Edimax Technology Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2019 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10, “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

EDIMAX TECHNOLOGY CO., LTD.

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Edimax Technology Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Group's consolidated financial statements for the year ended December 31, 2019 is stated as follows:

Sales Revenue from the Group's Major Customer

For the year ended December 31, 2019, the Group's revenue amounted to $5,488,422 thousand, of which NT$989,347 thousand was generated from a single customer. The revenue from the significant single customer was material; thus, the sales revenue from the single customer was deemed to be a key audit matter.

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

1. We understood and tested the major customer's credit check process, sales prices and payment collection terms to ensure that the customer has been appropriately approved and checked against the relevant supporting information, which includes the results from the search for information related to this customer.

2. We selected samples from the major customer's sales transactions, inspected the relevant documents such as the original purchase orders and sales invoices and checked these against the relevant payment collection certificates after the reporting period to ensure the validity of occurrence of sales revenue.

3. We sent requests for confirmation of the customer's trade receivable balance at the end of the reporting period to ensure the accuracy of the trade receivables record.

4. We inspected subsequent transactions after the reporting period and checked whether there were any material sales returns and discounts for this customer.

Other Matter

We did not audit the financial statements of several subsidiaries included in the consolidated financial statements of the Group, but such statements were audited by other auditors. Our opinion, insofar as it relates to the amounts included for those subsidiaries, was based solely on the reports of other auditors. The total assets of those subsidiaries were NT$414,274 thousand and NT$420,341 thousand, which constituted 6.36% and 6.03% of consolidated total assets as of December 31, 2019 and 2018, respectively, and total revenues were NT$509,495 thousand and NT$531,411 thousand, which constituted 9.28% and 7.73% of consolidated total revenues for the years ended December 31, 2019 and 2018, respectively.

In addition, the financial statements of associates included in the consolidated financial statements were audited by other auditors. Thus, our opinion, insofar as it relates to the investments in associates accounted for using the equity method, the share of profit (loss) of the associates accounted for using the equity method, and the share of comprehensive income (loss) of the associates, was based solely on the reports of other auditors. Investments in associates accounted for using the equity method were NT$55,706 thousand and NT$52,085 thousand, which constituted 0.86% and 0.75% of consolidated total assets as of December 31, 2019 and 2018, respectively; the share of profit or loss of the associates was NT$15,339 thousand and NT$19,469 thousand, which constituted 6.55% and 9.46% of the consolidated profit before income tax for the years ended December 31, 2019 and 2018, respectively; and the share of the other comprehensive income of associates accounted for using the equity method was NT$13,665 thousand and NT$20,270 thousand, which constituted 11.80% and 15.93% of the consolidated total comprehensive income for the years ended December 31, 2019 and 2018, respectively.

We have also audited the parent company only financial statements of the Company as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion with other matter paragraph.

Responsibilities of Management and Those Charged with Governance for 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 Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 20, 2020

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

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 audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' 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' report and consolidated financial statements shall prevail.

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,174,015	18	$ 879,800	13
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	16,015	-
Financial assets at amortized cost - current (Notes 4, 9 and 31)	2,687	-	2,054	-
Notes receivable from unrelated parties (Notes 4 and 10)	12,344	-	15,042	-
Trade receivables from unrelated parties (Notes 4, 10 and 22)	1,104,377	17	1,411,306	20
Other receivables from related parties (Notes 10 and 29)	17,587	-	23,284	-
Other receivables from unrelated parties (Note 30)	8,762	-	-	-
Current tax assets (Notes 4 and 24)	15,789	-	427	-
Inventories (Notes 4 and 11)	1,356,302	21	1,890,820	27
Prepayments	70,835	1	71,553	1
Other current assets (Notes 17 and 31)	24,311	1	26,092	1
Total current assets	3,787,009	58	4,336,393	62
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	58,042	1	21,616	-
Financial assets at amortized cost - non-current (Notes 4, 9 and 31)	868	-	2,633	-
Investments accounted for using the equity method (Notes 4 and 13)	55,706	1	52,085	1
Property, plant and equipment (Notes 4, 14, 18, 30 and 31)	2,331,321	36	2,407,578	35
Right-of-use assets (Notes 3 and 15)	137,819	2	-	-
Intangible assets (Notes 4 and 16)	29,159	-	30,062	-
Deferred tax assets (Notes 4 and 24)	33,000	1	51,358	1
Refundable deposits	11,863	-	11,868	-
Other financial assets - non-current (Note 17)	61,167	1	54,729	1
Other non-current assets	9,200	-	-	-
Total non-current assets	2,728,145	42	2,631,929	38
TOTAL	$ 6,515,154	100	$ 6,968,322	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 18 and 32)	$ 767,128	12	$ 1,007,318	15
Short-term bills payable (Note 18)	29,967	1	29,979	-
Contract liabilities - current (Note 22)	117,203	2	155,573	2
Notes payable to unrelated parties	921	-	3,433	-
Accounts payable to unrelated parties	871,696	13	1,147,103	17
Accounts payable to related parties (Note 30)	154,170	2	89,864	1
Other payables (Notes 19 and 30)	314,091	5	436,395	6
Current tax liabilities (Notes 4 and 24)	29,620	-	75,938	1
Lease liabilities - current (Notes 3 and 15)	33,512	1	-	-
Current portion of long-term borrowings (Notes 4, 18 and 31)	16,800	-	16,800	-
Other current liabilities (Note 19)	85,161	1	112,808	2
Total current liabilities	2,420,269	37	3,075,211	44
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 4, 18 and 31)	1,400,714	21	1,417,514	20
Deferred tax liabilities (Notes 4 and 24)	5,019	-	1,161	-
Lease liabilities - non-current (Notes 3 and 15)	105,113	2	-	-
Net defined benefit liabilities - non-current (Notes 4 and 20)	66,697	1	53,756	1
Guarantee deposits received	-	-	60	-
Total non-current liabilities	1,577,543	24	1,472,491	21
Total liabilities	3,997,812	61	4,547,702	65
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital				
Common stocks	1,864,916	29	1,864,916	27
Capital surplus	168,621	2	162,547	2
Retained earnings (accumulated deficits)				
Unappropriated earnings (accumulated deficits)	18,016	-	(19,979)	-
Other equity				
Exchange differences arising from translation to the presentation currency	(21,625)	-	(9,148)	-
Unrealized gain/(loss) on financial assets at fair value through other comprehensive income	(4,024)	-	(5,100)	-
Total other equity	(25,649)	-	(14,248)	-
Treasury shares	(16,745)	-	(20,211)	(1)
Total equity attributable to owners of the Company	2,009,159	31	1,973,025	28
NON-CONTROLLING INTERESTS	508,183	8	447,595	7
Total equity	2,517,342	39	2,420,620	35
TOTAL	$ 6,515,154	100	$ 6,968,322	100

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

(With Deloitte & Touche auditors' report dated March 20, 2020)

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earning (Loss) Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22 and 35)	$ 5,488,422	100	$ 6,873,561	100
OPERATING COSTS (Notes 11, 23 and 30)	(4,032,176)	(74)	(5,219,802)	(76)
GROSS PROFIT	1,456,246	26	1,653,759	24
OPERATING EXPENSES (Notes 20 and 23)				
Selling and marketing expenses	(564,018)	(10)	(653,865)	(9)
General and administrative expenses	(274,416)	(5)	(310,461)	(5)
Research and development expenses	(426,652)	(8)	(462,106)	(7)
Expected credit loss	(13,065)	-	(15,245)	-
Total operating expenses	(1,278,151)	(23)	(1,441,677)	(21)
PROFIT FROM OPERATIONS	178,095	3	212,082	3
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 23)	30,211	1	33,514	1
Other gains and losses (Note 23)	43,920	1	(23,493)	-
Finance costs (Note 23)	(33,257)	(1)	(35,837)	(1)
Share of profit or loss of associates (Note 13)	15,339	-	19,469	-
Total non-operating income and expenses	56,213	1	(6,347)	-
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	234,308	4	205,735	3
INCOME TAX EXPENSE (Notes 4 and 24)	(80,368)	(1)	(83,757)	(1)
NET PROFIT FOR THE YEAR	153,940	3	121,978	2
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 20)	(24,652)	(1)	(1,330)	-
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	1,076	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 24)	563	-	1,402	-

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EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earning (Loss) Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	$ (15,156)	-	$ 5,206	-
Other comprehensive (loss) income for the year, net of income tax	(38,169)	(1)	5,278	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 115,771	2	$ 127,256	2
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 60,772	1	$ (27,127)	-
Non-controlling interests	93,168	2	149,105	2
	$ 153,940	3	$ 121,978	2
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 26,594	-	$ (21,387)	-
Non-controlling interests	89,177	2	148,643	2
	$ 115,771	2	$ 127,256	2
EARNING (LOSS) PER SHARE (Note 25)				
Basic	$ 0.33		$ (0.15)	
Diluted	$ 0.33		$ (0.15)	

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

(With Deloitte & Touche auditors' report dated March 20, 2020) (Concluded)

