ASUSTEK COMPUTER INC.

Parent Company Only 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 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 separate balance sheets of ASUSTEK COMPUTER INC. as of December 31, 2018 and 2017, and the related 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 separate 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 separate financial statements present fairly, in all material respects, the separate financial position of ASUSTEK COMPUTER INC. as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years ended December 31, 2018 and 2017, in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and 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 Separate Financial Statements section of our report. We are independent of ASUSTEK COMPUTER INC. in accordance with the Code of Professional Ethics 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 independent auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate 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 separate financial statements in the current period are stated as follows:

Evaluation of inventories

Description

Refer to Note 4(12) 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(6) for the details of allowance for inventory valuation.

ASUSTEK COMPUTER INC. 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, ASUSTEK COMPUTER INC. adjusts its inventory levels. The primary product line of ASUSTEK COMPUTER INC. 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

Our audit procedures performed in ASUSTEK COMPUTER INC. and its subsidiaries (recognized as investments accounted for under equity method) for the above matter are as follows:

1. Assessed the policy on allowance for inventory valuation loss, based on our understanding of the operations and industry of ASUSTEK COMPUTER INC.
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

The subsidiaries of ASUSTEK COMPUTER INC. periodically estimates 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 and affect the balance of investments accounted for under equity method of ASUSTEK COMPUTER INC. Thus, refund liabilities - sales returns and discounts has been identified as one of the key audit matters.

How our audit addressed the matter

Our audit procedures performed in the subsidiaries of ASUSTEK COMPUTER INC. (recognized as investments accounted for under equity method) for refund liabilities - sales returns and discounts are 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 whether the 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(9) for details of discontinued operations.

ASUSTEK COMPUTER INC. is determined to reshape its smartphone business strategy to focus on perfecting solustions for gamers and expert users under the resolution by the Board of Directors on December 13, 2018. The transformation plan has been underway and ASUSTEK COMPUTER INC. 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

Our audit procedures performed in ASUSTEK COMPUTER INC. and its subsidiaries (recognized as investments accounted for under equity method) for the above matter are as follows:

1. Obtained the Board minutes of ASUSTEK COMPUTER INC. 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 investments accounted for under the equity method. These investments accounted for under the equity method amounted to $9,937,243 thousand and $1,067,029 thousand, constituting 3.97% and 0.41% of total assets as of December 31, 2018 and 2017, respectively, and other comprehensive income (loss) of subsidiaries, associates, and joint ventures accounted for under equity method amounted to ($405,740) thousand and $278,424 thousand, constituting 12.12% and 4.79% of total comprehensive income for the years ended December 31, 2018 and 2017, respectively. The financial statements of these investments accounted for under the equity method 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 separate financial statements and information disclosed relative to these investments, is based solely on the reports of other independent auditors.

Responsibilities of management and those charged with governance for the separate financial statements

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

In preparing the separate financial statements, management is responsible for assessing the ability of ASUSTEK COMPUTER INC. 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 ASUSTEK COMPUTER INC. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including Audit Committee, are responsible for overseeing the financial reporting process of ASUSTEK COMPUTER INC.

Independent auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 internal control of ASUSTEK COMPUTER INC.
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 ability of ASUSTEK COMPUTER INC. to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate 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 auditor's report. However, future events or conditions may cause ASUSTEK COMPUTER INC. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate 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 ASUSTEK COMPUTER INC. to express an opinion on the separate financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate 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

