ASUSTEK COMPUTER INC. AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report Thereon

December 31, 2018 and 2017

(Stock code: 2357)

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For the convenience of readers and for information purpose only, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

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Independent Auditors' Report

To the Board of Directors and Shareholders of

ASUSTEK COMPUTER INC.:

Opinion

We have audited the accompanying consolidated balance sheets of ASUSTEK COMPUTER INC. and its subsidiaries (the "Group") as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other independent auditors, as described in the Other matters section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2018 and 2017 in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China ("ROC GAAS"). Our responsibilities under those standards are further described in the Independent Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethi cs for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the report of the other

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independent auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.
Key audit matters for the Group's consolidated financial statements in the current period are stated as follows:

Evaluation of inventories

Description

Refer to Note 4(14) for the accounting policies on the evaluation of inventories, Note 5 for the uncertainty of accounting estimations and assumptions for evaluation of inventories, and Note 6(8) for the details for inventory valuation.

The Group is primarily engaged in the design, R&D, and sales of 3C products. Due to the rapid technological innovations and competition within the industry, frequent releases of new products results in potential price fluctuations and product marginalization in the market. Additionally, it also affects the estimation of net realizable values of inventories.

In response to changing markets and its development strategies, the Group adjusts its inventory levels. The Group's primary product line is notebook computer. As a result, the related inventory levels for product line as mentioned above are significant. Management evaluates inventories stated at the lower of cost and net realizable value. Since the evaluation of inventories is subject to management's judgment and the accounting estimations will have significant influence on the inventory values, the evaluation of inventories has been identified as one of the key audit matters.

How our audit addressed the matter

We have performed primary audit procedures for the above matter as follows:

1. Assessed the policy on allowance for inventory valuation loss, based on our understanding of the Group's operations and industry.

2. Inspected the management's individually identified out-of-date inventory list and checked the related supporting documents.
3. Tested the basis of market value used in calculating the net realizable value of inventory and validated the accuracy of net realizable value calculation of selected samples.

Refund liabilities - sales returns and discounts

Description

Refer to Note 4(33) for the accounting policies on estimations for sales returns and discounts, Note 5 for the uncertainty of accounting estimations and assumptions for refund liabilities - sales returns and discounts, and Note 6(18) for the details of refund liabilities - sales returns and discounts. As of December 31, 2018, refund liabilities - sales returns and discounts amounted to $19,861,807 thousand.

The Group periodically estimates refund liabilities - sales returns and discounts based on each product line's actual sales returns and discounts, and considers if there are special factors which will affect the original estimations. Since the refund liabilities - sales returns and discounts is subject to management's judgment and the market of 3C products changes rapidly, management's use of historical experience to accrue for future sales returns and discounts will cause uncertainty of accounting estimations. Thus, provision for sales returns and discounts has been identified as one of the key audit matters.

How our audit addressed the matter

We have performed primary audit procedures for the above matter as follows:

1. Assessed the reasonableness of policies used in estimating refund liabilities - sales returns and discounts, taking into consideration actual sales returns and discounts. Performed sample testing to verify that accrual rates have been approved appropriately.
2. Selected samples and tested the calculation logic used in the refund liabilities - sales returns and discounts statements, including accrual and reversal statements of refund liabilities - sales returns and discounts.
3. Selected samples and confirmed that accrual amounts based on the accrual statements of refund liabilities - sales returns and discounts have been properly recognized in the financial statements.
4. Selected samples and confirmed that the reversal amounts based on the reversal statements of refund liabilities - sales returns and discounts have been properly recognized in the financial statements and checked against the original vouchers.

Classification and presentation of discontinued operations

Description

Refer to Note 6(12) for details of discontinued operations.

The Group is determined to reshape its smartphone business strategy to focus on perfecting solutions for gamers and power users under the resolution by the Board of Directors on December 13, 2018. The transformation plan has been underway and the Group recognized valuation effects of assets and liabilities accordingly. Given the magnitude of the business strategy changes as well as significant impact of how the profit or loss of discontinued operations was classified and presented on the financial statements, we consider the classification and presentation of discontinued operations as one of the key audit matters.

How our audit addressed the matter

We have performed primary audit procedures for the above matter as follows:

1. Obtained the Board minutes of the parent company of the Group about business transformation plan pertaining to the resolution and management's detailed listings of valuation effects of assets and liabilities and checked relevant supporting documentation.
2. Confirmed the financial statements are reasonably presented by reviewing and assessing how the management disclosed the discontinued operations.

Other matter – Reference to the audits of other independent auditors

We did not audit the financial statements of certain consolidated subsidiaries and investments accounted for under the equity method, which statements reflect total assets of $17,650,677 thousand and $7,260,183 thousand (including investments accounted for under the equity method amounting to $3,755,296 thousand and $119,517 thousand), constituting 5.16% and 2.11% of consolidated total assets as of December 31, 2018 and 2017, respectively, total operating revenues of $18,583,584 thousand and $24,086,172 thousand, constituting 5.25% and 6.23% of consolidated operating revenues for the years ended December 31, 2018 and 2017, respectively, and the share of profit and other comprehensive income of associates and joint ventures accounted for under the equity method of $43,667 thousand and $22,777 thousand, constituting (1.87%) and 0.36% of consolidated comprehensive income for the years ended December 31, 2018 and 2017, respectively. The financial statements of these investee companies pwc 資誠

were audited by other independent auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included in the consolidated financial statements and information disclosed relative to these consolidated subsidiaries and investments accounted for under the equity method, is based solely on the reports of other independent auditors.

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion with an Other Matters section on the parent company only financial statements of ASUSTEK COMPUTER INC. as of and for the years ended December 31, 2018 and 2017.

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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Independent Auditor's 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 auditor's 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 ROC GAAS 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 ROC GAAS, 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 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 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 appropriate audit evidence regarding the financial information of the 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 of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Chou, Chien Hung

Chou, Chien-Hung

Chang, Shu-Chiang

Chang, Shu-Chiung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 20, 2019

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent auditors are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the consolidated financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ASUSTEK COMPUTER INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

ASSETS	NOTES	DECEMBER 31, 2018 AMOUNT	%	DECEMBER 31, 2017 AMOUNT	%
Current assets					
Cash and cash equivalents	6(1)	$ 63,972,548	19	$ 72,192,962	21
Financial assets at fair value through profit or loss - current	6(2)	4,995,219	1	8,057,062	3
Financial assets at fair value through other comprehensive income - current	6(3)	636,827	-	-	-
Available-for-sale financial assets - current	12(4)	-	-	803,394	-
Derivative financial assets for hedging - current	6(5)	334,333	-	11,392	-
Financial assets at amortized cost - current	6(4)	1,665,377	-	-	-
Notes receivable	6(6)	4,397,115	1	8,369,528	3
Trade receivables	6(6)(7) and 7	77,717,433	23	76,509,775	22
Other receivables	7	736,104	-	629,230	-
Inventories	6(8)	94,259,039	28	83,055,957	24
Prepayments		6,096,345	2	7,753,577	2
Other current assets	8	113,906	-	205,503	-
Total current assets		254,924,246	74	257,588,380	75
Non-current assets					
Financial assets at fair value through profit or loss - non-current	6(2)	145,704	-	-	-
Financial assets at fair value through other comprehensive income - non-current	6(3)	45,359,962	13	-	-
Available-for-sale financial assets - non-current	12(4)	-	-	54,233,390	16
Financial assets carried at cost - non-current	12(4)	-	-	181,313	-
Investments accounted for under equity method	6(9)	5,666,800	2	364,542	-
Property, plant and equipment	6(10) and 8	16,733,866	5	15,250,476	4
Investment property		4,024,499	1	4,003,398	1
Intangible assets	6(11)	2,071,736	1	1,953,183	1
Deferred income tax assets	6(28)	9,726,356	3	8,202,158	2
Other non-current assets	6(13) and 8	3,512,707	1	3,114,329	1
Total non-current assets		87,241,630	26	87,302,789	25
TOTAL ASSETS		$ 342,165,876	100	$ 344,891,169	100

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ASUSTEK COMPUTER INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

LIABILITIES AND EQUITY	NOTES	DECEMBER 31, 2018 AMOUNT	%	DECEMBER 31, 2017 AMOUNT	%
Current liabilities					
Short-term borrowings	6(14)	$ 7,124,984	2	$ 5,750,078	2
Financial liabilities at fair value through profit or loss - current	6(2)	240,293	-	429,979	-
Derivative financial liabilities for hedging - current	6(5)	53,437	-	682,446	-
Contract liabilities - current	6(23)	954,548	-	-	-
Notes and trade payables	6(7) and 7	65,138,253	19	56,494,911	17
Other payables - accrued expenses	7	37,620,949	11	39,704,639	12
Current income tax liabilities		5,066,425	2	4,604,939	1
Provisions for liabilities - current	6(17) and 9	22,429,049	7	41,179,190	12
Receipts in advance		6,710	-	781,602	-
Current portion of long-term borrowings	6(15)	-	-	2,750	-
Refund liabilities - current	6(18)	19,861,807	6	-	-
Other current liabilities	7	4,193,170	1	4,255,639	1
Total current liabilities		162,689,625	48	153,886,173	45
Non-current liabilities					
Long-term borrowings	6(15)	-	-	1,011,177	-
Deferred income tax liabilities	6(28)	11,117,996	3	10,673,666	3
Other non-current liabilities	6(16)	666,331	-	645,850	-
Total non-current liabilities		11,784,327	3	12,330,693	3
Total liabilities		174,473,952	51	166,216,866	48
Equity attributable to shareholders of the parent					
Share capital - common shares	6(19)	7,427,603	2	7,427,603	2
Capital surplus	6(20)	6,299,430	2	5,554,197	1
Retained earnings	6(21)				
Legal reserve		34,983,546	10	33,429,055	10
Special reserve		693,941	-	693,941	-
Unappropriated retained earnings		94,556,481	28	102,790,860	30
Other equity	6(3)(5)(22)	17,404,000	5	25,248,529	8
Total equity attributable to shareholders of the parent		161,365,001	47	175,144,185	51
Non-controlling interest		6,326,923	2	3,530,118	1
Total equity		167,691,924	49	178,674,303	52
TOTAL LIABILITIES AND EQUITY		$ 342,165,876	100	$ 344,891,169	100

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

ASUSTEK COMPUTER INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE DATA)

		FOR THE YEARS ENDED DECEMBER 31,			
		2018		2017	
ITEMS	NOTES	AMOUNT	%	AMOUNT	%
Operating revenue	6(23) and 7	$ 354,187,665	100	$ 386,418,859	100
Operating costs	6(8)(16)(26)(27)(31) and 7	(302,173,389)	(85)	(331,516,609)	(86)
Gross profit		52,014,276	15	54,902,250	14
Operating expenses	6(13)(16)(26)(27)(31), 7 and 9				
Selling expenses		(17,051,012)	(5)	(19,583,522)	(5)
General and administrative expenses		(6,950,193)	(2)	(6,259,571)	(2)
Research and development expenses		(11,037,437)	(3)	(11,774,265)	(3)
Total operating expenses		(35,038,642)	(10)	(37,617,358)	(10)
Operating profit		16,975,634	5	17,284,892	4
Non-operating income and expenses					
Other income	6(4)(24)	4,158,750	1	3,910,366	1
Other gains (losses)	6(2)(10)(25) and 9	33,581	-	2,676,800	1
Finance costs		(257,339)	-	(175,235)	-
Share of profit of associates and joint ventures accounted for under equity method	6(9)	75,091	-	23,971	-
Total non-operating income and expenses		4,010,083	1	6,435,902	2
Profit before income tax		20,985,717	6	23,720,794	6
Income tax expenses	6(28)	(3,643,418)	(1)	(4,164,510)	(1)
Profit from continuing operations for the year		17,342,299	5	19,556,284	5
Loss from discontinued operations for the year	6(12)	(12,069,803)	(4)	(3,516,290)	(1)
Profit for the year		$ 5,272,496	1	$ 16,039,994	4
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
Remeasurements of defined benefit plan	6(16)(22)	($ 15,162)	-	($ 22,282)	-
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)(22)	(9,469,103)	(2)	-	-
Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method	6(9)(22)	(1,606)	-	-	-
Income tax relating to components of other comprehensive income	6(22)(28)	47,830	-	1,222	-
Components of other comprehensive income that will be reclassified to profit or loss					
Financial statements translation differences of foreign operations	6(22)	1,008,147	-	(4,856,680)	(2)
Unrealized gains (losses) on valuation of available-for-sale financial assets	6(22) and 12(4)	-	-	(3,721,315)	(1)
Losses on effective portion of cash flow hedges	6(22)	-	-	(1,953,888)	-
Gains (losses) on hedging instrument	6(5)(22)	951,950	-	-	-
Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method	6(9)(22)	(9,091)	-	(111)	-
Income tax relating to the components of other comprehensive income	6(22)(28)	(126,125)	-	803,136	-
Other comprehensive income (loss) for the year		($ 7,613,160)	(2)	($ 9,749,918)	(3)
Total comprehensive income (loss) for the year		($ 2,340,664)	(1)	$ 6,290,076	1
Profit attributable to:					
Shareholders of the parent		$ 4,235,036	1	$ 15,544,905	4
Non-controlling interest		1,037,460	-	495,089	-
		$ 5,272,496	1	$ 16,039,994	4
Total comprehensive income (loss) attributable to:					
Shareholders of the parent		($ 3,346,590)	(1)	$ 5,811,152	1
Non-controlling interest		1,005,926	-	478,924	-
		($ 2,340,664)	(1)	$ 6,290,076	1
Basic Earnings per share (in dollars)	6(29)				
Profit from continuing operations		$ 21.95		$ 25.66	
Loss from discontinued operations		(16.25)		(4.73)	
Basic earnings per share		$ 5.70		$ 20.93	
Diluted earnings per share (in dollars)	6(29)				
Profit from continuing operations		$ 21.90		$ 25.49	
Loss from discontinued operations		(16.21)		(4.70)	
Diluted earnings per share		$ 5.69		$ 20.79	

The accompanying notes are an integral part of these consolidated financial statements

ASUSTEK COMPUTER INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Equity attributable to shareholders of the parent													
			Retained Earnings			Other Equity Interest								
	Common shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain on available-for-sale financial assets	Gain (loss) on effective portion of cash flow hedges	Gain (loss) on hedging instruments	Remeasurements of defined benefit plan	Total	Non-controlling interest	Total equity
For the year ended December 31, 2017														
Balance at January 1, 2017	$7,427,603	$5,079,722	$31,508,782	$ 693,941	$101,793,153	$2,149,750	$ -	$31,628,691	$1,282,834	$ -	($ 78,993)	$181,485,483	$2,731,731	$184,217,214
Appropriations of 2016 earnings (Note 6(21))														
Legal reserve	-	-	1,920,273	-	(1,920,273)	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(12,626,925)	-	-	-	-	-	-	(12,626,925)	-	(12,626,925)
Profit for the year	-	-	-	-	15,544,905	-	-	-	-	-	-	15,544,905	495,089	16,039,994
Other comprehensive income (loss) for the year	-	-	-	-	-	(4,025,708)	-	(3,734,883)	(1,953,888)	-	(19,274)	(9,733,753)	(16,165)	(9,749,918)
Change in associates and joint ventures accounted for under equity method	-	476	-	-	-	-	-	-	-	-	-	476	-	476
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	51,471	-	-	-	-	-	-	-	-	-	51,471	-	51,471
Recognition of changes in ownership interest in subsidiaries	-	422,528	-	-	-	-	-	-	-	-	-	422,528	-	422,528
Non-controlling interest (Note 6(30))	-	-	-	-	-	-	-	-	-	-	-	-	319,463	319,463
Balance at December 31, 2017	$7,427,603	$5,554,197	$33,429,055	$ 693,941	$102,790,860	($1,875,958)	$ -	$27,893,808	($ 671,054)	$ -	($ 98,267)	$175,144,185	$3,530,118	$178,674,303
For the year ended December 31, 2018														
Balance at January 1, 2018	$7,427,603	$5,554,197	$33,429,055	$ 693,941	$102,790,860	($1,875,958)	$ -	$27,893,808	($ 671,054)	$ -	($ 98,267)	$175,144,185	$3,530,118	$178,674,303
Effect of retrospective application and restatement	-	-	-	-	289,921	-	27,630,905	(27,893,808)	671,054	(671,054)	-	27,018	-	27,018
Balance at January 1, after adjustments	7,427,603	5,554,197	33,429,055	693,941	103,080,781	(1,875,958)	27,630,905	-	-	(671,054)	(98,267)	175,171,203	3,530,118	178,701,321
Appropriations of 2017 earnings (Note 6(21))														
Legal reserve	-	-	1,554,491	-	(1,554,491)	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(11,141,404)	-	-	-	-	-	-	(11,141,404)	-	(11,141,404)
Profit for the year	-	-	-	-	4,235,036	-	-	-	-	-	-	4,235,036	1,037,460	5,272,496
Other comprehensive income (loss) for the year	-	-	-	-	-	871,929	(9,396,876)	-	-	951,950	(8,629)	(7,581,626)	(31,534)	(7,613,160)
Change in associates and joint ventures accounted for under equity method	-	40,891	-	-	(2,532)	-	-	-	-	-	-	38,359	-	38,359
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(4,780)	-	-	-	-	-	-	-	-	-	(4,780)	-	(4,780)
Recognition of changes in ownership interest in subsidiaries	-	709,122	-	-	-	-	-	-	-	-	-	709,122	-	709,122
Non-controlling interest (Note 6(30))	-	-	-	-	-	-	-	-	-	-	-	-	1,790,879	1,790,879
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	(60,909)	-	-	-	-	-	-	(60,909)	-	(60,909)
Balance at December 31, 2018	$7,427,603	$6,299,430	$34,983,546	$ 693,941	$ 94,556,481	($1,004,029)	$ 18,234,029	$ -	$ -	$ 280,896	($ 106,896)	$161,365,001	$6,326,923	$167,691,924

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

ASUSTEK COMPUTER INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	FOR THE YEARS ENDED DECEMBER 31, 2018	2017
Cash flows from operating activities		
Profit before income tax from continuing operations for the year	$ 20,985,717	$ 23,720,794
Loss before income tax from discontinued operations for the year	(14,004,727)	(3,757,060)
Profit before tax from continuing and discontinued operations for the year	6,980,990	19,963,734
Adjustments to reconcile profit before income tax to net cash provided by (used in) operating activities		
Income and expenses that result in non-cash flows		
Depreciation (including investment property)	1,243,625	1,250,126
Amortization	433,740	403,056
Reversal of allowance for doubtful accounts	-	(379,220)
Expected credit impairment losses	674,708	-
Net loss (gain) on financial assets or liability at fair value through profit or loss	(979,105)	2,335,591
Share of profit of associates and joint ventures accounted for under equity method	(75,091)	(23,971)
Interest income	(1,491,312)	(1,081,957)
Dividend income	(2,552,907)	(2,828,411)
Interest expense	257,339	175,235
Impairment loss (reversal of impairment loss) on non-financial assets	163,998	(4,065)
Gain on disposal of investments	(1,683,748)	(54,156)
Others	83,393	57,207
Changes in assets/liabilities relating to operating activities		
Financial assets at fair value through profit or loss	5,675,577	(1,020,392)
Notes receivable	3,972,413	(3,479,231)
Trade receivables	(2,570,773)	3,917,500
Other receivables	(80,887)	236
Inventories	(11,725,783)	4,038,739
Prepayments	3,315	(1,511,178)
Other current assets	95,423	(98,224)
Financial liabilities at fair value through profit or loss	(1,837,676)	(2,961,612)
Contract liabilities	318,137	-
Notes and trade payables	9,130,869	(17,057,959)
Other payables - accrued expenses	(607,017)	366,320
Provisions for liabilities	1,600,806	(2,117,489)
Receipts in advance	(142,089)	186,309
Refund liabilities	(475,899)	-
Other current liabilities	(68,164)	328,356
Other operating liabilities	61,269	23,412
Receipt of interest	1,445,135	1,072,580
Payment of interest	(243,792)	(204,271)
Payment of income tax	(2,436,572)	(2,677,119)
Net cash flows provided by (used in) operating activities	5,169,922	(1,380,854)
Cash flows from investing activities		
Acquisition of financial assets at fair value through other comprehensive income	(425,492)	-
Acquisition of property, plant and equipment	(3,288,695)	(2,100,196)
Proceeds from disposal of property, plant and equipment	132,278	68,421
Acquisition of intangible assets	(292,196)	(337,823)
Acquisition of financial assets at amortized cost	(1,637,075)	-
Acquisition of investments accounted for under equity method	(180,000)	-
Increase in refundable deposits	(323,361)	(102,684)
Changes in other non-current assets	(311,181)	(264,042)
Receipt of dividends	2,581,742	2,842,531
Proceeds from disposal of subsidiaries	118,836	-
Others	37,501	(29,446)
Net cash flows provided by (used in) investing activities	(3,587,643)	76,761
Cash flows from financing activities		
Increase in short-term borrowings	1,339,457	2,771,552
Proceeds from long-term borrowings	2,580,000	2,328,800
Redemption of long-term borrowings	(3,594,893)	(2,572,824)
Payment of cash dividends	(11,141,404)	(12,626,925)
Change in non-controlling interest	(407,887)	707,901
Others	(45,035)	84,469
Net cash flows provided by (used in) financing activities	(11,269,762)	(9,307,027)
Effects due to changes in exchange rate	1,467,069	(4,888,587)
Decrease in cash and cash equivalents	(8,220,414)	(15,499,707)
Cash and cash equivalents at beginning of year	72,192,962	87,692,669
Cash and cash equivalents at end of year	$ 63,972,548	$ 72,192,962

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

ASUSTEK COMPUTER INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. **HISTORY AND ORGANIZATION**

(1) ASUSTEK COMPUTER INC. (ASUS or the Company) was established in the Republic of China (R.O.C.). The Company is primarily engaged in the design, R&D and sales of 3C products (including PCs, main boards, other boards and cards, tablet PCs, smart phones and other handheld devices, etc.).

(2) The Company resolved to spin-off its OEM businesses on January 1, 2008. Pursuant to the Company's resolution, the Company transferred its computer OEM, design and manufacture of computer cases and molds and non-computer OEM businesses to its spun-off subsidiaries, PEGATRON CORPORATION (PEGA) and UNIHAN CORPORATION, respectively. On June 1, 2010, however, the Company transferred further its OEM assets and business (the Company's investments accounted for under equity method in PEGA) to the Company's another investee, PEGATRON INTERNATIONAL INVESTMENT CO. LTD. (PII). PII issued new shares to the Company and its shareholders as consideration. On April 29, 2013, the Company disposed the partial shares of PEGA and reduced the ownership percentage to less than 20%.

2. **THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION**

These consolidated financial statements were authorized for issuance by the Board of Directors on March 20, 2019.

3. **APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS**

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRSs") as endorsed by the Financial Supervisory Commission (FSC)

New standards, interpretations and amendments to IFRSs as endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments 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
IFRS 15, "Revenue from contracts with customers"	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 15, “Clarifications to IFRS 15, Revenue from contracts with customers”	January 1, 2018
Amendments 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
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, “First-time adoption of International Financial Reporting Standards”	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, “Disclosure of interests in other entities”	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, “Investments in associates and joint ventures”	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

A. IFRS 9, “Financial instruments”

(A) Classification of debt instruments is driven by the entity’s business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to recognize the equity instrument not held for trading at fair value in other comprehensive income.

(B) The impairment losses of debt instruments are assessed using an “expected credit loss” approach. An entity assesses at the end of each financial reporting period whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of loss allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(C) The amended general hedge accounting makes the accounting practices consistent with an entity's risk management strategy. The components and the grouping of non-financial items can be loosened as hedged items. The 80%~125% threshold of highly efficient hedge is removed, and that the hedged items and the hedged percentages that the hedge instruments can rebalance under the unchanged business objectives of risk management is increased.

(D) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of effect as at January 1, 2018, please refer to Note 12(4) B.

B. IFRS 15, "Revenue from contracts with customers" and amendments

(A) The core principle of IFRS 15, "Revenue from contracts with customers" is that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. Extensive disclosures will be required, including disaggregation of revenue; information related to performance obligations; changes in contract asset and liability account balances between different periods and significant judgements and assumptions.