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company (Note 21)													
	Share Capital				Retained Earnings (Accumulated Deficits)			Other Equity						
	Common Stock	Certificate of Entitlement to New Shares from Convertible Bond	Total	Capital Surplus	Legal Reserve	Unappropriated Earnings (Accumulated Deficits)	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain/ (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Treasury Shares	Total	Non-controlling Interests (Note 21)	Total Equity
BALANCE AT JANUARY 1, 2018	$ 2,003,788	$ 9,458	$ 2,013,246	$ 227,236	$ 62,510	$ (168,109)	$ (105,599)	$ (12,840)	$ -	$ (12,840)	$ (170,799)	$ 1,951,244	$ 269,883	$ 2,221,127
Effect of retrospective application and retrospective restatement	-	-	-	-	-	5,100	5,100	-	(5,100)	(5,100)	-	-	-	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	2,003,788	9,458	2,013,246	227,236	62,510	(163,009)	(100,499)	(12,840)	(5,100)	(17,940)	(170,799)	1,951,244	269,883	2,221,127
Legal reserve used to cover accumulated deficits	-	-	-	-	(62,510)	62,510	-	-	-	-	-	-	-	-
Capital surplus used to cover accumulated deficits	-	-	-	(105,599)	-	105,599	105,599	-	-	-	-	-	-	-
Cancelation of treasury shares	(148,330)	-	(148,330)	261	-	-	-	-	-	-	148,069	-	-	-
Actual disposals of interests in subsidiaries (Note 27)	-	-	-	34,639	-	-	-	-	-	-	-	34,639	-	34,639
Changes in percentage of ownership interests in subsidiaries (Note 27)	-	-	-	338	-	-	-	-	-	-	-	338	-	338
Convertible bonds converted to common stocks	9,458	(9,458)	-	-	-	-	-	-	-	-	-	-	-	-
Recognition of employee share options by the subsidiaries (Note 26)	-	-	-	1,698	-	-	-	-	-	-	-	1,698	2,183	3,881
Share-based payments (Note 26)	-	-	-	3,974	-	-	-	-	-	-	-	3,974	-	3,974
Net profit (loss) for the year ended December 31, 2018	-	-	-	-	-	(27,127)	(27,127)	-	-	-	-	(27,127)	149,105	121,978
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	2,048	2,048	3,692	-	3,692	-	5,740	(462)	5,278
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	(25,079)	(25,079)	3,692	-	3,692	-	(21,387)	148,643	127,256
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	2,519	2,519	26,886	29,405
BALANCE AT DECEMBER 31, 2018	1,864,916	-	1,864,916	162,547	-	(19,979)	(19,979)	(9,148)	(5,100)	(14,248)	(20,211)	1,973,025	447,595	2,420,620
Disposal of the Company's common stocks by subsidiaries treated as treasury shares transactions	-	-	-	951	-	-	-	-	-	-	3,466	4,417	6,165	10,582
Actual acquisition of interests in subsidiaries (Note 27)	-	-	-	9	-	-	-	-	-	-	-	9	(226)	(217)
Recognition of employee share options by the subsidiaries (Note 26)	-	-	-	1,734	-	-	-	-	-	-	-	1,734	2,420	4,154
Share-based payments (Note 26)	-	-	-	3,380	-	-	-	-	-	-	-	3,380	-	3,380
Net profit for the year ended December 31, 2019	-	-	-	-	-	60,772	60,772	-	-	-	-	60,772	93,168	153,940
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(22,777)	(22,777)	(12,477)	1,076	(11,401)	-	(34,178)	(3,991)	(38,169)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	37,995	37,995	(12,477)	1,076	(11,401)	-	26,594	89,177	115,771
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(36,948)	(36,948)
BALANCE AT DECEMBER 31, 2019	$ 1,864,916	$ -	$ 1,864,916	$ 168,621	$ -	$ 18,016	$ 18,016	$ (21,625)	$ (4,024)	$ (25,649)	$ (16,745)	$ 2,009,159	$ 508,183	$ 2,517,342

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

(With Deloitte & Touche auditors' report dated March 20, 2020)

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 234,308	$ 205,735
Adjustments for:		
Depreciation expenses	149,359	126,390
Amortization expenses	7,705	7,049
Expected credit loss recognized	13,065	15,245
Net gain on fair value change of financial assets and liabilities designated as at fair value through profit or loss	-	(13)
Finance costs	33,257	35,837
Interest income	(7,735)	(4,495)
Dividend income	(645)	(656)
Share-based payment	7,534	7,855
Share of profit of associates	(15,339)	(19,469)
(Gain) loss on disposal of property, plant and equipment	(86,411)	162
Net gain on disposal of financial assets	(46)	-
Write-down of inventories	-	32,961
Reversal of write-down of inventories	(1,143)	-
Changes in operating assets and liabilities		
Decrease/(increase) in notes receivable	2,698	(979)
Decrease/(increase) in trade receivables	294,109	(97,946)
Decrease/(increase) in other receivables	7,459	(83,134)
Increase in other receivables from related parties	(8,762)	-
Decrease/(increase) in inventories	541,671	(509,152)
Decrease in prepayment	718	2,543
Decrease in other current assets	6,776	6,691
Decrease in contract liabilities	(38,370)	(52,023)
Decrease in notes payables	(2,512)	(1,470)
(Decrease)/increase in trade payables	(211,101)	200,144
(Decrease)/increase in other payables	(122,304)	95,118
(Decrease)/increase in other current liabilities	(27,647)	144,979
Increase/(decrease) in net defined benefit liabilities	12,941	(792)
Cash generated from operations	789,585	110,580
Interest received	5,973	5,700
Interest paid	(33,269)	(34,390)
Income tax paid	(143,921)	(31,523)
Net cash generated from operating activities	618,368	50,367
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(35,350)	-
Purchase of financial assets measured at amortized cost	(633)	(404)
Proceeds from financial assets measured at amortized cost	1,765	48,807
Purchase of financial assets at fair value through profit or loss	(20,000)	(30,000)
Proceeds from financial assets at fair value through profit or loss	36,061	13,998

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EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
Purchase of investments accounted for using the equity method	$ -	$ (31,815)
Payments for property, plant and equipment	(52,096)	(58,314)
Proceeds from disposal of property, plant and equipment	101,473	991
Increase in refundable deposits	-	(436)
Decrease in refundable deposits	5	-
Payments for intangible assets	(6,333)	(5,936)
Proceeds from intangible assets	-	1,966
Increase in other financial assets	(11,433)	-
Decrease in other financial assets	-	193,125
Decrease in other non-current assets	(9,200)	31,815
Dividends received	645	656
Net cash generated from investing activities	4,904	164,453
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	-	262,500
Repayments of short-term borrowings	(240,190)	-
Repayments of bonds payable	-	(291,400)
Repayments of long-term borrowings	(16,800)	(83,552)
Repayment of the principal portion of lease liabilities	(41,914)	-
Refund from guarantee deposits received	(60)	-
Dividends paid to owners of the Company	(36,948)	(23,425)
Proceeds from reissuance of treasury shares	10,582	-
Acquisition of subsidiaries	(217)	-
Disposal of interests in subsidiaries without a loss of control	-	56,729
Difference in non-controlling interests	-	31,078
Net cash used in financing activities	(325,547)	(48,070)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(3,510)	4,676
NET INCREASE IN CASH AND CASH EQUIVALENTS	294,215	171,426
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	879,800	708,374
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,174,015	$ 879,800

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

(With Deloitte & Touche auditors' report dated March 20, 2020) (Concluded)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 20, 2020.

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

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

   Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group's accounting policies:

   1) IFRS 16 "Leases"

      IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

      Definition of a lease

      The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

a) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

c) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee' weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.36%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 104,668
Undiscounted amounts on January 1, 2019	$ 104,668
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 102,927
Add: Adjustments as a result of a different treatment of extension and termination options	68,497
Lease liabilities recognized on January 1, 2019	$ 171,424

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Adjusted on January 1, 2019	Adjustments Arising from Initial Application	Adjusted on January 1, 2019
Right-of-use assets	$ -	$ 171,424	$ 171,424
Total effect on assets	$ -	$ 171,424	$ 171,424
Lease liabilities - current	$ -	$ 33,611	$ 33,611
Lease liabilities - non-current	-	137,813	137,813
Total effect on liabilities	$ -	$ 171,424	$ 171,424

2) IFRIC 23 “Uncertainty over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority has full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

The impact in the current year of the initial application of the aforementioned amendment is not material.

b. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: The Group shall apply these amendments 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, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

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. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. 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).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisitions up to the effective date of disposal, as appropriate.

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).

e. Foreign currencies

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries, associates, joint ventures or branches operation in other countries or those that use currencies that are different from the Company) are translated into New Taiwan dollars using the exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss.

f. Inventories

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

g. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. The Group uses the equity method to account for its investments in associates.

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

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

h. Property, plant and equipment

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

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

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

i. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized on goodwill is not reversed in subsequent periods.

j. Intangible assets

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

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

k. Impairment of tangible and intangible assets other than goodwill

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

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

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

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

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value. Fair value is determined in the manner described in Note 29.

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

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

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

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method. Fair value is determined in the manner described in Note 29.

b) Derecognition of financial liabilities

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

m. Revenue recognition

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

1) Revenue from the sale of goods

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

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

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

2) Rendering of services

Services income is recognized when services are provided.

