

**Edimax Technology Co., Ltd. and  
Subsidiaries**

**Consolidated Financial Statements for the  
Nine Months Ended September 30, 2021 and 2020 and  
Independent Auditors' Review Report**

## INDEPENDENT AUDITORS' REVIEW REPORT

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

### Introduction

We have reviewed the accompanying consolidated balance sheets of Edimax Technology Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group") as of September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

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

### Basis for Qualified Conclusion

As disclosed in Note 12 to the consolidated financial statements, the financial statements of non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of September 30, 2021 and 2020, combined total assets of these non-significant subsidiaries were NT\$369,632 thousand and NT\$391,787 thousand, respectively, representing 5.00% and 5.06%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$66,566 thousand and NT\$98,657 thousand, respectively, representing 1.47% and 2.09%, respectively, of the consolidated total liabilities; for the three-month and nine-month periods ended September 30, 2021 and 2020, the amounts of combined comprehensive income (loss) of these subsidiaries were NT\$4,580 thousand, NT\$1,676 thousand, NT\$10,420 thousand and NT\$6,254 thousand, respectively, representing 26.61%, 1.39%, (16.84%) and 3.18%, respectively, of the consolidated total comprehensive income (loss). As disclosed in Note 13 to the consolidated financial statements, as of September 30, 2021 and 2020, the investments in associates accounted for using the equity method were NT\$63,464 thousand and

NT\$71,744 thousand, respectively; for the three-month and nine-month periods ended September 30, 2021 and 2020, the share of profit of associates amounted to NT\$691 thousand, NT\$3,954 thousand, NT\$2,704 thousand and NT\$18,108 thousand, respectively. The financial statements of associates included in the consolidated financial statements referred to in the first paragraph were not reviewed. Information on other non-significant subsidiaries and investments in associates accounted for using the equity method disclosed in Note 38 to the consolidated financial statements was based on unreviewed financial statements as of and for the same reporting periods as those of the Company.

### **Qualified Conclusion**

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and investments in associates accounted for using the equity method as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2021 and 2020, its consolidated financial performance for the three months ended September 30, 2021 and 2020, and of its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

November 5, 2021

### *Notice to Readers*

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

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

**EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**  
(In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2021 (Reviewed)		December 31, 2020 (Audited)		September 30, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 1,453,458	20	\$ 2,070,594	27	\$ 1,959,784	25
Financial assets at fair value through profit or loss - current (Note 7)	-	-	-	-	32,459	1
Financial assets at amortized cost - current (Notes 9 and 33)	4,716	-	4,055	-	4,041	-
Contract assets - current (Note 24)	8,621	-	1,420	-	2,178	-
Notes receivable from unrelated parties (Note 10)	11,078	-	10,850	-	13,867	-
Trade receivables from unrelated parties (Notes 10 and 24)	1,095,757	15	1,223,609	16	1,499,959	19
Other receivables from unrelated parties (Notes 10 and 31)	6,723	-	5,254	-	5,669	-
Other receivables from related parties (Note 32)	-	-	567	-	8,762	-
Current tax assets	2,384	-	7,399	-	8,871	-
Inventories (Note 11)	2,025,669	27	1,500,293	20	1,426,371	19
Prepayments	90,979	1	74,911	1	73,849	1
Other current assets	29,388	1	28,998	1	17,340	-
<b>Total current assets</b>	<b>4,728,773</b>	<b>64</b>	<b>4,927,950</b>	<b>65</b>	<b>5,053,150</b>	<b>65</b>
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 31)	69,599	1	63,530	1	64,099	1
Financial assets at amortized cost - non-current (Notes 9 and 33)	835	-	905	-	883	-
Investments accounted for using the equity method (Note 13)	63,464	1	62,155	1	71,744	1
Property, plant and equipment (Notes 14 and 33)	2,283,984	31	2,317,465	30	2,313,068	30
Right-of-use assets (Note 15)	109,001	2	111,694	2	118,806	2
Intangible assets (Note 16)	30,608	-	29,188	-	26,321	-
Deferred tax assets	33,816	-	21,744	-	19,161	-
Refundable deposits	13,540	-	14,472	-	14,792	-
Other financial assets - non-current (Note 17)	64,294	1	63,188	1	61,282	1
<b>Total non-current assets</b>	<b>2,669,141</b>	<b>36</b>	<b>2,684,341</b>	<b>35</b>	<b>2,690,156</b>	<b>35</b>
<b>TOTAL</b>	<b>\$ 7,397,914</b>	<b>100</b>	<b>\$ 7,612,291</b>	<b>100</b>	<b>\$ 7,743,306</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Note 18)	\$ 489,392	7	\$ 857,768	11	\$ 871,770	11
Short-term bills payable (Note 18)	29,937	-	29,934	-	29,928	-
Contract liabilities - current (Note 24)	125,532	2	126,623	2	129,864	2
Notes payable to unrelated parties	2,933	-	5,336	-	6,103	-
Accounts payable to unrelated parties	1,287,760	17	1,299,408	17	1,366,708	18
Accounts payable to related parties (Note 32)	114,228	2	132,662	2	219,163	3
Other payables (Notes 20 and 32)	334,994	4	350,087	5	319,827	4
Current tax liabilities	45,924	1	39,385	1	45,266	1
Provisions - current (Note 21)	4,791	-	3,441	-	2,786	-
Lease liabilities - current (Note 15)	36,890	-	32,611	-	38,233	-
Current portion of long-term borrowings (Notes 18 and 33)	77,466	1	16,800	-	73,466	1
Other current liabilities (Note 20)	122,461	2	113,226	2	115,767	2
<b>Total current liabilities</b>	<b>2,672,308</b>	<b>36</b>	<b>3,007,281</b>	<b>40</b>	<b>3,218,881</b>	<b>42</b>
<b>NON-CURRENT LIABILITIES</b>						
Financial liabilities at fair value through profit or loss - non-current (Notes 7 and 19)	1,280	-	-	-	-	-
Bonds payable (Notes 19 and 33)	389,823	5	-	-	-	-
Long-term borrowings (Notes 18 and 33)	1,310,648	18	1,383,914	18	1,347,635	17
Deferred tax liabilities	722	-	3,917	-	2,807	-
Lease liabilities - non-current (Note 15)	72,368	1	79,868	1	81,513	1
Net defined benefit liabilities - non-current (Notes 4 and 22)	80,491	1	84,335	1	65,859	1
Guarantee deposits received	8	-	6,680	-	6,369	-
<b>Total non-current liabilities</b>	<b>1,855,340</b>	<b>25</b>	<b>1,558,714</b>	<b>20</b>	<b>1,504,183</b>	<b>19</b>
<b>Total liabilities</b>	<b>4,527,648</b>	<b>61</b>	<b>4,565,995</b>	<b>60</b>	<b>4,723,064</b>	<b>61</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>						
Share capital						
Common stock	1,893,702	26	1,864,916	25	1,864,916	24
Capital collected in advance	125	-	27,492	-	-	-
<b>Total share capital</b>	<b>1,893,827</b>	<b>26</b>	<b>1,892,408</b>	<b>25</b>	<b>1,864,916</b>	<b>24</b>
Capital surplus	235,753	3	228,100	3	226,838	3
Retained earnings						
Legal reserve	10,460	-	1,802	-	1,802	-
Special reserve	38,904	1	16,214	-	16,214	-
Unappropriated earnings	(55,835)	(1)	86,582	1	103,548	2
<b>Total retained earnings</b>	<b>(6,471)</b>	<b>-</b>	<b>104,598</b>	<b>1</b>	<b>121,564</b>	<b>2</b>
Other equity						
Exchange differences arising from translation to the presentation currency	(46,352)	(1)	(33,468)	-	(30,277)	(1)
Unrealized loss on financial assets at fair value through other comprehensive income	3,908	-	(5,436)	-	(7,167)	-
<b>Total other equity</b>	<b>(42,444)</b>	<b>(1)</b>	<b>(38,904)</b>	<b>-</b>	<b>(37,444)</b>	<b>(1)</b>
Treasury shares	(13,513)	-	(13,714)	-	(13,718)	-
<b>Total equity attributable to owners of the Company</b>	<b>2,067,152</b>	<b>28</b>	<b>2,172,488</b>	<b>29</b>	<b>2,162,156</b>	<b>28</b>
<b>NON-CONTROLLING INTERESTS (Note 23)</b>	<b>803,114</b>	<b>11</b>	<b>873,808</b>	<b>11</b>	<b>858,086</b>	<b>11</b>
<b>Total equity</b>	<b>2,870,266</b>	<b>39</b>	<b>3,046,296</b>	<b>40</b>	<b>3,020,242</b>	<b>39</b>
<b>TOTAL</b>	<b>\$ 7,397,914</b>	<b>100</b>	<b>\$ 7,612,291</b>	<b>100</b>	<b>\$ 7,743,306</b>	<b>100</b>

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

(With Deloitte &amp; Touche review report dated November 5, 2021)

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Note 24)	\$ 1,344,939	100	\$ 1,890,579	100	\$ 3,867,447	100	\$ 4,721,644	100
OPERATING COSTS (Notes 11, 25 and 32)	<u>(1,017,853)</u>	<u>(75)</u>	<u>(1,400,967)</u>	<u>(74)</u>	<u>(2,997,790)</u>	<u>(77)</u>	<u>(3,469,142)</u>	<u>(73)</u>
GROSS PROFIT	<u>327,086</u>	<u>25</u>	<u>489,612</u>	<u>26</u>	<u>869,657</u>	<u>23</u>	<u>1,252,502</u>	<u>27</u>
OPERATING EXPENSES (Notes 22, 25 and 32)								
Selling and marketing expenses	(139,445)	(10)	(131,953)	(7)	(385,157)	(10)	(398,542)	(9)
General and administrative expenses	(64,176)	(5)	(80,287)	(4)	(185,934)	(5)	(216,109)	(5)
Research and development expenses	(101,655)	(8)	(92,174)	(5)	(307,466)	(8)	(302,025)	(6)
Expected credit loss (Note 10)	<u>(2,078)</u>	<u>-</u>	<u>(5,367)</u>	<u>-</u>	<u>(10,366)</u>	<u>-</u>	<u>(13,721)</u>	<u>-</u>
Total operating expenses	<u>(307,354)</u>	<u>(23)</u>	<u>(309,781)</u>	<u>(16)</u>	<u>(888,923)</u>	<u>(23)</u>	<u>(930,397)</u>	<u>(20)</u>
PROFIT (LOSS) FROM OPERATIONS	<u>19,732</u>	<u>2</u>	<u>179,831</u>	<u>10</u>	<u>(19,266)</u>	<u>-</u>	<u>322,105</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 25)	9,223	1	5,046	-	19,704	1	15,377	-
Other gains and losses (Note 25)	279	-	(35,634)	(2)	(31,429)	(1)	(73,736)	(2)
Finance costs (Note 25)	(6,625)	(1)	(6,789)	-	(19,891)	(1)	(21,222)	-
Share of profit or loss of associates	691	-	3,954	-	2,704	-	18,108	-
Interest income (Note 25)	<u>732</u>	<u>-</u>	<u>1,102</u>	<u>-</u>	<u>3,014</u>	<u>-</u>	<u>3,540</u>	<u>-</u>
Total non-operating income and expenses	<u>4,300</u>	<u>-</u>	<u>(32,321)</u>	<u>(2)</u>	<u>(25,898)</u>	<u>(1)</u>	<u>(57,933)</u>	<u>(2)</u>
PROFIT (LOSS) BEFORE INCOME TAX	24,032	2	147,510	8	(45,164)	(1)	264,172	5
INCOME TAX EXPENSE (Note 26)	<u>(10,100)</u>	<u>(1)</u>	<u>(20,779)</u>	<u>(1)</u>	<u>(9,950)</u>	<u>(1)</u>	<u>(53,220)</u>	<u>(1)</u>
NET PROFIT (LOSS) FOR THE PERIOD	<u>13,932</u>	<u>1</u>	<u>126,731</u>	<u>7</u>	<u>(55,114)</u>	<u>(2)</u>	<u>210,952</u>	<u>4</u>
OTHER COMPREHENSIVE LOSS								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	7,657	-	(2,125)	-	4,244	-	(3,143)	-

