

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

**Consolidated Financial Statements for the
Three Months Ended March 31, 2020 and 2019 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 referred to as the "Group") as of March 31, 2020 and 2019, the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three 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 March 31, 2020 and 2019, combined total assets of these non-significant subsidiaries amounted to NT\$484,015 thousand and NT\$601,576 thousand, respectively, representing 7.61% and 8.57%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$113,255 thousand and NT\$184,986 thousand, respectively, representing 2.94% and 4.12%, respectively, of the consolidated total liabilities; for the three month periods ended March 31, 2020 and 2019, the amounts of combined comprehensive income of these subsidiaries were NT\$(511) thousand and NT\$54,490 thousand, respectively, representing 4.59% and 50.11%, respectively, of the consolidated total comprehensive income. As disclosed in Note 13 to the consolidated financial statements, as of March 31, 2020 and 2019, the investments in associates accounted for using the equity method were NT\$60,713 thousand and NT\$54,759 thousand, respectively, and the share of profit of associates was NT\$4,533 thousand and NT\$2,496 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 33 to the consolidated financial statements were 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 March 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the three months then ended 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 Chih-Yuan Chen and Ching-Cheng, Yang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 7, 2020

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	March 31, 2020 (Reviewed)		December 31, 2019 (Audited)		March 31, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 1,339,537	21	\$ 1,174,015	18	\$ 1,211,977	17
Financial assets at fair value through profit or loss - current (Note 7)	-	-	-	-	21,040	-
Financial assets at amortized cost - current (Notes 9 and 30)	2,687	-	2,687	-	2,054	-
Notes receivable from unrelated parties (Note 10)	11,941	-	12,344	-	20,628	-
Trade receivables from unrelated parties (Notes 10, 22 and 28)	928,084	15	1,104,377	17	1,249,921	18
Other receivables from unrelated parties (Notes 10 and 28)	3,979	-	17,587	-	4,881	-
Other receivables from related parties (Note 29)	8,762	-	8,762	-	-	-
Current tax assets (Notes 4 and 24)	12,582	-	15,789	-	330	-
Inventories (Note 11)	1,250,767	20	1,356,302	21	1,642,869	24
Prepayments	76,903	1	70,835	1	70,414	1
Other current assets (Notes 17 and 30)	13,714	-	24,311	1	29,970	1
Total current assets	<u>3,648,956</u>	<u>57</u>	<u>3,787,009</u>	<u>58</u>	<u>4,254,084</u>	<u>61</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	61,666	1	58,042	1	21,616	-
Financial assets at amortized cost - non-current (Notes 9 and 30)	859	-	868	-	2,218	-
Investments accounted for using the equity method (Note 13)	60,713	1	55,706	1	54,759	1
Property, plant and equipment (Notes 14 and 30)	2,318,583	36	2,331,321	36	2,373,538	34
Right-of-use assets (Note 15)	134,080	2	137,819	2	172,503	2
Intangible assets (Note 16)	28,223	1	29,159	-	29,885	-
Deferred tax assets (Notes 4 and 24)	32,243	1	33,000	1	44,511	1
Refundable deposits	15,911	-	11,863	-	13,576	-
Other financial assets - non-current (Notes 17 and 30)	62,267	1	61,167	1	49,659	1
Other non-current assets	470	-	9,200	-	-	-
Total non-current assets	<u>2,715,015</u>	<u>43</u>	<u>2,728,145</u>	<u>42</u>	<u>2,762,265</u>	<u>39</u>
TOTAL	<u>\$ 6,363,971</u>	<u>100</u>	<u>\$ 6,515,154</u>	<u>100</u>	<u>\$ 7,016,349</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 18, 30 and 31)	\$ 775,726	12	\$ 767,128	12	\$ 982,298	14
Short-term bills payable (Note 18)	29,942	-	29,967	1	29,983	-
Contract liabilities - current (Note 22)	114,526	2	117,203	2	131,784	2
Notes payable to unrelated parties	2,385	-	921	-	3,178	-
Accounts payable to unrelated parties	763,722	12	871,696	13	994,694	14
Accounts payable to related parties (Note 29)	92,846	1	154,170	2	44,291	1
Other payables (Notes 19 and 29)	308,647	5	314,091	5	390,642	6
Current tax liabilities (Notes 4 and 24)	36,428	1	29,620	-	98,907	1
Lease liabilities - current (Note 15)	40,076	1	33,512	1	37,549	1
Current portion of long-term borrowings (Notes 18 and 30)	35,689	-	16,800	-	34,520	-
Other current liabilities (Note 19)	102,426	2	85,161	1	154,961	2
Total current liabilities	<u>2,302,413</u>	<u>36</u>	<u>2,420,269</u>	<u>37</u>	<u>2,902,807</u>	<u>41</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 18 and 30)	1,377,625	22	1,400,714	21	1,395,593	20
Deferred tax liabilities (Notes 4 and 24)	3,421	-	5,019	-	4,412	-
Lease liabilities - non-current (Note 15)	94,667	1	105,113	2	135,151	2
Net defined benefit liabilities - non-current (Notes 4 and 20)	70,208	1	66,697	1	47,029	1
Guarantee deposits received	80	-	-	-	134	-
Total non-current liabilities	<u>1,546,001</u>	<u>24</u>	<u>1,577,543</u>	<u>24</u>	<u>1,582,319</u>	<u>23</u>
Total liabilities	<u>3,848,414</u>	<u>60</u>	<u>3,997,812</u>	<u>61</u>	<u>4,485,126</u>	<u>64</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Share capital						
Common stock	1,864,916	29	1,864,916	29	1,864,916	26
Capital surplus	166,036	3	168,621	2	163,820	2
Retained earnings (accumulated deficits)						
Unappropriated earnings (accumulated deficits)	(14,295)	-	18,016	-	58,097	1
Other equity						
Exchange differences arising from translation to the presentation currency	(21,145)	(1)	(21,625)	-	(7,753)	-
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(9,600)	-	(4,024)	-	(5,100)	-
Total other equity	(30,745)	(1)	(25,649)	-	(12,853)	-
Treasury shares	(16,450)	-	(16,745)	-	(20,211)	-
Total equity attributable to owners of the Company	1,969,462	31	2,009,159	31	2,053,769	29
NON-CONTROLLING INTERESTS	<u>546,095</u>	<u>9</u>	<u>508,183</u>	<u>8</u>	<u>477,454</u>	<u>7</u>
Total equity	<u>2,515,557</u>	<u>40</u>	<u>2,517,342</u>	<u>39</u>	<u>2,531,223</u>	<u>36</u>
TOTAL	<u>\$ 6,363,971</u>	<u>100</u>	<u>\$ 6,515,154</u>	<u>100</u>	<u>\$ 7,016,349</u>	<u>100</u>

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

(With Deloitte & Touche review report dated May 7, 2020)

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 March 31			
	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Note 22)	\$ 1,211,187	100	\$ 1,561,198	100
OPERATING COSTS (Notes 11, 23 and 29)	<u>(904,095)</u>	<u>(74)</u>	<u>(1,176,122)</u>	<u>(75)</u>
GROSS PROFIT	<u>307,092</u>	<u>26</u>	<u>385,076</u>	<u>25</u>
OPERATING EXPENSES (Note 23)				
Selling and marketing expenses	(129,694)	(11)	(144,653)	(10)
General and administrative expenses	(63,066)	(5)	(81,745)	(5)
Research and development expenses	(104,752)	(9)	(106,352)	(7)
Expected credit loss (Note 10)	<u>(3,301)</u>	<u>-</u>	<u>(1,988)</u>	<u>-</u>
Total operating expenses	<u>(300,813)</u>	<u>(25)</u>	<u>(334,738)</u>	<u>(22)</u>
PROFIT FROM OPERATIONS	<u>6,279</u>	<u>1</u>	<u>50,338</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 23)	5,337	1	5,623	-
Other gains and losses (Note 23)	(2,238)	-	97,990	6
Finance costs (Note 23)	(7,655)	(1)	(9,031)	-
Share of profit or loss of associates (Note 13)	<u>4,533</u>	<u>-</u>	<u>2,496</u>	<u>-</u>
Total non-operating income and expenses	<u>(23)</u>	<u>-</u>	<u>97,078</u>	<u>6</u>
PROFIT BEFORE INCOME TAX	6,256	1	147,416	9
INCOME TAX EXPENSE (Note 24)	<u>(9,959)</u>	<u>(1)</u>	<u>(39,579)</u>	<u>(2)</u>
NET (LOSS) PROFIT FOR THE PERIOD	<u>(3,703)</u>	<u>-</u>	<u>107,837</u>	<u>7</u>
OTHER COMPREHENSIVE (LOSS) INCOME				
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	(5,576)	(1)	-	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>(1,862)</u>	<u>-</u>	<u>896</u>	<u>-</u>
Other comprehensive (loss) income for the period, net of income tax	<u>(7,438)</u>	<u>(1)</u>	<u>896</u>	<u>-</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	<u>\$ (11,141)</u>	<u>(1)</u>	<u>\$ 108,733</u>	<u>7</u>

