Time deposits (more than three months)	15,000	461,420	463,500
	$ 105,000	**1,012,070**	**1,011,188**
Non-current:			
Time deposits (restricted)	**$ 485,919**	**-**	**-**

Posiflex Technology, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

The Group has assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

For credit risk, please refer to note 6(28).

The financial assets above had been pledged as collateral for bank borrowings; please refer to note 8.

C. Notes receivable and accounts receivable (including related parties):

	September 30, 2023	December 31, 2022	September 30, 2022
Notes receivable	$ 10,226	10,626	15,991
Accounts receivable	1,484,632	1,690,617	2,347,559
Accounts receivable－related parties	18,395	120,839	225,591
	1,513,253	1,822,082	2,589,141
Less: loss allowance	(52,389)	(106,759)	(112,850)
	$ 1,460,864	1,715,323	2,476,291

Please refer to notes 6(5) and 7 for more details on other receivable excluding from the receivables above.

The Group applies the simplified approach to provide for its loss allowance used for expected credit loss (ECL), which permits the use of lifetime expected loss provision for its receivables. To measure the ECL, receivables have been grouped based on the shared credit risk characteristics and the days past due, as well as the incorporated forward-looking information. The loss allowance provisions were determined as follows:

	September 30, 2023		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 1,251,654	0.33%	4,080
1 to 60 days past due	202,032	2.30%	4,648
61 to 180 days past due	19,631	20.90%	4,103
More than 181 days past due	28,214	98.66%	27,836
	$ 1,501,531		40,667

(Continued)

Posiflex Technology, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

	December 31, 2022		
	Gross carrying amount	**Weighted-average loss rate**	**Expected loss allowance**
Current	$ 1,409,081	0.34%	4,790
1 to 60 days past due	263,417	2.58%	6,809
61 to 180 days past due	44,056	12.56%	5,535
More than 180 days past due	45,997	65.43%	30,094
	$ 1,762,551		**47,228**

	September 30, 2022		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance provision**
Current	$ 2,057,412	0.37%	7,715
1 to 60 days past due	341,770	1.23%	4,193
61 to 180 days past due	108,684	21.15%	22,983
More than 181 days past due	64,784	94.88%	61,468
	$ 2,572,650		**96,359**

Note: As of September 30, 2023, December 31 and September 30, 2022, the outstanding balance of the Group's receivables amounted to $11,722 thousand, $59,531 thousand and $16,491 thousand respectively, all of which have been recognized as credit losses.

The movement in the allowance for doubtful accounts with respect to receivables was as follows:

	For the nine months ended September 30,	
	2023	**2022**
Beginning balance	$ 106,759	55,996
Impairment loss recognized (reversed)	(50,110)	51,724
Amounts written off	(6,153)	(1,519)
Effect of exchange rate changes	1,893	6,649
Ending balance	**$ 52,389**	**112,850**

Posiflex Technology, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

D. Financial assets and liabilities at fair value through profit or loss:

Derivatives:

The Group holds derivative financial instruments to hedge the foreign exchange rate risk the Group is exposed to, arising from its operating activities. The following derivatives instruments, without the application of hedge accounting, were classified as financial assets and liabilities mandatorily measured at fair value through profit or loss:

	September 30, 2023			
	Amount (thousand)		Currency	Maturity Dates
Forward exchange	USD	1,000	USD to NTD	2023.10.6~2023.11.3

	December 31, 2022			
	Amount (thousand)		Currency	Maturity Dates
Forward exchange	USD	1,500	USD to NTD	2023.1.13~2023.2.23

	September 30, 2022			
	Amount (thousand)		Currency	Maturity Dates
Forward exchange	USD	2,500	USD to NTD	2022.10.7~2022.11.4

On September 30, 2023, December 31 and September 30, 2022, the forward exchange contract amounted to $438 thousand, $203 thousand and $2,883 thousand, classified as current financial liabilities at fair value through profit or loss.

(3) Inventories

	September 30, 2023	December 31, 2022	September 30, 2022
Raw materials	$ 1,184,790	1,377,200	1,461,937
Work-in-process and semi-finished products	369,487	321,138	508,253
Finished goods	1,226,045	1,582,010	1,842,646
	$ 2,780,322	**3,280,348**	**3,812,836**

Posiflex Technology, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

The details of operating costs were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Cost of goods sold	$ 1,502,251	2,278,106	4,476,227	5,858,314
Inventory devaluation and obsolescence loss	23,003	19,019	108,861	50,259
	$ 1,525,254	**2,297,125**	**4,585,088**	**5,908,573**

As of September 30, 2023, December 31 and September 30, 2022, the Group did not provide any inventories as collateral for its loans.

(4) Investments accounted for using equity method

The components of investment accounted for using the equity method at the reporting date were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Associates	**$ 250,105**	**259,483**	**255,610**

Aggregate information of associates accounted for using equity method that are not individually material to the Group was included in the consolidated financial statements as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Attributable to the Group:				
Net income (loss)	$ (690)	13,982	384	4,467
Other comprehensive income	1,403	2,665	1,948	6,637
Total comprehensive income (loss)	**$ 713**	**16,647**	**2,332**	**11,104**

The investments above were accounted for using the equity method, and the shares of profit or loss, and other comprehensive income of those investments, were calculated based on the financial statements that have not been reviewed.

As of September 30, 2023, December 31 and September 30, 2022, the Group did not provide any investment accounted for using equity method as collaterals for its loans.

Posiflex Technology, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

(5) Other financial assets

		September 30, 2023	December 31, 2022	September 30, 2022
Current			-	
Lease receivables (note 6(8))	$	1,565	1,568	1,564
Other receivables		20,152	11,895	15,114
Other		3,008	2,817	2,832
	$	**24,725**	**16,280**	**19,510**
Non-current:				
Lease receivables (note 6(8))	$	1,897	3,071	3,462
Guarantee deposits paid		22,600	22,408	21,801
Other		-	1,816	1,892
	$	**24,497**	**27,295**	**27,155**

With the exception of guarantee deposits, please refer to note 8.

(6) Material non-controlling interests of subsidiaries

In June 2022, the Group disposed 15% of its ordinary shares in PORTWELL to ASUS. The Group has holding PORTWELL' s ownership by 55% as of September 30, 2023, December 31 and September 30, 2022. For the related information, please refer to note 6(5) of the consolidated financial statement for the year ended December 31, 2022.

(7) Other current assets and other non-current assets

Details of other current and non-current assets were as follows:

		September 30, 2023	December 31, 2022	September 30, 2022
Current:				
Current tax assets	$	10,807	14,632	18,366
Prepayments		76,201	47,730	52,264
Other prepayments		32,714	23,207	24,973
Overpaid business tax and refunds receivable		21,305	10,129	41,912
Other		9,551	9,022	1,475
	$	**150,578**	**104,720**	**138,990**
Non-current:				
Prepayments for deposits of equipment	$	11,066	14,643	4,673
Other		815	815	815
	$	**11,881**	**15,458**	**5,488**

Posiflex Technology, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

(8) Property, plant and equipment

A. The carrying value of the property, plant and equipment of the Group's were as follows:

		Land	Buildings and structures	Machinery equipment	Other equipment	Total
Carrying value:						
Balance as of January 1, 2023	$	626,371	2,449,483	166,693	122,460	3,365,007
Balance as of September 30, 2023	$	623,533	2,382,667	162,990	160,677	3,329,867
Balance as of January 1, 2022	$	619,535	2,534,459	138,503	114,099	3,406,596
Balance as of September 30, 2022	$	622,807	2,475,371	174,093	128,180	3,400,451

There were no significant additions, disposal of the Group's property, plant and equipment for the nine months ended September 30, 2023 and 2022. Information on depreciation for the period is discussed in note 12. Please refer to note 6(9) of the 2022 annual consolidated financial statements for other related information.

B. Lease receivables

The Group leases out its machinery and equipment with an average lease period of 5 years.

The above machinery and equipment were pledged as collateral by the lessees.

As of September 30, 2023, December 31 and September 30, 2022, the balance of lease receivables please refer to note 6(5).

For credit risk information, please refer to note 6(28).

C. As of September 30, 2023, December 31 and September 30, 2022, the property, plant and equipment of the Group had been pledged as collateral for long-term borrowings, please refer to note 8.

(9) Right-of-use assets

The Group leases many assets including land, buildings and transportation equipment. The carrying amounts of the right-of-use assets of the Group were as below:

		Land	Buildings	Transportation equipment	Machinery equipment	Total
Carrying value:						
Balance as of January 1, 2023	$	87,169	142,609	13,811	-	243,589
Balance as of September 30, 2023	$	84,519	188,868	11,154	-	284,541
Balance as of January 1, 2022	$	412,286	172,774	8,057	8,228	601,345
Balance as of September 30, 2022	$	88,053	160,467	14,444	-	262,964

According to the Group's lease agreement of the state-owned land, the Group has an option to purchase the state-owned land. The Group decided not to purchase the land after the assessment in the third quarter of 2022, which is a change in the payments rather than the scope of the lease within IFRS16, please refer to note 6(17).