(B) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 15. The details of effect as at January 1, 2018 are summarized below:

Presentation of assets and liabilities in relation to contracts with customers

In accordance with IFRS 15, the Group adjusted the presentation of certain accounts in the balance sheet as follows:

a. Under IFRS 15, estimated sales returns and discounts are recognized as refund liabilities, different from provisions for liabilities - current as previously presented in the balance sheet. As of January 1, 2018, the balance amounted to $20,350,947.

b. Under IFRS 15, liabilities relating to sales contracts are recognized as contract liabilities, different from receipts in advance as previously presented in the balance sheet. As of January 1, 2018, the balance amounted to $781,602.

C. Please refer to Notes 12(4) and (5) for disclosure in relation to the initial application of IFRS 9 and IFRS 15.

(2) Effect of new issuances of or amendments to International Financial Reporting Standards as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, "Prepayment features with negative compensation"	January 1, 2019
IFRS 16, "Leases"	January 1, 2019
Amendments to IAS 19, "Plan amendment, curtailment or settlement"	January 1, 2019
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
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

IFRS 16, "Leases"

IFRS 16, "Leases", replaces IAS 17, "Leases" and related interpretations and Standing Interpretations Committee (SICs). The standard requires lessees to recognize a "right-of-use asset" and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). Lessor accounting still uses the dual classification approach: operating lease and finance lease, and only increases the related disclosures.

The Group expects to recognize the lease contract of lessees in line with IFRS 16 using the modified retrospective approach. The effects will be adjusted on January 1, 2019, it is expected that 'right-of-use asset', lease liability will be increased and other non-current assets - long-term prepaid rents, prepayment will be decreased by $3,392,189, $1,384,624, $2,002,288 and $5,277, respectively.

(3) International Financial Reporting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, "Disclosure Initiative - Definition of Material"	January 1, 2020
Amendments to IFRS 3, "Definition of a business"	January 1, 2020

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 International Accounting Standards Board
IFRS 17, "Insurance contracts"	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. **<u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

These consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", IFRSs, International Accounting Standards (IASs), International Financial Reporting Interpretations Committee and SICs as endorsed by the FSC.

(2) Basis of preparation

A. Except for the following significant items, these consolidated financial statements have been prepared under the historical cost convention:

(A) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(B) Financial assets at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.

(C) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The critical accounting estimates and assumptions used in preparation of financial statements and the critical judgements in applying the Group's accounting policies are disclosed in Note 5.

C. The Group used modified retrospective method to recognize the transition differences of initially applying IFRS 9 and IFRS 15 in retained earnings or in other components of equity at the date of initial application (January 1, 2018) and did not restate the consolidated financial statements for the year ended December 31, 2017. The Group's consolidated financial statements for the year ended December 31, 2017 were prepared in accordance with International Accounting Standard 39 (IAS 39), International Accounting Standard 11 (IAS 11), International Accounting Standard 18 (IAS 18) and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements

(A) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(B) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(C) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests.

(D) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. 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.

(E) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
Investor	Subsidiary	Main business activities	2018/12/31	2017/12/31	Remark
ASUS	ASUS COMPUTER INTERNATIONAL (ACI)	Selling of 3C products in North America	100.00	100.00	
ASUS	ASUS TECHNOLOGY INCORPORATION (ASUTC)	Selling of 3C products in Taiwan	100.00	100.00	
ASUS	ASUS HOLLAND B. V. (ACH)	Repairing of 3C products	100.00	100.00	

Investor	Subsidiary	Main business activities	Ownership (%) 2018/12/31	Ownership (%) 2017/12/31	Remark
ASUS	ASUS INTERNATIONAL LIMITED (AIL)	Investing in 3C and computer peripheral business	100.00	100.00	
ASUS	ASUSTEK HOLDINGS LIMITED (AHL)	Investing in computer peripheral business	100.00	100.00	
ASUS	ASUS GLOBAL PTE. LTD. (ASGL)	Selling of 3C products	100.00	100.00	
ASUS	ASUS CLOUD CORPORATION (ASUSCLOUD)	Selling and consulting of internet service	94.58	90.06	
ASUS	ASKEY COMPUTER CORP. (ASKEY)	Designing, manufacturing, repairing and selling of communication products and computer peripheral spare parts	100.00	100.00	
ASUS	HUA-CHENG VENTURE CAPITAL CORP. (HCVC)	Investing in computer peripheral business	100.00	100.00	
ASUS	HUA-MIN INVESTMENT CO., LTD. (HMI)	Investing in computer peripheral business	100.00	100.00	
ASUS	AGAIT TECHNOLOGY CORPORATION (AGA)	Designing and selling of computer peripheral and smart vacuums	-	100.00	
ASUS	QUANTUM CLOUD INTERNATIONAL PTE. LTD. (QCI)	Servicing of information technology	100.00	100.00	Note 1
ASUS	JINSHUO CULTURAL DIFFUSION CO., LTD. (JSCD)	Professional eSports	100.00	-	
ASUS and HCVC	SHINEWAVE INTERNATIONAL INC. (SWI)	Researching, developing, selling and consulting of information system software	51.00	51.00	
ASUS and HCVC	INTERNATIONAL UNITED TECHNOLOGY CO., LTD. (TAIWAN) (IUT)	Researching, developing, manufacturing and selling of ink-jet print heads and ink-jet digital image output technology	56.73	56.73	
ASUS and HCVC	PT. ASUS TECHNOLOGY INDONESIA BATAM (ACBT)	Selling of 3C products in Indonesia	100.00	100.00	
ASUS and HCVC	PT. ASUS TECHNOLOGY INDONESIA JAKARTA (ACJK)	Selling of 3C products in Indonesia	100.00	100.00	
ASUS, HCVC and HMI	ASMEDIA TECHNOLOGY INC. (ASMEDIA)	Designing, researching, developing and manufacturing of high-speed analog circuit	52.93	53.11	
ASUS, HCVC and HMI	UPI SEMICONDUCTOR CORP. (UPI)	Designing, researching, developing and selling of integrated circuits	-	52.03	Note 2

Investor	Subsidiary	Main business activities	Ownership (%) 2018/12/31	Ownership (%) 2017/12/31	Remark
ASUS, HCVC and HMI	AAEON TECHNOLOGY INC. (AAEON)	Manufacturing and selling of industrial computers and computer peripherals	40.73	56.63	
ASUS, HMI and AAEON	ONYX HEALTHCARE INC. (ONYX)	Designing, manufacturing and selling of medical computers	55.86	55.86	Note 3
SWI GROUP	EMES (SUZHOU) CO., LTD. (EMES)	Selling and consulting of information system software	100.00	100.00	
ASKEY GROUP	ASKEY INTERNATIONAL CORP. (ASKEYI)	Selling and servicing of communication products	100.00	100.00	
ASKEY GROUP	DYNALINK INTERNATIONAL CORP. (DIC)	Investing in communication business	100.00	100.00	
ASKEY GROUP	MAGIC INTERNATIONAL CO., LTD. (MIC)	Investing in computer peripheral business	100.00	100.00	
ASKEY GROUP	ASKEY (VIETNAM) COMPANY LIMITED (ASKEYVN)	Manufacturing and selling of communication products	100.00	100.00	
ASKEY GROUP	MAGICOM INTERNATIONAL CORP. (MAGICOM)	Investing in communication business	100.00	100.00	
ASKEY GROUP	YANG XU ELECTRONIC TECHNOLOGY (SHANGHAI) LTD. (ASKEYSH)	Researching, developing and selling of communication products	100.00	100.00	
ASKEY GROUP	OPENBASE LIMITED (OB)	Selling of communication products and computer peripherals	100.00	100.00	
ASKEY GROUP	LEADING PROFIT CO., LTD. (LP)	Selling of communication products and computer peripherals	100.00	100.00	
ASKEY GROUP	UNI LEADER INTERNATIONAL LTD. (UNI)	Selling of communication products and computer peripherals	100.00	100.00	
ASKEY GROUP	ASKEY TECHNOLOGY (JIANGSU) LTD. (ASKEYJS)	Manufacturing and selling of communication products	100.00	100.00	
ASKEY GROUP	WISE ACCESS (HK) LIMITED (WISE)	Investing in communication and computer peripheral business	100.00	100.00	
ASKEY GROUP	SILIGENCE SAS (SILIGENCE)	Selling and servicing of communication products	95.95	95.95	
ASKEY GROUP	ASKEY MAGICXPRESS (WUJIANG) CORP. (ASKEYMWJ)	Manufacturing and selling of communication products	100.00	100.00	
ASKEY GROUP	ASKEY COMMUNICATION GMBH (ASKEYCG)	Selling and servicing of communication products	100.00	100.00	

Investor	Subsidiary	Main business activities	Ownership (%) 2018/12/31	Ownership (%) 2017/12/31	Remark
ASKEY GROUP	ASKEY DO BRASIL TECNOLOGIA LTDA. (ASKEYBR)	Servicing of communication products	100.00	100.00	
ASKEY GROUP	ASKEY CORPORATION (THAILAND) CO., LTD. (ASKEYTH)	Intelligent energy-savings service	100.00	100.00	
ASKEY GROUP	ASKEY JAPAN CO,. LTD. (ASKEYJP)	Selling and servicing of communication products	100.00	-	
IUT	INTERNATIONAL UNITED TECHNOLOGY CO., LTD. (IUTS)	Investing in ink-jet print heads and ink-jet digital image output technology business	100.00	100.00	
AGA GROUP	AGAIT TECHNOLOGY (H.K.) CORPORATION LIMITED (AGAHK)	Investing in computer peripheral business	-	100.00	
AAEON GROUP	AAEON ELECTRONICS, INC. (AAEONEI)	Selling of industrial computers and computer peripherals	100.00	100.00	
AAEON GROUP	AAEON DEVELOPMENT INCORPORATED (AAEONDI)	Investing in industrial computers and computer peripheral business	100.00	100.00	
AAEON GROUP	AAEON TECHNOLOGY CO., LTD. (AAEONTCL)	Investing in industrial computers and interface cards business	100.00	100.00	
AAEON GROUP	AAEON TECHNOLOGY (EUROPE) B. V. (AAEONEU)	Selling of industrial computers and computer peripherals	100.00	100.00	
AAEON GROUP	AAEON TECHNOLOGY GMBH (AAEONG)	Selling of industrial computers and computer peripherals	100.00	100.00	
AAEON GROUP	AAEON INVESTMENT CO., LTD. (AAEONI)	Investing in industrial computers and computer peripherals business	100.00	100.00	
AAEON GROUP	AAEON TECHNOLOGY SINGAPORE PTE. LTD. (AAEONSG)	Selling of industrial computers and computer peripherals	100.00	100.00	
AAEON GROUP	AAEON TECHNOLOGY (SUZHOU) INC. (AAEONSZ)	Manufacturing and selling of industrial computers and interface cards	100.00	100.00	
ONYX GROUP	ONYX HEALTHCARE USA, INC. (ONYXHU)	Selling of medical computers and peripherals	100.00	100.00	
ONYX GROUP	ONYX HEALTHCARE EUROPE B. V. (ONYXHE)	Marketing support and repairing of medical computers and peripherals	100.00	100.00	
ONYX GROUP	ONYX HEALTHCARE (SHANGHAI) LTD. (ONYXSH)	Selling of medical computers and peripherals	100.00	100.00	
ONYX GROUP	IHELPER INC. (IHELPER)	Researching, developing and selling of medical robots	46.00	-	

Investor	Subsidiary	Main business activities	Ownership (%) 2018/12/31	Ownership (%) 2017/12/31	Remark
UPI GROUP	UBIQ SEMICONDUCTOR CORP. (UBIQ)	Designing, researching, developing and selling of integrated circuits	-	100.00	Note 2
UPI GROUP	UPI-SEMICONDUCTOR CORPORATION (HK) LIMITED (UPIHK)	Investing in business of electronic products	-	100.00	Note 2
UPI GROUP	UPI-SEMICONDUCTOR CORPORATION (SHENZHEN) LIMITED (UPISZ)	Technical support for electronic products	-	100.00	Note 2
UPI GROUP	JPD LABO CO., LTD. (JPDJP)	Designing, researching and developing of electronic products	-	100.00	Notes 1 and 2
ASUSCLOUD GROUP	ASUS CLOUD SINGAPORE PTE. LTD. (ASUSCLOUDSG)	Investing in internet service business	100.00	100.00	
ASUSCLOUD GROUP	ASUS LIFE CORPORATION (ASUSLC)	Selling of internet information service	50.00	50.00	
ASUSCLOUD GROUP	ASUS CLOUD (LUXEMBOURG) S. A R. L. (ASUSCLOUDLB)	Providing maintenance and operating service for information hardware	100.00	100.00	
AIL GROUP	DEEP DELIGHT LIMITED (DDL)	Investing in computer peripheral business	100.00	100.00	
AIL GROUP	CHANNEL PILOT LIMITED (CHANNEL)	Investing in 3C business	100.00	100.00	
AIL GROUP	UNIMAX HOLDINGS LIMITED (UHL)	Investing in automotive electronics and computer peripheral business	100.00	100.00	
AIL GROUP	ASUS TECHNOLOGY PTE. LIMITED (ASTP)	Investing in 3C business	100.00	100.00	
AIL GROUP	ASUS MIDDLE EAST FZCO (ACAE)	Providing support and repair for 3C products in Middle East	100.00	100.00	
AIL GROUP	ASUS EGYPT L. L. C. (ACEG)	Providing support for 3C products in Egypt	100.00	100.00	
AIL GROUP	ASUS COMPUTER GMBH (ACG)	Selling and providing support for 3C products in Germany	100.00	100.00	
AIL GROUP	ASUS FRANCE SARL (ACF)	Providing support for 3C products in France	100.00	100.00	
AIL GROUP	ASUSTEK (UK) LIMITED (ACUK)	Providing support for 3C products in United Kingdom	100.00	100.00	
AIL GROUP	ASUS TECHNOLOGY (HONG KONG) LIMITED (ACHK)	Providing support and repair for 3C products in Hong Kong	100.00	100.00	
AIL GROUP	ASUS KOREA CO., LTD. (ACKR)	Providing support and repair for 3C products in South Korea	100.00	100.00	

			Ownership (%)		
Investor	Subsidiary	Main business activities	2018/12/31	2017/12/31	Remark
AIL GROUP	ASUSTEK COMPUTER (S) PTE. LTD. (ACSG)	Repairing of 3C products in Singapore	100.00	100.00	
AIL GROUP	ASUS POLSKA SP. Z O. O. (ACPL)	Providing support for 3C products in Poland	100.00	100.00	
AIL GROUP	ASUS TECHNOLOGY PRIVATE LIMITED (ACIN)	Providing support and repair for 3C products in India	100.00	100.00	
AIL GROUP	ASUS EUROPE B.V. (ACNL)	Selling of 3C products	100.00	100.00	
AIL GROUP	ASUS TECHNOLOGY (VIETNAM) CO., LTD. (ACVN)	Repairing of 3C products in Vietnam	100.00	100.00	
AIL GROUP	ASUSTEK ITALY S. R. L. (ACIT)	Providing support for 3C products in Italy	100.00	100.00	
AIL GROUP	ASUS SPAIN MARKETING SUPPORT SL (ACIB)	Providing support for 3C products in Spain	100.00	100.00	Note 1
AIL GROUP	ASUS TECHNOLOGY (SUZHOU) CO., LTD. (ACSZ)	Researching and developing of 3C products	100.00	100.00	
AIL GROUP	ASUS JAPAN INCORPORATION (ACJP)	Selling of 3C products in Japan	100.00	100.00	
AIL GROUP	ASUS COMPUTER CZECH REPUBLIC S. R. O. (ACCZ)	Providing support for 3C products in Czech Republic	100.00	100.00	
AIL GROUP	ASUSTEK COMPUTER (SHANGHAI) CO., LTD. (ACSH)	Selling of 3C products in China	100.00	100.00	
AIL GROUP	ASUS SERVICE AUSTRALIA PTY LIMITED (ASAU)	Repairing of 3C products in Australia	100.00	100.00	
AIL GROUP	ASUS AUSTRALIA PTY LIMITED (ACAU)	Providing support for 3C products in Australia	100.00	100.00	
AIL GROUP	ACBZ IMPORTACAO E COMERCIO LTDA. (ACBZ)	Selling of 3C products in Brazil	100.00	100.00	
AIL GROUP	ASUS INDIA PRIVATE LIMITED (ASIN)	Selling of 3C products in India	100.00	100.00	
AIL GROUP	ASUS ISRAEL (TECHNOLOGY) LTD. (ACIL)	Providing support for 3C products in Israel	100.00	100.00	
AIL GROUP	ASUSTEK COMPUTER (CHONGQING) CO., LTD. (ACCQ)	Selling of 3C products in China	100.00	100.00	
AIL GROUP	ASUS PERU S. A. C. (ACPE)	Providing support for 3C products in Peru	100.00	100.00	
AIL GROUP	PT. ASUS SERVICE INDONESIA (ASID)	Repairing of 3C products in Asia-pacific and America	100.00	100.00	

Investor	Subsidiary	Main business activities	Ownership (%) 2018/12/31	Ownership (%) 2017/12/31	Remark
AIL GROUP	ASUS HOLDINGS MEXICO, S. A. DE C. V. (ACMH)	Selling of 3C products in Mexico	100.00	100.00	
AIL GROUP	ASUS MEXICO, S. A. DE C. V. (ACMX)	Providing support for 3C products in Mexico	100.00	100.00	
AIL GROUP	ASUS PORTUGAL, SOCIEDADE UNIPESSOAL LDA. (ACPT)	Providing support for 3C products in Portugal	100.00	100.00	
AIL GROUP	ASUS HUNGARY SERVICES LIMITED LIABILITY COMPANY (ACHU)	Providing support and repair for 3C products in Hungary	100.00	100.00	
AIL GROUP	ASUS SWITZERLAND GMBH (ACCH)	Providing support for 3C products in Switzerland	100.00	100.00	
AIL GROUP	ASUS NORDIC AB (ACN)	Providing support for 3C products in North Europe	100.00	100.00	
AIL GROUP	ASUS COMPUTER COLOMBIA S. A. S. (ACCO)	Providing support for 3C products in Colombia	100.00	100.00	
AIL GROUP	ASUS MARKETING (THAILAND) CO., LTD. (ACTH)	Providing support for 3C products in Thailand	100.00	100.00	
AIL GROUP	ASUSTEK COMPUTERS (PTY) LIMITED (ACZA)	Providing support and repair for 3C products in Africa	100.00	100.00	
AIL GROUP	ASUSTEK COMPUTER MALAYSIA SDN. BHD. (ACMY)	Providing support and repair for 3C products in Malaysia	100.00	100.00	
AIL GROUP	ASUS BILGISAYAR SISTEMLERI TICARET LIMITED SIRKETI (ACTR)	Providing support and repair for 3C products in Turkey	100.00	-	
AIL GROUP	ASUS CHILE SPA (ACCL)	Providing support for 3C products in Chile	100.00	-	
AIL GROUP	ASUS TEKNOLOJI SERVISLERI TICARET LIMITED SIRKETI (ASTR)	Repairing of 3C products in Turkey	100.00	-	
AIL GROUP	ASUS SERVICE (THAILAND) CO., LTD. (ASTH)	Repairing of 3C products in Thailand	100.00	-	
AIL GROUP	UNIMAX ELECTRONICS INCORPORATION (UEI)	Manufacturing and selling of automotive electronics and computer peripherals	100.00	100.00	
AIL GROUP	ASUS COMPUTER (SHANGHAI) CO., LTD. (ACS)	Repairing of 3C products	100.00	100.00	

Investor	Subsidiary	Main business activities	Ownership (%) 2018/12/31	Ownership (%) 2017/12/31	Remark
AIL GROUP	ASUS INVESTMENTS (SUZHOU) CO., LTD. (ACISZ)	Leasing real estate	100.00	100.00	
AIL GROUP and ACH	ASUS CZECH SERVICE S. R. O. (ACCZS)	Repairing of 3C products in Europe	100.00	100.00	

Note 1: JPDJP was named UPI SOLUTIONS CO., LTD. before it was renamed in June 2017; QCI was named ASUS DIGITAL INTERNATIONAL PTE. LTD. before it was renamed in June 2018; ACIB was named ASUS IBERICA S. L. before it was renamed in November 2018.

Note 2: The Group has no control or has lost control during the period.

Note 3: Percentage of ownership represents controlling ratio and not the consolidated shareholding percentage.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different end of the financial reporting period: None.

E. Significant restrictions on its ability to transfer the assets and liabilities to other entities within the Group: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:
Non-controlling interests in each subsidiary is immaterial to the Group.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in "New Taiwan Dollars (NTD)", which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(A) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise, except when deferred in other comprehensive income as qualifying cash flow hedges.

(B) Monetary assets and liabilities denominated in foreign currencies are re-translated at the exchange rates prevailing at the end of the financial reporting period. Exchange differences arising upon re-translation are recognized in profit or loss.

(C) Non-monetary assets and liabilities denominated in foreign currencies at fair value through profit or loss are re-translated at the exchange rates prevailing at the end of the financial reporting period. The translation differences are recognized in profit or loss as part of the fair value gain or loss. Non-monetary assets and liabilities at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the end of the financial reporting period. The translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(D) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within "other gains (losses)".

B. Translation of foreign operations

(A) The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a. Assets and liabilities for each balance sheets presented are translated at the closing exchange rate at the end of the financial reporting period;

b. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

c. All resulting exchange differences are recognized in other comprehensive income.

(B) When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, if the Group still retains partial interests in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.

(C) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interests in this foreign operation. In addition, if the Group still retains partial interests in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in these foreign operations.

(5) <u>Classification of current and non-current items</u>

A. Assets that meet one of the following criteria are classified as current assets:

(A) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(B) Assets held mainly for trading purposes;

(C) Assets that are expected to be realized within 12 months from the end of the financial reporting period;

(D) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than 12 months after the end of the financial reporting period.

Otherwise they are classified as non-current assets.

B. Liabilities that meet one of the following criteria are classified as current liabilities:

(A) Liabilities that are expected to be paid off within the normal operating cycle;

(B) Liabilities arising mainly from trading activities;

(C) Liabilities that are to be paid off within 12 months from the end of the financial reporting period;

(D) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the end of the financial reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Otherwise they are classified as non-current liabilities.

(6) Cash equivalents

Cash equivalents refer to short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. Time deposits can be classified as cash equivalents if they meet the criteria mentioned above and are held for short-term cash commitments in operational purpose.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

A. At initial recognition, the Group makes an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading. The debt instruments are measured at fair value through other comprehensive income if both of the following conditions are met:

(A) The objective of the Group’s business model is achieved by both collecting contractual cash flows and selling financial assets; and

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

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

(A) The changes in fair value of equity investments that are recognized in other comprehensive income are reclassified to retained earnings. When the equity instruments are derecognized the cumulative gain or loss previously recognized in other comprehensive income is not reclassified from equity to profit or loss. Dividends are recognized as revenue when the Group's right to receive payment is established, it is probable the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(B) The changes in fair value of debt instruments that were recognized in other comprehensive income. Before derecognition, impairment gains or losses, interest revenue and foreign exchange gains and losses are recognized in profit or loss. When the debt instruments are derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(9) Financial assets measured at amortized costs

The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and accounts receivable that have a significant financing component, at each end of the financial reporting period, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met:

A. The contractual rights to receive cash flows from the financial asset has expired.

B. The contractual rights to receive cash flows from the financial asset have been transferred and the Group has transferred substantially almost all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows from the financial asset have been transferred and the Group has not retained control of financial asset.

(13) Operating leases (lessor)

An operating lease is a lease that all the risks and rewards incidental to ownership of the leased assets are not transferred to the lessees. Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(14) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials and other direct/indirect costs. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(15) Investments accounted for under equity method

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20% or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in "capital surplus" in proportion to its ownership.

D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares or buys treasury stocks (including the Group does not acquire or dispose shares proportionately), which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then "capital surplus" and "investments accounted for under equity method" shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.

G. Upon loss of significant influence over an associate, the amounts previously recognized in other comprehensive income and as capital surplus in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income and as capital surplus in relation to the associate are reclassified to profit or loss proportionately.

(16) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Except for land which is not depreciated, other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant, it should be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of the financial reporting period. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change. The estimated useful lives of buildings are 10~60 years, machinery and equipment are 1~10 years and miscellaneous equipment are 1~20 years.

