Edimax Technology Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016 and Independent Auditors' Report

Deloitte

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying 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, 2017 and 2016, and 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.

In our opinion, based on our audits and the report 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 31,2017 and 2016, 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, 2017. 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.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2017 are stated as follows:

<u>Inventory valuation</u>

The Group sells network communication products. Due to the characteristics of the industry, the rapid development of consumer communication products may result in inventory becoming slow-moving or obsolete, leading to the risk that inventory was not fairly presented due to the lack of reasonable valuation of defective products, and the balance of inventories amounted to NT$1,412,987 thousand as of December 31,2017, which consists of the Company, Edimax Electronic (Dongguan) Co., Ltd. and Comtrend Corporation was NT$1,264,741 thousand, they accounted for 89.51% of the Group's total consolidated inventory. Accordingly, the valuation of the inventories mention above was deemed to be a key audit matter. Please refer to Note 4, summary of significant accounting policies, and Note 11 of the consolidated financial report.

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

1. We assessed the adequacy of the management's methodology for determining its inventory provision in light of our knowledge and understanding of the Group's business and industry.

2. We assessed the sufficiency of inventory provision by referring to the aging of the inventory and the reduction of inventory in the current year. We also tested whether the classification of the aging of inventory was appropriate.

3. We compared the carrying value of inventory to latest sales or purchase documents of sample items to determine whether those items were held at the lower of cost or net realizable value.

4. We observed the year end inventory physical count and assessed the condition for any obsolete and damaged inventory.

<u>Sales revenue from significant customer</u>

The balance of the Group's revenue, which comes from a single customer was NT$716,595 thousand for the year ended December 31, 2017, they accounted for 12.72% of the Group's total consolidated revenue. Due to the revenue of the significant customer was material, and has an obvious increase in compare of the prior year, thus, the sales revenue from the 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 obtained an understanding of and assessed internal controls relating to sales revenue from the customer, including credit condition, sale price and payment conditions, and confirm whether the significant transactions have been appropriately approved, and whether they obtained validated supporting documents that include the searching of relevant information of the customer.

2. We selected samples of revenue of the customer, we checked the records against the sales documents such as purchase orders, invoices, subsequent receive to assess the accuracy.

3. We tested trade receivables, notes receivable and revenue of the customer by confirmations to check the records to assess the accuracy.

4. We inspected subsequent transactions after the reporting period to ensure no material sales returns and discounts occurred from the 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, are based solely on the report of other auditors. The total assets of those subsidiaries were NT$429,052 thousand and NT$445,207 thousand, which constituted 6.66% and 7.09% of consolidated total assets as of December 31, 2017 and 2016, respectively, and total revenues were NT$586,761 thousand and NT$620,863 thousand, which constituted 10.42% and 11.93% of consolidated total revenues for the years then ended, respectively.

We have also audited the parent company only financial statements of Edimax Technology Co., Ltd. as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified opinion with other matter paragraph and an unqualified opinion subsequent to revision, respectively.

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 supervisors, 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, 2017 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 Tza-Li Gung and Ching-Jen Chang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2018

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to 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, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 708,374	11	$ 825,729	13
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	723	-
Held-to-maturity financial assets - current (Notes 4 and 8)	45,650	1	-	-
Notes receivable from unrelated parties (Notes 4 and 10)	14,063	-	17,699	-
Trade receivables from unrelated parties (Notes 4, 10 and 32)	1,239,038	19	1,122,753	18
Other receivables (Notes 10 and 32)	23,330	-	28,223	-
Current tax assets (Notes 4 and 25)	353	-	464	-
Inventories (Notes 4 and 11)	1,412,987	22	1,277,274	20
Prepayments	74,096	1	97,526	2
Other financial assets - current (Notes 17 and 34)	203,793	3	8,019	-
Other current assets (Note 30)	32,777	1	28,548	1
Total current assets	3,754,461	58	3,406,958	54
NON-CURRENT ASSETS				
Held-to-maturity financial assets - non-current (Notes 4 and 8)	-	-	46,170	1
Financial assets measured at cost - non-current (Notes 4 and 9)	21,616	-	18,616	-
Property, plant and equipment (Notes 4, 14 and 34)	2,478,439	38	2,454,618	39
Intangible assets (Notes 4 and 16)	33,147	1	29,491	1
Deferred tax assets (Notes 4 and 25)	57,294	1	88,659	2
Refundable deposits (Note 30)	11,432	-	16,350	-
Other financial assets - non-current (Notes 17, 19 and 34)	51,507	1	212,142	3
Other non-current assets	31,815	1	2,759	-
Total non-current assets	2,685,250	42	2,868,805	46
TOTAL	$ 6,439,711	100	$ 6,275,763	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 18 and 34)	$ 744,818	12	$ 126,500	2
Short-term bills payable (Note 18)	29,973	-	-	-
Notes payable to unrelated parties	4,903	-	6,249	-
Accounts payable to unrelated parties	1,036,823	16	1,205,796	19
Other payables (Note 20)	341,277	5	357,129	6
Current tax liabilities (Notes 4 and 25)	30,185	1	24,634	-
Provisions - current (Note 4)	-	-	1,715	-
Current portion of bonds payable (Notes 4, 19 and 34)	289,959	5	-	-
Current portion of long-term borrowings (Notes 4, 18 and 34)	83,552	1	83,552	1
Other current liabilities	167,558	3	115,743	2
Total current liabilities	2,729,048	43	1,921,318	30
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4, 19 and 34)	-	-	295,078	5
Long-term borrowings (Notes 18 and 34)	1,434,314	22	1,517,866	24
Deferred tax liabilities (Notes 4 and 25)	614	-	1,454	-
Net defined benefit liabilities - non-current (Notes 4 and 21)	54,548	1	51,630	1
Guarantee deposits received	60	-	60	-
Total non-current liabilities	1,489,536	23	1,866,088	30
Total liabilities	4,218,584	66	3,787,406	60
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital				
Common stocks	2,003,788	31	1,999,355	32
Certificate of entitlement to new shares from convertible bond	9,458	-	-	-
Total share capital	2,013,246	31	1,999,355	32
Capital surplus	227,236	4	224,984	4
Retained earnings (accumulated deficits)				
Legal reserve	62,510	1	54,213	1
Unappropriated earnings (accumulated deficits)	(168,109)	(3)	117,000	2
Total retained earnings (accumulated deficits)	(105,599)	(2)	171,213	3
Other equity				
Exchange differences arising from translation to the presentation currency	(12,840)	-	3,204	-
Treasury shares	(170,799)	(3)	(170,799)	(3)
Total equity attributable to owners of the Company	1,951,244	30	2,227,957	36
NON-CONTROLLING INTERESTS	269,883	4	260,400	4
Total equity	2,221,127	34	2,488,357	40
TOTAL	$ 6,439,711	100	$ 6,275,763	100

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

(With Deloitte & Touche auditors’ report dated March 22, 2018)

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 23 and 38)	$ 5,632,913	100	$ 5,203,879	100
OPERATING COSTS (Notes 11 and 24)	(4,202,214)	(74)	(3,757,035)	(72)
GROSS PROFIT	1,430,699	26	1,446,844	28
OPERATING EXPENSES (Notes 21 and 24)				
Selling and marketing expenses	(665,063)	(12)	(659,675)	(13)
General and administrative expenses	(282,627)	(5)	(265,252)	(5)
Research and development expenses	(514,269)	(9)	(430,884)	(8)
Total operating expenses	(1,461,959)	(26)	(1,355,811)	(26)
PROFIT (LOSS) FROM OPERATIONS	(31,260)	-	91,033	2
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 24)	22,167	1	92,836	2
Other gains and losses (Note 24)	(41,141)	(1)	(35,868)	(1)
Finance costs (Note 24)	(36,255)	(1)	(32,676)	(1)
Total non-operating income and expenses	(55,229)	(1)	24,292	-
PROFIT (LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS	(86,489)	(1)	115,325	2
INCOME TAX EXPENSE (Notes 4 and 25)	(50,002)	(1)	(28,899)	-
NET (LOSS) PROFIT FROM CONTINUING OPERATIONS	(136,491)	(2)	86,426	2
NET LOSS FROM DISCONTINUED OPERATIONS (Note 12)	(205)	-	-	-
NET (LOSS) PROFIT FOR THE YEAR	(136,696)	(2)	86,426	2
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 21)	(6,420)	-	(10,785)	-

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EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	$ (20,664)	(1)	$ (28,071)	(1)
Income tax relating to components of other comprehensive income	662	-	634	-
Other comprehensive (loss) income for the year, net of income tax	(26,422)	(1)	(38,222)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ (163,118)	(3)	$ 48,204	1
NET (LOSS) PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ (180,219)	(3)	$ 82,971	2
Non-controlling interests	43,523	1	3,455	-
	$ (136,696)	(2)	$ 86,426	2
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ (200,305)	(4)	$ 49,823	1
Non-controlling interests	37,187	1	(1,619)	-
	$ (163,118)	(3)	$ 48,204	1
EARNINGS (LOSS) PER SHARE (Note 27)				
From continuing and discontinued operations				
Basic	$ (0.99)		$ 0.45	
Diluted	$ (0.99)		$ 0.42	
From continuing operations				
Basic	$ (0.98)		$ 0.45	
Diluted	$ (0.98)		$ 0.42	

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

(With Deloitte & Touche auditors' report dated March 22, 2018) (Concluded)