(Continued)

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations	\$ (4,375)	-	\$ (3,967)	(1)	\$ (11,024)	-	\$ (11,330)	-
Other comprehensive income (loss) for the period, net of income tax	3,282	-	(6,092)	(1)	(6,780)	-	(14,473)	-
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>\$ 17,214</b>	<b>1</b>	<b>\$ 120,639</b>	<b>6</b>	<b>\$ (61,894)</b>	<b>(2)</b>	<b>\$ 196,479</b>	<b>4</b>
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO:</b>								
Owners of the Company	\$ 11,725	1	\$ 84,960	5	\$ (51,080)	(1)	\$ 103,548	2
Non-controlling interests	2,207	-	41,771	2	(4,034)	-	107,404	2
	<u>\$ 13,932</u>	<u>1</u>	<u>\$ 126,731</u>	<u>7</u>	<u>\$ (55,114)</u>	<u>(1)</u>	<u>\$ 210,952</u>	<u>4</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>								
Owners of the Company	\$ 16,949	1	\$ 79,165	4	\$ (59,720)	(2)	\$ 91,753	2
Non-controlling interests	265	-	41,474	2	(2,174)	-	104,726	2
	<u>\$ 17,214</u>	<u>1</u>	<u>\$ 120,639</u>	<u>6</u>	<u>\$ (61,894)</u>	<u>(2)</u>	<u>\$ 196,479</u>	<u>4</u>
<b>EARNINGS (LOSS) PER SHARE (Note 27)</b>								
Basic	<u>\$ 0.06</u>		<u>\$ 0.46</u>		<u>\$ (0.27)</u>		<u>\$ 0.56</u>	
Diluted	<u>\$ 0.06</u>		<u>\$ 0.46</u>				<u>\$ 0.56</u>	

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

(With Deloitte & Touche review report dated November 5, 2021)

(Concluded)

**EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company (Notes 23)												
	Common Stock	Share Capital Collected in Advance	Total	Capital Surplus	Legal Reserve	Special Reserve	Retained Earnings (Accumulated Profits)	Unrealized Gain (Loss) on Financial Assets at Fair Value	Other Comprehensive Income	Total	Treasury Shares	Non-controlling Interests (Note 23)	Total Equity
BALANCE AT JANUARY 1, 2020	\$ 1,854,916	\$ -	\$ 1,854,916	\$ 165,621	\$ -	\$ -	\$ 18,016	\$ -	\$ 40,021	\$ (35,649)	\$ (16,745)	\$ 3,099,159	\$ 3,272,342
Appropriation of 2019 earnings	-	-	-	-	1,802	-	-	-	-	-	-	-	-
Other capital surplus change (Note 25)	-	-	-	-	-	16,214	-	-	-	-	-	-	-
Cash distributed from capital surplus	-	-	-	1,440	-	-	-	-	-	-	-	-	1,440
Changes in percentage of ownership interests in subsidiaries (Note 29)	-	-	-	14,214	-	-	-	-	-	-	-	-	14,214
Disposal of the Company's common stocks by subsidiaries treated as treasury share transactions	-	-	-	69,054	-	-	-	-	-	-	-	-	69,054
Recognition of employee share options by the subsidiaries (Note 27)	-	-	-	113	-	-	-	-	-	-	261	297	1,131
Net profit for the nine months ended September 30, 2020	-	-	-	520	-	-	103,548	-	-	-	-	520	2,511
Other comprehensive loss for the nine months ended September 30, 2020, net of income tax	-	-	-	-	-	-	-	(8,652)	(3,141)	-	-	103,548	210,952
Total comprehensive income for the nine months ended September 30, 2020	-	-	-	-	-	-	-	-	-	-	-	11,295	(14,471)
Non-controlling interests (Note 23)	-	-	-	-	-	-	102,548	(6,652)	(3,141)	-	-	91,753	196,479
BALANCE AT SEPTEMBER 30, 2020	\$ 1,854,916	\$ -	\$ 1,854,916	\$ 236,539	\$ 1,802	\$ 16,214	\$ 214,564	\$ (10,472)	\$ (7,162)	\$ (27,443)	\$ 2,766	\$ 3,279	\$ 3,458,855
BALANCE AT JANUARY 1, 2021	\$ 1,854,916	\$ 27,492	\$ 1,892,408	\$ 238,100	\$ 1,802	\$ 16,214	\$ 194,598	\$ (13,468)	\$ (6,436)	\$ (35,904)	\$ (13,714)	\$ 3,373,898	\$ 3,406,296
Appropriation of 2020 earnings	-	-	-	-	8,655	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	2,600	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	-	-
Other capital surplus change	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments (Note 28)	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity component of convertible bonds issued by the Company (Note 17)	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposal of an investment in equity instruments designated as at fair value through other comprehensive income by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends distributed to subsidiaries to adjust capital surplus	-	-	-	-	-	-	(5,100)	-	5,100	-	-	-	-
Changes in percentage of ownership interests in subsidiaries	-	-	-	418	-	-	-	-	-	-	-	-	418
Recognition of employee share options by the subsidiaries (Note 25)	-	-	-	(4,921)	-	-	-	-	-	-	-	-	(4,921)
Issuance of ordinary shares under employee share options (Note 25)	-	-	-	85	-	-	-	-	-	-	-	-	85
Net loss for the nine months ended September 30, 2021	-	-	-	720	-	-	-	-	-	-	-	-	720
Other comprehensive loss for the nine months ended September 30, 2021, net of income tax	-	-	-	-	-	-	-	(13,824)	4,244	-	-	(9,580)	(5,114)
Total comprehensive income for the nine months ended September 30, 2021	-	-	-	-	-	-	(51,080)	(12,854)	4,244	-	-	(59,290)	(60,824)
Non-controlling interests (Note 23)	-	-	-	-	-	-	-	-	-	-	201	201	(60,623)
BALANCE AT SEPTEMBER 30, 2021	\$ 1,892,202	\$ 125	\$ 1,892,327	\$ 235,253	\$ 10,460	\$ 38,904	\$ (6,471)	\$ (46,524)	\$ 2,988	\$ (43,441)	\$ (13,513)	\$ 2,092,152	\$ 2,280,266

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche tax law report dated November 5, 2021)

# EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income tax	\$ (45,164)	\$ 264,172
Adjustments for:		
Depreciation expenses	100,319	95,501
Amortization expenses	4,142	4,062
Expected credit loss recognized	10,366	13,721
Net loss on fair value changes of financial assets and liabilities at fair value through profit or loss	1,118	117
Finance costs	19,891	21,222
Interest income	(3,014)	(3,540)
Dividend income	(3,091)	(638)
Share-based payments	1,877	3,981
Share of profit of associates	(2,704)	(18,108)
(Gain) loss on disposal of property, plant and equipment	(133)	118
Write-down of inventories	23,263	-
Reversal of write-downs of inventories	-	(7,644)
Changes in operating assets and liabilities		
Increase in contract assets	(7,201)	(2,178)
Increase in notes receivable	(228)	(1,523)
Decrease/(increase) in trade receivables	117,636	(409,313)
(Increase)/decrease in other receivables	(902)	11,918
Increase in inventories	(545,449)	(60,960)
Increase in prepayments	(16,068)	(3,014)
(Increase)/decrease in other current assets	(390)	1,971
(Decrease)/increase in contract liabilities	(1,091)	12,661
(Decrease)/increase in trade payables	(32,485)	565,187
(Decrease)/increase in other payables	(15,093)	5,736
Increase in provisions	1,350	2,786
Increase in other current liabilities	9,235	30,606
Decrease in net defined benefit liabilities	(3,844)	(838)
Cash (used in) generated from operations	(387,660)	526,003
Interest received	3,014	3,540
Interest paid	(16,763)	(19,819)
Income tax paid	(13,663)	(19,029)
Net cash (used in) generated from operating activities	<u>(415,072)</u>	<u>490,695</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	(1,825)	(9,200)
Purchase of financial assets at amortized cost	(591)	(1,369)
Purchase of financial assets at fair value through profit or loss	-	(32,576)

(Continued)



# EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2021	2020
Payments for property, plant and equipment	\$ (40,480)	\$ (50,416)
Proceeds from disposal of property, plant and equipment	445	543
Increase in refundable deposits	-	(2,929)
Decrease in refundable deposits	932	-
Payments for intangible assets	(6,262)	(1,120)
Increase in other financial assets	(1,106)	-
Decrease in other financial assets	-	4,885
Decrease in other non-current assets	-	9,200
Dividends received	<u>3,091</u>	<u>638</u>
Net cash used in investing activities	<u>(45,796)</u>	<u>(82,344)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	-	104,642
Repayments of short-term borrowings	(368,376)	-
Proceeds from bonds payable	398,653	-
Proceeds from long-term borrowings	-	16,187
Repayments of long-term borrowings	(12,600)	(12,600)
Increase in refundable deposits	-	6,369
Decrease in refundable deposits	(6,672)	-
Repayment of the principal portion of lease liabilities	(33,397)	(29,050)
Dividends paid to owners of the Company	(54,889)	(27,974)
Exercise of employee share options	2,139	-
Proceeds from treasury shares	418	1,131
Partial disposal of interests in subsidiaries without a loss of control	-	29,406
Dividends paid to non-controlling interests	(74,826)	(49,852)
Difference in non-controlling interests	<u>8,457</u>	<u>349,731</u>
Net cash (used in) generated from financing activities	<u>(141,093)</u>	<u>387,990</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>		
	<u>(15,175)</u>	<u>(10,572)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(617,136)</b>	<b>785,769</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>2,070,594</u>	<u>1,174,015</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 1,453,458</u>	<u>\$ 1,959,784</u>

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

(With Deloitte & Touche review report dated November 5, 2021)

(Concluded)

# EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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### 1. GENERAL INFORMATION

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

The Company and its subsidiaries are hereinafter collectively referred to as the “Group”.

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on November 5, 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 any material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2022

<u>New IFRSs</u>	<u>Effective Date Announced by IASB</u>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: 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 2: 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 3: 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 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

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

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

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

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Statement of compliance

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

##### b. Basis of preparation

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

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

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

##### c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. See Note 12 and Tables 5 and 6 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

##### d. Other significant accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2020.

##### 1) Retirement benefits

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

2) Taxation

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

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

The critical accounting judgments and key sources of estimation uncertainty used in the preparation of these interim consolidated financial statements are the same as those used in the preparation of the Group's consolidated financial statements for the year ended December 31, 2020.