(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 March 31			
	2020		2019	
	Amount	%	Amount	%
NET (LOSS) PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ (32,311)	(3)	\$ 78,076	5
Non-controlling interests	<u>28,608</u>	<u>3</u>	<u>29,761</u>	<u>2</u>
	<u>\$ (3,703)</u>	<u>-</u>	<u>\$ 107,837</u>	<u>7</u>
TOTAL COMPREHENSIVE (LOSS) INCOME				
ATTRIBUTABLE TO:				
Owners of the Company	\$ (37,407)	(3)	\$ 79,471	5
Non-controlling interests	<u>26,266</u>	<u>2</u>	<u>29,262</u>	<u>2</u>
	<u>\$ (11,141)</u>	<u>(1)</u>	<u>\$ 108,733</u>	<u>7</u>
(LOSS) EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ (0.17)</u>		<u>\$ 0.42</u>	
Diluted	<u>\$ (0.17)</u>		<u>\$ 0.42</u>	

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

(With Deloitte & Touche review report dated May 7, 2020)

(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 21 and 26)									
	Other Equity					Unrealized Gain				
	Share Capital	Capital Surplus	Unappropriated Earnings (Accumulated Deficits)	Exchange Differences on Translating Foreign Operations	(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2019	\$ 1,864,916	\$ 162,547	\$ (19,979)	\$ (9,148)	\$ (5,100)	\$ (14,248)	\$ (20,211)	\$ 1,973,025	\$ 447,595	\$ 2,420,620
Recognition of employee share options by the subsidiaries	-	427	-	-	-	-	-	427	597	1,024
Share-based payments	-	846	-	-	-	-	-	846	-	846
Net profit for the three months ended March 31, 2019	-	-	78,076	-	-	-	-	78,076	29,761	107,837
Other comprehensive income (loss) for the three months ended March 31, 2019, net of income tax	-	-	-	1,395	-	1,395	-	1,395	(499)	896
Total comprehensive income (loss) for the three months ended March 31, 2019	-	-	78,076	1,395	-	1,395	-	79,471	29,262	108,733
BALANCE AT MARCH 31, 2019	\$ 1,864,916	\$ 163,820	\$ 58,097	\$ (7,753)	\$ (5,100)	\$ (2,853)	\$ (20,211)	\$ 2,053,769	\$ 477,454	\$ 2,531,223
BALANCE AT JANUARY 1, 2020	\$ 1,864,916	\$ 168,621	\$ 18,016	\$ (21,625)	\$ (4,024)	\$ (25,649)	\$ (16,745)	\$ 2,009,159	\$ 508,183	\$ 2,517,342
Changes in percentage of ownership interests in subsidiaries	-	(3,258)	-	-	-	-	-	(3,258)	-	(3,258)
Recognition of employee share options by the subsidiaries	-	193	-	-	-	-	-	193	(29)	164
Share-based payments	-	480	-	-	-	-	-	480	-	480
Net (loss)/profit for the three months ended March 31, 2020	-	-	(32,311)	-	-	-	-	(32,311)	28,608	(3,703)
Other comprehensive income (loss) for the three months ended March 31, 2020, net of income tax	-	-	-	480	(5,576)	(5,096)	-	(5,096)	(2,342)	(7,438)
Total comprehensive income (loss) for the three months ended March 31, 2020	-	-	(32,311)	480	(5,576)	(5,096)	-	(37,407)	26,266	(11,141)
Non-controlling interests	-	-	-	-	-	-	295	295	11,675	11,970
BALANCE AT MARCH 31, 2020	\$ 1,864,916	\$ 166,036	\$ (14,295)	\$ (21,145)	\$ (9,600)	\$ (30,745)	\$ (16,450)	\$ 1,969,462	\$ 546,095	\$ 2,515,557

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

(With Deloitte & Touche review report dated May 7, 2020)

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended	
	March 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 6,256	\$ 147,416
Adjustments for:		
Depreciation expenses	31,797	40,270
Amortization expenses	1,629	1,420
Expected credit loss recognized	3,301	1,988
Net gain on fair value change of financial assets and liabilities designated as at fair value through profit or loss	-	(25)
Finance costs	7,655	9,031
Interest income	(978)	(1,559)
Share-based payments	644	1,870
Share of profit of associates	(4,533)	(2,496)
Gain on disposal of property, plant and equipment	-	(86,148)
Write-down of inventories	5,378	17,970
Changes in operating assets and liabilities		
Decrease (increase) in notes receivable	403	(5,586)
Decrease in trade receivables	172,981	159,389
Decrease in other receivables	13,608	18,385
Decrease in inventories	101,387	227,176
(Increase) decrease in prepayment	(6,068)	1,139
Decrease (increase) in other current assets	5,597	(3,878)
Decrease in contract liabilities	(2,677)	(23,789)
Decrease in trade payables	(167,834)	(198,237)
Decrease in other payables	(5,444)	(45,753)
Increase in other current liabilities	17,265	42,153
Increase (decrease) in net defined benefit liabilities	3,511	(6,727)
Cash generated from operations	183,878	294,009
Interest received	978	1,577
Interest paid	(7,282)	(8,457)
Income tax paid	(2,858)	(8,488)
Net cash generated from operating activities	<u>174,716</u>	<u>278,641</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from financial assets measured at amortized cost	9	415
Purchase of financial assets at fair value through profit or loss	-	(5,000)
Payments for property, plant and equipment	(10,518)	(7,150)
Proceeds from disposal of property, plant and equipment	-	98,648
Increase in refundable deposits	(4,048)	(1,708)
Payments for intangible assets	(692)	(1,183)

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EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2020	2019
Decrease in other financial assets	\$ 3,900	\$ 5,070
Increase in other non-current assets	<u>(470)</u>	<u>-</u>
Net cash (used in) generated from investing activities	<u>(11,819)</u>	<u>89,092</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	8,598	-
Repayments of short-term borrowings	-	(25,020)
Repayments of long-term borrowings	(4,200)	(4,201)
Proceeds from guarantee deposits received	80	74
Repayment of the principal portion of lease liabilities	(16,219)	(8,601)
Difference in non-controlling interests	<u>8,712</u>	<u>-</u>
Net cash used in financing activities	<u>(3,029)</u>	<u>(37,748)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>5,654</u>	<u>2,192</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	165,522	332,177
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>1,174,015</u>	<u>879,800</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 1,339,537</u>	<u>\$ 1,211,977</u>

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

(With Deloitte & Touche review report dated May 7, 2020)

(Concluded)

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

Edimax Technology Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (“ROC”) in June 1986 and has been listed on the Taiwan Stock Exchange since March 20, 2001. 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 May 7, 2020.

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)

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

New IFRSs	Effective Date Announced by IASB (Note)
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, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

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, 2019.

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, 2019.

6. CASH AND CASH EQUIVALENTS

	March 31, 2020	December 31, 2019	March 31, 2019
Cash on hand	\$ 1,026	\$ 1,397	\$ 1,429
Checking accounts and demand deposits	1,329,443	1,163,624	1,201,302
Cash equivalents (investments with original maturities within 3 months)			
Time deposits	<u>9,068</u>	<u>8,994</u>	<u>9,246</u>
	<u>\$ 1,339,537</u>	<u>\$ 1,174,015</u>	<u>\$ 1,211,977</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2020	December 31, 2019	March 31, 2019
<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>\$ 21,040</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments at FVTOCI:

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Non-current</u>			
Overseas unlisted ordinary shares			
Bluechip Infotech Pty. Ltd.	\$ 16,812	\$ 18,765	\$ 18,616
Domestic unlisted ordinary shares			
Status Internet Co., Ltd.	2,484	3,927	3,000
Ecobear Technology Corp.	4,200	4,200	-

(Continued)

	March 31, 2020	December 31, 2019	March 31, 2019
Newgreen Tech Co., Ltd.	\$ 9,200	\$ -	\$ -
Onward Security Corp.	<u>28,970</u>	<u>31,150</u>	<u>-</u>
	<u>\$ 61,666</u>	<u>\$ 58,042</u>	<u>\$ 21,616</u> (Concluded)

The Group acquired ordinary shares of Bluechip Infotech Pty. Ltd., Status Internet Co., Ltd., Ecobear Technology Corp., Newgreen Tech Co., Ltd. and Onward Security Corp. 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.

9. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Current</u>			
Domestic investments			
Time deposits with original maturities of more than 3 months	<u>\$ 2,687</u>	<u>\$ 2,687</u>	<u>\$ 2,054</u>
<u>Non-current</u>			
Domestic investments			
Time deposits with original maturities of more than 3 months	<u>\$ 859</u>	<u>\$ 868</u>	<u>\$ 2,218</u>

Refer to Note 30 for information relating to investments in financial assets at amortized cost pledged as security.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Notes receivable</u>			
At amortized cost			
Gross carrying amount	<u>\$ 11,941</u>	<u>\$ 12,344</u>	<u>\$ 20,628</u>
Notes receivable - operating	<u>\$ 11,941</u>	<u>\$ 12,344</u>	<u>\$ 20,628</u> (Continued)

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$ 884,544	\$ 1,058,053	\$ 1,032,273
Less: Allowance for impairment loss	<u>(42,178)</u>	<u>(38,866)</u>	<u>(35,183)</u>
	842,366	1,019,187	997,090
At FVTPL	<u>85,718</u>	<u>85,190</u>	<u>252,831</u>
	<u>\$ 928,084</u>	<u>\$ 1,104,377</u>	<u>\$ 1,249,921</u>
<u>Other receivables</u>			
Retention trade receivables from factoring agreements (Note 28)	\$ -	\$ 13,635	\$ -
Others	<u>3,979</u>	<u>3,952</u>	<u>4,881</u>
	<u>\$ 3,979</u>	<u>\$ 17,587</u>	<u>\$ 4,881</u>
			(Concluded)

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 by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry at the reporting date. As the 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.

March 31, 2020

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	-	0.48%	1.93%	25.67%	57.83%	
Gross carrying amount	\$ 730,903	\$ 62,016	\$ 9,830	\$ 17,451	\$ 64,344	\$ 884,544
Loss allowance (Lifetime ECLs)	-	(297)	(190)	(4,480)	(37,211)	(42,178)
Amortized cost	<u>\$ 730,903</u>	<u>\$ 61,719</u>	<u>\$ 9,640</u>	<u>\$ 12,971</u>	<u>\$ 27,133</u>	<u>\$ 842,366</u>

December 31, 2019

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	-	0.88%	0.54%	22.28%	61.09%	
Gross carrying amount	\$ 840,402	\$ 109,349	\$ 39,438	\$ 11,273	\$ 57,591	\$ 1,058,053
Loss allowance (Lifetime ECLs)	-	(962)	(212)	(2,512)	(35,180)	(38,866)
Amortized cost	<u>\$ 840,402</u>	<u>\$ 108,387</u>	<u>\$ 39,226</u>	<u>\$ 8,761</u>	<u>\$ 22,411</u>	<u>\$ 1,019,187</u>

March 31, 2019

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	-	0.73%	5.75%	39.88%	58.02%	
Gross carrying amount	\$ 826,656	\$ 91,367	\$ 55,133	\$ 16,261	\$ 42,856	\$ 1,032,273
Loss allowance (Lifetime ECLs)	-	(666)	(3,169)	(6,485)	(24,863)	(35,183)
Amortized cost	<u>\$ 826,656</u>	<u>\$ 90,701</u>	<u>\$ 51,964</u>	<u>\$ 9,776</u>	<u>\$ 17,993</u>	<u>\$ 997,090</u>

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

	For the Three Months Ended March 31	
	2020	2019
Balance at January 1	\$ 38,866	\$ 33,187
Add: Net remeasurement of loss allowance	3,301	1,988
Foreign exchange gains and losses	<u>11</u>	<u>8</u>
Balance at March 31	<u>\$ 42,178</u>	<u>\$ 35,183</u>

b. At FVTPL

For trade receivables that are from a single customer, the Group will sell them to banks without recourse. The sale will result in the derecognition of these trade receivables because the Group will transfer substantially all risks and rewards to the banks. These trade receivables are classified as at FVTPL because the objective of the Group's business model is neither the collecting of contractual cash flows nor the collecting of contractual cash flows and the selling of financial assets.

For information relating to factored trade receivables, refer to Note 28(e) Transfers of financial assets.

11. INVENTORIES

	March 31, 2020	December 31, 2019	March 31, 2019
Raw materials	\$ 763,258	\$ 810,891	\$ 844,800
Finished goods	136,110	155,118	180,732
Work-in-process	244,985	267,536	378,597
Merchandise	<u>106,414</u>	<u>122,757</u>	<u>238,740</u>
	<u>\$ 1,250,767</u>	<u>\$ 1,356,302</u>	<u>\$ 1,642,869</u>

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2020 and 2019 was \$904,095 thousand and \$1,176,122 thousand, respectively. The cost of goods sold included inventory write-downs of \$5,378 thousand and \$17,970 thousand, respectively.

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership			Remark
			March 31, 2020	December 31, 2019	March 31, 2019	
The Company	Edimax Computer Co. ("Edimax USA")	Networking equipment wholesale	100.00%	100.00%	100.00%	Note
The Company	Edimax Technology Europe B.V. ("Edimax Europe")	Networking equipment wholesale	100.00%	100.00%	100.00%	Note
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%	Note
The Company	Edimax Technology Australia Pty. Ltd. ("Edimax AU")	Networking equipment wholesale	100.00%	100.00%	100.00%	Note
The Company	Edimax Technology (SE Asia) Pte. Ltd. ("Edimax SE")	Networking equipment wholesale	100.00%	100.00%	100.00%	Note
The Company	SMAX Technology Co., Ltd. ("SMAX Technology")	Wired and wireless telecommunication equipment for manufacturing	100.00%	100.00%	99.16%	Note
The Company	Comtrend Corporation ("Comtrend")	Cable and telecommunication transmission equipment	41.01%	41.75%	41.74%	
Edimax Europe	Edimax Technology (UK) Ltd. ("Edimax UK")	Networking equipment wholesale	100.00%	100.00%	100.00%	Note
Edimax Europe	Edimax Technology Poland. Sp. Zo.o. ("Edimax Poland")	Networking equipment wholesale	100.00%	100.00%	100.00%	Note
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%	Note
Comtrend	Comtrend Corporation, USA ("CUSA")	Cable and cableless transmission equipment wholesale, retail sale, and international trade	100.00%	100.00%	100.00%	
Comtrend	Interchan Global Limited ("Interchan Global")	Investing	100.00%	100.00%	100.00%	Note
Comtrend	Comtrend Technology (Netherlands) B.V. ("CTBV")	Cable and cableless transmission equipment wholesale, retail sale, and international trade	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%	Note
Interchan Global	Just Top Limited ("Just Top")	Telecommunication value-added services	100.00%	100.00%	100.00%	Note
Interchan Global	Interchan Taiwan ("8086")	Telecommunication value-added services	100.00%	100.00%	100.00%	Note
Just Top	PHP Interchan	Telecommunication value-added services	100.00%	100.00%	100.00%	Note
CTBV	Comtrend Central Europe S.R.O. ("CCE")	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	100.00%	100.00%	100.00%	Note
CTBV	Comtrend Iberia S.L. ("Comtrend Iberia")	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	100.00%	100.00%	100.00%	Note

Note: As the subsidiary is not a major subsidiary, its financial statements for the three months ended March 31, 2020 and 2019 have not been reviewed.

As of March 31, 2020, December 31, 2019 and March 31, 2019, the Group held 41.01%, 41.75% and 41.74% 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:

	March 31	
	2020	2019
Unreviewed total assets	<u>\$ 484,015</u>	<u>\$ 601,576</u>
Proportion of total consolidated assets	<u>7.61%</u>	<u>8.57%</u>
Unreviewed total liabilities	<u>\$ 113,255</u>	<u>\$ 184,986</u>
Proportion of total consolidated liabilities	<u>2.94%</u>	<u>4.12%</u>
	For the Three Months Ended	
	March 31	
	2020	2019
Unreviewed comprehensive income (loss)	<u>\$ (511)</u>	<u>\$ 54,490</u>
Proportion of total consolidated comprehensive income (loss)	<u>4.59%</u>	<u>50.11%</u>

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

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests			
		March 31, 2020	December 31, 2019	March 31, 2019	
Comtrend	Taiwan	58.99%	58.25%	58.26%	
		Profit (Loss) Allocated to Non-controlling Interests			
		For the Three Months Ended		Accumulated Non-controlling Interests	
Name of Subsidiary	March 31		March 31,	December 31,	March 31,
	2020	2019	2020	2019	2019
Comtrend	<u>\$ 28,608</u>	<u>\$ 29,755</u>	<u>\$ 546,095</u>	<u>\$ 508,183</u>	<u>\$ 477,242</u>

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 subsidiaries:

	March 31, 2020	December 31, 2019	March 31, 2019
Current assets	\$ 1,392,436	\$ 1,468,254	\$ 1,639,210
Non-current assets	159,087	160,421	194,535
Current liabilities	(527,233)	(634,339)	(867,863)
Non-current liabilities	<u>(70,279)</u>	<u>(76,181)</u>	<u>(89,841)</u>
Equity	<u>\$ 954,011</u>	<u>\$ 918,155</u>	<u>\$ 876,041</u>
Equity attributable to:			
Owners of Comtrend	\$ 391,254	\$ 383,296	\$ 365,660
Non-controlling interests of Comtrend	<u>562,757</u>	<u>534,859</u>	<u>510,381</u>
	<u>\$ 954,011</u>	<u>\$ 918,155</u>	<u>\$ 876,041</u>

