

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

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2020 and 2019 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Edimax Technology Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of September 30, 2020 and 2019, the related consolidated statements of comprehensive income for the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As disclosed in Note 12 to the consolidated financial statements, the financial statements of the non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of September 30, 2020 and 2019, combined total assets of these non-significant subsidiaries amounted to NT\$526,768 thousand and NT\$607,683 thousand, representing 6.80% and 9.21%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$145,344 thousand and NT\$202,516 thousand, representing 3.08% and 4.95%, respectively, of the consolidated total liabilities; for the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, the amounts of combined comprehensive income (loss) of these subsidiaries were NT\$1,338 thousand, NT\$(9,959) thousand, NT\$5,296 thousand and NT\$39,340 thousand, representing 1.11%, 33.42%, 2.70% and 36.95%, respectively, of the consolidated total comprehensive income (loss). As disclosed in Note 13 to the consolidated financial statements, as of September 30, 2020 and 2019, the investments in associates accounted for using the equity method were NT\$71,744 thousand and

NT\$65,767 thousand, respectively; for the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, the share of profit of associates amounted to NT\$3,954 thousand, NT\$5,834 thousand, NT\$18,108 thousand and NT\$13,136 thousand, respectively. The financial statements of associates included in the consolidated financial statements referred to in the first paragraph were not reviewed. Information on other non-significant subsidiaries and investments in associates accounted for using the equity method disclosed in Note 36 to the consolidated financial statements was based on unreviewed financial statements as of and for the same reporting periods as those of the Company.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and investments in associates accounted for using the equity method as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2020 and 2019, its consolidated financial performance for the three months ended September 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Chih-Yuan Chen and Ching-Cheng, Yang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 6, 2020

Notice to Readers

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

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

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

	September 30, 2020 (Reviewed)		December 31, 2019 (Audited)		September 30, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 1,959,784	25	\$ 1,174,015	18	\$ 1,224,456	19
Financial assets at fair value through profit or loss - current (Note 7)	32,459	1	-	-	-	-
Financial assets at amortized cost - current (Notes 9 and 32)	4,041	-	2,687	-	4,736	-
Contract assets - current (Note 23)	2,178	-	-	-	-	-
Notes receivable from unrelated parties (Note 10)	13,867	-	12,344	-	13,565	-
Trade receivables from unrelated parties (Notes 10 and 23)	1,499,959	19	1,104,377	17	1,052,492	16
Other receivables from unrelated parties (Notes 10 and 30)	5,669	-	17,587	-	4,893	-
Other receivables from related parties (Note 31)	8,762	-	8,762	-	-	-
Current tax assets (Notes 4 and 25)	8,871	-	15,789	-	12,861	-
Inventories (Note 11)	1,426,371	19	1,356,302	21	1,402,306	21
Prepayments	73,849	1	70,835	1	75,022	1
Other current assets (Note 17)	17,340	-	24,311	1	40,047	1
Total current assets	<u>5,053,150</u>	<u>65</u>	<u>3,787,009</u>	<u>58</u>	<u>3,830,378</u>	<u>58</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	64,099	1	58,042	1	57,748	1
Financial assets at amortized cost - non-current (Notes 9 and 32)	883	-	868	-	878	-
Investments accounted for using the equity method (Note 13)	71,744	1	55,706	1	65,767	1
Property, plant and equipment (Notes 14 and 32)	2,313,068	30	2,331,321	36	2,351,061	36
Right-of-use assets (Note 15)	118,806	2	137,819	2	150,122	2
Intangible assets (Note 16)	26,321	-	29,159	-	30,044	-
Deferred tax assets (Notes 4 and 25)	19,161	-	33,000	1	45,830	1
Refundable deposits	14,792	-	11,863	-	12,413	-
Other financial assets - non-current (Note 17)	61,282	1	61,167	1	52,678	1
Other non-current assets	-	-	9,200	-	-	-
Total non-current assets	<u>2,690,156</u>	<u>35</u>	<u>2,728,145</u>	<u>42</u>	<u>2,766,541</u>	<u>42</u>
TOTAL	<u>\$ 7,743,306</u>	<u>100</u>	<u>\$ 6,515,154</u>	<u>100</u>	<u>\$ 6,596,919</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 18 and 33)	\$ 871,770	11	\$ 767,128	12	\$ 846,541	13
Short-term bills payable (Note 18)	29,928	-	29,967	1	29,968	-
Contract liabilities - current (Note 23)	129,864	2	117,203	2	171,472	3
Notes payable to unrelated parties	6,103	-	921	-	2,533	-
Accounts payable to unrelated parties	1,366,708	18	871,696	13	771,152	12
Accounts payable to related parties (Note 31)	219,163	3	154,170	2	101,189	1
Other payables (Notes 19 and 31)	319,827	4	314,091	5	342,832	5
Current tax liabilities (Notes 4 and 25)	45,266	1	29,620	-	46,436	1
Provisions - current (Note 20)	2,786	-	-	-	-	-
Lease liabilities - current (Note 15)	38,233	-	33,512	1	35,501	1
Current portion of long-term borrowings (Notes 18 and 32)	73,466	1	16,800	-	69,961	1
Other current liabilities (Note 19)	115,767	2	85,161	1	157,084	2
Total current liabilities	<u>3,218,881</u>	<u>42</u>	<u>2,420,269</u>	<u>37</u>	<u>2,574,689</u>	<u>39</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 18 and 32)	1,347,635	17	1,400,714	21	1,351,753	20
Deferred tax liabilities (Notes 4 and 25)	2,807	-	5,019	-	3,150	-
Lease liabilities - non-current (Note 15)	81,513	1	105,113	2	115,155	2
Net defined benefit liabilities - non-current (Notes 4 and 21)	65,859	1	66,697	1	46,684	1
Guarantee deposits received	6,369	-	-	-	134	-
Total non-current liabilities	<u>1,504,183</u>	<u>19</u>	<u>1,577,543</u>	<u>24</u>	<u>1,516,876</u>	<u>23</u>
Total liabilities	<u>4,723,064</u>	<u>61</u>	<u>3,997,812</u>	<u>61</u>	<u>4,091,565</u>	<u>62</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Ordinary shares	1,864,916	24	1,864,916	29	1,864,916	28
Capital surplus	226,838	3	168,621	2	167,266	2
Retained earnings						
Legal reserve	1,802	-	-	-	-	-
Special reserve	16,214	-	-	-	-	-
Unappropriated earnings	103,548	2	18,016	-	37,234	1
Total retained earnings	<u>121,564</u>	<u>2</u>	<u>18,016</u>	<u>-</u>	<u>37,234</u>	<u>1</u>
Other equity						
Exchange differences arising from translation to the presentation currency	(30,277)	(1)	(21,625)	-	(10,251)	-
Unrealized loss on financial assets at fair value through other comprehensive income	(7,167)	-	(4,024)	-	(4,318)	-
Total other equity	<u>(37,444)</u>	<u>(1)</u>	<u>(25,649)</u>	<u>-</u>	<u>(14,569)</u>	<u>-</u>
Treasury shares	(13,718)	-	(16,745)	-	(17,097)	-
Total equity attributable to owners of the Company	<u>2,162,156</u>	<u>28</u>	<u>2,009,159</u>	<u>31</u>	<u>2,037,750</u>	<u>31</u>
NON-CONTROLLING INTERESTS	<u>858,086</u>	<u>11</u>	<u>508,183</u>	<u>8</u>	<u>467,604</u>	<u>7</u>
Total equity	<u>3,020,242</u>	<u>39</u>	<u>2,517,342</u>	<u>39</u>	<u>2,505,354</u>	<u>38</u>
TOTAL	<u>\$ 7,743,306</u>	<u>100</u>	<u>\$ 6,515,154</u>	<u>100</u>	<u>\$ 6,596,919</u>	<u>100</u>

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

(With Deloitte & Touche review report date November 6, 2020)

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Note 23)	\$ 1,890,579	100	\$ 1,181,036	100	\$ 4,721,644	100	\$ 4,025,891	100
OPERATING COSTS (Notes 11, 24 and 31)	<u>(1,400,967)</u>	<u>(74)</u>	<u>(873,913)</u>	<u>(74)</u>	<u>(3,469,142)</u>	<u>(73)</u>	<u>(3,009,820)</u>	<u>(75)</u>
GROSS PROFIT	<u>489,612</u>	<u>26</u>	<u>307,123</u>	<u>26</u>	<u>1,252,502</u>	<u>27</u>	<u>1,016,071</u>	<u>25</u>
OPERATING EXPENSES (Notes 24 and 31)								
Selling and marketing expenses	(131,953)	(7)	(133,823)	(11)	(398,542)	(9)	(423,121)	(11)
General and administrative expenses	(80,287)	(4)	(61,071)	(5)	(216,109)	(5)	(207,264)	(5)
Research and development expenses	(92,174)	(5)	(106,385)	(9)	(302,025)	(6)	(318,993)	(8)
Expected credit loss (Notes 10 and 24)	<u>(5,367)</u>	<u>-</u>	<u>(7,631)</u>	<u>(1)</u>	<u>(13,721)</u>	<u>-</u>	<u>(8,075)</u>	<u>-</u>
Total operating expenses	<u>(309,781)</u>	<u>(16)</u>	<u>(308,910)</u>	<u>(26)</u>	<u>(930,397)</u>	<u>(20)</u>	<u>(957,453)</u>	<u>(24)</u>
PROFIT (LOSS) FROM OPERATIONS	<u>179,831</u>	<u>10</u>	<u>(1,787)</u>	<u>-</u>	<u>322,105</u>	<u>7</u>	<u>58,618</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 24)	5,046	-	5,094	-	15,377	-	24,704	1
Other gains and losses (Note 24)	(35,634)	(2)	(16,152)	(1)	(73,736)	(2)	91,173	2
Finance costs (Note 24)	(6,789)	-	(7,981)	(1)	(21,222)	-	(25,319)	-
Share of profit or loss of associates (Note 13)	3,954	-	5,834	1	18,108	-	13,136	-
Interest income (Note 24)	<u>1,102</u>	<u>-</u>	<u>1,524</u>	<u>-</u>	<u>3,540</u>	<u>-</u>	<u>5,592</u>	<u>-</u>
Total non-operating income and expenses	<u>(32,321)</u>	<u>(2)</u>	<u>(11,681)</u>	<u>(1)</u>	<u>(57,933)</u>	<u>(2)</u>	<u>109,286</u>	<u>3</u>
PROFIT (LOSS) BEFORE INCOME TAX	147,510	8	(13,468)	(1)	264,172	5	167,904	4
INCOME TAX EXPENSE (Note 25)	<u>(20,779)</u>	<u>(1)</u>	<u>(9,691)</u>	<u>(1)</u>	<u>(53,220)</u>	<u>(1)</u>	<u>(60,020)</u>	<u>(1)</u>
NET PROFIT (LOSS) FOR THE PERIOD	<u>126,731</u>	<u>7</u>	<u>(23,159)</u>	<u>(2)</u>	<u>210,952</u>	<u>4</u>	<u>107,884</u>	<u>3</u>