**6. CASH AND CASH EQUIVALENTS**

	September 30, 2021	December 31, 2020	September 30, 2020
Cash on hand	\$ 1,088	\$ 683	\$ 971
Checking accounts and demand deposits	1,338,445	1,755,671	1,944,263
Cash equivalents (investments with original maturities within 3 months)			
Time deposits	<u>113,925</u>	<u>314,240</u>	<u>14,550</u>
	<u>\$ 1,453,458</u>	<u>\$ 2,070,594</u>	<u>\$ 1,959,784</u>

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

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Financial assets at FVTPL - current</u>			
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Mutual funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,459</u>
<u>Financial liabilities - non-current</u>			
Held for trading derivatives instruments (not under hedge accounting)			
Redeemable and puttable options of convertible bonds (Note 19)	<u>\$ 1,280</u>	<u>\$ -</u>	<u>\$ -</u>

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### Investments in Equity Instruments at FVTOCI

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Non-current</u>			
Overseas unlisted ordinary shares			
Bluechip Infotech Pty. Ltd.	\$ 25,379	\$ 20,274	\$ 19,779
Domestic unlisted ordinary shares			
Status Internet Co., Ltd.	7,206	5,916	4,131
Ecobear Technology Corp.	4,899	5,877	4,200
Onward Security Corp.	14,952	23,861	26,789
Newgreen Tech Co., Ltd	<u>17,163</u>	<u>7,602</u>	<u>9,200</u>
	<u>\$ 69,599</u>	<u>\$ 63,530</u>	<u>\$ 64,099</u>

The Group acquired the ordinary shares of Bluechip Infotech Pty. Ltd., Status Internet Co., Ltd., Ecobear Technology Corp., Onward Security Corp., Ltd. and Newgreen Tech Co. 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 Group's strategy of holding these investments for long-term purposes.

Due to the implementation of the liquidation procedures of Interchan Taiwan ("8086") during the nine months ended September 30, 2021, related other equity - unrealized loss on financial assets at fair value through other comprehensive income of \$5,100 thousand was transferred to retained earnings.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Current</u>			
Domestic investments			
Time deposits with original maturities of more than 3 months	<u>\$ 4,716</u>	<u>\$ 4,055</u>	<u>\$ 4,041</u>
<u>Non-current</u>			
Domestic investments			
Time deposits with original maturities of more than 3 months	<u>\$ 835</u>	<u>\$ 905</u>	<u>\$ 883</u>

Refer to Note 33 for information relating to investments in financial assets at amortized cost pledged as security.

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

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Notes receivable</u>			
At amortized cost			
Gross carrying amount	\$ 11,078	\$ 10,850	\$ 13,867
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$ 1,165,908	\$ 1,283,544	\$ 1,552,556
Less: Allowance for impairment loss	(70,151)	(59,935)	(52,597)
	<u>\$ 1,095,757</u>	<u>\$ 1,223,609</u>	<u>\$ 1,499,959</u>
<u>Other receivables</u>			
Others	\$ 6,723	\$ 5,254	\$ 5,669

### Trade Receivables

#### a. At amortized cost

The average credit period of the Group's sales of goods vary among customers, and no interest was charged on trade receivables. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

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

The Group 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 approach considering the past default records 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 Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

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

September 30, 2021

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	0.02%	1.06%	6.73%	8.32%	93.75%	
Gross carrying amount	\$ 976,743	\$ 72,215	\$ 28,137	\$ 18,665	\$ 70,148	\$ 1,165,908
Loss allowance (Lifetime ECLs)	<u>(174)</u>	<u>(764)</u>	<u>(1,893)</u>	<u>(1,553)</u>	<u>(65,767)</u>	<u>(70,151)</u>
Amortized cost	<u>\$ 976,569</u>	<u>\$ 71,451</u>	<u>\$ 26,244</u>	<u>\$ 17,112</u>	<u>\$ 4,381</u>	<u>\$ 1,095,757</u>

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	-	1.05%	5.55%	27.16%	83.83%	
Gross carrying amount	\$ 1,059,452	\$ 129,385	\$ 22,192	\$ 6,087	\$ 66,428	\$ 1,283,544
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(1,362)</u>	<u>(1,232)</u>	<u>(1,653)</u>	<u>(55,688)</u>	<u>(59,935)</u>
Amortized cost	<u>\$ 1,059,452</u>	<u>\$ 128,023</u>	<u>\$ 20,960</u>	<u>\$ 4,434</u>	<u>\$ 10,740</u>	<u>\$ 1,223,609</u>

September 30, 2020

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	-	0.28%	2.16%	17.17%	76.87%	
Gross carrying amount	\$ 1,337,350	\$ 125,980	\$ 19,429	\$ 3,052	\$ 66,745	\$ 1,552,556
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(348)</u>	<u>(420)</u>	<u>(524)</u>	<u>(51,305)</u>	<u>(52,597)</u>
Amortized cost	<u>\$ 1,337,350</u>	<u>\$ 125,632</u>	<u>\$ 19,009</u>	<u>\$ 2,528</u>	<u>\$ 15,440</u>	<u>\$ 1,499,959</u>

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

	For the Nine Months Ended September 30	
	2021	2020
Balance at January 1	\$ 59,935	\$ 38,866
Add: Net remeasurement of loss allowance	10,366	13,721
Foreign exchange gains and losses	<u>(150)</u>	<u>10</u>
Balance at September 30	<u>\$ 70,151</u>	<u>\$ 52,597</u>

**11. INVENTORIES**

	September 30, 2021	December 31, 2020	September 30, 2020
Raw materials	\$ 1,424,737	\$ 822,616	\$ 875,412
Finished goods	169,091	115,403	91,393
Work-in-process	287,661	336,705	338,091
Merchandise	<u>144,180</u>	<u>225,569</u>	<u>121,475</u>
	<u>\$ 2,025,669</u>	<u>\$ 1,500,293</u>	<u>\$ 1,426,371</u>



The cost of inventories recognized as cost of goods sold for the three months ended September 30, 2021 and for the nine months ended September 30, 2021 amounted to \$1,017,853 thousand and \$2,997,790 thousand, respectively. The cost of goods sold included reversals of inventory write-downs of \$7,349 thousand and included loss on write-downs of inventories of \$23,623 thousand, respectively. The increase in the net realizable value of inventories is due to an increase in the selling price of inventories in a specific market or the sale of aging inventory.

The cost of inventories recognized as cost of goods sold for the three months ended September 30, 2020 and for the nine months ended September 30, 2020 amounted to \$1,400,967 thousand and \$3,469,142 thousand, respectively. The cost of goods sold included reversals of inventory write-downs of \$5,981 thousand and \$7,644 thousand, respectively.

## 12. SUBSIDIARIES

### a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership			Remark
			September 30, 2021	December 31, 2020	September 30, 2020	
The Company	Edimax Computer Co. ("Edimax USA")	Networking equipment wholesale	100.00%	100.00%	100.00%	1), 2)
The Company	Edimax Technology Europe B.V. ("Edimax Europe")	Networking equipment wholesale	100.00%	100.00%	100.00%	1), 2)
The Company	Edimax Technology (BVI) Co., Ltd. ("Edimax BVI")	Networking equipment wholesale	100.00%	100.00%	100.00%	
The Company	ABS Telecom Inc. ("ABS Telecom")	Telecommunication equipment wholesale, transmission and rental	100.00%	100.00%	100.00%	1), 2)
The Company	Edimax Technology Australia Pty. Ltd. ("Edimax AU")	Networking equipment wholesale	100.00%	100.00%	100.00%	1), 2)
The Company	SMAX Technology Co., Ltd. ("SMAX Technology")	Wired and wireless telecommunication equipment for manufacturing	100.00%	100.00%	100.00%	1), 2)
The Company	Comtrend Corporation ("Comtrend")	Cable and telecommunication transmission equipment	34.33%	34.84%	34.85%	
Edimax Europe	Edimax Technology Poland, Sp. Zo.o. ("Edimax Poland")	Networking equipment wholesale	100.00%	100.00%	100.00%	1), 2)
Edimax BVI	Datamax (HK) Co., Ltd. ("Datamax HK")	Investing	100.00%	100.00%	100.00%	
ABS Telecom	ABST Information International Inc. ("ABST")	Investing	100.00%	100.00%	100.00%	1), 2)
SMAX Technology	Smax Japan Co., Ltd. ("Smax Japan")	Networking equipment wholesale	100.00%	-	-	1), 4)
Comtrend	Comtrend Corporation, USA ("CUSA")	Cable & cableless transmission equipment wholesale, retail sale, and international trade, etc.	100.00%	100.00%	100.00%	
Comtrend	Interchan Global Limited ("Interchan Global")	Investing	100.00%	100.00%	100.00%	
Comtrend	Comtrend Technology (Netherlands) B.V. ("CTBV")	Wholesale, retail sale, and international trade, etc.	100.00%	100.00%	100.00%	
Datamax HK	Edimax Electronic (Dongguan) Co., Ltd.	Networking production and marketing	100.00%	100.00%	100.00%	
ABST	ABST Information Telecom Service Inc.	Telecommunication equipment wholesale, transmission and rental	100.00%	100.00%	100.00%	1), 2)
Interchan Global	Just Top Limited ("Just Top")	Telecommunication construction and wholesale	-	-	100.00%	3)
Interchan Global	Interchan Taiwan ("8086")	Telecommunication construction and wholesale	100.00%	100.00%	100.00%	
Just Top	PHP Interchan	Telecommunication construction and wholesale	-	-	100.00%	3)
CTBV	Comtrend Central Europe S.R.O. ("CCE")	Cable & cableless transmission equipment wholesale, retail sale, and international trade, etc.	100.00%	100.00%	100.00%	
CTBV	Comtrend Iberia S.L. ("Iberia")	Cable & cableless transmission service	100.00%	100.00%	100.00%	

1) As the subsidiary is not significant, its financial statements for the nine months ended September 30, 2021 have not been reviewed.

2) As the subsidiary is not significant, its financial statements for the nine months ended September 30, 2020 have not been reviewed.

3) The Group completed the liquidation procedures of Just Top and PHP Interchan in November 2020.

4) The Group invested in SMAX JAPAN in July 2021.

As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group held 34.33%, 34.84% and 34.85% of Comtrend's voting shares, respectively, but the Group has the practical ability to direct the relevant activities of Comtrend; thus, Comtrend was listed as a subsidiary of the Group.

The total assets, liabilities and comprehensive income (loss) in the financial statements of non-significant subsidiaries which were not reviewed in the consolidated financial statements mentioned above were as follows:

	<u>September 30</u>	
	2021	2020
Unreviewed total assets	\$ 369,632	\$ 391,787
Proportion of total consolidated assets	5.00%	5.06%
Unreviewed total liabilities	\$ 66,566	\$ 98,657
Proportion of total consolidated liabilities	1.47%	2.09%

  

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2021	2020	2021	2020
Unreviewed comprehensive income (loss)	\$ 4,580	\$ 1,676	\$ 10,420	\$ 6,254
Proportion of total consolidated comprehensive income (loss)	26.61%	1.39%	(16.84%)	3.18%

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Principal Place of Business	<u>Proportion of Ownership and Voting Rights Held by Non-controlling Interests</u>		
		September 30, 2021	December 31, 2020	September 30, 2020
Comtrend	Taiwan	65.67%	65.16%	65.15%

  

Name of Subsidiary	<u>Profit (Loss) Allocated to Non-controlling Interests</u>		<u>Accumulated Non-controlling Interests</u>		
	<u>For the Nine Months Ended September 30</u>		September 30, 2021	December 31, 2020	September 30, 2020
	2021	2020			
Comtrend	\$ (4,034)	\$ 107,404	\$ 803,114	\$ 873,808	\$ 858,086

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Comtrend and its subsidiaries

	September 30, 2021	December 31, 2020	September 30, 2020
Current assets	\$ 1,853,907	\$ 1,958,293	\$ 2,003,654
Non-current assets	155,229	142,180	140,005
Current liabilities	(678,741)	(634,860)	(683,958)
Non-current liabilities	(62,707)	(66,530)	(83,808)
Equity	\$ 1,267,688	\$ 1,399,083	\$ 1,375,893

(Continued)