	For the Three Months Ended March 31	
	2020	2019
Revenue	<u>\$ 637,151</u>	<u>\$ 766,200</u>
Net profit for the period	\$ 48,498	\$ 51,078
Other comprehensive income (loss) for the period	<u>(21,518)</u>	<u>7,363</u>
Total comprehensive income for the period	<u>\$ 26,980</u>	<u>\$ 58,441</u>
Profit attributable to:		
Owners of Comtrend	\$ 19,890	\$ 21,323
Non-controlling interests of Comtrend	<u>28,608</u>	<u>29,755</u>
	<u>\$ 48,498</u>	<u>\$ 51,078</u>
Total comprehensive income attributable to:		
Owners of Comtrend	\$ 714	\$ 29,185
Non-controlling interests of Comtrend	<u>26,266</u>	<u>29,256</u>
	<u>\$ 26,980</u>	<u>\$ 58,441</u>
Net cash inflow (outflow) from:		
Operating activities	\$ 44,195	\$ 107,057
Investing activities	(6,372)	(7,021)
Financing activities	(2,404)	15,952
Effect of exchange rate	<u>1,602</u>	<u>(1,166)</u>
Net cash inflow	<u>\$ 37,021</u>	<u>\$ 114,822</u>

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	March 31, 2020	December 31, 2019	March 31, 2019
Associates that are not individually material	<u>\$ 60,713</u>	<u>\$ 55,706</u>	<u>\$ 54,759</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 been audited.

14. PROPERTY, PLANT AND EQUIPMENT

Assets Used by the Group

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2020	\$ 1,299,846	\$ 919,692	\$ 415,363	\$ 566,871	\$ 3,201,772
Additions	-	-	1,546	8,972	10,518
Disposals	-	-	(287)	(315)	(602)
Effect of foreign currency exchange differences	-	-	(4,390)	(1,341)	(5,731)
Balance at March 31, 2020	<u>\$ 1,299,846</u>	<u>\$ 919,692</u>	<u>\$ 412,232</u>	<u>\$ 574,187</u>	<u>\$ 3,205,957</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2020	\$ -	\$ 93,963	\$ 344,231	\$ 432,257	\$ 870,451
Depreciation expense	-	4,998	3,429	13,955	22,382
Disposals	-	-	(287)	(315)	(602)
Effect of foreign currency exchange differences	-	-	(3,638)	(1,219)	(4,857)
Balance at March 31, 2020	<u>\$ -</u>	<u>\$ 98,961</u>	<u>\$ 343,735</u>	<u>\$ 444,678</u>	<u>\$ 887,374</u>
Carrying amount at March 31, 2020	<u>\$ 1,299,846</u>	<u>\$ 820,731</u>	<u>\$ 68,497</u>	<u>\$ 129,509</u>	<u>\$ 2,318,583</u>
<u>Cost</u>					
Balance at January 1, 2019	\$ 1,305,974	\$ 936,147	\$ 426,273	\$ 615,967	\$ 3,284,361
Additions	-	-	197	6,953	7,150
Disposals	(6,128)	(16,497)	(163)	(6,978)	(29,766)
Effect of foreign currency exchange differences	-	61	9,303	2,958	12,322
Balance at March 31, 2019	<u>\$ 1,299,846</u>	<u>\$ 919,711</u>	<u>\$ 435,610</u>	<u>\$ 618,900</u>	<u>\$ 3,274,067</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2019	\$ -	\$ 81,655	\$ 328,950	\$ 466,178	\$ 876,783
Depreciation expense	-	7,465	7,891	16,410	31,766
Disposals	-	(10,188)	(150)	(6,928)	(17,266)
Effect of foreign currency exchange differences	-	38	7,133	2,075	9,246
Balance at March 31, 2019	<u>\$ -</u>	<u>\$ 78,970</u>	<u>\$ 343,824</u>	<u>\$ 477,735</u>	<u>\$ 900,529</u>
Carrying amount at March 31, 2019	<u>\$ 1,299,846</u>	<u>\$ 840,741</u>	<u>\$ 91,786</u>	<u>\$ 141,165</u>	<u>\$ 2,373,538</u>

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

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

Property, plant and equipment pledged as collateral for bank borrowings and for the issuance of bonds were set out in Note 30.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Carrying amounts</u>			
Buildings	\$ 129,363	\$ 134,536	\$ 166,390
Transportation equipment	<u>4,717</u>	<u>3,283</u>	<u>6,113</u>
	<u>\$ 134,080</u>	<u>\$ 137,819</u>	<u>\$ 172,503</u>
		For the Three Months Ended March 31	
		2020	2019
Additions to right-of-use assets		<u>\$ 11,939</u>	<u>\$ 17,336</u>
Depreciation charge for right-of-use assets			
Buildings		\$ 8,904	\$ 8,223
Transportation equipment		<u>511</u>	<u>281</u>
		<u>\$ 9,415</u>	<u>\$ 8,504</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 three months ended March 31, 2020 and 2019.

b. Lease liabilities

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Carrying amounts</u>			
Current	<u>\$ 40,076</u>	<u>\$ 33,512</u>	<u>\$ 37,549</u>
Non-current	<u>\$ 94,667</u>	<u>\$ 105,113</u>	<u>\$ 135,151</u>

Discount rates for lease liabilities were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Buildings	1.36%	1.36%	1.36%
Transportation equipment	1.36%	1.36%	1.36%

c. Material lease activities and terms (the Group is lessee)

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 March 31	
	2020	2019
Expenses relating to short-term leases and low-value asset leases	<u>\$ 254</u>	<u>\$ 1,693</u>
Total cash outflow for leases	<u>\$ (17,082)</u>	<u>\$ (10,864)</u>

16. INTANGIBLE ASSETS

	March 31, 2020	December 31, 2019	March 31, 2019
Goodwill	\$ 23,231	\$ 23,231	\$ 23,231
Computer software	<u>4,992</u>	<u>5,928</u>	<u>6,654</u>
	<u>\$ 28,223</u>	<u>\$ 29,159</u>	<u>\$ 29,885</u>

Except for the amortization recognized, the Group did not have any significant addition, disposal, or impairment of intangible assets during the three months ended March 31, 2020 and 2019.

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

Computer software 1-11 years

17. OTHER FINANCIAL ASSETS

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Current</u>			
Reserve account (classified as other current assets)	<u>\$ 1</u>	<u>\$ 5,001</u>	<u>\$ 6</u>
<u>Non-current</u>			
Pension reserve fund	\$ 62,267	\$ 60,767	\$ 49,659
Reserve account	<u>-</u>	<u>400</u>	<u>-</u>
	<u>\$ 62,267</u>	<u>\$ 61,167</u>	<u>\$ 49,659</u>

Note 1: The pension reserve fund comprises pension contributions to the pension fund of managerial personnel of the Company.

Note 2: Refer to Note 30 for information relating to debt instruments with other financial assets as security.

18. BORROWINGS

a. Short-term borrowings

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Secured borrowings</u>			
Bank loans (Notes 1 and 2)	\$ -	\$ 1,000	\$ -
<u>Unsecured borrowings</u>			
Bank loans (Note 1)	<u>775,726</u>	<u>766,128</u>	<u>982,298</u>
	<u>\$ 775,726</u>	<u>\$ 767,128</u>	<u>\$ 982,298</u>

Note 1: The ranges of weighted average effective interest rates on bank loans were 0.94%-1.25%, 1.10%-1.60% and 1.10%-1.51% per annum as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

Note 2: Please refer to Note 31 for information on the bank borrowings secured by the Group's promissory notes.

b. Short-term bills payable

	March 31, 2020	December 31, 2019	March 31, 2019
Commercial paper	\$ 30,000	\$ 30,000	\$ 30,000
Less: Unamortized discounts on bills payable	<u>(58)</u>	<u>(33)</u>	<u>(17)</u>
	<u>\$ 29,942</u>	<u>\$ 29,967</u>	<u>\$ 29,983</u>

c. Long-term borrowings

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Secured borrowings</u>			
Bank loans	\$ 1,413,314	\$ 1,417,514	\$ 1,430,113
Less: Current portions	<u>(35,689)</u>	<u>(16,800)</u>	<u>(34,520)</u>
Long-term borrowings	<u>\$ 1,377,625</u>	<u>\$ 1,400,714</u>	<u>\$ 1,395,593</u>

The bank borrowings are secured by the Group's land and buildings; please refer to Note 30 for additional information. The maturity date is February 1, 2036 and the effective annual interest rate is 1.11%. The purpose of the borrowings is to purchase land and buildings for operations.