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company (Note 22)											
	Share Capital				Retained Earnings (Accumulated Deficits)			Other Equity				
	Common Stock	Certificate of Entitlement to New Shares from Convertible Bond	Total	Capital Surplus (Note 22)	Legal Reserve	Unappropriated Earnings (Accumulated Deficits)	Total	Exchange Differences on Translating Foreign Operations	Treasury Shares	Total	Non-controlling Interests (Note 22)	Total Equity
BALANCE AT JANUARY 1, 2016	$ 1,988,890	$ -	$ 1,988,890	$ 222,957	$ 39,160	$ 150,143	$ 189,303	$ 27,842	$ (170,799)	$ 2,258,193	$ 261,832	$ 2,520,025
Appropriation of 2015 earnings												
Legal reserve	-	-	-	-	15,053	(15,053)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(92,551)	(92,551)	-	-	(92,551)	-	(92,551)
Adjustment of capital surplus arising from issuing dividends to subsidiaries	-	-	-	1,213	-	-	-	-	-	1,213	-	1,213
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	-	312	-	-	-	-	-	312	187	499
Net profit for the year ended December 31, 2016	-	-	-	-	-	82,971	82,971	-	-	82,971	3,455	86,426
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(8,510)	(8,510)	(24,638)	-	(33,148)	(5,074)	(38,222)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	74,461	74,461	(24,638)	-	49,823	(1,619)	48,204
Convertible bonds converted to common stocks	10,465	-	10,465	502	-	-	-	-	-	10,967	-	10,967
BALANCE AT DECEMBER 31, 2016	1,999,355	-	1,999,355	224,984	54,213	117,000	171,213	3,204	(170,799)	2,227,957	260,400	2,488,357
Appropriation of 2016 earnings												
Legal reserve	-	-	-	-	8,297	(8,297)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(92,551)	(92,551)	-	-	(92,551)	-	(92,551)
Adjustment of capital surplus arising from issuing dividends to subsidiaries	-	-	-	1,213	-	-	-	-	-	1,213	-	1,213
Other changes in capital surplus												
Share-based payments (Note 29)	-	-	-	967	-	-	-	-	-	967	-	967
Net profit (loss) for the year ended December 31, 2017	-	-	-	-	-	(180,219)	(180,219)	-	-	(180,219)	43,523	(136,696)
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(4,042)	(4,042)	(16,044)	-	(20,086)	(6,336)	(26,422)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	(184,261)	(184,261)	(16,044)	-	(200,305)	37,187	(163,118)
Convertible bonds converted to common stocks	4,433	9,458	13,891	72	-	-	-	-	-	13,963	-	13,963
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	(27,704)	(27,704)
BALANCE AT DECEMBER 31, 2017	$ 2,003,788	$ 9,458	$ 2,013,246	$ 227,236	$ 62,510	$ (168,109)	$ (105,599)	$ (12,840)	$ (170,799)	$ 1,951,244	$ 269,883	$ 2,221,127

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

(With Deloitte & Touche auditors' report dated March 22, 2018)

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	$ (86,489)	$ 115,325
Income before income tax from discontinued operations	(205)	-
Income before income tax	(86,694)	115,325
Adjustments for:		
Depreciation expenses	129,229	85,816
Amortization expenses	6,469	10,120
Provision/(reversal) of doubtful accounts	1,351	(910)
Net gain (loss) on fair value change of financial assets and liabilities designated as at fair value through profit or loss	2,071	(7,007)
Finance costs	36,255	32,676
Interest income	(5,218)	(4,746)
Share-based payment	967	-
Loss on disposal of property, plant and equipment	13	1,446
Gain on disposal of investment properties	-	(57,830)
Loss on disposal of investments	-	551
Write-down of inventories	62,205	47,731
Changes in operating assets and liabilities		
Decrease in notes receivable	3,636	8,425
Increase in trade receivables	(117,334)	(116,126)
(Increase)/decrease in other receivables	5,081	(2,635)
Increase in inventories	(195,854)	(167,450)
(Increase)/decrease in prepayment	23,430	(36,557)
Increase in other current assets	(4,229)	(11,961)
Increase/(decrease) in notes payables	(1,346)	2,518
Increase in short-term notes and bills	29,973	-
Increase/(decrease) in trade payables	(168,973)	208,717
Increase/(decrease) in other payables	(15,852)	75,410
Decrease in provisions	(1,715)	(796)
Increase in other current liabilities	51,815	11,859
Decrease in net defined benefit liabilities	(2,840)	(4,830)
Cash (used in) generated from operations	(247,560)	189,746
Interest received	5,030	5,182
Interest paid	(27,411)	(23,970)
Income tax paid	(13,815)	(45,981)
Net cash (used in) generated from operating activities	(283,756)	124,977
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(1,348)	(52,958)
Proceeds from sale of financial assets and liabilities at fair value through profit or loss	-	85,180
Purchase of financial assets measured at cost	(3,000)	-
Payments for property, plant and equipment	(156,806)	(2,091,376)
Proceeds from disposal of property, plant and equipment	4,029	5,507

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EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Decrease in refundable deposits	$ 4,918	$ 1,798
Payments for intangible assets	(10,183)	(4,373)
Proceeds from disposal of investment properties	-	95,984
Decrease/(increase) in other financial assets	(35,139)	65,699
Decrease/(increase) in other non-current assets	(29,056)	4,569
Decrease in prepayments for equipment	-	406,322
Net cash used in investing activities	(226,585)	(1,483,648)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	618,318	-
Repayments of short-term borrowings	-	(138,673)
Repayments of bonds payable	-	(515)
Proceeds from long-term borrowings	-	1,601,418
Repayments of long-term borrowings	(83,552)	-
Refund of guarantee deposits received	-	(8,662)
Dividends paid to owners of the Company	(119,042)	(91,338)
Difference in non-controlling interests	-	499
Net cash generated from financing activities	415,724	1,362,729
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(22,738)	(22,767)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(117,355)	(18,709)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	825,729	844,438
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 708,374	$ 825,729

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

(With Deloitte & Touche auditors' report dated March 22, 2018) (Concluded)

1. ORGANIZATION AND OPERATIONS

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 22, 2018.

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 FSC

   Except for the following, whenever applied, 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 would not have any material impact on the Group's accounting policies:

   1) Amendment to IFRS 2 "Share-Based Payment"

      IFRS 2 was amended by the Annual Improvements to IFRSs 2010-2012 Cycle to change the definitions of "vesting condition" and "market condition" and add definitions of "performance condition" and "service condition". The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Group or another entity in the same group or the market price of the equity instruments of the Group or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Group as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Group, but also of other entities outside the Group. The share-based payment arrangements with market conditions, non-market conditions or non-vesting conditions will be accounted for differently, and the aforementioned amendment will be applied prospectively to those share-based payments granted on or after January 1, 2017. Refer to Note 29 for information on the share-based payments granted in 2017.

2) Amendments to IFRS 13 “Fair Value Measurement”

The basis for conclusions of IFRS 13 was amended by the Annual Improvements to IFRSs 2010-2012 Cycle to clarify that when the amendments becomes effective in 2017, the short-term receivables and payables with no stated interest rates are measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IFRS 13 was also amended by the Annual Improvements to IFRSs 2011-2013 Cycle to clarify that the scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32. When the amended IFRS 13 becomes effective in 2017, the Group will measure the fair value of those contracts on a net basis retrospectively.

3) Amendments to IAS 16 “Property, Plant and Equipment”

The amendment “Clarification of Acceptable Methods of Depreciation and Amortization” amended IAS 16 to stipulate that the entity should use appropriate depreciation method to reflect the pattern in which the future economic benefits of property, plant and equipment are expected to be consumed by the entity. It stipulates that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

4) Amendment to IAS 19 “Employee Benefits”

IAS 19 was amended by the Annual Improvements to IFRSs 2012-2014 Cycle to clarify that the depth of the market for high quality corporate bonds used to estimate discount rate for post-employment benefits should be assessed by the market of the corporate bonds denominated in the same currency as the benefits to be paid, i.e. assessed at currency level (instead of country or regional level). The amendment will be applied from January 1, 2016, and any adjustment arising from the initial application of the amendment will be recognized in net defined benefit liabilities, deferred tax asset and retained earnings.

5) Amendment to IAS 24 “Related Party Disclosures”

IAS 24 was amended by the Annual Improvements to IFRSs 2010-2012 Cycle to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

6) Amendment to IAS 36 “Impairment of Assets”

The amendment “Disclosures for Non-financial Assets” clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Group is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique.

7) Amendment to IAS 38 “Intangible assets”

The amendment “Clarification of Acceptable Methods of Depreciation and Amortization” amended IAS 38 to stipulate that the entity should use appropriate amortization method to reflect the pattern in which the future economic benefits of the intangible assets are expected to be consumed by the entity. It clarifies there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances when:

a) The intangible asset is expressed as a measure of revenue (for example, which there is a contract that specifies the entity’s use of the intangible asset will expire upon achievement of a revenue threshold); or

b) It can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

8) Amendment to IAS 40 “Investment Property”

IAS 40 was amended by the Annual Improvements to IFRSs 2011-2013 Cycle to clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required to determine whether the investment property acquired is acquisition of an asset or is a business combination. The amendment will be applied prospectively to acquisitions of investment property on or after January 1, 2017.

9) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Group, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group has significant transaction. If the transaction amount or balance with a specific related party is 10% or more of the Group’s respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

b. The IFRSs endorsed by the FSC for application starting from 2018.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 "Financial Instruments" and related amendments

Classification, measurement and impairment of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss, if any, recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;

b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Group analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

a) Unlisted shares measured at cost will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal.

b) Debt investments classified as held-to-maturity financial assets and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

IFRS 9 requires impairment loss on financial assets to be recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Group will elect not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9, and will recognize the cumulative effect of the initial application at the date of initial application, and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2018**
Impact on assets, liabilities and equity			
Financial assets measured at cost - non current	$ 21,616	$ (21,616)	$ -
Financial assets at fair value through other comprehensive income - non current	$ -	$ 21,616	$ 21,616

2) IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the entity satisfies a performance obligation.

There is no anticipated impact on assets, liabilities and equity when retrospectively applying IFRS 15 on January 1, 2018.

3) Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendment clarifies that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Group expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve the higher amount, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

4) Amendments to IAS 40 “Transfers of Investment Property”

The amendments clarify that the Group should transfer to, or from, investment property when, and only when, the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management’s intentions for the use of a property does not provide evidence of a change in use. The amendments also clarify that the evidence of the change in use is not limited to those illustrated in IAS 40.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group has completed the assessment of the application of other standards and interpretations and the anticipated impact is immaterial to the Group’s financial position and financial performance.

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

New IFRSs	**Effective Date Announced by IASB (Note 1)**
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
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 16 “Leases”	January 1, 2019 (Note 3)
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 4)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

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 will have 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.

On initial application, the Group shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

Except for the above impact, 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 POLICY

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 twelve 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 twelve months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve 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 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.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

See Note 13 and Table 5 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Foreign currencies

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (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.

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 on 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 not translated using the exchange rate at the date of the transaction.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries, associates, joint ventures or branches operations in other countries or currencies used are different from the Company) are translated into New Taiwan dollars using 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. Property, plant and equipment

Property, plant and equipment are 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.

h. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

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

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.