	September 30, 2021	December 31, 2020	September 30, 2020
Equity attributable to:			
Owners of Comtrend	\$ 435,197	\$ 487,441	\$ 479,500
Non-controlling interests of Comtrend	<u>832,491</u>	<u>911,642</u>	<u>896,393</u>
	<u>\$ 1,267,688</u>	<u>\$ 1,399,083</u>	<u>\$ 1,375,893</u> (Concluded)
		<b>For the Nine Months Ended September 30</b>	
		<b>2021</b>	<b>2020</b>
Revenue		<u>\$ 1,154,296</u>	<u>\$ 2,117,495</u>
Net profit (loss) for the period		\$ (6,160)	\$ 179,537
Other comprehensive income (loss) for the period		<u>(20,886)</u>	<u>10,025</u>
Total comprehensive income (loss) for the period		<u>\$ (27,046)</u>	<u>\$ 189,562</u>
Profit attributable to:			
Owners of Comtrend		\$ (2,126)	\$ 72,133
Non-controlling interests of Comtrend		<u>(4,034)</u>	<u>107,404</u>
		<u>\$ (6,160)</u>	<u>\$ 179,537</u>
Total comprehensive income attributable to:			
Owners of Comtrend		\$ (24,872)	\$ 84,836
Non-controlling interests of Comtrend		<u>(2,174)</u>	<u>104,726</u>
		<u>\$ (27,046)</u>	<u>\$ 189,562</u>
Net cash inflow (outflow) from:			
Operating activities		\$ (272,403)	\$ 356,035
Investing activities		(19,524)	(23,097)
Financing activities		(121,148)	264,984
Effect of exchange rate		<u>(8,488)</u>	<u>(2,152)</u>
Net cash (outflow) inflow		<u>\$ (421,563)</u>	<u>\$ 595,770</u>

### 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	September 30, 2021	December 31, 2020	September 30, 2020
Associates that are not individually material	<u>\$ 63,464</u>	<u>\$ 62,155</u>	<u>\$ 71,744</u>

Refer to Table 5 "Information on Investees" for the nature of activities, principal places of business and countries of incorporation of the associates.

Investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements which have not been reviewed.

## 14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2021	\$ 1,299,846	\$ 919,692	\$ 430,880	\$ 617,307	\$ 3,267,725
Additions	-	-	7,539	32,941	40,480
Disposals	-	-	(6,191)	(103,768)	(109,959)
Effect of foreign currency exchange differences	-	-	(6,921)	(2,087)	(9,008)
Balance at September 30, 2021	<u>\$ 1,299,846</u>	<u>\$ 919,692</u>	<u>\$ 425,307</u>	<u>\$ 544,393</u>	<u>\$ 3,189,238</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2021	\$ -	\$ 113,954	\$ 362,390	\$ 473,916	\$ 950,260
Depreciation expense	-	14,993	12,439	45,099	72,531
Disposals	-	-	(6,191)	(103,456)	(109,647)
Effect of foreign currency exchange differences	-	-	(5,862)	(2,028)	(7,890)
Balance at September 30, 2021	<u>\$ -</u>	<u>\$ 128,947</u>	<u>\$ 362,776</u>	<u>\$ 413,531</u>	<u>\$ 905,254</u>
Carrying amount at September 30, 2021	<u>\$ 1,299,846</u>	<u>\$ 790,745</u>	<u>\$ 62,531</u>	<u>\$ 130,862</u>	<u>\$ 2,283,984</u>
<u>Cost</u>					
Balance at January 1, 2020	\$ 1,299,846	\$ 919,692	\$ 415,363	\$ 566,871	\$ 3,201,772
Additions	-	-	11,342	39,074	50,416
Disposals	-	-	(2,402)	(12,119)	(14,521)
Effect of foreign currency exchange differences	-	-	(3,310)	(1,237)	(4,547)
Balance at September 30, 2020	<u>\$ 1,299,846</u>	<u>\$ 919,692</u>	<u>\$ 420,993</u>	<u>\$ 592,589</u>	<u>\$ 3,233,120</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2020	\$ -	\$ 93,963	\$ 344,231	\$ 432,257	\$ 870,451
Depreciation expense	-	14,993	11,021	41,273	67,287
Disposals	-	-	(2,402)	(11,458)	(13,860)
Effect of foreign currency exchange differences	-	-	(2,715)	(1,111)	(3,826)
Balance at September 30, 2020	<u>\$ -</u>	<u>\$ 108,956</u>	<u>\$ 350,135</u>	<u>\$ 460,961</u>	<u>\$ 920,052</u>
Carrying amount at September 30, 2020	<u>\$ 1,299,846</u>	<u>\$ 810,736</u>	<u>\$ 70,858</u>	<u>\$ 131,628</u>	<u>\$ 2,313,068</u>

No impairment assessment was performed in the nine months ended September 30, 2021 and 2020 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:

Buildings	35-50 years
Machinery and equipment	2-13 years
Other equipment	1-10 years

Property, plant and equipment pledged as collateral for bank borrowings and for the issuance of bonds are set out in Note 33.

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

	September 30, 2021	December 31, 2020	September 30, 2020	
<u>Carrying amounts</u>				
Buildings	\$ 97,762	\$ 109,535	\$ 115,122	
Transportation equipment	<u>11,239</u>	<u>2,159</u>	<u>3,684</u>	
	<u>\$ 109,001</u>	<u>\$ 111,694</u>	<u>\$ 118,806</u>	
	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2021	2020	2021	2020
Additions to right-of-use assets			<u>\$ 29,067</u>	<u>\$ 8,729</u>
Depreciation charge for right-of-use assets				
Buildings	\$ 8,450	\$ 9,072	\$ 25,444	\$ 26,597
Transportation equipment	<u>937</u>	<u>559</u>	<u>2,344</u>	<u>1,617</u>
	<u>\$ 9,387</u>	<u>\$ 9,631</u>	<u>\$ 27,788</u>	<u>\$ 28,214</u>

Except for the aforementioned additions and recognized depreciation, the Group did not have significant subleases or impairment of right-of-use assets during the nine months ended September 30, 2021 and 2020.

### b. Lease liabilities

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Carrying amounts</u>			
Current	<u>\$ 36,890</u>	<u>\$ 32,611</u>	<u>\$ 38,233</u>
Non-current	<u>\$ 72,368</u>	<u>\$ 79,868</u>	<u>\$ 81,513</u>

Discount rates for lease liabilities were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Buildings	1.36%	1.36%	1.36%
Transportation equipment	1.36%	1.36%	1.36%

### c. Material leasing activities and terms

The Group leases certain transportation equipment for the use of transportation with lease terms of 1 to 8 years.

The Group also leases buildings for the use of offices and warehouses with lease terms of 2 to 15 years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Expenses relating to short-term leases and low-value asset leases	\$ 308	\$ 592	\$ 1,823	\$ 1,536
Total cash outflow for leases			\$ (36,329)	\$ (32,028)

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

## 16. INTANGIBLE ASSETS

	September 30, 2021	December 31, 2020	September 30, 2020
Goodwill	\$ 23,231	\$ 23,231	\$ 23,231
Computer software	<u>7,377</u>	<u>5,957</u>	<u>3,090</u>
	<u>\$ 30,608</u>	<u>\$ 29,188</u>	<u>\$ 26,321</u>

Except for the amortization recognized, the Group did not have any significant addition, disposal, or impairment of intangible assets during the nine months ended September 30, 2021 and 2020.

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

Computer software	1-11 years
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## 17. OTHER FINANCIAL ASSETS

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Non-current</u>			
Pension reserve fund	\$ 64,294	\$ 62,788	\$ 61,282
Reserve account	<u>-</u>	<u>400</u>	<u>-</u>
	<u>\$ 64,294</u>	<u>\$ 63,188</u>	<u>\$ 61,282</u>

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

## 18. BORROWINGS

### a. Short-term borrowings

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Unsecured borrowings</u>			
Bank loans	<u>\$ 489,392</u>	<u>\$ 857,768</u>	<u>\$ 871,770</u>

The ranges of weighted average effective interest rates on bank loans were 1.00%-1.10%, 0.99%-1.15% and 0.99%-1.15% per annum as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

### b. Short-term bills payable

	September 30, 2021	December 31, 2020	September 30, 2020
Commercial paper	\$ 30,000	\$ 30,000	\$ 30,000
Less: Unamortized discounts on bills payable	<u>(63)</u>	<u>(66)</u>	<u>(72)</u>
	<u>\$ 29,937</u>	<u>\$ 29,934</u>	<u>\$ 29,928</u>

The weighted average effective interest rate on commercial paper were 1.00%, 1.04% and 1.038% per annum as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

### c. Long-term borrowings

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Secured borrowings</u>			
Bank loans (Note 1)	\$ 1,388,114	\$ 1,400,714	\$ 1,404,914
<u>Unsecured borrowings</u>			
Bank loans (Note 2)	<u>-</u>	<u>-</u>	<u>16,187</u>
Less: Current portion	<u>1,388,114</u> <u>(77,466)</u>	<u>1,400,714</u> <u>(16,800)</u>	<u>1,421,101</u> <u>(73,466)</u>
Long-term borrowings	<u>\$ 1,310,648</u>	<u>\$ 1,383,914</u>	<u>\$ 1,347,635</u>

1) The bank borrowings are secured by the Group's land and buildings; please refer to Note 33 for additional information. The maturity date is February 1, 2036 and the effective annual interest rate was 1.11%. The purpose of the borrowings is to purchase land and buildings for operations.

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

## 19. BONDS PAYABLE

	September 30, 2021	December 31, 2020	September 30, 2020
Secured domestic convertible bonds	\$ <u>389,823</u>	\$ _____ -	\$ _____ -

On March 30, 2021, the Company issued 4 thousand, 0% NTD-denominated unsecured five-years convertible bonds in Taiwan, with an aggregate principal amount of \$404,000 thousand.

Each bond entitles the holder to convert it into ordinary shares of the Company at a conversion price of \$13.88. In case of ex-right or ex-dividend, the price shall be adjusted according to the conversion price adjustment formula. The conversion price was adjusted from \$13.88 to \$13.50 as of September 30, 2021. Conversion may occur at any time during the period July 1, 2021 to March 31, 2026.

From the day following the expiration of 3 months after the issuance of the convertible bonds to the 40 days before the expiry date, if the closing price of the Company's ordinary shares exceeds 30% of the conversion price at that time for 30 consecutive business days, the Company is entitled to recover all the outstanding convertible bonds in cash based on the face value within the next 30 business day. In addition, if the outstanding balance of the convertible bonds is less than 10% of the original total amount issued, the Company is entitled to recover all the outstanding convertible bonds in cash based on the face value at any time thereafter.

The convertible bonds contain both liability and equity components. The equity components are presented in equity under the heading of capital surplus - options. The liability components are classified as embedded derivatives and non-embedded liabilities. The embedded derivatives, which are measured at fair value, amounted to \$1,280 thousand on September 30, 2021. The non-derivative liabilities, which are measured at amortized cost, amounted to \$389,823 thousand on September 30, 2021. The effective interest rate of the liability components was 1.04% per annum on initial recognition.