19. OTHER LIABILITIES

	March 31, 2020	December 31, 2019	March 31, 2019
Other payables			
Payable for royalties	\$ 2,683	\$ 2,661	\$ 2,736
Payable for labor fee	18,703	18,889	20,366
Payable for salaries	124,344	105,025	132,861
Payable for employees' bonuses and directors' remuneration	27,923	22,681	44,391
Payable for freight and customs fee	4,869	9,191	12,233
Output VAT	14,032	21,338	21,578
Others	<u>116,093</u>	<u>134,306</u>	<u>156,477</u>
	<u>\$ 308,647</u>	<u>\$ 314,091</u>	<u>\$ 390,642</u>
Other liabilities			
Refund liabilities	\$ 34,950	\$ 19,847	\$ 22,232
Temporary credit	14,482	15,038	67,335
Receipts under custody	51,506	49,330	63,746
Others	<u>1,488</u>	<u>946</u>	<u>1,648</u>
	<u>\$ 102,426</u>	<u>\$ 85,161</u>	<u>\$ 154,961</u>

20. RETIREMENT BENEFIT PLANS

For the three months ended March 31, 2020 and 2019, the pension expenses of defined benefit plans were \$403 thousand and \$395 thousand, respectively, and these were calculated based on the actuarially determined pension cost rate on December 31, 2019 and 2018, respectively.

21. EQUITY

a. Share capital

Ordinary shares

	March 31, 2020	December 31, 2019	March 31, 2019
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>186,492</u>	<u>186,492</u>	<u>186,492</u>
Shares issued	<u>\$ 1,864,916</u>	<u>\$ 1,864,916</u>	<u>\$ 1,864,916</u>

b. Capital surplus

	March 31, 2020	December 31, 2019	March 31, 2019
<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	\$ 57,957	\$ 57,957	\$ 57,957
Premium from conversion of bonds	24,662	24,662	24,662
Treasury share transactions	5,826	5,826	4,875
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	34,648	34,648	34,639
<u>May be used to offset a deficit only</u>			
Changes in percentage of ownership interest in subsidiaries (2)	705	3,770	2,463
Treasury share transactions	-	-	-
Others	33,437	33,437	33,437
<u>May not be used for any purpose</u>			
Employee share options	<u>8,801</u>	<u>8,321</u>	<u>5,787</u>
	<u>\$ 166,036</u>	<u>\$ 168,621</u>	<u>\$ 163,820</u>

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

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 23 (g).

Under the dividends policy of the Company, no less than 20% of the undistributed retained earnings should be distributed as dividends to shareholders unless 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 legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

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

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

The appropriation of earnings for 2019, which had been proposed by the Company's board of directors on March 20, 2020, was as follows:

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

The appropriation of earnings for 2019 was resolved by the shareholders in the shareholders' meeting held on June 12, 2020.

The Company's board of directors also proposed in the board meeting on March 20, 2020 to issue cash dividends of \$27,974 thousand from the capital surplus.

d. Treasury shares

Purpose of Buy-back	Shares Transferred to Employees (In Thousands of Shares)	Shares Cancelled (In Thousands of Shares)	Shares Held by Its Subsidiaries (In Thousands of Shares)	Total (In Thousands of Shares)
Number of shares at January 1, 2019	_____ -	_____ -	_____ 2,156	_____ 2,156
Number of shares at March 31, 2019	===== -	===== -	===== 2,156	===== 2,156
Number of shares at January 1, 2020	-	-	1,786	1,786
Decrease during the period	_____ -	_____ -	_____ (31)	_____ (31)
Number of shares at March 31, 2020	===== -	===== -	===== 1,755	===== 1,755

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

Name of Subsidiary	Number of Shares Held (In Thousands of Shares)	Carrying Amount	Market Price
<u>March 31, 2020</u>			
Comtrend	1,755	\$ 16,450	\$ 11,585
<u>December 31, 2019</u>			
Comtrend	1,786	16,745	19,120
<u>March 31, 2019</u>			
Comtrend	2,156	20,211	23,719

As of March 31, 2020, December 31, 2019 and March 31, 2019, Comtrend held 4,280 thousand, 4,280 thousand and 5,166 thousand ordinary shares of the Company, respectively; and the Company recognized treasury shares amounting to \$1,755 thousand, \$1,786 thousand and \$2,156 thousand based on their ownership percentage of 41.01%, 41.75% and 41.74% as at March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

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

e. Non-controlling interests

	For the Three Months Ended March 31	
	2020	2019
Balance at January 1	\$ 508,183	\$ 447,595
Share of profit for the period	28,608	29,761
Other comprehensive income (loss) during the period		
Exchange differences on translating the financial statements of foreign operations	(2,342)	(499)
Employee share options of the subsidiaries	(29)	597
Employee share options planned to be issued by the subsidiaries	8,712	-
Share of changes in capital surplus of subsidiaries	<u>2,963</u>	<u>-</u>
Balance at March 31	<u>\$ 546,095</u>	<u>\$ 477,454</u>

22. REVENUE

a. Disaggregation of revenue

	For the Three Months Ended March 31	
	2020	2019
Revenue from the sale of goods	\$ 1,202,602	\$ 1,550,505
Revenue from the rendering of services	8,533	10,615
Other income	<u>52</u>	<u>78</u>
	<u>\$ 1,211,187</u>	<u>\$ 1,561,198</u>

b. Contract balances

	March 31, 2020	December 31, 2019	March 31, 2019	January 1, 2019
Trade receivables (Note 10)	<u>\$ 970,262</u>	<u>\$ 1,143,243</u>	<u>\$ 1,285,104</u>	<u>\$ 1,444,493</u>
Contract liabilities - current	<u>\$ 114,526</u>	<u>\$ 117,203</u>	<u>\$ 131,784</u>	<u>\$ 155,573</u>

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

23. NET PROFIT (LOSS)

a. Other income

	For the Three Months Ended March 31	
	2020	2019
Interest income		
Bank deposits	\$ 978	\$ 1,559
Others	<u>4,359</u>	<u>4,064</u>
	<u>\$ 5,337</u>	<u>\$ 5,623</u>

b. Other gains and losses

	For the Three Months Ended March 31	
	2020	2019
Gain on disposal of property, plant and equipment	\$ -	\$ 86,148
Net foreign exchange gain	579	12,074
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily classified as at FVTPL	-	25
Others	<u>(2,817)</u>	<u>(257)</u>
	<u>\$ (2,238)</u>	<u>\$ 97,990</u>

c. Finance costs

**For the Three Months Ended
March 31**

	2020	2019
Interest on bank loans	\$ 7,046	\$ 8,461
Interest on lease liabilities	<u>609</u>	<u>570</u>
	<u>\$ 7,655</u>	<u>\$ 9,031</u>

d. Impairment losses recognized

**For the Three Months Ended
March 31**

	2020	2019
Trade receivables	<u>\$ 3,301</u>	<u>\$ 1,988</u>
Inventories (included in operating costs)	<u>\$ 5,378</u>	<u>\$ 17,970</u>

e. Depreciation and amortization

**For the Three Months Ended
March 31**

	2020	2019
Property, plant and equipment	\$ 22,382	\$ 31,766
Right-of-use assets	9,415	8,504
Intangible assets	<u>1,629</u>	<u>1,420</u>
	<u>\$ 33,426</u>	<u>\$ 41,690</u>
 An analysis of depreciation by function		
Operating costs	\$ 8,254	\$ 9,978
Operating expenses	<u>23,543</u>	<u>30,292</u>
	<u>\$ 31,797</u>	<u>\$ 40,270</u>
 An analysis of amortization by function		
Operating costs	\$ 543	\$ 493
Operating expenses	<u>1,086</u>	<u>927</u>
	<u>\$ 1,629</u>	<u>\$ 1,420</u>

f. Employee benefits expense

**For the Three Months Ended
March 31**

	2020	2019
Post-employment benefits		
Defined contribution plans	\$ 6,476	\$ 6,657
Defined benefit plans (Note 20)	<u>403</u>	<u>395</u>
	<u>\$ 6,879</u>	<u>\$ 7,052</u>

(Continued)

	For the Three Months Ended March 31	
	<u>2020</u>	<u>2019</u>
Share-based payments		
Equity-settled	\$ 644	\$ 1,870
Other employee benefits	<u>300,782</u>	<u>267,093</u>
Total employee benefits expense	<u>\$ 308,305</u>	<u>\$ 276,015</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 111,865	\$ 65,303
Operating expenses	<u>196,440</u>	<u>210,712</u>
	<u>\$ 308,305</u>	<u>\$ 276,015</u>
		(Concluded)

g. Employees' compensation and remuneration of directors and supervisors

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

There was no employees' compensation and remuneration of directors and supervisors estimated as the Company reported a net loss before tax for the three months ended March 31, 2020.