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 fair value through profit or loss) 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 fair value through profit or loss 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 category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is held for trading.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 32.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and presented in a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

ii. Held-to-maturity investments

Corporate bonds, which is above specific credit ratings and the Group has positive intent and ability to hold to maturity, are classified as held-to-maturity investments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

iii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.
Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investments are disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and presented in a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iv. Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalent, and other receivables are measured at effective interest method amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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.

b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as trade receivables and other receivables, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables, and other situations.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For any available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or disappearance of an active market for that financial asset because of financial difficulties.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the 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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Equity instruments

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a Group entity are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except for financial liabilities at fair value through profit or loss, all financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 32.

b) Derecognition of financial liabilities

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

4) Convertible bonds

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

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

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

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

m. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale based on the seller's reliable estimate of future returns and recognizes a liability for returns based on past experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

2) Rendering of services

Service income is recognized when services are provided.

3) Dividend income and interest income

Dividend income from investments is recognized when the shareholder’s right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the applicable effective interest rate.

n. Leasing

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

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents arising under operating leases are recognized as an expense in the period in which they are incurred.

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 liability (asset) 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. 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 vesting 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 at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the 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 in the consolidated financial statements 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 on all deductible temporary differences, unused loss carryforward, and research and development expenditure 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 on 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 only recognized 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 liability is settled or the asset 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, estimates 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.

a. Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

b. Write-down of inventory

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

c. Recognition and measurement of defined benefit plans

The net defined benefit liabilities (assets) and the resulting defined benefit costs under the defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rates, rates of employee turnover, future salary increases, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of related expenses and liabilities.

d. Income taxes

As of December 31, 2017 and 2016, no deferred tax assets have been recognized on tax losses of $612,890 thousand and $374,968 thousand, respectively, due to the unpredictability of future profit streams. The realizability of deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available for the recovery of the assets. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	**2016**
Cash on hand	$ 1,178	$ 1,171
Checking accounts and demand deposits	608,988	753,608
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	98,208	70,950
	$ 708,374	$ 825,729

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

	December 31	
	2017	**2016**
Demand deposits	0.001%-0.5%	0.001%-0.5%
Time deposits with original maturities less than 3 months	0.50%-1.80%	0.16%-0.26%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2017	2016
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	$ -	$ 523
Cross-currency swap contracts	-	200
	$ -	$ 723

At the end of the reporting period, outstanding cross-currency swap contracts and foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2016			
Cross-currency swaps	EUR/USD	2017.03.20	EUR60/USD64
Cross-currency swaps	EUR/USD	2017.03.20	EUR60/USD65
Foreign exchange forward contracts	EUR/USD	2017.01.23	EUR300/USD316
Foreign exchange forward contracts	EUR/USD	2017.01.23	EUR200/USD217
Foreign exchange forward contracts	EUR/USD	2017.02.22	EUR200/USD217
Foreign exchange forward contracts	EUR/USD	2017.03.29	EUR200/USD216

The Group entered into derivative financial instruments to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness; therefore, were not accounted for by using hedge accounting.

8. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2017	2016
Current		
Cayman Ton Yi Industrial Holding Limited	$ 45,650	$ -
Non-current		
Cayman Ton Yi Industrial Holding Limited	$ -	$ 46,170

9. FINANCIAL ASSETS MEASURED AT COST

	December 31 2017	December 31 2016
Non-current		
Overseas unlisted ordinary shares		
Bluechip Infotech Pty. Ltd.	$ 18,616	$ 18,616
Domestic unlisted ordinary shares		
Status Internet Co., Ltd.	3,000	-
	$ 21,616	$ 18,616

Management believed that the above unlisted equity investments held by the Group have fair value that cannot be reliably measured due to the range of reasonable fair value estimates was so significant; therefore, they were measured at cost less impairment at the end of the reporting period.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31 2017	December 31 2016
Notes receivable		
Notes receivable	$ 14,063	$ 17,699
Trade receivables		
Trade receivables	$ 1,266,404	$ 1,141,203
Less: Allowance for impairment loss	(19,499)	(18,450)
Less: Allowance for sales returns and discounts	(7,867)	-
	$ 1,239,038	$ 1,122,753
Other receivables		
Others	$ 23,330	$ 28,223

Trade Receivables

The average credit periods of the Group's sales of goods vary among clients. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. The Group recognized an allowance for impairment loss of 100% against all receivables over 365 days past due based on historical experience. Allowance for impairment loss is recognized against trade receivables between 0 days and 365 days past due based on estimated irrecoverable amount determined by reference to past default experience of the counterparties and an analysis of their current financial position.

The aging of receivables was as follows:

	December 31	
	2017	2016
0-30 days	$ 1,192,607	$ 1,038,398
31-90 days	51,722	64,539
91-180 days	3,806	18,545
More than 180 days	18,269	19,721
	$ 1,266,404	$ 1,141,203

The above aging schedule was based on the past due days from end of credit term.

The movements in the allowance for doubtful trade receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ -	$ 18,450	$ 18,450
Add: Impairment losses recognized on receivables	-	1,351	1,351
Foreign exchange translation gains and losses	-	(302)	(302)
Balance at December 31, 2017	$ -	$ 19,499	$ 19,499
Balance at January 1, 2016	$ -	$ 19,420	$ 19,420
Less: Reversal of doubtful accounts	-	(910)	(910)
Foreign exchange translation gains and losses	-	(60)	(60)
Balance at December 31, 2016	$ -	$ 18,450	$ 18,450

Factored trade receivable is disclosed in Note 32.

11. INVENTORIES

	December 31	
	2017	2016
Raw materials	$ 772,536	$ 744,969
Finished goods	168,518	146,534
Work-in-process	283,072	230,538
Merchandise	188,861	155,233
	$ 1,412,987	$ 1,277,274

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 was $4,167,813 thousand and $3,741,243 thousand, respectively.

The cost of goods sold for the years ended December 31, 2017 and 2016 included inventory write-downs of $62,205 thousand and $47,731 thousand, respectively.

12. DISCONTINUED OPERATIONS

Global Automation Technology Inc. ("Global Automation") was incorporated in June 2013. Global Automation was engaged in networking equipment wholesale. As profit targets were not achieved and prospects were not as good as envisioned, the board of directors approved to dissolve Global Automation on October 19, 2017, and it has liquidated in November 2017. The financial information of Global Automation for the year ended December 31, 2017 is summarized as follows:

	For the Year Ended December 31, 2017
Loss from discontinued operations	
Revenue	$ 4
Cost of sales and expenses	(209)
Loss before tax	(205)
Income tax expense	-
Loss for the year from discontinued operations	$ (205)
Loss for the year from discontinued operations attributable to:	
Owners of the Company	$ (205)
Cash flows from discontinued operations	
Net cash outflows from operating activities	$ (205)
Net cash outflows from investing activities	-
Net cash outflows from financing activities	-
Net cash outflows	$ (205)

The assets and liabilities of the company at the date of disposal are disclosed in Note 27.

13. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership December 31 2017	2016	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%	1)
The Company	Datamax Technology (BVI) Co., Ltd. ("Datamax BVI")	Investing	-	100.00%	1)
The Company	ABS Telecom Inc. ("ABS Telecom")	Telecommunication equipment wholesale, transmission and rental	100.00%	100.00%	
The Company	Edimax Technology Australia Pty, Ltd. ("Edimax AU")	Networking equipment wholesale	100.00%	100.00%	
The Company	Global Automation Technology Inc. ("Global Automation")	Networking equipment wholesale	-	100.00%	2)
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	100.00%	100.00%	

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership December 31 2017	2016	Remark
The Company	SMAX Technology Co., Ltd. ("SMAX Technology")	Wired and wireless telecommunication equipment for manufacturing	99.16%	99.16%	
The Company	Comtrend Corporation ("Comtrend")	Cable and telecommunication transmission equipment	46.95%	46.95%	
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%	-	1)
Datamax BVI	Datamax (HK) Co., Ltd. ("Datamax HK")	Investing	-	100.00%	1)
ABS Telecom	ABST Information International Inc. ("ABST")	Investing	100.00%	100.00%	
Comtrend	Comtrend Corporation, USA ("CUSA")	Cable and cables transmission equipment wholesale, retail sale and international trade, etc.	100.00%	100.00%	
Comtrend	Interchan Global Limited ("Interchan Global")	Investing	100.00%	100.00%	
Comtrend	Comtrend Technology (Netherlands) B.V. ("CTBV")	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	100.00%	100.00%	
ABST	ABST Information Telecom Service Inc.	Telecommunication equipment wholesale, transmission and rental	100.00%	100.00%	
Interchan Global	Just Top Limited ("Just Top")	Telecommunication construction and wholesale	100.00%	100.00%	
Interchan Global	Interchan Taiwan ("8086")	Telecommunication construction and wholesale	100.00%	100.00%	
Just Top	PT Interchan	Telecommunication construction and wholesale	100.00%	100.00%	
Just Top	PHP Interchan	Telecommunication construction and wholesale	100.00%	100.00%	
CTBV	Comtrend Central Europe S.R.O. ("CCE")	Cable and cables transmission equipment wholesale, retail sale and international trade, etc.	100.00%	100.00%	
CTBV	Comtrend Iberia S.L. ("Comtrend Iberia")	Cable and noncable transmission service	100.00%	100.00%	

(Concluded)

1) On December 13, 2016, in an effort to simplify the structure of organizations, integrate company resources and reduce costs, the board of directors agreed to the merger of certain companies with target merger date set on January 1, 2017, and the companies are Edimax BVI and Datamax BVI, both owned by the Group with 100% ownership. Edimax BVI will be the surviving company after the merger.

2) The Group has finished the liquidation procedures of Global Automation in October 2017, please refer to Note 27 for additional information.