(10) Investment property

	Land	Bulding	Total
Balance as of January 1, 2023	**$ 40,719**	**7,358**	**48,077**
Balance as of September 30, 2023	**$ 40,719**	**7,221**	**47,940**
Balance as of January 1, 2022	**$ 40,719**	**7,540**	**48,259**
Balance as of September 30, 2022	**$ 40,719**	**7,403**	**48,122**

There were no significant addition and disposal of investment property for the nine months ended September 30, 2023 and 2022. Information on depreciation for the period was discussed in note 12. Please refer to note 6(11) of the 2022 annual consolidated financial statements for the other related information.

The fair value of the investment property was not significantly different from those disclosed in the note 6(11) of the annual consolidated financial statements for the year ended December 31, 2022.

(11) Operating lease

The Group leases out part of its buildings and investment property. The Group has classified these leases as operating leases because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

A maturity analyses of lease payments, showing the undiscounted lease payments to be received after the reporting date, are as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Less than one year	$ 1,187	701	914
Two to five years	1,937	175	61
Total undiscounted lease payments	**$ 3,124**	**876**	**975**

For the three and nine months ended September 30, 2023 and 2022, the rental income from investment properties amounted to $262 thousand $305 thousand $828 thousand and $752 thousand, respectively.

(12) Goodwill

There were no significant additions, disposal, or recognition and reversal of impairment losses of goodwill for the nine months ended September 30, 2023 and 2022. Please refer to note 6(13) of the 2022 annual consolidated financial statements for other related information.

(13) Intangible assets

	Customer relationships	Acquired specific technology	Trademarks	Computer software	Others	Total
Carrying value:						
Balance as of January 1, 2023	$ **82,610**	**59,287**	**733,177**	**31,712**	**73**	**906,859**
Balance as of September 30, 2023	$ **47,744**	**22,277**	**764,533**	**31,914**	**16**	**866,484**
Balance as of January 1, 2022	$ **188,224**	**104,237**	**672,274**	**26,734**	**170**	**991,639**
Balance as of September 30, 2022	$ **130,413**	**73,384**	**754,081**	**28,380**	**97**	**986,355**

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the nine months ended September 30, 2023 and 2022. Information on amortization for the period was discussed in note 12. Please refer to note 6(14) of the 2022 annual consolidated financial statement for other related information.

(14) Short-term borrowings

	September 30, 2023	December 31, 2022	September 30, 2022
Unsecured bank loans	$ 424,202	930,000	1,000,000
Secured bank loans	746,686	276,677	93,510
	$ **1,170,888**	**1,206,677**	**1,093,510**
Range of interest rates	**1.67%~9.50%**	**1.75%~9.00%**	**1.32%~9.00%**

Please refer to note 6(28) for the disclosure of liquidity risk.

For the collateral for short-term borrowings, please refer to note 8.

(15) Other payables

The details of other payables of the Group were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Payables for salaries and bonus	$ 407,431	371,151	376,729
Accrued dividends on preference shares	115,452	153,935	115,452
Compensation payables to directors and employees	14,419	52,155	49,020
Payables for construction	16,000	6,584	2,745
Others	192,228	166,265	176,612
	$ **745,530**	**750,090**	**720,558**

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(16) Provisions

	September 30, 2023	December 31, 2022	September 30, 2022
Advertising	$ 59,397	93,962	93,119
Warranties	26,149	23,931	26,858
	$ 85,546	**117,893**	**119,977**

There were no significant changes in provisions for the nine months ended September 30, 2023 and 2022. For other related information, please refer to note 6(17) of the 2022 annual consolidated financial statements.

(17) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Current	**$ 65,482**	**56,831**	**60,716**
Non-current	**$ 397,424**	**365,220**	**382,058**

The lease liabilities mentioned above contain the lease liabilities of the state-owned land leased by the subsidiary, PORTWELL, as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Current	$ 6,605	6,544	6,524
Non-current	233,909	238,871	240,515
	$ 240,514	**245,415**	**247,039**

For the maturity analysis, please refer to note 6(28).

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Interests on lease liabilities	**$ 3,776**	**8,841**	**10,126**	**19,850**
Expenses relating to short-term leases	**$ 509**	**241**	**1,816**	**1,236**
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	**$ 303**	**328**	**910**	**861**
Covid-19 related rent concessions (recognized as other gains and losses)	**$ -**	**477**	**-**	**1,432**

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The amounts recognized in the statement of cash flows for the Group were as follows:

	For the nine months ended September 30,	
Total cash outflow for leases	$ 63,429	67,904

A. Real estate leases

The Group leases land (the state-owned land) and buildings for its plants and office spaces. The leases of land typically run for a period of 20 years, and the plants and office spaces for 1 to 10 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Also, some leases of land and office spaces contain extension options exercisable. These leases are negotiated and monitored by the local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Group and not by the lessors, in which the lessee is not reasonably certain to use an optional extended lease term. Payments associated with the optional period are not included within lease liabilities.

The lease payment of the land contract depends on the current land price set by the local district. According to the lease agreement entered into by the Group regarding the state-owned land, the Group has an option to purchase the state-owned land in accordance with the relevant provisions of the lease. The Group decided not to purchase the land after assessment in the third quarter of 2022, so the lease liability was revalued by reasonable lease years considering the remaining lease period.

The market economy was severely affected by the Covid-19, the National Property Administration gave the lessees a 20% reduction in their rents of non-public use property under its management. Within the period from January 2020 to December 2022, resulting in Group' rentals to be reduced by 20% for the nine months ended September 30, 2022.

B. Other leases

The Group leases transportation equipment, with lease terms of 2 to 7 years. The Group does not have the options to purchase the assets at the end of the contract term. In addition, the Group is prohibited from sub-leasing or transferring the entire or portion of the assets without the lessor's consent.

Furthermore, the Group has elected not to recognize the right-of-use assets and lease liabilities for its printers, which qualify as short-term leases and low-value asset leases.

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(18) Long-term borrowings

The details, conditions and terms of the long-term borrowings of the Group were as follows:

	September 30, 2023				
	Currency	Range of interest rates	Maturity dates		Amounts
Unsecured bank loans					
Government rescue loans	JPY	-	February 2024	$	21,620
Secured bank loans					
Bank loans	JPY	1.5%	December 2035		71,508
					93,128
Less: Current portion					(27,457)
Total				$	**65,671**

	December 31, 2022				
	Currency	Range of interest rates	Maturity dates		Amounts
Unsecured bank loans					
Government rescue loans	JPY	-	February 2024	$	23,240
Secured bank loans					
Bank loans	NTD	1.5%	May 2027		483,750
Bank loans	JPY	1.5%	December 2035		81,573
					588,563
Less: Current portion					(6,275)
Total				$	**582,288**

	September 30, 2022				
	Currency	Range of interest rates	Maturity dates		Amounts
Unsecured bank loans					
Bank loans	NTD	1.88%	May 2024	$	40,356
Government rescue loans	JPY	-	February 2024		22,010
Secured bank					
Bank loans	NTD	1.36%	May 2027		804,375
Bank loans	NTD	1.88%	May 2024		385,000
Bank loans	USD	3.87957%	May 2023		118,110
Bank loans	JPY	1.50%	December 2035		78,741
					1,448,592
Less: Current portion					(322,559)
Total				$	**1,126,033**

For the collateral for bank loans, please refer to note 8.

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(19) Preference share liabilities

The details of the preference share liabilities of the Group were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
A preference stock	$ 4,595,089	4,595,089	4,595,089

There were no significant issues, repurchases and repayments of preference share liabilities for the nine months ended September 30, 2023 and 2022. Information on interest expense for the period is discussed in note 6(27). Please refer to note 6(20) of the 2022 annual consolidated financial statements for other related information.

According to the declaration from the preference shareholder, Embedded City, received by the Company in August 2023, the Company should not breach the preference share subscription agreement. Otherwise, Embedded City will send a written notice to the Company requiring the Company to redeem its entire unconverted preference shares, held in part or in whole, by cash before July 2025.

According to the declaration from the preference shareholder, Embedded City, received by the Company on August 18, 2022, the Company should not breach the preference share subscription agreement. Otherwise, Embedded City will send a written notice to the Company requiring the Company to redeem its entire unconverted preference shares, held in part or in whole, by cash before July 16, 2024.