(17) Operating leases (lessee)

An operating lease is a lease that the lessor assumes substantially all the risks and rewards incidental to ownership of the leased asset. Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(18) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 years.

(19) Intangible assets

A. Goodwill and trademark arise in a business combination accounted for by applying the acquisition method.

B. Other intangible assets, mainly computer software, are amortized on a straight-line basis over their estimated useful lives of 1~6 years.

(20) Impairment of non-financial assets

A. The Group assesses at the end of the financial reporting period the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or decrease, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss. However, the reversal should not exceed the carrying amount, net of depreciation or amortization had the impairment not been recognized.

B. The recoverable amounts of goodwill and intangible assets with an indefinite useful life shall be evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.

(21) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds net of transaction costs and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(22) Notes and trade payables

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(23) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(24) Derecognition of financial liabilities

The Group derecognizes a financial liability when the obligation specified in the contract is either discharged or cancelled or expires.

(25) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and reported in the net amount in the balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(26) Non-hedging derivatives

Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognized in profit or loss.

(27) Hedge accounting

A. At the inception of the hedging relationship, there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements.

B. The Group designates the hedging relationship as cash flow hedge which is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

C. Cash flow hedges

(A) The cash flow hedge reserve associated with the hedged item is adjusted to the lower of the following (in absolute amounts):

a. The cumulative gain or loss on the hedging instrument from inception of the hedge; and

b. The cumulative change in fair value of the hedged item from inception of the hedge.

(B) The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income. The gain or loss on the hedging instrument relating to the ineffective portion is recognized in profit or loss.

(C) The amount that has been accumulated in the cash flow hedge reserve in accordance with (A) is accounted for as follows:

a. If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group shall remove that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or liability.

b. For cash flow hedges other than those covered by a. above, that amount shall be reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.

c. If that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, it shall immediately reclassify the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.

(D) When the hedging instrument expires, or is sold, terminated, exercised or when the hedging relationship ceases to meet the qualifying criteria, if the forecast transaction is still expected to occur, the amount that has been accumulated in the cash flow hedge reserve shall remain in the cash flow hedge reserve until the forecast transaction occurs; if the forecast transaction is no longer expected to occur, the amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment.

(28) <u>Provisions for liabilities</u>

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the financial reporting period, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(29) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(A) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(B) Defined benefit plans

a. The liability recognized in the balance sheets in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the financial reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash follow using interest rates of government bonds or interest rates of return of high-quality investments that have terms to maturity approximating to the terms of the related pension liability.

b. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as other equity.

c. Prior service costs are recognized immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group’s decision to terminate an employee’s employment before the normal retirement date, or an employee’s decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes expense when it can no longer withdraw an offer of termination benefits or it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after financial reporting date shall be discounted to their present value.

D. Employees’ compensation and directors’ remuneration

Employees’ compensation and directors’ remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(30) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at the end of the financial reporting period. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

B. Restricted stocks:

(A) The issued subsidiary uses the date notifying employees the number of shares of employees' stock bonus as the grant date.

(B) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period.

(C) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognizes the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

(D) For restricted stocks where employees have to pay to acquire those stocks, if employees resign during the vesting period, they must return the stocks to the issued subsidiaries and the issued subsidiaries must refund their payments on the stocks, the issued subsidiary recognizes the payments from the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognizes the payments from the employees who are expected to be eventually vested with the stocks in "capital surplus - others".

(31) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the financial reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.

C. Deferred income tax is recognized, using the balance sheets liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the financial reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At the end of the financial reporting period, unrecognized and recognized deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount is reported in the balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheets when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(32) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(33) <u>Revenue recognition</u>

Sales of goods

(A) The Group is engaged in the selling of 3C products. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(B) Revenue from the sale of 3C products is recognized based on the price specified in the contract, net of the estimated volume discounts and sales discounts. Historical experience is usually used to estimate for the discounts and returns. A refund liability is recognized for expected sales discounts payable to customers in relation to sales made until the end of the reporting period. The sales are made mainly with a credit term of open account 30 to 180 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

(C) The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognized as a provision.

(D) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(34) <u>Business combinations</u>

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. If the total of the fair values of the consideration of acquisition and any non-controlling interests in the acquiree as well as the acquisition-date fair value of any previous equity interest in the acquiree is higher than the fair value of the Group's share of the identifiable net assets acquired and liabilities assumed, the difference is recorded as goodwill, if the total of the fair values of the consideration of acquisition and any non-controlling interests in the acquiree as well as the acquisition-date fair value of any previous equity interest in the acquiree is higher than the fair value of the Group's share of the identifiable net assets acquired and liabilities assumed, the difference is recorded as profit.

(35) <u>Operating segments</u>

Operating segments are reported in a manner consistent with the internal management reports provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

5. **<u>CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY</u>**

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions at the end of the financial reporting period and estimates concerning future events. The resulting accounting estimates and assumptions might be different from the actual results, and will be continually evaluated and adjusted based on historical experience and other factors; and the related information is addressed below:

Critical accounting estimates and assumptions:

A. Revenue recognition

The Group estimates sales related refund liabilities for sales returns and discounts based on historical results and other known factors. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognized. The Group reassesses the reasonableness of estimates of discounts and returns periodically.

As of December 31, 2018, the Group recognized $19,861,807 of refund liabilities for sales returns and discounts.

B. Evaluation of inventories

Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value at the end of the financial reporting period, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be a difference against actual result.

As of December 31, 2018, the carrying amount of inventories was $94,259,039.

6. **DETAILS OF SIGNIFICANT ACCOUNTS**

(1) Cash and cash equivalents

	2018/12/31		2017/12/31	
Cash on hand and petty cash	$	7,117	$	7,252
Checking accounts and demand deposits		25,676,338		33,103,905
Time deposits		36,911,805		37,419,354
Others		1,377,288		1,662,451
	$	63,972,548	$	72,192,962

The Group has no cash and cash equivalents pledged to others.

(2) Financial assets and liabilities at fair value through profit or loss

	2018/12/31	
Financial assets mandatorily measured at fair value through profit or loss - current:		
Listed and OTC stocks	$	1,027,950
Unlisted and non-OTC stocks		5,937
Beneficiary certificates		3,832,002
Derivatives		129,330
	$	4,995,219
Financial assets mandatorily measured at fair value through profit or loss - non-current:		
Listed and OTC stocks	$	33,307
Unlisted and non-OTC stocks		38,312
Beneficiary certificates		74,085
	$	145,704
Financial liabilities held for trading - current:		
Derivatives	$	240,293

A. Amounts recognized in profit or loss in relation to financial assets and liabilities at fair value through profit or loss are listed below:

	For the year ended December 31, 2018	
Equity instruments	$	343,958
Beneficiary certificates		28,956
Derivatives		604,065
Debt instruments		2,126
	$	979,105

B. The Group entered into contracts relating to derivative financial assets and liabilities which were not accounted for under hedge accounting. The information is listed below:

	2018/12/31		
	Contract amount (in thousands)		Maturity period
Derivative financial assets:			
Forward exchange contracts			
-RUB/USD	RUB	464,714	2019/01
-CAD/USD	CAD	39,700	2019/01-2019/02
-THB/USD	THB	64,820	2019/01
-NOK/USD	NOK	32,487	2019/01
-USD/NTD	USD	400	2019/01
-PLN/USD	PLN	56,255	2019/03
-EUR/USD	EUR	78,000	2019/04
-JPY/USD	JPY	548,050	2019/03
-GBP/USD	GBP	6,000	2019/01
-SEK/USD	SEK	26,839	2019/01
-CNH/USD	CNH	243,061	2019/01
-IDR/USD	IDR	301,025,000	2019/01
-INR/USD	INR	174,744	2019/01
-AUD/USD	AUD	5,000	2019/01
-NTD/USD	USD	50,000	2019/06
Currency option contracts			
-EUR/USD	EUR	16,000	2019/03
-CNH/USD	CNH	765,457	2019/05
-RUB/USD	RUB	1,001,640	2019/01
Currency swap contracts			
-USD/NTD	USD	500	2019/01
-NTD/USD	USD	2,000	2019/06
Derivative financial liabilities:			
Forward exchange contracts			
-NTD/USD	USD	20,000	2019/05
-SEK/USD	SEK	30,940	2019/02
-PLN/USD	PLN	3,700	2019/01
-USD/NTD	USD	200	2019/01
-INR/USD	INR	3,633,412	2019/03
-CHF/USD	CHF	2,800	2019/01
-EUR/USD	EUR	198,700	2019/04
-CNH/USD	CNH	695,975	2018/03
-IDR/USD	IDR	1,517,622,000	2019/03
-JPY/USD	JPY	998,610	2019/02

	2018/12/31		
	Contract amount (in thousands)		Maturity period
Derivative financial liabilities:			
Currency option contracts			
-CNH/USD	CNH	2,499,061	2019/05
-JPY/USD	JPY	8,491,160	2019/03
-INR/USD	INR	2,750,228	2019/02
Currency swap contracts			
-NTD/USD	USD	3,000	2019/06

(A) Forward exchange contracts

The Group entered into forward exchange contracts to sell various forward foreign currencies to hedge exchange rate risk of import and export proceeds. However, these forward exchange contracts are not accounted for under hedge accounting.

(B) Currency option contracts

The Group entered into currency option contracts to buy or sell various foreign currencies rights at an agreed price in the future to hedge exchange rate risk of import and export proceeds. However, these currency option contracts are not accounted for under hedge accounting.

(C) Currency swap contracts

The Group entered into currency swap contracts to hedge cash flow risk of the floating-rate liability positions. However, these currency swap contracts are not accounted for under hedge accounting.

C. The Group has no financial assets at fair value through profit or loss pledged to others.

D. Information about financial assets at fair value through profit or loss as of December 31, 2017 is provided in Note 12(4).

(3) Financial assets at fair value through other comprehensive income

		2018/12/31
Equity instruments - current:		
Listed and OTC stocks	$	310,939
Valuation adjustment		325,888
	$	636,827
Equity instruments - non-current:		
Listed and OTC stocks	$	26,880,445
Unlisted and non-OTC stocks		586,560
		27,467,005
Valuation adjustment		17,892,957
	$	45,359,962

A. The Group has elected to classify above investments that are considered to be strategic investments and steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $45,996,789 as of December 31, 2018.

B. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	For the year ended December 31, 2018
Change of fair value recognized in other comprehensive income	($ 9,521,521)
Cumulative gains (losses) reclassified to retained earnings due to derecognition	($ 60,909)
Dividend income recognized in profit or loss	
Held at end of the year	$ 2,507,538
Derecognized during the year	-
	$ 2,507,538

C. The Group has no financial assets at fair value through other comprehensive income pledged to others.

D. Information about available-for-sale financial assets and financial assets at cost as of December 31, 2017 is provided in Note 12(4).

(4) Financial assets at amortized cost

Items	2018/12/31
Current items:	
Time deposits with original maturity period more than three months	$ 1,665,377

A. The Group has no financial assets at amortized cost pledged to others.

B. As of December 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Group was $1,665,377.

C. Information about credit risk of financial assets at amortized cost is provided in Note 12(2).

(5) Hedging financial assets and liabilities

	2018/12/31	
	Assets (Liabilities)	
Forward exchange contracts - cash flow hedges - current	$	334,333
Forward exchange contracts - cash flow hedges - current	(	53,437)
	$	280,896

A. Hedge accounting is applied to reduce the effect of accounting inconsistency between the hedging instrument and the hedged item. The Group entered into forward exchange contracts to manage its foreign currency exposure in respect of forecasted sales transactions. When forecasted sales transactions occur, the carrying amount of the non-financial hedged items should be adjusted the basis of recognition.

B. Transaction information associated with the Group adopting hedge accounting is as follows:

	2018/12/31		
Hedging instruments	Contract amount (in thousands)		Maturity period
Cash flow hedges:			
Derivative financial assets			
Forward exchange contracts			
-AUD/USD	AUD	14,000	2019/03
-EUR/USD	EUR	353,000	2019/06
-GBP/USD	GBP	46,000	2019/06
-SEK/USD	SEK	87,000	2019/06
-NOK/USD	NOK	79,000	2019/06
-RUB/USD	RUB	1,787,000	2019/03
-PLN/USD	PLN	48,000	2019/06
Derivative financial liabilities			
Forward exchange contracts			
-EUR/USD	EUR	155,000	2019/06
-GBP/USD	GBP	6,000	2019/06
-SEK/USD	SEK	29,000	2019/06
-NOK/USD	NOK	56,000	2019/06
-PLN/USD	PLN	46,000	2019/06
-AUD/USD	AUD	2,000	2019/03
-JPY/USD	JPY	2,800,000	2019/03

The average exchange rate of hedging instruments used by the Group is based on the consideration of future exchange rate fluctuation of the hedged items.

C. Cash flow hedges:

	2018
Other equity - gain (loss) on hedging instrument	
January 1	($ 671,054)
Add: Gains (losses) on hedge effectiveness - amount recognized in other comprehensive income	955,546
Net exchange differences	(3,596)
December 31	$ 280,896
Hedge ineffectiveness - amount recognized in other gains (losses)	($ 13,238)

D. As the hedging instrument expires, the hedging relationship ceases to meet the qualifying criteria, if the forecast transaction is still expected to occur, the amount that has been accumulated in the cash flow hedge reserve shall remain in the cash flow hedge reserve until the forecast transaction occurs; if the forecast transaction is no longer expected to occur, the amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment.

E. The information as of December 31, 2017 is provided in Note 12(4).

(6) Notes and trade receivables

	2018/12/31	2017/12/31
Notes receivable	$ 4,397,115	$ 8,369,528
Trade receivables	80,832,557	78,970,208
	85,229,672	87,339,736
Less: Loss allowance	(3,115,124)	(2,460,433)
	$ 82,114,548	$ 84,879,303

A. The ageing analysis of notes and accounts receivable is as follows:

	2018/12/31	2017/12/31
Not past due	$ 69,382,775	$ 74,843,835
Less than 90 days past due	13,041,760	9,912,330
Between 91 and 180 days past due	398,241	334,541
More than 181 days past due	2,406,896	2,249,030
	$ 85,229,672	$ 87,339,736

B. The Group does not hold financial assets as security for trade receivables.

C. As of December 31, 2018 and 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group’s notes receivable were $4,397,115 and $8,369,528, respectively. The maximum exposure to credit risk in respect of the amount that best represents the Group’s accounts receivable were $77,717,433 and $76,509,775, respectively.

D. Information about credit risk of notes and accounts receivable is provided in Note 12(2).

(7) Offsetting financial assets and financial liabilities

A. The Group has assets (fair value of $30,836,695 and $ 32,856,423 as of December 31, 2018 and 2017, respectively) and liabilities (fair value of $36,514,971 and $40,618,937 as of December 31, 2018 and 2017, respectively) with certain companies that meet the offsetting criteria in paragraph 42 of IAS 32, resulting in the presentation of a net amount for trade receivables and notes and trade payables.

B. Financial assets and financial liabilities subject to master netting arrangements are as follows:

	Offsetting trade receivables, notes and trade payables					
	Gross amount of financial assets (before offset)	Gross amount of financial liabilities (before offset)	Offsetting amount	Amount of financial assets presented in the balance sheet (after offset)	Amount of financial liabilities presented in the balance sheet (after offset)	Not set off in the balance sheet: collateral (received) /provided
2018/12/31	$ 30,836,695	($ 36,514,971)	($ 30,631,626)	$ 205,069	($ 5,883,345)	$ -
2017/12/31	32,856,423	(40,618,937)	(32,856,423)	-	(7,762,514)	-

(8) Inventories

	2018/12/31		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 47,894,476	($ 9,037,318)	$ 38,857,158
Work in process	4,173,692	(308,140)	3,865,552
Finished goods	4,734,534	(302,070)	4,432,464
Merchandise inventories	53,053,827	(7,050,130)	46,003,697
Inventories in transit	1,100,168	-	1,100,168
	$ 110,956,697	($ 16,697,658)	$ 94,259,039

	2017/12/31		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 36,986,735	($ 5,112,502)	$ 31,874,233
Work in process	2,241,052	(216,099)	2,024,953
Finished goods	2,501,394	(323,269)	2,178,125
Merchandise inventories	54,650,769	(8,782,364)	45,868,405
Inventories in transit	1,110,241	-	1,110,241
	$ 97,490,191	($ 14,434,234)	$ 83,055,957

Except for costs of goods sold, the inventories recognized as operating costs from continued and discontinued operations amounted to $2,868,464 and ($775,539), of which $2,472,048 and ($1,271,658) pertain to the decline (recovery) in value of inventories for the years ended December 31, 2018 and 2017, respectively. The Group reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold because some inventories with allowance for valuation loss had been sold for the year ended December 31, 2017.

(9) Investments accounted for under equity method

	2018/12/31	2017/12/31
Associates	$ 5,666,800	$ 364,542

A. The Group's associates are all immaterial, and the summary on financial information of share attributable to the Group is as follows:

	For the years ended December 31,	
	2018	2017
Profit (loss) for the year	$ 75,091	$ 23,971
Other comprehensive income (loss) for the year - net of income tax	(12,359)	4,517
Total comprehensive income (loss) for the year	$ 62,732	$ 28,488

B. The fair value of the Group's associates which have quoted market price is as follows:

	2018/12/31	2017/12/31
Fair value of associates	$ 2,896,449	$ 190,823

(10) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Miscellaneous equipment	Construction in progress and equipment under installation	Total
January 1, 2018						
Cost	$ 6,430,351	$ 7,165,888	$ 5,586,398	$ 6,328,088	$ 1,411,302	$ 26,922,027
Accumulated depreciation and impairment	-	(2,812,818)	(3,758,221)	(5,100,512)	-	(11,671,551)
	$ 6,430,351	$ 4,353,070	$ 1,828,177	$ 1,227,576	$ 1,411,302	$ 15,250,476
January 1, 2018	$ 6,430,351	$ 4,353,070	$ 1,828,177	$ 1,227,576	$ 1,411,302	$ 15,250,476
Acquisitions	-	43,086	455,292	440,354	2,318,486	3,257,218
Disposals	-	-	(127,491)	(24,077)	-	(151,568)
Depreciation	-	(266,240)	(504,689)	(466,811)	-	(1,237,740)
Impairment	-	(44,351)	(100,787)	(18,577)	-	(163,715)
Reversal of impairment	-	-	13	-	-	13
Reclassifications	-	272,195	38,276	80,051	(475,315)	(84,793)
Effects due to changes in consolidated entities	-	-	(19,817)	(54,627)	-	(74,444)
Net exchange differences	16,713	(22,226)	(20,389)	(13,040)	(22,639)	(61,581)
December 31, 2018	$ 6,447,064	$ 4,335,534	$ 1,548,585	$ 1,170,849	$ 3,231,834	$ 16,733,866
December 31, 2018						
Cost	$ 6,447,064	$ 7,363,769	$ 5,432,501	$ 4,299,207	$ 3,231,834	$ 26,774,375
Accumulated depreciation and impairment	-	(3,028,235)	(3,883,916)	(3,128,358)	-	(10,040,509)
	$ 6,447,064	$ 4,335,534	$ 1,548,585	$ 1,170,849	$ 3,231,834	$ 16,733,866

	Land	Buildings	Machinery and equipment	Miscellaneous equipment	Construction in progress and equipment under installation	Total
January 1, 2017						
Cost	$ 6,474,545	$ 7,155,510	$ 5,280,117	$ 7,299,782	$ -	$ 26,209,954
Accumulated depreciation and impairment	-	(2,608,710)	(3,624,234)	(6,233,243)	-	(12,466,187)
	$ 6,474,545	$ 4,546,800	$ 1,655,883	$ 1,066,539	$ -	$ 13,743,767
January 1, 2017	$ 6,474,545	$ 4,546,800	$ 1,655,883	$ 1,066,539	$ -	$ 13,743,767
Acquisitions	-	85,864	721,404	522,835	845,837	2,175,940
Disposals	-	(12,839)	(30,793)	(13,794)	-	(57,426)
Depreciation	-	(260,331)	(543,881)	(440,174)	-	(1,244,386)
Impairment	-	-	(11,164)	(103)	-	(11,267)
Reversal of impairment	-	-	15,332	-	-	15,332
Reclassifications	-	52,577	32,250	89,944	557,241	732,012
Effects due to changes in consolidated entities	-	-	-	7,332	-	7,332
Net exchange differences	(44,194)	(59,001)	(10,854)	(5,003)	8,224	(110,828)
December 31, 2017	$ 6,430,351	$ 4,353,070	$ 1,828,177	$ 1,227,576	$ 1,411,302	$ 15,250,476
December 31, 2017						
Cost	$ 6,430,351	$ 7,165,888	$ 5,586,398	$ 6,328,088	$ 1,411,302	$ 26,922,027
Accumulated depreciation and impairment	-	(2,812,818)	(3,758,221)	(5,100,512)	-	(11,671,551)
	$ 6,430,351	$ 4,353,070	$ 1,828,177	$ 1,227,576	$ 1,411,302	$ 15,250,476

A. After evaluating and comparing the carrying amount of property, plant and equipment and its recoverable amounts, the Group recognized impairment loss amounting to $163,715 and $11,267 and impairment reversal gain amounting to $13 and $15,332 for the years ended December 31, 2018 and 2017, respectively.

B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(11) Intangible assets

	Trademark	Computer software	Goodwill	Others	Total
January 1, 2018					
Cost	$ 358,298	$ 2,033,671	$ 1,180,794	$ 651,650	$ 4,224,413
Accumulated amortization and impairment	(3,195)	(1,637,328)	(48,896)	(581,811)	(2,271,230)
	$ 355,103	$ 396,343	$ 1,131,898	$ 69,839	$ 1,953,183
January 1, 2018	$ 355,103	$ 396,343	$ 1,131,898	$ 69,839	$ 1,953,183
Acquisitions	174	236,334	-	108,634	345,142
Disposals	-	(8,679)	-	-	(8,679)
Amortization	(9)	(282,701)	-	(38,491)	(321,201)
Reclassifications	-	114,307	-	-	114,307
Effect due to changes in consolidated entities	(165)	(9,152)	-	(1,727)	(11,044)
Net exchange differences	-	29	-	(1)	28
December 31, 2018	$ 355,103	$ 446,481	$ 1,131,898	$ 138,254	$ 2,071,736
December 31, 2018					
Cost	$ 355,103	$ 1,862,492	$ 1,138,513	$ 685,072	$ 4,041,180
Accumulated amortization and impairment	-	(1,416,011)	(6,615)	(546,818)	(1,969,444)
	$ 355,103	$ 446,481	$ 1,131,898	$ 138,254	$ 2,071,736

	Trademark	Computer software	Goodwill	Others	Total
January 1, 2017					
Cost	$ 358,298	$ 1,670,272	$ 1,180,170	$ 710,478	$ 3,919,218
Accumulated amortization and impairment	(3,195)	(1,363,602)	(48,272)	(605,425)	(2,020,494)
	$ 355,103	$ 306,670	$ 1,131,898	$ 105,053	$ 1,898,724
January 1, 2017	$ 355,103	$ 306,670	$ 1,131,898	$ 105,053	$ 1,898,724
Acquisitions	-	324,057	-	-	324,057
Disposals	-	(17,247)	-	-	(17,247)
Amortization	-	(277,191)	-	(35,222)	(312,413)
Reclassifications	-	61,534	-	-	61,534
Net exchange differences	-	(1,480)	-	8	(1,472)
December 31, 2017	$ 355,103	$ 396,343	$ 1,131,898	$ 69,839	$ 1,953,183
December 31, 2017					
Cost	$ 358,298	$ 2,033,671	$ 1,180,794	$ 651,650	$ 4,224,413
Accumulated amortization and impairment	(3,195)	(1,637,328)	(48,896)	(581,811)	(2,271,230)
	$ 355,103	$ 396,343	$ 1,131,898	$ 69,839	$ 1,953,183

A. The impairment assessment of goodwill relies on the managements' subjective judgement, including identifying cash-generating units and determining the recoverable amounts of related cash-generating units. The recoverable amount is based on the value-in-use, the industry standard and the fair value (the fair value is referred to stock price in active market) of cash generating units less disposal costs.