As of December 31, 2017 and 2016, the Group held 46.95% of Comtrend's voting shares, 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 2017	2016
Comtrend	Taiwan	53.05%	53.05%

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests For the Year Ended December 31 2017	2016	Accumulated Non-controlling Interests December 31 2017	2016
Comtrend	$ 43,495	$ 3,464	$ 296,325	$ 288,977

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	
	2017	2016
Current assets	$ 1,043,466	$ 952,503
Non-current assets	96,791	119,117
Current liabilities	(580,721)	(526,054)
Non-current liabilities	(960)	(840)
Equity	$ 558,576	$ 544,726
Equity attributable to:		
Owners of Comtrend	$ 262,251	$ 255,749
Non-controlling interests of Comtrend	296,325	288,977
	$ 558,576	$ 544,726

	For the Year Ended December 31	
	2017	2016
Revenue	$ 1,966,212	$ 1,442,275
Profit for the period	$ 81,989	$ 6,529
Other comprehensive income (loss) for the period	(15,920)	(10,861)
Total comprehensive income (loss) for the period	$ 66,069	$ (4,332)
Profit attributable to:		
Owners of Comtrend	$ 38,494	$ 3,065
Non-controlling interests of Comtrend	43,495	3,464
	$ 81,989	$ 6,529
Total comprehensive income (loss) attributable to:		
Owners of Comtrend	$ 31,019	$ (2,034)
Non-controlling interests of Comtrend	35,050	(2,298)
	$ 66,069	$ (4,332)
Net cash inflow (outflow) from:		
Operating activities	$ (79,520)	$ 7,117
Investing activities	(31,183)	(14,138)
Financing activities	22,459	(30,000)
Effect of exchange rate	(6,659)	(7,655)
Net cash outflow	$ (94,903)	$ (44,676)

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Total
Cost					
Balance at January 1, 2016	$ 77,733	$ 151,327	$ 384,478	$ 494,490	$ 1,108,028
Additions	1,225,018	782,147	34,830	49,381	2,091,376
Disposals	-	-	(7,338)	(22,200)	(29,538)
Effect of foreign currency exchange differences	(115)	(302)	(27,897)	(8,939)	(37,253)
Balance at December 31, 2016	$ 1,302,636	$ 933,172	$ 384,073	$ 512,732	$ 3,132,613
Accumulated depreciation and impairment					
Balance at January 1, 2016	$ -	$ 21,608	$ 290,143	$ 331,755	$ 643,506
Depreciation expense	-	19,238	15,864	50,451	85,553
Disposals	-	-	(6,087)	(16,498)	(22,585)
Effect of foreign currency exchange differences	-	(166)	(20,443)	(7,870)	(28,479)
Balance at December 31, 2016	$ -	$ 40,680	$ 279,477	$ 357,838	$ 677,995
Carrying amounts at December 31, 2016	$ 1,302,636	$ 892,492	$ 104,596	$ 154,894	$ 2,454,618
Cost					
Balance at January 1, 2017	$ 1,302,636	$ 933,172	$ 384,073	$ 512,732	$ 3,132,613
Additions	3,644	3,789	47,152	102,221	156,806
Disposals	-	-	(3,787)	(20,557)	(24,344)
Effect of foreign currency exchange differences	(497)	(1,326)	(3,819)	(1,629)	(7,271)
Balance at December 31, 2017	$ 1,305,783	$ 935,635	$ 423,619	$ 592,767	$ 3,257,804
Accumulated depreciation and impairment					
Balance at January 1, 2017	$ -	$ 40,680	$ 279,477	$ 357,838	$ 677,995
Depreciation expense	-	20,696	29,922	78,611	129,229
Disposals	-	-	(3,163)	(17,139)	(20,302)
Effect of foreign currency exchange differences	-	(762)	(2,830)	(3,965)	(7,557)
Balance at December 31, 2017	$ -	$ 60,614	$ 303,406	$ 415,345	$ 779,365
Carrying amounts at December 31, 2017	$ 1,305,783	$ 875,021	$ 120,213	$ 177,422	$ 2,478,439

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the assets:

Building	35-50 years
Machinery and equipment	3-13 years
Other equipment	1-6 years

Property, plant and equipment pledged as collateral for bank borrowings and issuing of bonds were set out in Note 34.

15. INVESTMENT PROPERTIES

	Land	Building	Total
Cost			
Balance at January 1, 2016	$ 27,260	$ 23,571	$ 50,831
Disposals	(27,260)	(23,571)	(50,831)
Balance at December 31, 2016	$ -	$ -	$ -
Accumulated depreciation and impairment			
Balance at January 1, 2016	$ -	$ 12,414	$ 12,414
Depreciation expense	-	263	263
Disposals	-	(12,677)	(12,677)
Balance at December 31, 2016	$ -	$ -	$ -

The investment properties are depreciated on a straight-line basis over the estimated useful life as follows:

Building	3-45 years

16. INTANGIBLE ASSETS

	Goodwill	Computer Software	Total
Cost			
Balance at January 1, 2016	$ 31,842	$ 48,399	$ 80,241
Additions	-	4,373	4,373
Effect of foreign currency exchange differences	-	(90)	(90)
Balance at December 31, 2016	$ 31,842	$ 52,682	$ 84,524
Accumulated amortization and impairment			
Balance at January 1, 2016	$ 8,611	$ 36,302	$ 44,913
Amortization expense	-	10,120	10,120
Balance at December 31, 2016	$ 8,611	$ 46,422	$ 55,033
Carrying amounts at December 31, 2016	$ 23,231	$ 6,260	$ 29,491
Cost			
Balance at January 1, 2017	$ 31,842	$ 52,682	$ 84,524
Additions	-	10,183	10,183
Effect of foreign currency exchange differences	-	(58)	(58)
Balance at December 31, 2017	$ 31,842	$ 62,807	$ 94,649

(Continued)

	Goodwill	Computer Software	Total
Accumulated amortization and impairment			
Balance at January 1, 2017	$ 8,611	$ 46,422	$ 55,033
Amortization expense	-	6,469	6,469
Balance at December 31, 2017	$ 8,611	$ 52,891	$ 61,502
Carrying amounts at December 31, 2017	$ 23,231	$ 9,916	$ 33,147

(Concluded)

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

Computer software	1-11 years

17. OTHER ASSETS

	December 31	
	2017	2016
Current		
Time deposits with original maturity of more than 3 months	$ 5,211	$ 4,364
Reimbursement account	198,582	3,655
	$ 203,793	$ 8,019
Non-current		
Time deposits with original maturity of more than 3 months	$ 2,229	$ 876
Pension reserve fund	48,692	42,655
Reimbursement account	-	168,025
Pledged time deposits	586	586
	$ 51,507	$ 212,142

Note 1: The intervals of market interest rates of time deposits with original maturity of more than 3 months were 0.53%-1.80% and 0.53%-1.065% per annum as of December 31, 2017 and 2016, respectively.

Note 2: The pension reserve fund comprises pension contributions to the pension fund of managerial personnel of the Company.

Note 3: Other financial assets comprise the deposits pledged by the Group to secure debt instruments. Refer to Note 34 for information relating to debt instruments with other financial assets as security.

18. BORROWINGS

a. Short-term borrowings

	December 31	
	2017	2016
Secured borrowings		
Bank loans (Notes 1 and 2)	$ 1,000	$ 5,500
Unsecured borrowings		
Bank loans (Note 1)	743,818	121,000
	$ 744,818	$ 126,500

Note 1: The range of weighted average effective interest rate on bank loans was 1.00%-2.99% and 1.10%-2.00% per annum as of December 31, 2017 and 2016, respectively.

Note 2: The bank borrowings were secured by the Group's buildings and promissory notes; please referred to Note 34 for additional information.

b. Short-term bills payable

	December 31	
	2017	2016
Commercial paper	$ 30,000	$ -
Less: Unamortized discounts on bills payable	(27)	-
	$ 29,973	$ -

The interest rate of the short-term bills payable was 1.038% as of December 31, 2017.

c. Long-term borrowings

	December 31	
	2017	2016
Secured borrowings		
Bank loans	$ 1,517,866	$ 1,601,418
Less: Current portions	(83,552)	(83,552)
Long-term borrowings	$ 1,434,314	$ 1,517,866

The bank borrowings are secured by the Group's land and buildings; please refer to Note 34 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 operation.

19. BONDS PAYABLE

	December 31 2017	2016
Secured domestic convertible bonds		
Total convertible bonds issued		
Sixth issuance of secured convertible bonds	$ 400,000	$ 400,000
Amount converted	(108,600)	(94,500)
Discount on bonds payable	(1,441)	(10,422)
Current portion of puttable bonds	(289,959)	-
	$ -	$ 295,078

Conditions of issuance of aforementioned convertible bonds were as follows:

The sixth issuance of secured domestic bonds was decided by the board of directors on December 3, 2012, approved by the Securities and Futures Bureau on January 24, 2013, and completed on February 25, 2013. The major terms of issuance were as follows:

a. Issue denomination: NT$400,000 thousand.

b. Coupon rate: 0%

c. Type of bond: Sixth issuance of secured domestic convertible bonds.

d. Issue period: 5 years (February 27, 2013 to February 27, 2018).

e. Circumstances of security:

The Company's convertible bonds are secured by CTBC Bank and KGI Bank, with each securing 50% of the amount.

According to the contract signed with CTBC Bank and KGI Bank, the Company-owned portion of buildings 577 and 599, Shishing section, Zhubei City, Hsinchu County and the land No. 53 at which the buildings are located, should be levied, and the maximum amount of mortgage of $75 million should be set out to CTBC Bank and KGI Bank at first cis-position.

f. The Company's call option:

1) The Company should redeem the bonds at face value on the redemption date of the convertible bonds, except for those already converted or redeemed.

2) Redemption price before the maturity date

a) From one month after the issuance date to 40 days before the maturity date, if the closing price of the Company's shares on the Taipei Exchange is higher than 130% of the conversion price for 30 consecutive trading days, the Company may redeem the remaining bonds at their face value by cash in 30 trading days after the redemption date.

b) From one month after the issuance date to 40 days before the maturity date, if the value of outstanding convertible bonds is less than $40,000 thousand (10% of initial issued bonds), the Company may redeem the remaining bonds at their face value by cash any time after the redemption date.

g. Bondholders' put options:

From 30 days until 3 years after the issuance date, bondholders may request the Company to repurchase the bonds at their face value plus interest (103.0301% of face value).

h. Conversion:

1) Conversion subject: The Company's shares.

2) Conversion period: From one month after the issuance date to 10 days before the maturity date.