(Continued)

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE LOSS								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	\$ (2,125)	-	\$ 782	-	\$ (3,143)	-	\$ 782	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations	(3,967)	(1)	(7,420)	(1)	(11,330)	-	(2,199)	-
Other comprehensive loss for the period, net of income tax	(6,092)	(1)	(6,638)	(1)	(14,473)	-	(1,417)	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ 120,639</u>	<u>6</u>	<u>\$ (29,797)</u>	<u>(3)</u>	<u>\$ 196,479</u>	<u>4</u>	<u>\$ 106,467</u>	<u>3</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 84,960	5	\$ (31,614)	(3)	\$ 103,548	2	\$ 57,213	2
Non-controlling interests	41,771	2	8,455	1	107,404	2	50,671	1
	<u>\$ 126,731</u>	<u>7</u>	<u>\$ (23,159)</u>	<u>(2)</u>	<u>\$ 210,952</u>	<u>4</u>	<u>\$ 107,884</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 79,165	4	\$ (36,145)	(3)	\$ 91,753	2	\$ 56,892	2
Non-controlling interests	41,474	2	6,348	-	104,726	2	49,575	1
	<u>\$ 120,639</u>	<u>6</u>	<u>\$ (29,797)</u>	<u>(3)</u>	<u>\$ 196,479</u>	<u>4</u>	<u>\$ 106,467</u>	<u>3</u>
EARNINGS (LOSS) PER SHARE (Note 26)								
Basic	<u>\$ 0.46</u>		<u>\$ (0.17)</u>		<u>\$ 0.56</u>		<u>\$ 0.31</u>	
Diluted	<u>\$ 0.46</u>		<u>\$ (0.17)</u>		<u>\$ 0.56</u>		<u>\$ 0.31</u>	

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

(With Deloitte & Touche review report dated November 6, 2020)

(Concluded)

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company (Notes 22 and 27)											
	Retained Earnings			Other Equity		Unrealized Gain		Total				
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Total	Exchange Differences on Translating Foreign Operations	Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares	Total		
BALANCE AT JANUARY 1, 2019	\$ 1,864,916	\$ 162,547	\$ -	\$ -	\$ (19,979)	\$ (19,979)	\$ (9,148)	\$ (5,100)	\$ (20,211)	\$ 1,973,095	\$ 447,595	\$ 2,420,620
Recognition of employee share options by the subsidiaries	-	1,297	-	-	-	-	-	-	-	1,297	1,810	3,107
Share-based payments	-	2,538	-	-	-	-	-	-	-	2,538	-	2,538
Disposal of the Company's common stocks by subsidiaries treated as treasury share transactions	-	884	-	-	-	-	-	-	3,114	3,998	5,580	9,578
Net profit for the nine months ended September 30, 2019	-	-	-	-	57,213	57,213	-	-	-	57,213	50,671	107,884
Other comprehensive loss for the nine months ended September 30, 2019, net of income tax	-	-	-	-	-	-	(1,103)	782	-	(321)	(1,096)	(1,417)
Total comprehensive income for the nine months ended September 30, 2019	-	-	-	-	57,213	57,213	(1,103)	782	-	56,892	49,575	106,467
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	(36,956)	(36,956)
BALANCE AT SEPTEMBER 30, 2019	\$ 1,864,916	\$ 167,266	\$ -	\$ -	\$ 37,234	\$ 37,234	\$ (10,251)	\$ (4,318)	\$ (17,097)	\$ 2,037,750	\$ 467,604	\$ 2,505,354
BALANCE AT JANUARY 1, 2020	\$ 1,864,916	\$ 168,621	\$ -	\$ -	\$ 18,016	\$ 18,016	\$ (21,623)	\$ (4,024)	\$ (16,745)	\$ 2,009,159	\$ 508,183	\$ 2,517,342
Appropriation of 2019 earnings	-	-	1,802	-	(1,802)	-	-	-	-	-	-	-
Legal reserve	-	-	-	16,214	(16,214)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	(27,924)	-	-	-	-	-	-	-	(27,924)	-	(27,924)
Actual disposal of interests in subsidiaries (Note 28)	-	14,714	-	-	-	-	-	-	-	14,714	-	14,714
Changes in percentage of ownership interests in subsidiaries (Note 28)	-	69,084	-	-	-	-	-	-	-	69,084	-	69,084
Disposal of the Company's common stocks by subsidiaries treated as treasury share transactions	-	133	-	-	-	-	-	-	261	394	737	1,131
Recognition of employee share options by the subsidiaries	-	820	-	-	-	-	-	-	-	820	1,721	2,541
Share-based payments	-	1,440	-	-	-	-	-	-	-	1,440	-	1,440
Net profit for the nine months ended September 30, 2020	-	-	-	-	103,548	103,548	-	-	-	103,548	107,404	210,952
Other comprehensive loss for the nine months ended September 30, 2020, net of income tax	-	-	-	-	-	-	(8,652)	(3,143)	-	(11,795)	(2,678)	(14,473)
Total comprehensive income for the nine months ended September 30, 2020	-	-	-	-	103,548	103,548	(8,652)	(3,143)	-	91,753	104,726	196,479
Non-controlling interests (Note 22)	-	-	-	-	-	-	-	-	2,766	2,766	242,719	245,485
BALANCE AT SEPTEMBER 30, 2020	\$ 1,864,916	\$ 226,838	\$ 1,802	\$ 16,214	\$ 103,548	\$ 121,564	\$ (30,277)	\$ (7,167)	\$ (13,718)	\$ 2,162,156	\$ 858,086	\$ 3,020,242

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche review report dated November 6, 2020)

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 264,172	\$ 167,904
Adjustments for:		
Depreciation expenses	95,501	113,968
Amortization expenses	4,062	5,586
Expected credit loss recognized	13,721	8,075
Finance costs	21,222	25,319
Interest income	(3,540)	(5,592)
Dividend income	(638)	(645)
Share-based payments	3,981	5,645
Share of profit of associates	(18,108)	(13,136)
Loss (gain) on disposal of property, plant and equipment	118	(86,965)
Net loss (gain) on disposal of financial assets	117	(46)
Write-down of inventories	-	47,363
Reversal of write-downs of inventories	(7,644)	-
Changes in operating assets and liabilities		
Increase in contract assets	(2,178)	-
(Increase) decrease in notes receivable	(1,523)	1,477
(Increase) decrease in trade receivables	(409,313)	350,734
Decrease in other receivables	11,918	19,755
(Increase) decrease in inventories	(60,960)	444,762
Increase in prepayments	(3,014)	(3,469)
Decrease (increase) in other current assets	1,971	(13,955)
Increase in contract liabilities	12,661	15,899
Increase (decrease) in trade payables	565,187	(365,526)
Increase (decrease) in other payables	5,736	(93,563)
Increase in provisions	2,786	-
Increase in other current liabilities	30,606	44,276
Decrease in net defined benefit liabilities	(838)	(7,072)
Cash generated from operations	526,003	660,794
Interest received	3,540	4,228
Interest paid	(19,819)	(23,698)
Income tax paid	(19,029)	(96,492)
Net cash generated from operating activities	<u>490,695</u>	<u>544,832</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(9,200)	(35,350)
Purchase of financial assets at amortized cost	(1,369)	(927)
Purchase of financial assets at fair value through profit or loss	(32,576)	(20,000)

(Continued)

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2020	2019
Proceeds from sale of financial assets at fair value through profit or loss	\$ -	\$ 36,061
Payments for property, plant and equipment	(50,416)	(44,852)
Proceeds from disposal of property, plant and equipment	543	100,313
Increase in refundable deposits	(2,929)	(545)
Payments for intangible assets	(1,120)	(3,663)
Decrease in other financial assets	4,885	2,051
Decrease in other non-current assets	9,200	-
Dividends received	638	645
Net cash (used in) generated from investing activities	<u>(82,344)</u>	<u>33,733</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	104,642	-
Repayments of short-term borrowings	-	(160,777)
Proceeds from long-term borrowings	16,187	-
Repayments of long-term borrowings	(12,600)	(12,600)
Proceeds from guarantee deposits received	6,369	74
Repayment of the principal portion of lease liabilities	(29,050)	(34,555)
Dividends paid to owners of the Company	(27,974)	-
Proceeds from disposal of treasury stocks	1,131	9,578
Dividends paid to non-controlling interests	(49,852)	(36,948)
Partial disposal of interests in subsidiaries without a loss of control	29,406	-
Difference in non-controlling interests	349,731	(8)
Net cash generated from (used in) financing activities	<u>387,990</u>	<u>(235,236)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>(10,572)</u>	<u>1,327</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	785,769	344,656
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>1,174,015</u>	<u>879,800</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 1,959,784</u>	<u>\$ 1,224,456</u>

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

(With Deloitte & Touche review report dated November 6, 2020)

(Concluded)

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on November 6, 2020.