The Company received a declaration from the preference shareholder, Embedded City, on May 9, 2023, wherein Embedded City should receive the preference dividends for 2023 according to the preference share subscription agreement and participate in dividend distribution declared in 2024 on ordinary shares such that Embedded City agrees on the dividend distribution for 2024 that belongs to net income in 2023, if the total amount of the preference shares (including the preference dividends and further participation in dividend distributions) reaches the adjusted net profit multiplied by the ownership proportion of preference shares of 70%, the excess of the Embedded City agrees not to continue to participate in the distribution.

The Company received a declaration from the preference shareholder, Embedded City, on May 9, 2022, wherein Embedded City should receive the preference dividends for 2022. However, if the dividend allotted for the ordinary shares exceeds the total amount of the preference dividends, Embedded City will not to participate in the distribution of the excess portion of the dividend.

(20) Employee benefits

Since there were no significant market fluctuations, curtailments, settlements, and no other significant one off event from the previous fiscal year, the pension costs in the financial statements were measured and disclosed based on the actuarial results determined on December 31, 2022 and 2021.

For information related to the Group's pension costs, please refer to note 12.

(21) Income tax

A. Income tax expenses:

The amounts of income tax expenses were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Current income tax expense				
Current period	$ 73,952	151,073	254,433	350,441
Adjustment for prior period	-	744	(6,671)	(5,123)
	$ 73,952	**151,817**	**247,762**	**345,318**

The amount of income tax expense (benefit) recognized in other comprehensive income were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Exchange differences on translation of foreign financial statements	**$ 44,926**	**27,312**	**50,519**	**54,223**

B. The Company’s tax returns have been examined by the tax authorities through 2020.

C. The Group is closely monitoring developments related to the implementation of the international tax reforms introducing a global minimum top-up tax.

The International Accounting Standards Board issued amendments to IAS 12 that provide a temporary mandatory exception from deferred tax accounting for the top-up tax and require new disclosures in the annual financial statements. However, since none of the jurisdictions in which the Group operates had enacted or substantively enacted the tax legislation related to the top-up tax at the date when the consolidated financial statements for the nine months ended September 30, 2023. were authorized for issue, there is no impact on the consolidated financial statements in the said period.

In light of the exception from deferred tax accounting, the Group is focusing its assessment on the potential current tax impacts of the top-up tax. On September 30, 2023, the Group did not have sufficient information to determine the potential quantitative impact.

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(22) Capital and other equity

Except as described in the following paragraph, there were no significant changes in the Group's capital and other equity interest for the nine months ended September 30, 2023 and 2022. For related information on the shareholders' equity, please refer to note 6(23) of the 2022 annual consolidated financial statements.

A. Share Capital

The Group received the amount of $7,259 thousand as subscription to the $81 thousand capital stocks executed by its employees for the nine months ended September 30, 2023, the related registration procedure of all the capital stock have been completed, of which the amounts of $810 thousand and $6,449 thousand were recognized as share capital and increase in capital surplus.

The Group received the amount of $50,412 thousand as subscription to the $551 thousand capital stocks executed by its employees for the nine months ended September 30, 2022, of which the amounts of $3,210 thousand, $2,300 thousand, and $44,902 thousand were recognized as share capital, advance receipts for share capital, and increase in capital surplus, respectively. As of September 30, 2022, the related registration procedures of the 321 thousand capital stocks have been completed while the remaining 230 thousand capital stocks are being processed.

B. Capital surplus

	September 30, 2023	December 31, 2022	September 30, 2022
Paid-in capital in excess of par value	$ 396,660	463,039	458,275
Paid-in capital in excess of the par value derived from corporate bond conversion	186,826	186,826	186,826
Share options—bonds payable	87,533	87,533	87,533
Employee share options	34,687	32,626	32,221
Conversion right—preference share	35,191	35,191	35,191
Difference between consideration and carrying amount of subsidiaries acquired or disposed	9,966	123,132	123,411
Changes in equity of investments accounted for using equity method	23,843	23,843	21,876
Others	913	913	2,600
	$ 775,619	**953,103**	**947,933**

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The following are the appropriation of Capital surplus in 2022, which were proposed during the shareholders' meeting held on June 9, 2023:

	2022	
	Amount per share (NTD)	**Total amount**
Dividends distributed to ordinary shareholders:		
Cash	$ 2.06	155,563
Dividends distributed to preference shareholders:		
Cash	$ 1.06	33,022

C. Retained earnings

The following are the appropriation of earnings in 2023 and 2022 which were approved during the shareholders' meeting held on June 9, 2023 and June 6, 2022, respectively:

	2023		2022	
	Amount per share (NTD)	**Total amount**	**Amount per share (NTD)**	**Total amount**
Dividends distributed to ordinary shareholders:				
Cash	$ 4.94	373,048	4.50	338,093

The preference share dividends of A shares for 2022 and 2021, each amounting to $153,935 thousand, were calculated based on an annual interest rate of 3.35%.

(23) Share-based payment

Except as described in the following paragraph, there were no significant changes in the Group' s share-based payment for the nine months ended September 30, 2023 and 2022. For related information on the share-based payment, please refer to note 6(24) of the consolidated financial statements for the year ended December 31, 2022.

The amount of compensation costs generated from share-based payment were as follow:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Compensation cost	$ 1,781	2,248	5,740	6,203

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(24) Earnings per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Basic earnings per share:				
Net income attributable to ordinary shareholders of the Company	$ **166,522**	**321,496**	**392,734**	**782,322**
Weighted-average number of ordinary shares (in thousands)	**75,579**	**75,263**	**75,544**	**75,172**
Basic earnings per share	$ **2.20**	**4.27**	**5.20**	**10.41**
Diluted earnings per share:				
Net income attributable to ordinary shareholders of the Company (basic)	$ 166,522	321,496	392,734	782,322
Interest expense on preference shares	38,484	38,484	115,452	115,452
Effect of dilutive potential ordinary shares				
Net income attributable to ordinary shareholders of the Company (diluted)	$ **205,006**	**359,980**	**508,186**	**897,774**
Weighted-average number of ordinary shares (in thousands) (basic)	75,579	75,263	75,544	75,172
Employee remuneration	92	292	193	342
Employee share options	394	796	464	589
Convertible preference shares	31,153	31,153	31,153	31,153
Weighted-average number of ordinary shares (in thousands) (diluted)	**107,218**	**107,504**	**107,354**	**107,256**
Diluted earnings per share	$ **1.91**	**3.35**	**4.73**	**8.37**

(Continued)

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(25) Revenue from contracts with customers

A. Disaggregation of revenue

	For the three months ended September 30, 2023			
	Domestic	U.S.A.	Others	Total
Revenue from sale of goods	$ 671,626	1,383,473	421,536	2,476,635
Revenue from warranty and managed services	1,675	64,168	-	65,843
	$ **673,301**	**1,447,641**	**421,536**	**2,542,478**

	For the three months ended September 30, 2022			
	Domestic	U.S.A.	Others	Total
Revenue from sale of goods	$ 899,367	1,749,373	811,138	3,459,878
Revenue from warranty and managed services	2,057	85,872	-	87,929
	$ **901,424**	**1,835,245**	**811,138**	**3,547,807**

	For the nine months ended September 30, 2023			
	Domestic	U.S.A.	Others	Total
Revenue from sale of goods	$ 1,759,176	4,096,521	1,378,426	7,234,123
Revenue from warranty and managed services	4,839	228,019	-	232,858
	$ **1,764,015**	**4,324,540**	**1,378,426**	**7,466,981**

	For the nine months ended September 30, 2022			
	Domestic	U.S.A.	Others	Total
Revenue from sale of goods	$ 2,445,881	4,303,887	2,129,961	8,879,729
Revenue from warranty and managed services	5,004	237,570	-	242,574
	$ **2,450,885**	**4,541,457**	**2,129,961**	**9,122,303**

B. Contract balances

	September 30, 2023	December 31, 2022	September 30, 2022
Contract liabilities－current			
Sale of goods	$ 212,327	178,370	228,510
Warranty and managed services	140,849	148,790	164,458
	353,176	327,160	392,968
Contract liabilities－non-current			
Warranty and managed services	81,656	129,697	118,118
	$ **434,832**	**456,857**	**511,086**

For details on notes and accounts receivable, and loss allowance, please refer to note 6(2).

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The amounts of revenue recognized for the nine months ended September 30, 2023 and 2022 that were included in the contract liability balance at the beginning of the period were $222,499 thousand and $312,912 thousand, respectively.

(26) Remuneration to employees and directors

According to the Articles of Association, once the Group has annual profit, it should appropriate 2%~10% of the profit to its employees, and no more than 4% to its directors as remuneration.

