Edimax Technology Co., Ltd.

Financial Statements for the
Years Ended December 31, 2021 and 2020 and
Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Edimax Technology Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020 and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, based on our audits and the reports of other auditors (please refer to the other matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter of the Company's financial statements for the year ended December 31, 2021 is stated as follows:

Cut off of the Recognition Time of Sales Revenue

The Company's sales are recognized as FOB shipping point. Due to the impact of the COVID-19 pandemic, ports were seriously clogged around the world, supply chains were disrupted and shipping schedules were postponed for the year ended December 31, 2021. Although relevant controls are established, there is a risk that shipped goods may be in transit at the end of the reporting period and sales transactions are recorded in an accounting period when control of goods has not been transferred. Accordingly, we have identified cut-off of revenue recognition as a key audit matter.

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

1. We obtained an understanding of the design of internal controls related to cut-off of revenue recognition and we tested the operating effectiveness of such controls.

2. We selected samples of revenue recognized before and after the balance sheet date, and we checked the records against the sales documents such as purchase orders, invoices, external shipping documents and client receipts to assess the cut-off of revenue recognition.

Other Matter

As disclosed in Note 11 to the financial statements, we did not audit the financial statements of several investees accounted for using the equity method included in the financial statements of the Company, but such statements were audited by other auditors. Our opinion, insofar as it relates to the investments and the share of profit (loss) of the investees accounted for using the equity method audited by other auditors, was based solely on the reports of the other auditors. The total investments in investees accounted for using the equity method were NT$331,241 thousand and NT$310,705 thousand, which constituted 5.97% and 5.65% of total assets as of December 31, 2021 and 2020, respectively, and the share of profit of the subsidiaries and associates accounted for using the equity method was NT$33,839 thousand and NT$34,796 thousand, which constituted (61.49%) and 33.17% of the profit before income tax for the years ended December 31, 2021 and 2020, respectively; and the share of the other comprehensive income of the subsidiaries and associates accounted for using the equity method was NT$22,462 thousand and NT$27,589 thousand, which constituted 32.95% and 37.62% of the total comprehensive income for the years ended December 31, 2021 and 2020, respectively.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 11, 2022

<u>*Notice to Readers*</u>

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

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

EDIMAX TECHNOLOGY CO., LTD.

BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021		2020	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash (Note 6)	$ 408,145	8	$ 639,548	12
Notes receivable from unrelated parties (Note 9)	10,444	-	9,911	-
Trade receivables from unrelated parties (Notes 9 and 22)	674,071	12	780,947	14
Trade receivables from related parties (Notes 22 and 30)	174,040	3	188,470	3
Other receivables from unrelated parties (Notes 9 and 30)	21,929	1	6,990	-
Current tax assets (Note 24)	13	-	30	-
Inventories (Note 10)	945,965	17	598,656	11
Prepayments	112,910	2	38,113	1
Other current assets	11,329	-	18,156	-
Total current assets	2,358,846	43	2,280,821	41
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 7 and 18)	520	-	-	-
Financial assets at fair value through other comprehensive income - non-current (Note 8)	76,117	1	63,530	1
Investments accounted for using the equity method (Note 11)	920,946	17	961,213	18
Property, plant and equipment (Notes 12 and 31)	2,050,920	37	2,072,389	38
Right-of-use assets (Note 13)	7,896	-	62	-
Investment properties (Note 14)	49,527	1	50,504	1
Intangible assets (Note 15)	6,107	-	4,402	-
Refundable deposits	4,082	-	3,552	-
Other financial assets - non-current (Note 16)	65,801	1	62,788	1
Total non-current assets	3,181,916	57	3,218,440	59
TOTAL	$ 5,540,762	100	$ 5,499,261	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	$ 556,000	10	$ 817,600	15
Short-term bills payable (Note 17)	29,915	1	29,934	1
Contract liabilities - current (Note 22)	107,567	2	95,103	2
Notes payable to unrelated parties	10,296	-	5,305	-
Accounts payable to unrelated parties	553,481	10	564,138	10
Accounts payable to related parties (Note 30)	113,741	2	105,838	2
Other payables (Notes 19 and 30)	148,851	3	138,708	2
Current tax liabilities	657	-	657	-
Lease liabilities - current (Note 13)	3,131	-	62	-
Current portion of long-term borrowings (Notes 17 and 31)	16,800	-	16,800	-
Other current liabilities (Note 19)	92,738	2	88,217	2
Total current liabilities	1,633,177	30	1,862,362	34
NON-CURRENT LIABILITIES				
Bonds payable (Note 18)	390,835	7	-	-
Long-term borrowings (Notes 17 and 31)	1,367,114	25	1,383,914	25
Deferred tax liabilities (Note 24)	722	-	722	-
Lease liabilities - non-current (Note 13)	4,764	-	-	-
Deposits received	-	-	6,679	-
Net defined benefit liabilities - non-current (Note 20)	75,820	1	73,096	1
Total non-current liabilities	1,839,255	33	1,464,411	26
Total liabilities	3,472,432	63	3,326,773	60
EQUITY				
Share capital				
Common stock	1,893,702	34	1,864,916	34
Capital collected in advance	8,800	-	27,492	1
Total share capital	1,902,502	34	1,892,408	35
Capital surplus	236,689	4	228,100	4
Retained earnings				
Legal reserve	10,460	-	1,802	-
Special reserve	38,904	1	16,214	-
Unappropriated earnings (accumulated deficits)	(67,331)	(1)	86,582	2
Total retained earnings (accumulated deficits)	(17,967)	-	104,598	2
Other equity				
Exchange differences on translation to the presentation currency	(49,822)	(1)	(33,468)	(1)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	10,425	-	(5,436)	-
Total other equity	(39,397)	(1)	(38,904)	(1)
Treasury shares	(13,497)	-	(13,714)	-
Total equity	2,068,330	37	2,172,488	40
TOTAL	$ 5,540,762	100	$ 5,499,261	100

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

(With Deloitte & Touche auditors' report dated March 11, 2022)

EDIMAX TECHNOLOGY CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Except (Loss) Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 22 and 30)	$ 3,634,547	100	$ 4,030,590	100
OPERATING COSTS (Notes 10, 23 and 30)	(3,111,231)	(86)	(3,422,359)	(85)
GROSS PROFIT	523,316	14	608,231	15
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	(17,589)	-	(16,175)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	16,175	-	16,109	-
REALIZED GROSS PROFIT	521,902	14	608,165	15
OPERATING EXPENSES (Notes 20 and 23)				
Selling and marketing expenses	(150,070)	(4)	(162,283)	(4)
General and administrative expenses	(119,194)	(3)	(111,036)	(3)
Research and development expenses	(268,039)	(8)	(261,907)	(6)
Expected credit loss (Note 9)	(10,980)	-	(17,325)	-
Total operating expenses	(548,283)	(15)	(552,551)	(13)
(LOSS) PROFIT FROM OPERATIONS	(26,381)	(1)	55,614	2
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 23 and 30)	9,604	-	6,812	-
Other gains and losses (Note 23)	(37,457)	(1)	(71,201)	(2)
Finance costs (Note 23)	(24,790)	(1)	(25,503)	(1)
Share of profit of associates (Note 11)	23,630	1	138,502	4
Interest income (Note 23)	366	-	684	-
Total non-operating income and expenses	(28,647)	(1)	49,294	1
(LOSS) PROFIT BEFORE INCOME TAX	(55,028)	(2)	104,908	3
INCOME TAX EXPENSE (Note 24)	-	-	(657)	-
NET (LOSS) PROFIT FOR THE YEAR	(55,028)	(2)	104,251	3

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EDIMAX TECHNOLOGY CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Except (Loss) Earnings Per Share)

	2021		2020	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 20)	$ (6,043)	-	$ (16,616)	(1)
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	10,761	-	(1,412)	-
Share of the other comprehensive loss of associates accounted for using the equity method	(1,505)	-	(1,053)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(16,354)	-	(11,843)	-
Other comprehensive loss for the year, net of income tax	(13,141)	-	(30,924)	(1)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	$ (68,169)	(2)	$ 73,327	2
(LOSS) EARNINGS PER SHARE (Note 25)				
Basic	$ (0.29)		$ 0.56	
Diluted			$ 0.56	

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

(With Deloitte & Touche auditors' report dated March 11, 2022) (Concluded)