B. The value-in-use calculations use cash flow projections based on financial budgets approved by the management covering a five-year period, and industry standard calculations are determined by reference to the business market value in consideration of the similar industries with the similar products, capital and operating revenues, etc. Management determined budgeted gross margin and growth rate based on past performance and the expectations of market development. The market valuation used are consistent with the similar industries. The discount rates used reflect specific risks relating to the relevant operating segments and the time value of currency in real market.

C. The Group has no intangible assets pledged to others.

(12) Discontinued operations

A. The Group is determined to reshape its smartphone business strategy to focus on perfecting solutions for gamers and power users under the resolution by the Board of Directors on December 13, 2018. The transformation plan has been underway and the Group recognized valuation effects of assets and liabilities accordingly.

B. The cash flow information of the discontinued operations is as follows:

	For the years ended December 31,	
	2018	2017
Operating cash flows	($ 5,168,913)	($ 7,753,763)
Investing cash flows	-	-
Financing cash flows (Note)	5,168,913	7,753,763
Total cash flows	$ -	$ -

Note: The continuing operations provide financing support to the discontinued operations.

C. Analysis of the operating result of discontinued operations, and the result recognized on the remeasurement of assets and restructuring constructive obligation, is as follows:

	For the years ended December 31,	
	2018	2017
Operating revenue	$ 38,403,475	$ 47,547,932
Operating costs	(39,622,165)	(43,045,697)
Operating expenses	(6,894,272)	(9,052,290)
Non-operating income and expenses	157,262	792,995
Pre-tax loss from discontinued operations	(7,955,700)	(3,757,060)
Income tax benefit	850,946	240,770
After-tax loss from discontinued operations	(7,104,754)	(3,516,290)
Pre-tax loss recognized on the remeasurement of assets and restructuring constructive obligation (Note)	(6,049,027)	-
Income tax benefit recognized on the remeasurement of assets and restructuring constructive obligation	1,083,978	-
After-tax loss recognized on the remeasurement of assets and restructuring constructive obligation	(4,965,049)	-
Total loss from discontinued operations	($ 12,069,803)	($ 3,516,290)

Note: It consists of inventory valuation loss, compensation loss for the vendors' preparation of materials in advance, sales discounts, reorganization personnel expenses, royalty loss and other losses from discontinued operations.

(13) Other non-current assets - long-term prepaid rents

	2018/12/31	2017/12/31
Land use right	$ 2,002,288	$ 1,196,841

In January, 2018, December, 2017, February, 2014, September, 2013, April, 2010, November, 2008, October, 2006, and July, 2002, the Group signed a land use right contract with Suzhiu City Government, Shanghai City Government, Chongqing City Government and Wujiang City Government, for the use of land for a period of 40~50 years. All rentals had been paid on the contract dates. The Group recognized rental expenses of $53,672 and $32,660 for the years ended December 31, 2018 and 2017, respectively.

(14) Short-term borrowings

Type of borrowings	2018/12/31	Interest rate range	Collateral
Bank borrowings			
Guaranteed borrowings	$ 67,573	5.65%~5.90%	Property, plant and equipment
Credit borrowings	7,057,411	0.98%~4.86%	-
	$ 7,124,984		

Type of borrowings	2017/12/31	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	$ 5,750,078	0.80% ~2.90%	-

(15) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	2017/12/31
Credit borrowings - installment-repayment				
Bank of Taiwan	2017/10~2019/09, payable at maturity date, commencing 2 years after the initial date of borrowing	1.11%	-	$ 440,000
Taishin International Bank	2017/03~2020/03, payable at maturity date, commencing 3 years after the signing date of contract	1.28%	-	500,000
Others	2017/05~2022/05	4.01%~ 4.48%	Land and buildings	73,927
				1,013,927
Less: Current portion of long-term borrowings				(2,750)
				$ 1,011,177

A. The Group's long-term borrowings (including current portion of long-term borrowings) have been cancelled and redeemed in advance. As of December 31, 2018, the balance amounted to $0.

B. Under the borrowing contracts, the Company's subsidiaries who signed the contracts are required to maintain certain covenants annually agreed by both sides, and the bank can inspect at any time when necessary. The borrowings were repaid in the second quarter of 2018 and as of December 31, 2017, the Company's subsidiaries who signed the contracts did not violate any of the covenants specified in the contract.

(16) Pensions

A. Defined benefit pension plans

(A) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contribution for the deficit by next March.

(B) The amounts recognized in the balance sheets are as follows:

	2018/12/31	2017/12/31
Present value of defined benefit obligation	($ 397,350)	($ 371,237)
Fair value of plan asset	218,861	218,427
Net defined benefit liability	($ 178,489)	($ 152,810)

(C) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
January 1, 2018	($ 371,237)	$ 218,427	($ 152,810)
Current service cost	(20,529)	-	(20,529)
Interest (expense) income	(5,269)	2,579	(2,690)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	5,704	5,704
Change in demographic assumptions	(11,071)	-	(11,071)
Change in financial assumptions	24,600	-	24,600
Experience adjustments	(34,395)	-	(34,395)
Pension fund contribution	-	5,616	5,616
Pension payment	18,338	(12,038)	6,300
Exchange difference	2,213	(1,427)	786
December 31, 2018	($ 397,350)	$ 218,861	($ 178,489)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
January 1, 2017	($ 330,219)	$ 209,595	($ 120,624)
Current service cost	(15,554)	-	(15,554)
Interest (expense) income	(4,761)	2,752	(2,009)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(681)	(681)
Change in demographic assumptions	(12,010)	-	(12,010)
Change in financial assumptions	(749)	-	(749)
Experience adjustments	(8,842)	-	(8,842)
Pension fund contribution	-	6,761	6,761
Pension payment	3,367	-	3,367
Exchange difference	(2,469)	-	(2,469)
December 31, 2017	($ 371,237)	$ 218,427	($ 152,810)

(D) The Bank of Taiwan was commissioned to manage the Fund of the Company's and its domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the

Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(E) The principal actuarial assumptions used are as follows:

	For the years ended December 31,	
	2018	2017
Discount rate	1.00%~8.75%	1.20%~7.50%
Future salary increases rate	2.00%~10.00%	2.00%~10.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases rate	
	Increase 0.25%~1%	Decrease 0.25%~1%	Increase 0.25%~1%	Decrease 0.25%~1%
December 31, 2018				
Effect on present value of defined benefit obligation	($ 17,856)	$ 19,532	$ 14,205	($ 12,313)
December 31, 2017				
Effect on present value of defined benefit obligation	($ 17,291)	$ 18,167	$ 13,278	($ 12,497)

The sensitivity analysis above was determined based on the change of one assumption while the other conditions remain unchanged. In practice, the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheets are the same.

(F) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2019 are $7,645.

(G) As of December 31, 2018, the weighted average duration of that retirement plan is 9.4~24.75 years.

B. Defined contribution pension plans

(A) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (New Plan) under the Labor Pension Act, covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(B) The Company's mainland subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China are based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(C) The pension costs under the defined contribution pension plans of the Group were $1,070,618 and $1,079,828 for the years ended December 31, 2018 and 2017, respectively.

(17) Provisions for liabilities

	Provisions for warranty	Provisions for legal claims and royalty	Provisions for sales returns and discounts	Total
January 1, 2018	$ 13,578,703	$ 7,249,540	$ 20,350,947	$ 41,179,190
Recognition (reversal)	10,394,122	(57,263)	-	10,336,859
Used	(9,096,843)	(102,523)	-	(9,199,366)
Reclassified to refund liabilities	-	-	(20,350,947)	(20,350,947)
Net exchange differences	245,156	218,157	-	463,313
December 31, 2018	$ 15,121,138	$ 7,307,911	$ -	$ 22,429,049

	Provisions for warranty	Provisions for legal claims and royalty	Provisions for sales returns and discounts	Total
January 1, 2017	$ 14,070,105	$ 7,650,131	$ 21,576,443	$ 43,296,679
Recognition (reversal)	11,563,922	447,914	38,247,846	50,259,682
Used	(11,252,149)	(245,485)	(38,134,158)	(49,631,792)
Net exchange differences	(803,175)	(603,020)	(1,339,184)	(2,745,379)
December 31, 2017	$ 13,578,703	$ 7,249,540	$ 20,350,947	$ 41,179,190

Analysis of total provisions:

	2018/12/31	2017/12/31
Current	$ 22,429,049	$ 41,179,190

A. Provisions for warranty

The Group provides warranties on 3C products sold. Provision for warranty is estimated based on these products' historical warranty data. A provision is recognized as current when it is expected to be used in one year.

B. Provisions for legal claims and royalty

The Group recognizes provision for legal claims or royalty fees made by the patentees against the Group. After taking appropriate legal advice, the management evaluates the probable claimable fees accrued as provision for liabilities. The provision charge is recognized in profit or loss within operating costs and expenses.

C. Provisions for sales returns and discounts

The Group allows sales returns and provides discounts on 3C products sold. Provision for sales returns and discounts is estimated based on these products' historical data and other known factors. A provision is recognized as current when it is expected to be used in one year.

D. Provisions for sales returns and discounts have been reclassified to refund liabilities in accordance with IFRS 15. Information is provided in Note 6 (18).

(18) Refund liabilities

	Refund liabilities
January 1, 2018	$ -
Adjustments under IFRS 15	20,350,947
Balance after adjustment as of January 1, 2018	20,350,947
Recognition (reversal)	38,202,179
Used	(38,998,561)
Effects due to changes in consolidated entities	(13,240)
Net exchange differences	320,482
December 31, 2018	$ 19,861,807

The Group recognizes refund liabilities on 3C products sold. Refund liabilities are estimated based on these products' historical data and other known factors. A provision is recognized as current when it is expected to be used in one year.

(19) Common shares

A. As of December 31, 2018, the Company's authorized capital was $47,500,000, consisting of 4,750,000,000 shares of common stock (including 50,000,000 shares which were reserved for employee stock options), and the paid-in capital was $7,427,603, with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

The number of the Company's ordinary shares outstanding at the beginning and ending for the years ended December 31, 2018 and 2017 are both 742,760,280 shares.

B. As of December 31, 2018, the Company issued Global Depositary Receipts (GDRs), of which 4,933,000 units of the GDRs are now listed on the Luxembourg Stock Exchange. Per unit of GDR represents 5 shares of the Company's common stock and total GDRs represent 24,665,000 shares of the Company's common stock. The terms of GDR are as follows:

(A) Voting rights

GDR holders may, pursuant to the Depositary Agreement and the relevant laws and regulations of the R.O.C., exercise the voting rights pertaining to the underlying common shares represented by the GDRs.

(B) Dividends, stock warrants and other rights

GDR holders and common shareholders are all entitled to receive dividends. The Depositary may issue new GDRs in proportion to GDRs holding ratios or raise the number of shares of common stock represented by each unit of GDR or sell stock dividends on behalf of GDR holders and distribute proceeds to them in proportion to their GDRs holding ratios.

(20) Capital surplus

Pursuant to the R.O.C. Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2018/12/31	2017/12/31
Share premium	$ 4,227,966	$ 4,227,966
Difference between consideration and carrying amount of subsidiaries acquired or disposed	893,024	897,804
Recognition of changes in ownership interest in subsidiaries	1,131,650	422,528
Changes in associates and joint ventures accounted for under equity method	46,790	5,899
	$ 6,299,430	$ 5,554,197

(21) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. When such legal reserve amounts to the total authorized capital, the Company shall not be subject to this requirement. The Company may then appropriate or reverse a certain amount as special reserve according to the demand for the business or relevant regulations. After the distribution of earnings, the remaining earnings and prior years' undistributed earnings may be appropriated according to a resolution of the Board of Directors adopted in the shareholders' meeting.

B. The Company is facing a rapidly changing industrial environment, with the life cycle of the industry in the growth phase. In line with the long-term financial plan of the Company and the demand for cash by the shareholders, the Company should distribute cash dividends of not less than 10% of the total dividends declared.

C. Except for covering accumulated deficit, increasing capital or payment of cash in proportion to ownership percentage, the legal reserve shall not be used for any other purpose. The amount capitalized or the cash payment shall be limited to the portion of legal reserve which exceeds 25% of the paid-in capital.

D. (A) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the end of the financial reporting period before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(B) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

E. As resolved by the shareholders on June 7, 2017, the Company distributed cash dividends to owners amounting to $12,626,925 ($17 (in dollars) per share) for the appropriation of 2016 earnings. On June 12, 2018, the Shareholders resolved to distribute cash dividends amounting to $11,141,404 ($15 (in dollars) per share) for the appropriation of 2017 earnings.

F. The appropriation of 2018 earnings had been proposed by the Board of Directors on March 20, 2019. Details are summarized as follows:

	For the year ended December 31, 2018	
	Amount	Dividends per share (in dollars)
Cash dividends	$ 11,141,404	$ 15.00

As of March 20, 2018, the appropriations of 2018 earnings stated above had not been resolved by the shareholders.

G. For the information about employees' compensation and directors' remuneration is provided in Note 6(27).

(22) Other equity

	Gain (loss) on effective portion of cash flow hedges	Gain (loss) on hedging instrumrnts	Unrealized gain on valuation of financial assets at fair value through other comprehensive income	Unrealized gain on valuation of available-for-sale financial assets	Financial statements translation differences of foreign operations	Remeasurement of defined benefit plans	Total
January 1, 2018	($ 671,054)	$ -	$ -	$ 27,893,808	($ 1,875,958)	($ 98,267)	$25,248,529
Effect on retrospective application and restatement	671,054	(671,054)	27,630,905	(27,893,808)	-	-	(262,903)
Balance after restatement on January 1, 2018	-	(671,054)	27,630,905	-	(1,875,958)	(98,267)	24,985,626
-The Company	-	-	(9,430,925)	-	2,021,932	-	(7,408,993)
-Subsidiaries	-	951,950	34,030	-	(1,146,251)	(7,959)	(168,230)
-Associates	-	-	19	-	(3,752)	(670)	(4,403)
December 31, 2018	$ -	$ 280,896	$ 18,234,029	$ -	($ 1,004,029)	($ 106,896)	$17,404,000

	Gain (loss) on effective portion of cash flow hedges	Gain (loss) on hedging instrumrnts	Unrealized gain on valuation of financial assets at fair value through other comprehensive income	Unrealized gain on valuation of available-for-sale financial assets	Financial statements translation differences of foreign operations	Remeasurement of defined benefit plans	Total
January 1, 2017	$ 1,282,834	$ -	$ -	$ 31,628,691	$ 2,149,750	($ 78,993)	$34,982,282
-The Company	-	-	-	(3,887,043)	(4,302,517)	-	(8,189,560)
-Subsidiaries	(1,953,888)	-	-	152,167	276,978	(19,274)	(1,544,017)
-Associates	-	-	-	(7)	(169)	-	(176)
December 31, 2017	($ 671,054)	$ -	$ -	$ 27,893,808	($ 1,875,958)	($ 98,267)	$25,248,529

(23) Operating revenue

	For the year ended December 31, 2018
Revenue from contracts with customers	$ 391,551,002
Less: Revenue from contracts with customers from discontinued operations	(37,363,337)
Total	$ 354,187,665

A. Disaggregation of revenue from contracts with customers

The Group's revenue is derived from the transfer of goods and services over time and at a point in time in the following major product lines:

For the year ended December 31, 2018	3C products	Others	Total
Revenue from contracts with customers	$ 345,053,474	$ 9,134,191	$ 354,187,665
Timing of revenue recognition			
At a point in time	$ 344,940,493	$ 9,064,365	$ 354,004,858
Over time	112,981	69,826	182,807
Total	$ 345,053,474	$ 9,134,191	$ 354,187,665

Revenue from contracts with customers from discontinued operations for the year ended December 31, 2018 amounting to $37,363,337 was attributed to a point in time.

B. Contract liabilities

(A) The Group recognized contract liabilities related to the contract revenue from sales and warranty amounting to $954,548 as of December 31, 2018.

(B) The revenue recognized from the beginning balance of contract liability amounted to $315,866.

C. Related disclosures on operating revenue for the year ended December 31, 2017 are provided in Note 12(5) B.

(24) Other income

	For the years ended December 31,	
	2018	2017
Interest income	$ 1,491,312	$ 1,081,957
Rent income	116,221	-
Dividend income	2,552,907	2,828,411
	4,160,440	3,910,368
Less: Other income from discontinued operations	(1,690)	(2)
	$ 4,158,750	$ 3,910,366

(25) Other gains (losses)

	For the years ended December 31,	
	2018	2017
Net gains (losses) on non-derivative financial instruments	$ 375,040	$ 312,045
Net gains (losses) on derivative financial instruments	604,065	(2,647,636)
Net currency exchange gains (losses)	(560,635)	5,353,971
Gains (losses) on disposal of investments (Note 1)	1,683,748	54,156
Other net gains (losses) (Note 2)	(1,913,065)	397,257
	189,153	3,469,793
Less: Other gains from discontinued operations	(155,572)	(792,993)
	$ 33,581	$ 2,676,800

Note 1: In October 2018, the Group disposed 11,706 thousand shares of its ownership of subsidiary —UPI and the disposed proceeds are $760,890. After the Group disposed the shares, it lost control of UPI and its ownership was decreased to 34.20%. The remaining book value of equity investments was remeasured at the fair value and difference between the fair value less related transaction costs and carrying amount was recognized in profit or loss. Gain on disposal of investments was amounting to $1,681,498.

Note 2: The European Commission has started an investigation into whether the Group has restricted the retail prices of distributors in February, 2017. The Group has always followed the law seriously and worked with the European Union together to complete the investigation following the cooperation process. The European Commission has finished the investigation in July, 2018. The Group recognized the loss amounting to $2,296,320 for the case of the restricted retail prices as other gains (losses) in the year of 2018. The financial position of the Group is sound enough and cash and cash equivalents balance is assessed to be sufficient to cover the probable loss of the case. Therefore, the case has no significant impact to the operations of the Group. In addition, the Group will manage properly and respond to various types of operational and non-operational risk in the future.

(26) Costs and expenses by nature (including discontinued operations)

	For the years ended December 31,					
	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses	$ 3,253,904	$ 20,001,255	$ 23,255,159	$ 3,632,899	$ 22,527,035	$ 26,159,934
Depreciation	596,347	641,393	1,237,740	566,918	677,468	1,244,386
Amortization	14,651	419,089	433,740	18,028	385,028	403,056

(27) Employee benefit expenses (including discontinued operations)

	For the years ended December 31,	
	2018	2017
Wages and salaries	$ 19,929,856	$ 22,848,803
Labor and health insurance	1,528,398	1,505,443
Pension (Note)	1,093,837	1,097,391
Other personnel expenses	703,068	708,297
	$ 23,255,159	$ 26,159,934

Note: Includes the pension expense under the defined contribution plan and defined benefit plan.

A. According to the Articles of Incorporation of the Company, the current year's profit shall be used first to cover accumulated deficit, if any, and then the remaining balance shall be distributed as follows: no less than 1% as employees' compensation, and no more than 1% as directors' remuneration.

B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at $299,233 and $1,064,379, respectively; directors' remuneration was accrued at $15,749 and $56,020, respectively. The aforementioned amounts were recognized in salary expense.

The employees' compensation and directors' remuneration were estimated and accrued based on no less than 1% and no more than 1% of profit of current year distributable for the year ended December 31, 2018. The Board of Directors resolved to distribute employees' and directors compensation amounting to $299,233 and $15,749, respectively, and employees' compensation will be distributed in cash.

Employees' compensation and directors' remuneration for 2017 as resolved by the Board of Directors during its meeting were in agreement with those amounts recognized in the 2017 financial statements. The employees' compensation and directors' remuneration of the Company mentioned above are distributed in cash.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors during its meeting is available at the Market Observation Post System website.

(28) Income tax

A. Income tax expenses

(A) Components of income tax expense:

	For the years ended December 31,	
	2018	2017
Current income tax:		
Current income tax on profits for the year	$ 2,559,892	$ 1,962,126
Additional 10% tax on unappropriated earnings	296,752	468,961
Difference between prior year's income tax estimation and assessed results	82,596	69,096
Total current income tax	2,939,240	2,500,183
Deferred income tax:		
Origination and reversal of temporary differences	(2,602,122)	701,455
Impact of change in tax rate	1,371,376	722,102
Total deferred income tax	(1,230,746)	1,423,557
Income tax expense	1,708,494	3,923,740
Add: Income tax benefit from discontinued operations	1,934,924	240,770
Income tax expense from continuing operations	$ 3,643,418	$ 4,164,510

(B) The income tax relating to components of other comprehensive income is as follows:

	For the years ended December 31,	
	2018	2017
Changes in fair value of available-for-sale financial assets	$ -	$ 19,459
Changes in fair value of financial assets at fair value through other comprehensive income	(40,750)	-
Currency translation differences	126,125	(822,595)
Remeasurements of defined benefit plans	(7,080)	(1,222)
	$ 78,295	($ 804,358)

B. Reconciliation between income tax expenses and accounting profit:

	For the years ended December 31, 2018	For the years ended December 31, 2017
Income tax calculated based on profit before tax and statutory tax rate	$ 1,561,237	$ 3,772,803
Effect from items disallowed by tax regulations	(743,858)	(487,635)
Effect from tax exemption on investment income (loss)	(1,387,864)	(317,306)
Effect from investment tax credit	(58,338)	(47,235)
Effect from net operating loss carryforward	(134)	7,831
Difference between prior year's income tax estimation and assessed results	82,596	69,096
Additional 10% tax on unappropriated earnings	296,752	468,961
Change in assessment of realization of deferred tax assets	2,201	69,367
Impact of change in tax rates on unrealized profit from sales	98,741	111,081
Effect of exchange rates	(117,414)	(589,873)
Impact of change in tax rate	1,371,376	722,102
Taxable loss not recognized as deferred tax assets	370,230	104,544
Expenses disallowed by tax regulation	258,311	14,671
Others	(25,342)	25,333
Income tax expenses	1,708,494	3,923,740
Add: Income tax benefit from discontinued operations	1,934,924	240,770
Income tax expenses from continuing operations	$ 3,643,418	$ 4,164,510

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and loss carryforwards are as follows:

	2018				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Effect of exchange difference	December 31
Temporary differences:					
- Deferred income tax assets:					
Decline in value of inventories	$ 1,832,122	$ 956,841	$ -	$ 2,521	$ 2,791,484
Unrealized profit from sales	601,578	(171,319)	-	569	430,828
Unrealized purchase discounts	342,805	(219,474)	-	-	123,331
Unrealized sales discounts	1,618,844	215,202	-	(22,179)	1,811,867
Unrealized provisions for warranty	1,376,544	5,416	-	(10,544)	1,371,416
Other unrealized expenses	1,052,209	684,840	-	(6,664)	1,730,385
Loss carryforwards	396,118	37,314	-	(16,422)	417,010
Currency translation differences	380,070	-	(125,817)	-	254,253
Others	601,868	207,556	7,496	(21,138)	795,782
Subtotal	8,202,158	1,716,376	(118,321)	(73,857)	9,726,356
- Deferred income tax liabilities:					
Investment income from foreign investees	(10,480,128)	(476,049)	-	-	(10,956,177)
Currency translation differences	(1,328)	-	(308)	-	(1,636)
Unrealized gain on valuation of equity investments	(56,799)	8,713	40,750	-	(7,336)
Others	(135,411)	(18,294)	(416)	1,274	(152,847)
Subtotal	(10,673,666)	(485,630)	40,026	1,274	(11,117,996)
Total	($ 2,471,508)	$ 1,230,746	($ 78,295)	($ 72,583)	($ 1,391,640)

	2017				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Effect of exchange difference	December 31
Temporary differences:					
- Deferred income tax assets:					
Decline in value of inventories	$ 2,104,161	($ 203,660)	$ -	($ 68,379)	$ 1,832,122
Unrealized profit from sales	736,285	(131,765)	-	(2,942)	601,578
Unrealized purchase discounts	353,949	(11,144)	-	-	342,805
Unrealized sales discounts	1,836,978	(148,633)	-	(69,501)	1,618,844
Unrealized provisions for warranty	1,625,067	(187,018)	-	(61,505)	1,376,544
Other unrealized expenses	1,163,364	(99,023)	-	(12,132)	1,052,209
Loss carryforwards	386,746	36,304	-	(26,932)	396,118
Currency translation differences	23,048	-	357,022	-	380,070
Others	566,259	54,540	4,029	(22,960)	601,868
Subtotal	8,795,857	(690,399)	361,051	(264,351)	8,202,158
- Deferred income tax liabilities:					
Investment income from foreign investees	(9,721,525)	(758,603)	-	-	(10,480,128)
Currency translation differences	(466,901)	-	465,573	-	(1,328)
Unrealized gain on valuation of available-for-sale financial assets	(37,340)	-	(19,459)	-	(56,799)
Others	(158,745)	25,445	(2,807)	696	(135,411)
Subtotal	(10,384,511)	(733,158)	443,307	696	(10,673,666)
Total	($ 1,588,654)	($ 1,423,557)	$ 804,358	($ 263,655)	($ 2,471,508)

D. Expiration dates of unused taxable loss and amounts of unrecognized deferred income tax assets are as follows:

2018/12/31

Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred income tax assets	Year of expiration
2009	$ 118,867	$ 118,867	$ 76,019	2019
2010	42,565	42,565	42,565	2020
2011	93,103	93,103	93,103	2021
2012	31,309	31,309	31,309	2022
2013	71,673	71,673	71,673	2023
2014	81,868	81,868	81,868	2019-2024
2015	684,498	265,933	178,047	2025
2016	136,862	126,932	85,151	2021-2026
2017	1,808,450	1,808,450	651,706	2027
2018	2,305,376	2,305,376	1,810,096	2023-2028

2017/12/31

Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred income tax assets	Year of expiration
2008	$ 38,907	$ 33,621	$ 33,621	2018
2009	118,867	118,867	76,019	2019
2010	42,565	42,565	42,565	2020
2011	110,065	109,286	109,286	2021
2012	302,312	298,847	298,847	2022
2013	160,166	159,750	159,750	2018-2023
2014	195,072	147,922	128,462	2019-2024
2015	823,064	641,106	380,212	2025
2016	127,932	127,906	85,270	2021-2026
2017	1,790,459	1,790,459	636,922	2022-2027

E. The amounts of deductible temporary differences that were not recognized as deferred income tax assets are as follows:

	2018/12/31	2017/12/31
Deductible temporary differences	$ 153,696	$ 646,497

F. As of December 31, 2018 and 2017, all taxable temporary differences associated with investments in subsidiaries that were not recognized as deferred income tax liabilities are insignificant.