Proceeds from issuance (less transaction costs of \$5,349 thousand)	\$ 398,653
Equity component (less transaction costs allocated to the equity component of \$143 thousand)	<u>(10,684)</u>
Liability component at the date of issue (less transaction costs allocated to the liability component of \$5,204 thousand)	387,969
Interest charged at an effective interest rate of 1.04%	2,016
Valuation loss on financial investments	<u>1,118</u>
Liability component at September 30, 2021	<u>\$ 391,103</u>



## 20. OTHER LIABILITIES

	September 30, 2021	December 31, 2020	September 30, 2020
Other payables			
Payable for salaries	\$ 132,051	\$ 116,740	\$ 116,818
Payable for compensation of employees and remuneration of directors	27,159	33,260	34,814
Payable for freight and customs fee	21,674	25,400	17,482
Payable for labor fee	18,741	18,356	21,982
Output VAT	3,942	6,006	4,638
Payable for royalties	2,472	2,528	2,583
Others	<u>128,955</u>	<u>147,797</u>	<u>121,510</u>
	<u>\$ 334,994</u>	<u>\$ 350,087</u>	<u>\$ 319,827</u>
Other liabilities			
Refund liabilities	\$ 39,360	\$ 27,033	\$ 26,512
Receipts under custody	66,503	65,532	63,421
Temporary credit	14,557	18,571	24,259
Others	<u>2,041</u>	<u>2,090</u>	<u>1,575</u>
	<u>\$ 122,461</u>	<u>\$ 113,226</u>	<u>\$ 115,767</u>

## 21. PROVISIONS

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Current</u>			
Warranties	<u>\$ 4,791</u>	<u>\$ 3,441</u>	<u>\$ 2,786</u>

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under contracts for the sale of goods.

## 22. RETIREMENT BENEFIT PLANS

For the three months and the nine months ended September 30, 2021 and 2020, the pension expenses of defined benefit plans were \$554 thousand, \$553 thousand, \$1,660 thousand and \$1,464 thousand, respectively, and these were calculated based on the actuarially determined pension cost rate on December 31, 2020 and 2019, respectively.

## 23. EQUITY

### a. Share capital

#### Ordinary shares

	September 30, 2021	December 31, 2020	September 30, 2020
Number of shares authorized (in thousands)	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
Shares authorized	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>189,370</u>	<u>186,492</u>	<u>186,492</u>
Shares issued	<u>\$ 1,893,702</u>	<u>\$ 1,864,916</u>	<u>\$ 1,864,916</u>
Capital collected in advance	<u>\$ 125</u>	<u>\$ 27,492</u>	<u>\$ -</u>

The Company converted employee share options of 27,492 thousand, converted equivalent to 2,682 thousand shares, with a subscription price of \$10.25. As the change registration has not been completed as of December 31, 2020, it was listed as capital collected in advance. The change registration has been completed as of April 6, 2021.

The Company converted employee share options of 125 thousand, converted equivalent to 12 thousand shares, with a subscription price of \$10.00. As the change registration has not been completed as of September 30, 2021, it was listed as capital collected in advance.

### b. Capital surplus

	September 30, 2021	December 31, 2020	September 30, 2020
<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	\$ 33,665	\$ 29,983	\$ 29,983
Premium from conversion of bonds	24,662	24,662	24,662
Treasury share transactions	6,600	6,182	5,959
Difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	49,362	49,362	49,362
<u>May be used to offset a deficit only</u>			
Changes in percentage of ownership interest in subsidiaries (2)	69,332	74,239	73,674
Others	33,437	33,437	33,437
<u>May not be used for any purpose</u>			
Employee share options	8,011	10,235	9,761
Share options from convertible bonds (Note 19)	<u>10,684</u>	<u>-</u>	<u>-</u>
	<u>\$ 235,753</u>	<u>\$ 228,100</u>	<u>\$ 226,838</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 compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 25 (h).

Under the dividends policy of the Company, no less than 20% of the undistributed retained earnings should be distributed as dividends to shareholders unless the undistributed retained earnings is less than 20% of outstanding ordinary shares. The dividends can be distributed in the form of shares or cash, but the cash dividends 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 the 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. 1090150022 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 appropriation of earnings for 2020 and 2019 that was approved in the shareholders' meeting on July 30, 2021 and June 12, 2020, respectively, is as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Legal reserve	\$ 8,658	\$ 1,802		
Special reserve	22,690	16,214		
Cash dividends	54,889	-	\$ 0.29	\$ -

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.

d. Treasury shares

<b>Purpose of Buy-back</b>	<b>Shares Transferred to Employees (In Thousands of Shares)</b>	<b>Shares Cancelled (In Thousands of Shares)</b>	<b>Shares Held by Its Subsidiaries (In Thousands of Shares)</b>	<b>Total (In Thousands of Shares)</b>
Number of shares at January 1, 2020	-	-	1,786	1,786
Decrease during the period	-	-	(27)	(27)
Number of shares at September 30, 2020	-	-	1,759	1,759
Number of shares at January 1, 2021	-	-	1,758	1,758
Decrease during the period	-	-	(21)	(21)
Number of shares at September 30, 2021	-	-	1,737	1,737

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

<b>Name of Subsidiary</b>	<b>Number of Shares Held (In Thousands of Shares)</b>	<b>Carrying Amount</b>	<b>Market Price</b>
<u>September 30, 2021</u>			
Comtrend	1,737	\$ 13,513	\$ 15,356
<u>December 31, 2020</u>			
Comtrend	1,758	13,714	19,827
<u>September 30, 2020</u>			
Comtrend	1,759	13,718	20,492

As of September 30, 2021, December 31, 2020 and September 30, 2020, Comtrend held 4,200 thousand, 4,200 thousand and 4,200 thousand ordinary shares of the Company, respectively, and the Company recognized treasury shares amounting to \$1,737 thousand, \$1,758 thousand and \$1,759 thousand based on their ownership percentage of 34.33%, 34.84% and 34.85% as at September 30, 2021, December 31, 2020 and September 30, 2020, 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, are bestowed shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

e. Non-controlling interests

	<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 873,808	\$ 508,183
Share of (loss) profit for the period	(4,034)	107,404
Other comprehensive income (loss) during the period		
Exchange differences on translating the financial statements of foreign operations	1,860	(2,678)
Cash dividends of the subsidiaries	(74,826)	(49,852)
Employee share options of the subsidiaries	1,054	1,721
Issuance of ordinary shares for cash by the subsidiaries	-	265,569
Employee share options planned to be issued by the subsidiaries	8,457	12,568
Partial disposal of interests in subsidiaries transferred to non-controlling interests	-	14,692
Share of changes in capital surplus of subsidiaries	<u>(3,205)</u>	<u>479</u>
Balance at September 30	<u>\$ 803,114</u>	<u>\$ 858,086</u>

**24. REVENUE**

a. Disaggregation of revenue

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Revenue from the sale of goods	\$ 1,342,368	\$ 1,880,652	\$ 3,858,805	\$ 4,690,695
Revenue from the rendering of services	2,526	9,892	8,536	30,806
Other income	<u>45</u>	<u>35</u>	<u>106</u>	<u>143</u>
	<u>\$ 1,344,939</u>	<u>\$ 1,890,579</u>	<u>\$ 3,867,447</u>	<u>\$ 4,721,644</u>

b. Contract balances

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>	<b>January 1, 2020</b>
Trade receivables (Note 10)	<u>\$ 1,165,908</u>	<u>\$ 1,283,544</u>	<u>\$ 1,552,556</u>	<u>\$ 1,143,243</u>
Contract assets - sale of goods	<u>\$ 8,621</u>	<u>\$ 1,420</u>	<u>\$ 2,178</u>	<u>\$ -</u>
Contract liabilities - sale of goods	<u>\$ 125,532</u>	<u>\$ 126,623</u>	<u>\$ 129,864</u>	<u>\$ 117,203</u>

Changes in contract assets are mainly due to contracts with a right of return signed by customers under repurchase agreements. The changes in the balance of contract liabilities primarily resulted from the timing difference between the Group's satisfaction of performance obligations and the respective customer's payment.

## 25. NET PROFIT (LOSS)

### a. Interest income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Bank deposits	\$ 732	\$ 1,102	\$ 3,014	\$ 3,540

### b. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Dividends				
Investments in equity instruments at FVTOCI	\$ 2,571	\$ 363	\$ 3,091	\$ 638
Others	6,652	4,683	16,613	14,739
	\$ 9,223	\$ 5,046	\$ 19,704	\$ 15,377

### c. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
(Loss) gain on disposal of property, plant and equipment	\$ (52)	\$ (118)	\$ 133	\$ (118)
Net foreign exchange gain (loss)	2,652	(33,869)	(24,067)	(67,636)
Fair value changes of financial assets and financial liabilities				
Financial assets mandatorily classified as at FVTPL	(440)	(161)	(1,118)	(117)
Others	(1,881)	(1,486)	(6,377)	(5,865)
	\$ 279	\$ (35,634)	\$ (31,429)	\$ (73,736)

### d. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Interest on bank loans	\$ 5,262	\$ 6,394	\$ 16,766	\$ 19,780
Interest on convertible bonds	1,009	-	2,016	-
Interest on lease liabilities	354	395	1,109	1,442
	\$ 6,625	\$ 6,789	\$ 19,891	\$ 21,222

e. Impairment losses recognized (reversed)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Trade receivables	\$ <u>2,078</u>	\$ <u>5,367</u>	\$ <u>10,366</u>	\$ <u>13,721</u>
Inventories (included in operating costs)	\$ <u>(7,349)</u>	\$ <u>(5,981)</u>	\$ <u>23,263</u>	\$ <u>(7,644)</u>

f. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Property, plant and equipment	\$ 24,305	\$ 22,639	\$ 72,531	\$ 67,287
Right-of-use assets	9,387	9,631	27,788	28,214
Intangible assets	<u>1,512</u>	<u>1,129</u>	<u>4,142</u>	<u>4,062</u>
	\$ <u>35,204</u>	\$ <u>33,399</u>	\$ <u>104,461</u>	\$ <u>99,563</u>
An analysis of depreciation by function				
Operating costs	\$ 8,566	\$ 8,123	\$ 25,341	\$ 24,359
Operating expenses	<u>25,126</u>	<u>24,147</u>	<u>74,978</u>	<u>71,142</u>
	\$ <u>33,692</u>	\$ <u>32,270</u>	\$ <u>100,319</u>	\$ <u>95,501</u>
An analysis of amortization by function				
Operating costs	\$ 141	\$ 137	\$ 559	\$ 935
Operating expenses	<u>1,371</u>	<u>992</u>	<u>3,583</u>	<u>3,127</u>
	\$ <u>1,512</u>	\$ <u>1,129</u>	\$ <u>4,142</u>	\$ <u>4,062</u>

g. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Post-employment benefits				
Defined contribution plans	\$ 6,667	\$ 6,443	\$ 20,024	\$ 19,338
Defined benefit plans (Note 22)	<u>554</u>	<u>553</u>	<u>1,660</u>	<u>1,464</u>
	<u>7,221</u>	<u>6,996</u>	<u>21,684</u>	<u>20,802</u>
Share-based payments				
Equity-settled	<u>1,137</u>	<u>2,399</u>	<u>1,877</u>	<u>3,981</u>
Termination benefits	<u>-</u>	<u>-</u>	<u>304</u>	<u>-</u>
Other employee benefits	<u>242,343</u>	<u>253,807</u>	<u>710,778</u>	<u>713,062</u>
Total employee benefits expense	\$ <u>250,701</u>	\$ <u>263,202</u>	\$ <u>734,643</u>	\$ <u>737,845</u>

(Continued)

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
An analysis of employee benefits expense by function				
Operating costs	\$ 51,756	\$ 56,699	\$ 151,705	\$ 144,406
Operating expenses	<u>198,945</u>	<u>206,503</u>	<u>582,938</u>	<u>593,439</u>
	<u>\$ 250,701</u>	<u>\$ 263,202</u>	<u>\$ 734,643</u>	<u>\$ 737,845</u> (Concluded)

h. Compensation of employees and remuneration of directors

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

There was no compensation of employees and remuneration of directors estimated as the Company reported a net loss before tax for the nine months ended September 30, 2021.