EDIMAX TECHNOLOGY CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	Share Capital (Note 21)				Retained Earnings (Accumulated Deficits) (Note 21)				Other Equity				
	Common Stock	Capital Collected in Advance	Total	Capital Surplus (Note 21)	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Total	Exchange Differences on Translation of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Treasury Shares	Total Equity
BALANCE AT JANUARY 1, 2020	$ 1,864,916	$ -	$ 1,864,916	$ 168,621	$ -	$ -	$ 18,016	$ 18,016	$ (21,625)	$ (4,024)	$ (25,649)	$ (16,745)	$ 2,009,159
Appropriation of 2019 earnings													
Legal reserve	-	-	-	-	1,802	-	(1,802)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	16,214	(16,214)	-	-	-	-	-	-
Other capital surplus change													
Share-based payments (Note 26)	-	-	-	1,914	-	-	-	-	-	-	-	-	1,914
Cash dividends distributed by the Company	-	-	-	(27,974)	-	-	-	-	-	-	-	-	(27,974)
Actual acquisition of interests in subsidiaries (Note 27)	-	-	-	14,714	-	-	-	-	-	-	-	-	14,714
Changes in percentage of ownership interests in subsidiaries (Note 27)	-	-	-	69,084	-	-	-	-	-	-	-	-	69,084
Disposal of the Company's common stock by subsidiaries treated as treasury shares transactions	-	-	-	356	-	-	-	-	-	-	-	3,031	3,387
Recognition of employee share options by the subsidiaries (Note 26)	-	-	-	1,385	-	-	-	-	-	-	-	-	1,385
Issuance of ordinary shares under employee share options (Note 26)	-	27,492	27,492	-	-	-	-	-	-	-	-	-	27,492
Net profit for the year ended December 31, 2020	-	-	-	-	-	-	104,251	104,251	-	-	-	-	104,251
Other comprehensive loss for the year ended December 31, 2020, net of income tax	-	-	-	-	-	-	(17,669)	(17,669)	(11,843)	(1,412)	(13,255)	-	(30,924)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	86,582	86,582	(11,843)	(1,412)	(13,255)	-	73,327
BALANCE AT DECEMBER 31, 2020	1,864,916	27,492	1,892,408	228,100	1,802	16,214	86,582	104,598	(33,468)	(5,436)	(38,904)	(13,714)	2,172,488
Appropriation of 2020 earnings													
Legal reserve	-	-	-	-	8,658	-	(8,658)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	22,690	(22,690)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(54,889)	(54,889)	-	-	-	-	(54,889)
Other capital surplus change													
Share based payments (Note 26)	-	-	-	979	-	-	-	-	-	-	-	-	979
Equity component of convertible bonds issued by the Company (Note 18)	-	-	-	10,684	-	-	-	-	-	-	-	-	10,684
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	217	217
Disposal of investment in equity instruments designated as at fair value through other comprehensive income by subsidiaries	-	-	-	-	-	-	(5,100)	(5,100)	-	5,100	5,100	-	-
Dividends distributed to subsidiaries to adjust capital surplus	-	-	-	418	-	-	-	-	-	-	-	-	418
Changes in percentage of ownership interests in subsidiaries	-	-	-	(4,391)	-	-	-	-	-	-	-	-	(4,391)
Recognition of employee share options by the subsidiaries(Note 26)	-	-	-	179	-	-	-	-	-	-	-	-	179
Issuance of ordinary shares under employee share options (Note 26)	28,786	(18,692)	10,094	720	-	-	-	-	-	-	-	-	10,814
Net loss for the year ended December 31, 2021	-	-	-	-	-	-	(55,028)	(55,028)	-	-	-	-	(55,028)
Other comprehensive loss for the year ended December 31, 2021, net of income tax	-	-	-	-	-	-	(7,548)	(7,548)	(16,354)	10,761	(5,593)	-	(13,141)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	-	(62,576)	(62,576)	(16,354)	10,761	(5,593)	-	(68,169)
BALANCE AT DECEMBER 31, 2021	$ 1,893,702	$ 8,800	$ 1,902,502	$ 236,689	$ 10,460	$ 38,904	$ (67,331)	$ (17,967)	$ (49,822)	$ 10,425	$ (39,397)	$ (13,497)	$ 2,068,330

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

(With Deloitte & Touche auditors' report dated March 11, 2022)

EDIMAX TECHNOLOGY CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) profit before income tax	$ (55,028)	$ 104,908
Adjustments for:		
Depreciation expense	45,195	41,975
Amortization expense	6,185	3,875
Expected credit loss recognized	10,980	17,325
Gain on fair value changes of financial assets and liabilities at fair value through profit or loss	(682)	-
Finance costs	24,790	25,503
Interest income	(366)	(684)
Dividend income	(1,874)	(415)
Share-based payment	979	1,914
Share of profit of subsidiaries and associates	(23,630)	(138,502)
(Gain) loss on disposal of property, plant and equipment	(112)	118
Unrealized gain on transactions with subsidiaries	17,589	16,175
Realized gain on transactions with subsidiaries	(16,175)	(16,109)
Changes in operating assets and liabilities		
Notes receivable	(533)	160
Trade receivables (including related parties)	81,887	(194,530)
Other receivables	(14,939)	5,245
Inventories	(347,309)	(193,424)
Prepayment	(74,797)	(5,493)
Other current assets	6,827	(5,770)
Contract liabilities	12,464	2,511
Notes payables	4,991	4,391
Trade payables (including related parties)	(2,754)	298,369
Other payables	10,143	25,840
Current liabilities	4,521	19,211
Net defined benefit liabilities	(3,321)	1,521
Cash (used in) generated from operations	(314,969)	14,114
Interest received	366	684
Interest paid	(21,747)	(25,531)
Income tax paid	17	292
Net cash used in operating activities	(336,333)	(10,441)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(1,826)	(6,900)
Payments for property, plant and equipment	(21,166)	(26,321)
Proceeds from disposal of property, plant and equipment	231	3
Increase in refundable deposits	(530)	(3,027)
Payments for intangible assets	(7,890)	(4,938)

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EDIMAX TECHNOLOGY CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021	2020
Increase in other financial assets	$ (3,013)	$ (2,021)
Decrease in other non-current assets	-	9,200
Dividends received	71,362	72,852
Net cash generated from investing activities	37,168	38,848
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	-	90,000
Repayments of short-term borrowings	(261,600)	-
Proceeds from bonds payable	398,653	-
Repayments of long-term borrowings	(16,800)	(16,800)
Increase in refundable deposits	-	6,679
Decrease in refundable deposits	(6,679)	-
Repayment of the principal portion of lease liabilities	(1,737)	(470)
Dividends paid to owners of the Company	(54,889)	(27,974)
Exercise of employee share options	10,814	27,492
Partial disposal of interests in subsidiaries without a loss of control	-	29,406
Net cash generated from financing activities	67,762	108,333
NET (DECREASE) INCREASE IN CASH	(231,403)	136,740
CASH AT THE BEGINNING OF THE YEAR	639,548	502,808
CASH AT THE END OF THE YEAR	$ 408,145	$ 639,548

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

(With Deloitte & Touche auditors' report dated March 11, 2022) (Concluded)

EDIMAX TECHNOLOGY CO., LTD.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's board of directors on March 11, 2022.

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

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

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

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

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

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

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Foreign currencies

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

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

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

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

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

e. Inventories

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

f. Investments in subsidiaries

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

Subsidiaries are the entities controlled by the Company.

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

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

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

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

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

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

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

g. Investments in associates

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

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

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

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

h. Property, plant and equipment

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

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

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

i. Investment properties

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

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

Depreciation is recognized using the straight-line method.

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

j. Intangible assets

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

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

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

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

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

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

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

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 29: Financial Instruments.

ii. Financial assets at amortized cost

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

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

i. Internal or external information shows that the debtor is unlikely to pay its creditors.

ii. Financial asset is more than 180 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or are designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, and any interest paid on such financial liabilities is recognized in finance costs; any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses.

Fair value is determined in the manner described in Note 29: Financial Instruments

b) Derecognition of financial liabilities

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

3) Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

m. Revenue recognition

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

1) Revenue from the sale of goods

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

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

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

2) Revenue from the rendering of services

Revenue from the rendering of services is recognized when services are provided.

3) Service revenue

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

n. Leases

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

1) The Company as lessor

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

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

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

2) The Company as lessee

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

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

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

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

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

o. Government grants

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

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

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

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

q. Share-based payment arrangements - employee share options

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

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

r. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

6. CASH

	December 31	
	2021	2020
Cash on hand	$ 209	$ 254
Checking accounts and demand deposits	407,936	639,294
	$ 408,145	$ 639,548

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

	December 31	
	2021	2020
Demand deposits	0.001%-0.05%	0.001%-0.48%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2021	2020
Financial assets at FVTPL - non-current		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Convertible options (Note 18)	$ 520	$ -

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments at FVTOCI

	December 31	
	2021	2020
Non-current		
Overseas unlisted ordinary shares		
Bluechip Infotech Pty. Ltd.	$ 24,149	$ 20,274
Domestic unlisted ordinary shares		
Status Internet Co., Ltd.	6,078	5,916
Ecobear Technology Corp.	7,942	5,877
Onward Security Corp.	17,008	23,861
Newgreen Technology Co., Ltd.	20,940	7,602
	$ 76,117	$ 63,530

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

Due to the liquidation procedures of Interchan Taiwan ("8086") during the year ended December 31, 2021, related other equity - unrealized loss on financial assets at fair value through other comprehensive income of $5,100 thousand was transferred to retained earnings.