The remunerations to employees amounted to $3,705 thousand, $15,843 thousand, $9,613 thousand , and $39,216 thousand, as well as the remunerations to directors amounted to $1,852 thousand, $3,961 thousand, $4,806 thousand and $9,804 thousand for the nine months ended September 30, 2023 and 2022, respectively. These amounts were calculated using the Group's net income before tax without the remunerations to employees and directors for each period, multiplied by the percentage which is stated under the Group' s Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts approved by the Board of Directors, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. Shares distributed to employees as employees remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

For the year ended December 31, 2022 and 2021, the remunerations to employees amounted to $41,724 thousand and $17,466 thousand, and the remunerations to directors amounted to $10,431 thousand and $5,822 thousand, respectively, which were both paid in cash. There were no differences between the estimated amounts and the actual amounts of remuneration. The information is available on the Market Observation Post System website.

(27) Non-operating income and expenses

A. Interest income

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Interest income from bank deposits	$ 10,568	4,399	33,876	8,506
Interest income on lease receivable	29	42	96	149
Other interest income	4	162	13	744
	$ 10,601	**4,603**	**33,985**	**9,399**

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B. Other income

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Rental income	$ 5,736	7,209	19,964	21,768
Dividend income	-	1,936	9	1,942
	$ 5,736	**9,145**	**19,973**	**23,710**

C. Other gains and losses

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Gains (losses) on disposal of property, plant and equipment	$ (2)	1	(692)	39
Foreign exchange gains (losses), net	41,686	100,333	51,797	194,342
Net loss on financial assets and liabilities at FVTPL	(2,185)	(7,080)	(3,383)	(8,045)
Other	1,821	3,485	8,280	11,279
	$ 41,320	**96,739**	**56,002**	**197,615**

D. Finance costs

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Interest expenses on preference share liabilities	$ 38,484	38,484	115,452	115,452
Interest expenses on bank loans	7,092	10,078	20,090	24,722
Interest expenses on lease liabilities	3,776	5,697	10,126	19,850
	$ 49,352	**54,259**	**145,668**	**160,024**

(Continued)

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(28) Financial Instruments

Except as described in the following paragraph, there were no significant changes in the Group's fair value of financial instruments exposed to credit risk and market risk. For related information about the fair value on financial instruments, please refer to note 6(29) of the 2022 annual consolidated financial statements.

A. Credit risk

(a) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

(b) Concentration of credit risk

The Group mainly transacts with entities with good credit ratings, domestic and foreign. Aside from granting credit facilities to customers according to procedures for granting credits, the Group also continues to obtain understanding of the credit status of its customers. As of September 30, 2023, December 31 and September 30, 2022, the Group's accounts receivable were not concentrated.

(c) Receivables and debt securities

For credit risk exposure on receivables, please refer to note 6(2). No loss allowances were recognized under other financial assets at amortized cost, including other receivables and other financial assets.

B. Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements, except for notes and accounts payable (including related parties) and other payables:

	Carrying amount	Contractual cash flows	Within 1 year	1~5 years	Over 5 years
September 30, 2023					
Non-derivative financial liabilities					
Short-term borrowings	$ 1,170,888	1,191,161	1,191,161	-	-
Lease liabilities (including current portion)	462,906	528,604	81,577	213,685	233,342
Long-term borrowings (including current portion)	93,128	99,657	28,483	26,577	44,597
Preference share liabilities	4,595,089	4,595,089	-	4,595,089	-
Guarantee deposits received	139,931	139,931	-	137,049	2,882
	$ 6,461,942	**6,554,442**	**1,301,221**	**4,972,400**	**280,821**

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	Carrying amount	Contractual cash flows	Within 1 year	1~5 years	Over 5 years
December 31, 2022					
Non-derivative financial liabilities					
Short-term borrowings	$ 1,206,677	1,228,239	1,228,239	-	-
Lease liabilities (including current portion)	422,051	483,794	67,214	172,479	244,101
Long-term borrowings (including current portion)	588,563	625,896	14,741	557,975	53,180
Preference share liabilities	4,595,089	4,595,089	-	4,595,089	-
Guarantee deposits received	147,972	147,972	-	145,118	2,854
	$ 6,960,352	7,080,990	1,310,194	5,470,661	300,135

	Carrying amount	Contractual cash flows	Within 1 year	1~5 years	Over 5 years
September 30, 2022					
Non-derivative financial liabilities					
Short-term borrowings	$ 1,093,510	1,112,918	1,112,918	-	-
Lease liabilities (including current portion)	442,774	508,488	71,385	188,326	248,777
Long-term borrowings (including current portion)	1,448,592	1,504,789	342,697	1,110,059	52,033
Preference share liabilities	4,595,089	4,595,089	-	4,595,089	-
Guarantee deposits received	152,880	152,880	-	149,225	3,655
	$ 7,732,845	7,874,164	1,527,000	6,042,699	304,465

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

C. Currency risk

(a) Exposure to currency risk

The Group’s financial assets and liabilities exposed to exchange rate risk were as follows:

	September 30, 2023		
	Foreign currency	Exchange rate	NTD
Financial assets			
Monetary items			
USD	$ 49,914	32.27	1,610,734
CNY	10,547	4.415	46,565
Investments accounted for using equity method			
USD	1,630	32.27	52,592
Financial liabilities			
Monetary items			
USD	26,868	32.27	867,021
CNY	1,124	4.415	4,963

(Continued)

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	December 31, 2022		
	Foreign currency	Exchange rate	NTD
Financial assets			
Monetary items			
USD	$ 63,839	30.71	1,960,483
CNY	14,475	4.408	63,804
Investments accounted for using equity method			
USD	1,592	30.71	48,901
Financial liabilities			
Monetary items			
USD	22,544	30.71	692,334
CNY	696	4.408	3,066

	September 30, 2022		
	Foreign currency	Exchange rate	NTD
Financial assets			
Monetary items			
USD	$ 82,071	31.75	2,605,760
CNY	13,987	4.473	62,564
Investments accounted for using equity method			
USD	1,594	31.75	50,509
Financial liabilities			
Monetary items			
USD	13,241	31.75	991,914

(b) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, receivables, short-term borrowings, notes and accounts payable (including related parties), and other payables that are denominated in foreign currency. Assuming all other variable factors remain constant, a strengthening (weakening) of 5% of the NTD against the USD and CNY, as of September 30, 2023 and 2022, would have increased (decreased) the comprehensive income $31,413 thousand and $67,056 thousand for the nine months ended September 30, 2023 and 2022, respectively.

(c) Foreign exchange gains or losses on monetary items

Due to the variety of the functional currencies of the Group's entities, the Group's foreign Gains (losses) on monetary items amounted to $41,686 thousand, $100,333 thousand, $51,797 thousand, and $194,342 thousand for the three and nine months ended September 30, 2023 and 2022, respectively.

D. Interest rate risk

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year.

If the interest rate had increased or decreased by 1%, the Group's net income would have increased or decreased by $7,584 thousand and $15,253 thousand for the nine months ended September 30, 2023 and September 30, 2022, respectively, with all other variable factors remaining constant.

E. Fair value of financial instruments

(a) Categories of financial instruments and fair value

The fair value of financial assets at FVOCI is measured on a recurring basis. The Group's carrying amount and the fair value of financial assets (including information for fair value hierarchy, but excluding financial instruments whose fair values approximate the carrying amounts, and lease liabilities), were as follows:

	September 30, 2023				
	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets at FVOCI					
Domestic listed stocks	$ 357	357	-	-	357
Domestic emerging market shares	65,111	-	23,153	41,958	65,111
Domestic unlisted stocks	25,911	-	-	25,911	25,911
Foreign unlisted stocks	28,409	-	-	28,409	28,409
	$ 119,788	**357**	**23,153**	**96,278**	**119,788**

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	December 31, 2022					
	Carrying amount		Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets at FVOCI						
Domestic listed stocks	$	328	328	-	-	328
Domestic emerging market shares		77,993	-	36,035	41,958	77,993
Domestic unlisted stocks		24,871	-	-	24,871	24,871
Foreign unlisted stocks		34,040	-	-	34,040	34,040
	$	**137,232**	**328**	**36,035**	**100,869**	**137,232**

	September 30, 2022					
	Carrying amount		Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets at FVOCI						
Domestic listed stocks	$	316	316	-	-	316
Domestic emerging market shares		78,078	-	41,352	36,726	78,078
Domestic unlisted stocks		22,981	-	-	22,981	22,981
Foreign unlisted stocks		34,415	-	-	34,415	34,415
	$	**135,790**	**316**	**41,352**	**94,122**	**135,790**

(b) Valuation techniques for financial instruments not measured at fair value

The Group estimates its financial instruments not measured at fair value using the following methods and assumptions:

Fair value measurement for financial liabilities measured at amortized cost will be based on the latest quoted price and agreed upon price if these prices are available in active markets. When market value is unavailable, the fair value of financial liabilities is evaluated based on the discounted cash flow of the financial liabilities.