3) Service revenue

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

n. Leases

2019

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

- The Group as lessee

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

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

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

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

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

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

2018

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

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, and net interest on the net defined benefit liability (asset)) is recognized as employee benefit expense in the period they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

3) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit or the date when the Group recognized any related restructuring costs.

p. Share-based payment arrangements - employee share options

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

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

q. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current tax and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

6. CASH AND CASH EQUIVALENTS

	December 31 2019	December 31 2018
Cash on hand	$ 1,397	$ 1,561
Checking accounts and demand deposits	1,163,624	869,024
Cash equivalents (investments with original maturities within 3 months)		
Time deposits	8,994	9,215
	$ 1,174,015	$ 879,800

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

	December 31 2019	December 31 2018
Demand deposits	0.001%-0.5%	0.001%-0.5%
Time deposits with original maturities within 3 months	0.4%	0.6%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31 2019	December 31 2018
Financial assets at FVTPL - current		
Financial assets held for trading		
Non-derivative financial assets		
Mutual funds	$ -	$ 16,015

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments at FVTOCI

	December 31 2019	December 31 2018
Non-current		
Overseas unlisted ordinary shares		
Bluechip Infotech Pty. Ltd.	$ 18,765	$ 18,616
Domestic unlisted ordinary shares		
Status Internet Co., Ltd.		
Ecobear Technology Corp.	3,927	3,000
Onward Security Corp.	4,200	-
	31,150	-
	$ 58,042	$ 21,616

The Group acquired ordinary shares of Bluechip Infotech Pty. Ltd., Status Internet Co., Ltd., Ecobear Technology Corp. 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

	December 31	
	2019	2018
Current		
Domestic investments		
Time deposits with original maturities of more than 3 months	$ 2,687	$ 2,054
Non-current		
Domestic investments		
Time deposits with original maturities of more than 3 months	$ 868	$ 2,633

a. The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 1.045% and 0.77%-1.045% per annum as of December 31, 2019 and 2018, respectively.

b. Refer to Note 31 for information relating to investments in financial assets at amortized cost pledged as security.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2019	2018
Notes receivable		
At amortized cost		
Gross carrying amount	$ 12,344	$ 15,042
Notes receivable	$ 12,344	$ 15,042
Trade receivables		
At amortized cost		
Gross carrying amount	$ 1,058,053	$ 1,319,230
Less: Allowance for impairment loss	(38,866)	(33,187)
	1,019,187	1,286,043
At FVTPL	85,190	125,263
	$ 1,104,377	$ 1,411,306
Other receivables		
Factored trade receivables retention (Note 32)	$ 13,635	$ 15,921
Others	3,952	7,363
	$ 17,587	$ 23,284

Trade Receivables

a. At amortized cost

The average credit period of the Group's sales of goods vary among customers due to their different credit ratings, and no interest was charged on trade receivables. The Group uses other publicly available financial information or 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.

December 31, 2019

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

December 31, 2018

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	-	1.99%	6.19%	5.37%	52.75%	
Gross carrying amount	$ 1,025,881	$ 167,174	$ 51,420	$ 26,931	$ 47,824	$ 1,319,230
Loss allowance (Lifetime ECLs)	-	(3,328)	(3,185)	(1,445)	(25,229)	(33,187)
Amortized cost	$ 1,025,881	$ 163,846	$ 48,235	$ 25,486	$ 22,595	$ 1,286,043

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

	December 31	
	2019	2018
Balance at January 1	$ 33,187	$ 19,499
Add: Net remeasurement of loss allowance	13,065	15,245
Less: Amounts written off	(7,141)	(1,832)
Foreign exchange gains and losses	(245)	275
Balance at December 31	$ 38,866	$ 33,187

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.

Refer to Note 29 for information relating to factored trade receivables.

11. INVENTORIES

	December 31	
	2019	2018
Raw materials	$ 810,891	$ 1,150,285
Finished goods	155,118	191,690
Work-in-process	267,536	356,790
Merchandise	122,757	192,055
	$ 1,356,302	$ 1,890,820

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was $4,031,612 thousand and $5,219,588 thousand, respectively. The cost of goods sold included reversals of inventory write-downs of $1,143 thousand and inventory write-downs of $32,961 thousand, respectively The reversals of previous write-downs for the year ended December 31, 2019 resulted from increased selling prices in certain markets.

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership December 31 2019	Proportion of Ownership December 31 2018	Remark
The Company	Edimax Computer Co. ("Edimax USA")	Networking equipment wholesale	100.00%	100.00%	
The Company	Edimax Technology Europe B.V. ("Edimax Europe")	Networking equipment wholesale	100.00%	100.00%	
The Company	Edimax Technology (BVI) Co., Ltd. ("Edimax BVI")	Networking equipment wholesale	100.00%	100.00%	
The Company	ABS Telecom Inc. ("ABS Telecom")	Telecommunication equipment wholesale, transmission and rental	100.00%	100.00%	

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership December 31 2019	Proportion of Ownership December 31 2018	Remark
The Company	Edimax Technology Australia Pty, Ltd. ("Edimax AU")	Networking equipment wholesale	100.00%	100.00%	
The Company	Edimax Technology (SE Asia) Pte. Ltd. ("Edimax SE")	Networking equipment wholesale	100.00%	100.00%	
The Company	PT. Edimax Network Communication ("Edimax NETWORK")	Networking equipment wholesale	-	-	1)
The Company	SMAX Technology Co., Ltd. ("SMAX Technology")	Wired and wireless telecommunication equipment for manufacturing	100.00%	99.16%	2)
The Company	Comtrend Corporation ("Comtrend")	Cable and telecommunication transmission equipment	41.75%	41.74%	2)
Edimax Europe	Edimax Technology (UK) Ltd. ("Edimax UK")	Networking equipment wholesale	100.00%	100.00%	
Edimax Europe	Edimax Technology Poland. Sp. Zo.o. ("Edimax Poland")	Networking equipment wholesale	100.00%	100.00%	
Edimax BVI	Datamax (HK) Co., Ltd. ("Datamax HK")	Investing	100.00%	100.00%	
ABS Telecom	ABST Information International Inc. ("ABST")	Investing	100.00%	100.00%	
Comtrend	Comtrend Corporation, USA ("CUSA")	Cable and cableless transmission equipment wholesale, retail sale, and international trade	100.00%	100.00%	
Comtrend	Interchan Global Limited ("Interchan Global")	Investing	100.00%	100.00%	
Comtrend	Comtrend Technology (Netherlands) B.V. ("CTBV")	Cable and cableless transmission equipment wholesale, retail sale, and international trade	100.00%	100.00%	
Datamax HK	Edimax Electronic (Dongguan) Co., Ltd.	Networking production and marketing	100.00%	100.00%	
Datamax HK	Datamax Technology Shanghai Inc.	Networking equipment wholesale	-	-	3)
ABST	ABST Information Telecom Service Inc.	Telecommunication equipment wholesale, transmission and rental	100.00%	100.00%	
Interchan Global	Just Top Limited ("Just Top")	Telecommunication value-added services	100.00%	100.00%	
Interchan Global	Interchan Taiwan ("8086")	Telecommunication value-added services	100.00%	100.00%	
Just Top	PHP Interchan	Telecommunication value-added services	100.00%	100.00%	
Just Top	PT Interchan	Telecommunication value-added services	-	-	4)
CTBV	Comtrend Central Europe S.R.O. ("CCE")	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	100.00%	100.00%	
CTBV	Comtrend Iberia S.L. ("Comtrend Iberia")	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	100.00%	100.00%	

(Concluded)

1) The Group completed the liquidation procedures of Edimax Network in December 2018.

2) For the changes in the proportion of ownership held by the Group, please refer to Note 27 for additional information.

3) The Group completed the liquidation procedures of Datamax Technology Shanghai Inc. in April 2018.

4) The Group completed the liquidation procedures of PT Interchan in February 2018.

As of December 31, 2019 and 2018, the Group held 41.75% and 41.74% of Comtrend's voting shares, respectively, but the Group has the practical ability to direct the relevant activities of Comtrend; thus, Comtrend was listed as a subsidiary of the Group.