3) Conversion price and adjustment:

Conversion price is calculated as either one of the average price on 1, 3 and 5 trading days before the conversion price date, which is February 20, 2013, times the premium rate of 103.00%. The conversion price approved by the Securities and Futures Bureau is $13.60. However, in the event of change in the number of the Company's issued shares after the issuance of the bonds, the conversion price will be adjusted according to the terms of issuance. As of December 31, 2017, the conversion price was $10.15.

i. According to the contract signed with CTBC Bank and KGI Bank, during the existence of the bonds payable, the Company should open an account reserved for debt repayment fund, with the carrying amount of the fund held in accordance with the contract. As of December 31, 2017, the Company has deposited $198,575 thousand to the fund account, recognized as other financial assets - non-current. Please refer to Note 17.

j. As of December 31, 2017, the Company's convertible bonds from the sixth issuance of convertible bonds with face value of $108,600 thousand have been converted to 9,093 thousand shares, and the capital surplus amounted to $7,830 thousand.

20. OTHER LIABILITIES

	December 31	
	2017	**2016**
Other payables		
Payable for royalties	$ 3,386	$ 3,669
Payable for labor fee	13,704	13,394
Payable for salaries	109,757	104,704
Payable for employees' bonuses and directors' remuneration	18,810	25,098
Payable for freight and customs fee	6,564	13,011
Others	189,056	197,253
	$ 341,277	$ 357,129

21. RETIREMENT BENEFIT PLANS

	December 31	
	2017	**2016**
Defined contribution plans	$ 30,976	$ 33,736
Defined benefit plans	23,572	17,894
	$ 54,548	$ 51,630

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 17 for information relating to the pension reserve fund. As of December 31, 2017 and 2016, the Company's contributions to the fund both amounted to $30,975 thousand, and zero pension payment.

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	
	2017	**2016**
Present value of defined benefit obligation	$ 94,406	$ 89,119
Fair value of plan assets	(70,834)	(71,225)
Net defined benefit liability	$ 23,572	$ 17,894

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 Liability
Balance at January 1, 2016	$ 77,535	$ (68,585)	$ 8,950
Service cost			
Current service cost	134	-	134
Net interest expense (income)	1,072	(1,350)	(278)
Recognized in profit or loss	1,206	(1,350)	(144)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	407	407
Actuarial (gain) loss - changes in demographic assumptions	2,230	-	2,230
Actuarial (gain) loss - changes in financial assumptions	7,935	-	7,935
Actuarial (gain) loss - experience adjustments	213	-	213
Recognized in other comprehensive income	10,378	407	10,785
Contributions from the employer	-	(1,798)	(1,798)
Others	-	101	101
Balance at December 31, 2016	89,119	(71,225)	17,894
Service cost			
Current service cost	1,230	-	1,230
Net interest expense (income)	1,096	(1,235)	(139)
Recognized in profit or loss	2,326	(1,235)	1,091
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	274	274
Actuarial (gain) loss - changes in demographic assumptions	823	-	823
Actuarial (gain) loss - changes in financial assumptions	2,524	-	2,524
Actuarial (gain) loss - experience adjustments	2,799	-	2,799
Recognized in other comprehensive income	6,146	274	6,420
Contributions from the employer	-	(1,960)	(1,960)
Benefits paid	(3,185)	3,185	-
Others	-	127	127
Balance at December 31, 2017	$ 94,406	$ (70,834)	$ 23,572

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	
	2017	2016
Selling and marketing expenses	$ (70)	$ (97)
General and administrative expenses	1,309	134
Research and development expenses	(148)	(181)
	$ 1,091	$ (144)

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 by reference to the future salaries of plan participants. As such, an increase in the salary 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	
	2017	**2016**
Discount rate(s)	1.15%-1.38%	1.25%-1.38%
Expected rate(s) of salary increase	2.00%-2.75%	2.00%-2.75%
Turnover rate	6.78%-12.79%	7.80%-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, 2017
Discount rate	
0.5% increase	$ (3,497)
0.5% decrease	$ 3,654
Expected rate of salary increase	
0.5% increase	$ 3,546
0.5% decrease	$ (3,421)

The sensitivity analysis presented above 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	
	2017	**2016**
The expected contributions to the plan for the next year	$ 8,229	$ 7,696
The average duration of the defined benefit obligation	10.63 years	11.13 years

22. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2017	2016
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)	200,378	199,935
Shares issued	$ 2,003,788	$ 1,999,355
Certificate of entitlement to new shares from convertible bond	$ 9,458	$ -

The convertible bonds converted to ordinary shares resulted in the change of share capital of the Company.

As of December 31, 2017, the Company has applied for conversion of bonds of the sixth issuance of secured domestic convertible bonds to 8,147 thousand ordinary shares, and the application and procedures for the conversion of bonds have been approved by the Ministry of Economic Affairs.

In addition, the number of shares to be converted was 946 thousand ordinary shares. Since the application and procedures for the conversion has not yet been completed, the shares are listed under the share capital as certificate of entitlement to new shares from convertible bond.

b. Capital surplus

	December 31	
	2017	2016
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Premium from issuance of common shares	$ 62,571	$ 62,571
Premium from conversion of bonds	77,175	75,485
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	312	312
May be used to offset a deficit only		
Changes in percentage of ownership interest in subsidiaries (2)	5,808	5,808
Treasury share transactions	2,707	1,494
Others	44,259	44,259
May not be used for any purpose		
Employee share options	967	-
Share warrants	33,437	35,055
	$ 227,236	$ 224,984

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 disposal or acquisition, or from changes in capital surplus of subsidiaries accounted for by using equity method.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 13, 2016 and, in that meeting, had resolved amendments to Edimax's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing 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 distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, please refer to 7) employee's compensation and remuneration of directors and supervisors in Note 24.

Under the dividend 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 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.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of earnings for 2016 and 2015 approved in the shareholders' meetings on June 13, 2017 and June 13, 2016, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2016	**2015**	**2016**	**2015**
Legal reserve	$ 8,297	$ 15,053		
Cash dividends	92,551	92,551	$ 0.50	$ 0.50

The deficit compensation for 2017 had been proposed by the Company's board of directors on March 22, 2018. There were as follows:

	Deficit Compensation
Legal reserve used to cover accumulated deficits	$ 62,510
Capital surplus used to cover accumulated deficits	105,599

The deficit compensation for 2017 are subject to the resolution in the shareholders' meeting to be held on June 14, 2018.

d. Other equity

Exchange differences on the conversion of foreign operation's net assets from functional currency to presentational currency (NTD) are recognized in other comprehensive income and accumulated under the account other equity - exchange differences arising from the translation of the financial statements of foreign operations.

e. 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, 2017	14,833	-	2,425	17,258
Increase during the year	-	-	-	-
Decrease during the year	-	-	-	-
Number of shares at December 31, 2017	14,833	-	2,425	17,258
Number of shares at January 1, 2016	14,833	-	2,425	17,258
Increase during the year	-	-	-	-
Decrease during the year	-	-	-	-
Number of shares at December 31, 2016	14,833	-	2,425	17,258

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, 2017			
Comtrend	2,425	$ 22,730	$ 23,599
December 31, 2016			
Comtrend	2,425	22,730	25,467

Comtrend held 5,166 thousand ordinary shares of the Company, and the Company recognized 2,425 thousand treasury shares based on the ownership percentage of 46.95%.

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, retain shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

f. Non-controlling interests

	For the Year Ended December 31	
	2017	**2016**
Balance at January 1	$ 260,400	$ 261,832
Attributable to non-controlling interests:		
Share of profit for the year	43,523	3,455
Exchange difference arising on translation of foreign entities	(4,620)	(3,433)
Remeasurement on defined benefit plans	(2,067)	(1,977)
Related income tax	351	336
Non-controlling interest in acquired subsidiaries	(27,704)	-
Share of changes in capital surplus of associates or joint venture	-	187
Balance at December 31	$ 269,883	$ 260,400

23. REVENUE

	For the Year Ended December 31	
	2017	**2016**
Revenue from the sale of goods	$ 5,585,972	$ 5,172,283
Revenue from the rendering of services	45,470	31,401
Other income	1,471	195
	$ 5,632,913	$ 5,203,879

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

a. Other income

	For the Year Ended December 31	
	2017	**2016**
Interest income		
Bank deposits	$ 5,218	$ 4,746
Rental income		
Operating lease rental income		
Investment property	-	32,960
Dividends	688	733
Others	16,261	54,397
	$ 22,167	$ 92,836

b. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Loss on disposal of property, plant and equipment	$ (13)	$ (1,446)
Gain on disposal of investment property	-	57,830
Loss on disposal of investment	-	(551)
Net foreign exchange loss	(35,712)	(66,894)
Net gain/(loss) arising from financial assets and liabilities designated as at FVTPL	(2,071)	7,007
Other expenses	(3,345)	(31,814)
	$ (41,141)	$ (35,868)

c. Finance costs

	For the Year Ended December 31	
	2017	2016
Interest on bank loans	$ 27,411	$ 23,970
Interest on convertible bonds	8,844	8,706
	$ 36,255	$ 32,676

d. Impairment losses on financial assets (gain on reversal of impairment losses)

	For the Year Ended December 31	
	2017	2016
Trade receivables	$ 1,351	$ (910)

e. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	$ 129,229	$ 85,553
Investment property	-	263
Intangible assets	6,469	10,120
	$ 135,698	$ 95,936
An analysis of depreciation by function		
Operating costs	$ 41,888	$ 21,912
Operating expenses	87,341	63,904
	$ 129,229	$ 85,816
An analysis of amortization by function		
Operating costs	$ 3,466	$ 4,624
Operating expenses	3,003	5,496
	$ 6,469	$ 10,120

f. Employee benefits expense

	For the Year Ended December 31	
	2017	2016
Post-employment benefits (see Note 21)		
Defined contribution plans	$ 30,459	$ 28,071
Defined benefit plans	1,091	(144)
	31,550	27,927
Other employee benefits	1,137,077	1,044,817
Total employee benefits expense	$ 1,168,627	$ 1,072,744
An analysis of employee benefits expense by function		
Operating costs	$ 271,899	$ 248,423
Operating expenses	896,728	824,321
	$ 1,168,627	$ 1,072,744

g. Employees' compensation and remuneration of directors and supervisors

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 remuneration of directors and supervisors for the years ended December 31, 2016 which have been approved by the Company's board of directors on March 3, 2017, were as follows:

Accrual rate

	For the Year Ended December 31, 2016
Employees' compensation	7%
Remuneration of directors and supervisors	2%

Amount

	For the Year Ended December 31, 2016
	Cash
Employees' compensation	$ 7,300
Remuneration of directors and supervisors	2,085

The Company has not accrued employees' compensation and remuneration of directors in 2017 because of the loss before income tax.

