

Edimax Technology Co., Ltd.

**Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Edimax Technology Co., Ltd.

Opinion

We have audited the accompanying financial statements of Edimax Technology Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019 and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion based on our audits and the reports of other auditors.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Company's financial statements for the year ended December 31, 2020 is stated as follows:

Sales Revenue from the Company's Major Customer

For the year ended December 31, 2020, the Company's revenue amounted to NT\$4,030,590 thousand, of which NT\$1,166,857 thousand was generated from a single customer. The revenue from the significant single customer is material; thus, the sales to the single customer was deemed to be a key audit matter.

The main audit procedures we performed to address the above key audit matter were as follows:

1. We obtained an understanding of the Group's procedures for knowing the customer, including the determination and approval of credit limit and terms of sales. We tested the compliance with the procedures, which include the search for information related to those customers.
2. We selected samples from the major customers' sales transactions, and verified the occurrence of sales by inspection of the relevant documents such as the original purchase orders, sales invoices, and collection records.
3. We sent requests for confirmation of the trade receivable balance at the end of the reporting period and verified the accuracy of the trade receivables record.
4. We inspected transactions after the reporting period and checked whether there were any material sales returns and discounts related to the prior period.

Other Matter

As disclosed in Note 10 to the financial statements, we did not audit the financial statements of several investees accounted for using the equity method included in the financial statements of the Company, but such statements were audited by other auditors. Our opinion, insofar as it relates to the investments and the share of profit (loss) of the investees accounted for using the equity method audited by other auditors, was based solely on the reports of the other auditors. The total investments in investees accounted for using the equity method were NT\$310,705 thousand and NT\$321,310 thousand, which constituted 5.65% and 6.57% of total assets as of December 31, 2020 and 2019, respectively, and the share of profit (loss) of the subsidiaries and associates accounted for using the equity method was NT\$34,796 thousand and NT\$78,313 thousand, which constituted 33.17% and 128.86% of the profit before income tax for the years ended December 31, 2020 and 2019, respectively; and the share of the other comprehensive income of the subsidiaries and associates accounted for using the equity method was NT\$27,589 thousand and NT\$70,469 thousand, which constituted 37.62% and 264.98% of the total comprehensive income for the years ended December 31, 2020 and 2019, respectively.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including members of the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Chih-Yuan Chen and Ching-Cheng Yang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2021

Notice to Readers

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

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

EDIMAX TECHNOLOGY CO., LTD.

BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Note 6)	\$ 639,548	12	\$ 502,808	10
Notes receivable from unrelated parties (Note 8)	9,911	-	10,071	-
Trade receivables from unrelated parties (Notes 8 and 20)	780,947	14	591,249	12
Trade receivables from related parties (Notes 20 and 28)	188,470	3	200,963	4
Other receivables from unrelated parties (Notes 8 and 28)	6,990	-	12,235	-
Current tax assets (Note 22)	30	-	322	-
Inventories (Note 9)	598,656	11	405,232	9
Prepayments	38,113	1	32,620	1
Other current assets	18,156	-	12,386	-
Total current assets	<u>2,280,821</u>	<u>41</u>	<u>1,767,886</u>	<u>36</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 7 and 27)	63,530	1	58,042	1
Investments accounted for using the equity method (Note 10)	961,213	18	848,945	18
Property, plant and equipment (Notes 11 and 29)	2,072,389	38	2,086,724	43
Right-of-use assets (Note 12)	62	-	525	-
Investment properties (Note 13)	50,504	1	51,481	1
Intangible assets (Note 14)	4,402	-	3,339	-
Refundable deposits	3,552	-	525	-
Other financial assets - non-current (Note 15)	62,788	1	60,767	1
Other non-current assets	-	-	9,200	-
Total non-current assets	<u>3,218,440</u>	<u>59</u>	<u>3,119,548</u>	<u>64</u>
TOTAL	<u>\$ 5,499,261</u>	<u>100</u>	<u>\$ 4,887,434</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 817,600	15	\$ 727,600	15
Short-term bills payable (Note 16)	29,934	1	29,967	1
Contract liabilities - current (Note 20)	95,103	2	92,592	2
Notes payable to unrelated parties	5,305	-	914	-
Accounts payable to unrelated parties	564,138	10	286,108	6
Accounts payable to related parties (Note 28)	105,838	2	85,499	2
Other payables (Notes 17 and 28)	138,708	2	112,868	2
Current tax liabilities	657	-	-	-
Lease liabilities - current (Note 12)	62	-	464	-
Current portion of long-term borrowings (Notes 16 and 29)	16,800	-	16,800	-
Other current liabilities (Note 17)	88,217	2	69,006	1
Total current liabilities	<u>1,862,362</u>	<u>34</u>	<u>1,421,818</u>	<u>29</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 16 and 29)	1,383,914	25	1,400,714	29
Deferred tax liabilities (Note 22)	722	-	722	-
Lease liabilities - non-current (Note 12)	-	-	63	-
Deposits received	6,679	-	-	-
Net defined benefit liabilities - non-current (Note 18)	73,096	1	54,958	1
Total non-current liabilities	<u>1,464,411</u>	<u>26</u>	<u>1,456,457</u>	<u>30</u>
Total liabilities	<u>3,326,773</u>	<u>60</u>	<u>2,878,275</u>	<u>59</u>
EQUITY				
Share capital				
Common stock	1,864,916	34	1,864,916	38
Capital collected in advance	27,492	1	-	-
Total share capital	<u>1,892,408</u>	<u>35</u>	<u>1,864,916</u>	<u>38</u>
Capital surplus	228,100	4	168,621	3
Retained earnings				
Legal reserve	1,802	-	-	-
Special reserve	16,214	-	-	-
Unappropriated earnings	86,582	2	18,016	-
Total retained earnings	<u>104,598</u>	<u>2</u>	<u>18,016</u>	<u>-</u>
Other equity				
Exchange differences on translation to the presentation currency	(33,468)	(1)	(21,625)	-
Unrealized gain/(loss) on financial assets at fair value through other comprehensive income	(5,436)	-	(4,024)	-
Total other equity	<u>(38,904)</u>	<u>(1)</u>	<u>(25,649)</u>	<u>-</u>
Treasury shares	(13,714)	-	(16,745)	-
Total equity	<u>2,172,488</u>	<u>40</u>	<u>2,009,159</u>	<u>41</u>
TOTAL	<u>\$ 5,499,261</u>	<u>100</u>	<u>\$ 4,887,434</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 23, 2021)

EDIMAX TECHNOLOGY CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 20 and 28)	\$ 4,030,590	100	\$ 3,509,785	100
OPERATING COSTS (Notes 9, 21 and 28)	<u>(3,422,359)</u>	<u>(85)</u>	<u>(2,932,848)</u>	<u>(84)</u>
GROSS PROFIT	608,231	15	576,937	16
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	(16,175)	-	(16,109)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	<u>16,109</u>	<u>-</u>	<u>20,508</u>	<u>1</u>
REALIZED GROSS PROFIT	<u>608,165</u>	<u>15</u>	<u>581,336</u>	<u>17</u>
OPERATING EXPENSES (Notes 18 and 21)				
Selling and marketing expenses	(162,283)	(4)	(165,008)	(5)
General and administrative expenses	(111,036)	(3)	(111,806)	(3)
Research and development expenses	(261,907)	(6)	(275,926)	(8)
Expected credit loss (Note 8)	<u>(17,325)</u>	<u>-</u>	<u>(11,307)</u>	<u>-</u>
Total operating expenses	<u>(552,551)</u>	<u>(13)</u>	<u>(564,047)</u>	<u>(16)</u>
PROFIT FROM OPERATIONS	<u>55,614</u>	<u>2</u>	<u>17,289</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 21 and 28)	6,812	-	11,820	-
Other gains and losses (Note 21)	(71,201)	(2)	(6,257)	-
Finance costs (Note 21)	(25,503)	(1)	(29,509)	(1)
Share of profit or loss of associates (Note 10)	138,502	4	65,256	2
Interest income (Note 21)	<u>684</u>	<u>-</u>	<u>2,173</u>	<u>-</u>
Total non-operating income and expenses	<u>49,294</u>	<u>1</u>	<u>43,483</u>	<u>1</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	104,908	3	60,772	2
INCOME TAX EXPENSE (Note 22)	<u>(657)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>104,251</u>	<u>3</u>	<u>60,772</u>	<u>2</u>

(Continued)

EDIMAX TECHNOLOGY CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	\$ (16,616)	(1)	\$ (20,548)	(1)
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	(1,412)	-	1,076	-
Share of the other comprehensive loss of associates accounted for using the equity method	(1,053)	-	(2,229)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>(11,843)</u>	<u>-</u>	<u>(12,477)</u>	<u>-</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(30,924)</u>	<u>(1)</u>	<u>(34,178)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 73,327</u>	<u>2</u>	<u>\$ 26,594</u>	<u>1</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 0.56</u>		<u>\$ 0.33</u>	
Diluted	<u>\$ 0.56</u>		<u>\$ 0.33</u>	

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

(With Deloitte & Touche auditors' report dated March 23, 2021)

(Concluded)

EDIMAX TECHNOLOGY CO., LTD.
**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)**