Chang, Shu-Chiung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 20, 2019

The accompanying parent company only 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 financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants 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 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.
SEPARATE BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		DECEMBER 31, 2018		DECEMBER 31, 2017	
ASSETS	Notes	AMOUNT	%	AMOUNT	%
Current assets					
Cash and cash equivalents	6(1)	$ 2,313,288	1	$ 335,235	-
Financial assets at fair value through profit or loss - current	6(2)	2,539,792	1	6,368,076	2
Financial assets at fair value through other comprehensive income - current	6(3)	628,127	-	-	-
Available-for-sale financial assets - current	12(4)	-	-	788,889	-
Notes and trade receivables	6(4)(5)	9,805,375	4	6,532,941	3
Trade receivables - related parties	6(4) and 7	52,338,066	21	66,488,284	26
Other receivables		127,190	-	25,626	-
Inventories	6(6)	38,520,218	15	29,902,995	12
Prepayments		1,988,892	1	3,790,303	1
Other current assets		2,913	-	26,684	-
Total current assets		108,263,861	43	114,259,033	44
Non-current assets					
Financial assets at fair value through profit or loss - non-current	6(2)	53,538	-	-	-
Financial assets at fair value through other comprehensive income - non-current	6(3)	44,402,977	18	-	-
Available-for-sale financial assets - non-current	12(4)	-	-	53,577,492	21
Financial assets carried at cost - non-current	12(4)	-	-	89,610	-
Investments accounted for under equity method	6(7)	80,718,891	32	76,242,389	29
Property, plant and equipment	6(8)	9,041,080	4	7,431,227	3
Investment property		4,007,791	2	4,009,177	2
Intangible assets		113,635	-	115,992	-
Deferred income tax assets	6(21)	3,547,717	1	2,674,959	1
Other non-current assets	8	435,041	-	898,628	-
Total non-current assets		142,320,670	57	145,039,474	56
TOTAL ASSETS		$ 250,584,531	100	$ 259,298,507	100

(Continued)

ASUSTEK COMPUTER INC.
SEPARATE 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					
Financial liabilities at fair value through profit or loss - current	6(2)	$ 1,104	-	$ 34,226	-
Contract liabilities - current	6(16)	245,117	-	-	-
Notes and trade payables	6(5) and 7	52,799,533	21	46,449,308	18
Other payables - accrued expenses	7	18,943,662	8	20,494,142	8
Current income tax liabilities		1,517,260	1	1,287,704	1
Provisions for liabilities - current	6(11) and 9	3,539,925	1	3,851,382	1
Other current liabilities	7	472,447	-	393,885	-
Total current liabilities		77,519,048	31	72,510,647	28
Non-current liabilities					
Deferred income tax liabilities	6(21)	10,992,240	5	10,533,849	4
Other non-current liabilities		708,242	-	1,109,826	-
Total non-current liabilities		11,700,482	5	11,643,675	4
Total liabilities		89,219,530	36	84,154,322	32
Equity					
Share capital - common shares	6(12)	7,427,603	3	7,427,603	3
Capital surplus	6(13)	6,299,430	3	5,554,197	2
Retained earnings	6(14)				
Legal reserve		34,983,546	14	33,429,055	13
Special reserve		693,941	-	693,941	-
Unappropriated retained earnings		94,556,481	38	102,790,860	40
Other equity	6(3)(15)(21)	17,404,000	6	25,248,529	10
Total equity		161,365,001	64	175,144,185	68
TOTAL LIABILITIES AND EQUITY		$ 250,584,531	100	$ 259,298,507	100