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

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

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

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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
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 the IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023

(Continued)

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

(Concluded)

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

c. Basis of consolidation

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

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 12 and Tables 5 and 6 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

d. Other significant accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2019.

1) Retirement benefits

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

2) Taxation

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

3) Government grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended 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 Group with no future related costs are recognized in profit or loss in the period in which they are received.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical accounting judgments and key sources of estimation uncertainty used in the preparation of these interim consolidated financial statements are the same as those used in the preparation of the Group's consolidated financial statements for the year ended December 31, 2019.

6. CASH AND CASH EQUIVALENTS

	September 30, 2020	December 31, 2019	September 30, 2019
Cash on hand	\$ 971	\$ 1,397	\$ 1,165
Checking accounts and demand deposits	1,944,263	1,163,624	1,213,979
Cash equivalents (investments with original maturities within 3 months)			
Time deposits	<u>14,550</u>	<u>8,994</u>	<u>9,312</u>
	<u>\$ 1,959,784</u>	<u>\$ 1,174,015</u>	<u>\$ 1,224,456</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Financial assets at FVTPL - current</u>			
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Mutual funds	<u>\$ 32,459</u>	<u>\$ -</u>	<u>\$ -</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments at FVTOCI

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Non-current</u>			
Overseas unlisted ordinary shares			
Bluechip Infotech Pty. Ltd.	\$ 19,779	\$ 18,765	\$ 18,636
Domestic unlisted ordinary shares			
Status Internet Co., Ltd.	4,131	3,927	3,762
Ecobear Technology Corp.	4,200	4,200	4,200
Newgreen Tech Co., Ltd.	9,200	-	-
Onward Security Corp.	<u>26,789</u>	<u>31,150</u>	<u>31,150</u>
	<u>\$ 64,099</u>	<u>\$ 58,042</u>	<u>\$ 57,748</u>

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Current</u>			
Domestic investments			
Time deposits with original maturities of more than 3 months	\$ <u>4,041</u>	\$ <u>2,687</u>	\$ <u>4,736</u>
<u>Non-current</u>			
Domestic investments			
Time deposits with original maturities of more than 3 months	\$ <u>883</u>	\$ <u>868</u>	\$ <u>878</u>

Refer to Note 32 for information relating to investments in financial assets at amortized cost pledged as security.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Notes receivable</u>			
At amortized cost			
Gross carrying amount	\$ <u>13,867</u>	\$ <u>12,344</u>	\$ <u>13,565</u>
Notes receivable - operating	\$ <u>13,867</u>	\$ <u>12,344</u>	\$ <u>13,565</u>
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$ 1,552,556	\$ 1,058,053	\$ 955,564
Less: Allowance for impairment loss	<u>(52,597)</u>	<u>(38,866)</u>	<u>(40,110)</u>
	1,499,959	1,019,187	915,454
At FVTPL	<u>-</u>	<u>85,190</u>	<u>137,038</u>
	\$ <u>1,499,959</u>	\$ <u>1,104,377</u>	\$ <u>1,052,492</u>
<u>Other receivables</u>			
Retention trade receivables from factoring agreements (Note 30)			
	\$ -	\$ 13,635	\$ -
Others	<u>5,669</u>	<u>3,952</u>	<u>4,893</u>
	\$ <u>5,669</u>	\$ <u>17,587</u>	\$ <u>4,893</u>

Trade Receivables

a. At amortized cost

The average credit period of the Group's sales of goods vary among customers, and no interest was charged on trade receivables.

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

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

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

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

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

September 30, 2020

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

December 31, 2019

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	-	0.82%	0.71%	22.28%	61.09%	
Gross carrying amount	\$ 840,402	\$ 109,349	\$ 39,438	\$ 11,273	\$ 57,591	\$ 1,058,053
Loss allowance (Lifetime ECLs)	-	(895)	(279)	(2,512)	(35,180)	(38,866)
Amortized cost	<u>\$ 840,402</u>	<u>\$ 108,454</u>	<u>\$ 39,159</u>	<u>\$ 8,761</u>	<u>\$ 22,411</u>	<u>\$ 1,019,187</u>

September 30, 2019

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	-	0.56%	2.31%	25.38%	63.59%	
Gross carrying amount	\$ 751,658	\$ 81,634	\$ 53,490	\$ 13,934	\$ 54,848	\$ 955,564
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(460)</u>	<u>(1,237)</u>	<u>(3,536)</u>	<u>(34,877)</u>	<u>(40,110)</u>
Amortized cost	<u>\$ 751,658</u>	<u>\$ 81,174</u>	<u>\$ 52,253</u>	<u>\$ 10,398</u>	<u>\$ 19,971</u>	<u>\$ 915,454</u>

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

	For the Nine Months Ended September 30	
	2020	2019
Balance at January 1	\$ 38,866	\$ 33,187
Add: Net remeasurement of loss allowance	13,721	8,075
Less: Amounts written off	-	(1,157)
Foreign exchange gains and losses	<u>10</u>	<u>5</u>
Balance at September 30	<u>\$ 52,597</u>	<u>\$ 40,110</u>

b. At FVTPL

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

For information relating to factored trade receivables, refer to Note 30(e).

11. INVENTORIES

	September 30, 2020	December 31, 2019	September 30, 2019
Raw materials	\$ 875,412	\$ 810,891	\$ 742,654
Finished goods	91,393	155,118	170,392
Work-in-process	338,091	267,536	270,162
Merchandise	<u>121,475</u>	<u>122,757</u>	<u>219,098</u>
	<u>\$ 1,426,371</u>	<u>\$ 1,356,302</u>	<u>\$ 1,402,306</u>

The cost of inventories recognized as cost of goods sold for the three months ended September 30, 2020 and for the nine months ended September 30, 2020 amounted to \$1,400,967 thousand and \$3,496,142 thousand, respectively. The cost of goods sold included reversal of inventory write-downs of \$5,981 thousand and \$7,644 thousand, respectively. The increase in the net realizable value of inventories is due to an increase in the selling price of inventories in a specific market or the sale of aging inventory.

The cost of inventories recognized as cost of goods sold for the three months ended September 30, 2019 and for the nine months ended September 30, 2019 amounted to \$873,913 thousand and \$3,009,820 thousand, respectively. The cost of goods sold included inventory write-downs of \$3,513 thousand and \$47,363 thousand, respectively.

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership			Remark
			September 30, 2020	December 31, 2019	September 30, 2019	
The Company	Edimax Computer Co. ("Edimax USA")	Networking equipment wholesale	100.00%	100.00%	100.00%	1)
The Company	Edimax Technology Europe B.V. ("Edimax Europe")	Networking equipment wholesale	100.00%	100.00%	100.00%	1)
The Company	Edimax Technology (BVI) Co., Ltd. ("Edimax BVI")	Networking equipment wholesale	100.00%	100.00%	100.00%	
The Company	ABS Telecom Inc. ("ABS Telecom")	Telecommunication equipment wholesale, transmission and rental	100.00%	100.00%	100.00%	1)
The Company	Edimax Technology Australia Pty. Ltd. ("Edimax AU")	Networking equipment wholesale	100.00%	100.00%	100.00%	1)
The Company	Edimax Technology (SE Asia) Pte. Ltd. ("Edimax SE")	Networking equipment wholesale	-	100.00%	100.00%	2)
The Company	SMAX Technology Co., Ltd. ("SMAX Technology")	Wired and wireless telecommunication equipment for manufacturing	100.00%	100.00%	99.16%	1)
The Company	Comtrend Corporation ("Comtrend")	Cable and telecommunication transmission equipment	34.85%	41.75%	41.75%	
Edimax Europe	Edimax Technology (UK) Ltd. ("Edimax UK")	Networking equipment wholesale	-	100.00%	100.00%	2)
Edimax Europe	Edimax Technology Poland. Sp. Zo.o. ("Edimax Poland")	Networking equipment wholesale	100.00%	100.00%	100.00%	1)
Edimax BVI	Datamax (HK) Co., Ltd. ("Datamax HK")	Investing	100.00%	100.00%	100.00%	
ABS Telecom	ABST Information International Inc. ("ABST")	Investing	100.00%	100.00%	100.00%	1)
Comtrend	Comtrend Corporation, USA ("CUSA")	Cable & cableless transmission equipment wholesale, retail sale, and international trade, etc.	100.00%	100.00%	100.00%	
Comtrend	Interchan Global Limited ("Interchan Global")	Investing	100.00%	100.00%	100.00%	1)
Comtrend	Comtrend Technology (Netherlands) B.V. ("CTBV")	Wholesale, retail sale, and international trade, etc.	100.00%	100.00%	100.00%	
Datamax HK	Edimax Electronic (Dongguan) Co., Ltd.	Networking production and marketing	100.00%	100.00%	100.00%	
ABST	ABST Information Telecom Service Inc.	Telecommunication equipment wholesale, transmission and rental	100.00%	100.00%	100.00%	1)
Interchan Global	Just Top Limited ("Just Top")	Telecommunication construction and wholesale	100.00%	100.00%	100.00%	1)
Interchan Global	Interchan Taiwan ("8086")	Telecommunication construction and wholesale	100.00%	100.00%	100.00%	1)
Just Top	PHP Interchan	Telecommunication construction and wholesale	100.00%	100.00%	100.00%	1)
CTBV	Comtrend Central Europe S.R.O. ("CCE")	Cable & cableless transmission equipment wholesale, retail sale, and international trade, etc.	100.00%	100.00%	100.00%	1)
CTBV	Comtrend Iberia S.L. ("Iberia")	Cable & cableless transmission service	100.00%	100.00%	100.00%	1)

1) As the subsidiary is not significant, its financial statements for the nine months ended September 30, 2020 and 2019 have not been reviewed.

2) The Group completed the liquidation procedures of Edimax UK and Edimax SE in August 2020 and September 2020, respectively.