9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2021	**2020**
Notes receivable		
At amortized cost		
Gross carrying amount	$ 10,444	$ 9,911
Trade receivables		
At amortized cost		
Gross carrying amount	$ 737,948	$ 833,844
Less: Allowance for impairment loss	(63,877)	(52,897)
	$ 674,071	$ 780,947
Other receivables		
Others	$ 21,929	$ 6,990

Trade Receivables

At amortized cost

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

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

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

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

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

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

December 31, 2021

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	0.06%	0.93%	24.97%	57.75%	100%	
Gross carrying amount	$ 621,064	$ 51,249	$ 2,892	$ 1,077	$ 61,666	$ 737,948
Loss allowance (Lifetime ECLs)	(392)	(475)	(722)	(622)	(61,666)	(63,877)
Amortized cost	$ 620,672	$ 50,774	$ 2,170	$ 455	$ -	$ 674,071

December 31, 2020

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

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1	$ 52,897	$ 35,572
Add: Net remeasurement of loss allowance	10,980	17,325
Balance at December 31	$ 63,877	$ 52,897

10. INVENTORIES

	December 31	
	2021	2020
Raw materials	$ 797,971	$ 492,385
Finished goods	51,580	29,652
Work-in-process	57,910	57,341
Merchandise	38,504	19,278
	$ 945,965	$ 598,656

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was $3,111,231 thousand and $3,422,359 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2021	2020
Investments in subsidiaries	$ 863,548	$ 899,058
Investments in associates	57,398	62,155
	$ 920,946	$ 961,213

a. Investments in subsidiaries

	December 31	
	2021	2020
Edimax Computer Co. ("Edimax USA")	$ 63,298	$ 64,223
Edimax Technology Europe B.V. ("Edimax Europe")	30,988	15,348
Edimax Technology (BVI) Co., Ltd. ("Edimax BVI")	154,027	158,949
ABS Telecom Inc. ("ABS Telecom")	154,264	143,946
Edimax Technology Australia Pty, Ltd. ("Edimax AU")	473	517
SMAX Technology Co., Ltd. ("SMAX Technology")	25,293	25,033
Comtrend Corporation ("Comtrend")	435,205	491,042
	$ 863,548	$ 899,058

	Proportion of Ownership and Voting Rights	
	December 31	
	2021	2020
Edimax USA	100.00%	100.00%
Edimax Europe	100.00%	100.00%
Edimax BVI	100.00%	100.00%
ABS Telecom	100.00%	100.00%
Edimax AU	100.00%	100.00%
SMAX Technology	100.00%	100.00%
Comtrend	34.29%	34.84%

Refer to Note 35 for the details of the subsidiaries indirectly held by the Company.

As of December 31, 2021 and 2020, the Company held 34.29% and 34.84% of Comtrend's voting shares, respectively, but the Company has the practical ability to direct the relevant activities of Comtrend; thus, Comtrend was listed as a subsidiary of the Company.

Refer to Table 5 "Information on Investees" for the nature of activities, Edimax Europe converted liabilities into equities which amounted to 28,439 thousand for the year ended December 31, 2021.

b. Investments in associates

	December 31	
	2021	2020
Associates that are not individually material	$ 57,398	$ 62,155

	For the Year Ended December 31	
	2021	2020
The Company's share of		
Net profit for the year	$ 13,759	$ 27,313
Other comprehensive income (loss)	(1,908)	(4,012)
Total comprehensive income for the year	$ 11,851	$ 23,301

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

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Total
Cost					
Balance at January 1, 2021	$ 1,247,716	$ 833,078	$ 1,979	$ 265,773	$ 2,348,546
Additions	-	-	-	21,166	21,166
Disposals	-	-	(1,979)	(89,758)	(91,737)
Balance at December 31, 2021	$ 1,247,716	$ 833,078	$ -	$ 197,181	$ 2,277,975
Accumulated depreciation					
Balance at January 1, 2021	$ -	$ 90,970	$ 1,979	$ 183,208	$ 276,157
Disposals	-	-	(1,979)	(89,639)	(91,618)
Depreciation expense	-	18,105	-	24,411	42,516
Balance at December 31, 2021	$ -	$ 109,075	$ -	$ 117,980	$ 227,055
Carrying amount at December 31, 2021	$ 1,247,716	$ 724,003	$ -	$ 79,201	$ 2,050,920
Cost					
Balance at January 1, 2020	$ 1,247,716	$ 833,078	$ 1,979	$ 241,843	$ 2,324,616
Additions	-	-	-	26,321	26,321
Disposals	-	-	-	(2,391)	(2,391)
Balance at December 31, 2020	$ 1,247,716	$ 833,078	$ 1,979	$ 265,773	$ 2,348,546
Accumulated depreciation					
Balance at January 1, 2020	$ -	$ 72,865	$ 1,971	$ 163,056	$ 237,892
Disposals	-	-	-	(2,270)	(2,270)
Depreciation expense	-	18,105	8	22,422	40,535
Balance at December 31, 2020	$ -	$ 90,970	$ 1,979	$ 183,208	$ 276,157
Carrying amount at December 31, 2020	$ 1,247,716	$ 742,108	$ -	$ 82,565	$ 2,072,389

No impairment loss was recognized or reversed for the years ended December 31, 2021 and 2020.

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

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

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 31.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2021	2020
Carrying amount		
Transportation equipment	$ 7,896	$ 62

	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	$ 9,536	$ -
Depreciation charge for right-of-use assets		
Transportation equipment	$ 1,702	$ 463

Except for the aforementioned additions and recognized depreciation, the Company did not have significant subleases or impairment of right-of-use assets during the years ended December 31, 2021 and 2020.

b. Lease liabilities

	December 31	
	2021	2020
Carrying amount		
Current	$ 3,131	$ 62
Non-current	$ 4,764	$ -

Range of discount rate for lease liabilities was as follows:

	December 31	
	2021	2020
Transportation equipment	1.36%	1.36%

c. Material leasing activities and terms - as lessee

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

d. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to low-value asset leases	$ 121	$ 173
Total cash outflow for leases	$ (1,892)	$ (648)

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

14. INVESTMENT PROPERTIES

	Land	Buildings	Total
Cost			
Balance at January 1, 2021	$ 22,012	$ 35,168	$ 57,180
Balance at December 31, 2021	$ 22,012	$ 35,168	$ 57,180
Accumulated depreciation and impairment			
Balance at January 1, 2021	$ -	$ 6,676	$ 6,676
Depreciation expense	-	977	977
Balance at December 31, 2021	$ -	$ 7,653	$ 7,653
Carrying amount at December 31, 2021	$ 22,012	$ 27,515	$ 49,527
Cost			
Balance at January 1, 2020	$ 22,012	$ 35,168	$ 57,180
Balance at December 31, 2020	$ 22,012	$ 35,168	$ 57,180
Accumulated depreciation and impairment			
Balance at January 1, 2020	$ -	$ 5,699	$ 5,699
Depreciation expense	-	977	977
Balance at December 31, 2020	$ -	$ 6,676	$ 6,676
Carrying amount at December 31, 2020	$ 22,012	$ 28,492	$ 50,504

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

Buildings	3-45 years

The management of the Company used the valuation model that market participants would use in determining the fair value.

15. INTANGIBLE ASSETS

	Computer Software For the Year Ended December 31	
	2021	2020
Cost		
Balance at January 1	$ 15,653	$ 10,715
Additions	7,890	4,938
Balance at December 31	$ 23,543	$ 15,653
Accumulated amortization and impairment		
Balance at January 1	$ 11,251	$ 7,376
Amortization expense	6,185	3,875
Balance at December 31	$ 17,436	$ 11,251
Carrying amount at December 31	$ 6,107	$ 4,402

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

Computer software	1-5 years

16. OTHER FINANCIAL ASSETS

	December 31	
	2021	2020
Non-current		
Pension reserve fund	$ 65,801	$ 62,788

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

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2021	2020
Unsecured borrowings		
Bank loans	$ 556,000	$ 817,600

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

b. Short-term bills payable

	December 31	
	2021	2020
Commercial paper	$ 30,000	$ 30,000
Less: Unamortized discounts on bills payable	(85)	(66)
	$ 29,915	$ 29,934

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

c. Long-term borrowings

	December 31	
	2021	2020
Secured borrowings		
Bank loans	$ 1,383,914	$ 1,400,714
Less: Current portion	(16,800)	(16,800)
Long-term borrowings	$ 1,367,114	$ 1,383,914

The bank borrowings are secured by the Company's land and buildings; please refer to Note 31 for additional information. The maturity date is February 1, 2036 and the effective annual interest rates were both 1.11% as of December 31, 2021 and 2020. The purpose of the borrowings is to purchase land and buildings for operations.