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

ASUSTEK COMPUTER INC.
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		FOR THE YEARS ENDED DECEMBER 31,			
		2018		2017	
ITEMS	Notes	AMOUNT	%	AMOUNT	%
Operating revenue	6(16) and 7	$ 273,282,876	100	$ 300,429,666	100
Operating costs	6(6)(10)(19)(20) and 7	(256,913,446)	(94)	(281,661,236)	(94)
Gross profit		16,369,430	6	18,768,430	6
Unrealized loss from sales		1,785,274	1	1,160,247	1
Realized Gross profit		18,154,704	7	19,928,677	7
Operating expenses	6(10)(19)(20), 7 and 9				
Selling expenses		(2,021,694)	(1)	(2,453,099)	(1)
General and administrative expenses		(1,346,215)	(1)	(1,754,801)	(1)
Research and development expenses		(5,882,453)	(2)	(7,144,157)	(2)
Total operating expenses		(9,250,362)	(4)	(11,352,057)	(4)
Operating profit		8,904,342	3	8,576,620	3
Non-operating income and expenses					
Other income	6(17)	2,629,355	1	2,813,266	1
Other gains (losses)	6(2)(3)(18)	228,251	-	250,709	-
Finance costs		(2,547)	-	(230)	-
Share of profit of subsidiaries, associates and joint ventures accounted for under equity method		6,490,725	3	9,778,130	3
Total non-operating income and expenses		9,345,784	4	12,841,875	4
Profit before income tax		18,250,126	7	21,418,495	7
Income tax expenses	6(21)	(1,945,287)	(1)	(2,357,300)	(1)
Profit from continuing operations for the year		16,304,839	6	19,061,195	6
Loss from discontinued operations for the year	6(9)	(12,069,803)	(4)	(3,516,290)	(1)
Profit for the year		$ 4,235,036	2	$ 15,544,905	5
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	6(3)(15)	($ 9,430,925)	(4)	$ -	-
Share of other comprehensive income (losses) of associates and joint ventures accounted for under equity method	6(7)(15)	25,420	-	(19,274)	-
Components of other comprehensive income that will be reclassified to profit or loss					
Financial statement translation differences of foreign operations	6(15)	2,173,611	1	(5,109,986)	(2)
Unrealized loss on valuation of available-for-sale financial assets	6(15) and 12(4)	-	-	(3,887,043)	(1)
Share of other comprehensive loss of associates and joint ventures accounted for under equity method	6(7)(15)	(198,053)	-	(1,524,919)	-
Income tax relating to the components of other comprehensive income	6(15)(21)	(151,679)	-	807,469	-
Other comprehensive loss for the year		($ 7,581,626)	(3)	($ 9,733,753)	(3)
Total comprehensive loss for the year		($ 3,346,590)	(1)	($ 5,811,152)	2
Basic earnings per share (in dollars)	6(22)				
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(22)				
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 separate financial statements.

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

			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 from financial assets measured at fair value through other comprehensive income	Unrealized gain on valuation of 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 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
Appropriations of 2016 earninigs (Note 6(14))												
Legal reserve	-	-	1,920,273	-	(1,920,273)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(12,626,925)	-	-	-	-	-	-	(12,626,925)
Profit for the year	-	-	-	-	15,544,905	-	-	-	-	-	-	15,544,905
Other comprehensive loss for the year	-	-	-	-	-	(4,025,708)	-	(3,734,883)	(1,953,888)	-	(19,274)	(9,733,753)
Change in associates and joint ventures accounted for under equity method	-	476	-	-	-	-	-	-	-	-	-	476
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	51,471	-	-	-	-	-	-	-	-	-	51,471
Recognition of changes in ownership interest in subsidiaries	-	422,528	-	-	-	-	-	-	-	-	-	422,528
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
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
Effect of retrospective application and restatement	-	-	-	-	289,921	-	27,630,905	(27,893,808)	671,054	(671,054)	-	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
Appropriations of 2017 earninigs (Note 6(14))												
Legal reserve	-	-	1,554,491	-	(1,554,491)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(11,141,404)	-	-	-	-	-	-	(11,141,404)
Profit for the year	-	-	-	-	4,235,036	-	-	-	-	-	-	4,235,036
Other comprehensive income (loss) for the year	-	-	-	-	-	871,929	(9,396,876)	-	-	951,950	(8,629)	(7,581,626)
Change in associates and joint ventures accounted for under equity method	-	40,891	-	-	(2,532)	-	-	-	-	-	-	38,359
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(4,780)	-	-	-	-	-	-	-	-	-	(4,780)
Recognition of changes in ownership interest in subsidiaries	-	709,122	-	-	-	-	-	-	-	-	-	709,122
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	(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