	Share Capital (Note 19)			Capital Surplus (Note 19)	Retained Earnings (Accumulated Deficits) (Note 19)				Exchange Differences on Translation of Foreign Operations	Other Equity		Treasury Shares	Total Equity	
	Common Stock	Capital Collected in Advance	Total		Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)			Total	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income			Total
BALANCE AT JANUARY 1, 2019	\$ 1,864,916	\$ -	\$ 1,864,916	\$ 162,547	\$ -	\$ -	\$ (19,979)	\$ (19,979)	\$ (9,148)	\$ (5,100)	\$ (14,248)	\$ (20,211)	\$ 1,973,025	
Disposal of the Company's common stock by subsidiaries treated as treasury shares transactions	-	-	-	951	-	-	-	-	-	-	-	3,466	4,417	
Recognition of employee share options by the subsidiaries	-	-	-	1,734	-	-	-	-	-	-	-	-	1,734	
Actual disposals of interests in subsidiaries (Note 25)	-	-	-	9	-	-	-	-	-	-	-	-	9	
Other capital surplus change	-	-	-	-	-	-	-	-	-	-	-	-	-	
Share-based payments (Note 24)	-	-	-	3,380	-	-	-	-	-	-	-	-	3,380	
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	60,772	60,772	-	-	-	-	60,772	
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	(22,777)	(22,777)	(12,477)	1,076	(11,401)	-	(34,178)	
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	37,995	37,995	(12,477)	1,076	(11,401)	-	26,594	
BALANCE AT DECEMBER 31, 2019	1,864,916	-	1,864,916	168,621	-	-	18,016	18,016	(21,625)	(4,024)	(25,649)	(16,745)	2,009,159	
Appropriation of 2019 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	
Legal reserve	-	-	-	-	1,802	-	(1,802)	-	-	-	-	-	-	
Special reserve	-	-	-	-	-	16,214	(16,214)	-	-	-	-	-	-	
Other capital surplus change	-	-	-	-	-	-	-	-	-	-	-	-	-	
Share-based payments (Note 24)	-	-	-	1,914	-	-	-	-	-	-	-	-	1,914	
Cash dividends distributed by the Company	-	-	-	(27,974)	-	-	-	-	-	-	-	-	(27,974)	
Actual acquisition of interests in subsidiaries (Note 25)	-	-	-	14,714	-	-	-	-	-	-	-	-	14,714	
Changes in percentage of ownership interests in subsidiaries (Note 25)	-	-	-	69,084	-	-	-	-	-	-	-	-	69,084	
Disposal of the Company's common stock by subsidiaries treated as treasury shares transactions	-	-	-	356	-	-	-	-	-	-	-	3,031	3,387	
Recognition of employee share options by the subsidiaries	-	-	-	1,385	-	-	-	-	-	-	-	-	1,385	
Issuance of ordinary shares under employee share options	-	27,492	27,492	-	-	-	-	-	-	-	-	-	27,492	
Net profit for the year ended December 31, 2020	-	-	-	-	-	-	104,251	104,251	-	-	-	-	104,251	
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	-	(17,669)	(17,669)	(11,843)	(1,412)	(13,255)	-	(30,924)	
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	86,582	86,582	(11,843)	(1,412)	(13,255)	-	73,327	
BALANCE AT DECEMBER 31, 2020	\$ 1,864,916	\$ 27,492	\$ 1,892,408	\$ 228,100	\$ 1,802	\$ 16,214	\$ 86,582	\$ 104,598	\$ (33,468)	\$ (5,436)	\$ (38,904)	\$ (13,714)	\$ 2,172,488	

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

(With Deloitte & Touche auditors' report dated March 23, 2021)

EDIMAX TECHNOLOGY CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 104,908	\$ 60,772
Adjustments for:		
Depreciation expense	41,975	44,649
Amortization expense	3,875	5,387
Expected credit loss recognized	17,325	11,307
Finance costs	25,503	29,509
Interest income	(684)	(2,173)
Dividend income	(415)	(645)
Share-based payment	1,914	3,380
Share of profit of subsidiaries and associates	(138,502)	(65,256)
Loss (gain) on disposal of property, plant and equipment	118	(89)
Unrealized gain on transactions with subsidiaries	16,175	16,109
Realized gain on transactions with subsidiaries	(16,109)	(20,508)
Changes in operating assets and liabilities		
Decrease in notes receivable	160	4,136
(Increase)/decrease in trade receivables	(194,530)	289,150
Decrease in other receivables	5,245	167
(Increase)/decrease in inventories	(193,424)	89,276
Increase in prepayment	(5,493)	(201)
(Increase)/decrease in other current assets	(5,770)	2,292
Increase in contract liabilities	2,511	26,172
Increase/(decrease) in notes payables	4,391	(2,280)
Increase/(decrease) in trade payables	298,369	(27,912)
Increase/(decrease) in other payables	25,840	(11,813)
Increase/(decrease) in other current liabilities	19,211	(7,495)
Increase/(decrease) in net defined benefit liabilities	1,521	(10,714)
Cash generated from operations	14,114	433,220
Interest received	684	2,173
Interest paid	(25,531)	(29,516)
Income tax paid	292	(234)
Net cash (used in) generated from operating activities	<u>(10,441)</u>	<u>405,643</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of financial assets at fair value through other comprehensive income	(6,900)	(35,350)
Payments for property, plant and equipment	(26,321)	(24,709)
Proceeds from disposal of property, plant and equipment	3	837
Increase in refundable deposits	(3,027)	-
Decrease in refundable deposits	-	130
Payments for intangible assets	(4,938)	(5,124)
Increase in other financial assets	(2,021)	(6,038)
Increase in other non-current assets	-	(9,200)

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EDIMAX TECHNOLOGY CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Decrease in other non-current assets	\$ 9,200	\$ -
Dividends received	<u>72,852</u>	<u>57,266</u>
Net cash generated from (used in) investing activities	<u>38,848</u>	<u>(22,188)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	90,000	-
Repayments of short-term borrowings	-	(170,000)
Repayments of long-term borrowings	(16,800)	(16,800)
Increase in guarantee deposits	6,679	-
Repayment of the principal portion of lease liabilities	(470)	(425)
Dividends paid to owners of the Company	(27,974)	-
Exercise of employee share options	27,492	-
Acquisition of subsidiaries	-	(217)
Partial disposal of interests in subsidiaries without a loss of control	<u>29,406</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>108,333</u>	<u>(187,442)</u>
NET INCREASE IN CASH	136,740	196,013
CASH AT THE BEGINNING OF THE YEAR	<u>502,808</u>	<u>306,795</u>
CASH AT THE END OF THE YEAR	<u>\$ 639,548</u>	<u>\$ 502,808</u>

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

(With Deloitte & Touche auditors' report dated March 23, 2021)

(Concluded)

EDIMAX TECHNOLOGY CO., LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Edimax Technology Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (ROC) in June 1986 and has been listed on the Taiwan Stock Exchange since March 20, 2001. The Company is dedicated to the design, development, manufacture and marketing of a broad range of networking solutions.

The financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 23, 2021.

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

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

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

- b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19 - Related Rent Concessions”	June 1, 2020

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

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, the share of other comprehensive income of subsidiaries, and the related equity items, as appropriate, in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the parent company only financial statements, transactions in currencies other than the Company's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items denominated in a foreign currency that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purposes of presenting the financial statements, the assets and liabilities of the Company and its foreign operations (including of the subsidiaries in other countries or those that use currencies that are different from the Company) are translated into New Taiwan dollars using the exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, finished goods, work-in-process, semi-finished goods and merchandise and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost and stated at lower of cost or net realizable value on the balance sheet date.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Subsidiaries are the entities controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investments in associates

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Company uses the equity method to account for its investments in associates.

Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, which forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

h. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in the estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Investment properties

Investment properties are properties held to earn rental or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

j. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

k. Impairment of property, plant and equipment, right-of-use asset and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

Before the Company recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Company expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

1. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

ii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Company):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. Financial asset is more than 180 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method. Fair value is determined in the manner described in Note 27.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

m. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of electronic equipment and networking telecommunication equipment.

Electronic equipment and networking telecommunication equipment are recognized as revenues and trade receivables when the goods are shipped.

The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control of materials ownership.

2) Service revenue

Services income is recognized when cloud services and multimedia applications are provided.

n. Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated to the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably to the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

o. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized as a reduction of the related costs on a systematic basis over the periods in which the Company recognizes as expenses the related costs that the grants intend to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they are received.

p. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, and past service cost) is recognized as employee benefits expense in the period they occurs. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

q. Share-based payment arrangements - employee share options

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. The expense is recognized in full at the grant date if the grants are vested immediately.

At the end of each reporting period, the Company revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Cash on hand	\$ 254	\$ 643
Checking accounts and demand deposits	<u>639,294</u>	<u>502,165</u>
	<u>\$ 639,548</u>	<u>\$ 502,808</u>

The market rate intervals of cash in the bank at the end of the reporting periods were as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Demand deposits	0.001%-0.48%	0.001%-0.48%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments at FVTOCI

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Non-current</u>		
Overseas unlisted ordinary shares		
Bluechip Infotech Pty. Ltd.	\$ 20,274	\$ 18,765
Domestic unlisted ordinary shares		
Status Internet Co., Ltd.	5,916	3,927
Ecobear Technology Corp.	5,877	4,200
Onward Security Corp.	23,861	31,150
Newgreen Technology Co., Ltd.	<u>7,602</u>	<u>-</u>
	<u>\$ 63,530</u>	<u>\$ 58,042</u>

The Company acquired ordinary shares of Bluechip Infotech Pty. Ltd., Status Internet Co., Ltd., Ecobear Technology Corp., Onward Security Corp. and Newgreen Technology Co., Ltd. for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

8. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ <u>9,911</u>	\$ <u>10,071</u>
Notes receivable	\$ <u>9,911</u>	\$ <u>10,071</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 833,844	\$ 626,821
Less: Allowance for impairment loss	<u>(52,897)</u>	<u>(35,572)</u>
	\$ <u>780,947</u>	\$ <u>591,249</u>
<u>Other receivables</u>		
Others	\$ <u>6,990</u>	\$ <u>12,235</u>

Trade Receivables

At amortized cost

The average credit period of the Company's sales of goods vary among customers due to their different credit ratings, and no interest was charged on trade receivables.

The Company uses other publicly available financial information or its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

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

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

December 31, 2020

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	-	0.10%	1.35%	5.34%	83.36%	
Gross carrying amount	\$ 716,223	\$ 44,462	\$ 6,057	\$ 4,061	\$ 63,041	\$ 833,844
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(44)</u>	<u>(82)</u>	<u>(217)</u>	<u>(52,554)</u>	<u>(52,897)</u>
Amortized cost	<u>\$ 716,223</u>	<u>\$ 44,418</u>	<u>\$ 5,975</u>	<u>\$ 3,844</u>	<u>\$ 10,487</u>	<u>\$ 780,947</u>

December 31, 2019

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	-	0.10%	1.04%	4.43%	61.01%	
Gross carrying amount	\$ 516,182	\$ 27,852	\$ 18,510	\$ 6,834	\$ 57,443	\$ 626,821
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(28)</u>	<u>(193)</u>	<u>(303)</u>	<u>(35,048)</u>	<u>(35,572)</u>
Amortized cost	<u>\$ 516,182</u>	<u>\$ 27,824</u>	<u>\$ 18,317</u>	<u>\$ 6,531</u>	<u>\$ 22,395</u>	<u>\$ 591,249</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ 35,572	\$ 25,422
Add: Net remeasurement of loss allowance	17,325	11,307
Less: Amounts written off	<u>-</u>	<u>(1,157)</u>
Balance at December 31	<u>\$ 52,897</u>	<u>\$ 35,572</u>

9. INVENTORIES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Raw materials	\$ 492,385	\$ 367,754
Finished goods	29,652	12,886
Work-in-process	57,341	10,917
Merchandise	<u>19,278</u>	<u>13,675</u>
	<u>\$ 598,656</u>	<u>\$ 405,232</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was \$3,422,359 thousand and \$2,932,848 thousand, respectively.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Investments in subsidiaries	\$ 899,058	\$ 793,239
Investments in associates	<u>62,155</u>	<u>55,706</u>
	<u>\$ 961,213</u>	<u>\$ 848,945</u>

a. Investments in subsidiaries

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Edimax Computer Co. (“Edimax USA”)	\$ 64,223	\$ 66,487
Edimax Technology Europe B.V. (“Edimax Europe”)	15,348	24,819
Edimax Technology (BVI) Co., Ltd. (“Edimax BVI”)	158,949	140,459
ABS Telecom Inc. (“ABS Telecom”)	143,946	149,475
Edimax Technology Australia Pty, Ltd. (“Edimax AU”)	517	859
Edimax Technology (SE Asia) Pte. Ltd. (“Edimax SE”)	-	-
SMAX Technology Co., Ltd. (“SMAX Technology”)	25,033	24,823
Comtrend Corporation (“Comtrend”)	<u>491,042</u>	<u>386,317</u>
	<u>\$ 899,058</u>	<u>\$ 793,239</u>

	<u>Proportion of Ownership and Voting Rights</u>	
	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Edimax USA	100.00%	100.00%
Edimax Europe	100.00%	100.00%
Edimax BVI	100.00%	100.00%
ABS Telecom	100.00%	100.00%
Edimax AU	100.00%	100.00%
Edimax SE	-	100.00%
SMAX Technology	100.00%	100.00%
Comtrend	34.84%	41.75%

Refer to Note 33 for the details of the subsidiaries indirectly held by the Company.