For the three months and the nine months ended September 30, 2020, the compensation of employees and the remuneration of directors are as follows:

Accrual rate

	<b>For the Nine Months Ended September 30, 2020</b>
Compensation of employees	7%
Remuneration of directors	2%

Amount

	<b>For the Three Months Ended September 30, 2020</b>	<b>For the Nine Months Ended September 30, 2020</b>
Compensation of employees	<u>\$ 6,473</u>	<u>\$ 7,902</u>
Remuneration of directors	<u>\$ 1,850</u>	<u>\$ 2,258</u>

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



The appropriations of compensation of employees and remuneration of directors for 2020 and 2019 that were resolved by the board of directors on March 23, 2021 and March 20, 2020, respectively, are as shown below:

Accrual rate

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Compensation of employees	7%	7%
Remuneration of directors	2%	2%

Amount

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Compensation of employees	\$ 7,818	\$ 3,120
Remuneration of directors	2,233	891

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

The Company did not recognize any supervisor remuneration because there were no supervisors in 2020 and 2019.

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

i. Gain or loss on foreign currency exchange

	<u>For the Three Months Ended</u> <u>September 30</u>		<u>For the Nine Months Ended</u> <u>September 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Foreign exchange gains	\$ 29,067	\$ 51,467	\$ 96,221	\$ 93,161
Foreign exchange losses	<u>(26,415)</u>	<u>(85,336)</u>	<u>(120,288)</u>	<u>(160,797)</u>
	<u>\$ 2,652</u>	<u>\$ (33,869)</u>	<u>\$ (24,067)</u>	<u>\$ (67,636)</u>

## 26. INCOME TAXES

### a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Current tax				
In respect of the current period	\$ 8,449	\$ 21,014	\$ 13,249	\$ 38,732
Income tax on unappropriated earnings	3,428	-	3,428	3,009
Adjustments for prior year	<u>2,150</u>	<u>(148)</u>	<u>2,150</u>	<u>(148)</u>
	<u>14,027</u>	<u>20,866</u>	<u>18,827</u>	<u>41,593</u>
Deferred tax				
In respect of the current period	<u>(3,927)</u>	<u>(87)</u>	<u>(8,877)</u>	<u>11,627</u>
Income tax expense recognized in profit or loss	<u>\$ 10,100</u>	<u>\$ 20,779</u>	<u>\$ 9,950</u>	<u>\$ 53,220</u>

### b. Income tax assessments

As of September 30, 2021, the tax returns of the Company and its subsidiaries have been assessed by the tax authorities as follows:

	<u>Last Tax Assessment Year</u>
The Company	2019
Edimax Electronic (Dongguan) Co., Ltd	2020
Comtrend	2019
CUSA	2020
CTBV	2020
CCE	2020
Comtrend Iberia	2020
8086	2020
ABS Telecom	2019
SMAX Technology	2018

## 27. EARNINGS (LOSS) PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Basic earnings (loss) per share	<u>\$ 0.06</u>	<u>\$ 0.46</u>	<u>\$ (0.27)</u>	<u>\$ 0.56</u>
Diluted earnings per share	<u>\$ 0.06</u>	<u>\$ 0.46</u>	<u>\$ 0.56</u>	<u>\$ 0.56</u>

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

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Profit (loss) used in the computation of earnings (loss) per share	<u>\$ 11,725</u>	<u>\$ 84,960</u>	<u>\$ (51,080)</u>	<u>\$ 103,548</u>
Effect of potentially dilutive ordinary shares				
Interest on convertible bonds	<u>1,449</u>	<u>-</u>	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share from continuing operations	<u>\$ 13,174</u>	<u>\$ 84,960</u>	<u>\$ 51,080</u>	<u>\$ 103,548</u>

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings (loss) per share	187,520	184,783	187,500	184,720
Effect of potentially dilutive ordinary shares				
Convertible bonds	29,630	-	-	-
Employee share options	86	1,486	-	-
Employees' compensation or bonuses issued to employees	<u>82</u>	<u>434</u>	<u>-</u>	<u>695</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>217,318</u>	<u>186,703</u>	<u>187,500</u>	<u>185,415</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.

Since the exercise price of the options issued by the Company exceeded the average market price of the shares during the nine months ended September 30, 2020, they are anti-dilutive and excluded from the computation of diluted earnings per share.

## 28. SHARE-BASED PAYMENT ARRANGEMENTS

### a. Employee share option plan of the Company

The Company did not issue any employee share options during the nine months ended September 30, 2021 and 2020.

Information on outstanding issued employee share options is as follows:

	For the Nine Months Ended September 30			
	2021		2020	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	4,873	\$10.25	7,755	\$10.25
Options exercised	(209)	10.00	-	-
Options forfeited	<u>(164)</u>	10.00	<u>(200)</u>	10.25
Balance at September 30	<u>4,500</u>	10.00	<u>7,555</u>	10.25
Options exercisable, end of period	<u>2,250</u>		<u>3,778</u>	

The options were granted at an exercise price equal to the closing price of the Company's ordinary shares listed on the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly. If the price of the employee stock options is lower than the face value of the ordinary shares, the common stock will be the price of the options exercised.

The weighted-average exercise price was adjusted from \$10.25 to \$10.00 since September 1, 2021.

Compensation costs recognized by the Company were \$246 thousand, \$480 thousand, \$738 thousand and \$1,440 thousand for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, respectively.

### b. Employee share option plan of the subsidiaries

Comtrend did not issue any employee share options during the nine months ended September 30, 2021 and 2020.

Information on outstanding employee share options is as follows:

	<b>For the Nine Months Ended September 30</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	2,513	\$10.00	3,851	\$ 10.00
Options forfeited	(43)	10.00	(78)	10.00
Options exercised	<u>(846)</u>	10.00	<u>(1,257)</u>	10.00
Balance at September 30	<u>1,624</u>	10.00	<u>2,516</u>	10.00
Options exercisable, end of period	<u>543</u>		<u>279</u>	

Compensation costs recognized by the subsidiary were \$891 thousand, \$1,919 thousand, \$1,139 thousand and \$2,541 thousand for the three months and the nine months ended September 30, 2021 and 2020, respectively.

## 29. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In March 2021 and June 2021, Comtrend exercised employee share options, decreasing the Group's continuing interest from 34.84% to 34.33%.

	<b>Comtrend</b>
Cash consideration received	\$ 3,205
Proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>(8,457)</u>
Difference recognized from the equity transaction	<u>\$ (4,992)</u>
<u>Line item adjusted for the equity transaction</u>	
Capital surplus - difference between consideration received or paid and the carrying amount of the subsidiary net assets upon actual disposal or acquisition	<u>\$ (4,992)</u>

The above disposal of shares was accounted for as an equity transaction since the Group did not cease to have control over the subsidiary.

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

The above disposal of shares was accounted for as an equity transaction since the Group did not cease to have control over the subsidiary.

	<b>Comtrend</b>
Cash consideration received	\$ 29,406
Proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>(14,692)</u>
Difference recognized from the equity transaction	<u>\$ 14,714</u>
<u>Line item adjusted for the equity transaction</u>	
Capital surplus - difference between consideration received or paid and the carrying amount of the subsidiary net assets upon actual disposal or acquisition	<u>\$ 14,714</u>

In September 2020, the Group 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%.

The above transaction was accounted for as an equity transaction since the Group did not cease to have control over the subsidiary.

	<b>Comtrend</b>
Cash consideration paid	\$ 337,163
Effect of the subsidiary holding treasury shares of the parent company	(2,510)
Proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>(265,569)</u>
Difference recognized from the equity transaction	<u>\$ 69,084</u>
<u>Line item adjusted for the equity transaction</u>	
Capital surplus - changes in percentage of ownership interests in subsidiaries	<u>\$ 69,084</u>

### 30. CAPITAL MANAGEMENT

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

### 31. FINANCIAL INSTRUMENTS

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

Except for the following, management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

September 30, 2021

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Convertible bonds	\$ 389,823	\$ -	\$ 390,560	\$ -	\$ 390,560

The fair value of the financial liabilities included in the Level 2 category above had been determined in accordance with the income approach based on a discounted cash flow analysis.

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

- 1) Fair value hierarchy

September 30, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI - non-current</u>				
Investments in equity instruments				
Foreign unlisted shares	\$ -	\$ -	\$ 25,379	\$ 25,379
Domestic unlisted shares	-	-	44,220	44,220
	\$ -	\$ -	\$ 69,599	\$ 69,599
<u>Financial liabilities at FVTOCI - non-current</u>				
Redeemable and puttable options of convertible bonds				
	\$ -	\$ 1,280	\$ -	\$ 1,280

December 31, 2020

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTOCI - non-current</u>				
Investments in equity instruments				
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>

September 30, 2020

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTPL - current</u>				
Mutual funds	<u>\$ 32,459</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,459</u>
<u>Financial assets at FVTOCI - non-current</u>				
Investments in equity instruments				
Foreign unlisted shares	\$ -	\$ -	\$ 19,779	\$ 19,779
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>44,320</u>	<u>44,320</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,099</u>	<u>\$ 64,099</u>

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

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

<u>Financial Instrument</u>	<u>Valuation Technique and Inputs</u>
Financial liabilities - options of convertible bonds	The evaluation is based on the binary tree convertible bonds evaluation model, which is based on the evaluation of share price volatility, risk-free interest rate, risk discount rate and the number of remaining years.

3) 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

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at FVTPL	\$ -	\$ -	\$ 32,459
Financial assets at amortized cost (1)	2,650,401	3,393,494	3,569,039
Financial assets at FVTOCI			
Equity instruments	69,599	63,530	64,099
<u>Financial liabilities</u>			
FVTPL			
Held for trading	1,280	-	-
Amortized cost (2)	4,037,189	4,082,589	4,240,969

- 1) The balances included financial assets at amortized cost, which comprise cash and cash equivalents, financial assets measured at cost, notes receivable, trade receivables, other receivables, other receivables from related parties, other financial assets, and refundable deposits.
- 2) The balances included financial liabilities measured at amortized cost, which comprise short-term loans, short-term bills payable, notes payable, trade payables, trade payable to related parties, other payables, bonds payable, long-term loans (including current portion), and guarantee deposits.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivables, trade payables, bonds payable, borrowings, and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group 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 Group'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 Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 37.

Sensitivity analysis

The Group was mainly exposed to the USD and the EUR.

The following table details the Group's sensitivity to a 1% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity rate of 1% is 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 an increase in pre-tax profit when the functional currency strengthens by 1% against the relevant foreign currency.

	<b>USD Impact</b>		<b>EUR Impact</b>	
	<b>For the Nine Months Ended</b>		<b>For the Nine Months Ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Profit or loss	\$ (7,344) (i)	\$ (13,092) (i)	\$ (1,440) (i)	\$ (1,132) (i)

i. This was mainly attributable to the exposure of outstanding account receivables and payables which were not hedged at the end of the reporting period.

The Group's sensitivity to foreign currency increased during the current period due to the increase in the balance of accounts receivable denominated in USD.

b) Interest rate risk

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

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

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Fair value interest rate risk			
Financial assets	\$ 119,476	\$ 319,020	\$ 19,474
Financial liabilities	2,406,524	2,400,895	2,442,545
Cash flow interest rate risk			
Financial assets	1,402,739	1,818,859	2,005,545

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets, the analysis was prepared assuming the amount of the assets outstanding at the end of the reporting period was outstanding for the whole year. 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 Group's pre-tax (loss) profit for the nine months ended September 30, 2021 and 2020 would have increased/decreased by \$10,521 thousand and \$15,042 thousand, respectively.

The Group's sensitivity to interest rates decreased during the current period mainly due to the decrease in cash and cash equivalents.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than for trading purposes; the Group 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 period.