As of September 30, 2020, December 31, 2019 and September 30, 2019, the Group held 34.85%, 41.75% and 41.75% of Comtrend's voting shares, respectively, but the Group has the practical ability to direct the relevant activities of Comtrend; thus, Comtrend was listed as a subsidiary of the Group.

The total assets, liabilities and comprehensive income (loss) of the above-mentioned non-significant subsidiaries whose financial statements have not been reviewed are as follows:

	September 30	
	2020	2019
Unreviewed total assets	\$ 526,768	\$ 607,683
Proportion of total consolidated assets	6.80%	9.21%
Unreviewed total liabilities	\$ 145,344	\$ 202,516
Proportion of total consolidated liabilities	3.08%	4.95%

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Unreviewed comprehensive income (loss)	\$ <u>1,338</u>	\$ <u>(9,959)</u>	\$ <u>5,296</u>	\$ <u>39,340</u>
Proportion of total consolidated comprehensive income (loss)	<u>1.11%</u>	<u>(33.42%)</u>	<u>2.70%</u>	<u>36.95%</u>

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

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests		
		September 30, 2020	December 31, 2019	September 30, 2019
Comtrend	Taiwan	65.15%	58.25%	58.25%

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests		Accumulated Non-controlling Interests		
	For the Nine Months Ended September 30		September 30, 2020	December 31, 2019	September 30, 2019
	2020	2019			
Comtrend	\$ <u>107,404</u>	\$ <u>50,664</u>	\$ <u>858,086</u>	\$ <u>508,183</u>	\$ <u>467,390</u>

The summarized financial information below represents amounts before intragroup eliminations.

Comtrend and its subsidiaries

	September 30, 2020	December 31, 2019	September 30, 2019
Current assets	\$ 2,003,654	\$ 1,468,254	\$ 1,357,137
Non-current assets	140,005	160,421	179,817
Current liabilities	(689,689)	(634,339)	(610,756)
Non-current liabilities	<u>(78,077)</u>	<u>(76,181)</u>	<u>(79,310)</u>
Equity	\$ <u>1,375,893</u>	\$ <u>918,155</u>	\$ <u>846,888</u>
Equity attributable to:			
Owners of Comtrend	\$ 479,500	\$ 383,296	\$ 353,576
Non-controlling interests of Comtrend	<u>896,393</u>	<u>534,859</u>	<u>493,312</u>
	\$ <u>1,375,893</u>	\$ <u>918,155</u>	\$ <u>846,888</u>

	For the Nine Months Ended September 30	
	2020	2019
Revenue	<u>\$ 2,117,495</u>	<u>\$ 1,798,273</u>
Net profit for the period	\$ 179,537	\$ 86,969
Other comprehensive income for the period	<u>10,025</u>	<u>3,660</u>
Total comprehensive income for the period	<u>\$ 189,562</u>	<u>\$ 90,629</u>
Profit attributable to:		
Owners of Comtrend	\$ 72,133	\$ 36,305
Non-controlling interests of Comtrend	<u>107,404</u>	<u>50,664</u>
	<u>\$ 179,537</u>	<u>\$ 86,969</u>
Total comprehensive income attributable to:		
Owners of Comtrend	\$ 84,836	\$ 41,061
Non-controlling interests of Comtrend	<u>104,726</u>	<u>49,568</u>
	<u>\$ 189,562</u>	<u>\$ 90,629</u>
Net cash inflow (outflow) from:		
Operating activities	\$ 356,035	\$ 203,010
Investing activities	(23,097)	(3,669)
Financing activities	264,984	(147,379)
Effect of exchange rate	<u>(2,152)</u>	<u>1,858</u>
Net cash inflow	<u>\$ 595,770</u>	<u>\$ 53,820</u>

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	September 30, 2020	December 31, 2019	September 30, 2019
Associates that are not individually material	<u>\$ 71,744</u>	<u>\$ 55,706</u>	<u>\$ 65,767</u>

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

Investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements which have been reviewed.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2020	\$ 1,299,846	\$ 919,692	\$ 415,363	\$ 566,871	\$ 3,201,772
Additions	-	-	11,342	39,074	50,416
Disposals	-	-	(2,402)	(12,119)	(14,521)
Effect of foreign currency exchange differences	-	-	(3,310)	(1,237)	(4,547)
Balance at September 30, 2020	<u>\$ 1,299,846</u>	<u>\$ 919,692</u>	<u>\$ 420,993</u>	<u>\$ 592,589</u>	<u>\$ 3,233,120</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2020	\$ -	\$ 93,963	\$ 344,231	\$ 432,257	\$ 870,451
Depreciation expense	-	14,993	11,021	41,273	67,287
Disposals	-	-	(2,402)	(11,458)	(13,860)
Effect of foreign currency exchange differences	-	-	(2,715)	(1,111)	(3,826)
Balance at September 30, 2020	<u>\$ -</u>	<u>\$ 108,956</u>	<u>\$ 350,135</u>	<u>\$ 460,961</u>	<u>\$ 920,052</u>
Carrying amount at September 30, 2020	<u>\$ 1,299,846</u>	<u>\$ 810,736</u>	<u>\$ 70,858</u>	<u>\$ 131,628</u>	<u>\$ 2,313,068</u>
<u>Cost</u>					
Balance at January 1, 2019	\$ 1,305,974	\$ 936,147	\$ 426,273	\$ 615,967	\$ 3,284,361
Additions	-	-	4,948	39,904	44,852
Disposals	(6,128)	(16,617)	(217)	(90,518)	(113,480)
Effect of foreign currency exchange differences	-	182	(10,771)	(3,650)	(14,239)
Balance at September 30, 2019	<u>\$ 1,299,846</u>	<u>\$ 919,712</u>	<u>\$ 420,233</u>	<u>\$ 561,703</u>	<u>\$ 3,201,494</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2019	\$ -	\$ 81,655	\$ 328,950	\$ 466,178	\$ 876,783
Depreciation expense	-	17,460	21,683	46,712	85,855
Disposals	-	(10,262)	(148)	(89,722)	(100,132)
Effect of foreign currency exchange differences	-	112	(8,874)	(3,311)	(12,073)
Balance at September 30, 2019	<u>\$ -</u>	<u>\$ 88,965</u>	<u>\$ 341,611</u>	<u>\$ 419,857</u>	<u>\$ 850,433</u>
Carrying amount at September 30, 2019	<u>\$ 1,299,846</u>	<u>\$ 830,747</u>	<u>\$ 78,622</u>	<u>\$ 141,846</u>	<u>\$ 2,351,061</u>

No impairment assessment was performed in the nine months ended September 30, 2020 and 2019 as there was no indication of impairment.

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

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

Property, plant and equipment pledged as collateral for bank borrowings and for the issuance of bonds are set out in Note 32.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2020	December 31, 2019	September 30, 2019	
<u>Carrying amounts</u>				
Buildings	\$ 115,122	\$ 134,536	\$ 144,898	
Transportation equipment	<u>3,684</u>	<u>3,283</u>	<u>5,224</u>	
	<u>\$ 118,806</u>	<u>\$ 137,819</u>	<u>\$ 150,122</u>	
	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2020	2019	2020	2019
Additions to right-of-use assets			<u>\$ 8,729</u>	<u>\$ 20,948</u>
Depreciation charge for right-of-use assets				
Buildings	\$ 9,072	\$ 9,264	\$ 26,597	\$ 26,719
Transportation equipment	<u>559</u>	<u>576</u>	<u>1,617</u>	<u>1,394</u>
	<u>\$ 9,631</u>	<u>\$ 9,840</u>	<u>\$ 28,214</u>	<u>\$ 28,113</u>

Except for the aforementioned additions and recognized depreciation, the Group did not have significant subleases or impairment of right-of-use assets during the nine months ended September 30, 2020 and 2019.

b. Lease liabilities

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Carrying amounts</u>			
Current	<u>\$ 38,233</u>	<u>\$ 33,512</u>	<u>\$ 35,501</u>
Non-current	<u>\$ 81,513</u>	<u>\$ 105,113</u>	<u>\$ 115,155</u>

Discount rates for lease liabilities were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Buildings	1.36%	1.36%	1.36%
Transportation equipment	1.36%	1.36%	1.36%

c. Material lease activities and terms

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

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

d. Other lease information

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Expenses relating to short-term leases and low-value asset leases	\$ <u>592</u>	\$ <u>372</u>	\$ <u>1,536</u>	\$ <u>2,902</u>
Total cash outflow for leases			\$ <u>(32,028)</u>	\$ <u>(39,089)</u>

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

16. INTANGIBLE ASSETS

	September 30, 2020	December 31, 2019	September 30, 2019
Goodwill	\$ 23,231	\$ 23,231	\$ 23,231
Computer software	<u>3,090</u>	<u>5,928</u>	<u>6,813</u>
	<u>\$ 26,321</u>	<u>\$ 29,159</u>	<u>\$ 30,044</u>

Except for the amortization recognized, the Group did not have any significant addition, disposal, or impairment of intangible assets during the nine months ended September 30, 2020 and 2019.

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

Computer software	1-11 years
-------------------	------------

17. OTHER FINANCIAL ASSETS

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Current</u>			
Reserve account (classified as other current assets)	\$ <u>-</u>	\$ <u>5,000</u>	\$ <u>-</u>
<u>Non-current</u>			
Pension reserve fund	\$ 61,282	\$ 60,767	\$ 52,678
Reserve account	<u>-</u>	<u>400</u>	<u>-</u>
	<u>\$ 61,282</u>	<u>\$ 61,167</u>	<u>\$ 52,678</u>

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

Note 2: Refer to Note 32 for information on other financial assets - current pledged as security.

18. BORROWINGS

a. Short-term borrowings

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Secured borrowings</u>			
Bank loans (Notes 1 and 2)	\$ -	\$ 1,000	\$ -
<u>Unsecured borrowings</u>			
Bank loans (Note 1)	<u>871,770</u>	<u>766,128</u>	<u>846,541</u>
	<u>\$ 871,770</u>	<u>\$ 767,128</u>	<u>\$ 846,541</u>

Note 1: The ranges of weighted average effective interest rates on bank loans were 0.99%-1.15%, 1.10%-1.60% and 1.10%-1.25% per annum as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively.