The Company completed the liquidation procedures of Edimax SE in September 2020. Refer to Note 11 to the Company’s consolidated financial statements for the year ended December 31, 2020 for the disclosures of disposal of subsidiaries.

As of December 31, 2020 and 2019, the Company held 34.84% and 41.75% of Comtrend’s voting shares, respectively, but the Company has the practical ability to direct the relevant activities of Comtrend; thus, Comtrend was listed as a subsidiary of the Company.

b. Investments in associates

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Associates that are not individually material	\$ <u>62,155</u>	\$ <u>55,706</u>
	For the Year Ended December 31	
	<u>2020</u>	<u>2019</u>
The Company's share of		
Net profit for the year	\$ 27,313	\$ 15,339
Other comprehensive income (loss)	<u>(4,012)</u>	<u>(1,674)</u>
Total comprehensive income for the year	<u>\$ 23,301</u>	<u>\$ 13,665</u>

Refer to Table "Information on Investees" for the nature of activities, principal places of business and countries of incorporation of the associates.

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2020	\$ 1,247,716	\$ 833,078	\$ 1,979	\$ 241,843	\$ 2,324,616
Additions	-	-	-	26,321	26,321
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,391)</u>	<u>(2,391)</u>
Balance at December 31, 2020	<u>\$ 1,247,716</u>	<u>\$ 833,078</u>	<u>\$ 1,979</u>	<u>\$ 265,773</u>	<u>\$ 2,348,546</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2020	\$ -	\$ 72,865	\$ 1,971	\$ 163,056	\$ 237,892
Disposals	-	-	-	(2,270)	(2,270)
Depreciation expense	<u>-</u>	<u>18,105</u>	<u>8</u>	<u>22,422</u>	<u>40,535</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 90,970</u>	<u>\$ 1,979</u>	<u>\$ 183,208</u>	<u>\$ 276,157</u>
Carrying amount at December 31, 2020	<u>\$ 1,247,716</u>	<u>\$ 742,108</u>	<u>\$ -</u>	<u>\$ 82,565</u>	<u>\$ 2,072,389</u>
<u>Cost</u>					
Balance at January 1, 2019	\$ 1,247,716	\$ 833,078	\$ 1,979	\$ 301,564	\$ 2,384,337
Additions	-	-	-	24,709	24,709
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(84,430)</u>	<u>(84,430)</u>
Balance at December 31, 2019	<u>\$ 1,247,716</u>	<u>\$ 833,078</u>	<u>\$ 1,979</u>	<u>\$ 241,843</u>	<u>\$ 2,324,616</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2019	\$ -	\$ 54,760	\$ 1,861	\$ 221,703	\$ 278,324
Depreciation expense	-	-	-	(83,682)	(83,682)
Disposals	<u>-</u>	<u>18,105</u>	<u>110</u>	<u>25,035</u>	<u>43,250</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 72,865</u>	<u>\$ 1,971</u>	<u>\$ 163,056</u>	<u>\$ 237,892</u>
Carrying amount at December 31, 2019	<u>\$ 1,247,716</u>	<u>\$ 760,213</u>	<u>\$ 8</u>	<u>\$ 78,787</u>	<u>\$ 2,086,724</u>

No impairment assessment was performed for the year ended December 31, 2020 and 2019 as there was no indication of impairment.

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Building	35-50 years
Machinery and equipment	5 years
Other equipment	1-10 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 29.

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	2020	2019
<u>Carrying amount</u>		
Transportation equipment	<u>\$ 62</u>	<u>\$ 525</u>
	<u>For the Year Ended December 31</u>	
	2020	2019
Additions to right-of-use assets	<u>\$ -</u>	<u>\$ 743</u>
Depreciation charge for right-of-use assets		
Transportation equipment	<u>\$ 463</u>	<u>\$ 422</u>

b. Lease liabilities

	<u>December 31</u>	
	2020	2019
<u>Carrying amount</u>		
Current	<u>\$ 62</u>	<u>\$ 464</u>
Non-current	<u>\$ -</u>	<u>\$ 63</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	2020	2019
Transportation equipment	1.36%	1.36%

c. Material leasing activities and terms - as lessee

The Company leases certain transportation equipment for the use in transporting goods with lease terms of 1 to 3 years.

d. Other lease information

	<u>For the Year Ended December 31</u>	
	2020	2019
Expenses relating to low-value asset leases	\$ <u>173</u>	\$ <u>201</u>
Total cash outflow for leases	\$ <u>(648)</u>	\$ <u>(631)</u>

The Company's leases of certain office equipment qualify as low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

13. INVESTMENT PROPERTIES

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2020	\$ <u>22,012</u>	\$ <u>35,168</u>	\$ <u>57,180</u>
Balance at December 31, 2020	\$ <u>22,012</u>	\$ <u>35,168</u>	\$ <u>57,180</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2020	\$ -	\$ 5,699	\$ 5,699
Depreciation expense	<u>-</u>	<u>977</u>	<u>977</u>
Balance at December 31, 2020	\$ <u>-</u>	\$ <u>6,676</u>	\$ <u>6,676</u>
Carrying amount at December 31, 2020	\$ <u>22,012</u>	\$ <u>28,492</u>	\$ <u>50,504</u>
<u>Cost</u>			
Balance at January 1, 20119	\$ <u>22,012</u>	\$ <u>35,168</u>	\$ <u>57,180</u>
Balance at December 31, 2019	\$ <u>22,012</u>	\$ <u>35,168</u>	\$ <u>57,180</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2019	\$ -	\$ 4,722	\$ 4,722
Depreciation expense	<u>-</u>	<u>977</u>	<u>977</u>
Balance at December 31, 2019	\$ <u>-</u>	\$ <u>5,699</u>	\$ <u>5,699</u>
Carrying amount at December 31, 2019	\$ <u>22,012</u>	\$ <u>29,469</u>	\$ <u>51,481</u>

Investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings	3-45 years
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The management of the Company used the valuation model that market participants would use in determining the fair value.

14. INTANGIBLE ASSETS

	<u>Computer Software</u>	
	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Cost</u>		
Balance at January 1	\$ 10,715	\$ 18,228
Additions	4,938	5,124
Disposals	<u>-</u>	<u>(12,637)</u>
Balance at December 31	<u>\$ 15,653</u>	<u>\$ 10,715</u>
<u>Accumulated amortization and impairment</u>		
Balance at January 1	\$ 7,376	\$ 14,626
Amortization expense	3,875	5,387
Disposals	<u>-</u>	<u>(12,637)</u>
Balance at December 31	<u>\$ 11,251</u>	<u>\$ 7,376</u>
Carrying amount at December 31	<u>\$ 4,402</u>	<u>\$ 3,339</u>

Intangible assets are amortized on a straight-line basis over the estimated useful life as follows:

Computer software 1-5 years

15. OTHER FINANCIAL ASSETS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Non-current</u>		
Pension reserve fund	<u>\$ 62,788</u>	<u>\$ 60,767</u>

The pension reserve fund comprises pension contributions to the pension fund of managerial personnel of the Company.

16. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Unsecured borrowings</u>		
Bank loans	<u>\$ 817,600</u>	<u>\$ 727,600</u>

The range of weighted average effective interest rates on bank loans was 0.99%-1.15% and 1.10%-1.25% per annum as of December 31, 2020 and 2019.

b. Short-term bills payable

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Commercial paper	\$ 30,000	\$ 30,000
Less: Unamortized discounts on bills payable	<u>(66)</u>	<u>(33)</u>
	<u>\$ 29,934</u>	<u>\$ 29,967</u>

The weighted average effective interest rate on commercial paper was both 1.038% per annum as of December 31, 2020 and 2019.

c. Long-term borrowings

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Secured borrowings</u>		
Bank loans	\$ 1,400,714	\$ 1,417,514
Less: Current portion	<u>(16,800)</u>	<u>(16,800)</u>
Long-term borrowings	<u>\$ 1,383,914</u>	<u>\$ 1,400,714</u>

The bank borrowings are secured by the Company's land and buildings; please refer to Note 29 for additional information. The maturity date is February 1, 2036 and the effective annual interest rates are 1.11% and 1.36% as of December 31, 2020 and 2019. The purpose of the borrowings is to purchase land and buildings for operations.

17. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Other payables</u>		
Payable for salaries	\$ 70,856	\$ 65,535
Payable for employees' bonuses and directors' remuneration	10,051	4,011
Payable for equipment	1,541	2,204
Payable for labor fee	7,785	6,437
Payable for freight and customs fee	4,101	3,678
Others	<u>44,374</u>	<u>31,003</u>
	<u>\$ 138,708</u>	<u>\$ 112,868</u>
<u>Other liabilities</u>		
Refund liabilities	\$ 10,379	\$ 11,346
Temporary credit	14,716	9,579
Receipts under custody	62,937	47,897
Others	<u>185</u>	<u>184</u>
	<u>\$ 88,217</u>	<u>\$ 69,006</u>

18. RETIREMENT BENEFIT PLANS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Defined contribution plans	\$ 25,375	\$ 20,719
Defined benefit plans	<u>47,721</u>	<u>34,239</u>
	<u>\$ 73,096</u>	<u>\$ 54,958</u>

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The Company contributes a certain percentage of total monthly salaries and wages of managerial personnel to a pension reserve fund account (classified as other financial assets - non-current) from July 2005. Refer to Note 15 for information relating to the pension reserve fund. The actual pension amounts paid in 2020 and 2019 were \$0 and \$6,570 thousand, respectively; and the Company's contributions to the fund amounted to \$25,375 thousand and \$20,719 thousand for the years ended December 31, 2020 and 2019, respectively.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute a certain percentage of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Present value of defined benefit obligation	\$ 73,095	\$ 54,958
Fair value of plan assets	<u>(25,374)</u>	<u>(20,719)</u>
Net defined benefit liability	<u>\$ 47,721</u>	<u>\$ 34,239</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2019	\$ 34,801	\$ (20,652)	\$ 14,149
Net interest expense (income)	<u>365</u>	<u>(703)</u>	<u>(338)</u>
Recognized in profit or loss	<u>365</u>	<u>(703)</u>	<u>(338)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	113	113
Actuarial loss - changes in demographic assumptions	1,406	-	1,406
Actuarial gain - changes in financial assumptions	1,772	-	1,772
Actuarial loss - experience adjustments	<u>17,257</u>	<u>-</u>	<u>17,257</u>
Recognized in other comprehensive income	<u>20,435</u>	<u>113</u>	<u>20,548</u>
Contributions from the employer	<u>-</u>	<u>(120)</u>	<u>(120)</u>
Benefits paid	<u>(643)</u>	<u>643</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 54,958</u>	<u>\$ (20,719)</u>	<u>\$ 34,239</u>
Balance at January 1, 2020	\$ 54,958	\$ (20,719)	\$ 34,239
Service cost			
Past service cost	1,118	-	1,118
Net interest expense (income)	<u>343</u>	<u>(476)</u>	<u>(133)</u>
Recognized in profit or loss	<u>1,461</u>	<u>(476)</u>	<u>985</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(60)	(60)
Actuarial loss - changes in demographic assumptions	790	-	790
Actuarial gain - changes in financial assumptions	1,224	-	1,224
Actuarial loss - experience adjustments	<u>14,662</u>	<u>-</u>	<u>14,662</u>
Recognized in other comprehensive income	<u>16,676</u>	<u>(60)</u>	<u>16,616</u>
Contributions from the employer	<u>-</u>	<u>(4,119)</u>	<u>(4,119)</u>
Balance at December 31, 2020	<u>\$ 73,095</u>	<u>\$ (25,374)</u>	<u>\$ 47,721</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2020	2019
Selling and marketing expenses	\$ 267	\$ (95)
General and administrative expenses	119	(44)
Research and development expenses	<u>599</u>	<u>(199)</u>
	<u>\$ 985</u>	<u>\$ (338)</u>

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2020	2019
Discount rate(s)	0.38%	0.63%
Expected rate(s) of salary increase	2.50%	2.50%
Turnover rate	11.39%	12.78%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would (decrease) increase as follows:

	December 31	
	2020	2019
Discount rate		
0.5% increase	<u>\$ (2,450)</u>	<u>\$ (2,104)</u>
0.5% decrease	<u>\$ 2,607</u>	<u>\$ 2,247</u>
Expected rate of salary increase		
0.5% increase	<u>\$ 2,452</u>	<u>\$ 2,115</u>
0.5% decrease	<u>\$ (2,331)</u>	<u>\$ (2,003)</u>

The sensitivity analysis previously presented may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2020	2019
The expected contributions to the plan for the next year	<u>\$ 273</u>	<u>\$ 273</u>
The average duration of the defined benefit obligation	7 years	7.7 years

19. EQUITY

a. Share capital

Ordinary shares

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Number of shares authorized (in thousands)	<u>300,000</u>	<u>300,000</u>
Shares authorized	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>186,492</u>	<u>186,492</u>
Shares issued	<u>\$ 1,864,916</u>	<u>\$ 1,864,916</u>
Capital collected in advance	<u>\$ 27,492</u>	<u>\$ -</u>

The Company converted employee share options of \$22,856 thousand, equivalent to 2,230 thousand shares, with a subscription price of \$10.25 per share. The Company converted employee share options of \$4,636 thousand, equivalent to 452 thousand shares, with a subscription price of \$10.25 per share. As the registration of the change was not completed as of December 31, 2020, the amount was listed as capital collected in advance.

b. Capital surplus

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Premium from issuance of common shares	\$ 29,983	\$ 57,957
Premium from conversion of bonds	24,662	24,662
Treasury share transactions	6,182	5,826
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	49,362	34,648
<u>May be used to offset a deficit only</u>		
Changes in percentage of ownership interest in subsidiaries (2)	74,239	3,770
Others	33,437	33,437
<u>May not be used for any purpose</u>		
Employee share options	<u>10,235</u>	<u>8,321</u>
	<u>\$ 228,100</u>	<u>\$ 168,621</u>

- 1) Such capital surplus may be used to offset a deficit; when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary that resulted from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 21 (g).

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

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

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The offset of deficit for 2018 which was approved in the shareholders' meetings on June 13, 2019.

The appropriation of earnings for 2019 that was approved in the shareholders' meeting on June 12, 2020 is as follows:

	For the Year Ended December 31, 2019
Legal reserve	<u>\$ 1,802</u>
Special reserve	<u>\$ 16,214</u>

The Company's shareholders also resolved in the shareholders' meeting on June 12, 2020 to issue cash dividends of \$27,974 thousand from the capital surplus.

The appropriation of earnings for 2020 which had been proposed by the Company's board of directors on March 23, 2021 was as follows:

	The Appropriation of Earnings	Cash Dividends Per Share
Legal reserve	<u>\$ 8,658</u>	
Special reserve	<u>22,688</u>	
Cash dividend	<u>54,891</u>	<u>\$ 0.29</u>

The appropriation of earnings for 2020 are subject to the resolution of the shareholders in the shareholders' meeting to be held on June 11, 2021.

d. Treasury shares

Purpose of Buy-back	Shares Transferred to Employees (In Thousands of Shares)	Shares Cancelled (In Thousands of Shares)	Shares Held by Its Subsidiaries (In Thousands of Shares)	Total (In Thousands of Shares)
Number of shares at January 1, 2020	-	-	1,786	1,786
Increase during the year	-	-	-	-
Decrease during the year	-	-	(28)	(28)
Number of shares at December 31, 2020	-	-	<u>1,758</u>	<u>1,758</u>
Number of shares at January 1, 2019	-	-	2,156	2,156
Increase during the year	-	-	-	-
Decrease during the year	-	-	(370)	(370)
Number of shares at December 31, 2019	-	-	<u>1,786</u>	<u>1,786</u>

The Company's shares held by its subsidiaries at the end of the reporting periods were as follows:

Name of Subsidiary	Number of Shares Held (In Thousands of Shares)	Carrying Amount	Market Price
<u>December 31, 2020</u>			
Comtrend	1,758	\$ 13,714	\$ 19,827
<u>December 31, 2019</u>			
Comtrend	1,786	16,745	19,120

For the years ended December 31, 2020 and 2019, Comtrend held 4,200 thousand and 4,280 thousand ordinary shares of the Company, and the Company recognized 1,758 thousand and 1,786 thousand treasury shares based on the ownership percentage of 34.84% and 41.75% as at December 31, 2020 and 2019, respectively.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote. The subsidiaries holding treasury shares, however, bestowed shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

20. REVENUE

a. Disaggregation of revenue

	For the Year Ended December 31	
	2020	2019
Revenue from the sale of goods	\$ 3,957,910	\$ 3,288,696
Revenue from the rendering of services	<u>72,680</u>	<u>221,089</u>
	<u>\$ 4,030,590</u>	<u>\$ 3,509,785</u>

b. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Trade receivables (Notes 8 and 28)	<u>\$ 1,022,314</u>	<u>\$ 827,784</u>	<u>\$ 1,160,558</u>
Contract liabilities - current	<u>\$ 95,103</u>	<u>\$ 92,592</u>	<u>\$ 66,420</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the Company's satisfaction of performance obligations and the respective customer's payment.

21. NET PROFIT

a. Interest income

	For the Year Ended December 31	
	2020	2019
Bank deposits	<u>\$ 684</u>	<u>\$ 2,173</u>

b. Other income

	For the Year Ended December 31	
	2020	2019
Rental income		
Investment properties	\$ 2,515	\$ 2,672
Dividends		
Investments in equity instruments at FVTOCI	415	645
Others	<u>3,882</u>	<u>8,503</u>
	<u>\$ 6,812</u>	<u>\$ 11,820</u>

c. Other gains and losses

	For the Year Ended December 31	
	2020	2019
(Loss) gain on disposal of property, plant and equipment	\$ (118)	\$ 89
Net foreign exchange loss	(62,922)	(6,344)
Others	<u>(8,161)</u>	<u>(2)</u>
	<u>\$ (71,201)</u>	<u>\$ (6,257)</u>

d. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on bank loans	\$ 25,498	\$ 29,504
Interest on lease liabilities	<u>5</u>	<u>5</u>
	<u>\$ 25,503</u>	<u>\$ 29,509</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Property, plant and equipment	\$ 40,535	\$ 43,250
Investment properties	977	977
Right-of-use assets	463	422
Intangible assets	<u>3,875</u>	<u>5,387</u>
	<u>\$ 45,850</u>	<u>\$ 50,036</u>
An analysis of depreciation by function		
Operating costs	\$ 830	\$ 138
Operating expenses	<u>41,145</u>	<u>44,511</u>
	<u>\$ 41,975</u>	<u>\$ 44,649</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 3,875</u>	<u>\$ 5,387</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Post-employment benefits (see Note 18)		
Defined contribution plans	\$ 14,923	\$ 15,187
Defined benefit plans	<u>985</u>	<u>(338)</u>
	15,908	14,849
Share-based payments		
Equity-settled	1,914	3,380
Other employee benefits	<u>332,972</u>	<u>353,589</u>
Total employee benefits expense	<u>\$ 350,794</u>	<u>\$ 371,818</u>
An analysis of employee benefits expense by function		
Operating expenses	<u>\$ 350,794</u>	<u>\$ 371,818</u>

g. Employees' compensation and remuneration of directors and supervisors

According to the Company's Articles, the Company accrued employees' compensation and remuneration of directors at the rates no less than 5% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors.