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	
		December 31	
		2019	2018
Comtrend	Taiwan	58.25%	58.26%

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests		Accumulated Non-controlling Interests	
	For the Year Ended December 31		December 31	
	2019	2018	2019	2018
Comtrend	$ 93,168	$ 149,103	$ 508,183	$ 447,388

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

Comtrend and subsidiaries:

	December 31	
	2019	2018
Current assets	$ 1,468,254	$ 1,689,840
Non-current assets	160,421	92,122
Current liabilities	(634,339)	(959,586)
Non-current liabilities	(76,181)	(5,800)
Equity	$ 918,155	$ 816,576
Equity attributable to:		
Owners of Comtrend	$ 383,296	$ 340,839
Non-controlling interests of Comtrend	534,859	475,737
	$ 918,155	$ 816,576

	For the Year Ended December 31	
	2019	2018
Revenue	$ 2,449,616	$ 3,656,074
Net profit for the year	$ 159,934	$ 267,754
Other comprehensive income (loss) for the year	915	(2,431)
Total comprehensive income for the year	$ 160,849	$ 265,323
Profit attributable to:		
Owners of Comtrend	$ 66,766	$ 118,651
Non-controlling interests of Comtrend	93,168	149,103
	$ 159,934	$ 267,754

(Continued)

	For the Year Ended December 31	
	2019	2018
Total comprehensive income attributable to:		
Owners of Comtrend	$ 71,672	$ 114,706
Non-controlling interests of Comtrend	89,177	150,617
	$ 160,849	$ 265,323
Net cash inflow (outflow) from:		
Operating activities	$ 242,921	$ 267,453
Investing activities	(4,450)	(29,918)
Financing activities	(154,636)	(20,882)
Effect of exchange rate	2,374	3,634
Net cash inflow	$ 86,209	$ 220,287

(Concluded)

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2019	2018
Associates that are not individually material	$ 55,706	$ 52,085

	For the Year Ended December 31	
	2019	2018
The Group's share of		
Net profit for the year	$ 15,339	$ 19,469
Other comprehensive income (loss)	(1,674)	801
Total comprehensive income for the year	$ 13,665	$ 20,270

The Group acquired a 30% interest in Crystal Centre Int'l Corp. ("Crystal") on February 23, 2018.

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

Investments were 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 associates' financial statements which have been audited for the same periods.

14. PROPERTY, PLANT AND EQUIPMENT

a. Assets used by the Group 2019

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Total
Cost					
Balance at January 1, 2019	$ 1,305,974	$ 936,147	$ 426,273	$ 615,967	$ 3,284,361
Additions	-	-	4,896	47,200	52,096
Disposals	(6,128)	(16,455)	(891)	(91,456)	(114,930)
Effect of foreign currency exchange differences	-	-	(14,915)	(4,840)	(19,755)
Balance at December 31, 2019	$ 1,299,846	$ 919,692	$ 415,363	$ 566,871	$ 3,201,772
Accumulated depreciation					
Balance at January 1, 2019	$ -	$ 81,655	$ 328,950	$ 466,178	$ 876,783
Depreciation expense	-	22,458	28,325	61,008	111,791
Disposals	-	(10,150)	(711)	(89,007)	(99,868)
Effect of foreign currency exchange differences	-	-	(12,333)	(5,922)	(18,255)
Balance at December 31, 2019	$ -	$ 93,963	$ 344,231	$ 432,257	$ 870,451
Carrying amounts at December 31, 2019	$ 1,299,846	$ 825,729	$ 71,132	$ 134,614	$ 2,331,321

b. 2018

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Total
Cost					
Balance at January 1, 2018	$ 1,305,783	$ 935,635	$ 423,619	$ 592,767	$ 3,257,804
Additions	-	-	12,219	46,095	58,314
Disposals	-	-	(1,711)	(20,542)	(22,253)
Effect of foreign currency exchange differences	191	512	(7,854)	(2,353)	(9,504)
Balance at December 31, 2018	$ 1,305,974	$ 936,147	$ 426,273	$ 615,967	$ 3,284,361
Accumulated depreciation					
Balance at January 1, 2018	$ -	$ 60,614	$ 303,406	$ 415,345	$ 779,365
Depreciation expense	-	20,749	33,311	72,330	126,390
Disposals	-	-	(1,804)	(19,296)	(21,100)
Effect of foreign currency exchange differences	-	292	(5,963)	(2,201)	(7,872)
Balance at December 31, 2018	$ -	$ 81,655	$ 328,950	$ 466,178	$ 876,783
Carrying amounts at December 31, 2018	$ 1,305,974	$ 854,492	$ 97,323	$ 149,789	$ 2,407,578

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

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

The Group sold freehold land and buildings to non-related parties in January 2019 and completed the transfer at a total contract price of $104,653 thousand with a net gain of $86,192 thousand.

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

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

15. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Buildings	$ 134,536
Transportation equipment	3,283
	$ 137,819

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 20,422
Depreciation charge for right-of-use assets	
Buildings	$ 35,611
Transportation equipment	1,957
	$ 37,568

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 33,512
Non-current	$ 105,113

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Buildings	1.36%
Transportation equipment	1.36%

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

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

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

d. Other lease information

2019

	For the Year Ended December 31, 2019
Expenses relating to low-value asset leases	$ 3,269
Total cash outflow for leases	$ (47,270)

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

16. INTANGIBLE ASSETS

	Goodwill	Computer Software	Total
Cost			
Balance at January 1, 2018	$ 31,842	$ 62,807	$ 94,649
Additions	-	5,936	5,936
Disposals	-	(1,966)	(1,966)
Effect of foreign currency exchange differences	-	(6)	(6)
Balance at December 31, 2018	$ 31,842	$ 66,771	$ 98,613
Accumulated amortization and impairment			
Balance at January 1, 2018	$ 8,611	$ 52,891	$ 61,502
Amortization expense	-	7,049	7,049
Balance at December 31, 2018	$ 8,611	$ 59,940	$ 68,551
Carrying amounts at December 31, 2018	$ 23,231	$ 6,831	$ 30,062
Cost			
Balance at January 1, 2019	$ 31,842	$ 66,771	$ 98,613
Additions	-	6,333	6,333
Disposals	-	(12,637)	(12,637)
Effect of foreign currency exchange differences	-	469	469
Balance at December 31, 2019	$ 31,842	$ 60,936	$ 92,778

(Continued)

	Goodwill	Computer Software	Total
Accumulated amortization and impairment			
Balance at January 1, 2019	$ 8,611	$ 59,940	$ 68,551
Amortization expense	-	7,705	7,705
Disposals	-	(12,637)	(12,637)
Balance at December 31, 2019	$ 8,611	$ 55,008	$ 63,619
Carrying amounts at December 31, 2019	$ 23,231	$ 5,928	$ 29,159

(Concluded)

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

Computer software	1-11 years

17. OTHER FINANCIAL ASSETS

	December 31	
	2019	2018
Current		
Reserve account (included in other current assets)	$ 5,001	$ 6
Non-current		
Pension reserve fund	$ 60,767	$ 54,729
Reserve account	400	-
	$ 61,167	$ 54,729

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

Note 2: Other financial assets comprise the deposits pledged by the Group to secure debt instruments. Refer to Note 31 for information on other financial assets pledged as security.

18. BORROWINGS

a. Short-term borrowings

	December 31	
	2019	2018
Secured borrowings		
Bank loans (Notes 1 and 2)	$ 1,000	$ 1,000
Unsecured borrowings		
Bank loans (Note 1)	766,128	1,006,318
	$ 767,128	$ 1,007,318

Note 1: The range of weighted average effective interest rates on bank loans was 1.10%-1.60% per annum as of both December 31, 2019 and 2018.

Note 2: The bank borrowings were secured by the Group's promissory notes; please refer to Note 32 for additional information.

b. Short-term bills payable

	December 31	
	2019	2018
Commercial paper	$ 30,000	$ 30,000
Less: Unamortized discounts on bills payable	(33)	(21)
	$ 29,967	$ 29,979

The interest rate of the short-term bills payable was 1.038% as of both December 31, 2019 and 2018.

c. Long-term borrowings

	December 31	
	2019	2018
Secured borrowings		
Bank loans	$ 1,417,514	$ 1,434,314
Less: Current portions	(16,800)	(16,800)
Long-term borrowings	$ 1,400,714	$ 1,417,514

The bank borrowings are secured by the Group's land and buildings; please refer to Note 31 for additional information. The maturity date is February 1, 2036 and the effective annual interest rate is 1.36%. The purpose of the borrowings is to purchase land and buildings for operations.

19. OTHER LIABILITIES

	December 31	
	2019	2018
Other payables		
Payable for royalties	$ 2,661	$ 7,180
Payable for labor fee	18,889	16,532
Payable for salaries	105,025	137,074
Payable for employees' bonuses and directors' remuneration	22,681	34,393
Payable for freight and customs fee	9,191	16,478
Output VAT	21,338	74,198
Others	134,306	150,540
	$ 314,091	$ 436,395
Other liabilities		
Refund liabilities	$ 19,847	$ 26,220
Temporary credit	15,038	29,918
Receipts under custody	49,330	55,202
Others	946	1,468
	$ 85,161	$ 112,808

20. RETIREMENT BENEFIT PLANS

	December 31	
	2019	2018
Defined contribution plans	$ 20,719	$ 30,878
Defined benefit plans	45,978	22,878
	$ 66,697	$ 53,756

a. Defined contribution plans

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

The Company contributes a certain percentage of total monthly salaries and wages of managerial personnel to a pension reserve fund account (classified as other financial assets - non-current) from July 2005. Refer to Note 19 for information relating to the pension reserve fund. The actual pension amounts paid in 2019 and 2018 were $6,570 thousand and $0, respectively; and the Company’s contributions to the fund amounted to $20,719 thousand and $30,975 thousand for the years ended December 31, 2019 and 2018, respectively.