18. BONDS PAYABLE

	December 31	
	2021	2020
Secured domestic convertible bonds	$ 390,835	$ -

On March 30, 2021, the Company issued 4 thousand of five-year zero coupon unsecured convertible bonds in Taiwan, with an aggregate principal amount of NT$404,000 thousand.

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

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

The convertible bonds contain both liability and equity components. The equity components are presented in equity under the heading of capital surplus - options. The liability components are classified as embedded derivatives and non-embedded liabilities. The embedded derivatives, which are measured at fair value and are recognized in financial assets at FVTPL - non-current amounted to $520 thousand on December 31, 2021, and classified as non-current financial assets at fair value through profit or loss. The non-derivative liabilities, which are measured at amortized cost amounted to $390,835 thousand on December 31, 2021. The effective interest rate of the liability components was 1.04% per annum on initial recognition.

Proceeds from issuance (less transaction costs of $5,347 thousand)	$ 398,653
Equity component (less transaction costs allocated to the equity component of $143 thousand)	(10,684)
Liability component at the date of issue (less transaction costs allocated to the liability component of $5,204 thousand)	387,969
Interest charged at an effective interest rate of 1.04%	3,028
Valuation profit on financial investments	(682)
Liability component at December 31, 2021	$ 390,315

19. OTHER LIABILITIES

	December 31	
	2021	**2020**
Other payables		
Payable for salaries	$ 73,469	$ 70,856
Payable for labor fee	8,852	7,785
Payable for freight and customs fee	2,141	4,101
Payable for equipment	1,060	1,541
Payable for employees' bonuses and directors' remuneration	-	10,051
Others	63,329	44,374
	$ 148,851	$ 138,708
Other liabilities		
Receipts under custody	$ 59,690	$ 62,937
Temporary credit	15,603	14,716
Refund liabilities	14,151	10,379
Others	3,294	185
	$ 92,738	$ 88,217

20. RETIREMENT BENEFIT PLANS

	December 31	
	2021	**2020**
Defined contribution plans	$ 23,440	$ 25,375
Defined benefit plans	52,380	47,721
	$ 75,820	$ 73,096

a. Defined contribution plans

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

The Company contributes a certain percentage of total monthly salaries and wages of managerial personnel to a pension reserve fund account (classified as other financial assets - non-current) from July 2005. Refer to Note 15 for information relating to the pension reserve fund. The actual pension amounts paid in 2021 and 2020 were both $0; and the Company's contributions to the fund amounted to $23,440 thousand and $25,375 thousand for the years ended December 31, 2021 and 2020, respectively.

b. Defined benefit plans

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

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

	December 31	
	2021	**2020**
Present value of defined benefit obligation	$ 75,820	$ 73,096
Fair value of plan assets	(23,440)	(25,375)
Net defined benefit liability	$ 52,380	$ 47,721

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities**
Balance at January 1, 2020	$ 54,958	$ (20,719)	$ 34,239
Service cost			
Past service cost	1,118	-	1,118
Net interest expense (income)	343	(476)	(133)
Recognized in profit or loss	1,461	(476)	985

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	$ -	$ (61)	$ (61)
Actuarial loss - changes in demographic assumptions	790	-	790
Actuarial gain - changes in financial assumptions	1,224	-	1,224
Actuarial loss - experience adjustments	14,663	-	14,663
Recognized in other comprehensive income	16,677	(61)	16,616
Contributions from the employer	-	(4,119)	(4,119)
Balance at December 31, 2020	$ 73,096	$ (25,375)	$ 47,721
Balance at January 1, 2021	$ 73,096	$ (25,375)	$ 47,721
Service cost			
Past service cost	904	-	904
Net interest expense (income)	274	(311)	(37)
Recognized in profit or loss	1,178	(311)	867
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	22	22
Actuarial loss - changes in demographic assumptions	5,102	-	5,102
Actuarial gain - changes in financial assumptions	(1,173)	-	(1,173)
Actuarial loss - experience adjustments	2,092	-	2,092
Recognized in other comprehensive income	6,021	22	6,043
Contributions from the employer	-	(2,251)	(2,251)
Benefits paid	(4,475)	4,475	-
Balance at December 31, 2021	$ 75,820	$ (23,440)	$ 52,380

(Concluded)

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

	For the Year Ended December 31	
	2021	2020
Selling and marketing expenses	$ 253	$ 267
General and administrative expenses	115	119
Research and development expenses	499	599
	$ 867	$ 985

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2021	**2020**
Discount rate(s)	0.63%	0.38%
Expected rate(s) of salary increase	2.50%	2.50%
Turnover rate	8.50%	11.39%

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

	December 31	
	2021	**2020**
Discount rate		
0.5% increase	$ (2,727)	$ (2,450)
0.5% decrease	$ 2,915	$ 2,607
Expected rate of salary increase		
0.5% increase	$ 2,787	$ 2,452
0.5% decrease	$ (2,636)	$ (2,331)

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

	December 31	
	2021	**2020**
The expected contributions to the plan for the next year	$ 6,273	$ 2,251
The average duration of the defined benefit obligation	7 years	7 years

21. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2021	2020
Number of shares authorized (in thousands)	300,000	300,000
Shares authorized	$ 3,000,000	$ 3,000,000
Number of shares issued and fully paid (in thousands)	189,370	186,492
Shares issued	$ 1,893,702	$ 1,864,916
Capital collected in advance	$ 8,800	$ 27,492

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

The Company converted employee share options of 28,786 thousand, equivalent to 2,879 thousand shares, with a subscription price of $10. The paid-in capital after issuance of ordinary shares for cash of 1,893,702 thousand has completed the change registration as of May 31, 2021.

The Company converted employee share options of 8,800 thousand, equivalent to 880 thousand shares, with a subscription price of $10.00. As the change registration has not been completed as of December 31, 2021, it was listed as capital collected in advance.

b. Capital surplus

	December 31	
	2021	2020
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Premium from issuance of common shares	$ 34,447	$ 29,983
Premium from conversion of bonds	24,662	24,662
Treasury share transactions	6,600	6,182
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	49,362	49,362
May be used to offset a deficit only		
Changes in percentage of ownership interest in subsidiaries (2)	70,027	74,239
Others	33,437	33,437
May not be used for any purpose		
Employee share options	7,470	10,235
Share options from convertible bonds (Note 18)	10,684	-
	$ 236,689	$ 228,100

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 undistributed retained earnings is less than 20% of outstanding ordinary shares. The dividends can be distributed in form of shares or cash, but the amount of cash dividends distributed should not be less than 10% of total dividends. The Company determines the dividend distribution in consideration of the investment environment, capital demand, financial structure, earnings, domestic and international competition and shareholders' interest and future development plan.

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

The appropriation of earnings for 2020 and 2019 that was approved in the shareholders' meeting on July 30, 2021 and June 12, 2020, respectively, is as follows:

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

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

The offsetting of deficit for 2021 was proposed by the Company's board of directors on March 11, 2022.

The offsetting of deficit for 2021 is subject to the resolution of the shareholders in their meeting to be held on June 1, 2022.

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, 2021	-	-	1,758	1,758
Increase during the year	-	-	-	-
Decrease during the year	-	-	(23)	(23)
Number of shares at December 31, 2021	-	-	1,735	1,735
Number of shares at January 1, 2020	-	-	1,786	1,786
Increase during the year	-	-	-	-
Decrease during the year	-	-	(28)	(28)
Number of shares at December 31, 2020	-	-	1,758	1,758

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
December 31, 2021			
Comtrend	1,735	$ 13,497	$ 20,523
December 31, 2020			
Comtrend	1,758	13,714	19,827

For the years ended December 31, 2021 and 2020, Comtrend held 4,200 thousand ordinary shares of the Company, and the Company recognized 1,735 thousand and 1,758 thousand treasury shares based on the ownership percentage of 34.29% and 34.84% as at December 31, 2021 and 2020, respectively.