Note 2: Please refer to Note 33 for information on the bank borrowings secured by the Group's promissory notes.

b. Short-term bills payable

	September 30, 2020	December 31, 2019	September 30, 2019
Commercial paper	\$ 30,000	\$ 30,000	\$ 30,000
Less: Unamortized discounts on bills payable	<u>(72)</u>	<u>(33)</u>	<u>(32)</u>
	<u>\$ 29,928</u>	<u>\$ 29,967</u>	<u>\$ 29,968</u>

The weighted average effective interest rate on commercial paper was 1.038% per annum as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively.

c. Long-term borrowings

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Secured borrowings</u>			
Bank loans (Note 1)	\$ 1,404,914	\$ 1,417,514	\$ 1,421,714
<u>Unsecured borrowings</u>			
Bank loans (Note 2)	<u>16,187</u>	<u>-</u>	<u>-</u>
	1,421,101	1,417,514	1,421,714
Less: Current portion	<u>(73,466)</u>	<u>(16,800)</u>	<u>(69,961)</u>
Long-term borrowings	<u>\$ 1,347,635</u>	<u>\$ 1,400,714</u>	<u>\$ 1,351,753</u>

- 1) The bank borrowings are secured by the Group's land and buildings; please refer to Note 32 for additional information. The maturity date is February 1, 2036 and the effective annual interest rates were 1.11%, 1.36% and 1.36% as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively. The purpose of the borrowings is to purchase land and buildings for operations.
- 2) The maturity date of the bank loan is September 30, 2022, and the effective interest rate is 1.00%.

19. OTHER LIABILITIES

	September 30, 2020	December 31, 2019	September 30, 2019
Other payables			
Payable for royalties	\$ 2,583	\$ 2,661	\$ 2,755
Payable for labor fee	21,982	18,889	20,740
Payable for salaries	116,818	105,025	119,985
Payable for employees' bonuses and remuneration of directors	34,814	22,681	13,876
Payable for freight and customs fee	17,482	9,191	5,526
Output VAT	4,638	21,338	12,153
Others	<u>121,510</u>	<u>134,306</u>	<u>167,797</u>
	<u>\$ 319,827</u>	<u>\$ 314,091</u>	<u>\$ 342,832</u>
Other liabilities			
Refund liabilities	\$ 26,512	\$ 19,847	\$ 22,160
Temporary credit	24,259	15,038	76,218
Receipts under custody	63,421	49,330	57,224
Others	<u>1,575</u>	<u>946</u>	<u>1,482</u>
	<u>\$ 115,767</u>	<u>\$ 85,161</u>	<u>\$ 157,084</u>

20. PROVISIONS

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Current</u>			
Warranties	<u>\$ 2,786</u>	<u>\$ -</u>	<u>\$ -</u>

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

21. RETIREMENT BENEFIT PLANS

For the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, the pension expenses of the defined benefit plans were \$553 thousand, \$395 thousand, \$1,464 thousand and \$1,185 thousand, respectively, and these were calculated based on the actuarially determined pension cost rates on December 31, 2019 and 2018, respectively.

22. EQUITY

a. Share capital

Ordinary shares

	September 30, 2020	December 31, 2019	September 30, 2019
Number of shares authorized (in thousands)	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
Shares authorized	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>186,492</u>	<u>186,492</u>	<u>186,492</u>
Shares issued	<u>\$ 1,864,916</u>	<u>\$ 1,864,916</u>	<u>\$ 1,864,916</u>

b. Capital surplus

	September 30, 2020	December 31, 2019	September 30, 2019
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Premium from issuance of common shares	\$ 29,983	\$ 57,957	\$ 57,957
Premium from conversion of bonds	24,662	24,662	24,662
Treasury share transactions	5,959	5,826	5,759
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	49,362	34,648	34,639
<u>May be used to offset a deficit only</u>			
Changes in percentage of ownership interest in subsidiaries (2)	73,674	3,770	3,333
Others	33,437	33,437	33,437
<u>May not be used for any purpose</u>			
Employee share options	<u>9,761</u>	<u>8,321</u>	<u>7,479</u>
	<u>\$ 226,838</u>	<u>\$ 168,621</u>	<u>\$ 167,266</u>

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

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to employees' compensation and remuneration of directors in Note 24(h).

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

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

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

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

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

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

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

d. Treasury shares

Purpose of Buy-back	Shares Transferred to Employees (In Thousands of Shares)	Shares Cancelled (In Thousands of Shares)	Shares Held by Its Subsidiaries (In Thousands of Shares)	Total (In Thousands of Shares)
Number of shares at January 1, 2019	-	-	2,156	2,156
Decrease during the period	<u>-</u>	<u>-</u>	<u>(332)</u>	<u>(332)</u>
Number of shares at September 30, 2019	<u>-</u>	<u>-</u>	<u>1,824</u>	<u>1,824</u>
Number of shares at January 1, 2020	-	-	1,786	1,786
Decrease during the period	<u>-</u>	<u>-</u>	<u>(27)</u>	<u>(27)</u>
Number of shares at September 30, 2020	<u>-</u>	<u>-</u>	<u>1,759</u>	<u>1,759</u>

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

Name of Subsidiary	Number of Shares Held (In Thousands of Shares)	Carrying Amount	Market Price
<u>September 30, 2020</u>			
Comtrend	1,759	\$ 13,718	\$ 20,492
<u>December 31, 2019</u>			
Comtrend	1,786	16,745	19,120
<u>September 30, 2019</u>			
Comtrend	1,824	17,097	18,605

As of September 30, 2020, December 31, 2019 and September 30, 2019, Comtrend held 4,200 thousand, 4,280 thousand and 4,370 thousand ordinary shares of the Company, respectively, and the Company recognized treasury shares amounting to \$1,759 thousand, \$1,786 thousand and \$1,824 thousand based on their ownership percentages of 34.85%, 41.75% and 41.75% as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively.

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

e. Non-controlling interests

	For the Nine Months Ended September 30	
	2020	2019
Balance at January 1	\$ 508,183	\$ 447,595
Share of profit for the period	107,404	50,671
Other comprehensive income (loss) during the period		
Exchange differences on translating the financial statements of foreign operations	(2,678)	(1,096)
Cash dividends distributed by the subsidiaries	(49,852)	(36,948)
Employee share options of the subsidiaries	1,721	1,810
Issuance of ordinary shares for cash by subsidiaries	265,569	-
Issuance of ordinary shares under employee share options by subsidiaries	12,568	-
Partial disposal of interests in subsidiaries transferred to non-controlling interests	14,692	-
Share of changes in capital surplus of subsidiaries	<u>479</u>	<u>5,572</u>
Balance at September 30	<u>\$ 858,086</u>	<u>\$ 467,604</u>

23. REVENUE

a. Disaggregation of revenue

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Revenue from the sale of goods	\$ 1,880,652	\$ 1,176,689	\$ 4,690,695	\$ 4,005,560
Revenue from the rendering of services	9,892	4,272	30,806	20,122
Other income	<u>35</u>	<u>75</u>	<u>143</u>	<u>209</u>
	<u>\$ 1,890,579</u>	<u>\$ 1,181,036</u>	<u>\$ 4,721,644</u>	<u>\$ 4,025,891</u>

b. Contract balances

	September 30, 2020	December 31, 2019	September 30, 2019	January 1, 2019
Trade receivables (Note 10)	<u>\$ 1,552,556</u>	<u>\$ 1,143,243</u>	<u>\$ 1,092,602</u>	<u>\$ 1,444,493</u>
Contract assets - sale of goods	<u>\$ 2,178</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contract liabilities - sale of goods	<u>\$ 129,864</u>	<u>\$ 117,203</u>	<u>\$ 171,472</u>	<u>\$ 155,573</u>

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

24. NET PROFIT (LOSS)

a. Interest income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Bank deposits	\$ 1,102	\$ 1,524	\$ 3,540	\$ 5,592

b. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Dividends	\$ 363	\$ -	\$ 638	\$ 645
Others	4,683	5,094	14,739	24,059
	<u>\$ 5,046</u>	<u>\$ 5,094</u>	<u>\$ 15,377</u>	<u>\$ 24,704</u>

c. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Gain (loss) on disposal of property, plant and equipment	\$ (118)	\$ 257	\$ (118)	\$ 86,965
Net foreign exchange (loss) gain	(33,869)	(15,696)	(67,636)	6,652
Fair value changes of financial assets and financial liabilities Financial assets mandatorily classified as at FVTPL	(161)	-	(117)	46
Others	(1,486)	(713)	(5,865)	(2,490)
	<u>\$ (35,634)</u>	<u>\$ (16,152)</u>	<u>\$ (73,736)</u>	<u>\$ 91,173</u>

d. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Interest on bank loans	\$ 6,394	\$ 7,149	\$ 19,780	\$ 23,687
Interest on lease liabilities	395	832	1,442	1,632
	<u>\$ 6,789</u>	<u>\$ 7,981</u>	<u>\$ 21,222</u>	<u>\$ 25,319</u>

e. Impairment losses recognized (reversed)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Trade receivables	\$ 5,367	\$ 7,631	\$ 13,721	\$ 8,075
Inventories (included in operating costs)	\$ (5,981)	\$ 3,513	\$ (7,644)	\$ 47,363

f. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Property, plant and equipment	\$ 22,639	\$ 26,421	\$ 67,287	\$ 85,855
Right-of-use assets	9,631	9,840	28,214	28,113
Intangible assets	1,129	2,252	4,062	5,586
	<u>\$ 33,399</u>	<u>\$ 38,513</u>	<u>\$ 99,563</u>	<u>\$ 119,554</u>
An analysis of depreciation by function				
Operating costs	\$ 8,123	\$ 11,933	\$ 24,359	\$ 37,960
Operating expenses	24,147	24,328	71,142	76,008
	<u>\$ 32,270</u>	<u>\$ 36,261</u>	<u>\$ 95,501</u>	<u>\$ 113,968</u>
An analysis of amortization by function				
Operating costs	\$ 137	\$ 552	\$ 935	\$ 1,545
Operating expenses	992	1,700	3,127	4,041
	<u>\$ 1,129</u>	<u>\$ 2,252</u>	<u>\$ 4,062</u>	<u>\$ 5,586</u>

g. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Post-employment benefits				
Defined contribution plans	\$ 6,443	\$ 6,426	\$ 19,338	\$ 19,667
Defined benefit plans (Note 21)	553	395	1,464	1,185
	<u>6,996</u>	<u>6,821</u>	<u>20,802</u>	<u>20,852</u>
Share-based payments				
Equity-settled	2,399	1,893	3,981	5,645
Termination benefits	-	-	-	1,110
Other employee benefits	253,807	231,976	713,062	744,991
Total employee benefits expense	<u>\$ 263,202</u>	<u>\$ 240,690</u>	<u>\$ 737,845</u>	<u>\$ 772,598</u>