If equity prices had been 1% higher/lower, pre-tax other comprehensive income for the nine months ended September 30, 2021 and 2020 would have increased/decreased by \$696 thousand and \$641 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

The Group's sensitivity to equity prices for the nine months ended September 30, 2021 and 2020 has not changed significantly.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of the counterparty to discharge an obligation and financial guarantees provided by the Group 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 Group 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 Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Group's credit risk was significantly reduced.

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group 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 remaining contractual maturities of the Group'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 Group 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.

September 30, 2021

	Carrying Amount	Less than 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 489,392	\$ 459,392	\$ 30,000	\$ -	\$ -
Lease liabilities	108,840	10,356	28,370	48,423	21,691
Short-term bills payable	29,937	29,937	-	-	-
Long-term loans payable	1,310,648	-	-	390,752	919,896
Notes payable and trade payables	1,404,921	1,127,584	276,717	620	-
Other payables	334,994	246,484	73,278	15,232	-
Bonds payable	389,823	-	-	389,823	-
Current portion of long-term loans payable	<u>77,466</u>	<u>4,200</u>	<u>73,266</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,146,021</u>	<u>\$ 1,877,953</u>	<u>\$ 481,631</u>	<u>\$ 844,850</u>	<u>\$ 941,587</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 38,726</u>	<u>\$ 48,423</u>	<u>\$ 19,196</u>	<u>\$ 2,495</u>	<u>\$ -</u>	<u>\$ -</u>
Long-term loans payable	<u>\$ 77,466</u>	<u>\$ 390,752</u>	<u>\$ 390,752</u>	<u>\$ 390,752</u>	<u>\$ 138,392</u>	<u>\$ -</u>

December 31, 2020

	Carrying Amount	Less than 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 857,768	\$ 727,768	\$ 130,000	\$ -	\$ -
Lease liabilities	118,353	10,170	24,678	56,131	27,374
Short-term bills payable	29,934	29,934	-	-	-
Long-term loans payable	1,383,914	-	-	390,752	993,162
Notes payable and trade payables	1,437,406	1,137,044	300,307	55	-
Other payables	350,087	251,933	89,920	8,234	-
Current portion of long-term loans payable	<u>16,800</u>	<u>4,200</u>	<u>12,600</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,194,262</u>	<u>\$ 2,161,049</u>	<u>\$ 557,505</u>	<u>\$ 455,172</u>	<u>\$ 1,020,536</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	\$ 34,848	\$ 56,131	\$ 24,318	\$ 3,056	\$ -	\$ -
Long-term loans payable	\$ 16,800	\$ 390,752	\$ 390,752	\$ 390,752	\$ 211,658	\$ -

September 30, 2020

	Carrying Amount	Less than 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 871,770	\$ 861,770	\$ 10,000	\$ -	\$ -
Lease liabilities	126,568	10,980	28,782	57,530	29,276
Short-term bills payable	29,928	29,928	-	-	-
Long-term loans payable	1,347,635	-	-	385,606	962,029
Notes payable and trade payables	1,591,974	1,140,646	451,226	102	-
Other payables	319,827	222,947	84,690	12,190	-
Current portion of long-term loans payable	73,466	4,200	69,266	-	-
	<u>\$ 4,361,168</u>	<u>\$ 2,270,471</u>	<u>\$ 643,964</u>	<u>\$ 455,428</u>	<u>\$ 991,305</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	\$ 39,762	\$ 57,530	\$ 26,033	\$ 3,243	\$ -	\$ -
Long-term loans payable	\$ 73,466	\$ 385,606	\$ 369,419	\$ 369,419	\$ 223,191	\$ -

Bank loans with a repayment on demand clause were included in the “1-5 years” time band in the above maturity analysis. As of September 30, 2021, December 31, 2020 and September 30, 2020, the aggregate undiscounted principal amounts of these bank loans amounted to \$1,310,648 thousand, \$1,383,914 thousand and \$1,347,635 thousand, respectively. Taking into account the Group’s financial position, management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Management believes that such bank loans will be repaid within two years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to \$1,408,848 thousand, \$1,493,364 thousand and \$1,454,850 thousand, respectively.

b) Financing facilities

As of September 30, 2021, December 31, 2020 and September 30, 2020, unused financing facilities amounted to \$1,238,774 thousand, \$1,564,398 thousand and \$1,566,026 thousand, respectively.

### 32. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Talent Vantage Limited (ITI)	Associate
Crystal	Associate
Onward Security Corp	Related party in substance

b. Revenue from operating activities

Line Item	Related Party Category	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
		2021	2020	2021	2020
Sales	Associate	\$ 2,336	\$ -	\$ 5,106	\$ -

The sales prices and collection terms for transactions with related parties were not significantly different from third parties.

c. Purchases of goods

Related Party Category	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2021	2020	2021	2020
Associate - ITI	\$ 164,490	\$ 308,624	\$ 484,758	\$ 749,286

The purchase prices and payment terms for transactions with related parties were not significantly different from third parties.

d. Receivables from related parties

Line Item	Related Party Category	September 30, 2021	December 31, 2020	September 30, 2020
Other receivables from related parties	Associate - Crystal	\$ -	\$ 567	\$ 8,762

The outstanding trade receivables from related parties are unsecured. For the nine months ended September 30, 2021, no impairment losses were recognized for trade receivables from related parties.

Other receivables are dividends receivable from related parties.

e. Payables to related parties

<b>Line Item</b>	<b>Related Party Category</b>	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Accounts payable	Associate - ITI	<u>\$ 114,228</u>	<u>\$ 132,662</u>	<u>\$ 219,163</u>
Other payables	Associate	<u>\$ 1,457</u>	<u>\$ 95</u>	<u>\$ 1,091</u>
Other payables	Related party in substance	<u>\$ -</u>	<u>\$ 442</u>	<u>\$ -</u>

The outstanding trade payables to related parties are unsecured.

f. Other transactions with related parties

<b>Line Item</b>	<b>Related Party Category</b>	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
		<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Operating expense	Associate	<u>\$ 380</u>	<u>\$ 411</u>	<u>\$ 1,029</u>	<u>\$ 411</u>

g. Remuneration of key management personnel

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 9,970	\$ 13,829	\$ 31,255	\$ 39,989
Share-based payments	<u>218</u>	<u>145</u>	<u>362</u>	<u>376</u>
	<u>\$ 10,188</u>	<u>\$ 13,974</u>	<u>\$ 31,617</u>	<u>\$ 40,365</u>

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

### 33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings, convertible bonds and the court's provisional attachment of property:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Pledged deposits (classified as financial assets at amortized cost)	\$ 5,551	\$ 4,960	\$ 3,587
Property, plant and equipment	<u>1,968,890</u>	<u>2,026,352</u>	<u>2,031,568</u>
	<u>\$ 1,974,441</u>	<u>\$ 2,031,312</u>	<u>\$ 2,035,155</u>

### **34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS**

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group as of September 30, 2021 were as follows:

- a. As of September 30, 2021, the Group issued promissory notes with stated amounts of \$1,801,000 thousand and US\$25,300 thousand as collateral for loans and foreign exchange forward contracts.
- b. Taipei Fubon Bank issued to the Taipei Customs Office a guarantee note for customs duties on the bonded warehouse of the Group; the stated amount of the note was \$2,000 thousand as of September 30, 2021.
- c. As of September 30, 2021, the Group made endorsements and guarantees for SMAX Technology and Edimax Europe with stated amounts of \$20,000 thousand and \$64,640 thousand, respectively, and actual borrowings amounted to \$0 and \$19,392 thousand, respectively.

### **35. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

Comtrend, a subsidiary of the Company, planned to purchase a building for operating uses, which was approved in the board of directors' meeting on October 21, 2021. The chairman had been fully authorized to clinch the deal at an amount not exceeding \$270,000 thousand.

### **36. OTHER ITEMS**

The Group 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 Group's operations have returned to normal.



### 37. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

September 30, 2021

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 60,572	27.85 (USD:NTD)	\$ 1,686,930
USD	4,108	0.86 (USD:EUR)	114,398
USD	1,077	22.02 (USD:CZK)	30,005
EUR	3,535	32.32 (EUR:NTD)	114,251
EUR	921	25.50 (EUR:CZK)	29,769
Non-monetary items			
Investments accounted for using the equity method			
USD	2,279	27.85 (USD:NTD)	63,464

#### Financial liabilities

Monetary items			
USD	32,767	27.85 (USD:NTD)	912,561
USD	3,521	6.47 (USD:RMB)	98,072
USD	2,632	0.86 (USD:EUR)	73,294
USD	467	22.02 (USD:CZK)	13,002

December 31, 2020

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 64,497	28.48 (USD:NTD)	\$ 1,836,875
USD	15,020	6.51 (USD:RMB)	427,984
USD	808	21.39 (USD:CZK)	23,023
USD	4,295	0.81 (USD:EUR)	122,335
EUR	3,332	35.02 (EUR:NTD)	116,687
EUR	560	26.25 (EUR:CZK)	19,626
Non-monetary items			
Investments accounted for using the equity method			
USD	2,182	28.48 (USD:NTD)	62,155

#### Financial liabilities

Monetary items			
USD	32,582	28.48 (USD:NTD)	927,935
USD	3,620	6.51 (USD:RMB)	103,149
USD	3,441	0.81 (USD:EUR)	98,007
EUR	275	26.25 (EUR:CZK)	9,648

September 30, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 82,620	29.10 (USD:NTD)	\$ 2,404,242
USD	8,704	0.85 (USD:EUR)	234,954
USD	1,003	23.24 (USD:CZK)	29,195
EUR	2,048	34.15 (EUR:NTD)	69,939
EUR	1,585	27.21 (EUR:CZK)	54,125
Non-monetary items			
Investments accounted for using the equity method			
USD	2,465	29.10 (USD:NTD)	71,744
<u>Financial liabilities</u>			
Monetary items			
USD	33,801	29.10 (USD:NTD)	983,609
USD	5,696	6.82 (USD:RMB)	165,837
USD	6,962	0.85 (USD:EUR)	202,581
USD	246	23.24 (USD:CZK)	7,146
EUR	317	27.21 (EUR:CZK)	10,821

The Group is mainly exposed to the USD and the EUR. The following information was aggregated by the functional currencies of the entities in the Group, and the exchange rates between the respective functional currencies and the presentation currency were disclosed. The significant realized and unrealized foreign exchange gains (losses) were as follows:

<b>For the Three Months Ended September 30</b>				
<b>2021</b>			<b>2020</b>	
<b>Functional Currency</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>
NTD	1 (NTD:NTD)	\$ (3,543)	1 (NTD:NTD)	\$ (38,228)
USD	27.86 (USD:NTD)	6,264	29.45 (USD:NTD)	5,045
EUR	32.85 (EUR:NTD)	(69)	34.43 (EUR:NTD)	(686)
		<u>\$ 2,652</u>		<u>\$ (33,869)</u>
<b>For the Nine Months Ended September 30</b>				
<b>2021</b>			<b>2020</b>	
<b>Functional Currency</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>
NTD	1 (NTD:NTD)	\$ (43,100)	1 (NTD:NTD)	\$ (58,014)
USD	28.07 (USD:NTD)	19,779	29.82 (USD:NTD)	(8,904)
EUR	33.59 (EUR:NTD)	(746)	33.52 (EUR:NTD)	(718)
		<u>\$ (24,067)</u>		<u>\$ (67,636)</u>

### 38. 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).
- 10) Intercompany relationships and significant intercompany transactions (Table 8).

b. Information on investees (Table 5).

c. Information on investments in mainland China:

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (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 receipt of services.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9).