The employees' compensation and the remuneration of directors for the years ended December 31, 2020 and 2019 which were approved by the Company's board of directors on March 23, 2021 and March 20, 2020 are as follows:

Accrual rate

	For the Year Ended December 31	
	2020	2019
Employees' compensation	7%	7%
Remuneration of directors	2%	2%

Amount

	For the Year Ended December 31	
	2020	2019
	Cash	Cash
Employees' compensation	\$ 7,818	\$ 3,120
Remuneration of directors	2,233	891

If there is a change in the amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no employees' compensation and remuneration of directors estimated as the Company reported a net loss before tax for the years ended December 31, 2018.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the year ended December 31, 2019.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2020	2019
Foreign exchange gains	\$ 55,851	\$ 61,005
Foreign exchange losses	<u>(118,773)</u>	<u>(67,349)</u>
	<u>\$ (62,922)</u>	<u>\$ (6,344)</u>

22. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 657	\$ -
Deferred tax	<u>-</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 657</u>	<u>\$ -</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2020	2019
Profit before tax	<u>\$ 104,908</u>	<u>\$ 60,772</u>
Income tax expense calculated at the statutory rate	\$ 20,982	\$ 12,154
Nondeductible expenses in determining taxable income	20,814	20,011
Tax-exempt income	(15,116)	(16,399)
Addition income tax under the Alternative Minimum Tax Act	657	-
Realization of investment losses	(1,375)	(14,561)
Unrecognized loss carryforwards/deductible temporary differences	<u>(25,305)</u>	<u>(1,205)</u>
Income tax expense recognized in profit or loss	<u>\$ 657</u>	<u>\$ -</u>

b. Current tax assets

	December 31	
	2020	2019
Current tax assets		
Tax refund receivable	<u>\$ 30</u>	<u>\$ 322</u>

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax liabilities</u>			
Unrealized foreign exchange gains	<u>\$ 722</u>	<u>\$ -</u>	<u>\$ 722</u>

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax liabilities</u>			
Unrealized foreign exchange gains	\$ <u>722</u>	\$ <u>-</u>	\$ <u>722</u>
d. Unused loss carryforwards for which no deferred tax assets have been recognized in the balance sheets			
Loss carryforwards as of December 31, 2020 comprised of:			

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Expire in 2027	\$ 182,016	\$ 182,016
Expire in 2028	85,418	98,726
Expire in 2029	<u>-</u>	<u>25,459</u>
	<u>\$ 267,434</u>	<u>\$ 306,201</u>

e. Income tax assessments

As of December 31, 2018, the tax returns have been assessed by the tax authorities.

23. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Basic earnings per share	<u>\$ 0.56</u>	<u>\$ 0.33</u>
Diluted earnings per share	<u>\$ 0.56</u>	<u>\$ 0.33</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Profit used in the computation of earnings per share	<u>\$ 104,251</u>	<u>\$ 60,772</u>

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

	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares used in the computation of basic earnings per share	184,953	184,551
Effect of potentially dilutive ordinary shares		
Employee share options	346	138
Employees' compensation	<u>701</u>	<u>292</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>186,000</u>	<u>184,981</u>

Since the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

24. SHARE-BASED PAYMENT ARRANGEMENTS

Employee share option plan of the Company

Qualified employees of the Company were granted 8,000 thousand options on September 30, 2017. Each option entitles the holder to subscribe for one thousand common shares of the Company. The options granted are valid for 6 years and exercisable at certain percentages after the second anniversary from the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

Information on outstanding issued employee share options is as follows:

	For the Year Ended December 31			
	2020		2019	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	7,755	\$10.25	8,000	\$10.25
Options forfeited	(200)	10.25	(245)	10.25
Options exercised	<u>(2,682)</u>	10.25	<u>-</u>	10.25
Balance at December 31	<u>4,873</u>	10.25	<u>7,755</u>	10.25
Options exercisable, end of year	<u>2,436</u>	10.25	<u>1,939</u>	10.25

Information on outstanding options is as follows:

	<u>December 31</u>	
	2020	2019
Range of exercise price (NT\$)	\$10.25	\$10.25
Weighted-average remaining contractual life (years)	2.75	3.75

Compensation cost recognized was \$1,914 thousand and \$3,380 thousand for the years ended December 31, 2020 and 2019, respectively.

25. PARTIAL ACQUISITION OR DISPOSAL OF INVESTMENT SUBSIDIARIES - NON-AFFECT CONTROLLING

In August 2019, the Company acquired an odd lot of Comtrend's shares, increasing its continuing interest from 41.74% to 41.75%; and in December 2019, the Company acquired 0.84% of the shares of SMAX Technology, increasing its continuing interest from 99.16% to 100%.

In September 2020, the employees of Comtrend exercised employee share options and the Company disposed of 1.30% of its equity interest in Comtrend; as a result, the Company's continuing interest decreased from 41.75% to 39.63%.

In September 2020, the Company subscribed for additional new shares of Comtrend at a percentage different from its existing ownership percentage, and reduced its continuing interest from 39.63% to 34.85%.

In December 2020, the employees of Comtrend exercised employee share options; as a result, the Company's continuing interest decreased from 34.85% to 34.84%.

The above transactions were accounted for as equity transactions since the Company did not cease to have control over the subsidiaries. Please refer to Note 27 of the Company's consolidated financial statements for the year ended December 31, 2020 for instruction on partial acquisition or disposal of its subsidiary.

26. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. Key management personnel of the Company review the capital structure on an annual basis. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the number of new shares issued, and the amount of new debt issued or existing debt redeemed.

27. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI - non-current</u>				
Investment in equity instruments at FVTOCI				
Foreign unlisted shares	\$ -	\$ -	\$ 20,274	\$ 20,274
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>43,256</u>	<u>43,256</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,530</u>	<u>\$ 63,530</u>

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI - non-current</u>				
Investment in equity instruments at FVTOCI				
Foreign unlisted shares	\$ -	\$ -	\$ 18,765	\$ 18,765
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>39,277</u>	<u>39,277</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,042</u>	<u>\$ 58,042</u>

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

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

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

c. Categories of financial instruments

	<u>December 31</u>	
	2020	2019
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 1,692,206	\$ 1,378,618
Financial assets at FVTOCI		
Equity instruments	63,530	58,042
<u>Financial liabilities</u>		
Amortized cost (2)	3,068,916	2,660,470

- 1) The balances included financial assets at amortized cost, which comprise cash, notes receivable, trade receivables, trade receivables from related parties, other receivables, other financial assets, and refundable deposits.

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

d. Financial risk management objectives and policies

The Company's major financial instruments include equity investments, trade receivables, trade payables, borrowings, and lease liabilities. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

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

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 32.

Sensitivity analysis

The Company was mainly exposed to the currencies USD.

The following table details the Company's sensitivity to a 1% increase and decrease in the functional currency against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A negative number below indicates a decrease in pre-tax profit and other equity when the New Taiwan dollar or other functional currency weakens by 1% against the relevant foreign currency. Conversely, a positive number indicates a decrease in pre-tax profit when the functional currency weakens by 1% against the relevant foreign currency.

	Currency USD Impact	
	For the Year Ended December 31	
	2020	2019
Profit or loss	\$ (8,242)*	\$ (5,691)*

* This was mainly attributable to the exposure of outstanding USD receivables and payables which were not hedged at the end of the year.

The Company's sensitivity to foreign currency increased during the current year and last year mainly due to the increase in the balance of accounts receivable denominated in USD.

b) Interest rate risk

The Company is exposed to interest rate risk because entities in the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings.

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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Fair value interest rate risk		
Financial liabilities	\$ 2,248,310	\$ 2,175,608
Cash flow interest rate risk		
Financial assets	702,082	562,932

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets, the analysis was prepared assuming the amount of the assets outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$7,021 thousand and \$5,629 thousand, respectively.

The Company's sensitivity to interest rates increased during the current period mainly due to the increase in floating rate financial assets.

c) Other price risk

The Company was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than for trading purposes; the Company does not actively trade these investments.

Sensitivity analysis

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

If equity prices had been 1% higher/lower, pre-tax other comprehensive income for the year ended December 31, 2020 and 2019 would have increased/decreased by \$635 thousand and \$580 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

The Company's sensitivity to equity prices increased during the current period mainly due to the increase in investments in equity securities.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation and financial guarantees provided by the Company could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral and factoring of trade receivables, where appropriate, as a means of mitigating the risk of financial loss from defaults.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Company's credit risk was significantly reduced.

The Company transacts with a large number of unrelated customers; thus, no concentration of credit risk was observed.

3) Liquidity risk

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

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2020 and 2019, the Company had available unutilized short-term bank loan facilities set out in (b) below.

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

The following tables detail the Company's remaining contractual maturities of the Company's non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2020

	Book Value	Less than 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 817,600	\$ 687,600	\$ 130,000	\$ -	\$ -
Lease liabilities	62	39	23	-	-
Short-term bills payable	29,934	29,934	-	-	-
Long-term loans payable	1,383,914	-	-	390,752	993,162
Notes and trade payables	675,281	675,281	-	-	-
Other payables	138,708	138,708	-	-	-
Current portion of long-term loans payable	<u>16,800</u>	<u>4,200</u>	<u>12,600</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,062,299</u>	<u>\$ 1,535,762</u>	<u>\$ 142,623</u>	<u>\$ 390,752</u>	<u>\$ 993,162</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 62</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2018

	Book Value	Less than 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 727,600	\$ 637,600	\$ 90,000	\$ -	\$ -
Lease liabilities	532	119	350	63	-
Short-term bills payable	29,967	29,967	-	-	-
Long-term loans payable	1,400,714	-	-	371,460	1,029,254
Notes and trade payables	372,521	372,521	-	-	-
Other payables	112,868	112,868	-	-	-
Current portion of long-term loans payable	<u>16,800</u>	<u>4,200</u>	<u>12,600</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,661,002</u>	<u>\$ 1,157,275</u>	<u>\$ 102,950</u>	<u>\$ 371,523</u>	<u>\$ 1,029,254</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 469</u>	<u>\$ 63</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

b) Financing facilities

As of December 31, 2020 and 2019, unused financing facilities amounted to \$911,686 thousand and \$977,886 thousand, respectively.

28. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Edimax USA	Subsidiary
Edimax Europe	Subsidiary
ABS Telecom	Subsidiary
Edimax AU	Subsidiary
SMAX Technology	Subsidiary
Comtrend	Subsidiary
Edimax Electronic (Dongguan)	Sub-subsubsidiary
Datamax Technology Shanghai Inc.	Sub-subsubsidiary
Talent Vantage Limited (ITI)	Associate
Crystal	Associate

b. Sales of goods

Line Item	Related Party Category	<u>For the Year Ended December 31</u>	
		2020	2019
Sales	Subsidiary		
	Comtrend	\$ 578,284	\$ 835,335
	Other	<u>103,663</u>	<u>144,660</u>
		681,947	979,995
	Sub-subsubsidiary	3,715	5,582
	Associate	<u>1,550</u>	<u>-</u>
		<u>\$ 687,212</u>	<u>\$ 985,577</u>

c. Purchases of goods

Related Party Category	<u>For the Year Ended December 31</u>	
	2020	2019
Associate - ITI	<u>\$ 662,031</u>	<u>\$ 468,333</u>

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

d. Processing fees (accounting for operating costs)

Line Item	Related Party Category	For the Year Ended December 31	
		2020	2019
Processing fees	Sub-subsidiary Dongguan	<u>\$ 1,358,646</u>	<u>\$ 1,643,134</u>

e. Receivables from related parties

Line Item	Related Party Category	December 31	
		2020	2019
Accounts receivable	Subsidiary		
	Comtrend	\$ 122,975	\$ 181,722
	Other	<u>51,344</u>	<u>17,826</u>
		174,319	199,548
	Sub-subsidiary	<u>14,151</u>	<u>1,415</u>
		<u>\$ 188,470</u>	<u>\$ 200,963</u>
Other receivables	Subsidiary		
	Comtrend	\$ 2,394	\$ -
	SMAX	<u>-</u>	<u>1,143</u>
		2,394	1,143
	Sub-subsidiary	916	406
	Associate - Crystal	<u>567</u>	<u>8,762</u>
		<u>\$ 3,877</u>	<u>\$ 10,311</u>

The price that the Company sells to its subsidiary or sub-subsidiary is determined in accordance with product specification and local market supply and demand. The terms of collection are 60-180 days.

The sales price and payment terms for related parties are not significantly different from ordinary customers.

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2020 and 2019, no impairment losses were recognized for trade receivables from related parties.

Other receivables are advance payment of material, customs clearance fee, freight on behalf of related parties, the other outstanding account and dividends receivable from related parties.

f. Payables to related parties

Line Item	Related Party Category	December 31	
		2020	2019
Accounts payable	Sub-subsidiary		
	Edimax Electronic (Dongguan)	\$ 11,899	\$ 12,580
	Associate - ITI	<u>93,939</u>	<u>72,919</u>
		<u>\$ 105,838</u>	<u>\$ 85,499</u>

Line Item	Related Party Category	December 31	
		2020	2019
Other payables	Subsidiary	\$ 41	\$ 444
	Sub-subsidiary	2,621	1,747
	Associate	<u>95</u>	<u>25</u>
		<u>\$ 2,757</u>	<u>\$ 2,216</u>

The purchase price of subsidiary, sub-subsidiary and associate is based on the general market conditions. The payment terms are equivalent to the other suppliers, and the monthly settlement is 45 days.

The above payment is the advertising subsidy paid to the related parties, freight and customs clearance fee.

g. Endorsement guarantee

Information about the endorsement guarantee to its subsidiaries, please refer to Table 1.

h. Other transactions with related parties

Line Item	Related Party Category	December 31	
		2020	2019
Rent revenue	Subsidiary Edimax Europe	<u>\$ 2,510</u>	<u>\$ 2,582</u>

i. Remuneration of key management personnel

The total remuneration of directors and other key management personnel is as follows:

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 14,739	\$ 18,039
Share-based payments	<u>354</u>	<u>445</u>
	<u>\$ 15,093</u>	<u>\$ 18,484</u>

The remuneration of directors and other key management personnel, as determined by the remuneration committee, was based on the performance of individuals and on market trends.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings of property:

	December 31	
	2020	2019
Property, plant and equipment	<u>\$ 1,968,127</u>	<u>\$ 1,985,645</u>

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Company at the balance sheet date were as follows:

- a. As of December 31, 2020, the Company issued promissory notes with stated amounts of \$1,881,000 thousand and US\$25,000 thousand as collateral for loans and foreign exchange forward contracts.
- b. As of December 31, 2020, the Company made endorsements and guarantees for SMAX Technology and Edimax Europe with stated amounts of \$59,000 thousand and \$69,110 thousand, respectively, and actual borrowings amounted to \$0 thousand and \$39,635 thousand, respectively.

31. OTHER ITEMS

The Company has not been affected by the COVID-19 pandemic due to its industrial characteristics. Furthermore, with the easing of the pandemic and the loosening of government policies, the Company's operations have returned to normal.

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than the functional currencies of the entities in the Company and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 42,767	28.48 (USD:NTD)	\$ 1,218,004
Non-monetary items			
Investments accounted for using the equity method			
USD	10,018	28.48 (USD:NTD)	285,327
EUR	438	35.02 (EUR:NTD)	15,348
<u>Financial liabilities</u>			
Monetary items			
USD	13,826	28.48 (USD:NTD)	393,764

December 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 27,997	29.98 (USD:NTD)	\$ 839,350
Non-monetary items			
Investments accounted for using the equity method			
USD	8,761	29.98 (USD:NTD)	262,652
EUR	739	33.59 (EUR:NTD)	24,819
<u>Financial liabilities</u>			
Monetary items			
USD	9,016	29.98 (USD:NTD)	270,300

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

Functional Currency	For the Year Ended December 31			
	2020		2019	
	Exchange Rate	Net Foreign Exchange Loss	Exchange Rate	Net Foreign Exchange Loss
NTD	1 (NTD:NTD)	<u>\$ (62,922)</u>	1 (NTD:NTD)	<u>\$ (6,344)</u>

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

- 1) Financing provided to others (None).
- 2) Endorsements/guarantees provided (Table 1).
- 3) Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities) (Table 2).
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None).
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None).
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None).
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3).
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4).

- 9) Trading in derivative instruments (None).
- b. Information on investees (Table 5).
- c. Information on investment in mainland China:
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 6)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 7)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 8).

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 2)											
0	The Company	SMAX Technology Edimax Europe	b b	\$ 434,497 434,497	\$ 59,000 70,160	\$ 59,000 69,110	\$ - 39,635	\$ - -	2.72 3.18	\$ 1,086,244 1,086,244	Y Y	N N	N N	Note 3 Note 3

Note 1: Endorser/Guarantor is numbered as follows:

- a. Parent: 0.
- b. Subsidiaries are numbered starting from 1.

Note 2: Relationship between endorser/guarantor and endorsee/guarantee are categorized as follows:

- a. Business deals between the Company and guarantee party.
- b. Sum of direct holding of the subsidiaries' common stocks through the Company and its subsidiaries for more than 50%.
- c. Direct and indirect holding of the subsidiaries' common stocks through the Company and its subsidiaries for more than 50%.
- d. Sum of direct holding of the subsidiaries' common stocks through the Company and its subsidiaries for more than 90%.
- e. Owing to the joint venture funded by all shareholders on its endorsement of its holding company.
- f. Owing to the joint venture funded by each shareholders on its endorsement of its holding company.
- g. Inter-industry performance guarantee joint guarantees for pre-sale house sales contracts in accordance with the Consumer Protection Law.

Note 3: The limit on endorsement/guarantee given on behalf of each party is 20% of the individual companies' net assets based on the most recent financial statements.

Note 4: The aggregate endorsement/guarantee limit is 50% of the individual companies' net assets based on the most recent financial statements.

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Number of Shares/Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
The Company	<u>Stock</u>							
	Bluechip Infotech Pty Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	300	\$ 20,274	8.18	\$ 20,274	
	Status Internet Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	300	5,916	16.67	5,916	
	Ecobear Technology Corp.	None	Financial assets at fair value through other comprehensive income - non-current	789	5,877	14.66	5,877	
	Onward Security Corp.	None	Financial assets at fair value through other comprehensive income - non-current	6,230	23,861	10.36	23,861	
	Newgreen tech Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	300	7,602	13.04	7,602	
Comtrend	<u>Stock</u>							
	EMMT Systems	None	Financial assets at fair value through other comprehensive income - non-current	266	-	0.52	-	Note 2
	Edimax	Parent company	Financial assets at fair value through other comprehensive income - current	4,200	56,910	2.25	56,910	
8086	<u>Stock</u>							
	EscapeX Holding Corporation	None	Financial assets at fair value through other comprehensive income - non-current	3	-	0.06	-	Note 2

Note 1: For information about investments in subsidiaries, please refer to Table 5 and Table 6.

Note 2: There was no available information on equity as of December 31, 2020. The Company has recognized an impairment loss on these securities.

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Buyer	Related Party	Relationship	Transaction Detail				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	Comtrend Edimax Electronic (Dongguan) Co., Ltd. ITI	Subsidiary Subsidiary Associate	Sales	\$ (578,284)	(14.35)	Normal	Normal	Normal	\$ 122,975	12.56	
			Processing fee	1,358,646	29.18	By operating condition	Normal	By operating condition	(11,899)	(1.76)	
			Purchase	662,031	14.22	By operating condition	Normal	By operating condition	(93,939)	(13.91)	
Comtrend	CUSA CTBV ITI	Subsidiary Subsidiary Associate	Sales	(289,260)	(12.81)	Normal; collection period: 60-180 days	Normal	Normal; collection period: 60-180 days	77,429	18.35	
			Sales	(994,083)	(44.01)	Normal; collection period: 60-180 days	Normal	Normal; collection period: 60-180 days	179,075	42.45	
			Purchase	295,294	17.81	Normal	Normal	Normal	(38,723)	(8.73)	

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
The Company	Comtrend	Subsidiary	\$ 122,975	3.80	\$ -	-	\$ 40,307	\$ -
Comtrend	CTBV	Subsidiary	179,075	4.42	-	-	50,211	-