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
An analysis of employee benefits expense by function				
Operating costs	\$ 56,699	\$ 50,656	\$ 144,406	\$ 169,234
Operating expenses	<u>206,503</u>	<u>190,034</u>	<u>593,439</u>	<u>603,364</u>
	<u>\$ 263,202</u>	<u>\$ 240,690</u>	<u>\$ 737,845</u>	<u>\$ 772,598</u>

(Concluded)

h. Employees' compensation and remuneration of directors

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

For the three months and the nine months ended September 30, 2020 and 2019, the employees' compensation and the remuneration of directors are as follows:

Accrual rate

	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Employees' compensation	7%	7%
Remuneration of directors	2%	2%

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Employees' compensation	<u>\$ 6,473</u>	<u>\$ (2,436)</u>	<u>\$ 7,902</u>	<u>\$ 2,881</u>
Remuneration of directors	<u>\$ 1,850</u>	<u>\$ (696)</u>	<u>\$ 2,258</u>	<u>\$ 823</u>

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

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

Accrual rate

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

Amount

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

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

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

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

i. Gain or loss on foreign currency exchange

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Foreign exchange gains	\$ 51,467	\$ 24,740	\$ 93,161	\$ 105,769
Foreign exchange losses	<u>(85,336)</u>	<u>(40,436)</u>	<u>(160,797)</u>	<u>(99,117)</u>
	<u>\$ (33,869)</u>	<u>\$ (15,696)</u>	<u>\$ (67,636)</u>	<u>\$ 6,652</u>

25. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Current tax				
In respect of the current year	\$ 21,014	\$ 8,626	\$ 38,732	\$ 46,991
Income tax on				
unappropriated earnings	-	-	3,009	5,521
Adjustments for prior year	<u>(148)</u>	<u>-</u>	<u>(148)</u>	<u>(9)</u>
	<u>20,866</u>	<u>8,626</u>	<u>41,593</u>	<u>52,503</u>
Deferred tax				
In respect of the current year	<u>(87)</u>	<u>1,065</u>	<u>11,627</u>	<u>7,517</u>
Income tax expense recognized in profit or loss	<u>\$ 20,779</u>	<u>\$ 9,691</u>	<u>\$ 53,220</u>	<u>\$ 60,020</u>

b. Income tax assessments

As of September 30, 2020, the tax returns of the Company and its subsidiaries have been assessed by the tax authorities as follows:

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

26. EARNINGS (LOSS) PER SHARE

Unit: NT\$ Per Share

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2020	2019	2020	2019
Basic earnings (loss) per share	<u>\$ 0.46</u>	<u>\$ (0.17)</u>	<u>\$ 0.56</u>	<u>\$ 0.31</u>
Diluted earnings (loss) per share	<u>\$ 0.46</u>	<u>\$ (0.17)</u>	<u>\$ 0.56</u>	<u>\$ 0.31</u>

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

Net Profit (Loss) for the Year

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2020	2019	2020	2019
Profit (loss) used in the computation of earnings (loss) per share	<u>\$ 84,960</u>	<u>\$ (31,614)</u>	<u>\$ 103,548</u>	<u>\$ 57,213</u>

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Weighted average number of ordinary shares used in the computation of basic earnings per share	184,783	184,665	184,720	184,510
Effect of dilutive potential ordinary shares				
Employee share options	1,486	-	-	106
Employees' compensation or bonuses issued to employees	<u>434</u>	<u>-</u>	<u>695</u>	<u>276</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>186,703</u>	<u>184,665</u>	<u>185,415</u>	<u>184,892</u>

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

Since the exercise price of the options issued by the Company exceeded the average market price of the shares during the nine months ended September 30, 2020 and the three months ended September 30, 2019, they are anti-dilutive and excluded from the computation of diluted earnings per share.

27. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan of the Company

The Company did not issue any employee share options during the nine months ended September 30, 2020 and 2019.

Information on outstanding issued employee share options is as follows:

	For the Nine Months Ended September 30			
	2020		2019	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
Balance at January 1	7,755	\$10.25	8,000	\$10.25
Options exercised	-	-	-	-
Options forfeited	<u>(200)</u>	10.25	<u>(245)</u>	10.25
Balance at September 30	<u>7,555</u>	10.25	<u>7,755</u>	10.25
Options exercisable, end of period	<u>3,778</u>		<u>-</u>	

Compensation costs recognized by the Company were \$480 thousand, \$846 thousand, \$1,440 thousand and \$2,538 thousand for the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, respectively.

b. Employee share option plan of the subsidiaries

Comtrend did not issue any employee share options during the nine months ended September 30, 2020 and 2019.

Information on outstanding employee share options is as follows:

	For the Nine Months Ended September 30			
	2020		2019	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	3,851	\$ 10.00	3,919	\$ 11.27
Options forfeited	(78)	10.00	(38)	10.00
Options exercised	<u>(1,257)</u>	10.00	<u>-</u>	-
Balance at September 30	<u>2,516</u>	10.00	<u>3,881</u>	10.00
Options exercisable, end of period	<u>279</u>		<u>-</u>	

Information on outstanding options as of September 30, 2020, December 31, 2019 and September 30, 2019 is as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Range of exercise price (NT\$)	\$10.00	\$10.00	\$10.00
Weighted-average remaining contractual life (in years)	2.32	3.07	3.32

Compensation costs recognized by the subsidiaries were \$459 thousand, \$1,047 thousand, \$1,081 thousand and \$3,107 thousand for the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, respectively.

28. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

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

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

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

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

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

29. CAPITAL MANAGEMENT

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

30. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

September 30, 2020

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

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL - current</u>				
Trade receivables from unrelated parties	<u>\$ -</u>	<u>\$ 85,190</u>	<u>\$ -</u>	<u>\$ 85,190</u>
<u>Financial assets at FVTOCI - non-current</u>				
Investments in equity instruments				
Foreign unlisted shares	\$ -	\$ -	\$ 18,765	\$ 18,765
Domestic unlisted shares	-	-	39,277	39,277
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,042</u>	<u>\$ 58,042</u>

September 30, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL - current</u>				
Trade receivables from unrelated parties	<u>\$ -</u>	<u>\$ 137,038</u>	<u>\$ -</u>	<u>\$ 137,038</u>

(Continued)

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI - non-current</u>				
Investments in equity instruments				
Foreign unlisted shares	\$ -	\$ -	\$ 18,636	\$ 18,636
Domestic unlisted shares	-	-	39,112	39,112
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,748</u>	<u>\$ 57,748</u>
				(Concluded)

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

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

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

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

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

c. Categories of financial instruments

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at FVTPL	\$ 32,459	\$ 85,190	\$ 137,038
Financial assets at amortized cost (1)	3,569,039	2,398,671	2,229,073
Financial assets at FVTOCI			
Equity instruments	64,099	58,042	57,748
<u>Financial liabilities</u>			
Amortized cost (2)	4,240,969	3,555,487	3,516,063

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

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

d. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 35.

Sensitivity analysis

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

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

	<u>USD Impact</u>		<u>EUR Impact</u>	
	<u>For the Nine Months Ended</u>		<u>For the Nine Months Ended</u>	
	<u>September 30</u>		<u>September 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Profit or loss	\$ (13,092) (i)	\$ 6,331 (i)	\$ (1,132)(ii)	\$ (535)(ii)

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

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

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

b) Interest rate risk

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

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

	September 30, 2020	December 31, 2019	September 30, 2019
Fair value interest rate risk			
Financial assets	\$ 19,474	\$ 17,549	\$ 14,926
Financial liabilities	2,442,545	2,353,234	2,448,879
Cash flow interest rate risk			
Financial assets	2,005,545	1,224,392	1,266,657

Sensitivity analysis

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

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the nine months ended September 30, 2020 and 2019 would have increased/decreased by \$15,042 thousand and \$9,500 thousand, respectively.

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

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 1% higher/lower, pre-tax other comprehensive income for the nine months ended September 30, 2020 and 2019 would have increased/decreased by \$641 thousand and \$577 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

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

2) Credit risk

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

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

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

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

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

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of September 30, 2020, December 31, 2019 and September 30, 2019, the Group had available unutilized short-term bank loan facilities set out in (b) below.