G. The Tax Authority has examined the Company's income tax returns through 2016.

H. The amendments to the Income Tax Act were promulgated and became effective on February 7, 2018. Under the amendments, the corporate income tax rate will be raised from 17% to 20% retroactively effective from January 1, 2018. The Group has assessed and recognized the impact of the change in oncome tax rate.

(29) Earnings per share

	For the year ended December 31, 2018		
	Amount after income tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit from continuing operations attributable to ordinary shareholders of the parent	$ 16,304,839		$ 21.95
Loss from discontinued operations attributable to ordinary shareholders of the parent	(12,069,803)		(16.25)
Profit attributable to ordinary shareholders of the parent	$ 4,235,036	742,760	$ 5.70
Diluted earnings per share			
Profit from continuing operations attributable to ordinary shareholders of the parent	$ 16,304,839		$ 21.90
Loss from discontinued operations attributable to ordinary shareholders of the parent	(12,069,803)		(16.21)
Assumed conversion of all dilutive potential ordinary shares-employees' compensation	-	1,801	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 4,235,036	744,561	$ 5.69

	For the year ended December 31, 2017		
	Amount after income tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit from continuing operations attributable to ordinary shareholders of the parent	$ 19,061,195		$ 25.66
Loss from discontinued operations attributable to ordinary shareholders of the parent	(3,516,290)		(4.73)
Profit attributable to ordinary shareholders of the parent	$ 15,544,905	742,760	$ 20.93
Diluted earnings per share			
Profit from continuing operations attributable to ordinary shareholders of the parent	$ 19,061,195		$ 25.49
Loss from discontinued operations attributable to ordinary shareholders of the parent	(3,516,290)		(4.70)
Assumed conversion of all dilutive potential ordinary shares-employees' compensation	-	4,795	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 15,544,905	747,555	$ 20.79

(30) Transactions with non-controlling interests

A. Disposal of equity interest in subsidiaries (without losing control)

From June to August, 2017, the Group disposed 1.14% ownership of its subsidiary－ONYX and received cash consideration of $64,433. The effect of disposal of equity interest in subsidiaries to capital surplus - difference between consideration and carrying amount of subsidiaries acquired or disposed is shown below:

	For the year ended December 31, 2017
Proceeds from disposal of subsidiaries	$ 64,433
Less: Disposed carrying amount of equity interest in subsidiaries	(12,767)
Disposed other equity of subsidiaries	(69)
Capital surplus - difference between consideration and carrying amountof subsidiaries acquired or disposed	$ 51,597

B. When subsidiary increased capital, the Group did not acquire new shares in proportion to its existing holdings

(A) In August 2017, the Group's subsidiary－AAEON increased capital by issuing new shares and received cash consideration of $1,085,660. Since the Group did not acquire new shares, the Group's ownership of the subsidiary decreased by 6.37%. The effect of the change in ownership interest in subsidiaries to capital surplus - recognition of changes in ownership interest in subsidiaries is as follows:

	For the year ended December 31, 2017
Proceeds from subsidiary's increase in capital by issuing new shares	$ 1,085,660
Less: Increased in carrying amount of non-controlling interest	(691,971)
Effect of employee share-based payment	9,299
Capital surplus - recognition of changes in ownership interest in subsidiaries	$ 402,988

(B) In September 2018, the Group's subsidiary－AAEON exchanged shares with IBASE TECHNOLOGY INC., and increased capital by issuing new shares consideration of $3,498,501. Since the Group did not acquire new shares, the Group's ownership of the subsidiary decreased by 15.90%. The effect of the change in ownership interest in subsidiaries to capital surplus - recognition of changes in ownership interest in subsidiaries is as follows:

	For the year ended December 31, 2018
Proceeds from subsidiary's increase in capital by issuing new shares	$ 3,498,501
Less: Increased in carrying amount of non-controlling interest	(2,785,769)
Capital surplus - recognition of changes in ownership interest in subsidiaries	$ 712,732

(31) Operating leases

The Group leases offices, warehouse and parking lots under operating lease agreements. The Group recognized rental expenses of $1,133,635 and $1,119,244 for the years ended December 31, 2018 and 2017, respectively. Information about the future aggregate minimum lease payments under non-cancellable operating leases is provided in Note 9.

7. **RELATED PARTY TRANSACTIONS**

(1) Parent and ultimate controlling party

The Company's shares are widely held, so there is no ultimate parent or controlling party.

(2) Names of related parties and relationship

Names of related parties	Relationship with the Group
ASUSTOR INC.	Associate
LITEMAX ELECTRONIC INC.	Associate
POTIX CORPORATION (TAIWAN)	Associate
IBASE TECHNOLOGY INC.	Associate
IBASE GAMING INC.	Associate
Others (related parties with non-significant transactions)	Others

(3) Significant transactions and balances with related parties

A. Sales of goods:

	For the years ended December 31,	
	2018	2017
Sales of goods		
-Associates	$ 2,649	$ 1,762
-Others	25,667	9,659
	$ 28,316	$ 11,421

The collection periods of the Group to related parties are open account 30 to 90 days and month-end 60 days or negotiated by both parties.

B. Purchases of goods and services:

	For the years ended December 31,	
	2018	2017
Purchases of goods		
-Associates	$ 32,109	$ 40,707
-Others	528,872	813,310
Purchases of services		
-Associates	2,489	48
-Others	22,878	21,489
	$ 586,348	$ 875,554

The payment term of related parties to the Group are month-end 30 to 120 days, open account 45 to 90 days or 1 to 6 months.

C. Trade receivables and other receivables:

	2018/12/31	2017/12/31
Trade receivables		
-Associates	$ 299	$ 499
-Others	12,296	2,342
	12,595	2,841
Other receivables		
-Associates	454	252
-Others	-	128
	454	380
	$ 13,049	$ 3,221

The trade receivables are mainly share capital receivables and arise from sales transactions, unsecured in nature and bear no interest.

D. Trade payables and other items of current liabilities:

	2018/12/31	2017/12/31
Trade payables		
-Associates	$ 13,768	$ 13,751
-Others	15,686	189,661
	29,454	203,412
Other items of current liabilities		
-Associates	7	994
-Others	2,341	775
	2,348	1,769
	$ 31,802	$ 205,181

The trade payables arise mainly from purchase transactions and bear no interest.

(4) Key management compensation

	For the years ended December 31,	
	2018	2017
Salaries and other short-term employee benefits	$ 906,818	$ 698,249
Post-employment benefits	6,708	6,628
	$ 913,526	$ 704,877

8. **PLEDGED ASSETS**

Pledged assets	Items	Book Value 2018/12/31	Book Value 2017/12/31	Purpose
Other current assets and other non-current assets	Pledged restricted deposits, time deposits and refundable deposits	$ 516,238	$ 222,181	Note
Property, plant and equipment	Land and buildings	218,480	217,086	Bank loans, customs guarantee and credit limits
		$ 734,718	$ 439,267	

Note: Pledged for customs duties, performance bond, lodgment for security decided by court, letter of credit, foreign exchange forward transactions, social security and salary account, etc.

9. **SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS**

(1) Contingencies

Lawsuits for infringement of intellectual property rights

A. Several patentees filed lawsuits or investigations for patent infringement including the User Interface, audio signal encoding and decoding system, Audio stream, cellphone and tablet supporting OK Google function, products with Google Play Movies and TV function, product with walking navigation, 3GPP(UMTS), record and display function for dynamic and static imaging, triggering function in Camera app for saving information and static imaging processing technique in low power, cellphone and tablet supporting touchscreen scrolling in accordance with user touch control, Tablet, products with UMTS, remote upgrade code function and Nvidia image processor tablet products against the Group. These lawsuits or investigations are currently under investigation in a California court, in a Texas court, in a German court, in a French court, in a Netherlands court and in an England court. The Group cannot presently determine the ultimate outcome of these lawsuits, but has already recognized the possible loss in the financial statements.

B. Several patentees filed lawsuits or investigations for patent infringement including AP and router products supporting MU-MIMO, products with SK hynix Solid State Drive, processors and memories of Samsung, product with Nvidia GPU, MP3 function for desktop computer and notebook, SDRAM function, ZenFone trademarks, cellphone and tablet for Qualcomm chips with DCVS or DVFS capabilities, Omnivision CMOS Image Detector Products, LED for cellphone products, smartphones with front cameras, Multimedia player, notebook, personal computer and server, Qualcomm Snapdragon 835 and 845 chips, products supporting HDCP 2.0 or higher version, equipped with some cellphone and router products, thumbnail with fingerprint recognition and motion picture recording/ playback, optimize power consumption management, products with static image processing (pixel capture), audio decoding and related functions, microprocessor with Intel's 14nm process Tri-Gate technology, cellphone products using Dual arrier HspA+ communication technology, cellphone and tablet and the source code in the firmware of the ASUS router product against the Group. These lawsuits or investigations are currently under investigation, in a Texas court, in a California court, in a Delaware court, in an Alabama court, in a Missouri court, at the United States International Trade Commission, in a German court, in a Japan court, in an India court and in a China court. The Group cannot presently determine the ultimate outcome and effect of these lawsuits.

(2) Commitments

A. The Group has signed a contract amounting to $1,772,932 for the construction of a new office building of the headquarters, but has not recognized capital expenditures as of December 31, 2018.

B. The Group leases offices, warehouse and parking lots under non-cancellable operating lease agreements. The future aggregate minimum lease payments are as follows:

	2018/12/31	2017/12/31
Less than 1 year	$ 711,234	$ 702,091
Between 1 and 2 years	362,707	487,377
Between 2 and 3 years	228,876	206,828
Between 3 and 4 years	134,059	132,364
More than 4 years	193,800	211,673

10. SIGNIFICANT DISASTER LOSS: None.

11. SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL REPORTING PERIOD

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the liability ratio. This ratio is calculated as total liabilities by total assets. Total liabilities is calculated as "current liabilities plus non-current liabilities" as shown in the consolidated balance sheets.

During 2018, the Group's strategy was to maintain the liability ratio within reasonable security range, which was unchanged from 2017. The liability ratios are as follows:

	2018/12/31	2017/12/31
Total liabilities	$ 174,473,952	$ 166,216,866
Total equity	167,691,924	178,674,303
Total assets	$ 342,165,876	$ 344,891,169
Liability ratio	50.99%	48.19%

(2) Financial instruments

A. Financial instruments by category

	2018/12/31	2017/12/31
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 5,140,923	$ -
Financial assets held for trading	-	8,057,062
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	45,996,789	-
Available-for-sale financial assets	-	55,036,784
Financial assets carried at cost	-	181,313
Financial assets at amortized cost		
Cash and cash equivalents	63,972,548	72,192,962
Financial assets at amortized cost	1,665,377	-
Notes receivable	4,397,115	8,369,528
Trade receivables	77,717,433	76,509,775
Other receivables	736,104	629,230
Refundable deposits	878,123	564,611
Derivative financial assets for hedging	334,333	11,392
	$ 200,838,745	$ 221,552,657

	2018/12/31	2017/12/31
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	$ 240,293	$ 429,979
Financial liabilities at amortized cost		
Short-term borrowings	7,124,984	5,750,078
Notes and trade payables	65,138,253	56,494,911
Other payables - accrued expenses	37,620,949	39,704,639
Long-term borrowings (including current portion of long-term borrowings)	-	1,013,927
Deposits received	306,691	345,884
Derivative financial liabilities for hedging	53,437	682,446
	$ 110,484,607	$ 104,421,864

B. Financial risk management policies

(A) The Group's operating activities expose the Group to a variety of financial risks, including market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. To minimize any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts, currency option contracts and currency swap contracts are used to hedge certain exchange rate risk, and derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

(B) The Group's key financial plans are all reviewed by the Board of Directors under the related principles and internal control system. When executing the financial plans, the Group's treasury departments will follow the financial operating procedures in accordance with the overall financial risk management and proper segregation of duties.

(C) Information about derivative financial instruments that are used to hedge financial risk are provided in Notes 6(2) and (5).

C. Nature and degree of significant financial risks

(A) Market risk

Foreign exchange risk

a. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, EUR and CNY. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.

b. The management has set up the policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group's treasury. Exchange rate risk is measured through a forecast of highly probably USD, EUR and CNY expenditures. Forward foreign exchange contracts are adopted to minimize the volatility of the exchange rate affecting recognition of revenue of forecast sale.

c. The Group hedges foreign exchange rate by using forward exchange contracts, currency option contracts and currency swap contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Notes 6(2) and 12(4).

d. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

e. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency is NTD; other certain subsidiaries' functional currency is USD, EUR, CNY, etc.). Non-monetary items are assessed to have no significant impact on the Group. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	2018/12/31					
				Sensitivity Analysis		
	Foreign currency amount (In dollars)	Exchange rate	Book value (NTD)	Extent of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 2,486,686,873	30.715	$ 76,378,587	1%	$ 763,786	$ -
EUR:USD	313,067,460	35.199	11,019,784	1%	110,198	-
CNH:USD	3,883,364,323	4.472	17,366,809	1%	173,668	-
Financial liabilities						
Monetary items						
USD:NTD	3,897,864,280	30.715	119,722,901	1%	1,197,229	-
EUR:USD	47,316,167	35.199	1,665,500	1%	16,655	-
CNH:USD	2,110,342,384	4.472	9,437,671	1%	94,377	-

	2017/12/31					
				Sensitivity Analysis		
	Foreign currency amount (In dollars)	Exchange rate	Book value (NTD)	Extent of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 2,991,872,022	29.760	$ 89,038,111	1%	$ 890,381	$ -
EUR:USD	462,594,040	35.569	16,454,078	1%	164,541	-
CNH:USD	2,250,184,341	4.565	10,272,506	1%	102,725	-
Financial liabilities						
Monetary items						
USD:NTD	3,750,761,060	29.760	111,622,649	1%	1,116,226	-
EUR:USD	59,877,814	35.569	2,129,803	1%	21,298	-
CNH:USD	2,186,888,918	4.565	9,983,550	1%	99,836	-

f. Net currency exchange (losses) gains (including realized and unrealized) arising from significant foreign exchange variation on the monetary items from continuing and discontinued operations held by the Group for the years ended December 31, 2018 and 2017, amounted to ($560,635) and $5,353,971, respectively.

Price risk

a. The Group's equity instruments, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity instruments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

b. The Group mainly invests in equity instruments comprised of shares and open-end funds issued by the domestic companies. The value of equity instruments are susceptible to market price risk arising from uncertainties about future performance of equity markets. Assuming a hypothetical increase of 1% in the price of the aforementioned financial assets at fair value through profit or loss while the other conditions remain unchanged could increase the Group's non-operating revenue for the years ended December 31, 2018 and 2017 by $11,055 and $4,891, respectively. A change of 1% in the price of the aforementioned financial assets at fair value through other comprehensive income and available-for-sale financial instruments could increase the Group's other comprehensive income for the years ended December 31, 2018 and 2017 by $459,968 and $550,292, respectively.

Cash flow and fair value interest rate risk

a. The Group's main interest rate risk arises from long-term and short-term borrowings with variable rates which expose the Group to cash flow interest rate risk but is partially offset by cash and cash equivalents held at variable rates. During the years ended December 31, 2018 and 2017, the Group's borrowings at variable rates were denominated in USD and NTD.

b. At December 31, 2018 and 2017, if interest rates on borrowings had been 1 basis point (0.01%) higher with all other variables held constant, non-operating expenses for the years ended December 31, 2018 and 2017, would have been $1,725 and $1,229 higher, respectively, mainly as a result of higher interest expense on floating rate borrowings.

(B) Credit risk

a. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at fair value through profit or loss.

b. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of "A" class above as evaluated by an independent party are accepted as counterparties. According to the Group's credit policy, each operating entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors, and the utilization of credit limits is regularly monitored.

c. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

d. The Group adopts the assumption under IFRS 9, that is, for most operating entities, the default occurs when the contract payments are past due over 90 days. For some subsidiaries, based on the local trading conditions and historical experience, the default occurs when the contract payments are past due over 180 days.

e. The Group classifies customer's accounts receivable in accordance with customer types. The Group applies the simplified approach using provision matrix and loss rate method to estimate expected credit loss.

f. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(a) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(b) The disappearance of an active market for that financial asset because of financial difficulties;

(c) Default or delinquency in interest or principal repayments;

(d) Adverse changes in national or regional economic conditions that are expected to cause a default.

g. The Group writes off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On December 31, 2018, the Group has no written-off financial assets that are still under recourse procedures.

h. (a) The expected loss rate for the excellent credit quality clients is 0.03% ~ 0.2%, and the total carrying amount of notes and trade receivables and loss allowance amounted to $14,061,945 and $61,823 as of December 31, 2018, respectively.

(b) The Group refers to the forecastability of global economic indicators to adjust the loss rate which is based on historical and current information when assessing the future default possibility of contract assets, accounts receivable and other receivables. The provision matrix as of December 31, 2018 is as follows:

2018/12/31	Not past due	Less than 30 days past due	Between 31 and 60 days past due	Between 61 and 90 days past due	Between 91 and 180 days past due	More than 181 days past due	Total
Expected loss rate	0.01%~26.14%	0.13%~20.37%	0.12%~46.48%	0.49%~63.16%	10%~100%	10%~100%	
Total book value	$ 56,364,381	$ 9,228,795	$ 2,714,317	$ 93,844	$ 398,026	$ 2,368,364	$ 71,167,727
Loss allowance	$ 117,638	$ 9,164	$ 370,755	$ 30,452	$ 184,264	$ 2,341,028	$ 3,053,301

i. Movements in relation to the Group applying the simplified approach to provide loss allowance for notes and trade receivable are as follows:

	2018
	Notes and trade receivables
January 1_IAS 39	$ 2,460,433
Adjustments under new standards	-
January 1_IFRS 9	2,460,433
Provision for impairment	677,468
Write-offs	(88,551)
Effects due to changes in consolidated entities	(753)
Net exchange differences	66,527
December 31	$ 3,115,124

For provisioned loss for the year ended December 31, 2018, the net impairment loss arising from customer’s contract is $677,468.

j. For investments in debt instruments at amortized cost, the credit rating levels are as follow:

	2018/12/31			
		Lifetime		
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortized cost	$ 1,665,377	$ -	$ -	$ 1,665,377

The Group's financial assets at amortized cost are all time deposits with an original due date of more than three months, and there is no significant abnormality in credit risk assessment.

k. Credit risk information for the year ended December 31, 2017 is provided in Note 12(4).

(C) Liquidity risk

a. Cash flow forecasting is performed in the operating entities of the Group and aggregated by the Group treasury. The Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's cash flow plans and compliance with internal balance sheet ratio targets.

b. The Group treasury invests surplus cash in demand deposits, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. At December 31, 2018 and 2017, the Group held financial assets at fair value through profit or loss of $4,865,889 and $8,036,538, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

c. The table below analyses the Group's non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the financial reporting period to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2018/12/31				
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	More than 3 years	Total
Non-derivative financial liabilities:					
Short-term borrowings	$ 7,124,984	$ -	$ -	$ -	$ 7,124,984
Notes and trade payables	65,138,253	-	-	-	65,138,253
Other payables - accrued expenses	37,620,949	-	-	-	37,620,949
Other financial liabilities	1,182,829	-	-	-	1,182,829
Derivative financial liabilities:					
Forward exchange contracts	190,815	-	-	-	190,815
Currency option contracts	102,853	-	-	-	102,853
Currency swap contracts	62	-	-	-	62

	2017/12/31				
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	More than 3 years	Total
Non-derivative financial liabilities:					
Short-term borrowings	$ 5,750,078	$ -	$ -	$ -	$ 5,750,078
Notes and trade payables	56,494,911	-	-	-	56,494,911
Other payables - accrued expenses	39,704,639	-	-	-	39,704,639
Long-term borrowings (including current portion)	2,750	442,750	502,750	65,677	1,013,927
Other financial liabilities	1,199,921	36	-	8,297	1,208,254
Derivative financial liabilities:					
Forward exchange contracts	897,265	-	-	-	897,265
Currency option contracts	209,548	-	-	-	209,548
Currency swap contracts	5,612	-	-	-	5,612

d. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis to be significantly earlier, nor expect the actual cash flow amount to be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes and trade receivables, other receivables, refundable deposits, short-term borrowings, notes and trade payables, other payables - accrued expenses, other current liabilities, guarantee deposits received, current portion of long-term borrowings and long-term borrowings are reasonably approximate to the fair values.

C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(A) The related information about the nature of the assets and liabilities is as follows:

	2018/12/31			
	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 1,061,257	$ 4,848	$ 39,401	$ 1,105,506
Beneficiary certificates	3,832,002	74,085	-	3,906,087
Forward exchange contracts	-	107,385	-	107,385
Currency option contracts	-	21,900	-	21,900
Currency swap contracts	-	45	-	45
Derivative financial assets for hedging	-	334,333	-	334,333
Financial assets at fair value through other comprehensive income				
Equity securities	45,665,381	233,718	97,690	45,996,789
	$ 50,558,640	$ 776,314	$ 137,091	$ 51,472,045
Liabilities:				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 137,378	$ -	$ 137,378
Currency option contracts	-	102,853	-	102,853
Currency swap contracts	-	62	-	62
Derivative financial liabilities for hedging	-	53,437	-	53,437
	$ -	$ 293,730	$ -	$ 293,730

	2017/12/31			
	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Open-end funds	$ 7,547,488	$ -	$ -	$ 7,547,488
Listed and OTC stocks	489,050	-	-	489,050
Forward exchange contracts	-	19,126	-	19,126
Currency option contracts	-	1,333	-	1,333
Currency swap contracts	-	65	-	65
Derivative financial assets for hedging	-	11,392	-	11,392
Available-for-sale financial assets				
Listed and OTC stocks	54,856,137	-	-	54,856,137
Unlisted and non-OTC stocks	-	170,843	2,229	173,072
Convertible bonds	-	-	7,575	7,575
	$ 62,892,675	$ 202,759	$ 9,804	$ 63,105,238
Liabilities:				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 214,819	$ -	$ 214,819
Currency option contracts	-	209,548	-	209,548
Currency swap contracts	-	5,612	-	5,612
Derivative financial liabilities for hedging	-	682,446	-	682,446
	$ -	$ 1,112,425	$ -	$ 1,112,425

(B) The methods and assumptions the Group used to measure fair value are as follows:

a. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed and OTC stocks	Open-end fund
Market quoted price	Closing price	Net asset value

b. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the financial reporting date.

c. For high-complexity financial instruments, the fair value is measured by using selfdeveloped valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market, and the Group must make reasonable estimates based on its assumptions.

d. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

e. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial truments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheets. The pricing and inputs information used during valuation are carefully assessed and adjusted based on current market conditions.