For the three months ended March 31, 2019, the employees' compensation and the remuneration of directors and supervisors is as follows:

Accrual rate

	For the Three Months Ended March 31, 2019
Employees' compensation	7%
Remuneration of directors and supervisors	2%
	For the Three Months Ended March 31, 2019
Employees' compensation	<u>\$ 4,691</u>
Remuneration of directors and supervisors	<u>\$ 1,340</u>

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

The appropriations of employees' compensation and remuneration of directors and supervisors for 2019 that was resolved by the board of directors on March 20, 2020, are as shown below:

Accrual rate

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

Amount

	For the Year Ended December 31, 2019
	<u>Cash</u>
Employees' compensation	\$ 3,120
Remuneration of directors and supervisors	891

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

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

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gain or loss on foreign currency exchange

	For the Three Months Ended March 31	
	<u>2020</u>	<u>2019</u>
Foreign exchange gains	\$ 32,139	\$ 33,639
Foreign exchange losses	<u>(31,560)</u>	<u>(21,565)</u>
	<u>\$ 579</u>	<u>\$ 12,074</u>

24. INCOME TAXES

- a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Three Months Ended March 31	
	2020	2019
Current tax		
In respect of the current year	\$ 10,800	\$ 29,481
Deferred tax		
In respect of the current year	<u>(841)</u>	<u>10,098</u>
Income tax expense recognized in profit or loss	<u>\$ 9,959</u>	<u>\$ 39,579</u>

- b. Income tax assessments

As of March 31, 2020, the tax returns of the Company and its subsidiaries have been assessed as follows:

	Last Assessed Tax Year
The Company	2017
Edimax Electronic (Dongguan) Co., Ltd	2018
Comtrend	2017
CUSA	2018
CTBV	2018
CCE	2019
Comtrend Iberia	2019
8086	2018
ABS Telecom	2017
SMAX Technology	2018

25. (LOSS) EARNINGS PER SHARE

Unit: NTS Per Share

	For the Three Months Ended March 31	
	2020	2019
Basic (loss) earnings per share	<u>\$ (0.17)</u>	<u>\$ 0.42</u>
Diluted (loss) earnings per share	<u>\$ (0.17)</u>	<u>\$ 0.42</u>

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

Net (Loss) Profit for the Year

	For the Three Months Ended March 31	
	2020	2019
(Loss) profit used in the computation of (loss) earnings per share	<u>\$ (32,311)</u>	<u>\$ 78,076</u>

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

	For the Three Months Ended March 31	
	2020	2019
Weighted average number of ordinary shares used in the computation of basic (loss) earnings per share	184,705	184,335
Effect of potentially dilutive ordinary shares		
Employees' compensation or bonuses issued to employees	<u> -</u>	<u> 459</u>
Weighted average number of ordinary shares used in the computation of diluted (loss) earnings per share	<u>184,705</u>	<u>184,794</u>

If 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 Company reported a loss for the three months ended March 31, 2020, they are anti-dilutive and excluded from the computation of diluted loss per share.

Since the exercise price of the options issued by the Company exceeded the average market price of the shares during the three months ended March 31, 2019, they are anti-dilutive and excluded from the computation of diluted earnings per share.

26. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan of the Company

The Company did not issue any employee share options during the three months ended March 31, 2020 and 2019.

Information on outstanding issued employee share options is as follows:

	For the Three Months Ended March 31			
	2020		2019	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	7,755	\$10.25	8,000	\$10.25
Options exercised	-	-	-	-
Options forfeited	<u>(80)</u>	10.25	<u>-</u>	-
Balance at March 31	<u>7,675</u>	10.25	<u>8,000</u>	10.25
Options exercisable, end of period	<u>1,919</u>		<u>-</u>	

Compensation costs recognized by the Company were \$480 thousand and \$846 thousand for the three months ended March 31, 2020 and 2019, respectively.

b. Employee share option plan of the subsidiaries

Comtrend did not issue any employee share options during the three months ended March 31, 2020 and 2019.

Information on outstanding employee share options is as follows:

	For the Three Months Ended March 31			
	2020		2019	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	3,851	\$ 10.00	3,919	\$ 11.27
Options forfeited	(3)	10.00	-	-
Options exercised	<u>(871)</u>	10.00	<u>-</u>	-
Balance at March 31	<u>2,977</u>	10.00	<u>3,919</u>	11.27
Options exercisable, end of period	<u>669</u>		<u>-</u>	

Compensation costs recognized by the subsidiary were \$164 thousand and \$1,024 thousand for the three months ended March 31, 2020 and 2019, respectively.

27. 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.

28. FINANCIAL INSTRUMENTS

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

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

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

- 1) Fair value hierarchy

March 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL - current</u>				
Trade receivables from unrelated parties	\$ _____	\$ 85,718	\$ _____	\$ 85,718
<u>Financial assets at FVTOCI - non-current</u>				
Investments in equity instruments				
Foreign unlisted shares	\$ -	\$ -	\$ 16,812	\$ 16,812
Domestic unlisted shares	_____	_____	44,854	44,854
	\$ _____	\$ _____	\$ 61,666	\$ 61,666

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL - current</u>				
Trade receivables from unrelated parties	\$ _____	\$ 85,190	\$ _____	\$ 85,190

(Continued)

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

March 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL - current</u>				
Mutual funds	\$ 21,040	\$ -	\$ -	\$ 21,040
Trade receivables from unrelated parties	<u>-</u>	<u>252,831</u>	<u>-</u>	<u>252,831</u>
	<u>\$ 21,040</u>	<u>\$ 252,831</u>	<u>\$ -</u>	<u>\$ 273,871</u>
<u>Financial assets at FVTOCI - non-current</u>				
Investments in equity instruments				
Foreign unlisted shares	\$ -	\$ -	\$ 18,616	\$ 18,616
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>3,000</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,616</u>	<u>\$ 21,616</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

The fair values of financial instruments with standard terms and conditions and traded in the active market is determined by reference to market quotes.

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

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at FVTPL	\$ 85,718	\$ 85,190	\$ 273,871
Financial assets at amortized cost (1)	2,288,310	2,398,671	2,302,089
Financial assets at FVTOCI			
Equity instruments	61,666	58,042	21,616
<u>Financial liabilities</u>			
Amortized cost (2)	3,386,662	3,555,487	3,875,333

- 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 payables to related parties, other payables, long-term loans (including current portions), and guarantee deposits.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivables, trade payables, 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 32.

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

	USD Impact		EUR Impact	
	For the Three Months Ended March 31		For the Three Months Ended March 31	
	2020	2019	2020	2019
Profit or loss	\$ (12,088) (i)	\$ (9,049) (i)	\$ (579) (ii)	\$ (536) (ii)

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

The Group's sensitivity to foreign currency was not significantly different during the current period compared to the previous period.

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:

	March 31, 2020	December 31, 2019	March 31, 2019
Fair value interest rate risk			
Financial assets	\$ 12,614	\$ 17,549	\$ 13,518
Financial liabilities	2,353,725	2,353,234	2,615,094
Cash flow interest rate risk			
Financial assets	1,391,711	1,224,392	1,250,967

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 profit for the three months ended March 31, 2020 and 2019 would increase/decrease by \$3,479 thousand and \$3,127 thousand, respectively.

The Group's sensitivity to interest rates was not significantly different during the current period compare to the previous period.

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 three months ended March 31, 2020 and 2019 would have increased/decreased by \$617 thousand and \$216 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

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

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As 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 counterparties 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 March 31, 2020, December 31, 2019 and March 31, 2019, 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.

March 31, 2020

	Book Value	Less than 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 775,726	\$ 735,726	\$ 40,000	\$ -	\$ -
Lease liabilities	145,815	10,863	30,288	71,584	33,080
Short-term bills payable	29,942	29,942	-	-	-
Long-term loans payable	1,377,625	-	-	369,419	1,008,206
Notes and trade payables	858,953	676,810	179,829	2,314	-
Other payables	308,647	203,906	92,503	12,238	-
Current portion of long-term loans payable	<u>35,689</u>	<u>4,200</u>	<u>31,489</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,532,397</u>	<u>\$ 1,661,447</u>	<u>\$ 374,109</u>	<u>\$ 455,555</u>	<u>\$ 1,041,286</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 41,151</u>	<u>\$ 71,584</u>	<u>\$ 29,462</u>	<u>\$ 3,618</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2019

	Book Value	Less than 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 767,128	\$ 677,128	\$ 90,000	\$ -	\$ -
Lease liabilities	146,563	9,438	25,815	76,011	35,299
Short-term bills payable	29,967	29,967	-	-	-
Long-term loans payable	1,400,714	-	-	371,460	1,029,254
Notes and trade payables	1,026,787	791,728	235,004	55	-
Other payables	314,091	206,032	99,796	8,263	-
Current portion of long-term loans payable	<u>16,800</u>	<u>4,200</u>	<u>12,600</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,702,050</u>	<u>\$ 1,718,493</u>	<u>\$ 463,215</u>	<u>\$ 455,789</u>	<u>\$ 1,064,553</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 35,253</u>	<u>\$ 76,011</u>	<u>\$ 31,494</u>	<u>\$ 3,742</u>	<u>\$ 63</u>	<u>\$ -</u>