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

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

September 30, 2020

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

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 39,762</u>	<u>\$ 57,530</u>	<u>\$ 26,033</u>	<u>\$ 3,243</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2019

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

Additional information about the maturity analysis for lease liabilities

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

September 30, 2019

	Book Value	Less than 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 846,541	\$ 756,541	\$ 90,000	\$ -	\$ -
Lease liabilities	162,803	9,750	27,704	85,831	39,518
Short-term bills payable	29,968	29,968	-	-	-
Long-term loans payable	1,351,753	-	-	350,725	1,001,028
Notes payable and trade payables	874,874	675,219	199,285	370	-
Other payables	342,832	243,335	86,023	13,474	-
Current portion of long-term loans payable	<u>69,961</u>	<u>4,200</u>	<u>65,761</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,678,732</u>	<u>\$ 1,719,013</u>	<u>\$ 468,773</u>	<u>\$ 450,400</u>	<u>\$ 1,040,546</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 37,454</u>	<u>\$ 85,831</u>	<u>\$ 35,526</u>	<u>\$ 3,742</u>	<u>\$ 250</u>	<u>\$ -</u>

Bank loans with a repayment on demand clause were included in the “1-5 years” time band in the above maturity analysis. As of September 30, 2020, December 31, 2019 and September 30, 2019, the aggregate undiscounted principal amounts of these bank loans amounted to \$16,187 thousand, \$0 and \$0, respectively. Taking into account the Group’s financial position, management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Management believes that such bank loans will be repaid within two years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to \$16,254 thousand, \$0 and \$0, respectively.

b) Financing facilities

As of September 30, 2020, December 31, 2019 and September 30, 2019, unused financing facilities amounted to \$1,566,026 thousand, \$1,694,698 thousand and \$1,681,502 thousand, respectively, and unused financing facilities from trade receivables factoring amounted to \$0, \$66,158 thousand and \$217,280 thousand, respectively.

e. Transfers of financial assets

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

Counterparty	Receivables Factoring Proceeds	Amount Reclassified to Other Receivables	Advances Received Unused	Advances Received Used	Annual Interest Rates on Advances Received (Used) (%)
<u>December 31, 2019</u>					
Taipei Fubon Bank	\$ 221,541	\$ 13,635	\$ 66,158	\$ 122,716	3.13
<u>September 30, 2019</u>					
Taipei Fubon Bank	137,038	-	123,334	-	3.13

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

As of December 31, 2019 and September 30, 2020, the Group provided both guarantee and promissory notes with a stated amount of US\$7,000 thousand to Taipei Fubon Bank (the factor).

31. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Talent Vantage Limited (ITI)	Associate
Crystal	Associate

b. Purchases of goods

Related Party Category	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2019	2018
Associate - ITI	<u>\$ 308,624</u>	<u>\$ 143,606</u>	<u>\$ 749,286</u>	<u>\$ 396,081</u>

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

c. Receivables from related parties

Line Item	Related Party Category	September 30, 2020	December 31, 2019	September 30, 2019
Other receivables from related parties	Associate - Crystal	<u>\$ 8,762</u>	<u>\$ 8,762</u>	<u>\$ -</u>

The outstanding trade receivables from related parties are unsecured. For the nine months ended September 30, 2020, no impairment losses were recognized for trade receivables from related parties. Other receivables are dividends receivable from related parties.

d. Payables to related parties

Line Item	Related Party Category	September 30, 2020	December 31, 2019	September 30, 2019
Accounts payable	Associate - ITI	<u>\$ 219,163</u>	<u>\$ 154,170</u>	<u>\$ 101,189</u>
Other payables	Associate	<u>\$ -</u>	<u>\$ 291</u>	<u>\$ 6</u>

The outstanding trade payables to related parties are unsecured.

e. Other transactions with related parties

Line Item	Related Party Category	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2020	2019	2020	2019
Operating expense	Associate	<u>\$ 411</u>	<u>\$ 6</u>	<u>\$ 411</u>	<u>\$ 6</u>

f. Remuneration of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Short-term employee benefits	\$ 13,829	\$ 12,045	\$ 39,989	\$ 41,156
Share-based payments	<u>145</u>	<u>309</u>	<u>376</u>	<u>920</u>
	<u>\$ 13,974</u>	<u>\$ 12,354</u>	<u>\$ 40,365</u>	<u>\$ 42,076</u>

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

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	September 30, 2020	December 31, 2019	September 30, 2019
Other financial assets	\$ -	\$ 5,000	\$ -
Pledged deposits (classified as financial assets at amortized cost)	3,587	3,555	5,614
Property, plant and equipment	<u>2,031,568</u>	<u>2,044,706</u>	<u>2,049,921</u>
	<u>\$ 2,035,155</u>	<u>\$ 2,053,261</u>	<u>\$ 2,055,535</u>

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group as of September 30, 2020 were as follows:

- a. As of September 30, 2020, the Group issued promissory notes with stated amounts of \$1,395,000 thousand and US\$25,000 thousand as collateral for loans and foreign exchange forward contracts.
- b. Taipei Fubon Bank issued to the Taipei Customs Office a guarantee note for customs duties on the bonded warehouse of the Group; the stated amount of the note was \$2,000 thousand as of September 30, 2020.
- c. As of September 30, 2020, the Group made endorsements and guarantees for SMAX Technology and Edimax Europe with stated amounts of \$59,000 thousand and \$68,300 thousand, respectively, and actual borrowings amounted to \$0 and \$39,170 thousand, respectively.

34. OTHER ITEMS

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

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

September 30, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 82,620	29.10 (USD:NTD)	\$ 2,404,242
USD	8,704	0.85 (USD:EUR)	234,954
USD	1,003	23.24 (USD:CZK)	29,195
EUR	2,048	34.15 (EUR:NTD)	69,939
EUR	1,585	27.21 (EUR:CZK)	54,125
Non-monetary items			
Investments accounted for using the equity method			
USD	2,465	29.10 (USD:NTD)	71,744

Financial liabilities

Monetary items			
USD	33,801	29.10 (USD:NTD)	983,609
USD	5,696	6.82(USD:RMB)	165,837
USD	6,962	0.85 (USD:EUR)	202,581
USD	246	23.24 (USD:CZK)	7,146
EUR	317	27.21 (EUR:CZK)	10,821

December 31, 2019

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

(Continued)

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 24,177	29.98 (USD:NTD)	\$ 724,826
USD	8,282	6.96 (USD:RMB)	248,152
USD	8,309	0.89 (USD:EUR)	249,091
			(Concluded)

September 30, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 64,230	31.04 (USD:NTD)	\$ 1,993,699
USD	5,028	0.91 (USD:EUR)	156,061
USD	598	23.66 (USD:CZK)	18,551
EUR	1,265	33.95 (EUR:NTD)	42,947
EUR	395	25.88 (EUR:CZK)	13,396
Non-monetary items			
Investments accounted for using the equity method			
USD	1,050	31.04 (USD:NTD)	65,767

Financial liabilities

Monetary items			
USD	76,144	31.04 (USD:NTD)	2,363,510
USD	8,237	7.14 (USD:RMB)	255,833
USD	5,866	0.91 (USD:EUR)	182,067
EUR	83	33.95 (EUR:NTD)	2,818

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

Functional Currency	For the Three Months Ended September 30			
	2020		2019	
Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)	
NTD	1 (NTD:NTD)	\$ (38,228)	1 (NTD:NTD)	\$ 2,227
USD	29.45 (USD:NTD)	5,045	31.20 (USD:NTD)	(17,981)
EUR	34.43 (EUR:NTD)	(686)	34.69 (EUR:NTD)	58
		<u>\$ (33,869)</u>		<u>\$ (15,696)</u>

For the Nine Months Ended September 30				
2020			2019	
Functional Currency	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	\$ (58,014)	1 (NTD:NTD)	\$ 39,598
USD	29.82 (USD:NTD)	(8,904)	31.05 (USD:NTD)	(33,390)
EUR	33.52 (EUR:NTD)	<u>(718)</u>	34.90 (EUR:NTD)	<u>444</u>
		<u>\$ (67,636)</u>		<u>\$ 6,652</u>

36. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and b. Information on investees:

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

c. Information on investments in mainland China:

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

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 7):
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9).

37. SEGMENT INFORMATION

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

Segment Revenues and Results

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

	Enterprise, Retail Products and Services	Telecommuni- cation Products and Services	Others	Total
For the nine months ended <u>September 30, 2020</u>				
Revenues from external customers	<u>\$ 2,465,072</u>	<u>\$ 2,117,495</u>	<u>\$ 139,077</u>	<u>\$ 4,721,644</u>
Segment profit (loss)	<u>\$ 70,669</u>	<u>\$ 240,005</u>	<u>\$ 11,431</u>	\$ 322,105
Non-operating income and expense				<u>(57,933)</u>
Profit before tax				<u>\$ 264,172</u>
				(Continued)

	Enterprise, Retail Products and Services	Telecommuni- cation Products and Services	Others	Total
For the nine months ended <u>September 30, 2019</u>				
Revenues from external customers	<u>\$ 2,051,655</u>	<u>\$ 1,798,273</u>	<u>\$ 175,963</u>	<u>\$ 4,025,891</u>
Segment profit (loss)	<u>\$ (45,510)</u>	<u>\$ 87,341</u>	<u>\$ 16,787</u>	\$ 58,618
Non-operating income and expense				<u>109,286</u>
Profit before tax				<u>\$ 167,904</u> (Concluded)

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

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorsee/Guaranteee		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
	Endorser/ Guarantor	Name Relationship (Note 2)											
0	The Company	SMAX Technology Edimax Europe	\$ 432,431 432,431	\$ 59,000 70,160	\$ 59,000 68,300	\$ - 39,170	\$ - -	2.73 3.16	\$ 1,081,078 1,081,078	Y Y	N N	N N	Note 3 Note 3

Note 1: Endorser/Guarantor is numbered as follows:

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

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

- Business deals between the Company and guarantee party.
- Sum of direct holding of the subsidiaries' common stocks through the Company and its subsidiaries for more than 50%.
- Direct and indirect holding of the subsidiaries' common stocks through the Company and its subsidiaries for more than 50%.
- Sum of direct holding of the subsidiaries' common stocks through the Company and its subsidiaries for more than 90%.
- Owing to the joint venture funded by all shareholders on its endorsement of its holding company.
- Owing to the joint venture funded by each shareholders on its endorsement of its holding company.
- Inter-industry performance guarantee joint 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

SEPTEMBER 30, 2020

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2020				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	300	\$ 19,779	8.18	\$ 19,779	
	Status Internet Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	300	4,131	16.67	4,131	
	Ecobear Technology Corp.	None	Financial assets at fair value through other comprehensive income - non-current	789	4,200	14.66	4,200	
	Onward Security Corp.	None	Financial assets at fair value through other comprehensive income - non-current	6,230	26,789	10.36	26,789	
ABS Telecom	Newgreen tech Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	400	9,200	17.39	9,200	
	Mutual funds							
	Fuh Hwa Money Market	None	Financial assets at fair value through profit and loss - current	1,503	19,625	-	19,625	
Comtrend	First Commercial Bank Money Market	None	Financial assets at fair value through profit and loss - current	27	12,834	-	12,834	
	Stock							
	EMMT Systems	None	Financial assets at fair value through other comprehensive income - non-current	221	-	0.43	-	Note 2
8086	Edimax	Parent company	Financial assets at fair value through other comprehensive income - current	4,200	58,800	2.25	58,800	
	Stock							
	EscapeX Holding Corporation	None	Financial assets at fair value through other comprehensive income - non-current	3	-	0.06	-	Note 2

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

Note 2: There was no available information on equity as of September 30, 2020. The Company has recognized an impairment loss on these securities.