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

22. REVENUE

a. Disaggregation of revenue

	For the Year Ended December 31	
	2021	2020
Revenue from the sale of goods	$ 3,607,985	$ 3,957,910
Revenue from the rendering of services	26,562	72,680
	$ 3,634,547	$ 4,030,590

b. Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Trade receivables (Notes 9 and 30)	$ 911,988	$ 1,022,314	$ 827,784
Contract liabilities - current	$ 107,567	$ 95,103	$ 92,592

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

23. NET (LOSS) PROFIT

a. Interest income

	For the Year Ended December 31	
	2021	2020
Bank deposits	$ 366	$ 684

b. Other income

	For the Year Ended December 31	
	2021	2020
Rental income		
Investment properties	$ 2,499	$ 2,515
Dividends		
Investments in equity instruments at FVTOCI	1,874	415
Others	5,231	3,882
	$ 9,604	$ 6,812

c. Other gains and losses

	For the Year Ended December 31	
	2021	2020
(Loss) gain on disposal of property, plant and equipment	$ 112	$ (118)
Net foreign exchange loss	(35,063)	(62,922)
Others	(2,506)	(8,161)
	$ (37,457)	$ (71,201)

d. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest on bank loans	$ 21,728	$ 25,498
Interest on convertible bonds	3,028	-
Interest on lease liabilities	34	5
	$ 24,790	$ 25,503

e. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Property, plant and equipment	$ 42,516	$ 40,535
Investment properties	977	977
Right-of-use assets	1,702	463
Intangible assets	6,185	3,875
	$ 51,380	$ 45,850
An analysis of depreciation by function		
Operating costs	$ 1,530	$ 830
Operating expenses	43,665	41,145
	$ 45,195	$ 41,975
An analysis of amortization by function		
Operating expenses	$ 6,185	$ 3,875

f. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Post-employment benefits (see Note 20)		
Defined contribution plans	$ 15,894	$ 14,923
Defined benefit plans	867	985
	16,761	15,908
Share-based payments		
Equity-settled	979	1,914
Other employee benefits	354,497	332,972
Total employee benefits expense	$ 372,237	$ 350,794
An analysis of employee benefits expense by function		
Operating expenses	$ 372,237	$ 350,794

g. Employees' compensation and remuneration of directors and supervisors

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

There was no compensation of employees and remuneration of directors estimated as the Company reported a net loss before tax for the year ended December 31, 2021.

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

Accrual rate

	For the Year Ended December 30, 2020
Compensation of employees	7%
Remuneration of directors	2%

Amount

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

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

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

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2021	**2020**
Foreign exchange gains	$ 51,253	$ 55,851
Foreign exchange losses	(86,316)	(118,773)
	$ (35,063)	$ (62,922)

24. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31 2021	2020
Current tax		
In respect of the current year	$ -	$ 657
Deferred tax	-	-
Income tax expense recognized in profit or loss	$ -	$ 657

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

	For the Year Ended December 31 2021	2020
(Loss) profit before tax	$ (55,028)	$ 104,908
Income tax expense calculated at the statutory rate	$ (11,006)	$ 20,982
Nondeductible expenses in determining taxable income	18,950	20,814
Tax-exempt income	(10,846)	(15,116)
Addition income tax under the Alternative Minimum Tax Act	-	657
Realization of investment losses	(7,063)	(1,375)
Unrecognized loss carryforwards/deductible temporary differences	9,965	(25,305)
Income tax expense recognized in profit or loss	$ -	$ 657

b. Current tax assets

	December 31 2021	2020
Current tax assets		
Tax refund receivable	$ 13	$ 30

c. Deferred tax liabilities

The movements of deferred tax liabilities are as follows:

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Closing Balance
Deferred tax liabilities			
Unrealized foreign exchange gains	$ 722	$ -	$ 722

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Closing Balance
Deferred tax liabilities			
Unrealized foreign exchange gains	$ 722	$ -	$ 722

d. Unused loss carryforwards for which no deferred tax assets have been recognized in the balance sheets

Loss carryforwards as of December 31, 2020 comprised of:

	December 31	
	2021	2020
Expire in 2027	$ 182,016	$ 182,016
Expire in 2028	85,418	85,418
Expire in 2032	10,723	-
	$ 278,157	$ 267,434

e. Income tax assessments

As of December 31, 2019, the tax returns have been assessed by the tax authorities.

25. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2021	2020
Basic (loss) earnings per share	$ (0.29)	$ 0.56
Diluted earnings per share		$ 0.56

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 Year Ended December 31	
	2021	2020
(Loss) profit used in the computation of earnings (loss) per share	$ (55,028)	$ 104,251

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

	For the Year Ended December 31	
	2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings (loss) per share	187,664	184,953
Effect of potentially dilutive ordinary shares		
Employee share options	-	346
Employees' compensation	-	701
Weighted average number of ordinary shares used in the computation of diluted earnings (loss) per share	187,664	186,000

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

As the Company reported a net loss after tax for the year ended December 31, 2021, the convertible bonds have been anti-dilutive and therefore have been excluded from the computation of diluted earnings per share.

26. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Share Option Plan of the Company

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

Information on outstanding issued employee share options is as follows:

	For the Year Ended December 31			
	2021		2020	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance at January 1	4,873	$10.25	7,755	$10.25
Options forfeited	(284)	10.00	(200)	10.25
Options exercised	(1,077)	10.00	(2,682)	10.25
Balance at December 31	3,512	10.00	4,873	10.25
Options exercisable, end of year	1,756	10.00	2,436	10.25

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

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

Information on outstanding options is as follows:

	December 31	
	2021	**2020**
Range of exercise price (NT$)	$10.00	$10.25
Weighted-average remaining contractual life (years)	1.75	2.75

Compensation costs recognized were $979 thousand and $1,914 thousand for the years ended December 31, 2021 and 2020, respectively.

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

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

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

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

In March 2021, June 2021 and December 2021, Comtrend exercised employee share options, decreasing the Group's continuing interest from 34.84% to 34.29%.

The above transactions were accounted for as equity transactions since the Company did not cease to have control over the subsidiaries. Please refer to Note 29 to the Company's consolidated financial statements for the year ended December 31, 2021 for instruction on partial acquisition or disposal of its subsidiary.

28. CAPITAL MANAGEMENT

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

29. FINANCIAL INSTRUMENTS

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

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

December 31, 2021

	Carrying Amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Fair Value Total
Financial liabilities					
Financial liabilities at amortized cost					
Convertible bonds	$ 390,835	$ -	$ 390,240	$ -	$ 390,240

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

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

1) Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI - non-current				
Investment in equity instruments at FVTOCI				
Foreign unlisted shares	$ -	$ -	$ 24,149	$ 24,149
Domestic unlisted shares	-	-	51,968	51,968
	$ -	$ -	$ 76,117	$ 76,117
Financial liabilities at FVTOCI - non-current				
Redeemable and puttable options of convertible bonds	$ -	$ 520	$ -	$ 520

December 31, 2020

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

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

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

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

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

c. Categories of financial instruments

	December 31	
	2021	2020
Financial assets		
FVTPL		
Mandatorily classified as at FVTPL	$ 520	$ -
Financial assets at amortized cost (1)	1,358,512	1,692,206
Financial assets at FVTOCI		
Equity instruments	76,117	63,530
Financial liabilities		
Amortized cost (2)	3,187,033	3,068,916

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

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

d. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Foreign currency risk

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 34.

Sensitivity analysis

The Company was mainly exposed to the USD.

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

	Currency USD Impact	
	For the Year Ended December 31	
	2021	**2020**
Profit or loss	$ (5,846) *	$ (8,242) *

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

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

b) Interest rate risk

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

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

	December 31	
	2021	**2020**
Fair value interest rate risk		
Financial liabilities	$ 2,368,559	$ 2,248,310
Cash flow interest rate risk		
Financial assets	473,737	702,082

Sensitivity analysis

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

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's pre-tax loss and profit for the years ended December 31, 2021 and 2020 would have increased/decreased by $4,737 thousand and $7,021 thousand, respectively.

The Company's sensitivity to interest rates decreased during the current period mainly due to the decrease in floating rate demand deposits.

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 1% higher/lower, pre-tax other comprehensive income for the year ended December 31, 2021 and 2020 would have increased/decreased by $761 thousand and $635 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

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

2) Credit risk

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

a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and

b) The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

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

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

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

3) Liquidity risk

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

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2020, the Company had available unutilized short-term bank loan facilities set out in (b) below.

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

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

December 31, 2021

	Book Value	Less than 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities					
Short-term borrowings	$ 556,000	$ 466,000	$ 90,000	$ -	$ -
Lease liabilities	7,895	779	2,352	4,764	-
Short-term bills payable	29,915	29,915	-	-	-
Long-term loans payable	1,367,114	-	-	415,326	951,788
Notes and trade payables	677,518	677,518	-	-	-
Other payables	148,851	148,851	-	-	-
Current portion of long-term loans payable	16,800	4,200	12,600	-	-
Bonds payable	390,835	-	-	390,835	-
	$ 3,194,928	$ 1,327,263	$ 104,952	$ 810,925	$ 951,788

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	$ 3,131	$ 4,764	$ -	$ -	$ -	$ -
Long-term loans payable	$ 16,800	$ 415,326	$ 415,326	$ 415,326	$ 121,136	$ -

December 31, 2020

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

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	$ 62	$ -	$ -	$ -	$ -	$ -
Long-term loans payable	$ 16,800	$ 390,752	$ 390,752	$ 390,752	$ 211,658	$ -

b) Financing facilities

As of December 31, 2021 and 2020, unused financing facilities amounted to $634,886 thousand and $911,686 thousand, respectively.

30. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

Related Party Name	Related Party Category
Edimax USA	Subsidiary
Edimax Europe	Subsidiary
ABS Telecom	Subsidiary
Edimax AU	Subsidiary
SMAX Technology	Subsidiary
Comtrend	Subsidiary
Edimax Electronic (Dongguan)	Sub-subsidiary
Datamax Technology Shanghai Inc.	Sub-subsidiary
Talent Vantage Limited (ITI)	Associate
Crystal Centre Int’l Corp.	Associate
Onward Security Corp.	Related party in substance

b. Sales of goods

Line Item	Related Party Category	For the Year Ended December 31 2021	2020
Sales	Subsidiary		
	Comtrend	$ 303,279	$ 578,284
	Other	103,080	103,663
		406,359	681,947
	Sub-subsidiary	5,976	3,715
	Associate	21,552	1,550
		$ 433,887	$ 687,212

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

c. Purchases of goods

Related Party Category	For the Year Ended December 31 2021	2020
Associate - ITI	$ 600,161	$ 662,031

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

d. Processing fees (accounting for operating costs)

Line Item	Related Party Category	For the Year Ended December 31 2021	2020
Processing fees	Sub-subsidiary		
	Dongguan	$ 896,935	$ 1,358,646

e. Receivables from related parties

Line Item	Related Party Category	December 31 2021	2020
Accounts receivable	Subsidiary		
	Comtrend	$ 58,128	$ 122,975
	Other	15,590	51,344
		73,718	174,319
	Sub-subsidiary		
	Dongguan	98,844	13,144
	Other	1,478	1,007
		100,322	14,151
		$ 174,040	$ 188,470

(Continued)

Line Item	Related Party Category	December 31 2021	December 31 2020
Other receivables	Subsidiary		
	Comtrend	$ 1,402	$ 2,394
	Sub-subsidiary	247	916
	Associate - Crystal	16,608	567
		$ 18,257	$ 3,877

(Concluded)

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

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

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2021 and 2020, no impairment losses were recognized for trade receivables from related parties.

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

f. Payables to related parties

Line Item	Related Party Category	December 31 2021	December 31 2020
Accounts payable	Sub-subsidiary		
	Dongguan	$ -	$ 11,899
	Associate - ITI	113,741	93,939
		$ 113,741	$ 105,838
Other payables	Subsidiary	$ 168	$ 41
	Sub-subsidiary	2,652	2,621
	Associate	2,034	95
		$ 4,854	$ 2,757

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

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

g. Endorsement guarantee

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

h. Other transactions with related parties

Line Item	Related Party Category	December 31 2021	December 31 2020
Rent revenue	Subsidiary		
	Edimax Europe	$ 2,476	$ 2,510

i. Remuneration of key management personnel

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

	For the Year Ended December 31 2021	For the Year Ended December 31 2020
Short-term employee benefits	$ 14,612	$ 14,739
Share-based payments	251	354
	$ 14,863	$ 15,093

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

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31 2021	December 31 2020
Property, plant and equipment	$ 1,950,610	$ 1,968,127

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

a. As of December 31, 2021, the Company issued promissory notes with stated amounts of $1,801,000 thousand and US$25,300 thousand as collateral for loans and foreign exchange forward contracts.

b. As of December 31, 2020, the Company made endorsements and guarantees for SMAX Technology and Edimax Europe with stated amounts of $20,000 thousand and $62,640 thousand, respectively, and actual borrowings amounted to $0 thousand and $18,792 thousand, respectively.

33. OTHER ITEMS

For the year ended December 31, 2021, the Company was affected by the COVID-19 pandemic which led to clogged ports around the world. However, it has no effect on the Company’s operations.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 38,763	27.68 (USD:NTD)	$ 1,072,960
Non-monetary items			
Investments accounted for using the equity method			
USD	9,925	27.68 (USD:NTD)	274,723
EUR	989	31.32 (EUR:NTD)	30,988
Financial liabilities			
Monetary items			
USD	17,643	27.68 (USD:NTD)	488,358

December 31, 2020

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

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

	For the Year Ended December 31			
	2021		2020	
Functional Currency	Exchange Rate	Net Foreign Exchange Loss	Exchange Rate	Net Foreign Exchange Loss
NTD	1 (NTD:NTD)	$ (35,063)	1 (NTD:NTD)	$ (62,922)

35. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

   1) Financing provided to others (None).

   2) Endorsements/guarantees provided (Table 1).

   3) Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities) (Table 2).

   4) Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital (None).

   5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital (None).

   6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital (None).

   7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 3).

   8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 4).

   9) Trading in derivative instruments (None).

b. Information on investees (Table 5).

c. Information on investment in mainland China:

   1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 6)

   2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 7)

      a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

      b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

      c) The amount of property transactions and the amount of the resultant gains or losses.

      d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

      e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 8).

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 2)											
0	The Company	SMAX Technology	b	$ 413,666	$ 59,000	$ 20,000	$ -	$ -	0.97	$ 1,034,165	Y	N	N	Note 3
		Edimax Europe	b	413,666	68,740	62,640	18,792	-	3.03	1,034,165	Y	N	N	Note 3

Note 1: Endorser/guarantor is numbered as follows:

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

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

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

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

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

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of 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	333	$ 24,149	6.58	$ 24,149	
	Status Internet Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	300	6,078	16.67	6,078	
	Ecobear Technology Corp.	None	Financial assets at fair value through other comprehensive income - non-current	1,212	7,942	14.47	7,942	
	Onward Security Corp.	Substantive related party	Financial assets at fair value through other comprehensive income - non-current	6,230	17,008	10.36	17,008	
	Newgreen tech Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	300	20,940	8.33	20,940	
Comtrend	Stock							
	EMMT Systems	None	Financial assets at fair value through other comprehensive income - non-current	324	-	0.52	-	Note 2
	Edimax	Parent company	Financial assets at fair value through other comprehensive income - current	4,200	59,850	2.22	59,850	

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

Note 2: There was no available information on equity as of December 31, 2021. The Company has recognized an impairment loss on these securities.

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Detail				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	Comtrend	Subsidiary	Sales	$ (303,279)	(8.29)	Normal	Normal	Normal	$ 58,128	6.60	
	Edimax Electronic (Dongguan) Co., Ltd.	Subsidiary	Processing fee	896,935	20.47	By operating condition	Normal	By operating condition	-	-	
	ITI	Associate	Purchase	600,161	13.70	By operating condition	Normal	By operating condition	(113,741)	(16.82)	
Comtrend	CUSA	Subsidiary	Sales	(451,223)	(32.18)	Normal; collection period: 60-180 days	Normal	Normal; collection period: 60-180 days	111,446	31.88	
	CTBV	Subsidiary	Sales	(518,322)	(36.97)	Normal; collection period: 60-180 days	Normal	Normal; collection period: 60-180 days	149,210	42.68	
	ITI	Associate	Purchase	104,989	7.80	Normal	Normal	Normal	(33,588)	(8.85)	

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2021
(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		
Comtrend	CUSA	Subsidiary	$ 111,446	4.78	$ -	-	$ 92,962	$ -
	CTBV	Subsidiary	149,210	3.16	-	-	107,884	-