D. JMC ELECTRONICS CO., LTD. has been listed on the TWSE from January, 2017, which has been transferred from Level 2 to Level 1 according to the fair value at the end of January 2017, when the event occurred. For the year ended December 31, 2018, there was no transfer between Level 1 and Level 2.

E. The movement of Level 3 is as follows:

	2018		
	Equity instruments	Debt instruments	Total
January 1	$ 2,229	$ 7,575	$ 9,804
Recognized in profit (loss) (Note 1)	(1,140)	2,126	986
Recognized in net other comprehensive income (loss) (Note 3)	(40,644)	-	(40,644)
Acquired in the year	137,312	-	137,312
Sold in the year	-	(9,701)	(9,701)
Effect on retrospective application	39,334	-	39,334
December 31	$ 137,091	$ -	$ 137,091
Movement of unrealized gain or loss in profit or loss of assets and liabilities held as of December 31, 2018	($ 1,140)	$ -	($ 1,140)

	2017		
	Equity instruments	Debt instruments	Total
January 1	$ 13,611	$ 7,575	$ 21,186
Recognized in profit (loss) (Note 1)	(3,409)	-	(3,409)
Recognized in net other comprehensive income (loss) (Note 2)	(7,973)	-	(7,973)
December 31	$ 2,229	$ 7,575	$ 9,804
Movement of unrealized gain or loss in profit or loss of assets and liabilities held as of December 31, 2017	($ 3,409)	$ -	($ 3,409)

Note 1 : Recorded as other gains (losses).

Note 2 : Recorded as unrealized gain (loss) on valuation of available-for-sale financial assets.

Note 3 : Recorded as unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income.

F. There was no transfer into or out from Level 3 for the years ended December 31, 2018 and 2017.

G. The investment segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the source of information is independent, reliable and in line with other resources and any other necessary adjustments to the fair value.

The investment segment cooperatively set up valuation policies, valuation processes and rules for measuring fair value of financial instruments that ensure compliance with the related requirements in IFRS.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Equity instruments:					
Unlisted and non-OTC stocks	$ 1,089	Net asset value	Not applicable	Not applicable	The higher the net asset value, the higher the fair value
Unlisted and non-OTC stocks	$ 136,002	Discounted cash flow method	Note 1	Not applicable	Note 2

	Fair value at December 31, 2017		Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Equity instruments:						
Unlisted and non-OTC stocks	$	2,229	Net asset value	Not applicable	Not applicable	The higher the net asset value, the higher the fair value
Debt instruments:						
Convertible bonds	$	7,575	Net asset value	Not applicable	Not applicable	The higher the net asset value, the higher the fair value

Note 1: Long-term revenue growth rate, weighted average cost of capital, long-term operating profit before income tax, discount for lack of marketability and discounts for lack of control.

Note 2: The higher discount for lack of marketability is, the lower fair value is; the higher weighted average cost of capital and discounts for lack of control are, the lower fair value is; the higher long-term revenue growth rate and long-term operating profit before income tax are, the higher fair value is.

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in a different outcome.

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted for the year ended December 31, 2017:

(A) Financial assets at fair value through profit or loss

a. Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are classified in this category of held for trading if held principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.

b. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized using trade date accounting.

c. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(B) Available for sale financial assets

a. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

b. On a regular way purchase or sale basis, available-for-sale financial assets are recognized using trade date accounting.

c. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in “financial assets measured at cost”.

(C) Loans and receivables

Loans and receivables are created originally by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Due to the insignificant discount effect on the non-interest bearing short-term receivables, they are measured at the original invoice amount.

(D) Impairment of financial assets

a. The Group assesses at the end of the financial reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

b. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(a) Significant financial difficulty of the issuer or debtor;

(b) A breach of contract, such as a default or delinquency in interest or principal payments;

(c) The Group granted the borrower a concession that a lender would not otherwise consider for economic or legal reasons relating to the borrower’s financial difficulty;

(d) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(e) The disappearance of an active market for that financial asset because of financial difficulties;

(f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local unfavorable economic conditions that correlate with defaults on the assets in the group;

(g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or

(h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

c. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(a) Financial assets measured at amortized cost

The amount of the impairment loss is measured as 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, and is recognized in profit or loss. 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 loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Financial assets measured at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognized in profit or loss. Impairment loss recognized for this category shall not be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(c) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from "other comprehensive income" to "profit or loss". If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognized, then such impairment loss can be reversed through profit or loss. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed in profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(E) Financial liabilities at fair value through profit or loss

a. Financial liabilities at fair value through profit or loss are financial liabilities held for trading. Financial liabilities are classified in this category of held for trading if held principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.

b. Financial liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

(F) Derivative financial instruments and hedging activities

a. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Any changes in the fair value are recognized in profit or loss.

b. The Group designates certain derivatives as:
Hedges of the variability in cash flow associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

c. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

d. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

e. Cash flow hedge

(a) The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the statement of comprehensive income within “other gains (losses)”.

(b) When the forecast transaction that is hedged results in the recognition of a non-financial asset or financial liability, the gains and losses previously deferred in other comprehensive income are reclassified into profit or loss in the periods when the asset acquired or the liability assumed affects profit or loss. The deferred amounts are ultimately recognized in sales revenue.

(c) When a hedging instrument expires or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income. When a forecast transaction occurs or is no longer expected to occur, the cumulative gain or loss that was recognized in other comprehensive income is transferred to profit or loss in the periods when the hedged forecast cash flow affects profit or loss.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income - equity (Note)	Measured at cost	Unappropriated retained earnings	Other equity
IAS 39	$ 8,057,062	$ 55,036,784	$ 181,313	$ 102,790,860	$25,248,529
Transferred into and measured at fair value through profit or loss	147,631	(87,860)	(59,771)	(7,420)	7,420
Transferred into and measured at fair value through other comprehensive income-equity	-	121,542	(121,542)	311,614	(311,614)
Fair value adjustment	(14,273)	41,291	-	(14,273)	41,291
IFRS 9	$ 8,190,420	$ 55,111,757	$ -	$ 103,080,781	$24,985,626

Note: Classified as Available-for-sale Financial Assets under IAS 39.

(A) As equity investments that were previously classified as available-for-sale financial assets and financial assets carried at cost amounting to $54,948,924 and $121,542 under IAS 39 are not held for trading, the Group elected to designate all of these investments as financial assets at fair value through other comprehensive income (equity instruments) on initial application of IFRS 9. This resulted to an increase in unappropriated retained earnings of $311,614 and a decrease in other equity of $270,323.

(B) For equity investments that were previously classified as available-for-sale financial assets and financial assets carried at cost amounting to $87,860 and $59,771 under IAS 39, the Group elected to designate all of these investments as financial assets at fair value through profit or loss (equity instruments) on initial application of IFRS 9. This resulted to a decrease in unappropriated retained earnings of $21,693 and an increase in other equity of $7,420.

C. The significant accounts for the year ended December 31, 2017 is as follows:

(A) Financial assets and liabilities at fair value through profit or loss

	2017/12/31
Financial assets held for trading - current:	
Open-end funds	$ 7,547,488
Listed and OTC stocks	489,050
Non-hedging derivatives	20,524
	$ 8,057,062
Financial liabilities held for trading - current:	
Non-hedging derivatives	$ 429,979

a. The Group recognized net loss on derivative financial instruments held for trading amounting to $2,647,636 and net gain on non-derivative financial instruments held for trading amounting to $312,045 for the year ended December 31, 2017.

b. The unexpired contracts are as follows:

	2017/12/31		
	Contract amount (in thousands)		Maturity period
Derivative financial assets:			
Forward exchange contracts			
-EUR/USD	EUR	40,000	2018/01
-NOK/USD	NOK	124,202	2018/03
-USD/NTD	USD	600	2018/01
Currency option contracts			
-EUR/USD	EUR	10,000	2018/02
-JPY/USD	JPY	3,963,600	2018/03
-RUB/USD	RUB	449,160	2018/01
Currency swap contracts			
-USD/NTD	USD	500	2018/03

			2017/12/31	
	Contract amount (in thousands)		Maturity period
Derivative financial liabilities:			
Forward exchange contracts			
-EUR/USD	EUR	313,000	2018/01-2018/04
-CHF/USD	CHF	4,967	2018/01
-SEK/USD	SEK	174,020	2018/03
-GBP/USD	GBP	22,600	2018/04
-AUD/USD	AUD	14,000	2018/02
-PLN/USD	PLN	48,686	2018/02
-CAD/USD	CAD	36,800	2018/03
-NTD/USD	USD	145,000	2018/01
Currency option contracts			
-EUR/USD	EUR	208,000	2018/03
-JPY/USD	JPY	7,642,950	2018/03
-RUB/USD	RUB	4,447,730	2018/03
-GBP/USD	GBP	29,000	2018/02
-CNH/USD	CNH	1,919,033	2018/04
-INR/USD	INR	10,125,760	2018/04
Currency swap contracts			
-USD/NTD	USD	20,000	2018/01-2018/06

(a) Forward exchange contracts
The Group entered into forward exchange contracts to sell various forward foreign currencies to hedge exchange rate risk of import and export proceeds. However, these forward exchange contracts are not accounted for under hedge accounting.

(b) Currency option contracts
The Group entered into currency option contracts to buy or sell various foreign currencies rights at agreed price in the future to hedge exchange rate risk of import and export proceeds. However, these currency option contracts are not accounted for under hedge accounting.

(c) Currency swap contracts
The Group entered into currency swap contracts to hedge cash flow risk of the floating-rate liability positions. However, these currency swap contracts are not accounted for under hedge accounting.

c. The Group has no financial assets at fair value through profit or loss pledged to others.

(B) Available-for-sale financial assets

		2017/12/31
Available-for-sale financial assets - current:		
Listed and OTC stocks	$	310,939
Valuation adjustment		556,915
Accumulated impairment	(	64,460)
	$	803,394
Available-for-sale financial assets - non-current:		
Listed and OTC stocks	$	26,591,875
Unlisted and non-OTC stocks		355,066
Convertible bonds		7,575
		26,954,516
Valuation adjustment		27,419,567
Accumulated impairment	(	140,693)
	$	54,233,390

a. The Group recognized $3,734,883 in other comprehensive loss for fair value change and reclassified $52,397 from equity to profit for the year ended December 31, 2017.
b. After evaluating and comparing the carrying amount of available-for-sale financial assets and its recoverable amounts, the Group recognized impairment loss amounting to $3,454 for the year ended December 31, 2017.
c. The Group has no available-for-sale financial assets pledged to others.

(C) Financial assets measured at cost

		2017/12/31
Financial assets measured at cost - non-current:		
Unlisted and non-OTC stocks	$	315,641
Private fund		59,771
		375,412
Accumulated impairment	(	194,099)
	$	181,313

a. In accordance with the Group's intention, its investment in unlisted and non-OTC stocks and the private fund should be classified as "available-for-sale financial assets". However, as the investments are not traded in active market, and no sufficient industry, financial information and investment portfolio of the private fund can be obtained, the fair value of the investments cannot be measured reliably. Thus, the Group classified those funds as "financial assets measured at cost".
b. The Group has no financial assets measured at cost pledged to others.

(D) Hedge accounting

	2017/12/31
	Assets (Liabilities)
Forward exchange contracts - cash flow hedges - current	$ 11,392
Forward exchange contracts - cash flow hedges - current	(682,446)
	($ 671,054)

Cash flow hedges:

	Hedged item	Derivative instruments designated as hedges	Fair value of derivative instruments designated as hedges	Period of anticipated cash flow	Period of gain (loss) expected to be recognized
2017/12/31	Expected transactions	Forward exchange contracts	($ 671,054)	2018/01-2018/07	2018/01-2018/07

a. The hedged highly probable forecast transactions denominated in foreign currency are expected to occur during the next 12 months. Amounts accumulated in "other comprehensive income" as of December 31, 2017 is recycled into profit or loss in the periods when the hedged asset acquired or the hedged liability assumed affects profit or loss. The Group has assessed that the effect of profit or loss arising from ineffective cash flow hedge is insignificant as the Group was effective mostly in executing the hedge transactions for the year ended December 31, 2017.

b. Information on gain or loss arising from cash flow hedges recognized in profit (loss) and other comprehensive income (loss):

	For the year ended December 31, 2017
Amount adjusted in other comprehensive loss	$ 1,953,888
Amount transferred from other comprehensive income to loss	$ 2,137,129

c. The unexpired contracts are as follows:

	2017/12/31		
	Contract amount (in thousands)		Maturity period
Derivative financial assets for hedging:			
Forward exchange contracts			
-EUR/USD	EUR	130,000	2018/03
-JPY/USD	JPY	1,500,000	2018/03
-AUD/USD	AUD	5,000	2018/03
-NOK/USD	NOK	20,000	2018/03
Derivative financial liabilities for hedging:			
Forward exchange contracts			
-EUR/USD	EUR	620,000	2018/07
-INR/USD	INR	750,000	2018/03
-SEK/USD	SEK	50,000	2018/03
-RUB/USD	RUB	1,800,000	2018/03
-GBP/USD	GBP	30,000	2018/03
-AUD/USD	AUD	15,000	2018/03
-PLN/USD	PLN	60,000	2018/03
-NOK/USD	NOK	20,000	2018/03

(E) Notes and trade receivables

a. The aging analysis of trade receivables that were past due but not impaired is as follows:

	2017/12/31
Less than 90 days	$ 9,774,462
Between 91 and 180 days	200,925
More than 181 days	60,096
	$ 10,035,483

There was no significant change for the credit quality of the above receivables after the assessment. They were still considered collectible, and had no impairment concern.

b. Individual assessment of impaired trade receivables:

(a) Impaired but not past due

	2017/12/31
Gross trade receivables	$ 15

(b) Impaired and past due

	2017/12/31
Gross trade receivables	$ 2,460,418

(c) Movements for allowance for doubtful accounts (accumulated impairment) of trade receivables are as follows:

	2017		
	Individual provision	Group provision	Total
January 1	$ 1,928,328	$ 1,149,426	$ 3,077,754
Recognition (reversal)	(42,603)	(351,985)	(394,588)
Write-offs	(400)	(17,639)	(18,039)
Net exchange differences	(147,870)	(56,824)	(204,694)
December 31	$ 1,737,455	$ 722,978	$ 2,460,433

c. The credit quality of trade receivables that are neither past due nor impaired based on the Group's Credit Quality Control Policy is as follows:

	2017/12/31
Group 1	$ 38,905,037
Group 2	27,569,255
	$ 66,474,292

Group 1: Insured, or guaranteed by the third party, or the trading object is the associate.

Group 2: Neither insured and guaranteed by the third party, nor the trading object is the associate.

d. There were no notes receivable that are pledged to others as collateral as of December 31, 2017.

D. Credit risk information for the year ended December 31, 2017 is as follows:

(A) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The maximum exposure to credit risk is the carrying amount of all financial instruments. According to the Group's credit policy, each operating entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set by the Board of Directors based on internal or external ratings. The utilization of credit limits is regularly monitored. Credit risk arises mainly from cash and cash equivalents, derivative financial instruments, deposits and short-term financial products guaranteed income with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. For banks and financial institutions, only those with a rating of "A" class above as evaluated by an independent party are accepted as counterparties.

(B) No credit limits were exceeded during the year ended December 31, 2017, and the management does not expect any significant losses from non-performance by these counterparties.

(C) The credit quality information of financial assets that are neither past due nor impaired, the aging analysis of financial assets that were past due but not impaired and the individual analysis of financial assets that had been impaired is provided in the statement for each type of financial assets as described in Note 12(4).

(5) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. Summary of significant accounting policies for the year ended December 31, 2017:

Sales of goods

(A) The Group is primarily engaged in the selling of 3C products. Revenue is measured at the fair value of the consideration received or receivable taking into account value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognized when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(B) The Group offers customers volume discounts and right of return for defective products. The Group estimates such discounts and returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognized. The volume discounts are estimated based on the anticipated annual sales quantities.

B. The revenue recognized by using above accounting policies for the year ended December 31, 2017 are as follows:

	For the year ended December 31, 2017
Sales revenue	$ 433,966,791
Less: Sales revenue from discontinued operations	(47,547,932)
	$ 386,418,859

C. The effects and description of current balance sheet and comprehensive income statement if the Group continues adopting the above accounting policies for the year ended December 31, 2018 are as follows:

	2018/12/31		
	Amount under IFRS 15	Amounts under previous accounting policies	Effects of changing accounting policy
Receipts in advance	$ 6,710	$ 961,258	($ 954,548)
Contract liabilities	954,548	-	954,548
Provisions for liabilities - current	22,429,049	42,290,856	(19,861,807)
Refund liabilities - current	19,861,807	-	19,861,807

In accordance with IFRS 15, the Group recognizes contract liabilities related to selling products and refund liabilities for sales returns and discounts, but were recognized as receipts in advance and provisions for liabilities in the balance sheet prior to the application of IFRS 15. The accounting treatment under IFRS 15 has no effect in the comprehensive income statement for the Group in the current period.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Financing provided: Please refer to table 1.

B. Endorsements and guarantees provided: Please refer to table 2.

C. Marketable securities held at the end of period (excluding investments in subsidiaries, associates and joint ventures): Please refer to table 3.

D. Marketable securities acquired and disposed of at costs or prices of at least $300 million or 20% of the paid-in capital: Please refer to table 4.

E. Acquisition of real estate properties at costs of at least $300 million or 20% of the paid-in capital: None.

F. Disposal of real estate properties at prices of at least $300 million or 20% of the paid-in capital: None.

G. Total purchases from or sales to related parties of at least $100 million or 20% of the paid-in capital: Please refer to table 5.

H. Receivables from related parties amounting to at least $100 million or 20% of the paid-in capital: Please refer to table 6.

I. Trading in derivative instruments undertaken during the reporting period: Please refer to 6(2), (5) and 12(2).

J. Intercompany relationships and significant intercompany transactions (only transactions amounting to at least $100 million are disclosed): Please refer to table 7.

(2) Information on investees

Names, locations, and related information of investees over which the company exercises significant influence (excluding information on investment in mainland China): Please refer to table 8.

(3) Information on investments in China

A. Information on investment in mainland China: Please refer to table 9.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in China: Please refer to table 7.

14. **OPERATING SEGMENT INFORMATION**

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. There is no material change in the basis for formation of entities and division of segments in the Group or in the measurement basis for segment information in this period.

(2) Measurement basis

The Group uses the revenue and operating profit as the measurement for operating segment profit and the basis of performance assessment. The accounting policies of the operating segments and the accounting policies described in Note 4 of the consolidated financial statements are the same.

(3) Segment information

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	For the year ended December 31, 2018		
	3C Brand	Others	Total
Revenues from external customers (Note 1)	$ 347,218,522	$ 44,332,480	$ 391,551,002
Revenues from other segments (Note 1)	$ 7,884,615	$ 7,368,155	- (Note 2)
Segment income from continuing operations	$ 17,441,442	($ 451,929)	$ 16,989,513
Total assets held by continuing operations (Note 3)	$ -	$ -	$ -

	For the year ended December 31, 2017		
	3C Brand	Others	Total
Revenues from external customers (Note 1)	$ 391,888,303	$ 42,078,488	$ 433,966,791
Revenues from other segments (Note 1)	$ 1,010,445	$ 7,126,116	- (Note 2)
Segment income from continuing operations	$ 17,067,909	$ 224,357	$ 17,292,266
Total assets held by continuing operations (Note 3)	$ -	$ -	$ -

Note 1: Including discontinued operations.

Note 2: The intra-segment revenues have been eliminated to $0.

Note 3: Because the Group's segment assets are not provided to the chief operating decision-maker, such items are not required to be disclosed.

(4) Reconciliation for segment income

A. The intra-segment transactions are based on fair value. The revenues from external customers reported to the chief operating decision-maker are measured in a manner consistent with the consolidated statements of comprehensive income.

B. The reconciliation of the reportable continuing operation's profit (others are the same as consolidated statements of comprehensive income) is as follows:

	For the years ended December 31,	
	2018	2017
Reportable continuing operation's profit before adjustment	$ 16,989,513	$ 17,292,266
Unallocated profit (loss)	(13,879)	(7,374)
Reportable continuing operation's profit	$ 16,975,634	$ 17,284,892

(5) Geographical information

Geographical information for the years ended December 31, 2018 and 2017 is as follows:

	For the years ended December 31,			
	2018		2017	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 62,916,500	$ 17,310,880	$ 69,893,799	$ 15,730,854
China	71,940,368	6,351,510	71,942,390	6,597,867
Singapore	151,016,124	8,673	174,007,620	2,392
USA	62,222,970	1,359,275	64,473,223	1,015,953
Europe	18,575,777	121,760	28,929,614	55,030
Others	24,879,263	312,266	24,720,145	354,240
	391,551,002	$ 25,464,364	433,966,791	$ 23,756,336
Less: Revenue from contracts with customers from discontinued operations	(37,363,337)		(47,547,932)	
Total	$ 354,187,665		$ 386,418,859	

The above non-current assets exclude financing instruments, deferred income tax assets and certain other non-current assets.

(6) Major customer information

No single customer accounts for more than 10% of the consolidated operating revenue for the years ended December 31, 2018 and 2017.

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

FINANCINGS PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2018

Table 1

(Amounts in thousands of new Taiwan dollars and foreign currencies)

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Nature for Financing (Note 1)	Transaction Amounts	Reason for Financing	Loss allowance	Collateral		Financing Limits for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)	Note
													Item	Value			
1	ASTP	ASGL	Other receivable and non-current assets	Yes	27,643,500 (USD 900,000)	27,643,500 (USD 900,000)	27,643,500 (USD 900,000)	0.99706 ~ 1.61331	2	-	Need for operating	-	-	-	41,468,654 (USD 1,350,111)	41,468,654 (USD 1,350,111)	

Note 1：Nature for Financing：a. Business transaction calls for a loan arrangement.

b. The need for short-term financing.

Note 2：Limit of total financing amount：According to Procedures for Lending of ASTP, limit of total financing amount to the subsidiaries whose voting shares are 100% owned, directly or indirectly, by publicly traded parent company - ASUS, which are not located in Taiwan, shall not exceed 100% of the net worth of ASTP as of the period.

Limit financing amount for individual counterparty：According to Procedures for Lending of ASTP, limit of financing amount to the subsidiaries whose voting shares are 100% owned, directly or indirectly, by publicly traded parent company - ASUS, which are not located in Taiwan, for individual counterparty shall not exceed 100% of the net worth of ASTP as of the period.

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

ENDORSEMENTS AND GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2018

Table 2

(Amounts in thousands of New Taiwan dollars and foreign currencies)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement / Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
1	ASKEY	ASKEYJS	Subsidiary	947,294	1,228,600 (USD 40,000)	614,300 (USD 20,000)	614,300 (USD 20,000)	-	19.45	1,263,058	Y	N	Y	

Note： Limit of the total amount of guarantee: According to Procedures for Endorsements and Guarantees of ASKEY, the total amount of guarantee shall not exceed 40% of the net worth of ASKEY as of the period.

Limit of the total amount of guarantee for individual counter-party：According to Procedures for Endorsements and Guarantees of ASKEY, limit of guarantee amount for individual counter-party shall not exceed 30% of the net worth of ASKEY as of the period.