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Detail		Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note	
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms		Ending Balance
The Company	Comtrend Edimax Electronic (Dongguan) Co., Ltd. ITI	Subsidiary Subsidiary Associate	Sales	\$ (452,903)	(15.76)	Normal	Normal	\$ 162,738	14.25	
			Processing fee	944,337	28.07	By operating condition	Normal	(45,762)	(6.07)	
			Purchase	491,352	14.60	By operating condition	Normal	(137,808)	(18.27)	
Comtrend	CUSA CTBV	Subsidiary Subsidiary	Sales	(187,784)	(10.39)	Normal; collection period: 60-180 days	Normal	43,174	7.68	
			Sales	(813,466)	(45.01)	Normal; collection period: 60-180 days	Normal	247,338	44.00	
	ITI	Associate of parent company	Purchase	257,934	20.67	Normal	Normal	(81,355)	(16.71)	

Note: Except for ITI, the transactions with the related parties have been eliminated in the consolidated financial statements as of and for the nine months ended September 30, 2020.

TABLE 4

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 SEPTEMBER 30, 2020
 (In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
The Company	Comtrend	Subsidiary	\$ 162,738	3.51	\$ -	-	\$ 54,368	\$ -
Comtrend	CTBV	Subsidiary	247,338	4.18	-	-	88,186	-

Note: The transactions of the related parties have been eliminated in the consolidated financial statements as of and for the nine months ended September 30, 2020.

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 2020	December 31, 2019	Number of Shares (In Thousands)	%	Carrying Amount			
The Company	Edimax USA	USA	Networking equipment wholesale	\$ 49,803	\$ 49,803	17	100.00	\$ 65,879	\$ 1,494	Subsidiary (Note 2)	
	Edimax BVI	British Virgin Islands	Networking equipment wholesale	287,735	287,735	8,966	100.00	144,522	7,811	Subsidiary	
	Edimax Europe	Netherlands	Networking equipment wholesale	168,334	168,334	2	100.00	16,923	(8,778)	Subsidiary (Note 3)	
	Edimax AU	Australia	Networking equipment wholesale	22,641	22,641	800	100.00	487	(350)	Subsidiary	
	ABS Telecom	Taiwan	Telecommunication equipment wholesale, transmission and rental	66,000	66,000	10,500	100.00	143,035	14,773	Subsidiary (Note 4)	
	Edimax SE	Singapore	Networking equipment wholesale	-	6,874	-	-	Note 10	Note 10	Subsidiary	
	SMAX Technology	Taiwan	Wired/wireless telecommunications equipment manufacturing	137,175	137,175	2,139	100.00	24,228	(593)	Subsidiary (Note 5)	
	Comtrend	Taiwan	Cable and telecommunication transmission equipment	278,084	307,490	19,649	34.85	482,065	179,537	Subsidiary (Note 6)	
	Crystal	Seychelles	Seychelles General import and export trade and investing	31,815	31,815	1,050	30.00	71,744	60,359	Associate	
	Edimax BVI	Hong Kong	Investing	271,417	271,417	64,906	100.00	25,515	4,522	Second-tier subsidiary	
Edimax Europe	Edimax UK	United Kingdom	Networking equipment wholesale	-	876	-	-	Note 11	Note 11	Second-tier subsidiary	
	Edimax Poland	Poland	Networking equipment wholesale	10,801	10,801	2	100.00	(6,146)	(1,366)	Second-tier subsidiary	
ABS Telecom	ABST	Mauritius	Investing	4,175	4,175	140	100.00	6,943	(16)	Second-tier subsidiary	
	CUSA	USA	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	98,341	98,341	200	100.00	45,687	27,239	Second-tier subsidiary	
Comtrend	Interchan	Samoa	Investing	42,393	42,393	1,299	100.00	30,360	(344)	(Note 7)	
	CTBV	Netherlands	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	50,901	50,901	1,518	100.00	94,176	15,609	Second-tier subsidiary	
Interchan	8086	Taiwan	Telecommunication construction and wholesale	2,915	2,915	292	100.00	371	(324)	Second-tier subsidiary	
	Just Top Limited	Hong Kong	Telecommunication construction and wholesale	43	43	-	100.00	343	-	Second-tier subsidiary	
Just Top	PIP Interchan	Philippines	Telecommunication construction and wholesale	1,825	1,825	-	100.00	109	-	Second-tier subsidiary	
	CCE	Czech Republic	Wholesale, retail sale, and international trade, etc.	71,438	71,438	-	100.00	54,766	12,023	Second-tier subsidiary	
CTBV	Iberia	Spain	Wholesale, retail sale, and international trade, etc.	12,294	12,294	-	100.00	3,167	(2,820)	Second-tier subsidiary	

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

Note 2: The share of profits/losses of the investee included net income of \$1,269 thousand plus the unrealized gross profit of \$225 thousand on intercompany transactions.

Note 3: The share of profits/losses of the investee included net loss of \$8,778 thousand plus the unrealized gross profit of \$107 thousand on intercompany transactions.

Note 4: The share of profits/losses of the investee included net income of \$14,708 thousand plus the unrealized gross profit of \$65 thousand on intercompany transactions.

Note 5: The share of profits/losses of the investee included net loss of \$593 thousand plus the unrealized gross loss of \$1 thousand on intercompany transactions.

Note 6: The share of profits/losses of the investee included net income of \$72,133 thousand plus the unrealized gross profit of \$919 thousand on intercompany transactions.

Note 7: The share of profits/losses of the investee included net income of \$17,202 thousand plus the unrealized gross profit of \$10,037 thousand on intercompany transactions.

Note 8: The share of profits/losses of the investee included net income of \$16,807 thousand less the unrealized gross loss of \$1,198 thousand on intercompany transactions.

Note 9: Except for Crystal, the transactions with the related parties have been eliminated in the consolidated financial statements as of and for the nine months ended September 30, 2020.

Note 10: The Group completed the procedures for liquidating Edimax SE in September 2020.

Note 11: The Group completed the procedures for liquidating Edimax UK in August 2020.

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of September 30, 2020	Accumulated Repatriation of Investment Income as of September 30, 2020	Note
					Outward	Inward							
Edimax Electronic (Dongguan) Co., Ltd.	Networking production and marketing	\$ 257,046	b.	\$ 257,046	\$ -	\$ -	\$ 257,046	\$ 4,511	100	\$ 4,511	\$ 25,466	\$ -	Note 2
ABST Information Telecom Service	Telecommunication equipment wholesale, transmission and rental	4,175	b.	4,175	-	-	4,175	(16)	100	(16)	7,266	-	Note 3
Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2020				Investment Amounts Authorized by Investment Commission, MOEA				Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA					
\$264,698				\$268,234 (Note 4)				\$1,297,293					

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

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

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

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

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

Note 5: The transactions with the related parties have been eliminated in the consolidated financial statements as of and for the nine months ended September 30, 2020.

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars)

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with Normal Transaction	Ending Balance	%		
Edimax Electronic (Dongguan)	Processing fees	\$ 944,337	28.07	Normal	By operating conditions	By operating conditions	\$ (45,762)	(6.07)	\$ -	

Note: The transactions with the related parties have been eliminated in the consolidated financial statements as of and for the nine months ended September 30, 2020.

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Intercompany Transactions			% of Total Sales or Assets (Note 3)
				Financial Statement Account	Amount	Payment Terms	
0	For the nine months ended September 30, 2020 The Company	Edimax Europe Edimax Europe Comtrend Comtrend Edimax Electronic (Dongguan) Edimax Electronic (Dongguan) USA USA SMAX Technology	a a a a a a a a a	Sales revenue Accounts receivable Sales revenue Accounts receivable Processing fees Accounts payable Sales revenue Accounts receivable Sales revenue	\$ 47,506 18,173 452,903 162,738 944,337 45,762 17,010 8,592 5,320	Normal Normal Normal Normal By operating condition By operating condition Normal Normal Normal	1.01 0.23 9.59 2.10 20.00 0.59 0.36 0.11 0.11
1	Comtrend	CUSA CUSA CTBV CTBV CCE CCE Iberia	a a a a a a a	Sales revenue Accounts receivable Sales revenue Accounts receivable Other operating revenue Sales revenue Accounts receivable Commission	187,784 43,174 813,466 247,338 5,433 21,279 17,966 9,859	Normal Normal, collection period: 60-180 days Normal Normal, collection period: 60-180 days Normal Normal Normal, collection period: 60-180 days Normal	8.87 2.00 38.42 11.47 0.26 1.00 0.83 0.47

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

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

Note 2: Relationships between parties are numbered as follows:

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

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

Note 4: The transactions with the related parties have been eliminated in the consolidated financial statements as of and for the nine months ended September 30, 2020.

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

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION OF MAJOR SHAREHOLDERS

SEPTEMBER 30, 2020

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Trust account of CTBC Bank Co., Ltd for employee stock ownership of Edimax Technology Co., Ltd.	9,661,623	5.18

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.