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.

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2016.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2018 and 2017 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	
	2017	**2016**
Foreign exchange gains	$ 180,695	$ 173,285
Foreign exchange losses	(216,407)	(240,179)
	$ (35,712)	$ (66,894)

i. Impairment loss on non-financial assets

	For the Year Ended December 31	
	2017	**2016**
Inventories (included in operating costs)	$ 62,205	$ 47,731

25. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2017	**2016**
Current tax		
In respect of the current year	$ 24,302	$ 29,652
Adjustments for prior periods	(5,487)	(622)
	18,815	29,030
Deferred tax		
In respect of the current year	31,187	(131)
Income tax expense recognized in profit or loss	$ 50,002	$ 28,899

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

	For the Year Ended December 31	
	2017	**2016**
Profit (loss) before tax from continuing operations	$ (86,489)	$ 115,325
Income tax expense calculated at the statutory rate	$ 10,103	$ 29,823
Nondeductible expenses in determining taxable income	768	5,926
Tax-exempt income	(664)	(439)
Realization of investment losses	(6,440)	(5,925)
Reduction of loss carryforwards approved by tax administrations	6,697	(747)

(Continued)

	For the Year Ended December 31	
	2017	2016
Investment credits	$ -	$ (5,775)
Additional income tax on unappropriated earnings	-	4,172
Loss carryforwards	20,344	2,098
Unrecognized loss carryforwards/deductible temporary differences	24,681	(8)
Adjustments for prior years' tax	(5,487)	(622)
Effect of different tax rates of Group entities operating in other jurisdictions	-	396
Income tax expense recognized in profit or loss	$ 50,002	$ 28,899

(Concluded)

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in the ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other Group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In February 2018, it was announced by the President that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by $10,111 thousand and $108 thousand, respectively, in 2018.

As the status of 2018 appropriations of earnings is uncertain, the potential income tax consequences of 2017 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	2016
Deferred tax		
In respect of the current year:		
Actuarial gains and losses on defined benefit plan	$ 662	$ 634

c. Current tax assets and liabilities

	December 31	
	2017	2016
Current tax assets		
Tax refund receivable	$ 353	$ 464
Current tax liabilities		
Income tax payable	$ 30,185	$ 24,634

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, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Defined benefit plans	$ -	$ -	$ 162	$ 162
Allowance for doubtful accounts	8,427	(8,427)	-	-
Loss on market price decline of inventories	610	1,274	-	1,884
Unrealized provisions	291	(291)	-	-
Unrealized profits from downstream transactions	5,737	(375)	-	5,362
Unrealized loss on valuation of financial instruments	-	113	-	113
Others	2,109	3,201	-	5,310
	17,174	(4,505)	162	12,831
Loss carryforwards	71,485	(27,022)	-	44,463
	$ 88,659	$ (31,527)	$ 162	$ 57,294
Deferred tax liabilities				
Defined benefit plans	$ 470	$ 30	$ (500)	$ -
Unrealized exchange losses	862	(248)	-	614
Loss on fair value change of financial instrument designated as at fair value through profit or loss	122	(122)	-	-
	$ 1,454	$ (340)	$ (500)	$ 614

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Allowance for doubtful accounts	$ 9,080	$ (653)	$ -	$ 8,427
Loss on market price decline of inventories	3,814	(3,204)	-	610
Unrealized provisions	427	(136)	-	291
Unrealized profits from downstream transactions	4,515	1,222	-	5,737
Loss on fair value change of financial instrument designated as at fair value through profit or loss	928	(928)	-	-

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Unrealized loss on valuation of financial instruments	$ 245	$ (245)	$ -	$ -
Others	2,147	(38)	-	2,109
	21,156	(3,982)	-	17,174
Loss carryforwards	70,134	1,351	-	71,485
	$ 91,290	$ (2,631)	$ -	$ 88,659
Deferred tax liabilities				
Defined benefit plans	$ 1,085	$ 19	$ (634)	$ 470
Unrealized exchange losses	3,765	(2,903)	-	862
Loss on fair value change of financial instrument designated as at fair value through profit or loss	-	122	-	122
	$ 4,850	$ (2,762)	$ (634)	$ 1,454

(Concluded)

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

	December 31	
	2017	2016
Loss carryforwards	$ 381,027	$ 282,370
Deductible temporary differences	231,863	92,598
	$ 612,890	$ 374,968

f. Information about unused loss carryforward

Loss carryforwards as of December 31, 2017 comprised of:

Unused Amount	Expiry Year
$ 3,480	2017
6,449	2018
24,583	2020
45,045	2021
52,157	2022
35,609	2023
22,019	2024
148,781	2025
105,423	2026
199,030	2027
$ 642,576	

g. Integrated income tax

	December 31	
	2017	2016
Unappropriated earnings (accumulated deficits)		
Generated on and after January 1, 1998	$ (168,109) Note	$ 117,000
Shareholder - imputed credits account	$ 6,029 Note	$ 5,235

	For the Year Ended December 31	
	2017	2016
Creditable ratio for distribution of earnings	Note	24.02%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, no credible ratio for distribution of earnings in 2018 is expected.

h. Income tax assessments

As of December 31, 2017, the tax returns of the Company and its subsidiaries have been assessed as follows:

	Last Assessed Tax Year
The Company	2015
Edimax Electronic (Dongguan) Co., Ltd	2016
Comtrend Corporation	2015
CUSA	2016
CTBV	2016
CCE	2016
Comtrend Iberia	2016
8086	2015
ABS Telecom	2016
SMAX Technology	2016

26. EARNINGS (LOSSES) PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2017	2016
Basic (losses) earnings per share		
From continuing operations	$ (0.98)	$ 0.45
From discontinued operations	(0.01)	-
Total basic (losses) earnings per share	$ (0.99)	$ 0.45
Diluted (losses) earnings per share		
From continuing operations	$ (0.98)	$ 0.42
From discontinued operations	(0.01)	-
Total diluted (losses) earnings per share	$ (0.99)	$ 0.42

The (losses) earnings and weighted average number of ordinary shares outstanding in the computation of (losses) earnings per share from continuing operations were as follows:

Net Profit (Loss) for the Year

	For the Year Ended December 31	
	2017	**2016**
(Loss) profit for the year attributable to owners of the Company	$ (180,219)	$ 82,971
Less: Loss for the year from discontinued operations used in the computation of basic (losses) earnings per share from discontinued operations	(205)	-
(Loss) profit for the year from continuing operations used in the computation of basic (losses) earnings per share from continuing operations	(180,014)	82,971
Effect of potentially dilutive ordinary shares		
Interest on convertible bonds (after tax)	-	7,226
(Losses) earnings used in the computation of diluted (losses) earnings per share from continuing operations	$ (180,014)	$ 90,197

Weighted average number of ordinary shares outstanding (in thousand shares):

	For the Year Ended December 31	
	2017	**2016**
Weighted average number of ordinary shares in computation of basic (losses) earnings per share	182,906	182,509
Effect of potentially dilutive ordinary shares:		
Convertible bonds	-	28,884
Employees' compensation or bonus issue to employee	-	950
Weighted average number of ordinary shares used in the computation of diluted earnings per share	182,906	212,343

Since the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation would 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 shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

27. DISPOSAL OF SUBSIDIARIES

In 2017, the Group disposed of Global Automation. The assets and liabilities of Global automation at the date of disposal were listed as below:

2017

	Global Automation
Current assets	
Cash and cash equivalents	$ 1,569
Net assets disposed of	$ 1,569

28. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In July 2016, the Group disposed of 0.84% of its interest in SMAX Technology, and reduced its continuing interest from 100% to 99.16%.

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

	SMAX Technology
Cash consideration paid	$ 425
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	(215)
Differences recognized from equity transaction	$ 210
Line items adjusted for equity transaction	
Capital surplus - difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	$ (312)
Retained earnings	522
	$ 210

29. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Share Option Plan of the Company

Qualified employees of the Company and its subsidiaries were granted 8,000 thousand and 4,000 thousand options on September 30, 2017 and December 8, 2011, respectively. Each option entitles the holder to subscribe for one thousand common shares of the Company. The options granted are valid for 6 years and 5 years respectively and exercisable at certain percentages after the second anniversary from the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	For the Year Ended December 31			
	2017		2016	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance at January 1	-		3,805	$10.00
Options forfeited	-		(3,805)	
Options granted	8,000	$10.25	-	
Options exercised	-		-	
Balance at December 31	8,000	10.25	-	10.00
Options exercisable, end of year	-		-	

Information about outstanding options as of December 31, 2017 and 2016 was as follows:

	December 31	
	2017	2016
Range of exercise price (NT$)	$10.25	-
Weighted-average remaining contractual life (years)	5.75	-

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 (years)	6 years
Risk-free interest rate	0.6669%

Compensation cost recognized was $967 thousand and $0 for the year ended December 31, 2017 and December 31, 2016, respectively.

30. OPERATING LEASE ARRANGEMENTS

As of December 31, 2017 and 2016, refundable deposits paid under operating leases amounted to $3,688 thousand and $7,693 thousand, respectively.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31	
	2017	2016
Not later than 1 year	$ 14,997	$ 13,199
Later than 1 year and not later than 5 years	14,337	11,193
	$ 29,334	$ 24,392

31. 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.

32. FINANCIAL INSTRUMENTS

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

Except for financial assets measured at cost, 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, 2017

	Level 1	Level 2	Level 3	Total
Current held to maturity investments				
Bond investments held-to-maturity	$ -	$ 45,650	$ -	$ 45,650

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 723	$ -	$ 723
Non-current assets held to maturity				
Bond investments held-to-maturity	-	46,170	-	46,170
	$ -	$ 46,893	$ -	$ 46,893

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

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

Financial Instruments	Valuation Techniques and Inputs
Derivatives - options and foreign exchange forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Unlisted debt securities - ROC	Discounted cash flow. Future cash flows are discounted at a rate that reflects current borrowing interest rates of the bond issuers at the end of the reporting period.

c. Categories of financial instruments

	December 31	
	2017	2016
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	$ -	$ 723
Held-to-maturity investments	45,650	46,170
Loans and receivables (1)	2,251,537	2,230,915
Financial assets measured at cost	21,616	18,616
Financial liabilities		
Amortized cost (2)	3,965,679	3,592,230

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

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

d. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Foreign currency risk

Several subsidiaries of the Company 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) and of derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 36.