The employees of the Group’s subsidiary in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

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

The amounts included in the consolidated balance sheets in respect of the Group’s defined benefit plans were as follows:

	December 31	
	2019	2018
Present value of defined benefit obligation	$ 124,743	$ 97,760
Fair value of plan assets	(78,765)	(74,882)
Net defined benefit liability	$ 45,978	$ 22,878

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2018	$ 94,406	$ (70,834)	$ 23,572
Service cost			
Current service cost	274	-	274
Net interest expense (income)	1,106	(1,284)	(178)
Recognized in profit or loss	1,380	(1,284)	96
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(644)	(644)
Actuarial loss - changes in demographic assumptions	477	-	477
Actuarial gain - changes in financial assumptions	(1,822)	-	(1,822)
Actuarial loss - experience adjustments	3,319	-	3,319
Recognized in other comprehensive income	1,974	(644)	1,330
Contributions from the employer	-	(2,120)	(2,120)
Balance at December 31, 2018	97,760	(74,882)	22,878
Service cost			
Current service cost	949	-	949
Net interest expense (income)	867	(1,112)	(245)
Recognized in profit or loss	1,816	(1,112)	704
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,158)	(1,158)
Actuarial loss - changes in demographic assumptions	2,211	-	2,211
Actuarial gain - changes in financial assumptions	3,875	-	3,875
Actuarial loss - experience adjustments	19,724	-	19,724
Recognized in other comprehensive income	25,810	(1,158)	24,652
Contributions from the employer	-	(2,256)	(2,256)
Benefits paid	(643)	643	-
Balance at December 31, 2019	$ 124,743	$ (78,765)	$ 45,978

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

	For the Year Ended December 31	
	2019	2018
Selling and marketing expenses	$ 137	$ (16)
General and administrative expenses	357	199
Research and development expenses	210	(87)
	$ 704	$ 96

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

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

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

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

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

	December 31	
	2019	**2018**
Discount rate(s)	0.63%-1.00%	1.05%-1.15%
Expected rate(s) of salary increase	2.00%-3.00%	2.00%-3.00%
Turnover rate	5.00%-12.78%	5.94%-12.79%

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

	December 31	
	2019	**2018**
Discount rate		
0.5% increase	$ (5,394)	$ (3,710)
0.5% decrease	$ 5,661	$ 3,868
Expected rate of salary increase		
0.5% increase	$ 7,331	$ 3,802
0.5% decrease	$ (6,906)	$ (3,586)

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

	December 31	
	2019	**2018**
The expected contributions to the plan for the next year	$ 2,448	$ 2,125
The average duration of the defined benefit obligation	10.13 years	9.97 years

21. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2019	2018
Number of shares authorized (in thousands)	300,000	300,000
Shares authorized	$ 3,000,000	$ 3,000,000
Number of shares issued and fully paid (in thousands)	186,492	186,492
Shares issued	$ 1,864,916	$ 1,864,916

On August 31, 2018 and November 9, 2018, the Company's board of directors resolved to cancel treasury shares totaling 5,000 thousand and 9,833 thousand ordinary shares, respectively, which were not transferred to employees. The base date of the share reduction was September 4, 2018 and December 1, 2018, respectively. The paid-up capital was $1,864,916 thousand after the reduction in the share capital, and the amendments to the registration were completed on September 13, 2018 and December 25, 2018, respectively.

b. Capital surplus

	December 31	
	2019	2018
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Premium from issuance of common shares	$ 57,957	$ 57,957
Premium from conversion of bonds	24,662	24,662
Treasury share transactions	5,826	4,875
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	34,648	34,639
May be used to offset a deficit only		
Changes in percentage of ownership interest in subsidiaries (2)	338	338
Others	33,437	33,437
May not be used for any purpose		
Employee share options of the subsidiaries	3,432	1,698
Employee share options	8,321	4,941
	$ 168,621	$ 162,547

1) Such capital surplus may be used to offset a deficit; when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary that resulted from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividends policy

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

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

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

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

The offset of deficit for 2018 and 2017 which were approved in the shareholders' meetings on June 13, 2019 and June 14, 2018, respectively, were as follows:

	Offset of Deficit	
	For the Year Ended December 31	
	2018	**2017**
Deficit offset using legal reserve	$ -	$ 62,510
Deficit offset using capital surplus	-	105,599

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

	For the Year Ended December 31, 2019
Legal reserve	$ 1,802
Special reserve	16,214

The Company's board of directors also proposed in the board meeting on March 20, 2020 to issue cash dividends at $0.15 per share for a total of $27,974 thousand from the capital surplus.

The appropriation of earnings for 2019 are subject to the resolution of the shareholders in the shareholders' meeting to be held on June 12, 2020.

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
Increase during the year	-	-	-	-
Decrease during the year	-	-	(370)	(370)
Number of shares at December 31, 2019	-	-	1,786	1,786
Number of shares at January 1, 2018	14,833	-	2,425	17,258
Increase during the year	-	-	-	-
Decrease during the year	(14,833)	-	(269)	(15,102)
Number of shares at December 31, 2018	-	-	2,156	2,156

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

Name of Subsidiary	Number of Shares Held (In Thousands of Shares)	Carrying Amount	Market Price
December 31, 2019			
Comtrend	1,786	$ 16,745	$ 19,120
December 31, 2018			
Comtrend	2,156	20,211	20,291

For the years ended December 31, 2019 and 2018, Comtrend held 4,280 thousand and 5,166 thousand ordinary shares of the Company, and the Company recognized $1,786 thousand and $2,156 thousand treasury shares based on the ownership percentage of 41.75% and 41.74% as at December 31, 2019 and 2018, respectively.

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

e. Non-controlling interests

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 447,595	$ 269,883
Share of profit for the year	93,168	149,105
Other comprehensive income/(loss) during the year		
Exchange differences arising on translation of foreign operations	(2,679)	1,514
Remeasurement of defined benefit plans	(1,640)	(2,780)
Related income tax	328	804
Dividends from subsidiaries	(36,948)	(23,425)
Employee share options of the subsidiaries	2,420	2,183
Capital increased by cash of the subsidiaries	-	30,740
Partial disposal of interests in subsidiaries transferred to non-controlling interests (Note 27)	-	22,090
Acquisition of interests in subsidiaries transferred from non-controlling interests (Note 27)	(226)	-
Share of changes in capital surplus of subsidiaries	6,165	(2,519)
Balance at December 31	$ 508,183	$ 447,595

22. REVENUE

a. Contract information

	For the Year Ended December 31	
	2019	2018
Revenue from the sale of goods	$ 5,236,858	$ 6,476,955
Revenue from the rendering of services	30,475	49,587
Other income	221,089	347,019
	$ 5,488,422	$ 6,873,561

b. Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Trade receivables (Note 10)	$ 1,143,243	$ 1,444,493	$ 1,266,404
Contract liabilities - current	$ 117,203	$ 155,573	$ 103,550

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

23. NET PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2019	2018
Interest income		
Bank deposits	$ 7,735	$ 4,495
Dividends		
Investments in equity instruments at FVTOCI	645	656
Others	21,831	28,363
	$ 30,211	$ 33,514

b. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Gain (loss) on disposal of property, plant and equipment	$ 86,411	$ (162)
Net foreign exchange loss	(40,995)	(15,169)
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily classified as at FVTPL	46	13
Others	(1,542)	(8,175)
	$ 43,920	$ (23,493)

c. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on bank loans	$ 31,170	$ 34,396
Interest on lease liabilities	2,087	-
Interest on convertible bonds	-	1,441
	$ 33,257	$ 35,837

d. Impairment losses recognized

	For the Year Ended December 31	
	2019	2018
Trade receivables	$ (13,065)	$ (15,245)
Inventories (included in operating costs)	$ 1,143	$ (32,961)

e. Depreciation and amortization

	For the Year Ended December 31 2019	2018
Property, plant and equipment	$ 111,791	$ 126,390
Right-of-use assets	37,568	-
Intangible assets	7,705	7,049
	$ 157,064	$ 133,439
An analysis of depreciation by function		
Operating costs	$ 35,788	$ 44,735
Operating expenses	113,571	81,655
	$ 149,359	$ 126,390
An analysis of amortization by function		
Operating costs	$ 2,092	$ 2,579
Operating expenses	5,613	4,470
	$ 7,705	$ 7,049

f. Employee benefits expense

	For the Year Ended December 31 2019	2018
Post-employment benefits (see Note 20)		
Defined contribution plans	$ 26,603	$ 28,165
Defined benefit plans	704	96
	27,307	28,261
Share-based payments		
Equity-settled	7,534	7,855
Termination benefits	1,110	279
Other employee benefits	1,103,395	1,160,209
Total employee benefits expense	$ 1,139,346	$ 1,196,604
An analysis of employee benefits expense by function		
Operating costs	$ 306,534	$ 306,639
Operating expenses	832,812	889,965
	$ 1,139,346	$ 1,196,604

g. Employees’ compensation and remuneration of directors and supervisors

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

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

Accrual rate

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

Amount

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

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

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

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

h. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2019	2018
Foreign exchange gains	$ 122,650	$ 326,819
Foreign exchange losses	(163,645)	(341,988)
	$ (40,995)	$ (15,169)

24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 64,633	$ 73,344
Income tax on unappropriated earnings	5,532	3,092
Adjustments for prior periods	(12,576)	(564)
	57,589	75,872
Deferred tax		
In respect of the current year	22,779	16,862
Adjustments to deferred tax attributable to changes in tax rates and laws	-	(8,977)
	22,779	7,885
Income tax expense recognized in profit or loss	$ 80,368	$ 83,757