(c) Valuation techniques for financial instruments that are measured at fair value

A. Non-derivative

The Group held its domestic emerging market shares, which are measured at fair value, according to standard provisions and conditions, with the fair value being measured using the quoted prices in an active market.

Except for the above financial instruments with an active market, the Group estimated the fair value of the remaining financial instruments by using the valuation techniques. The valuation technique is used to arrive at their fair value, for which the market transaction prices of the similar companies and market conditions are considered.

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B. Derivative

The fair value is measured using the public quotation. When a public quotation cannot be obtained, the fair value will be based on third-party pricing information. Forward foreign exchange contracts are usually valued based on the current forward exchange rate. The Group's convertible corporate bond is measured by using the binominal tree approach, based on the volatility of the stock price, risk-free rate, etc.

(d) Transfer between level 1 and level 2: None.

(e) Reconciliation of level 3 fair values:

	Financial assets at FVOCI－ equity investments without an active market
Balance as of January 1, 2023	$ 100,869
Total gains and losses	
Recognized in other comprehensive income	(4,591)
Balance as of September 30, 2023	**$ 96,278**
Balance as of January 1, 2022	$ 110,268
Total gains and losses	
Recognized in other comprehensive income	(1,081)
Transfers to Level 2	(15,065)
Balance as of September 30, 2022	**$ 94,122**

The gains (losses) from financial assets at FVOCI resulted from the recognition of the total gains and losses mentioned above.

(f) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group’s financial instruments that use Level 3 inputs to measure their fair value include financial assets at FVOCI – equity investments.

The Group classified its equity investments without an active market as recurring level 3 fair values in the fair value hierarchy due to the use of significant unobservable inputs. The significant unobservable inputs of the equity investments without an active market are independent, therefore, there is no correlation between them.

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Quantified information of significant unobservable inputs were as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at FVOCI－equity investments without an active market	Market approach	• Price-to-book ratios as of September 30, 2023, December 31 and September 30, 2022 were 2.25, 2.25 and 2.07, respectively. • Liquidity discount as of September 30, 2023, December 31 and September 30, 2022 were 16.03%, 16.03% and 14.32%, respectively.	• The higher the price-to-book ratio, the higher the fair value. • The higher the liquidity discount, the lower the fair value.
Financial assets at FVOCI－equity investments without an active market	Asset approach	• Net asset value. • Liquidity discount as of September 30, 2023, December 31 and September 30, 2022 were 30% .	• The higher the price-to-book ratio, the higher the fair value. • The higher the liquidity discount, the lower the fair value.

(29) Financial risk management

There were no significant changes in the Group's objectives and policies applied in the financial risk management from those in the consolidated financial statement for the year ended December 31, 2022. For related information about the financial risk management, please refer to note 6(30) of the consolidated financial statements for the year ended December 31, 2022.

(30) Capital management

The Group' s objectives, policies and processes for capital management were consistent with those of consolidated financial statements for the year ended December 31, 2022. There were no significant changes in quantified factors of capital management from those in the consolidated financial statement for the year ended December 31, 2022. For related information about the capital management, please refer to note 6(31) of the consolidated financial statements for the year ended December 31, 2022.

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(31) Financing activities of non-cash transactions

Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2023	Cash flow	Non-cash changes: Foreign exchange movement	Non-cash changes: Other changes	September 30, 2023
Short-term borrowings	$ 1,206,677	(41,402)	5,613	-	1,170,888
Lease liabilities (including current portion)	422,051	(50,577)	9,812	81,620	462,906
Guarantee deposits received	147,972	(10,094)	2,053	-	139,931
Long-term borrowings (including current portion)	588,563	(488,294)	(7,141)	-	93,128
	$ 2,365,263	(590,367)	10,337	81,620	1,866,853

	January 1, 2022	Cash flow	Non-cash changes: Foreign exchange movement	Non-cash changes: Other changes	September 30, 2022
Short-term borrowings	$ 459,448	625,942	8,120	-	1,093,510
Lease liabilities (including current portion)	771,276	(47,389)	25,987	(307,100)	442,774
Guarantee deposits received	1,847	151,033	-	-	152,880
Long-term borrowings (including current portion)	1,639,486	(198,685)	7,791	-	1,448,592
	$ 2,872,057	530,901	41,898	(307,100)	3,137,756

7. Related-party Transactions

(1) Names and relationship with related parties

The followings are entities that have had transactions with the Group during the periods covered in the consolidated financial statements:

Name of related parties	Relationship with the Group
MiTwell, Inc. (MiTwell)	Associate
LPK Limited (LPK)	Associate
Gridwell, Inc. (GRIDWELL)	Subsidiary of associate
POME Technology Inc. (POME)	Subsidiary of associate
WELINK SOLUTIONS Inc. (WELINK)	Subsidiary of associate
Weliot Solutions, Inc. (WELIOT)	Substantive related party
Esquarre Capital Taiwan Branch (Esquarre)	Substantive related party

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(2) Significant related-party transactions

A. Operating revenue

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Associate	$ 20,355	38,240	33,835	233,554
Subsidiary of associate	8,574	186,604	49,293	186,713
	$ 28,929	**224,844**	**83,128**	**420,267**

The selling prices for sales to related parties were determined by the products' fair market value, and the collection terms were mainly 30-90 days, which were similar to those offered to third party customers.

The Group's receivables due from related parties as a result of transactions mentioned above were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Associate	$ 11,123	4,530	38,614
Subsidiary of associate	7,272	116,309	186,977
	$ 18,395	**120,839**	**225,591**

B. Purchases

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Associate	$ 9,632	233,178	82,059	485,992
Subsidiary of associate	30,650	30,862	75,648	91,739
	$ 40,282	**264,040**	**157,707**	**577,731**

The terms and pricing of purchase transactions with related parties were not significantly different from those with third party vendors.

The Group's payables to related parties as a result of transactions mentioned above were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Associate	$ 3,867	42,089	169,762
Subsidiary of associate	16,370	3,937	12,481
	$ 20,237	**46,026**	**182,243**

(Continued)

Posiflex Technology, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

C. Other transactions

(a) The amounts paid by the Group to its related parties for administrative and other expenses were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Substantive related party	$ 1,500	1,500	4,500	4,500
Associate	858	794	1,746	2,662
Subsidiary of associate	150	112	641	662
	$ 2,508	**2,406**	**6,887**	**7,824**

The Group's payables as a result of transactions mentioned above were as follow:

	September 30, 2023	December 31, 2022	September 30, 2022
Associate	$ 370	329	399
Subsidiary of associate	80	355	129
	$ 450	**684**	**528**

(b) The Group signed lease contracts with its related parties, with lease terms based on their mutual agreements, and the related rental revenue was as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Associate	$ 1,190	1,226	3,613	3,679
Subsidiary of associate	18	99	56	523
	$ 1,208	**1,325**	**3,669**	**4,202**

As of September 30, 2023, December 31 and September 30, 2022, the Group received the rental guaranteed deposits of $275 thousand, respectively.

(c) The Group' s receivables as a result of transactions mentioned above and advance payment were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Associate	$ 1,907	1,621	1,200
Subsidiary of associate	194	596	229
	$ 2,101	**2,217**	**1,429**

(Continued)

Posiflex Technology, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

(3) Transactions with key management personnel

Key management personnel compensation comprised the following:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Short-term employee benefits	$ 51,979	44,396	154,358	128,440
Post-employment benefits	866	614	2,442	1,901
Share-based payment	415	2,258	2,654	5,962
	$ 53,260	**47,268**	**159,454**	**136,303**

The remuneration to directors and key executives was determined by the remuneration committee, which is based on the performance of individuals and market trends.

Please refer to note 6(23) for further information on share-based payment.

8. Assets pledged as security

The carrying values of the Group's pledged assets are as follows:

Assets	Purpose of Pledged	September 30, 2023	December 31, 2022	September 30, 2022
Security deposit for loans (recognized as other financial assets－current)	Collateral for short-term bank loans	$ 3,008	2,817	2,832
Security deposit for loans (recognized as other financial assets－non-current)	Collateral for bank borrowing	-	1,816	1,892
Property, plant and equipment	Collateral for bank borrowing	2,249,481	2,081,725	2,315,574
Cash in bank (recognized as financial assets at amortized cost)	Collateral for short-term bank loans	15,000	15,000	-
Time deposits (recognized as financial assets at amortized cost)	Collateral for short-term bank loans	560,919	535,650	547,688
Guarantee deposits paid (recognized as other financial assets－non-current)	Lease guarantee	22,600	22,408	21,801
		$ 2,851,008	**2,659,416**	**2,889,787**

The Group pledged its entire shares in KIOSK and APT are collateral for long-term borrowings as of September 30, 2022

9. Significant Commitments and Contingencies

Company A, a customer of the Group, provided the guarantee deposit amounting to $137,049 thousand (USD $4,247 thousand) to ensure the delivery of its order. The deposit is not deductible to the payables and shall be fully refunded to Company A after the end of the project. The deposit received by the Group had been recognized as guarantee deposits received-non-current.