Sensitivity analysis

The Group was mainly exposed to the currencies USD, EUR and RMB.

The following table details the Group's sensitivity to a 1% increase and decrease in New Taiwan dollars and 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 foreign currency forward contracts designated as cash flow hedges, 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 New Taiwan dollars or other functional currency weakened by 1% against the relevant foreign currency. Conversely, a positive number is increase in pre-tax profit when New Taiwan dollars strengthened by 1% against the relevant foreign currency.

	Currency USD Impact		Currency EUR Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016
Profit or loss	$ (8,861) (i)	$ (5,422) (i)	$ (778) (ii)	$ (1,615) (ii)

	Currency RMB Impact	
	For the Year Ended December 31	
	2017	2016
Profit or loss	$ (461)(iii)	$ (463)(iii)

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

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

iii. This was mainly attributable to the exposure of outstanding RMB payables, which were not hedged at the end of the reporting period.

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring that the most cost-effective hedging strategies are applied.

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	
	2017	2016
Fair value interest rate risk		
Financial assets	$ 106,234	$ 76,190
Financial liabilities	2,582,616	2,022,996
Cash flow interest rate risk		
Financial assets	856,262	967,943

Sensitivity analysis

The sensitivity analysis below were 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 asset outstanding at the end of the reporting period was outstanding for the whole year. A change of 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 year ended December 31, 2017 and 2016 would increase/decrease by $8,563 thousand and $9,679 thousand, respectively.

The Group's sensitivity to interest rates has no material difference during the current period and past period.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. 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 amount of contingent liabilities in relation to financial guarantee issued by the Group.

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's transactions are done 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, 2017 and 2016, the Group had available unutilized short-term bank loan facilities set out in (c) below.

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

The following tables detailed the Group's remaining contractual maturity 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, 2017

	Book Value	Less than 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities					
Short-term borrowings	$ 744,818	$ 703,818	$ 41,000	$ -	$ -
Short-term bills payable	29,973	29,973	-	-	-
Long-term loans payable	1,434,314	-	-	334,209	1,100,105
Notes and trade payables	1,041,726	705,970	331,780	3,976	-
Other payables	341,277	259,236	70,672	11,369	-
Current portion of long-term loans payable	83,552	20,888	62,664	-	-
Current portion of corporate bonds payable	289,959	291,400	-	-	-
	$ 3,965,619	$ 2,011,285	$ 506,116	$ 349,554	$ 1,100,105

December 31, 2016

	Book Value	Less than 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities					
Short-term borrowings	$ 126,500	$ 126,500	$ -	$ -	$ -
Notes and trade payables	1,212,045	1,090,066	118,040	3,939	-
Other payables	357,129	286,607	61,376	9,146	-
Current portion of long-term loans payable	83,552	20,888	62,664	-	-
Corporate bonds payable	295,078	-	-	305,500	-
Long-term loans payable	1,517,866	-	-	334,209	1,183,657
	$ 3,592,170	$ 1,524,061	$ 242,080	$ 652,794	$ 1,183,657

b) Liquidity and interest rate risk rate tables for derivative financial liabilities

The following tables detail the liquidity analysis of the Group's derivative financial instruments. The tables were based on the undiscounted contractual net cash inflows and outflows of derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows of derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed was determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31, 2016

Gross settled	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Cross-currency swap contracts					
Inflows	$ -	$ 4,160	$ -	$ -	$ -
Outflows	-	(4,068)	-	-	-
	$ -	$ 92	$ -	$ -	$ -
Foreign exchange forward contracts					
Inflows	$ -	$ 31,153	$ -	$ -	$ -
Outflows	-	(30,510)	-	-	-
	$ -	$ 643	$ -	$ -	$ -

c) Financing facilities

As of December 31, 2017 and 2016, unused financing facilities amounted to $1,336,104 thousand and $2,184,132 thousand, respectively, and unused factoring trade receivables financial facilities amounted to $426,840 thousand and $406,800 thousand, respectively.

e. Transfers of financial assets

Factored trade receivables for the years ended December 31, 2017 and 2016 were as follows:

Counterparties	Receivables Sold	Amounts Collected	Advances Received at Year-end	Interest Rates on Advances Received (%)	Credit Line
2017					
Taishin Bank	$ -	$ -	$ -	-	$ 426,840
2016					
Taishin Bank	2,506	2,506	-	1.86	406,800

The above credit lines may be used on a revolving basis.

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. Information about promissory notes issued for the factoring is provided in Note 35.

33. TRANSACTIONS WITH RELATED PARTY

Balances and transactions between the Company and its subsidiaries, have been eliminated on consolidation and are not disclosed in this note.

Compensation of Key Management Personnel

The description and amounts of the remuneration of directors and other members of key management personnel for the years ended December 31, 2017 and 2016 were as follows:

	For the Year Ended December 31	
	2017	**2016**
Short-term benefits	$ 43,292	$ 45,153

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

34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31	
	2017	**2016**
Other financial assets	$ 204,453	$ 178,092
Property, plant and equipment	2,081,370	2,099,765
	$ 2,285,823	$ 2,277,857

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2017 were as follows:

a. As of December 31, 2017, the Group issued promissory notes with stated amounts of $1,714,000 thousand and US$1,500 thousand, as collateral for loaning, taking on foreign exchange forward contracts, issuing of convertible bonds and as guarantee for materials purchase.

b. The Group provided Taishin Bank, the factor, guarantee and promissory notes with stated amounts of NT$10,000 thousand, EUR4,000 thousand and US$7,000 thousand.

c. SinoPac 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 $1,000 thousand as of December 31, 2017. The Group's deposit with SinoPac Bank for the issue of the guarantee note was NT$800 thousand.

d. As of December 31, 2017, the Group made endorsements and guarantees for SMAX Technology, Edimax Europe and CCE with stated amounts of $59,000 thousand, $71,140 thousand and $8,893 thousand, respectively, and actual borrowings amounted to $1,000 thousand, $71,140 thousand and $0.

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 61,569	29.76 (USD:NTD)	$ 1,832,293
USD	908	21.28 (USD:CZK)	27,036
USD	4,668	0.83 (USD:EUR)	138,631
EUR	2,105	35.57 (EUR:NTD)	74,875
EUR	388	25.54 (EUR:CZK)	13,787
RMB	10,089	4.57 (RMB:NTD)	46,107
Financial liabilities			
Monetary items			
USD	26,027	29.76 (USD:NTD)	774,564
USD	7,516	6.52 (USD:RMB)	223,705
USD	3,817	0.83 (USD:EUR)	113,588
EUR	496	35.57 (EUR:NTD)	10,910

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 60,122	32.25 (USD:NTD)	$ 1,938,935
USD	406	25.66 (USD:CZK)	13,087
USD	4,995	6.99 (USD:RMB)	161,089
EUR	3,011	33.9 (EUR:NTD)	102,073
EUR	1,970	27.03 (EUR:CZK)	66,797
RMB	10,012	4.62 (RMB:NTD)	46,255
Financial liabilities			
Monetary items			
USD	33,823	32.25 (USD:NTD)	1,090,792
USD	14,867	6.99 (USD:RMB)	480,112
EUR	216	33.9 (EUR:NTD)	7,332

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

	For the Year Ended December 31			
	2017		2016	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Loss
NTD	1 (NTD:NTD)	$ (77,840)	1 (NTD:NTD)	$ (19,968)
USD	20.76 (USD:NTD)	42,713	32.26 (USD:NTD)	(41,123)
EUR	35.57 (EUR:NTD)	(585)	35.70 (EUR:NTD)	(5,803)
		$ (35,712)		$ (66,894)

37. 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 (Note 8).

11) Information on investees (Table 5).

c. Information on investment in mainland China:

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

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

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

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

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

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

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

38. 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 Group's revenue and results from continuing operations by reportable segment.

	Retail	**Telecommuni-cations**	**Others**	**Total**
For the year ended December 31, 2017				
Revenues from external customers	$ 3,403,297	$ 1,966,212	$ 263,404	$ 5,632,913
Segment income/(loss)	$ (162,270)	$ 109,464	$ 21,546	$ (31,260)
Nonoperating income and expense				(55,229)
Loss before tax (continuing operations)				$ (86,489)

(Continued)

	Retail	Telecommunications	Others	Total
For the year ended December 31, 2016				
Revenues from external customers	$ 3,551,662	$ 1,442,268	$ 209,949	$ 5,203,879
Segment income/(loss)	$ 87,978	$ (10,490)	$ 13,545	$ 91,033
Nonoperating income and expense				24,292
Profit before tax (continuing operations)				$ 115,325

(Concluded)

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

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	
	2017	2016
Consumer communication equipment	$ 3,403,297	$ 3,551,662
Telecommunications business communication equipment	1,937,080	1,419,924
Communication service	226,625	193,116
Others	65,911	39,177
	$ 5,632,913	$ 5,203,879

c. Geographical information

The Group operates in three principal geographical areas - the United States (USA), Europe (EU) 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	
	Year Ended December 31		December 31	
	2017	2016	2017	2016
EU	$ 1,258,983	$ 1,463,397	$ 4,235	$ 1,426
USA	1,015,162	1,064,224	13,162	14,505
Asia and others	3,358,768	2,676,258	2,504,289	2,457,796
	$ 5,632,913	$ 5,203,879	$ 2,521,686	$ 2,473,727

Non-current assets exclude held-to-maturity financial assets - non-current, financial assets measured at cost - non-current, 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 $5,632,913 thousand and $5,203,879 thousand in 2017 and 2016 respectively, are revenues of approximately $716,595 thousand and $495,211 thousand which were generated from sales to the Group’s largest customer. Otherwise, no other single customer contributed 10% or more to the Group’s revenue for both 2017 and 2016.

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(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 Borrowing Amount	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	$ 390,248	$ 79,800	$ 59,000	$ 1,000	$ -	3.02	$ 975,622	Y	-	-
		Edimax Europe	Subsidiary	390,248	71,780	71,140	71,140	-	3.65	975,622	Y	-	-
1	Comtrend	CCE	Subsidiary	111,715	8,973	8,893	-	-	1.59	279,288	Y	-	-

Note 1: The ceiling of guarantee amount to a company shall not exceed twenty percent (20%) of the net worth of the Company.

Note 2: The ceiling of total guarantee amount shall not exceed the lower between fifty percent (50%) of the net worth of the Company.