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

	For the Year Ended December 31	
	2019	2018
Profit before tax from continuing operations	$ 234,308	$ 205,735
Income tax expense calculated at the statutory rate	$ 105,318	$ 89,194
Nondeductible expenses in determining taxable income	20,468	10,319
Tax-exempt income	(16,855)	(400)
Income tax on unappropriated earnings	5,532	3,092
Additional income tax under the Alternative Minimum Tax Act	31	-
Realization of investment losses	(14,561)	(450)
Reduction of loss carryforwards approved by tax administrations	-	1,545
Loss carryforwards	(9,547)	25,019
Unrecognized loss carryforwards/deductible temporary differences	2,558	(35,021)
Adjustments to deferred tax attributable to changes in tax rates and laws	-	(8,977)
Adjustments for prior years' tax	(12,576)	(564)
Income tax expense recognized in profit or loss	$ 80,368	$ 83,757

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
Deferred tax		
Effect of change in tax rate	$ -	$ 447
In respect of the current year:		
Remeasurement of defined benefit plans	563	955
Total income tax recognized in other comprehensive income	$ 563	$ 1,402

c. Current tax assets and liabilities

	December 31	
	2019	2018
Current tax assets		
Tax refund receivable	$ 15,789	$ 427
Current tax liabilities		
Income tax payable	$ 29,620	$ 75,938

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Defined benefit plans	$ 1,072	$ (65)	$ 563	$ 1,570
Loss on market price decline of inventories	8,110	(2,792)	-	5,318
Unrealized profits from downstream transactions	5,687	(2,087)	-	3,600
Unrealized exchange losses	-	464	-	464
Others	11,180	(8,870)	-	2,310
	26,049	(13,350)	563	13,262
Loss carryforwards	25,309	(5,571)	-	19,738
	$ 51,358	$ (18,921)	$ 563	$ 33,000
Deferred tax liabilities				
Unrealized exchange gains	$ 1,161	$ 3,858	$ -	$ 5,019

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Defined benefit plans	$ 162	$ (492)	$ 1,402	$ 1,072
Loss on market price decline of inventories	1,884	6,226	-	8,110
Unrealized profits from downstream transactions	5,362	325	-	5,687
Unrealized exchange losses	113	(113)	-	-
Others	5,310	5,870	-	11,180
	12,831	11,816	1,402	26,049
Loss carryforwards	44,463	(19,154)	-	25,309
	$ 57,294	$ (7,338)	$ 1,402	$ 51,358
Deferred tax liabilities				
Unrealized exchange gains	$ 614	$ 547	$ -	$ 1,161

e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2019	2018
Loss carryforwards	$ 557,354	$ 472,996
Deductible temporary differences	184,142	209,651
	$ 741,496	$ 682,647

f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2019 comprised of:

Unused Amount	Expiry Year
$ 62,808	2020
52,157	2021
38,928	2022
20,771	2023
7,078	2024
69,010	2025
95,431	2026
182,683	2027
99,142	2028
25,875	2029
136	2036
1,911	2037
114	2038
$ 656,044	

g. Income tax assessments

As of December 31, 2019, the tax returns of the Company and its subsidiaries have been assessed as follows:

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

25. EARNINGS (LOSS) PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2019	**2018**
Basic earnings (loss) per share	$ 0.33	$ (0.15)
Diluted earnings (loss) per share	$ 0.33	$ (0.15)

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

Net Profit (Loss) for the Year

	For the Year Ended December 31	
	2019	**2018**
Profit (loss) used in the computation of earnings (losses) per share	$ 60,772	$ (27,127)

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

	For the Year Ended December 31	
	2019	**2018**
Weighted average number of ordinary shares used in the computation of basic earnings (loss) per share	184,551	184,218
Effect of potentially dilutive ordinary shares		
Employee share options	138	-
Employees' compensation or bonuses issued to employees	292	-
Weighted average number of ordinary shares used in the computation of diluted earnings (loss) per share	184,981	184,218

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

Since the Company reported loss for the year ended December 31, 2018, they are anti-dilutive and excluded from the computation of diluted earnings per share.

26. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan of the Company

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

Information about issued employee share options is as follows:

	For the Year Ended December 31			
	2019		2018	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance at January 1	8,000	$10.25	8,000	$10.25
Options exercised	-		-	
Options forfeited	(245)	10.25	-	
Balance at December 31	7,755	10.25	8,000	10.25
Options exercisable, end of year	1,939	10.25	-	

Information about outstanding options is as follows:

	December 31	
	2019	2018
Range of exercise price (NT$)	$10.25	$10.25
Weighted-average remaining contractual life (years)	3.75	4.75

Options granted in September 2017 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	September 2017
Grant-date share price	$10.25
Exercise price	$10.25
Expected volatility	26.73%
Expected life	6 years
Risk-free interest rate	0.6669%

Compensation cost recognized were $3,380 thousand and $3,974 thousand for the years ended December 31, 2019 and 2018, respectively.

b. Employee share option plan of the subsidiaries

Qualified employees of the subsidiary, Comtrend were granted 4,000 thousand options on January 25, 2018. The options granted are valid for 5 years and exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to the closing price of Comtrend's ordinary shares listed on the grant date. For any subsequent changes in Comtrend's capital surplus, the exercise price is adjusted accordingly. The exercise price of the options issued on January 25, 2018 was adjusted to $11.27 on July 18, 2018 and adjusted to $10.00 on July 30, 2019.

Information on employee share options is as follows:

	For the Year Ended December 31			
	2019		2018	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance at January 1	3,919	$ 11.27	-	$ -
Options granted	-	-	4,000	11.27
Options forfeited	(68)	10.00	(81)	11.27
Balance at December 31	3,851	10.00	3,919	11.27
Options exercisable, end of period	-		-	

Information on outstanding options as of December 31, 2019 and 2018 is as follows:

	December 31	
	2019	2018
Range of exercise price (NT$)	$10.00	$11.27
Weighted-average remaining contractual life (in years)	3.07 years	4.07 years

Options granted in January 2018 by Comtrend were priced using the binomial option pricing model, and the inputs to the model are as follows:

	January 2018
Grant-date share price	$12.48
Exercise price	$10.00
Expected volatility	33.22%
Expected life	5 years
Expected dividend yield	-
Risk-free interest rate	0.69%

Compensation costs recognized by the subsidiary were $4,154 thousand and $3,881 thousand for the years ended December 31, 2019 and 2018, respectively.

27. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On February 21, 2018, the Group subscribed for additional new shares of Comtrend Limited at a percentage different from its existing ownership percentage, reducing its continuing interest from 46.95% to 44.60%.

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 received	$ 31,078
Effect of the subsidiary holding treasury shares of the parent company	(1,136)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	(29,604)
Difference recognized from the equity transaction	$ 338
Line item adjusted for the equity transaction	
Capital surplus - changes in percentage of ownership interests in subsidiaries	$ 338

In August 2018, the Group disposed of 2.86% of its interest in Comtrend, reducing its continuing interest from 44.60% to 41.74%.

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 received	$ 56,729
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	(22,090)
Difference recognized from the equity transaction	$ 34,639
Line item adjusted for the equity transaction	
Capital surplus - difference between consideration received or paid and the carrying amount of the subsidiary net assets upon actual disposal or acquisition	$ 34,639

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

The above transactions were accounted for as equity transactions since the Group did not cease to have control over the subsidiaries.

	SMAX Technology	Comtrend	Total
Cash consideration paid	$ (209)	$ (8)	$ (217)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	209	17	226
Differences recognized from equity transactions	$ -	$ 9	$ 9
Line items adjusted for equity transactions			
Capital surplus - difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	$ -	$ 9	$ 9

28. 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.

29. 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

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL - current				
Trade receivable from unrelated parties	$ -	$ 85,190	$ -	$ 85,190

(Continued)

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

(Concluded)

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL - current				
Mutual funds	$ 16,015	$ -	$ -	$ 16,015
Trade receivables from unrelated parties	-	125,263	-	125,263
	$ 16,015	$ 125,263	$ -	$ 141,278
Financial assets at FVTOCI - non-current				
Investment in equity instruments at FVTOCI				
Foreign unlisted shares	$ -	$ -	$ 18,616	$ 18,616
Domestic unlisted shares	-	-	3,000	3,000
	$ -	$ -	$ 21,616	$ 21,616

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

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

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

c. Categories of financial instruments

	December 31	
	2019	2018
Financial assets		
Mandatorily classified as at FVTPL	$ 85,190	$ 141,278
Financial assets at amortized cost (1)	2,398,671	2,275,459
Financial assets at FVTOCI		
Equity instruments	58,042	21,616
Financial liabilities		
Amortized cost (2)	3,555,487	4,148,466

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

d. Financial risk management objectives and policies

The 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, and 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 33.

Sensitivity analysis

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

	Currency USD Impact For the Year Ended December 31		**Currency EUR Impact For the Year Ended December 31**	
	2019	**2018**	**2019**	**2018**
Profit or loss	$ (8,052) (i)	$ (15,681) (i)	$ (611) (ii)	$ (886) (ii)

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

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

The Group's sensitivity to foreign currency decreased during the current year mainly due to the reduction in USD denominated sales that resulted in a lower balance of USD denominated trade receivables.