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

(EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

DECEMBER 31, 2018

Table 3

(Amounts in thousands of New Taiwan dollars)

Held Company Name	Marketable Securities		Relationship with the Company (Note 1)	Financial Statement Account (Note 2)	DECEMBER 31, 2018				Note
	Type	Name			Shares/Units	Carrying Value	(%)	Fair Value	
ASUS	Fund	SINOPAC TWD MONEY MARKET	-	a	24,915,857	346,412	-	346,412	
ASUS	Fund	YUANTA DE LI MONEY MARKET	-	a	72,633,103	1,182,525	-	1,182,525	
ASUS	Fund	TAISHIN TA CHONG MONEY MARKET	-	a	3,537,572	50,179	-	50,179	
ASUS	Fund	UNION MONEY MARKET	-	a	68,708,454	905,818	-	905,818	
ASUS	Stock	SPORTON	-	a	336,394	47,600	0.36	47,600	
ASUS	Stock	GLOBALWAFERS	-	c	1,626,626	456,269	0.37	456,269	
ASUS	Stock	JMC	-	c	1,000,000	109,000	1.00	109,000	
ASUS	Stock	ENE	a	c	917,247	9,264	1.22	9,264	
ASUS	Stock	ALCOR MICRO	-	c	905,879	15,762	1.20	15,762	
ASUS	Stock	AZUREWAVE	-	c	934,745	19,256	0.62	19,256	
ASUS	Stock	LEDLINK	-	c	718,607	18,576	1.38	18,576	
ASUS	Fund	TNP	-	b	96	22,381	2.06	22,381	
ASUS	Fund	TNP LIGHT	-	b	124	31,157	6.06	31,157	
ASUS	Stock	EMPASS	-	d	587,050	18,052	19.90	18,052	
ASUS	Stock	ADVANTECH	-	d	100,628,870	21,182,377	14.41	21,182,377	
ASUS	Stock	PEGA	-	d	448,506,484	23,053,233	17.17	23,053,233	
ASUS	Stock	NANOLUX	-	d	536	33,901	11.43	33,901	
ASUS	Stock	APTOS	-	d	625,200	-	1.10	-	
ASUS	Stock	94BOT	-	d	100,000	2,105	5.13	2,105	
ASUS	Stock	A-WEI TECH	-	d	301,876	785	1.83	785	
ASUS	Stock	EOSTEK	-	d	1,600,000	12,409	14.94	12,409	
ASUS	Stock	AMTRUST	a	d	10,000,000	100,115	7.81	100,115	
ASUTC	Fund	NOMURA TAIWAN MONEY MARKET	-	a	60,031,084	978,080	-	978,080	
ASMEDIA	Fund	FUH HWA RMB MONEY MARKET	-	a	531,862	27,881	-	27,881	
ASMEDIA	Fund	MEGA DIAMOND MONEY MARKET	-	a	2,396,683	30,011	-	30,011	
ASMEDIA	Fund	CAPITAL MONEY MARKET	-	a	1,862,833	30,012	-	30,012	
ASMEDIA	Stock	ICATCH TECHNOLOGY	-	d	5,500,000	87,340	7.80	87,340	
ASKEY	Stock	NETCOMM	-	b	1,980,000	32,604	1.35	32,604	
ASKEY	Stock	CIPHERMAX	-	b	9,234	-	-	-	
ASKEY	Stock	RETI	-	b	80,700	-	3.32	-	
MIC	Stock	BROADCOM(AVGO)	-	b	90	703	-	703	
MIC	Stock	ZARLINK SEMI-CONDUCTOR	-	b	44,775	-	0.04	-	
HCVC	Fund	YUANTA WAN TAI MONEY MARKET	-	a	558,765	8,452	-	8,452	
HCVC	Fund	TAISHIN TA CHONG MONEY MARKET	-	a	757,861	10,750	-	10,750	
HCVC	Fund	YUANTA DE BAO MONEY MARKET	-	a	348,419	4,181	-	4,181	
HCVC	Fund	CAPITAL MONEY MARKET	-	a	917,513	14,782	-	14,782	
HCVC	Fund	TAISHIN 1699 MONEY MARKET	-	a	569,947	7,699	-	7,699	
HCVC	Stock	PRIMESENSOR TECHNOLOGY	-	d	233,286	3,659	0.38	3,659	
HCVC	Stock	APAQ TECHNOLOGY	a	d	10,668,012	327,508	12.63	327,508	
HCVC	Stock	A-WEI TECH	-	d	301,876	785	1.83	785	
HCVC	Stock	LEDLINK	-	c	336,546	8,700	0.65	8,700	
HMI	Fund	TAISHIN 1699 MONEY MARKET	-	a	2,435,055	32,892	-	32,892	
HMI	Stock	APAQ TECHNOLOGY	-	d	3,210,015	98,547	3.80	98,547	
HMI	Stock	A-WEI TECH	-	d	174,417	453	1.06	453	
AAEON	Stock	ADVANTECH	-	a	730	154	-	154	
AAEON	Fund	MEGA DIAMOND MONEY MARKET	-	a	2,091,070	26,184	-	26,184	
AAEON	Stock	MACHVISION TECHNOLOGY	b	a	1,219,020	448,599	2.86	448,599	
AAEON	Stock	ATECH OEM TECHNOLOGY	b	a	234	2	-	2	
AAEON	Stock	INSYNERGER TECHNOLOGY	-	b	1,710,000	28,013	19.29	28,013	
AAEON	Stock	UNITECH ELECTRONICS	-	a	549,600	8,904	1.17	8,904	
AAEON	Stock	LILEE SYSTEMS	-	a	468,750	-	-	-	
AAEON	Stock	YAN CHUNG TECHNOLOGY	-	a	266,600	-	7.27	-	
AAEON	Stock	ALLIED BIOTECH	b	a	300,000	4,848	0.32	4,848	
AAEON	Stock	TELEION WIRELESS	-	a	149,700	-	-	-	
AAEON	Stock	V-NET AAEON	-	b	29	10,299	14.50	10,299	
AAEONI	Fund	HSBC GLOBAL INCOME BOND	-	a	555,078	6,577	-	6,577	
AAEONI	Stock	ATECH OEM TECHNOLOGY	b	a	3,456,000	35,078	6.02	35,078	
AAEONI	Stock	MUTTO OPTRONICS	-	a	310,000	4,542	0.68	4,542	
AAEONI	Stock	SUNENGINE	b	a	550,537	1,089	2.75	1,089	
ONYX	Stock	MELTEN CONNECTED HEALTHCARE	-	d	4,193,548	10,350	7.31	10,350	
ONYX	Stock	MACHVISION TECHNOLOGY	b	a	27,000	9,936	0.06	9,936	
ONYX	Stock	WINMATE	-	a	9,259,000	473,135	12.83	473,135	
ASGL	Fund	JIH SUN MONEY MARKET	-	a	1,392,747	20,604	-	20,604	
AHL	Stock	9SKY	-	d	1,000,000	-	5.71	-	
AIL	Fund	PRODIGY STRATEGY INVESTMENT	-	a	3,530	141,936	-	141,936	
AIL	Stock	EONEX	-	d	31,733	-	2.70	-	
AIL	Stock	SPLASHTOP	-	d	5,728,003	-	3.41	-	
AIL	Stock	ISTAGING	-	d	988,889	61,454	2.15	61,454	
AIL	Stock	PTSN	-	d	86,992,600	366,889	4.91	366,889	
DDL	Fund	ASIA PACIFIC GENESIS C	-	b	-	20,547	9.00	20,547	
UEI	Fund	CAPITAL MONEY MARKET	-	a	435,636	7,027	-	7,027	

Note 1： a. Other related parties - Held company is the legal entity as director of investee company. b. Other related parties - Director of held company is the director of investee company.

Note 2： a. Financial assets at fair value through profit or loss - current；b. Financial assets at fair value through profit or loss - non-current；c. Financial assets at fair value through other comprehensive income - current；
d. Financial assets at fair value through other comprehensive income - non-current

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2018

Table 4

(Amounts in thousands of New Taiwan dollars)

Company Name	Marketable Securities		Financial Statement Account (Note 1)	Counter-party	Nature of Relationship	Beginning Balance		Acquisition			Disposal					Ending Balance	
	Type	Name				Shares/Units	Amount	Shares/Units	Amount	Note 2	Shares/Units	Amount	Carrying Value	Note 2	Gain/Loss on Disposal	Shares/Units	Amount
ASUS	Fund	SINOPAC TWD MONEY MARKET	a	-	-	28,456,899	394,000	111,663,146 -	1,548,000 328	a b	115,204,188	1,597,731	1,595,916	a	1,815	24,915,857	346,412
ASUS	Fund	NOMURA TAIWAN MONEY MARKET	a	-	-	41,404,159	671,683	143,381,784	2,330,000	a	184,785,943 -	3,002,636 -	3,001,512 171	a b	1,124	-	-
ASUS	Fund	YUANTA DE BAO MONEY MARKET	a	-	-	25,104,603	300,000	218,445,629	2,615,000	a	243,550,232	2,915,549	2,915,000	a	549	-	-
ASUS	Fund	UNION MONEY MARKET	a	-	-	95,139,167	1,249,063	448,264,580 -	5,900,000 260	a b	474,695,293	6,247,000	6,243,505	a	3,495	68,708,454	905,818
ASUS	Fund	FSITC MONEY MARKET	a	-	-	2,453,541	435,194	-	-	-	2,453,541 -	435,354 -	435,025 169	a b	329	-	-
ASUS	Fund	YUANTA WAN TAI MONEY MARKET	a	-	-	33,199,429	500,037	-	-	-	33,199,429 -	500,222 -	500,000 37	a b	222	-	-
ASUS	Fund	JIH SUN MONEY MARKET	a	-	-	99,905,228	1,471,354	104,043,620	1,535,000	a	203,948,848 -	3,010,345 -	3,005,000 1,354	a b	5,345	-	-
ASUS	Fund	YUANTA DE LI MONEY MARKET	a	-	-	42,760,000	693,050	138,986,830 -	2,255,000 3,389	a b	109,113,727	1,770,395	1,768,914	a	1,481	72,633,103	1,182,525
ASUS	Fund	TAISHIN TA CHONG MONEY MARKET	a	-	-	42,501,948	600,238	7,062,546	100,000	a	46,026,922 -	650,463 -	649,911 148	a b	552	3,537,572	50,179
ASUS	Fund	UPAMC JAMES BOND MONEY MARKET	a	-	-	-	-	60,047,798	1,000,000	a	60,047,798	1,000,048	1,000,000	a	48	-	-
ASUS	Fund	FSITC TAIWAN MONEY MARKET	a	-	-	-	-	59,954,395	915,000	a	59,954,395	915,072	915,000	a	72	-	-
ASUS	Fund	TAISHIN 1699 MONEY MARKET	a	-	-	-	-	68,488,586	925,000	a	68,488,586	925,096	925,000	a	96	-	-
ASUS	Capital	JSCD	e	-	-	-	-	-	487,360	a	- -	- -	64,951 12,545	c d	-	-	409,864
ASUS、HCVC and HMI	Stock	UPI	e	-	-	35,561,053	408,652	- -	243,818 1,550,579	c i	11,706,000 -	758,607 -	627,688 28	a e	1,681,498	23,855,053	1,575,333
ONYX	Stock	WINMATE	a	-	-	-	-	9,259,000 -	463,555 9,580	a b	-	-	-		-	9,259,000	473,135
AAEON	Stock	IBASE	e	-	-	-	-	52,921,856	3,498,501	a	- - - - -	- - - - -	3,293 130 8,478 1,634 6,692	c d e g h	-	52,921,856	3,478,274
ASTP	Capital	ACSH	e	-	-	-	-	- - - -	1,228,600 36,932 17,891 3,222,617	a c d f	-	-	4,506,040	f	-	-	-
AAEON	Stock	MACHVISION TECHNOLOGY	a	-	-	1,860,020	383,164	-	197,481	b	641,000	302,042	132,046	a	169,996	1,219,020	448,599
ACNL	Capital	ACIT	e	-	-	-	-	- -	678,222 21,785	a d	-	-	695,502	c	-	-	4,505

Note 1： a. Financial assets at fair value through profit or loss - current

b. Financial assets at fair value through profit or loss - non-current

c. Financial assets at fair value through other comprehensive income - current

d. Financial assets at fair value through other comprehensive income - non-current

e. Investments accounted for under equity method

Note 2： a. Acquired or capital increase/ disposed or capital reduction/liquidation in this period

b. Current-revaluation

c. Recognized investment gain or loss under equity investment

d. Recognized effect of exchange rate changes and recognized cumulative translation adjustment under equity investment

e. Recognized equity adjustment under equity investment

f. Re-classification credit of equity investment

g. Recognized pension adjustment under equity investment

h. Recognized equity adjustment due to investee company purchasing treasury stocks

i. Reclassified to investments accounted for under equity method - losing control,derecognized the remaing carrying amount and recalculated carrying value based on fair value of the disposition date.

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2018

Table 5 (Amounts in thousands of new Taiwan dollars)

Company Name	Related Party	Nature of Relationship (Note 1)	Transaction Details				Abnormal Transaction		Notes/Trade Receivables or Payables (Note 3)		Note
			Purchases/ (Sales)	Amount	% to Total Purchases/ (Sales) amount	Payment Terms (Note 2)	Unit Price	Payment Terms	Ending Balance	% to Total Notes/Trade Receivables or Payables (Note 3)	
ASUS	ASUTC	b	(Sales)	(21,480,089)	(6.86)	OA 90	-	-	3,730,870	6.00	
ASUS	ASGL	b	(Sales)	(279,023,384)	(89.14)	OA 180	-	-	48,265,302	77.67	
ASUS	AAEON	b	(Sales)	(1,214,496)	(0.39)	Month-end 30 days	-	-	196,441	0.32	
ASUS	OB	b	Purchases	413,471	0.14	Month-end 60 days	-	-	-	-	
ASUS	ASMEDIA	b	Purchases	246,727	0.09	Month-end 30 days	-	-	-	-	
ASUS	ASKEY	b	Purchases	569,530	0.20	Month-end 60 days	-	-	(372,503)	(0.71)	
ASGL	ACCQ	b	(Sales)	(5,901,689)	(1.97)	OA 180	-	-	895,215	0.95	
ASGL	ACI	b	(Sales)	(53,684,728)	(17.89)	OA 180	-	-	20,780,202	22.02	
ASGL	ACSH	b	(Sales)	(55,981,221)	(18.65)	OA 180	-	-	25,396,348	26.91	
ASGL	ACJP	b	(Sales)	(6,767,870)	(2.26)	OA 120	-	-	1,661,619	1.76	
ASGL	ASIN	b	(Sales)	(3,294,191)	(1.10)	OA 180	-	-	2,597,268	2.75	
ASGL	ACG	b	(Sales)	(227,103)	(0.08)	OA 90	-	-	4,787	0.01	
ASGL	ACMH	b	(Sales)	(1,423,970)	(0.47)	OA 180	-	-	961,825	1.02	
ASGL	ACNL	b	(Sales)	(16,011,411)	(5.34)	OA 180	-	-	4,174,345	4.42	
ASGL	ACBT	b	(Sales)	(5,831,602)	(1.94)	OA 180	-	-	3,708,885	3.93	
ASGL	ACH	b	(Sales)	(120,758)	(0.04)	OA 90	-	-	34,432	0.04	
ASKEY	LP	b	(Sales)	(7,838,806)	NA (Note 4)	Month-end 90 days	-	Payment terms is one to two months longer than third parties	932,240	12.02	
ASKEY	LP	b	Purchases	4,255,573	11.97	Month-end 90 days	Based on cost of finished goods plus related expenditure of related party	-	-	-	
ASKEY	UNI	b	Purchases	20,738,516	58.33	Month-end 90 days	Based on cost of finished goods plus related expenditure of related party	-	(4,219,501)	(70.69)	
ASKEY	ASKEYI	b	(Sales)	(3,107,381)	(10.70)	Month-end 90 days	Same as third parties	Payment terms is one to two months longer than third parties	875,472	11.29	
ASKEY	SILIGENCE	b	(Sales)	(543,786)	(1.87)	Month-end 90 days	Same as third parties	Payment terms is one to two months longer than third parties	168,377	2.17	
LP	ASKEYJS	b	(Sales)	(7,845,144)	(64.61)	Month-end 90 days	-	Payment terms is one to two months longer than third parties	1,100,333	100.00	
LP	ASKEYJS	b	Purchases	4,326,675	35.59	Month-end 90 days	Based on cost of finished goods plus related expenditure of related party	-	(209,868)	(18.38)	
UNI	ASKEYJS	b	Purchases	20,846,268	100.00	Month-end 90 days	Based on cost of finished goods plus related expenditure of related party	-	(4,278,181)	(100.00)	
OB	ASKEYJS	b	Purchases	416,884	98.64	Month-end 90 days	Based on cost of finished goods plus related expenditure of related party	-	-	-	
ASUTC	ASUSCLOUD	b	(Sales)	(178,017)	(0.78)	OA 150	-	-	185,653	8.45	
AAEON	AAEONEU	b	(Sales)	(288,196)	(7.04)	Month-end 60 days	-	-	42,628	7.33	
AAEON	AAEONSZ	b	(Sales)	(294,878)	(7.21)	Month-end 60 days	-	-	48,841	8.40	
AAEON	AAEONEI	b	(Sales)	(807,479)	(19.73)	Month-end 60 days	-	-	87,438	15.04	
AAEON	ONYXHU	b	(Sales)	(175,718)	(4.29)	Month-end 60 days	-	-	8,346	1.44	
ONYX	ONYXHU	b	(Sales)	(223,089)	(20.76)	Month-end 90 days	-	-	74,393	33.28	
UPI	MAXCHIP	d	Purchases	204,970	37.35	Month-end 30 days	-	-	-	-	
UBIQ	MAXCHIP	d	Purchases	266,594	37.57	Month-end 30 days	-	-	-	-	

Note 1 : a. Parent company；b. Subsidiary；c. Associate；d. Other。

Note 2 : In addition to the original transaction terms, accounts receivable hold between each subsidies which 100% owned by ASUS could be extended payment terms and transferred to long-term receivables depend on actual demands of capital, when the transactions continuous.

Note 3 : Including transferred to long-term receivables amount as meeting transaction terms.

Note 4：Purchasing raw material is for subsidiary and the related sales revenue are eliminated in the financial reports.

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

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

DECEMBER 31, 2018

Table 6 (Amounts in thousands of New Taiwan dollars)

Company Name	Related Party	Nature of Relationship (Note 1)	Ending Balance	Turnover		Overdue		Amounts Received in Subsequent Period	Loss allowance
						Amount	Action Taken		
ASUS	ASUTC	b	3,730,870	6.13	times	-	-	2,968,093	-
ASUS	ASGL	b	48,265,302	5.01	times	-	-	47,206,784	-
ASUS	AAEON	b	196,441	7.09	times	-	-	179,818	-
ASUTC	ASUSCLOUD	b	185,653	1.26	times	-	-	-	-
ASGL	ACCQ	b	895,215	3.75	times	-	-	1,077,550	-
ASGL	ACI	b	20,780,202	2.43	times	-	-	6,919,994	-
ASGL	ACSH	b	25,396,348	2.23	times	-	-	6,842,340	-
ASGL	ACJP	b	1,661,619	3.88	times	-	-	1,661,619	-
ASGL	ASIN	b	2,597,268	1.32	times	-	-	735,388	-
ASGL	ACMH	b	961,825	1.30	times	425,744	Keep in reconciliation and dunning monthly	324,045	-
ASGL	ACNL	b	4,174,345	3.54	times	-	-	3,309,540	-
ASGL	ACBT	b	3,708,885	3.16	times	47,960	Keep in reconciliation and dunning monthly	646,972	-
ASGL	ACIN	b	129,400	0.25	times	-	-	18,524	-
ASKEY	ASUS	a	372,503	2.95	times	-	-	361,560	-
ASKEY	LP	b	932,240	10.65	times	-	-	844,815	-
ASKEY	ASKEYI	b	875,472	6.19	times	-	-	345,660	-
ASKEY	SILIGENCE	b	168,377	4.36	times	-	-	142,604	-
UNI	ASKEY	b	4,219,501	4.96	times	-	-	3,963,156	-
LP	ASKEYJS	b	1,100,333	5.04	times	-	-	844,698	-
ASKEYJS	LP	b	209,868	4.99	times	-	-	209,868	-
ASKEYJS	UNI	b	4,278,181	4.95	times	-	-	3,962,235	-

Note 1：a. Parent company；b. Subsidiary；c. Associate；d. Other。

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
(ONLY TRANSACTIONS AMOUNTING TO AT LEAST NT$100 MILLION ARE DISCLOSED)

FOR THE YEAR ENDED DECEMBER 31, 2018

Table 7-1

(Amounts in thousands of New Taiwan dollars)

No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Account	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets
0	ASUS	ASUTC	a	Sales	21,480,089	OA 90	6.06%
0	ASUS	ASGL	a	Sales	279,023,384	OA 180	78.78%
0	ASUS	AAEON	a	Sales	1,214,496	Month-end 30 days	0.34%
1	OB	ASUS	b	Sales	413,471	Month-end 60 days	0.12%
2	ASMEDIA	ASUS	b	Sales	246,727	Month-end 30 days	0.07%
3	ASUTC	ASUSCLOUD	c	Sales	178,017	OA 150	0.05%
4	ASGL	ACCQ	c	Sales	5,901,689	OA 180	1.67%
4	ASGL	ACI	c	Sales	53,684,728	OA 180	15.16%
4	ASGL	ACSH	c	Sales	55,981,221	OA 180	15.81%
4	ASGL	ACJP	c	Sales	6,767,870	OA 120	1.91%
4	ASGL	ASIN	c	Sales	3,294,191	OA 180	0.93%
4	ASGL	ACG	c	Sales	227,103	OA 90	0.06%
4	ASGL	ACMH	c	Sales	1,423,970	OA 180	0.40%
4	ASGL	ACNL	c	Sales	16,011,411	OA 180	4.52%
4	ASGL	ACH	c	Sales	120,758	OA 90	0.03%
4	ASGL	ACBT	c	Sales	5,831,602	OA 180	1.65%
5	ASKEY	ASUS	b	Sales	569,530	Month-end 60 days	0.16%
5	ASKEY	LP	c	Sales	7,838,806	Month-end 90 days	2.21%
5	ASKEY	SILIGENCE	c	Sales	543,786	Month-end 90 days	0.15%
5	ASKEY	ASKEYI	c	Sales	3,107,381	Month-end 90 days	0.88%
6	UNI	ASKEY	c	Sales	20,738,516	Month-end 90 days	5.86%
7	LP	ASKEY	c	Sales	4,255,573	Month-end 90 days	1.20%
7	LP	ASKEYJS	c	Sales	7,845,144	Month-end 90 days	2.21%
8	ASKEYJS	UNI	c	Sales	20,846,268	Month-end 90 days	5.89%
8	ASKEYJS	LP	c	Sales	4,326,675	Month-end 90 days	1.22%
8	ASKEYJS	OB	c	Sales	416,884	Month-end 90 days	0.12%
9	AAEON	AAEONEI	c	Sales	807,479	Month-end 60 days	0.23%
9	AAEON	AAEONSZ	c	Sales	294,878	Month-end 60 days	0.08%
9	AAEON	AAEONEU	c	Sales	288,196	Month-end 60 days	0.08%
9	AAEON	ONYXHU	c	Sales	175,718	Month-end 60 days	0.05%
10	ONYX	ONYXHU	c	Sales	223,089	Month-end 90 days	0.06%
11	ACSH	ACCQ	c	Service revenue	203,542	Paid within 30 days after receipt of invoice	0.06%
12	ACH	ASGL	c	Service revenue	510,888	Pay on delivery	0.14%
13	ACAE	ASGL	c	Service revenue	112,212	Pay on delivery	0.03%
14	ACI	ASGL	c	Service revenue	373,000	Pay on delivery	0.11%
15	ACCZS	ASGL	c	Service revenue	506,881	Pay on delivery	0.14%
16	ACF	ASGL	c	Service revenue	341,096	Pay on delivery	0.10%
17	ACG	ASGL	c	Service revenue	512,093	Pay on delivery	0.14%
18	ACHK	ASGL	c	Service revenue	143,712	Pay on delivery	0.04%
19	ACTR	ASGL	c	Service revenue	125,903	Pay on delivery	0.04%
20	ACUK	ASGL	c	Service revenue	217,500	Pay on delivery	0.06%
21	ACVN	ASGL	c	Service revenue	113,201	Pay on delivery	0.03%
22	ACSZ	ASGL	c	Service revenue	1,817,150	Pay on delivery	0.51%
23	ACAU	ASGL	c	Service revenue	125,960	Pay on delivery	0.04%
24	ACN	ASGL	c	Service revenue	276,604	Pay on delivery	0.08%
25	ACIT	ACNL	c	Service revenue	308,360	Pay on delivery	0.09%
26	ACIB	ACNL	c	Service revenue	165,002	Pay on delivery	0.05%
27	ACS	ASGL	c	Service revenue	184,278	Pay on delivery	0.05%
28	AAEONEI	AAEON	c	Service revenue	118,423	Month-end 30 days	0.03%

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
(ONLY TRANSACTIONS AMOUNTING TO AT LEAST NT$100 MILLION ARE DISCLOSED)

DECEMBER 31, 2018

Table 7-2 (Amounts in thousands of new Taiwan dollars)

No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Account	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets
0	ASUS	ASUTC	a	Trade receivables	3,730,870	OA 90	1.09%
0	ASUS	ASGL	a	Trade receivables	48,265,302	OA 180	14.11%
0	ASUS	AAEON	a	Trade receivables	196,441	Month-end 30 days	0.06%
3	ASUTC	ASUSCLOUD	c	Trade receivables	185,653	OA 150	0.05%
4	ASGL	ACCQ	c	Trade receivables	895,215	OA 180	0.26%
4	ASGL	ACI	c	Trade receivables	20,780,202	OA 180	6.07%
4	ASGL	ACSH	c	Trade receivables	25,396,348	OA 180	7.42%
4	ASGL	ACJP	c	Trade receivables	1,661,619	OA 120	0.49%
4	ASGL	ASIN	c	Trade receivables	2,597,268	OA 180	0.76%
4	ASGL	ACMH	c	Trade receivables	961,825	OA 180	0.28%
4	ASGL	ACNL	c	Trade receivables	4,174,345	OA 180	1.22%
4	ASGL	ACBT	c	Trade receivables	3,708,885	OA 180	1.08%
4	ASGL	ACIN	c	Trade receivables	129,400	OA 150	0.04%
5	ASKEY	ASUS	b	Trade receivables	372,503	Month-end 60 days	0.11%
5	ASKEY	LP	c	Trade receivables	932,240	Month-end 90 days	0.27%
5	ASKEY	SILIGENCE	c	Trade receivables	168,377	Month-end 90 days	0.05%
5	ASKEY	ASKEYI	c	Trade receivables	875,472	Month-end 90 days	0.26%
6	UNI	ASKEY	c	Trade receivables	4,219,501	Month-end 90 days	1.23%
7	LP	ASKEYJS	c	Trade receivables	1,100,333	Month-end 90 days	0.32%
8	ASKEYJS	UNI	c	Trade receivables	4,278,181	Month-end 90 days	1.25%
8	ASKEYJS	LP	c	Trade receivables	209,868	Month-end 90 days	0.06%
17	ACG	ASGL	c	Trade receivables	144,317	Pay on delivery	0.04%
14	ACI	ASGL	c	Other receivables	129,955	Pay on delivery	0.04%
22	ACSZ	ASGL	c	Trade receivables	364,476	Pay on delivery	0.11%
11	ACSH	JSCD	c	Other receivables	292,535	Pay on delivery	0.09%

Note 1： ASUS and its subsidiaries are coded as follows:

a. ASUS is coded 0.

b. The subsidiaries are coded consecutively beginning from 1 in the order presented in the table above.