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2017
(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, 2017				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 measured at cost - non-current	300	$ 18,616	8.18	$ -	
	Status Internet Co., Ltd.	None	Financial assets measured at cost - non-current	300	3,000	16.67	-	
	Fund							
	Cayman Ton Yi Industrial Holdings Limited	None	Held-to-maturity financial assets	-	45,460	-	45,650	
Comtrend	Stock							
	EMMT Systems	None	Financial assets measured at cost - non-current	193	-	0.60	-	Note
	Edimax	Parent company	Available-for-sale financial assets - current	5,166	50,265	2.60	50,265	
8086	Stock							
	EscapeX	None	Financial assets measured at cost - non current	3	-	0.06	-	Note

Note: There was no available information of equity as of December 31, 2017. The Company has recognized impairment loss.

TABLE 3

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, 2017
(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 Term	Unit Price	Payment Term	Ending Balance	% to Total	
The Company	Comtrend	Subsidiary	Sales	$ (734,170)	(18.06)	Normal	Normal	Normal	$ 175,510	18.02	
	Edimax BVI	Subsidiary	Processing fee	1,693,995	48.39	Normal	Normal	Normal	(32,303)	(7.70)	
	Edimax Europe	Subsidiary	Sales	(175,002)	(4.31)	Normal	Normal	Normal	8,123	0.83	
Edimax BVI	Edimax Electronic (Dongguan) Co., Ltd.	Associated company	Processing fee	1,693,995	48.39	Normal	Normal	Normal	(32,303)	(7.70)	
Comtrend	CUSA	Subsidiary	Sales	(407,619)	(22.73)	By operating condition	Normal	By operating condition	146,853	25.97	
	CTBV	Subsidiary	Sales	(570,084)	(31.78)	By operating condition	Normal	By operating condition	179,093	31.67	
	CCE	Subsidiary	Sales	(72,359)	(4.03)	By operating condition	Normal	By operating condition	3,783	0.67	

Note: The transactions of the related parties have been eliminated in the consolidated financial statements as of and for the year ended December 31, 2017.

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, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
The Company	Comtrend	Subsidiary	$ 175,510	2.71	$ -	-	$ 37,075	$ -
Comtrend	CTBV	Subsidiary	179,093	3.42	-	-	51,304	-
	CUSA	Subsidiary	146,852	2.92	-	-	27,172	-

Note: The transactions of the related parties have been eliminated in the consolidated financial statements as of and for the year ended December 31, 2017.

TABLE 5

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2017			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2017	December 31, 2016	Shares (In Thousands)	%	Carrying Amount			
The Company	Edimax USA	USA	Networking equipment wholesale	$ 49,803	$ 49,803	17	100.00	$ 8,201	$ (5,690)	$ (1,458)	Subsidiary (Note 1)
	Edimax BVI	British Virgin Islands	Networking equipment wholesale	287,735	26,401	8,966	100.00	298,656	(1,843)	(1,843)	Subsidiary
	Edimax Europe	Holland	Networking equipment wholesale	125,867	125,867	2,000	100.00	16,988	(20,466)	(24,738)	Subsidiary (Note 2)
	Datamax BVI	British Virgin Islands	Investing	-	261,334	-	-	-	-	-	Subsidiary
	Edimax AU	Australia	Networking equipment wholesale	22,641	22,641	800	100.00	156	368	(119)	Subsidiary (Note 3)
	ABS Telecom	Taiwan	Telecommunication equipment wholesale, transmission and rental	66,000	66,000	10,500	100.00	139,723	18,492	18,330	Subsidiary (Note 4)
	Global Automation	Taiwan	Telecommunications pipeline, radio frequency related products	-	695	-	-	-	(205)	(205)	(Note 9)
	Edimax Network	Indonesia	Networking equipment wholesale	2,250	2,250	67	100.00	(243)	(445)	(445)	Subsidiary
	Edimax SE	Singapore	Networking equipment wholesale	6,874	6,874	300	100.00	369	(365)	(365)	Subsidiary
	SMAX Technology	Taiwan	Wired/wireless telecommunications equipment manufacturing	137,175	137,175	2,121	99.16	24,163	2,945	2,949	Subsidiary (Note 5)
	Comtrend	Taiwan	Wired/wireless telecommunications equipment manufacturing	329,580	329,580	18,858	46.95	259,266	81,989	38,825	Subsidiary (Note 6)
Edimax BVI	Datamax HK	Hong Kong	Investing	271,417	271,417	64,906	100.00	-	(1,914)	(1,914)	Sub-subsidiary
Edimax Europe	Edimax UK	United Kingdom	Networking equipment wholesale	876	876	16	100.00	(4,626)	3,336	3,336	Sub-subsidiary
	Edimax Poland	Poland	Networking equipment wholesale	10,801	10,801	2	100.00	(6,602)	329	329	Sub-subsidiary
ABS Telecom	ABST	Mauritius	Investing	4,175	4,175	140	100.00	7,677	1,615	1,615	Sub-subsidiary
Comtrend	CUSA	USA	Wholesale, retail sale, and international trade, etc.	98,341	98,341	200	100.00	(3,886)	(87,816)	(83,799)	Sub-subsidiary (Note 7)
	Interchan Global	Samoa	Reinvesting business	42,393	84,893	1,299	100.00	32,545	(1,239)	(1,239)	Sub-subsidiary
	CTBV	Holland	Wholesale, retail sale, and international trade, etc.	50,901	50,901	1,518	100.00	43,912	(638)	(2,453)	Sub-subsidiary (Note 8)
Interchan	8086	Taiwan	Telecommunication construction and wholesale	2,915	2,915	292	100.00	1,514	(735)	(735)	Sub-subsidiary
	Just Top	Hong Kong	Telecommunication construction and wholesale	43	43	-	100.00	6,463	(586)	(586)	Sub-subsidiary
Just Top Limited	PT Interchan	Indonesia	Telecommunication construction and wholesale	4,051	4,051	125	100.00	2,678	(52)	(52)	Sub-subsidiary
	PHP Interchan	Philippines	Telecommunication construction and wholesale	1,825	1,825	-	100.00	108	-	-	Sub-subsidiary
CTBV	CCE	Czech	Wholesale, retail sale, and international trade, etc.	71,438	71,438	-	100.00	29,511	(2,920)	(2,920)	Sub-subsidiary
	Iberia	Spain	Wholesale, retail sale, and international trade, etc.	12,294	12,294	-	100.00	3,382	(850)	(850)	Sub-subsidiary

Note 1: The share of profits/losses of the investee included net loss $5,690 thousand add the effect of unrealized gross profit $4,232 thousand on intercompany transactions.

Note 2: The share of profits/losses of the investee included net loss $20,466 thousand add the effect of unrealized gross loss $4,272 thousand on intercompany transactions.

Note 3: The share of profits/losses of the investee included net income $368 thousand add the effect of unrealized gross loss $487 thousand on intercompany transactions.

Note 4: The share of profits/losses of the investee included net income $18,492 thousand add the effect of unrealized gross loss $162 thousand on intercompany transactions.

Note 5: The share of profits/losses of the investee included net income $2,920 thousand add the effect of unrealized gross profit $29 thousand on intercompany transactions.

Note 6: The share of profits/losses of the investee included net income $37,279 thousand add the effect of unrealized gross profit $1,546 thousand on intercompany transactions.

Note 7: The share of profits/losses of the investee included net loss $87,816 thousand add the effect of unrealized gross profit $4,017 thousand on intercompany transactions.

Note 8: The share of profits/losses of the investee included net loss $638 thousand add the effect of unrealized gross loss $1,815 thousand on intercompany transactions.

Note 9: Global Automation finished liquidation in October 2017.

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017
(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, 2017	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2017	Accumulated Repatriation of Investment Income as of December 31, 2017
					Outward	Inward						
Edimax Electronic (Dongguan)	Networking production and marketing	$ 257,046	b.	$ 257,046	$ -	$ -	$ 257,046	$ (1,629)	100	$ (1,629)	$ 183,163	$ -
Datamax Technology Shanghai	Computer software design and other services	4,254	b.	4,254	-	-	4,254	(283)	100	(283)	(3,269)	-
ABST Information Telecom Service	Telecommunication equipment wholesale, transmission and rental	4,175	b.	4,175	-	-	4,175	1,683	100	1,638	7,896	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$265,475	$313,778 (Note 3)	$1,170,746

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 current period:

a. No investment income (loss) was recognized from investment still in development stage.

b. The investment income (loss) was determined based on the following:

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

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

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, 2017
(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 Term	Comparison with Normal Transaction	Ending Balance	%		
Edimax Electronic (Dongguan)	Processing fees	$ 1,693,995	48.39	Normal	By operating conditions	By operating conditions	$ (32,303)	(7.70)	$ -	

Note: The transactions with the related parties have been eliminated in the consolidated financial statements as of and for the year ended December 31, 2017.

TABLE 8

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017
(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, 2017						
0	The Company	SMAX Technology	a	Sales revenue	$ 11,726	Normal	-
		SMAX Technology	a	Accounts receivable	11,849	Normal	-
		Edimax Europe	a	Sales revenue	175,002	Normal	3
		Edimax Europe	a	Accounts receivable	8,123	Normal	-
		Edimax USA	a	Sales revenue	56,055	Normal	1
		Edimax USA	a	Accounts receivable	60,008	Normal	1
		Edimax BVI	a	Accounts payable	32,303	Normal	-
		Edimax BVI	a	Processing fees	1,693,995	Normal	30
		Comtrend	a	Sales revenue	734,170	Normal	13
		Comtrend	a	Accounts receivable	175,510	Normal	3
1	Edimax BVI	Edimax Electronic (Dongguan)	c	Processing fees	1,693,995	Normal	30
		Edimax Electronic (Dongguan)	c	Accounts payable	32,303	Normal	-
2	Comtrend	CUSA	a	Sales revenue	407,619	Normal	7
		CUSA	a	Accounts receivable	146,853	Normal	2
		CCE	a	Sales revenue	72,359	Normal	1
		Iberia	a	Commission expense	17,114	Normal	-
		CTBV	a	Sales revenue	570,084	Normal	9
		CTBV	a	Accounts receivable	179,093	Normal	3
		CTBV	a	Service revenue	17,814	Normal	-

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

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

Note 2: Relationship between parties is numbered as follows:

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

(Continued)

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, 2017.

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

(Concluded)