10. Significant Casualty Loss: None.

11. Significant Subsequent Events: None.

12. Other

Summaries of current-period employee benefits, depreciation, and amortization, by function, were as follows:

By function / By item	For the three months ended September 30, 2023			For the three months ended September 30, 2022		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	147,452	381,487	528,939	125,737	397,385	523,122
Labor and health insurance	10,947	32,950	43,897	10,545	25,117	35,662
Pension	3,782	15,151	18,933	4,234	9,981	14,215
Others	3,052	17,664	20,716	11,279	13,195	24,474
Depreciation (note)	21,230	38,287	59,517	19,138	36,194	55,332
Amortization	13,033	15,867	28,900	13,135	44,938	58,073

By function / By item	For the nine months ended September 30, 2023			For the nine months ended September 30, 2022		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	378,730	1,150,356	1,529,086	342,180	1,106,673	1,448,853
Labor and health insurance	31,935	85,936	117,871	29,652	73,269	102,921
Pension	12,104	44,296	56,400	11,555	38,075	49,630
Others	23,747	42,234	65,981	34,990	34,100	69,090
Depreciation (note)	62,919	109,738	172,657	56,477	107,612	164,089
Amortization	39,046	46,635	85,681	38,760	86,588	125,348

Note: For the three months and nine months ended September 30, 2023, and 2022 the deprecation expenses of the assets leased to the third parties under operating leases amounted to $46 thousand, $46 thousand, $137 thousand and $137 thousand recognized as deductions of rental revenue.

Posiflex Technology, Inc. and Subsidiaries
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13. Other disclosures:

(1) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

A. Loans to other parties: Please refer to Table 1.

B. Guarantees and endorsements for other parties: Please refer to Table 2.

C. Securities held as of September 30, 2023 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 3.

D. Individual securities acquired or disposed of with accumulated amount $300 million or 20% of the capital stock: None.

E. Acquisition of individual real estate with amount exceeding the lower of $300 million or 20% of the capital stock: None

F. Disposal of individual real estate with amount exceeding the lower of $300 million or 20% of the capital stock: None

G. Related-party transactions for purchases and sales with amounts exceeding the lower of $100 million or 20% of the capital stock: Please refer to Table 4.

H. Receivables from related parties with amounts exceeding the lower of $100 million or 20% of the capital stock: Please refer to Table 5.

I. Trading in derivative instruments: Please refer to note 6(2).

J. Business relationships and significant intercompany transactions: Please refer to Table 6.

(2) Information on investees: Please refer to Table 7.

(3) Information on investment in Mainland China: Please refer to Table 8.

(i) The names of investees in Mainland China, their main businesses and products, and other information: Please refer to Table 8.

(ii) Limitation on investment in Mainland China: Please refer to Table 8.

(iii) Significant transactions:

The significant intercompany transactions with the subsidiaries in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(4) Major shareholders:

(In Shares)

Shareholding Shareholder's Name	Shares	Percentage
Embedded City Taiwan limited	31,153,147	29.18 %

Note: The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of the total non-physical ordinary shares and preference shares (including treasury shares) on the last business date of each quarter. The actual registered non-physical shares may be different from the capital shares disclosed in the consolidated financial statement due to the use of different calculation basis.

14. Segment information:

The Group's operating segment information and reconciliation were as follows:

	For the three months ended September 30, 2023			
	Domestic	**U.S.A.**	**Others**	**Total**
Revenue from external customers	**$ 673,301**	**1,447,641**	**421,536**	**2,542,478**
Reportable segment profit	**$ 501,570**	**203,674**	**33,732**	**738,976**
Total segment assets				$ 15,044,491
Investments accounted for using equity method				250,105
Total assets				**$ 15,294,596**

	For the three months ended September 30, 2022			
	Domestic	**U.S.A.**	**Others**	**Total**
Revenue from external customers	**$ 901,424**	**1,835,245**	**811,138**	**3,547,807**
Reportable segment profit	**$ 531,211**	**333,207**	**86,467**	**950,885**
Total segment assets				$ 16,812,014
Investments accounted for using equity method				255,610
Total assets				**$ 17,067,624**

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	For the nine months ended September 30, 2023			
	Domestic	U.S.A.	Others	Total
Revenue from external customers	$ 1,764,015	4,324,540	1,378,426	7,466,981
Reportable segment profit	$ 1,400,546	566,146	119,249	2,085,941
Total segment assets				$ 15,044,491
Investments accounted for using equity method				250,105
Total assets				$ 15,294,596

	For the nine months ended September 30, 2022			
	Domestic	U.S.A.	Others	Total
Revenue from external customers	$ 2,450,885	4,541,457	2,129,961	9,122,303
Reportable segment profit	$ 1,365,143	839,144	176,426	2,380,713
Total segment assets				$ 16,812,014
Investments accounted for using equity method				255,610
Total assets				$ 17,067,624

(Continued)

Posiflex Technology, Inc. and Subsidiaries
Loans to other parties
For the Nine Months Ended September 30, 2023

Table 1 (In Thousands of New Taiwan Dollars)

No.	Name of lender	Name of borrower	Account	Related party	Highest balance of financing to other parties during the period (note 3)	Ending balance (note 3)	Actual usage amount during the period (note 3)	Range of interest rates during the period	Purposes of fund financing for the borrower (note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits (note 2)	Maximum limit of total financing amount (note 2)
													Item	Value		
0	POSIFLEX	PORTWELL	Other receivables —related parties	Yes	300,000	300,000	-	1.33%	2	-	Loan repayment	-		-	746,854	1,120,282

Note 1: An entity which has short-term financing needs: 2

Note 2: According to the financing company's financial management clauses, for financing to entities which have short-term financing needs, the financing limit for each borrower and the aggregate financing limit are 20% and 30%, respectively, of the financing company's net value.

Posiflex Technology, Inc. and Subsidiaries
Guarantees and endorsements for other parties
For the Nine Months Ended September 30, 2023

Table 2 (In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 2)	Highest balance for guarantees and endorsements during the period (Note 4)	Balance of guarantees and endorsements as of the reporting date (Note 4)	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of the accumulated amounts of guarantees and endorsements to net worth of the latest financial statements (Note 3)	Maximum amount for guarantees and endorsements (Note 2)	Parent company endorsements/ guarantees to third parties on behalf of the subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of the parent company	Endorsements/ guarantees to third parties on behalf of the companies in Mainland China	Note
		Name	Relationship with the Company (Note1)											
0	The Company	PBM	b	7,468,544	258,160	258,160	-	-	6.91 %	7,468,544	Y	N	N	
0	The Company	PG	b	7,468,544	9,144	-	-	-	- %	7,468,544	Y	N	N	
0	The Company	PTIL	b	7,468,544	14,037	14,037	14,037	-	0.38 %	7,468,544	Y	N	N	
0	The Company	KIOSK	b	7,468,544	193,620	193,620	169,418	90,000	5.18 %	7,468,544	Y	N	N	Note 5
1	APT	PORTWELL	d	6,085,078	484,050	484,050	400,000	485,919	15.91 %	6,085,078	N	N	N	Note 6

Note 1: The Company may make endorsements/guarantees for the following companies:

a. A company which has business transactions with the Company
b. A company in which the Company directly and indirectly holds more than 50% of the voting shares.
c. A company that directly and indirectly holds more than 50% of the voting shares in the Company.
d. Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
e. The Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
f. All capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
g. Companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: According to the Company's guarantee of the endorsement:

a. Limit for the total endorsements/ guarantees amount shall not exceed 200% of the latest financial statements of the Company's net assets. The amount of endorsements/ guarantees for any single entity shall not exceed 200% of the latest financial statements of the Company's net assets.

b. The total amount of endorsements/ guarantees of the Company and its subsidiaries shall not exceed 200% of the latest financial statements of the Company's net assets. The amount of endorsements/ guarantees of the Company and its subsidiaries for any single entity shall not exceed 200% of the latest financial statements of the Company's net assets.

c. Besides the restrictions mentioned in the two paragraphs above, the Company makes endorsements/guarantees for another entity due to their business transactions, wherein the amount of endorsements/ guarantees for the individual entity shall not exceed the total amount of transactions between the Company and the entity in recent year (the higher of the purchase or sales amount between the parties).

d. Limit for the total endorsements/ guarantees amount shall not exceed 200% of the latest financial statements of APT's net assets, and it shall not exceed 200% of the latest financial statements of the Company's net assets as well. The amount of endorsements/ guarantees for any single entity shall not exceed 200% of the latest financial statements of APT's net assets, and it shall not exceed 200% of the latest financial statements of the Company's net assets as well.