### 39. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

#### Segment Revenues and Results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

	<b>Enterprise, Retail Products and Services</b>	<b>Telecommuni- cation Products and Services</b>	<b>Others</b>	<b>Total</b>
For the nine months ended <u>September 30, 2021</u>				
Revenues from external customers	<u>\$ 2,582,347</u>	<u>\$ 1,154,296</u>	<u>\$ 130,804</u>	<u>\$ 3,867,447</u>
Segment profit (loss)	<u>\$ (29,609)</u>	<u>\$ (3,982)</u>	<u>\$ 14,325</u>	<u>\$ (29,266)</u>
Non-operating income and expense				<u>(25,898)</u>
Profit before tax				<u>\$ (45,164)</u>
For the nine months ended <u>September 30, 2020</u>				
Revenues from external customers	<u>\$ 2,465,072</u>	<u>\$ 2,117,495</u>	<u>\$ 139,077</u>	<u>\$ 4,721,644</u>
Segment profit (loss)	<u>\$ 70,669</u>	<u>\$ 240,005</u>	<u>\$ 11,431</u>	<u>\$ 322,105</u>
Non-operating income and expense				<u>(57,933)</u>
Profit before tax				<u>\$ 264,172</u>

Segment profit represents the profit before tax earned by each segment without allocation of interest income, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of financial instruments, exchange gain or loss, valuation gain or loss on financial instruments, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021  
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guaranteee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guaranteee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guaranteee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guaranteee Limit	Endorsement/ Guaranteee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guaranteee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guaranteee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 2)											
0	The Company	SMAX Technology Edimax Europe	b b	\$ 413,430 413,430	\$ 59,000 68,740	\$ 20,000 64,640	\$ - 19,392	\$ - -	0.97 3.13	\$ 1,033,576 1,033,576	Y Y	N N	N N	Note 3 Note 3

Note 1: Business between the parent and subsidiaries is numbered as follows:

- Parent: 0.
- Subsidiaries are numbered from 1 in order.

Note 2: Relationship information of endorser and endorsee are categorized as follows:

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

Note 3: The maximum balance of endorsement/guarantee provided by the company and to individual company cannot exceed of 20% of the individual companies' net assets.

Note 4: The maximum balance of endorsement/guarantee in total cannot exceeded of 50% of the individual companies' net assets.

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD  
SEPTEMBER 30, 2021  
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2021			Note
				Shares/Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	
The Company	Shares						
	Bluechip Infotech Pty Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	333	\$ 25,379	6.58	\$ 25,379
	Status Internet Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	300	7,206	16.67	7,206
	Ecobear Technology Corp.	None	Financial assets at fair value through other comprehensive income - non-current	789	4,899	9.41	4,899
	Onward Security Corp.	Related party by substance	Financial assets at fair value through other comprehensive income - non-current	6,230	14,952	10.36	14,952
Comtrend	Newgreen tech Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	300	17,163	8.33	17,163
	Shares						
	EMMT Systems	None	Financial assets at fair value through other comprehensive income - non-current	324	-	0.52	-
	Edimax	Parent company	Financial assets at fair value through other comprehensive income - current	4,200	44,730	2.22	44,730

Note: For information about investment subsidiaries, please refer to Table 5 and Table 6.

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021  
(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	\$ (244,170)	(8.70)	Normal	Normal	Normal	\$ 85,323	9.46	
			Processing fee	805,676	24.38	By operating condition	Normal	By operating condition	17,397	2.68	
			Purchase	413,529	12.52	By operating condition	Normal	By operating condition	(97,622)	(15.05)	
Comtrend	CUSA CTBV	Subsidiary Subsidiary	Sales	(311,384)	(32.49)	Normal; collection period: 60-180 days	Normal	Normal; collection period: 60-180 days	75,404	25.61	
			Sales	(346,911)	(36.19)	Normal; collection period: 60-180 days	Normal	Normal; collection period: 60-180 days	125,713	42.70	

Note: Except for ITI, the transactions with the related parties have been eliminated in the consolidated financial statements as of and for the nine months ended September 30, 2021.

TABLE 4

**EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 SEPTEMBER 30, 2021  
 (In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Amount	Overdue		Allowance for Impairment Loss
						Action Taken	Amounts Received in Subsequent Period	
Comtrend	CTBV	Subsidiary	\$ 125,713	3.04	\$ -	-	\$ 29,731	\$ -

Note: The transactions of the related parties have been eliminated in the consolidated financial statements as of and for the nine months ended September 30, 2021.



## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021  
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2021			Share of Profit (Loss)	Note
				September 30, 2021	December 31, 2020	Number of Shares (In Thousands)	%	Carrying Amount		
The Company	Edimax USA	USA	Networking equipment wholesale	\$ 49,803	\$ 49,803	17	100.00	\$ 65,166	\$ 2,474	Subsidiary (Note 2)
	Edimax BVI	British Virgin Islands	Networking equipment wholesale	287,735	287,735	8,966	100.00	160,514	4,862	Subsidiary
	Edimax Europe	Netherlands	Networking equipment wholesale	168,334	168,334	2	100.00	34,070	(6,328)	Subsidiary (Note 3)
	Edimax AU	Australia	Networking equipment wholesale	22,641	22,641	800	100.00	472	-	Subsidiary (Note 4)
	ABS Telecom	Taiwan	Telecommunication equipment wholesale, transmission and rental	66,000	66,000	10,500	100.00	143,026	12,958	Subsidiary (Note 4)
	SMAX Technology	Taiwan	Wired/wireless telecommunications equipment manufacturing	137,175	137,175	2,139	100.00	23,523	(1,394)	Subsidiary (Note 5)
	Contrend	Taiwan	Cable and cableless transmission equipment wholesale, research and development and retail sale	278,084	278,084	19,649	34.33	441,931	(2,173)	Subsidiary (Note 6)
	Crystal	Seychelles	Seychelles General import and export trade and investing	31,815	31,815	1,050	30.00	63,464	2,704	Associate
	Edimax BVI	Hong Kong	Investing	271,417	271,417	64,906	100.00	40,296	(4,558)	Second-tier subsidiary
	Edimax Europe	Poland	Networking equipment wholesale	10,801	10,801	2	100.00	(6,451)	131	Second-tier subsidiary
ABS Telecom	ABST	Mauritius	Investing	4,175	4,175	140	100.00	7,217	(203)	Second-tier subsidiary
	Simax Japan Inc.	Japan	Networking equipment wholesale	1,992	-	8,000	100.00	1,375	(641)	Second-tier subsidiary
Contrend	CUSA	USA	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	98,341	98,341	200	100.00	105,715	47,721	Second-tier subsidiary
	Interchan	Saoao	Investing	42,393	42,393	1,299	100.00	28,133	(345)	Second-tier subsidiary (Note 7)
	CTBV	Netherlands	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	50,901	50,901	1,518	100.00	91,761	1,750	Second-tier subsidiary (Note 8)
Interchan	8086	Taiwan	Telecommunication value-added services	2,915	2,915	292	100.00	201	(65)	Second-tier subsidiary
CTBV	CCE	Czech Republic	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	71,438	71,438	-	100.00	46,635	(6,441)	Second-tier subsidiary
	Iberia	Spain	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	12,294	12,294	-	100.00	4,421	(159)	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 \$1,688 thousand plus the unrealized gross profit of \$786 thousand on intercompany transactions.

Note 3: The share of profits/losses of the investee included net loss of \$3,423 thousand less the unrealized gross loss of \$2,905 thousand on intercompany transactions.

Note 4: The share of profits/losses of the investee included net income of \$13,547 thousand plus the unrealized gross loss of \$589 thousand on intercompany transactions.

Note 5: The share of profits/losses of the investee included net loss of \$1,393 thousand plus the unrealized gross loss of \$1 thousand on intercompany transactions.

Note 6: The share of profits/losses of the investee included net loss of \$6,160 thousand plus the unrealized gross profit of \$3,987 thousand on intercompany transactions.

Note 7: The share of profits/losses of the investee included net income of \$53,861 thousand plus the unrealized gross loss of \$6,140 thousand on intercompany transactions.

Note 8: The share of profits/losses of the investee included net income of \$75 thousand less the unrealized gross profit of \$1,675 thousand on intercompany transactions.

Note 9: Except for Crystal, the transactions with the related parties have been eliminated in the consolidated financial statements as of and for the nine months ended September 30, 2021.

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021  
(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, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of September 30, 2021	Accumulated Repatriation of Investment Income as of September 30, 2021	Note
					Outward	Inward							
Edimax Electronic (Dongguan) Co., Ltd.	Networking production and marketing	\$ 257,046	b.	\$ 257,046	\$ -	\$ -	\$ 257,046	\$ (4,551)	100	\$ (4,551)	\$ 40,258	\$ -	Note 2
ABST Information Telecom Service	Telecommunication equipment wholesale, transmission and rental	4,175	b.	4,175	-	-	4,175	(34)	100	(34)	7,764	-	Note 3
Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2021				Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA								
\$264,698				\$253,536 (Note 4)	\$1,240,291								

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

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

Note 2: Calculated based on the financial statements of the investee company reviewed by an accountant during the same period.

Note 3: Calculated based on the financial statements of the investee company that have not been reviewed by an accountant during the same period.

Note 4: The conversion is based on the spot exchange rate on the balance sheet date.

Note 5: The transactions with the related parties have been eliminated in the consolidated financial statements as of and for the nine months ended September 30, 2021.

## 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 NINE MONTHS ENDED SEPTEMBER 30, 2021  
(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	\$ 805,676	24.38	Normal	By operating conditions	By operating conditions	\$ 17,397	2.68	\$ -	

Note: The transactions with the related parties have been eliminated in the consolidated financial statements as of and for the nine months ended September 30, 2021.

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021  
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Intercompany Transactions			% of Total Sales or Assets (Note 3)
				Financial Statement Account	Amount	Payment Terms	
0	For the nine months ended September 30, 2021 The Company	Edimax Europe Edimax Europe Comtrend Comtrend Edimax Electronic (Dongguan) Edimax Electronic (Dongguan) USA USA	a a a a a a a a	Sales revenue Accounts receivable Sales revenue Accounts receivable Processing fees Accounts payable Sales revenue Accounts receivable	\$ 67,527 13,827 244,170 85,323 805,676 17,397 15,769 7,473	Normal Normal Normal Normal By operating condition By operating condition Normal Normal	1.75 0.19 6.31 1.15 20.83 0.24 0.41 0.10
1	Comtrend	CUSA CUSA CUSA CTBV CTBV CCE CCE Iberia	a a a a a a a a	Sales revenue Accounts receivable Other accounts receivable Sales revenue Accounts receivable Sales revenue Accounts receivable Commission	311,384 75,404 9,035 346,911 125,713 16,203 11,859 10,596	Normal Normal, collection period: 60-180 days Normal, collection period: 60-180 days Normal Normal, collection period: 60-180 days Normal Normal, collection period: 60-180 days Normal	26.98 3.75 0.45 30.05 6.26 1.40 0.59 0.92

Note 1: Business relationships between the parent and subsidiaries are numbered as follows:

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

Note 2: Relationships between parties are numbered as follows:

- a. Parent to subsidiary.
- b. Subsidiary to parent.
- c. One subsidiary to another subsidiary.

Note 3: Percentage of consolidated operating revenue or consolidated total assets: For balance sheet accounts, the percentage is calculated by dividing the ending balance of the account by consolidated total assets; for income statement accounts, the percentage is calculated by dividing the ending balance of the account by the consolidated operating revenues.

Note 4: The transactions with the related parties have been eliminated in the consolidated financial statements as of and for the nine months ended September 30, 2021.

Note 5: The amount of the significant transactions between related parties listed above is over NT\$5 million.

**TABLE 9****EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS****SEPTEMBER 30, 2021**

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.	10,441,681	5.51

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.