March 31, 2019

	Book Value	Less than 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 982,298	\$ 922,298	\$ 60,000	\$ -	\$ -
Lease liabilities	181,694	9,850	29,515	106,017	36,312
Short-term bills payable	29,983	29,983	-	-	-
Long-term loans payable	1,395,593	-	-	350,725	1,044,868
Notes and trade payables	1,042,163	763,878	277,957	328	-
Other payables	390,642	228,485	131,080	31,077	-
Current portion of long-term loans payable	<u>34,520</u>	<u>4,200</u>	<u>30,320</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,056,893</u>	<u>\$ 1,958,694</u>	<u>\$ 528,872</u>	<u>\$ 488,147</u>	<u>\$ 1,081,180</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 39,365</u>	<u>\$ 106,017</u>	<u>\$ 31,946</u>	<u>\$ 3,742</u>	<u>\$ 624</u>	<u>\$ -</u>

b) Financing facilities

As of March 31, 2020, December 31, 2019 and March 31, 2019, unused financing facilities amounted to \$1,693,201 thousand, \$1,694,698 thousand and \$1,103,026 thousand, respectively, and unused factoring trade receivables financial facilities amounted to \$190,418 thousand, \$66,158 thousand and \$215,740 thousand, respectively.

e. Transfers of financial assets

Factored trade receivables that have not yet settled at the end of period were as follows:

Counterparty	Receivables Factoring Proceeds	Amount Reclassified to Other Receivables	Advances Received Unused	Advances Received Used	Annual Interest Rates on Advances Received (Used) (%)
<u>March 31, 2020</u>					
Taipei Fubon Bank	\$ 85,718	\$ -	\$ 85,718	\$ -	-
<u>December 31, 2019</u>					
Taipei Fubon Bank	221,541	13,635	66,158	122,716	3.13
<u>March 31, 2019</u>					
Taipei Fubon Bank	252,831	-	252,831	-	3.75

Pursuant to the Group's factoring agreements, losses from commercial disputes (such as sales returns and discounts) were borne by the Group, while losses from credit risk were borne by the banks.

The Group provided Taipei Fubon Bank, the factor, guarantee and promissory notes with a stated amount of US\$7,000 thousand.

29. 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

b. Purchases of goods

Related Party Category	For the Three Months Ended March 31	
	2020	2019
Associate - ITI	<u>\$ 158,557</u>	<u>\$ 95,980</u>

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

c. Receivables from related parties

Line Item	Related Party Category	March 31, 2020	December 31, 2019	March 31, 2019
Other receivables from related parties	Associate - Crystal	<u>\$ 8,762</u>	<u>\$ 8,762</u>	<u>\$ -</u>

The outstanding trade receivables from related parties are unsecured. For the three months ended March 31, 2020, no impairment losses were recognized for trade receivables from related parties.

Other receivables are dividends receivable from related parties.

d. Payables to related parties

Line Item	Related Party Category	March 31, 2020	December 31, 2019	March 31, 2019
Accounts payable	Associate - ITI	<u>\$ 92,846</u>	<u>\$ 154,170</u>	<u>\$ 44,291</u>
Other payables	Associate - ITI	<u>\$ 2</u>	<u>\$ 291</u>	<u>\$ -</u>

The outstanding trade payables to related parties are unsecured.

e. Compensation of key management personnel

	For the Three Months Ended March 31	
	2020	2019
Short-term employee benefits	\$ 12,580	\$ 15,472
Share-based payments	<u>95</u>	<u>301</u>
	<u>\$ 12,675</u>	<u>\$ 15,773</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.

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	March 31, 2020	December 31, 2019	March 31, 2019
Other financial assets	\$ 1	\$ 5,001	\$ 6
Pledged deposits (classified as financial assets at amortized cost)	3,546	3,555	4,272
Property, plant and equipment	<u>2,016,526</u>	<u>2,020,906</u>	<u>2,058,679</u>
	<u>\$ 2,020,073</u>	<u>\$ 2,029,462</u>	<u>\$ 2,062,957</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group as of March 31, 2020 were as follows:

- a. As of March 31, 2020, the Group issued promissory notes with stated amounts of \$1,375,000 thousand and US\$25,000 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 March 31, 2020.
- c. As of March 31, 2020, the Group made endorsements and guarantees for SMAX Technology and Edimax Europe with stated amounts of \$59,000 thousand and \$66,480 thousand, respectively, and actual borrowings amounted to \$0 thousand and \$38,126 thousand, respectively.

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group entities' significant financial assets and liabilities 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:

March 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 61,024	30.23 (USD:NTD)	\$ 1,844,450
USD	650	25.07 (USD:CZK)	19,650
USD	9,077	0.91 (USD:EUR)	274,348
EUR	952	33.24 (EUR:NTD)	31,644
EUR	789	27.50 (EUR:CZK)	26,243
Non-monetary items			
Investments accounted for using the equity method			
USD	2,009	30.23 (USD:NTD)	60,713
<u>Financial liabilities</u>			
Monetary items			
USD	17,406	30.23 (USD:NTD)	526,096
USD	4,471	7.13 (USD:RMB)	135,132
USD	8,881	0.91 (USD:EUR)	268,438

December 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 51,304	29.98 (USD:NTD)	\$ 1,538,094
USD	7,506	6.96 (USD:RMB)	224,901
USD	641	22.68 (USD:CZK)	19,209
USD	8,174	0.89 (USD:EUR)	245,042
EUR	1,166	33.59 (EUR:NTD)	39,166
EUR	654	25.45 (EUR:CZK)	21,968
Non-monetary items			
Investments accounted for using the equity method			
USD	1,858	29.98 (USD:NTD)	55,706

Financial liabilities

Monetary items			
USD	24,177	29.98 (USD:NTD)	724,826
USD	8,282	6.96 (USD:RMB)	248,152
USD	8,309	0.89 (USD:EUR)	249,091

March 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 74,356	30.82 (USD:NTD)	\$ 2,291,652
USD	9,758	0.89 (USD:EUR)	300,742
USD	623	22.97 (USD:CZK)	19,199
EUR	1,059	34.61 (EUR:NTD)	36,652
EUR	572	25.79 (EUR:CZK)	19,803
RMB	389	4.58 (RMB:NTD)	1,782
Non-monetary items			
Investments accounted for using the equity method			
USD	1,050	30.82 (USD:NTD)	54,759

Financial liabilities

Monetary items			
USD	32,198	30.82 (USD:NTD)	992,342
USD	11,354	6.73 (USD:RMB)	349,969
USD	11,626	0.89 (USD:EUR)	358,315
USD	198	22.97 (USD:CZK)	6,103
EUR	83	34.61 (EUR:NTD)	2,873

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:

Functional Currency	For the Three Months Ended March 31			
	2020		2019	
Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Loss	
NTD	1 (NTD:NTD)	\$ 11,172	1 (NTD:NTD)	\$ 13,303
USD	30.11 (USD:NTD)	(10,745)	30.83 (USD:NTD)	(1,735)
EUR	33.22 (EUR:NTD)	<u>152</u>	35.01 (EUR:NTD)	<u>506</u>
		<u>\$ 579</u>		<u>\$ 12,074</u>

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 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).
- 11) Information on investees (Table 5).

b. 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.
- c. 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. (None)

34. 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.

	Enterprise, Retail Products and Services	Telecommuni- cation Products and Services	Others	Total
For the three months ended <u>March 31, 2020</u>				
Revenues from external customers	<u>\$ 532,159</u>	<u>\$ 637,151</u>	<u>\$ 41,877</u>	<u>\$ 1,211,187</u>
Segment income (loss)	<u>\$ (43,683)</u>	<u>\$ 51,160</u>	<u>\$ (1,198)</u>	\$ 6,279
Nonoperating income and expense				<u>(23)</u>
Profit before tax				<u>\$ 6,256</u>

(Continued)

	Enterprise, Retail Products and Services	Telecommuni- cation Products and Services	Others	Total
For the three months ended <u>March 31, 2019</u>				
Revenues from external customers	<u>\$ 738,192</u>	<u>\$ 766,200</u>	<u>\$ 56,806</u>	<u>\$ 1,561,198</u>
Segment income (loss)	<u>\$ (11,126)</u>	<u>\$ 57,277</u>	<u>\$ 4,187</u>	<u>\$ 50,338</u>
Nonoperating income and expense				<u>97,078</u>
Profit before tax				<u>\$ 147,416</u> (Concluded)

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 THREE MONTHS ENDED MARCH 31, 2020
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guaranteee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Company	SMAX Technology Edimax Europe	Subsidiary Subsidiary	\$ 393,892 393,892	\$ 59,000 66,580	\$ 59,000 66,480	\$ - 38,126	\$ - -	3.00 3.38	\$ 984,731 984,731	Y Y	N N	N N

Note 1: The limit on endorsement/guarantee given on behalf of each party shall not exceed 20% of the net worth of the Company.