According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the net assets mentioned above refer to equity attributable to the shareholders of the Company on the balance sheet.

Note 3: The ratio of endorsements/guarantees to net assets from the financial statements of the Company for the year ended September 30, 2023.

Note 4: Both of the highest balance and the balance at the end of the period of the endorsements/guarantees for PBM each amounted to US$8,000 thousand; the highest balance of the period of the endorsements/guarantees for PG amounted to US$300 thousand; both of the highest balance and the balance at the end of the period of the endorsements/guarantees for PTIL each amounted to US$435 thousand; both of the highest balance and the balance at the end of the period of the endorsements/guarantees for KIOSK each amounted to US$6,000 thousand. The ending balance of endorsements/guarantees with NTD was calculated by the exchange rate of US$1: NT$32.27 as of September 30, 2023.

Note 5: The time deposit of NT$75,000 thousand and cash in bank of NT$15,000 thousand was pledged as collateral for KIOSK's bank borrowings amounting to US$4,500 thousand.

Note 6: The time deposit of US$15,058 thousand was pledged as collateral by APT for Portwell's bank borrowings amounting NTD$400,000 thousand.

Posiflex Technology, Inc. and Subsidiaries

Securities held as of September 30, 2023 (excluding investment in subsidiaries, associates and joint ventures)

September 30, 2023

Table 3 (In Thousands of New Taiwan Dollars/share)

Name of holder	Category and name of security	Relationship with company	Account	Ending balance				Note
				Shares/Units	Carrying value	Percentage of ownership (%)	Fair value	
The Company	O' Pay Electronic Payment Co., Ltd.	-	Financial assets at fair value through other comprehensive income－non-current	932,828	23,153	1.28 %	23,153	
The Company	Green World FinTech Service Co., Ltd.	-	Financial assets at fair value through other comprehensive income－non-current	847	357	0.01 %	357	
PORTEWLL	AcSiP Technology Corp.	PORTWELL is director of AcSip Technology Crop.	Financial assets at fair value through other comprehensive income－non-current	5,180,000	41,958	14.14 %	41,958	
PORTEWLL	S-SHARP Corporation	-	Financial assets at fair value through other comprehensive income－non-current	232,000	-	16.20 %	-	
PORTEWLL	GRIDWELL, Inc.	-	Financial assets at fair value through other comprehensive income－non-current	400,000	-	15.04 %	-	
PORTEWLL	Welink Solutions, Inc.	Subsidiary of associate	Financial assets at fair value through other comprehensive income－non-current	1,935,346	25,911	9.68 %	25,911	
HOLDING	Beijing Caswell Ltd.	-	Financial assets at fair value through other comprehensive income－non-current	-	28,409	18.00 %	28,409	

Note 1: For more information about the investment of subsidiaries, associates and joint ventures, please refer to Tables 7 and 8.

Note 2: The Company did not recognize any carrying value deriving from Hua He Tang, Yao Teng, NiceRaker, WaWaWorks, and My Ball, since they have ceased operating or their businesses have no substantial operating activities.

Posiflex Technology, Inc. and Subsidiaries

Receivables from related parties with amounts exceeding the lower of $100 million or 20% of the capital stock

For the Nine Months Ended September 30, 2023

Table 4 (In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	PTIL	Subsidiary	Sale	162,964	10.97 %	Net 150 days from invoice date	-	-	187,217	27.82 %	Note
The Company	PBM	Subsidiary	Sale	137,712	9.27 %	Net 150 days from invoice date			78,822	11.71 %	Note
PORTWELL	APT	Subsidiary	Sale	1,230,793	55.21 %	Net 15 days from invoice date	-	-	34,177	9.34 %	Note
PORTWELL	EPT	Subsidiary	Sale	121,013	5.43 %	Net 90 days from invoice date	-	-	47,311	12.92 %	Note
PORTWELL	MEDWELL	Subsidiary	Sale	110,900	4.97 %	Net 30 days	-	-	5,918	1.62 %	Note

Note : The relevant transactions and ending balance were eliminated in the consolidated financial statements.

Posiflex Technology, Inc. and Subsidiaries

Receivables from related parties with amounts exceeding the lower of $100 million or 20% of the capital stock

For the Nine Months Ended September 30, 2023

Table 5 (In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Loss Allowance	Note
					Amount	Action taken			
The Company	PTIL	Subsidiary of the Group	187,217	1.06	98,014	Strengthen collections of receivables	40,338	-	Note 1

Note 1: The relevant transactions and ending balance were eliminated in the consolidated financial statements.

Posiflex Technology, Inc. and Subsidiaries

Business relationships and significant intercompany transactions

For the Nine Months Ended September 30, 2023

Table 6 (In Thousands of New Taiwan Dollars)

No. (Note 2)	Name of company	Name of counter-party	Nature of relationship (Note 3)	Intercompany transactions			
				Account (Note 5)	Amount	Trading terms	Percentage of the consolidated total revenue or total assets (Note 1, 4)
0	The Company	PBM	1	Sales revenue	137,712	The selling price for related parties, determined by the consumption situation in their regions, approximated the market price.	2 %
0	The Company	PTIL	1	Sales revenue	162,964	The selling price for related parties, determined by the consumption situation in their regions, approximated the market price.	2 %
0	The Company	PTIL	1	Accounts receivable	187,217	Net 150 days from invoice date	1 %
1	PORTWELL	APT	3	Sales revenue	1,230,793	The selling price for related parties, determined by the consumption situation in their regions, approximated the market price.	16 %
1	PORTWELL	EPT	3	Sales revenue	121,013	The selling price for related parties, determined by the consumption situation in their regions, approximated the market price.	2 %
2	MEDWELL	API	3	Sales revenue	86,261	The selling price for related parties, determined by the consumption situation in their regions, approximated the market price.	1 %

Note 1: The transactions with amount that account for more than 1% of the consolidated total revenue or total assets were disclosed.

Note 2: The information of number is as follow:

1. The number 0 represents the parent company.
2. The subsidiaries are numbered in order starting from number 1.

Note 3: The types of relationships with traders are as follows:

1. The parent company to the subsidiary.
2. The subsidiary to the parent company.

3. The subsidiary to the subsidiary.

Note 4: The ratio of the transaction amount to the consolidated total sales revenue or consolidated total assets was calculated as follows:

1. For transaction amount accounted for as asset or liability, the ratio is calculated based on the ending balance of the consolidated total assets.
2. For transaction amount accounted for as profit or loss, the ratio is calculated based on the accumulated amount of profit or loss at the end of the financial period of the consolidated total sales revenue.

Note 5: Only the sales revenue and accounts receivable from related parties were disclosed; the relative purchase and accounts payable need not be redisclosed.