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares (In Thousands)	%	Carrying Amount			
The Company	Edimax USA	USA	Networking equipment wholesale	$ 49,803	$ 49,803	17	100.00	$ 63,298	$ 417	$ 1,009 (Note 2)	Subsidiary
	Edimax BVI	British Virgin Islands	Networking equipment wholesale	287,735	287,735	8,966	100.00	154,027	(1,243)	(1,243)	Subsidiary
	Edimax Europe	Netherlands	Networking equipment wholesale	196,773 (Note 8)	168,334	2	100.00	30,988	(6,968)	(8,173) (Note 3)	Subsidiary
	Edimax AU	Australia	Networking equipment wholesale	22,641	22,641	800	100.00	473	-	-	Subsidiary
	ABS Telecom	Taiwan	Telecommunication equipment wholesale, transmission and rental	66,000	66,000	10,500	100.00	154,264	26,219	25,558 (Note 4)	Subsidiary
	SMAX Technology	Taiwan	Wired/wireless telecommunications equipment manufacturing	137,175	137,175	2,139	100.00	25,293	412	412	Subsidiary
	Comtrend	Taiwan	Cable and telecommunication transmission equipment manufacturing and wholesale	278,084	278,084	19,649	34.29	435,205	(26,108)	(9,106) (Note 5)	Subsidiary
	Crystal	Seychelles	Seychelles General import and export trade and investing	31,815	31,815	1,050	30.00	57,398	45,863	13,759	Associate
Edimax BVI	Datamax HK	Hong Kong	Investing	271,417	271,417	64,906	100.00	32,054	(13,162)	(13,162)	Second-tier subsidiary
	Edimax Poland	Poland	Networking equipment wholesale	10,801	10,801	2	100.00	(6,251)	129	129	Second-tier subsidiary
ABS Telecom	ABST	Mauritius	Investing	4,175	4,175	140	100.00	10,598	3,101	3,101	Second-tier subsidiary
SMAX Technology	Smax Japan Inc.	Japan	Networking equipment wholesale	1,992	-	8,000	100.00	1,023	(957)	(957)	
Comtrend	CUSA	USA	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	98,341	98,341	200	100.00	107,564	62,399	50,309 (Note 6)	Second-tier subsidiary
	Interchan	Samoa	Investing	42,393	42,393	1,299	100.00	27,646	(663)	(663)	Second-tier subsidiary
	CTBV	Netherlands	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	50,901	50,901	1,518	100.00	96,464	6,693	8,369 (Note 7)	Second-tier subsidiary
Interchan	8086	Taiwan	Telecommunication construction and wholesale	2,915	2,915	292	100.00	-	(266)	(266)	Second-tier subsidiary
CTBV	CCE	Czech Republic	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	71,438	71,438	-	100.00	50,069	(2,561)	(2,561)	Second-tier subsidiary
	Iberia	Spain	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	12,294	12,294	-	100.00	7,515	3,264	3,264	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 $417 thousand plus the unrealized gross profit of $592 thousand on intercompany transactions.

Note 3: The share of profits/losses of the investee included net loss of $6,968 thousand plus the unrealized gross loss of $1,205 thousand on intercompany transactions.

Note 4: The share of profits/losses of the investee included net income of $26,219 thousand less the unrealized gross loss of $661 thousand on intercompany transactions.

Note 5: The share of profits/losses of the investee included net loss of $8,966 thousand plus the unrealized gross loss of $140 thousand on intercompany transactions.

Note 6: The share of profits/losses of the investee included net income of $62,399 thousand less the unrealized gross profit of $12,090 thousand on intercompany transactions.

Note 7: The share of profits/losses of the investee included net income of $6,693 thousand less the unrealized gross loss of $1,676 thousand on intercompany transactions.

Note 8: Edimax Europe converted liabilities into equities which amounted to $28,493 thousand.

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021	Note 2
					Outward	Inward							
Edimax Electronic (Dongguan) Co., Ltd.	Networking production and marketing	$ 257,046	b.	$ 257,046	$ -	$ -	$ 257,046	$ (13,153)	100	$ (13,153)	$ 32,019	$ -	2)
ABST Information Telecom Service	Telecommunication equipment wholesale, transmission and rental	4,175	b.	4,175	-	-	4,175	3,352	100	3,352	11,222	-	3)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$264,698	$251,988 (Note 3)	$1,240,998

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

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

Note 2: Investment gain (loss):

a. If it is in preparation and there is no investment gain (loss), it should be indicated.

b. The recognition of investment gain (loss) is divided into the following three types, it should be indicated.

1) The financial statement is audited and attested by certified public accounting firm with all cooperative relations with the Republic of China Accounting Firm.

2) The financial statement is audited and attested by certified public accountants of Taiwan.

3) Others.

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

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with Normal Transaction	Ending Balance	%		
Edimax Electronic (Dongguan)	Processing fees	$ 896,935	20.47	Normal	By operating conditions	By operating conditions	$ -	-	$ -	

TABLE 8

EDIMAX TECHNOLOGY CO., LTD.

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Trust account of CTBC Bank Co., Ltd for employee stock ownership of Edimax Technology Co., Ltd.	10,800,648	5.68

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

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

EDIMAX TECHNOLOGY CO., LTD.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

EDIMAX TECHNOLOGY CO., LTD.

STATEMENT OF CASH
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Description	Amount
Cash on hand	Note 1	$ 209
Check deposits		4,959
Demand deposits	Note 2	402,977
		$ 408,145

Note 1: Including US$0.4 thousand, HK$0.07 thousand and CNY23 thousand.

Note 2: Including US$11,133 thousand, EUR112 thousand and AUD144 thousand.

EDIMAX TECHNOLOGY CO., LTD.

STATEMENT OF TRADE RECEIVABLES
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Client Name	Amount
Related party	
Dongguan	$ 98,844
Comtrend	58,128
Edimax Europe	8,101
Others (Note)	8,967
	174,040
Non-related party	
A Corporation	200,861
B Corporation	112,935
C Corporation	104,306
D Corporation	57,358
E Corporation	46,983
Others (Note)	215,505
	737,948
Less: Allowance for impairment loss	(63,877)
	674,071
	$ 848,111

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

EDIMAX TECHNOLOGY CO., LTD.

STATEMENT OF INVENTORIES
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Item	Description	Cost	Net Realizable Value
Raw materials	Electronic parts	$ 242,699	$ 243,313
Raw materials out of company	Electronic parts	589,069	589,069
Work in process	Network equipment products	34,069	35,350
Semi-finished goods	Network equipment products	21,793	23,043
Finished goods	Network equipment products	49,744	61,169
Merchandise	Computer peripherals	35,966	29,644
		973,340	$ 981,588
Less: Allowance for inventory valuation losses		(27,375)	
		$ 945,965	

EDIMAX TECHNOLOGY CO., LTD.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars and Shares)

	Balance, January 1, 2021		Additions		Decreases		Balance, December 31, 2021				
Investees	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Accumulated Impairment	Provide Guarantee or Pledge Situation	Note
Bluechip Infortech Pty. Ltd.	300	$ 20,274	33	$ 3,875	-	$ -	333	$ 24,149	N	N	
Status Internet Co., Ltd.	300	5,916	-	162	-	-	300	6,078	N	N	
Ecobear Technology Corp.	789	5,877	423	2,065	-	-	1,212	7,942	N	N	
Newgreen Technology Co., Ltd.	300	7,602	-	13,338	-	-	300	20,940	N	N	
Onward Security Corp.	6,230	23,861	-	-	-	(6,853)	6,230	17,008	N	N	
		$ 63,530		$ 19,440		$ (6,853)		$ 76,117			

EDIMAX TECHNOLOGY CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars and Shares)

	Balance, January 1, 2021		Additions		Decreases		Balance, December 31, 2021					Provide	
	Shares (Thousand)	Amount	Shares (Thousand)	Amount	Shares (Thousand)	Amount	Shares (Thousand)	%	Amount	Net Assets Value	Evaluation Method	Guarantee or Pledge Situation	Note
Edimax USA	17	$ 64,223	-	$ 1,009	-	$ 1,934)	17	100.00	$ 63,298	$ 63,298	Equity method	N	Note 1
Edimax Europe	2	15,348	-	28,439	-	12,799)	2	100.00	30,988	30,988	Equity method	N	Note 2
Edimax AU	800	517	-	-	-	44)	800	100.00	473	473	Equity method	N	Note 3
Crystal	1,050	62,155	-	13,759	-	18,516)	1,050	30.00	57,398	57,398	Equity method	N	Note 4
Edimax BVI	8,966	158,949	-	-	-	4,922)	8,966	100.00	154,027	154,027	Equity method	N	Note 5
ABS Telecom	10,500	143,946	-	26,219	-	15,901)	10,500	100.00	154,264	154,264	Equity method	N	Note 6
SMAX	2,139	25,033	-	412	-	152)	2,139	100.00	25,293	25,293	Equity method	N	Note 7
Comtrend	19,649	491,042	-	-	-	(55,837)	19,649	34.29	435,205	435,205	Equity method	N	Note 8
		$ 961,213		$ 69,838		$ (110,105)			$ 920,946	$ 920,946			

Note 1: Additions are investment gain recognized under equity method of $417 thousand and gross unrealized gain of $592 thousand, decreases are foreign currency statements translation adjustments of $1,934 thousand.

Note 2: Additions are increases in debt-to-investment of $28,439 thousand, decreases are investment loss recognized under equity method of $6,968 thousand, foreign currency statements translation adjustments of $4,626 thousand and gross unrealized loss of $1,205 thousand.

Note 3: Decreases are foreign currency statements translation adjustments of $44 thousand.

Note 4: Additions are investment gain recognized under equity method of $13,759 thousand, decreases are foreign currency statements translation adjustments of $1,908 thousand and paying cash dividends of $16,608 thousand.

Note 5: Decreases are investment loss recognized under equity method of $1,243 thousand and foreign currency statements translation adjustments of $3,679 thousand.