Note 2: The aggregate endorsement/guarantee limit shall not exceed 50% of the net worth of the Company.

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2020				Note
				Shares/Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
The Company	Stock Bluechip Infotech Pty Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	300	\$ 16,812	8.18	\$ 16,812	
	Status Internet Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	300	2,484	16.67	2,484	
	Ecobear Technology Corp.	None	Financial assets at fair value through other comprehensive income - non-current	789	4,200	14.66	4,200	
	Onward Security Corp.	None	Financial assets at fair value through other comprehensive income - non-current	6,230	28,970	10.36	28,970	
Comtrend	Stock EMMT Systems	None	Financial assets at fair value through other comprehensive income - non-current	221	-	0.52	-	Note 2
	Edimax	Parent company	Financial assets at fair value through other comprehensive income - current	4,280	28,248	2.30	28,248	
8086	Stock EscapeX Holding Corporation	None	Financial assets at fair value through other comprehensive income - non-current	3	-	0.06	-	Note 2

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

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

Buyer	Related Party	Relationship	Transaction Detail			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	Comtrend Edimax Electronic (Dongguan) Co., Ltd. ITI	Subsidiary Subsidiary Associate	Sales	\$ (107,581)	(17.51)	Normal	Normal	\$ 108,010	16.75	
			Processing fee	194,215	26.38	By operating condition	By operating condition	67,312	10.44	
			Purchase	108,233	14.70	By operating condition	By operating condition	(67,029)	(19.20)	
Comtrend	CUSA CTBV	Subsidiary Subsidiary	Sales	(64,773)	(12.65)	Normal; collection period: 60-180 days	Normal	156,339	29.90	
			Sales	(307,644)	(60.08)	Normal; collection period: 60-180 days	Normal	280,345	53.61	

Note: Except for ITI, the transactions with the related parties have been eliminated in the consolidated financial statements as of and for the three months ended March 31, 2020.

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

MARCH 31, 2020

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
The Company	Comtrend	Subsidiary	\$ 108,010	2.97	\$ -	-	\$ 33,815	\$ -
Comtrend	CUSA CTBV	Subsidiary Subsidiary	156,339 280,345	1.73 4.46	72,943 -	CUSA has actively arranged for the repayment to Comtrend -	39,984 132,102	- -

Note: The transactions of the related parties have been eliminated in the consolidated financial statements as of and for the three months ended March 31, 2020.

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of March 31, 2020		Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				March 31, 2020	December 31, 2019	Number of Shares (In Thousands)	%			
The Company	Edimax USA	USA	Networking equipment wholesale	\$ 49,803	\$ 49,803	17	100.00	\$ 754	\$ 2,106	Subsidiary (Note 2)
	Edimax BVI	British Virgin Islands	Networking equipment wholesale	287,735	287,735	8,966	100.00	(25,897)	(25,897)	Subsidiary
	Edimax Europe	Netherlands	Networking equipment wholesale	168,334	168,334	2	100.00	(3,067)	(2,076)	Subsidiary (Note 3)
	Edimax AU	Australia	Networking equipment wholesale	22,641	22,641	800	100.00	(25)	(25)	Subsidiary
	ABS Telecom	Taiwan	Telecommunication equipment wholesale, transmission and rental	66,000	66,000	10,500	100.00	1,387	1,399	Subsidiary (Note 4)
Edimax BVI	Edimax SE	Singapore	Networking equipment wholesale	6,874	6,874	300	100.00	-	-	Subsidiary
	SMAX Technology	Taiwan	Wired/wireless telecommunications equipment manufacturing	137,175	137,175	2,139	100.00	(854)	(855)	Subsidiary (Note 5)
	Comtrend	Taiwan	Cable and cableless transmission equipment wholesale, research and development and retail sale	307,490	307,490	20,299	41.01	48,498	19,252	Subsidiary (Note 6)
Edimax Europe	Crystal	Seychelles	Seychelles General import and export trade and investing	31,815	31,815	1,050	30.00	15,111	4,533	Associate
	Datamax HK	Hong Kong	Investing	271,417	271,417	64,906	100.00	(24,613)	(24,613)	Second-tier subsidiary
ABS Telecom	Edimax UK	United Kingdom	Networking equipment wholesale	876	876	16	100.00	-	-	Second-tier subsidiary
	Edimax Poland	Poland	Networking equipment wholesale	10,801	10,801	2	100.00	(709)	(709)	Second-tier subsidiary
Comtrend	ABST	Mauritius	Investing	4,175	4,175	140	100.00	(780)	(780)	Second-tier subsidiary
	CUSA	USA	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	98,341	98,341	200	100.00	15,079	19,859	Second-tier subsidiary (Note 7)
Interchan	Interchan	Samoa	Investing	42,393	42,393	1,299	100.00	(98)	(98)	Second-tier subsidiary
	CTBV	Netherlands	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	50,901	50,901	1,518	100.00	8,506	8,453	Second-tier subsidiary (Note 8)
Just Top	8086	Taiwan	Telecommunication value-added services	2,915	2,915	292	100.00	(98)	(98)	Second-tier subsidiary
	Just Top Limited	Hong Kong	Telecommunication value-added services	43	43	-	100.00	-	-	Second-tier subsidiary
CTBV	PHP Interchan	Philippines	Telecommunication value-added services	1,825	1,825	-	100.00	-	-	Second-tier subsidiary
	CCE	Czech Republic	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	71,438	71,438	-	100.00	6,543	6,543	Second-tier subsidiary
	Ibertia	Spain	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	12,294	12,294	-	100.00	(2,852)	(2,852)	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 \$754 thousand plus the unrealized gross profit of \$1,352 thousand on intercompany transactions.

Note 3: The share of profits/losses of the investee included net loss of \$3,067 thousand plus the unrealized gross profit of \$991 thousand on intercompany transactions.

Note 4: The share of profits/losses of the investee included net income of \$1,387 thousand plus the unrealized gross profit of \$12 thousand on intercompany transactions.

Note 5: The share of profits/losses of the investee included net loss of \$854 thousand less the unrealized gross loss of \$1 thousand on intercompany transactions.

Note 6: The share of profits/losses of the investee included net income of \$19,890 thousand less the unrealized gross loss of \$638 thousand on intercompany transactions.

Note 7: The share of profits/losses of the investee included net income of \$15,079 thousand plus the unrealized gross profit of \$4,780 thousand on intercompany transactions.

Note 8: The share of profits/losses of the investee included net income of \$8,506 thousand less the unrealized gross loss of \$53 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 three months ended March 31, 2020.

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of March 31, 2020	Accumulated Repatriation of Investment Income as of March 31, 2020	Note 2
					Outward	Inward							
Edimax Electronic (Dongguan) Co., Ltd	Networking production and marketing	\$ 257,046	b.	\$ 257,046	\$ -	\$ -	\$ 257,046	\$ (24,612)	100	\$ (24,612)	\$ (3,422)	\$ -	2)
ABST Information Telecom Service	Telecommunication equipment wholesale, transmission and rental	4,175	b.	4,175	-	-	4,175	(780)	100	(780)	6,489	-	3)
Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2020				Investment Amounts Authorized by Investment Commission, MOEA		Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA							
\$264,698				\$278,604 (Note 4)		\$1,181,677							

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: Investment gain (loss) recognized in the current period:

- No investment gain (loss) was recognized from investments still in the development stage.
- Investment gain (loss) was determined based on the following:
 - The financial report audited and certified by an international accounting firm in cooperation with an ROC accounting firm.
 - The financial statements audited by the CPA of the parent company in Taiwan.
 - Others.

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

Note 4: The transactions with the related parties have been eliminated in the consolidated financial statements as of and for the three months ended March 31, 2020.

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 THREE MONTHS ENDED MARCH 31, 2020
(In Thousands of New Taiwan Dollars)

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with Normal Transaction	Ending Balance	%		
Edimax Electronic (Dongguan)	Processing fees	\$ 194,215	26.38	Normal	By operating conditions	By operating conditions	\$ (67,312)	(10.44)	\$ -	

Note: The transactions with the related parties have been eliminated in the consolidated financial statements as of and for the three months ended March 31, 2020.

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2020

(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 three months ended March 31, 2020 The Company	Edimax Europe Comtrend Comtrend Edimax Electronic (Dongguan) Edimax Electronic (Dongguan)	a a a a a	Sales revenue Sales revenue Accounts receivable Processing fees Accounts payable	\$ 9,628 107,581 108,010 194,215 67,312	Normal Normal Normal By operating condition By operating condition	1 9 2 16 1
1	Comtrend	CUSA CUSA CTBV CTBV	a a a a	Sales revenue Accounts receivable Sales revenue Accounts receivable	64,773 156,339 307,644 280,345	Normal Normal, collection period: 60-180 days Normal Normal, collection period: 60-180 days	10 10 48 18

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 revenues 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 three months ended March 31, 2020.

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