Posiflex Technology, Inc. and Subsidiaries

Information on investees

For the Nine Months Ended September 30, 2023

Table 7 (In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2023	December 31, 2022	Shares	Percentage of ownership	Carrying value			
The Company	PORTWELL	Taiwan	Manufacture and sale of industrial computers and peripheral equipment and information software services.	2,534,078	2,534,078	54,070,812	55.00 %	3,231,499	653,380	337,571	Subsidiary(Notes 1,2)
The Company	PBM	U.S.A.	Foreign trade	2,810,494	2,810,494	417,034,408	100.00 %	2,122,873	(120,322)	(120,322)	Subsidiary(Note 1)
The Company	PIC	Seychelles	Foreign trade	107,055	107,055	-	100.00 %	72,775	(18,746)	(18,746)	Subsidiary(Note 1)
The Company	PENETEK	Taiwan	Manufacture and sale of industrial computers and peripheral equipment	36,910	36,910	3,691,000	61.52 %	40,257	(693)	(426)	Subsidiary(Note 1)
The Company	KOMING	Taiwan	Foreign trade and software services	15,000	15,000	1,500,000	100.00 %	10,250	15	15	Subsidiary(Note 1)
The Company	ULTRA	Taiwan	Software services	15,200	15,000	1,040,002	51.49 %	4,851	(166)	(86)	Subsidiary(Notes 1,3)
The Company	PBMM	Malaysia	Foreign trade	7,795	7,795	801,214	83.46 %	6,803	3,399	2,850	Subsidiary(Note 1)
The Company	BonusPay	Taiwan	Software services	-	24,000	-	- %	-	(119)	(114)	Subsidiary(Notes 1, 4)
The Company	PTSC	Argentina	Foreign trade	15,151	15,151	-	100.00 %	(8)	(59)	(59)	Subsidiary(Note 1)
The Company	ONK Cloud	Taiwan	Software services	3,196	3,196	319,667	99.90 %	82	-	-	Subsidiary(Note 1)
The Company	PG	Germany	Foreign trade	67,989	67,989	-	100.00 %	28,491	3,046	3,046	Subsidiary(Note 1)
The Company	PTIL	India	Foreign trade	8,441	8,441	51,000	51.00 %	13,664	5,134	2,618	Subsidiary(Note 1)
The Company	PTPL	Singapore	Foreign trade	11,612	11,612	500,000	100.00 %	4,966	2,265	2,265	Subsidiary(Note 1)
The Company	PJ	Japan	Foreign trade	43,162	43,162	2,400	100.00 %	(716)	(3,539)	(3,539)	Subsidiary(Note 1)
The Company	LPK	Hong Kong	Foreign trade	52,403	52,403	17,500	35.00 %	52,592	3,304	1,157	Investment accounted for using the equity method
The Company	KIOSKTW	Taiwan	Software services	20,000	20,000	2,000,000	100.00 %	11,672	(8,189)	(8,189)	Subsidiary(Note 1)
ONK Cloud	ONK International	Samoa	Investing	5,027	5,027	-	100.00 %	(93)	-	-	Subsidiary(Note 1)
PBM	KIA	U.S.A.	Investing	3,295,755	3,295,755	1,012,355	82.00 %	1,919,716	13,892	(42,560)	Subsidiary (Notes 1, 2)
PTIL	MUSTEK	India	Foreign trade	48	48	-	100.00 %	522	(89)	(89)	Subsidiary (Note 1)
PTIL	QUINTA	India	Foreign trade	931	931	69,999	70.00 %	(5,076)	(7,653)	(5,357)	Subsidiary (Note 1)
PORTWELL	APT	U.S.A.	Manufacture and sale of industrial computers and peripheral equipment	909,329	909,329	42,777,780	100.00 %	2,993,572	169,928	169,928	Subsidiary (Note 1)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount September 30, 2023	Original investment amount December 31, 2022	Balance as of September 30, 2023 Shares	Balance as of September 30, 2023 Percentage of ownership	Balance as of September 30, 2023 Carrying value	Net income (losses) of investee	Share of profits/losses of investee	Note
PORTWELL	PJI	Japan	Manufacture and sale of industrial computers and peripheral equipment	31,383	31,383	1,980	99.00 %	151,379	12,837	12,709	Subsidiary (Note 1)
PORTWELL	DEVELOPMENT	Samoa	Investing	91,840	91,840	2,800,000	100.00 %	63,077	(4,155)	(4,155)	Subsidiary (Note 1)
PORTWELL	EPT	Netherland	Manufacture and sale of industrial computers and peripheral equipment	208,574	208,574	45,000	100.00 %	178,714	(35,607)	(35,607)	Subsidiary (Note 1)
PORTWELL	PIT	India	Manufacture and sale of industrial computers and peripheral equipment	14,470	14,470	2,877,776	51.00 %	5,151	(130)	(66)	Subsidiary (Note 1)
PORTWELL	PKI	South Korea	Manufacture and sale of industrial computers and peripheral equipment	36,457	36,457	278,153	100.00 %	(678)	(218)	(218)	Subsidiary (Note 1)
PORTWELL	GANLOT	Taiwan	Manufacture and sale of industrial computers and peripheral equipment	16,800	16,800	2,800,000	100.00 %	55,029	6,595	6,595	Subsidiary (Note 1)
PORTWELL	MiTwell	Taiwan	Manufacture and sale of industrial computers and peripheral equipment	64,047	64,047	6,097,663	18.86 %	197,513	(4,190)	(773)	Investment accounted for using the equity method
PORTWELL	POME	Cayman Islands	Investment of intelligent technology	-	64,544	40,000,000	31.67 %	-	7,259	-	Investment accounted for using the equity method
PORTWELL	HOLDWEL	Cayman Islands	Investing	94,520	94,520	100,000,000	83.33 %	262,531	36,249	29,265	Subsidiary (Note 1)
APT	KIA	U.S.A.	Investing	525,215	525,215	222,225	18.00 %	532,454	13,892	2,500	Subsidiary (Note 1)
DEVELOPMENT	HOLDING	Samoa	Investing	91,840	91,840	2,800,000	100.00 %	63,655	(4,155)	(4,155)	Subsidiary (Note 1)
EPT	KES	Germany	Manufacture and sale of industrial computers and peripheral equipment	59,953	59,953	1	100.00 %	74,924	1,053	1,053	Subsidiary (Note 1)
EPT	PUK	U.K.	Manufacture and sale of industrial computers and peripheral equipment	3,883	3,883	200,000	100.00 %	13,737	1,157	1,157	Subsidiary (Note 1)
EPT	KESI	Italy	Manufacture and sale of industrial computers and peripheral equipment	1,586	1,586	50,000	100.00 %	4,260	2,534	2,534	Subsidiary(Note 1)
HOLDWEL	MEDWEL	Taiwan	Manufacture and sale of industrial computers and peripheral equipment	92,000	92,000	9,200,000	100.00 %	225,061	30,756	30,756	Subsidiary (Note 1)

Note 1: The relevant transactions and ending balance were eliminated in the consolidated financial statements.
Note 2: Share of profits / losses of investee includes the amortized adjustment caused by consilidation.
Note 3: In March 2023, ULTRA increase its capital in cash, which were fully subscribed by the group.
Note 4:The liquidation process of BonusPay had been completed in July 2023.

Posiflex Technology, Inc. and Subsidiaries
Information on investment in Mainland China
For the Nine Months Ended September 30, 2023

Table 8 (In Thousands of New Taiwan Dollars)

(1) The names of investees in Mainland China, the main businesses and products, and other information

Name of investee	Main businesses and products	Total amount of paid-in capital (note 3)	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2023 (note 4)	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2023 (note 4)	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (note 1)	Book value	Accumulated remittance of earnings in current period	Note
					Outflow	Inflow							
Posiflex Business Machines (Beijing) Co., Ltd. (PBMB)	Foreign trade	112,945	(note 5)	112,945	-	-	112,945	(18,746)	100.00%	(18,746)	72,775	-	
ONK Clouding Shanghai (ONK Shanghai)	Software services	5,486	(note 5)	5,486	-	-	5,486	-	99.90 %	-	(93)	-	
Beijing Caswell Ltd.	Manufacture and sale of networking and communication equipment	122,626	(note 5)	22,073	-	-	22,073	(44,908)	18.00 %	-	28,409	-	Note 2
Welink Technology Co., Ltd.	Manufacture and sale of computers and peripheral equipment; design and sale of software; foreign trade	35,497	(note 5)	-	-	-	-	(4,115)	100.00%	(4,115)	2,203	-	Note 2

Note 1: The investment income (losses) recognized was based on the financial statements from the investee company, which had not been reviewed.

Note 2: The beginning investment amounts of Welink Technology were RMB 174 thousand and US$900 thousand; and the beginning investment amounts of Beijing Caswell were US$180 thousand. All investment capitals were remitted through third regions.

Note 3: The amounts with NTD were calculated based on the exchange rate of US$1: NT$32.27 and RMB1: NT$4.415 at the end of September 30, 2023. The paid-in capitals of PBMB, ONK Clouding Shanghai, Beijing Caswell, Welink Technology were US$3,500 thousand, US$170 thousand, US$3,800 thousand, US$1,100 thousand, respectively.

Note 4: The amounts with NTD were calculated based on the exchange rate of US$1: NT$32.27 at the end of September 30, 2023. The cumulative investment amount from Taiwan at the beginning and the end of the period were US$3,500 thousand for PBMB, US$170 thousand for ONK Clouding Shanghai and US$684 thousand for Beijing Caswell.

Note 5: Investments in companies in Mainland China through the existing companies in the third regions.

(2) Limitation on investment in Mainland China

Accumulated Investment in Mainland China as of September 30, 2023 (Note 2)	Investment Amounts Authorized by Investment Commission, MOEA (Note 3)	Upper Limit on Investment (Note 1)
208,787	208,787	3,881,454

Note 1: According to Directions Governing the Examination of Investment or Technical Cooperation in Mainland China, the upper limit of investment in mainland China is the higher between 60% of the total equity or total consolidated equity.

Note 2: The amount with NTD was calculated based on the exchange rate of US$1: NT$32.27 at the end of September 30, 2023. The amount of accumulated investments included that of the Company of US$3,670 thousand and PORTWELL of US$2,800 thousand.

Note 3: The amount with NTD was calculated based on the exchange rate of US$1: NT$32.27 at the end of September 30, 2023. The investment amounts authorized by Investment Commission, MOEA included those of the Company of US$3,670 thousand, and PORTWELL of US$2,800 thousand.