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:

	December 31	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 17,549	$ 13,902
Financial liabilities	2,353,234	2,471,611
Cash flow interest rate risk		
Financial assets	1,224,392	923,759

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 years ended December 31, 2019 and 2018 would increase/decrease by $12,244 thousand and $9,238 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 year.

If equity prices had been 1% higher/lower, pre-tax other comprehensive income for the year ended December 31, 2019 and 2018 would increased/decreased by $580 thousand and $216 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

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

2) Credit risk

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

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

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

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

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

The Group transacts 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 December 31, 2019 and 2018, 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 Group's 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.

December 31, 2019

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

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	$ 35,253	$ 76,011	$ 31,494	$ 3,742	$ 63	$ -

December 31, 2018

	Book Value	Less than 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities					
Short-term borrowings	$ 1,007,318	$ 706,318	$ 301,000	$ -	$ -
Short-term bills payable	29,979	29,979	-	-	-
Long-term loans payable	1,417,514	-	-	350,725	1,066,789
Notes and trade payables	1,240,400	750,325	489,748	327	-
Other payables	436,395	4,782	397,265	34,348	-
Current portion of long-term loans payable	16,800	4,200	12,600	-	-
	$ 4,148,406	$ 1,495,604	$ 1,200,613	$ 385,400	$ 1,066,789

b) Financing facilities

As of December 31, 2019 and 2018, unused financing facilities amounted to $1,694,698 thousand and $1,063,089 thousand, respectively, and unused financing facilities of factored trade receivables amounted to $66,158 thousand and $50,217 thousand, respectively.

e. Transfers of financial assets

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

Counterparty	Receivables Factoring	Reclassified to Other Receivables	Advances Received Unused	Advances Received Used	Annual Interest Rates on Advances Received (Used) (%)
2019					
Fubon Bank	$ 221,542	$ 13,635	$ 66,158	$ 122,716	3.13
2018					
Fubon Bank	284,473	15,921	50,217	143,289	3.75

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

The Group provided Fubon Bank, the factor, promissory notes amounting to US$7,000 thousand as guarantee for the financing facilities from receivables factoring.

30. 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

Related Party Name	Related Party Category
Talent Vantage Limited (ITI)	Associate
Crystal	Associate

b. Purchases of goods

Related Party Category	For the Year Ended December 31 2019	2018
Associate - ITI	$ 616,981	$ 714,414

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

c. Receivables from related parties

Line Item	Related Party Category	December 31 2019	2018
Other receivables from related parties	Associate - Crystal	$ 8,762	$ -

The outstanding trade receivables from related parties are unsecured. For the year ended December 31, 2019, 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	December 31 2019	December 31 2018
Accounts payable	Associate - ITI	$ 154,170	$ 89,864
Other payables	Associate - ITI	$ 291	$ -

The outstanding trade payables to related parties are unsecured.

e. Acquisitions of property, plant and equipment

Line Item	Related Party Category	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Other equipment	Associate	$ 120	$ 520

f. Compensation of key management personnel

	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Short-term employee benefits	$ 54,261	$ 58,258
Share-based payments	1,229	1,162
	$ 55,490	$ 59,420

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

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31 2019	December 31 2018
Other financial assets	$ 5,001	$ 6
Pledged deposits (classified as financial assets at amortized cost)	3,555	4,687
Property, plant and equipment	2,020,906	2,063,059
	$ 2,029,462	$ 2,067,752

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group as of December 31, 2019 were as follows:

a. As of December 31, 2019, the Group issued promissory notes with stated amounts of $1,375,000 thousand and US$25,000 thousand and pledged these notes as collateral for loans and foreign exchange forward contracts.

b. 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 December 31, 2019.

c. As of December 31, 2019, the Group made endorsements and guarantees for SMAX Technology and Edimax Europe with stated amounts of $59,000 thousand and $67,180 thousand, respectively, and actual borrowings amounted to $1,000 thousand and $38,528 thousand, respectively.

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than the 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:

December 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 51,304	29.98 (USD:NTD)	$ 1,538,094
USD	7,506	6.96 (USD:RMB)	224,901
USD	641	22.68 (USD:CZK)	19,209
USD	8,174	0.89 (USD:EUR)	245,042
EUR	1,166	33.59 (EUR:NTD)	39,166
EUR	654	25.45 (EUR:CZK)	21,968
Non-monetary items			
Investments accounted for using the equity method			
USD	1,858	29.98 (USD:NTD)	55,706
Financial liabilities			
Monetary items			
USD	24,177	29.98 (USD:NTD)	724,826
USD	8,282	6.96 (USD:RMB)	248,152
USD	8,309	0.89 (USD:EUR)	249,091

December 31, 2018

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 74,545	30.72 (USD:NTD)	$ 2,290,022
USD	18,896	6.87 (USD:RMB)	580,535
USD	498	22.58 (USD:CZK)	15,310
USD	13,466	0.87 (USD:EUR)	412,383
EUR	1,714	35.20 (EUR:NTD)	60,333
EUR	1,147	25.88 (EUR:CZK)	40,371
Non-monetary items			
Investments accounted for using the equity method			
USD	1,050	30.72 (USD:NTD)	52,085
Financial liabilities			
Monetary items			
USD	26,696	30.72 (USD:NTD)	820,101
USD	15,948	6.87 (USD:RMB)	489,965
USD	13,718	0.87 (USD:EUR)	420,100
EUR	344	35.20 (EUR:NTD)	12,109

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:

	For the Year Ended December 31			
	2019		2018	
Functional Currency	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	$ (14,403)	1 (NTD:NTD)	$ 36,223
USD	30.91 (USD:NTD)	(26,725)	30.15 (USD:NTD)	(51,765)
EUR	34.61 (EUR:NTD)	133	35.61 (EUR:NTD)	373
		$ (40,995)		$ (15,169)

34. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others (None).

2) Endorsements/guarantees provided (Table 1).

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

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

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

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

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

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

9) Trading in derivative instruments (None).

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

11) Information on investees (Table 5).

b. Information on investment in mainland China:

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

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

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

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

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

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

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

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

35. 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 by business areas were as follows:

a. Segment revenues and results

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

	Enterprise, Retail Products and Services	Telecommunication Products and Services	Others	Total
For the year ended December 31, 2019				
Revenues from external customers	$ 2,702,929	$ 2,449,616	$ 335,877	$ 5,488,422
Segment income/(loss)	$ (43,795)	$ 188,809	$ 33,081	$ 178,095
Nonoperating income and expense				56,213
Profit before tax				$ 234,308
For the year ended December 31, 2018				
Revenues from external customers	$ 2,917,310	$ 3,656,074	$ 300,177	$ 6,873,561
Segment income/(loss)	$ (156,463)	$ 328,951	$ 39,594	$ 212,082
Nonoperating income and expense				(6,347)
Profit before tax				$ 205,735

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.

b. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations classified by major products and services:

	For the Year Ended December 31	
	2019	2018
Enterprise and consumer communication equipment	$ 2,702,929	$ 2,917,310
Telecommunications business communication equipment	2,419,141	3,606,487
Communication services	263,538	242,198
Others	102,814	107,566
	$ 5,488,422	$ 6,873,561

c. Geographical information

The Group operates in three principal geographical areas - Europe, United States, and Asia and others.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2019	2018	2019	2018
Europe	$ 1,129,256	$ 2,188,094	$ 1,151	$ 675
United States	966,201	1,088,423	1,700	21,855
Asia and others	3,392,965	3,597,044	2,487,352	2,396,916
	$ 5,488,422	$ 6,873,561	$ 2,490,203	$ 2,419,446

Non-current assets exclude financial assets at fair value through other comprehensive income - non-current, financial assets at amortized cost - non-current, investments accounted for using the equity method, intangible assets, deferred tax assets, and other financial assets - non-current.

d. Information about major customers

Included in revenues from direct sales of communication equipment of $5,488,422 thousand and $6,873,561 thousand in 2019 and 2018, respectively, are revenues of approximately $989,347 thousand and $1,227,365 thousand which were generated from sales to the Group's largest customer. Other than the previously mentioned customer, no other single customer contributed 10% or more to the Group's revenue for both 2019 and 2018.

TABLE 1

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	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 (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Company	SMAX Technology	Subsidiary	$ 401,831	$ 59,000	$ 59,000	$ 1,000	$ -	2.94	$ 1,004,579	Y	N	N
		Edimax Europe	Subsidiary	401,831	70,760	67,180	38,528	-	3.34	1,004,579	Y	N	N

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

Note 2: The aggregate endorsement/guarantee limits shall not exceed 50% of the net worth of the Company in its most recent financial statements.

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares/Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
The Company	Stock							
	Bluechip Infotech Pty Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	300	$ 18,765	8.18	$ 18,765	
	Status Internet Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	300	3,927	16.67	3,927	
	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	31,150	10.36	31,150	
Comtrend	Stock							
	EMMT Systems	None	Financial assets at fair value through other comprehensive income - non-current	221	-	0.52	-	Note
	Edimax	Parent company	Financial assets at fair value through other comprehensive income - current	4,280	45,796	2.30	45,796	
8086	Stock							
	EscapeX Holding Corporation	None	Financial assets at fair value through other comprehensive income - non-current	3	-	0.06	-	Note

Note: There was no available information of equity as of December 31, 2019. The Company has recognized impairment loss.