Note 6: Additions are investment gain recognized under equity method of $26,219 thousand, decreases are foreign currency statements translation adjustments of $56 thousand, unrealized gross loss of $661 thousand, receiving cash dividends from subsidiaries of $13,759 thousand and actuarial loss of $1,425 thousand.

Note 7: Additions are investment gain recognized under equity method of $412 thousand, decreases are foreign currency statements translation adjustments of $152 thousand.

Note 8: Decreases are investment loss recognized under equity method of $8,966 thousand, foreign currency statements translation adjustments of $3,955 thousand, unrealized gross loss of $140 thousand, receiving cash dividends from subsidiaries of $39,121 thousand, actuarial loss of $80 thousand and change in ownership of subsidiary of $3,575 thousand.

EDIMAX TECHNOLOGY CO., LTD.

STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Item	Balance, January 1, 2021	Additions	Decreases	Balance, December 31, 2021
Transportation equipment	$ 947	$ 9,536	$ (204)	$ 10,279

EDIMAX TECHNOLOGY CO., LTD.

STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Item	Balance, January 1, 2021	Additions	Decreases	Balance, December 31, 2021
Transportation equipment	$ 885	$ 1,702	$ (204)	$ 2,383

EDIMAX TECHNOLOGY CO., LTD.

STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Types of Loans and Creditors	Deadline of Loans	Annual Interest Rate (%)	Balance	Financing Amount	Mortgage or Guarantee
Credit loan - Chinatrust Commercial Bank	March 23, 2022	1.00	66,000	80,000	N
Credit loan - Land Bank of Taiwan	March 26, 2022	1.01	30,000	35,000	N
Credit loan - Chang Hwa Commercial Bank	January 5, 2022	1.10	150,000	300,000	N
Credit loan - Taiwan Bank	January 14, 2022	1.03	30,000	30,000	N
Credit loan - Shin Kong Commercial Bank	January 21, 2022	1.02	50,000	50,000	N
Credit loan - KGI Commercial Bank	March 24, 2022	1.05	60,000	60,000	N
Credit loan - First Commercial Bank	February 3, 2022	1.09	30,000	30,000	N
Credit loan - Mega Bank	April 16, 2022	1.00	30,000	30,000	N
Credit loan - Mega Bank	May 2, 2022	1.00	10,000	10,000	N
Credit loan - Shanghai Commercial Bank	June 29, 2022	1.05	50,000	50,000	N
Credit loan - Hua Nan Commercial Bank	January 25, 2022	1.03	50,000	50,000	N
			$ 556,000	$ 725,000	

STATEMENT 9

EDIMAX TECHNOLOGY CO., LTD.

STATEMENT OF TRADE PAYABLES
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Client Name	Amount
Related party	
ITI	$ 113,741
Non-related party	
A Corporation	58,778
B Corporation	49,725
C Corporation	73,846
Others (Note)	371,132
	553,481
	$ 667,222

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

EDIMAX TECHNOLOGY CO., LTD.

STATEMENT OF LONG-TERM BORROWING
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Others)

Item	Summary	Amount	Deadline of Contract	Interest Rate Range	Mortgage or Guarantee	Note
Chang Hwa Bank - Jiangzicui Branch	Mortgage loan	$ 1,383,914	February 1, 2036	1.11	Please refer to Note 31	
Less: Long-term loans due within a year		(16,800)				
Long-term loans due after a year		$ 1,367,114				

EDIMAX TECHNOLOGY CO., LTD.

STATEMENT OF NET REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Item	Amount
Consumer internet goods	$ 850,793
Enterprise network products	2,496,125
Telecom network products	261,066
Others	26,563
Net revenue	$ 3,634,547

EDIMAX TECHNOLOGY CO., LTD.

STATEMENT OF OPERATING COST
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Item	Amount
Direct materials	
Raw materials, beginning of year	$ 514,861
Raw material purchased	1,725,504
Raw materials, end of year	(831,768)
Work in process transfer	11,657
Others	45,153
Manufacturing cost	1,465,407
Work in progress and semi-finished goods, beginning of year	58,998
Transfer of finished goods for reprocessing	233,412
Work in process	2,405
Work in progress and semi-finished goods, end of year	(55,862)
Transfer to raw materials	(11,657)
Other	97,804
Cost of finished goods	1,790,507
Finished goods, beginning of year	30,734
Purchase	1,565,210
Transfer to work in process	(233,412)
Finished goods, end of year	(49,744)
Others	(7,452)
Cost of production sold	3,095,843
Merchandise, beginning of year	21,438
Merchandise purchased	636,154
Merchandise, end of year	(35,966)
Others	(681)
Cost of merchandise sold	620,945
Internal transaction write-off	(607,914)
Others	2,357
Operating costs	$ 3,111,231

EDIMAX TECHNOLOGY CO., LTD.

STATEMENT OF MARKETING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Item	Amount
Payroll expenses	$ 76,694
Import and export expenses	21,825
Miscellaneous expenses	11,367
Year-end bonus	8,352
Others (Note)	31,832
	$ 150,070

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

EDIMAX TECHNOLOGY CO., LTD.

STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Item	Amount
Payroll expenses	$ 65,981
Depreciation expense	12,026
Miscellaneous expenses	8,632
Import and export expenses	8,172
Labor fee	6,603
Others (Note)	17,780
	$ 119,194

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

EDIMAX TECHNOLOGY CO., LTD.

STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Item	Amount
Payroll expenses	$ 175,973
Depreciation expense	25,282
Year-end bonus	19,398
Others (Note)	47,386
	$ 268,039

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

EDIMAX TECHNOLOGY CO., LTD.

STATEMENT OF LABOR, DEPRECIATION, DEPLETION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021			2020		
	Classified as Operating Cost	Classified as Operating Expense	Total	Classified as Operating Cost	Classified as Operating Expense	Total
Employee benefit expenses						
Salary expense	$ -	$ 315,329	$ 315,329	$ -	$ 295,779	$ 295,779
Labor and health insurance	-	26,606	26,606	-	25,051	25,051
Pension	-	16,761	16,761	-	15,908	15,908
Others	-	10,222	10,222	-	9,877	9,877
Share-based payment	-	979	979	-	1,914	1,914
Remuneration of directors	-	2,340	2,340	-	2,265	2,265
	$ -	$ 372,237	$ 372,237	$ -	$ 350,794	$ 350,794
Depreciation expense	$ 1,530	$ 43,665	$ 45,195	$ 830	$ 41,145	$ 41,975
Amortization expenses	-	6,185	6,185	-	3,875	3,875

Note 1: For the years ended December 31, 2021 and 2020, the Company had 298 and 303 employees, respectively. There were 9 non-employee directors in both years.

Note 2:

a. For the years ended December 31, 2021 and 2020, the average employee benefit expenses is $1280 thousand and $1,185 thousand, respectively. (Total employee benefit expenses for this year minus total remuneration of directors) ÷ (Total employees for this year minus non-employee directors).

b. For the years ended December 31, 2021 and 2020, the average employee salary expense is $1,091 thousand and $1,006 thousand, respectively. (Total employee salary expenses for this year) ÷ (Total employees for this year minus non-employee directors).

c. The change in average employee salary expense was 8.45%. (The average of employee salary expenses for this year minus the average of employee salary expenses for last year) ÷ (The average of employee salary expenses for last year).

d. For the years ended December 31, 2021 and 2020, the Company had no supervisor. There was no remuneration of supervisors.

(Continued)

e. Company salary policy

1) The Company's remuneration of directors is reviewed and approved by the salary and compensation committee, and each director (including independent directors) is paid a fixed salary monthly. If the Company makes a profit during the year, no more than 5% of the profit will be distributed as remuneration of directors. When the Company has accumulated losses, the losses should be first offset when there is profit. The remuneration distribution proposal of the directors should be submitted to the salary and compensation committee for resolution and proposed by the Company's board of directors. If the directors are also employees, they will be paid according to the following provisions (2) and (3).

2) The appointment, dismissal and remuneration of general manager and vice general manager of the Company should be conducted according to the regulations of the Company. The overall performance of the Company and the standard of payment and remuneration should be determined by the Human Resources Department of the Company in accordance with relevant regulations on performance appraisal, depending on individual performance and contribution to the Company's overall operations and taking into account the market peer level. After submitting to the salary and compensation committee for review, it is proposed by the Company's board of directors.

3) The Company's remuneration policy is based on personal ability, contribution to the Company, performance, and the correlation between business and performance; the Company monitors, evaluates and manages risks, so the correlation between the remuneration policy and future risks is low. The overall salary and remuneration mainly include basic salary, bonuses, employee dividends, welfare, etc. According to the standard of remuneration, the basic salary is based on the market conditions and the position held by the employee; bonuses and employee dividends are linked to employee's performance, department goals and company's operating performance; welfare design is based on compliance with laws and regulations and taking into account the needs of employees.

(Concluded)