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares (In Thousands)	%	Carrying Amount			
The Company	Edimax USA	USA	Networking equipment wholesale	\$ 49,803	\$ 49,803	17	100.00	\$ 64,223	\$ 1,672	\$ 1,329	Subsidiary (Note 2)
	Edimax BVI	British Virgin Islands	Networking equipment wholesale	287,735	287,735	8,966	100.00	158,949	23,587	23,587	Subsidiary
	Edimax Europe	Netherlands	Networking equipment wholesale	168,334	168,334	2	100.00	15,348	(10,549)	(11,009)	Subsidiary (Note 3)
	Edimax AU	Australia	Networking equipment wholesale	22,641	22,641	800	100.00	517	(354)	(354)	Subsidiary
	ABS Telecom	Taiwan	Telecommunication equipment wholesale, transmission and rental	66,000	66,000	10,500	100.00	143,946	15,969	16,170	Subsidiary (Note 4)
	Edimax SE	Singapore	Networking equipment wholesale	-	6,874	-	-	(Note 8)	(Note 8)	(Note 8)	Subsidiary
	SMAX Technology	Taiwan	Wired/wireless telecommunications equipment manufacturing	137,175	137,175	2,139	100.00	25,033	391	391	Subsidiary (Note 5)
Comtrend	Taiwan	Cable and telecommunication transmission equipment	278,084	307,490	19,649	34.84	491,042	203,477	81,009	81,009	Subsidiary
	Crystal	Seychelles	Seychelles General import and export trade and investing	31,815	31,815	1,050	30.00	62,155	91,041	27,313	Associate
Edimax BVI	Datamax HK	Hong Kong	Investing	271,417	271,417	64,906	100.00	45,570	23,537	23,537	Second-tier subsidiary
Edimax Europe	Edimax UK	United Kingdom	Networking equipment wholesale	-	876	-	-	(Note 9)	(Note 9)	(Note 9)	Second-tier subsidiary
	Edimax Poland	Poland	Networking equipment wholesale	10,801	10,801	2	100.00	(8,619)	(3,802)	(3,802)	Second-tier subsidiary
ABS Telecom	ABST	Mauritius	Investing	4,175	4,175	140	100.00	7,541	378	378	Second-tier subsidiary
Comtrend	CUSA	USA	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	98,341	98,341	200	100.00	59,977	36,182	43,207	Second-tier subsidiary
	Interchan	Samoa	Investing	42,393	42,393	1,299	100.00	29,114	(647)	(647)	Second-tier subsidiary
	CTBV	Netherlands	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	50,901	50,901	1,518	100.00	96,098	14,744	13,198	Second-tier subsidiary
Interchan	8086	Taiwan	Telecommunication construction and wholesale	2,915	2,915	292	100.00	266	(430)	(15)	Second-tier subsidiary
	Just Top Corporation Ltd	Hong Kong	Telecommunication construction and wholesale	-	43	-	-	(Note 10)	(Note 10)	(Note 10)	Second-tier subsidiary
Just Top	PHP Interchan	Philippines	Telecommunication construction and wholesale	-	1,825	-	-	(Note 10)	(Note 10)	(Note 10)	Second-tier subsidiary
CTBV	CCE	Czech Republic	Wholesale, retail sale, and international trade, etc.	71,438	71,438	-	100.00	55,673	9,619	9,619	Second-tier subsidiary
	Iberia	Spain	Wholesale, retail sale, and international trade, etc.	12,294	12,294	-	100.00	4,956	(1,192)	(1,192)	Second-tier subsidiary

Note 1: Please refer to Table 6 for the information on investments in mainland China.

Note 2: The share of profits/losses of the investee included net income of \$1,672 thousand less the realized gross loss of \$343 thousand on intercompany transactions.

Note 3: The share of profits/losses of the investee included net loss of \$10,549 thousand plus the unrealized gross loss of \$460 thousand on intercompany transactions.

Note 4: The share of profits/losses of the investee included net income of \$15,969 thousand plus the unrealized gross profit of \$201 thousand on intercompany transactions.

Note 5: The share of profits/losses of the investee included net income of \$80,473 thousand plus the unrealized gross profit of \$536 thousand on intercompany transactions.

Note 6: The share of profits/losses of the investee included net income of \$36,182 thousand plus the unrealized gross profit of \$7,025 thousand on intercompany transactions.

Note 7: The share of profits/losses of the investee included net income of \$14,744 thousand less the unrealized gross loss of \$1,546 thousand on intercompany transactions.

(Continued)

Note 8: The Group completed the procedures for liquidating Edimax SE in September 2020.

Note 9: The Group completed the procedures for liquidating Edimax UK in August 2020.

Note 10: The Group completed the procedures for liquidating Just Top Corporation Ltd. and PHP Interchan in November 2020.

(Concluded)

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Edimax Electronic (Dongguan) Co., Ltd.	Networking production and marketing	\$ 257,046	b.	\$ 257,046	\$ -	\$ -	\$ 257,046	\$ 23,528	100	\$ 23,528	\$ 10,401	\$ -	2)
ABST Information Telecom Service	Telecommunication equipment wholesale, transmission and rental	4,175	b.	4,175	-	-	4,175	451	100	451	278	-	3)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$264,698	\$259,271 (Note 3)	\$1,303,492

Note 1: The methods of making investments in mainland China include the following:

- a. Direct investment in mainland China.
- b. Indirect investment in mainland China through companies registered in a third region.
- c. Other methods.

Note 2: Investment gain (loss):

- a. If it is in preparation and there is no investment gain (loss), it should be indicated.
- b. The recognition of investment gain (loss) is divided into the following three types, it should be indicated.
 - 1) The financial statement is audited and attested by certified public accounting firm with all cooperative relations with the Republic of China Accounting Firm.
 - 2) The financial statement is audited and attested by certified public accountants of Taiwan.
 - 3) Others.

Note 3: The conversion is based on the spot exchange rate on the balance sheet date.

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with Normal Transaction	Ending Balance	%		
Edimax Electronic (Dongguan)	Processing fees	\$ 1,358,646	29.18	Normal	By operating conditions	By operating conditions	\$ (11,899)	(1.76)	\$ -	

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES**INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Trust account of CTBC Bank Co., Ltd for employee stock ownership of Edimax Technology Co., Ltd.	9,911,062	5.24

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day of the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different basis in preparation.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Securities and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have the right to determine the use of trust property. For information relating to insider shareholding declaration, please refer to the Market Observation Post System.

EDIMAX TECHNOLOGY CO., LTD.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

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EDIMAX TECHNOLOGY CO., LTD.**STATEMENT OF CASH****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Description	Amount
Cash on hand	Note 1	\$ 254
Check deposits		2,463
Demand deposits	Note 2	<u>636,831</u>
		<u>\$ 639,548</u>

Note 1: Including US\$0.4 thousand, HK\$0.07 thousand and CNY33 thousand.

Note 2: Including US\$16,029 thousand, EUR67 thousand, CNY0.2 thousand and AUD233 thousand.

EDIMAX TECHNOLOGY CO., LTD.

STATEMENT OF TRADE RECEIVABLES

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Client Name	Amount
Related party	
Edimax Europe	\$ 41,343
Comtrend	122,975
Dongguan	13,144
Others	<u>11,008</u>
	<u>188,470</u>
Non-related party	109,978
A Corporation	291,654
B Corporation	158,095
C Corporation	60,694
D Corporation	<u>213,423</u>
Others (Note)	833,844
	<u>(52,897)</u>
Less: Allowance for impairment loss	<u>780,947</u>
	<u>\$ 969,417</u>

Note: The amount of individual clients does not exceed 5% of the account balance.

EDIMAX TECHNOLOGY CO., LTD.**STATEMENT OF INVENTORIES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Item	Description	Cost	Net Realizable Value
Raw materials	Electronic parts	\$ 124,564	\$ 122,086
Raw materials out of company	Electronic parts	390,297	390,297
Work in process	Network equipment products	51,604	49,040
Semi-finished goods	Network equipment products	7,394	8,246
Finished goods	Network equipment products	30,734	31,356
Merchandise	Computer peripherals	<u>21,438</u>	<u>30,487</u>
		626,031	<u>\$ 631,512</u>
Less: Allowance for inventory valuation losses		<u>(27,375)</u>	
		<u>\$ 598,656</u>	

EDIMAX TECHNOLOGY CO., LTD.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars and Shares)

Investees	Balance, January 1, 2020		Additions		Decreases		Balance, December 31, 2020		Accumulated Impairment	Provide Guarantee or Pledge Situation	Note
	Shares (Thousand)	Amount	Shares (Thousand)	Amount	Shares (Thousand)	Amount	Shares (Thousand)	Amount			
Bluechip Infortech Pty. Ltd.	300	\$ 18,765	-	\$ 1,509	-	\$ -	300	\$ 20,274	N	N	
Status Internet Co., Ltd.	300	3,927	-	1,989	-	-	300	5,916	N	N	
Ecobear Technology Corp.	789	4,200	-	1,677	-	-	789	5,877	N	N	
Newgreen Technology Co., Ltd.	-	-	400	9,902	(100)	(2,300)	300	7,602	N	N	
Onward Security Corp.	6,230	<u>31,150</u>	-	<u>-</u>	-	<u>(7,289)</u>	6,230	<u>23,861</u>	N	N	
		<u>\$ 58,042</u>		<u>\$ 15,077</u>		<u>\$ (9,589)</u>		<u>\$ 63,530</u>			

EDIMAX TECHNOLOGY CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars and Shares)

	Balance, January 1, 2020		Additions		Decreases		Balance, December 31, 2020			Net Assets Value	Evaluation Method	Provide Guarantee or Pledge Situation	Note
	Shares (Thousand)	Amount	Shares (Thousand)	Amount	Shares (Thousand)	Amount	Shares (Thousand)	%	Amount				
Edimax USA	17	\$ 66,487	-	\$ 1,672	-	\$ (3,936)	17	100.00	\$ 64,223	\$ 64,223	Equity method	N	Note 1
Edimax Europe	2	24,819	-	1,538	-	(11,009)	2	100.00	15,348	15,348	Equity method	N	Note 2
Edimax AU	800	859	-	12	-	(354)	800	100.00	517	517	Equity method	N	Note 3
Edimax SE	300	-	-	-	(300)	-	-	100.00	-	-	Equity method	N	Note 4
Crystal	1,050	55,706	-	27,313	-	(20,864)	1,050	30.00	62,155	62,155	Equity method	N	Note 5
Edimax BVI	8,966	140,459	-	23,587	-	(5,097)	8,966	100.00	158,949	158,949	Equity method	N	Note 6
ABS Telecom	10,500	149,475	-	16,315	-	(21,844)	10,500	100.00	143,946	143,946	Equity method	N	Note 7
SMAX	2,139	24,823	-	391	-	(181)	2,139	100.00	25,033	25,033	Equity method	N	Note 8
Comtrend	20,299	386,317	-	169,581	(650)	(64,856)	19,649	34.84	491,042	491,042	Equity method	N	Note 9
		<u>\$ 848,945</u>		<u>\$ 240,409</u>		<u>\$ (128,141)</u>			<u>\$ 961,213</u>	<u>\$ 961,213</u>			

Note 1: Additions are investment gain recognized under equity method of \$1,672 thousand, decreases are foreign currency statements translation adjustments of \$3,593 thousand and realized gross loss of \$343 thousand.

Note 2: Additions are foreign currency statements translation adjustments of \$1,538 thousand, decreases are investment loss recognized under equity method \$10,549 thousand, and unrealized gross loss of \$460 thousand.

Note 3: Additions are foreign currency statements translation adjustments of \$12 thousand, decreases are investment loss recognized under equity method of \$354 thousand.

Note 4: The Company completed the procedures for liquidating Edimax SE in September 2020.

Note 5: Additions are investment gain recognized under equity method of \$27,313 thousand, decreases are foreign currency statements translation adjustments of \$4,012 thousand and receiving cash dividends from subsidiaries of \$16,852 thousand.