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Detail				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	Comtrend	Subsidiary	Sales	$ (835,335)	(23.81)	Normal	Normal	Normal	$ 181,722	22.65	
	Edimax Electronic (Dongguan) Co., Ltd.	Subsidiary	Processing fee	1,643,134	43.62	By operating condition	Normal	By operating condition	(12,580)	(3.38)	
	ITI	Associate	Purchase	468,333	12.43	By operating condition	Normal	By operating condition	(72,919)	(19.57)	
Comtrend	CUSA	Subsidiary	Sales	(398,286)	(18.60)	Normal; collection period: 60-180 days	Normal	Normal; collection period: 60-180 days	142,685	27.89	
	CTBV	Subsidiary	Sales	(688,660)	(32.16)	Normal; collection period: 60-180 days	Normal	Normal; collection period: 60-180 days	271,038	52.97	
	ITI	Associate	Purchase	148,648	9.35	Normal	Normal	Normal	(81,251)	(17.22)	

Note: Except for ITI, the transactions of the related parties have been eliminated in the consolidated financial statements as of and for the year ended December 31, 2019.

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2019
(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	Actions Taken		
The Company	Comtrend	Subsidiary	$ 181,722	3.06	$ -	-	$ 119,056	$ -
Comtrend	CUSA	Subsidiary	142,685	2.33	20,520	CUSA has actively arranged for the repayment to Comtrend	35,931	-
	CTBV	Subsidiary	271,038	2.00	-	-	121,126	-

Note: The transactions of the related parties have been eliminated in the consolidated financial statements as of and for the year ended December 31, 2019.

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2019	December 31, 2018	Number of Shares (In Thousands)	%	Carrying Amount			
The Company	Edimax USA	USA	Networking equipment wholesale	$ 49,803	$ 49,803	17	100.00	$ 66,487	$ 53,361	$ 53,319	Subsidiary (Note 2)
	Edimax BVI	British Virgin Islands	Networking equipment wholesale	287,735	287,735	8,966	100.00	140,459	(79,929)	(79,929)	Subsidiary
	Edimax Europe	Holland	Networking equipment wholesale	168,334	125,867	2	100.00	24,819	(15,532)	(15,321)	Subsidiary (Note 3)
	Edimax AU	Australia	Networking equipment wholesale	22,641	22,641	800	100.00	859	106	106	Subsidiary
	ABS Telecom	Taiwan	Telecommunication equipment wholesale, transmission and rental	66,000	66,000	10,500	100.00	149,475	24,944	24,970	Subsidiary (Note 4)
	Edimax SE	Singapore	Networking equipment wholesale	6,874	6,874	300	100.00	-	-	-	Subsidiary
	SMAX Technology	Taiwan	Wired/wireless telecommunications equipment manufacturing	137,175	137,175	2,139	100.00	24,823	201	238	Subsidiary (Note 5)
	Comtrend	Taiwan	Cable and cableless transmission equipment wholesale, research and development and retail sale	307,490	307,490	20,299	41.75	386,317	159,934	70,933	Subsidiary (Note 6)
	Crystal	Seychelles	Seychelles General import and export trade and investing	31,815	31,815	1,050	30.00	55,706	51,130	15,339	Associate
Edimax BVI	Datamax HK	Hong Kong	Investing	271,417	271,417	64,906	100.00	21,160	(79,995)	(79,995)	Sub-subsidiary
Edimax Europe	Edimax UK	United Kingdom	Networking equipment wholesale	876	876	16	100.00	(4,303)	-	-	Sub-subsidiary
	Edimax Poland	Poland	Networking equipment wholesale	10,801	10,801	2	100.00	(6,581)	(146)	(146)	Sub-subsidiary
ABS Telecom	ABST	Mauritius	Investing	4,175	4,175	140	100.00	7,011	(782)	(782)	Sub-subsidiary
Comtrend	CUSA	USA	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	98,341	98,341	200	100.00	19,972	13,781	16,215	Sub-subsidiary (Note 7)
	Interchan	Samoa	Investing	42,393	42,393	1,299	100.00	31,579	(459)	(459)	Sub-subsidiary
	CTBV	Holland	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	50,901	50,901	1,518	100.00	80,279	12,187	20,187	Sub-subsidiary (Note 8)
Interchan	8086	Taiwan	Telecommunication value-added services	2,915	2,915	292	100.00	696	(424)	(424)	Sub-subsidiary
	Just Top Limited	Hong Kong	Telecommunication value-added services	43	43	-	100.00	320	(34)	(34)	Sub-subsidiary
	PHP Interchan	Philippines	Telecommunication value-added services	1,825	1,825	-	100.00	107	-	-	Sub-subsidiary
CTBV	CCE	Czech Republic	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	71,438	71,438	-	100.00	45,146	(1,376)	(1,376)	Sub-subsidiary
	Iberia	Spain	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	12,294	12,294	-	100.00	5,942	713	713	Sub-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 $53,361 thousand less the effect of unrealized gross loss $42 thousand on intercompany transactions.

Note 3: The share of profits/losses of the investee included net loss $15,532 thousand add the effect of unrealized gross profit $211 thousand on intercompany transactions.

Note 4: The share of profits/losses of the investee included net income $24,944 thousand add the effect of unrealized gross profit $26 thousand on intercompany transactions.

Note 5: The share of profits/losses of the investee included net income $201 thousand add the effect of unrealized gross profit $37 thousand on intercompany transactions.

Note 6: The share of profits/losses of the investee included net income $66,766 thousand add the effect of unrealized gross profit $4,167 thousand on intercompany transactions.

Note 7: The share of profits/losses of the investee included net income $13,781 thousand add the effect of unrealized gross profit $2,434 thousand on intercompany transactions.

Note 8: The share of profits/losses of the investee included net income $12,187 thousand less the effect of unrealized gross profit $8,000 thousand on intercompany transactions.

Note 9: Except for Crystal, the transactions of the related parties have been eliminated in the consolidated financial statement as of and for the year ended December 31, 2019.

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(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, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019	Note 2
					Outward	Inward							
Edimax Electronic (Dongguan)	Production and sale of network equipment	$ 257,046	b.	$ 257,046	$ -	$ -	$ 257,046	$ (80,017)	100	$ (80,017)	$ 21,121	$ -	2)
ABST Information Telecom Service	Telecommunication equipment wholesale, transmission and rental	4,175	b.	4,175	-	-	4,175	(719)	100	(719)	7,344	-	3)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
$264,698	$276,346 (Note 3)	$1,205,495

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

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

Note 2: The investment income (loss) recognized in the current period:

a. Investments still in the development stage with no investment gain (loss) yet should be indicated.

b. The basis of recognition of profit or loss of investments which fall under the following 3 types should be indicated:

1) The financial statements have been audited and certified by an international accounting firm in cooperation with an accounting firm in the ROC.
2) The financial statements have been audited by the CPA of the parent company in Taiwan.
3) Others.

Note 3: Converted using the spot exchange rate on the balance sheet date.

Note 4: The transactions of the related parties have been eliminated in the consolidated financial statements as of and for the year ended December 31, 2019.

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(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 Transactions	Ending Balance	%		
Edimax Electronic (Dongguan)	Processing fees	$ 1,643,134	43.62	Normal	By operating conditions	By operating conditions	$ (12,580)	(3.38)	$ -	

Note: The transactions with the related parties have been eliminated in the consolidated financial statements as of and for the year ended December 31, 2019.

TABLE 8

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Intercompany Transactions			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets (Note 3)
	For the year ended December 31, 2019						
0	The Company	SMAX Technology	a	Sales revenue	$ 30,295	Normal	1
		Edimax Europe	a	Sales revenue	86,981	Normal	2
		Edimax Europe	a	Accounts receivable	10,915	Normal	-
		Edimax USA	a	Sales revenue	22,928	Normal	-
		Edimax Electronic (Dongguan)	a	Processing fees	1,643,134	By operating condition	30
		Edimax Electronic (Dongguan)	a	Accounts payable	12,580	By operating condition	-
		Comtrend	a	Sales revenue	835,335	Normal	15
		Comtrend	a	Accounts receivable	181,722	Normal	3
1	Comtrend	CUSA	a	Sales revenue	398,286	Normal	16
		CUSA	a	Accounts receivable	142,685	Normal, collection period: 60-180 days	9
		CCE	a	Sales revenue	28,546	Normal	1
		Comtrend Iberia	a	Commission expense	12,090	Normal	1
		CTBV	a	Sales revenue	688,660	Normal	28
		CTBV	a	Accounts receivable	271,038	Normal, collection period: 60-180 days	17
		CTBV	a	Other operating income	11,045	Normal	1

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

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

Note 2: Relationships between counterparties 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 account, the percentage is calculated by dividing the ending balance of the account by consolidated total assets; for an income statement account, the percentage is calculated by dividing the ending balance of the account by the consolidated operating revenues.

Note 4: The transactions of the related parties have been eliminated in the consolidated financial statements as of and for the year ended December 31, 2019.

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