Note 2： Transactions are categorized as follows:

a. The parent company to subsidiary.

b. Subsidiary to parent company.

c. Subsidiary to subsidiary.

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

FOR THE YEAR ENDED DECEMBER 31, 2018

Table 8 (Amounts in thousands of New Taiwan dollars)

				Original Investment Amount		Balance as of December 31, 2018					
Investor Company	Investee Company	Location	Main Businesses	December 31, 2018	December 31, 2017	Shares	Percentage of Ownership	Carrying Value	Net Income (Loss) of the Investee	Share of Profit/Loss of Investee	Note
ASUS	ACI	U.S.A	Selling of 3C products in North America	13,320	13,320	50,000	100.00	-	299,030	299,030	Note 2 and 3
ASUS	ASUTC	Taiwan	Selling of 3C products in Taiwan	204,244	204,244	19,000,000	100.00	-	(155,953)	(155,953)	Note 1、2 and 3
ASUS	ACH	Netherlands	Repairing of 3C products	37,821	37,821	3,000,000	100.00	201,504	9,631	9,631	Note 2
ASUS	AIL	Cayman Islands	Investing in 3C and computer peripheral business	3,281,057	3,281,057	89,730,042	100.00	38,757,749	1,521,666	1,521,666	Note 1 and 2
ASUS	AHL	Cayman Islands	Investing in computer peripherals business	662,434	662,434	20,452,104	100.00	625,246	23,307	23,307	Note 2
ASUS	ASKEY	Taiwan	Designing, manufacturing, repairing and selling of communication products and computer	5,021,108	5,021,108	480,000,000	100.00	3,157,795	(2,214,573)	(2,214,442)	Note 2
ASUS	HCVC	Taiwan	Investing in computer peripherals business	1,100,000	1,100,000	114,500,000	100.00	1,957,398	518,568	518,568	Note 2
ASUS	HMI	Taiwan	Investing in computer peripherals business	680,000	680,000	68,000,000	100.00	1,282,577	295,114	295,114	Note 2
ASUS	ASGL	Singapore	Selling of 3C products	838,070	838,070	28,000,000	100.00	27,679,883	840,047	(782,769)	Note 2
ASUS	QCI	Singapore	Servicing of information technology	25,290	25,290	830,001	100.00	6,137	(196)	(196)	Note 2
ASUS	ASUSCLOUD	Taiwan	Selling and consulting of internet service	596,678	450,278	23,645,558	94.58	117,516	(80,673)	(73,580)	Note 2
ASUS and HCVC	ACJK	Indonesia	Selling of 3C products in Indonesia	244,480	60,840	8,000	100.00	232,635	1,009	1,009	Note 2
ASUS and HCVC	IMOTION	Taiwan	AIOT business	180,000	-	18,000,000	30.00	179,895	(347)	(89)	Note 2
ASUS and HCVC	ACBT	Indonesia	Selling of 3C products in Indonesia	301,321	273,775	1,099,000	100.00	-	(372,796)	(372,796)	Note 2 and 3
ASUS and HCVC	ASINT	Taiwan	Selling, designing and manufacturing of memory module which apply to low-end, mid-end and high-end segmentation	87,500	87,500	7,875,000	24.83	-	-	-	Note 2
ASUS and HCVC	SWI	Taiwan	Researching, developing, selling and consulting of information system software	72,146	72,146	5,469,750	51.00	82,094	(3,578)	(1,825)	Note 2
ASUS and HCVC	IUT	Taiwan	Researching, developing, manufacturing and selling of ink-jet print heads and ink-jet digital image output technology	123,227	123,227	11,402,092	56.73	60,232	4,788	2,717	Note 2
ASUS、HCVC and HMI	ASMEDIA	Taiwan	Designing, researching, developing and manufacturing of high-speed analog circuit	342,673	342,673	31,775,315	52.93	1,232,273	955,847	389,442	Note 2
ASUS、HCVC and HMI	EMC	Taiwan	Designing, manufacturing and selling of computer peripheral spare parts	81,060	82,297	6,359,548	18.05	175,589	257,309	16,418	Note 2
ASUS、HCVC and HMI	AAEON	Taiwan	Manufacturing and selling of industrial computers and computer peripherals	3,357,568	3,357,568	60,474,000	40.73	5,067,159	732,861	297,810	Note 2
ASUS、HCVC and HMI	JPX	Taiwan	Designing and selling of computer peripheral spare parts	20,000	20,000	2,000,000	22.22	5,858	(12,260)	(1,417)	Note 2
ASUS、HCVC and HMI	UPI	Taiwan	Designing, researching, developing and selling of integrated circuits	425,702	637,128	23,855,053	34.20	1,575,333	494,167	177,801	Note 2
ASUS、HMI and AAEON	ONYX	Taiwan	Designing, manufacturing and selling of medical computers	117,680	117,680	11,176,168	55.86	502,856	194,906	10,911	Note 2 and 4
ASKEY	ASKEYI	U.S.A	Selling and servicing of communication products	307,607	307,607	10,000,000	100.00	70,406	(140,033)	-	Note 2
ASKEY	DIC	British Virgin Islands	Investing in communication business	271,695	271,695	8,160,172	100.00	81,530	947	-	Note 2
ASKEY	MIC	British Virgin Islands	Investing in computer peripherals business	3,847,164	3,832,534	118,019,831	100.00	3,421,665	(296,744)	-	Note 2
ASKEY	ECOLAND	Taiwan	Green energy industry	21,840	21,840	780,000	33.91	8,257	(8,845)	-	Note 2
DIC	ASKEYVN	Vietnam	Manufacturing and selling of communication products	176,136	170,660	2,883,359	100.00	78,372	1	-	Note 2
DIC	WISE	Hong Kong	Investing in communication and computer peripherals business	41,511	40,221	1,600,000	100.00	9,924	621	-	Note 2
MIC	MAGICOM	Cayman Islands	Investing in communication business	2,795,986	2,709,053	91,030,000	100.00	3,552,783	(274,117)	-	Note 2
MIC	OB	British Virgin Islands	Selling of communication products and computer peripherals	1,536	1,488	50,000	100.00	33,859	-	-	Note 2
MIC	LP	Mauritius	Selling of communication products and computer peripherals	1,537,286	1,489,488	50,050,000	100.00	-	(15,364)	-	Note 2 and 3
MIC	UNI	Mauritius	Selling of communication products and computer peripherals	1,536	1,488	50,000	100.00	19,928	-	-	Note 2
MIC	ASKEYCG	Germany	Selling and servicing of communication products	4,019	3,894	100,000	100.00	3,378	12	-	Note 2
MIC	ASKEYTH	Thailand	Intelligent energy-savings service	1,926	1,866	20,000	100.00	1,219	(372)	-	Note 2
MIC	ASKEYJP	Japan	Selling and servicing of communication products	1,444	-	500,000	100.00	152	(1,209)	-	Note 2
MIC and OB	ASKEYBR	Brazil	Selling and servicing of communication products	28,993	13,385	3,200,000	100.00	10,528	(7,165)	-	Note 2
ASKEY and WISE	SILIGENCE	France	Selling and servicing of communication products	178,160	176,873	4,623,090	95.95	58,477	4,142	-	Note 2

Investor Company	Investee Company	Location	Main Businesses	Original Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit/Loss of Investee	Note
				December 31, 2018	December 31, 2017	Shares	Percentage of Ownership	Carrying Value			
IUT	IUTS	Samoa Islands	Investing in ink-jet print heads and ink-jet digital image output technology business	-	-	-	100.00	-	-	-	Note 2
AAEON	AAEONEI	U.S.A	Selling of industrial computers and computer peripherals	150,504	145,824	490,000	100.00	162,435	2,995	-	Note 2
AAEON	AAEONDI	British Virgin Islands	Investing in industrial computers and computer peripherals business	20,266	19,636	50,000	100.00	43,054	(21)	-	Note 2
AAEON	AAEONTCL	British Virgin Islands	Investing in industrial computers and interface cards business	270,510	262,099	8,807,097	100.00	235,364	(33,414)	-	Note 2
AAEON	AAEONEU	Netherlands	Selling of industrial computers and computer peripherals	3,520	3,557	-	100.00	35,314	(10,757)	-	Note 2
AAEON	AAEONI	Taiwan	Investing in industrial computers and computer peripherals business	150,000	150,000	15,000,000	100.00	110,670	(9,104)	-	Note 2
AAEON	LITEMAX	Taiwan	Selling of computer peripherals	70,218	70,218	5,015,050	13.54	95,575	100,844	-	Note 2
AAEON	IBASE	Taiwan	Manufacturing and selling of industrial motherboard	3,498,501	-	52,921,856	30.35	3,478,274	307,134	-	Note 2
AAEONDI	AAEONSG	Singapore	Selling of industrial computers and computer peripherals	13,114	12,986	465,840	100.00	42,818	1	-	Note 2
AAEONEU	AAEONG	Germany	Selling of industrial computers and computer peripherals	10,560	10,671	-	100.00	16,463	651	-	Note 2
ONYX	ONYXHU	U.S.A	Selling of medical computers and peripherals	61,430	59,520	200,000	100.00	69,492	4,289	-	Note 2
ONYX	ONYXHE	Netherlands	Marketing support and repairing of medical computers and peripherals	3,520	3,557	100,000	100.00	11,009	1,959	-	Note 2
ONYX	IHELPER	Taiwan	Researching, developing and Selling of medical robot	16,560	-	1,656,000	46.00	13,569	(6,502)	-	Note 2
ASUSCLOUD	ASUSCLOUDSG	Singapore	Investing in internet service business	19,935	19,935	-	100.00	49	244	-	Note 2
ASUSCLOUD	ASUSCLOUDLB	Luxembourg	Providing maintaence and operating service of information hardware	18,065	18,065	-	100.00	3,103	380	-	Note 2
ASUSCLOUD	ASUSLC	Taiwan	Selling of internet information service	5,000	5,000	500,000	50.00	3,252	27	-	Note 2
AIL	DDL	British Virgin Islands	Investing in computer peripherals business	350,827	339,919	11,422,000	100.00	342,336	(356)	-	Note 2
AIL	CHANNEL	British Virgin Islands	Investing in 3C business	922,464	893,782	30,033,000	100.00	37,255,602	1,504,454	-	Note 2
AIL	UHL	Cayman Islands	Investing in automotive electronics and computer peripherals business	199,648	193,440	6,500,000	100.00	65,841	(11,133)	-	Note 2
AIL	POTIXC	Cayman Islands	Designing and training of WEB application software	30,715	29,760	5,000,000	22.22	27,845	11,949	-	Note 2
CHANNEL	ASTP	Singapore	Investing in 3C business	921,527	892,874	44,419,424	100.00	41,468,654	613,409	-	Note 2
CHANNEL and ASTP	ACAE	United Arab Emirates	Providing support and repairing of 3C products in Middle East	4,236	4,104	5	100.00	12,963	293	-	Note 2
CHANNEL and ASTP	ACEG	Egypt	Providing support for 3C products in Egypt	768	744	-	100.00	1,763	12	-	Note 2
CHANNEL and ASTP	ASID	Indonesia	Repairing of 3C products in Asia-pacific and America	46,073	44,640	1,500,000	100.00	37,574	688	-	Note 2
CHANNEL、ASTP and ACNL	ACTH	Thailand	Providing support for 3C products in Thailand	14,510	14,059	20,000	100.00	17,556	287	-	Note 2
CHANNEL、ASTP and ACNL	ASTH	Thailand	Repairing of 3C products in Thailand	2,856	-	30,000	100.00	2,830	(26)	-	Note 2
ASTP	ACG	Germany	Selling and Providing support for 3C products in Germany	2,909	2,819	-	100.00	146,567	10,096	-	Note 2
ASTP	ACF	France	Providing support for 3C products in France	1,531	1,484	5,300	100.00	52,225	10,405	-	Note 2
ASTP	ACUK	U.K.	Providing support for 3C products in United Kingdom	2,772	2,685	50,000	100.00	40,841	5,115	-	Note 2
ASTP	ACHK	Hong Kong	Providing support and repair for 3C products in Hong Kong	1,976	1,915	500,000	100.00	10,334	1,890	-	Note 2
ASTP	ACKR	South Korea	Providing support and repair for 3C products in South Korea	10,626	10,295	158,433	100.00	42,918	(4,503)	-	Note 2
ASTP	ACSG	Singapore	Repairing of 3C products in Singapore	389	377	20,002	100.00	1,731	2,155	-	Note 2
ASTP	ACIN	India	Providing support and repair for 3C products in India	253,935	246,040	20,134,400	100.00	308,160	33,103	-	Note 2
ASTP	ACNL	Netherlands	Selling of 3C products	17,881	17,325	375,000	100.00	1,317,120	146,372	-	Note 2
ASTP	ACVN	Vietnam	Repairing of 3C products in Vietnam	2,457	2,381	-	100.00	15,969	2,876	-	Note 2
ASTP	ACIB	Spain	Providing support for 3C products in Spain	18	18	3,000	100.00	36,607	2,196	-	Note 2
ASTP	ACJP	Japan	Selling of 3C products in Japan	75,179	72,841	20,500	100.00	257,215	71,559	-	Note 2
ASTP	ASAU	Australia	Repairing of 3C products in Australia	29,649	28,727	950,000	100.00	29,431	(1,602)	-	Note 2
ASTP	ACAU	Australia	Providing support for 3C products in Australia	11,082	10,738	350,000	100.00	47,451	4,119	-	Note 2
ASTP	ACIL	Israel	Providing support for 3C products in Israel	399	387	50,000	100.00	2,812	359	-	Note 2
ASTP	ACCO	Colombia	Providing support for 3C products in Colombia	921	893	74,489	100.00	1,353	1,293	-	Note 2
ASTP	ACZA	South Africa	Providing support and repair for 3C products in Africa	2	2	1,000	100.00	3,696	413	-	Note 2
ASTP	ACMY	Malaysia	Providing support and repair for 3C products in Malaysia	3,590	3,478	500,000	100.00	19,445	2,501	-	Note 2
ASTP	ACCL	Chile	Providing support for 3C products in Chile	53	-	1,000	100.00	260	226	-	Note 2
ASTP and ACNL	ACPE	Peru	Providing support for 3C products in Peru	12	12	1,000	100.00	1,799	(230)	-	Note 2

Investor Company	Investee Company	Location	Main Businesses	Original Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit/Loss of Investee	Note
				December 31, 2018	December 31, 2017	Shares	Percentage of Ownership	Carrying Value			
ASTP and ACNL	ACMH	Mexico	Selling of 3C products in Mexico	116,658	113,075	51,120	100.00	-	5,445	-	Note 2 and 3
ASTP and ACNL	ACBZ	Brazil	Selling of 3C products in Brazil	6,054,272	5,866,044	549,469,000	100.00	4,518,649	258,210	-	Note 2
ASTP and ACNL	ASIN	India	Selling of 3C products in India	208,171	201,698	33,500,000	100.00	49,541	110,840	-	Note 2
ASTP and ACMH	ACMX	Mexico	Providing support for 3C products in Mexico	312	302	132	100.00	6,751	2,506	-	Note 2
ACNL	ACHU	Hungary	Providing support and repair for 3C products in Hungary	1,760	1,778	-	100.00	8,597	850	-	Note 2
ACNL	ACPT	Portugal	Providing support for 3C products in Portugal	1,056	1,067	30,000	100.00	10,551	825	-	Note 2
ACNL	ACCH	Switzerland	Providing support for 3C products in Switzerland	8,044	8,128	3,400	100.00	23,800	1,451	-	Note 2
ACNL	ACN	Sweden	Providing support for 3C products in North Europe	1,122	1,133	3,000	100.00	56,677	5,045	-	Note 2
ACNL	ACTR	Turkey	Providing support and repair for 3C products in Turkey	15,490	-	2,046	100.00	47,441	16,515	-	Note 2
ACNL	ASTR	Turkey	Repairing of 3C products in Turkey	359	-	3,000	100.00	221	(266)	-	Note 2
ACNL and ASTP	ACPL	Poland	Providing support for 3C products in Poland	51,239	482	1,000	100.00	53,408	4,405	-	Note 2
ACNL and ASTP	ACIT	Italy	Providing support for 3C products in Italy	1,690	545,988	-	100.00	4,505	(695,502)	-	Note 2
ACNL and ASTP	ACCZ	Czech Republic	Providing support for 3C products in Czech Republic	275	2,466	-	100.00	15,608	1,621	-	Note 2
ACNL、ASTP and ACH	ACCZS	Czech Republic	Repairing of 3C products in Europe	7,372	8,532	-	100.00	90,933	9,547	-	Note 2
UHL	UEI	Taiwan	Manufacturing and selling of automotive electronics and computer peripherals	198,041	191,884	21,300,000	100.00	65,816	(11,116)	-	Note 2
AHL	NEXTS	Cayman Islands	Investing in cloud computing service business	87,886	87,886	8,560,974	43.48	73,504	(7,872)	-	Note 2

Note 1：Original investment amount excludes other interest oriented from shareholders’ stock trust which distributes to employees.

Note 2：According to regulation, only disclose the share of profits/losses of investee recognized by ASUS.

Note 3：Credit balance of investments accounted for under equity method is transferred to other liabilities - non-current.

Note 4：Percentage of ownership represents controlling ratio and not the consolidated shareholding percentage.

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2018

Table 9

(Amounts in thousands of New Taiwan dollars and foreign currencies)

Investee Company	Main Businesses	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Beginning Balance of Accumulated Outflow of Investment from Taiwan	Investment Flows		Ending Balance Accumulated Outflow of Investment from Taiwan	Net Income (Loss) of the Investee Company	Percentage of Ownership (%)	Investment Income (Loss) Recognized in Current Period (Note 2 b and c)	Carrying Amount as of December 31, 2018 (Note 2 b and c and Note 3)	Ending Balance of Accumulated Inward Remittance of Earnings	Note (Note 1 b)
					Outflow	Inflow							
ACSH	Selling of 3C products in China	1,477,392	b	248,792	1,228,600	-	1,477,392	36,932	100.00	36,932	-	-	ASTP Invested
ACS	Repairing of 3C products	61,430	b	61,430	-	-	61,430	3,628	100.00	3,628	68,719	-	ASTP Invested
ACSZ	Researching and developing of 3C products	1,505,035	b	1,505,035	-	-	1,505,035	172,469	100.00	172,469	2,941,438	-	ASTP Invested
ACCQ	Selling of 3C products in China	2,119,335	b	2,119,335	-	-	2,119,335	389,601	100.00	389,601	5,207,512	-	ASTP Invested
ACISZ	Leasing real estate	504,184	c	-	-	-	-	(3,631)	100.00	(3,631)	450,867	-	-
ASKEYSH	Researching, developing and selling of communication products	92,145	b	92,145	-	-	92,145	1,530	100.00	1,530	7,596	-	MIC Invested
ASKEYJS	Manufacturing and selling of communication products	2,764,350	b	2,764,350	-	-	2,764,350	(276,288)	100.00	(276,288)	3,421,880	-	MAGICOM Invested
ASKEYMWJ	Manufacturing and selling of communication products	92,145	b	92,145	-	-	92,145	1,647	100.00	1,647	93,123	-	MAGICOM Invested
AAEONSZ	Manufacturing and selling of industrial computers and interface cards	266,922	b	266,922	-	-	266,922	(33,455)	100.00	(33,455)	237,686	-	AAEONTCL Invested
ONYXSH	Selling of medical computers and peripherals	46,073	a	46,073	-	-	46,073	(3,886)	100.00	(3,886)	5,936	-	-
EMES	Selling and consulting of information system software	9,215	a	9,215	-	-	9,215	221	100.00	221	10,284	-	-
JSCD	Professional eSports	487,360	a	-	487,360	-	487,360	(64,951)	100.00	(64,951)	409,864	-	-
9SKY HANGZHOU	Manufacturing and serving of data storage media	92,145	c	5,265	-	-	-	-	5.71	-	-	-	-
9SKY SHANGHAI	Manufacturing and serving of data storage media	30,715	c	1,402	-	-	-	-	5.71	-	-	-	-
EOSTEK SHENZHEN	Smart TV and projector platform service	215,005	c	55,041	-	-	-	-	14.94	-	-	-	-

Company Name	Ending Balance of Accumulated Investment in Mainland China	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 4)
ASUS	6,287,435 USD 204,702	6,668,301 USD 217,102	96,819,001
ASKEY	3,347,935 USD 109,000	3,347,935 USD 109,000	1,894,587
AAEON	266,922 USD 8,690	266,922 USD 8,690	5,021,039
SWI	9,215 USD 300	10,443 USD 340	96,581
ONYX	46,073 USD 1,500	46,073 USD 1,500	554,353

Note 1：The methods for engaging in investment 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 (Please specify the name of the company in third region).

c. Other methods.

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

Please specify no investment income (loss) has been recognized due to the investment is still during development stage.

The investment income (loss) were determined based on the following basis:

a. The financial report was audited and certified by an international accounting firm in cooperation with an R.O.C. accounting firm.

b. The financial statements was audited and certificated by independent auditors of the parent company in Taiwan.

c. Others.

Note 3：Credit balance of investments accounted for under equity method of ACSH is transferred to other liabilities - non-current.

Note 4：Upper Limit on Investment of ASKEY amounting to $1,894,587 is calculated by net worth as of December 31, 2018, however amount authorized by Investment Commission in the latest application is $5,728,299.