Note 6: Additions are investment gain recognized under equity method of \$23,587 thousand, decreases are foreign currency statements translation adjustments of \$5,097 thousand.

Note 7: Additions are investment gain recognized under equity method of \$15,969 thousand, foreign currency statements translation adjustments of \$145 thousand and unrealized gross gain of \$201 thousand. Decreases are receiving cash dividends from subsidiaries of \$21,161 thousand and actuarial loss of \$683 thousand.

Note 8: Additions are investment gain recognized under equity method of \$391 thousand, decrease are receiving cash dividends from subsidiaries of \$181 thousand.

Note 9: Additions are investment gain recognized under equity method of \$80,473 thousand, change in ownership of subsidiary of \$88,572 thousand and unrealized gross gain of \$536 thousand, decreases are disposal of investments of \$29,406 thousand, foreign currency statements translation adjustments of \$836 thousand, receiving cash dividends from subsidiaries of \$34,244 thousand and actuarial loss of \$370 thousand.

EDIMAX TECHNOLOGY CO., LTD.

STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Balance, January 1, 2020	Additions	Decreases	Balance, December 31, 2020
Transportation equipment	<u>\$ 947</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 947</u>

EDIMAX TECHNOLOGY CO., LTD.

**STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS
DECEMBER 31, 2020**

(In Thousands of New Taiwan Dollars)

Item	Balance, January 1, 2020	Additions	Decreases	Balance, December 31, 2020
Transportation equipment	<u>\$ 422</u>	<u>\$ 463</u>	<u>\$ -</u>	<u>\$ 885</u>

EDIMAX TECHNOLOGY CO., LTD.

STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Types of Loans and Creditors	Deadline of Loans	Annual Interest Rate (%)	Balance	Financing Amount	Mortgage or Guarantee
Credit loan - Taiwan Cooperative Bank	November 30, 2021	1.15	\$ 40,000	\$ 40,000	N
Credit loan - Chinatrust Commercial Bank	February 3, 2021	1.10	77,600	150,000	N
Credit loan - Land Bank of Taiwan	February 2, 2021	1.01	30,000	35,000	N
Credit loan - Chang Hwa Commercial Bank	January 12, 2021	1.10	300,000	300,000	N
Credit loan - Taiwan Bank	February 2, 2021	1.03	30,000	30,000	N
Credit loan - E.SUN Commercial Bank	February 26, 2021	1.03	30,000	50,000	N
Credit loan - Shin Kong Commercial Bank	January 23, 2021	1.04	30,000	30,000	N
Credit loan - Shin Kong Commercial Bank	March 3, 2021	1.05	20,000	20,000	N
Credit loan - KGI Commercial Bank	February 26, 2021	0.99	40,000	40,000	N
Credit loan - KGI Commercial Bank	March 18, 2021	0.99	20,000	20,000	N
Credit loan - First Commercial Bank	January 8, 2021	1.09	30,000	30,000	N
Credit loan - Taiwan Business Bank	June 15, 2021	1.13	30,000	30,000	N
Credit loan - Taiwan Business Bank	June 17, 2021	1.13	20,000	20,000	N
Credit loan - Mega Bank	June 13, 2021	1.03	30,000	30,000	N
Credit loan - Mega Bank	January 30, 2021	1.03	10,000	10,000	N
Credit loan - Shanghai Commercial Bank	February 21, 2021	1.10	30,000	30,000	N
Credit loan - Hua Nan Commercial Bank	January 20, 2021	1.04	50,000	50,000	N
			<u>\$ 817,600</u>	<u>\$ 915,000</u>	

EDIMAX TECHNOLOGY CO., LTD.**STATEMENT OF TRADE PAYABLES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Related party	
Dongguan	\$ 11,899
ITI	<u>93,939</u>
	<u>105,838</u>
Non-related party	
A Corporation	40,326
B Corporation	54,361
C Corporation	66,945
D Corporation	59,172
Others (Note)	<u>343,334</u>
	<u>564,138</u>
	<u>\$ 669,976</u>

Note: The amount of individual clients does not exceed 5% of the account balance.

EDIMAX TECHNOLOGY CO., LTD.

**STATEMENT OF LONG-TERM BORROWING
FOR THE YEAR ENDED DECEMBER 31, 2020**

(In Thousands of New Taiwan Dollars, Unless Stated Others)

Item	Summary	Amount	Deadline of Contract	Interest Rate Range	Mortgage or Guarantee	Note
Chang Hwa Bank - Jiangzicui Branch	Mortgage loan	\$ 1,400,714	February 1, 2036	1.11	Please refer to Note 29	
Less: Long-term loans due within a year		<u>(16,800)</u>				
Long-term loans due after a year		<u>\$ 1,383,914</u>				

EDIMAX TECHNOLOGY CO., LTD.

**STATEMENT OF NET REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Item	Amount
Consumer internet goods	\$ 980,289
Enterprise network products	2,406,677
Telecom network products	570,944
Others	<u>72,680</u>
Net revenue	<u>\$ 4,030,590</u>

EDIMAX TECHNOLOGY CO., LTD.

STATEMENT OF OPERATING COST
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars)

Item	Amount
Direct materials	
Raw materials, beginning of year	\$ 389,138
Raw material purchased	1,498,764
Raw materials, end of year	(514,861)
Work in process transfer	6,627
Others	<u>8,306</u>
Manufacturing cost	1,387,974
Work in progress and semi-finished goods, beginning of year	12,299
Transfer of finished goods for reprocessing	177,586
Work in process	2,470
Work in progress and semi-finished goods, end of year	(58,998)
Transfer to raw materials	(6,627)
Other	<u>62,829</u>
Cost of finished goods	1,577,533
Finished goods, beginning of year	15,523
Purchase	2,125,937
Transfer to work in process	(177,586)
Finished goods, end of year	(30,734)
Others	<u>(201)</u>
Cost of production sold	<u>3,510,472</u>
Merchandise, beginning of year	15,647
Merchandise purchased	682,482
Merchandise, end of year	(21,438)
Others	<u>4,845</u>
Cost of merchandise sold	<u>681,536</u>
Internal transaction write-off	<u>(771,101)</u>
Others	<u>1,452</u>
Operating costs	<u>\$ 3,422,359</u>

EDIMAX TECHNOLOGY CO., LTD.

**STATEMENT OF MARKETING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Item	Amount
Payroll expenses	\$ 75,468
Year-end bonus	9,157
Import and export expenses	24,388
Miscellaneous expenses	11,462
Others (Note)	<u>41,808</u>
	<u>\$ 162,283</u>

Note: The amount of each item does not exceed 5% of the account balance.

EDIMAX TECHNOLOGY CO., LTD.

**STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Item	Amount
Payroll expenses	\$ 57,841
Depreciation expense	6,592
Miscellaneous expenses	8,136
Import and export expenses	7,799
Labor fee	10,123
Others (Note)	<u>20,545</u>
	<u>\$ 111,036</u>

Note: The amount of each item does not exceed 5% of the account balance.

EDIMAX TECHNOLOGY CO., LTD.

STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount
Payroll expenses	\$ 166,648
Depreciation expense	26,294
Year-end bonus	22,215
Others (Note)	<u>46,750</u>
	<u>\$ 261,907</u>

Note: The amount of each item does not exceed 5% of the account balance.

EDIMAX TECHNOLOGY CO., LTD.

STATEMENT OF LABOR, DEPRECIATION, DEPLETION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020			2019		
	Classified as Operating Cost	Classified as Operating Expense	Total	Classified as Operating Cost	Classified as Operating Expense	Total
Employee benefit expenses						
Salary expense	\$ -	\$ 295,779	\$ 295,779	\$ -	\$ 316,239	\$ 316,239
Labor and health insurance	-	25,051	25,051	-	25,676	25,676
Pension	-	15,908	15,908	-	14,849	14,849
Others	-	9,877	9,877	-	9,514	9,514
Share-based payment	-	1,914	1,914	-	3,380	3,380
Remuneration of directors	-	2,265	2,265	-	2,160	2,160
	<u>\$ -</u>	<u>\$ 350,794</u>	<u>\$ 350,794</u>	<u>\$ -</u>	<u>\$ 371,818</u>	<u>\$ 371,818</u>
Depreciation expense	\$ 830	\$ 41,145	\$ 41,975	\$ 138	\$ 44,511	\$ 44,649
Amortization expenses	-	3,875	3,875	-	5,387	5,387

Note 1: For the years ended December 31, 2020 and 2019, the Company had 303 and 327 employees, respectively. There were 9 and 8 non-employee directors, respectively.

Note 2: a. For the years ended December 31, 2020 and 2019, the average employee benefit expenses is \$1,185 thousand and \$1,159 thousand, respectively. (Total employee benefit expenses for this year minus total remuneration of directors) ÷ (Total employees for this year minus non-employee directors).

b. For the years ended December 31, 2020 and 2019, the average employee salary expense is \$1,006 thousand and \$991 thousand, respectively. (Total employee salary expenses for this year) ÷ (Total employees for this year minus non-employee directors).

c. The change in average employee salary expense was 1.51%. (The average of employee salary expenses for this year minus the average of employee salary expenses for last year) ÷ (The average of employee salary expenses for last year).

(Continued)

d. Company salary policy

- 1) The Company's remuneration of directors is reviewed and approved by the salary and compensation committee, and each director (including independent directors) is paid a fixed salary monthly. If the Company makes a profit during the year, no more than 5% of the profit will be distributed as remuneration of directors. When the Company has accumulated losses, the losses should be first offset when there is profit. The remuneration distribution proposal of the directors should be submitted to the salary and compensation committee for resolution and proposed by the Company's board of directors. If the directors are also employees, they will be paid according to the following provisions (2) and (3).
- 2) The appointment, dismissal and remuneration of general manager and vice general manager of the Company should be conducted according to the regulations of the Company. The overall performance of the Company and the standard of payment and remuneration should be determined by the Human Resources Department of the Company in accordance with relevant regulations on performance appraisal, depending on individual performance and contribution to the Company's overall operations and taking into account the market peer level. After submitting to the salary and compensation committee for review, it is proposed by the Company's board of directors.
- 3) The Company's remuneration policy is based on personal ability, contribution to the Company, performance, and the correlation between business and performance; the Company monitors, evaluates and manages risks, so the correlation between the remuneration policy and future risks is low. The overall salary and remuneration mainly include basic salary, bonuses, employee dividends, welfare, etc. According to the standard of remuneration, the basic salary is based on the market conditions and the position held by the employee; bonuses and employee dividends are linked to employee's performance, department goals and company's operating performance; welfare design is based on compliance with laws and regulations and taking into account the needs of employees.

(Concluded)