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

ASUSTEK COMPUTER INC.
SEPARATE 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	$ 18,250,126	$ 21,418,495
Loss before income tax from discontinued operations	(13,315,402)	(3,865,575)
Profit before income tax from continuing and discontinued operations	4,934,724	17,552,920
Adjustments to reconcile profit before income tax to net cash provided by (used in) operating activities		
Income and expenses that results in non-cash flows		
Depreciation (including investment property)	194,229	211,320
Amortization	131,432	219,428
Reversal of allowance for doubtful accounts	-	(16,962)
Expected credit impairment losses	170,153	-
Net loss on financial assets or liability at fair value through profit or loss	(11,195)	(82,870)
Share of (profit) loss of subsidiaries, associates and joint ventures accounted for under equity method	106,234	(8,478,943)
Gain on disposal of investments	(1,214,557)	(55,851)
Interest income	(35,345)	(14,026)
Dividend income	(2,483,233)	(2,799,240)
Unrealized loss from sales	(1,658,086)	(1,361,343)
Others	9,798	1,793
Changes in assets/liabilities relating to operating activities		
Financial assets at fair value through profit or loss	3,844,489	(1,636,110)
Notes and trade receivables	(3,442,587)	1,449,999
Trade receivables - related parties	14,150,218	22,242,529
Other receivables	(98,521)	(21,542)
Inventories	(8,617,223)	1,479,550
Prepayments	522,745	(152,768)
Other current assets	23,771	(11,341)
Financial liabilities at fair value through profit or loss	(60,187)	(87,161)
Contract liabilities - current	241,443	-
Notes and trade payables	6,350,225	(17,268,832)
Other payables - accrued expenses	(270,176)	(848,346)
Provisions for liabilities	(311,457)	(401,401)
Other current liabilities	36,240	(114,882)
Receipt of interest	34,667	14,189
Payment of interest	(2,547)	(230)
Payment of income tax	(1,085,238)	(1,222,949)
Net cash flows provided by (used in) operating activities	11,460,016	8,596,931
Cash flows from investing activities		
Acquisition of investments accounted for under equity method	(995,211)	(331,882)
Proceeds from disposal of investments accounted for under equity method	441,588	-
Acquisition of property, plant and equipment	(1,755,875)	(561,757)
Acquisition of intangible assets	(104,881)	(110,408)
Decrease (increase) in prepayment for investments	599,900	(599,900)
Changes in other non-current assets	(121,552)	1,313
Receipt of dividends	3,596,942	3,888,956
Others	(1,610)	65,190
Net cash flows provided by (used in) investing activities	1,659,301	2,351,512
Cash flows from financing activities		
Payment of cash dividends	(11,141,404)	(12,626,925)
Others	140	(3,145)
Net cash flows provided by (used in) financing activities	(11,141,264)	(12,630,070)
Increase (decrease) in cash and cash equivalents	1,978,053	(1,681,627)
Cash and cash equivalents at beginning of year	335,235	2,016,862
Cash and cash equivalents at end of year	$ 2,313,288	$ 335,235

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

ASUSTEK COMPUTER INC.
NOTES TO SEPARATE 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 ORGANISATION**

(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 AUTHORZATION FOR ISSUANCE OF THE SEPARATE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION**

These separate 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 in the 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
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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 12, "Recognition of deferred tax assets for unrealised 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 Company's financial condition and financial performance based on the Company's assessments.

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 amortised 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 Company 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 Company has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the 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 Company has elected to use 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 Company adjusted the presentation of certain accounts in the balance sheet as follows:

Under IFRS 15, liabilities relating to sales contracts are recognized as contract liabilities, different from other current liabilities as previously presented in the balance sheet. As of January 1, 2018, the balance amounted to $3,674.

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 Company

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 Company’s financial condition and financial performance based on the Company’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 Company 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, and it is expected that 'right-of-use asset' and lease liability will be increased by $186,907, 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
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 Company's financial condition and financial performance based on the Company's assessment.

4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

(1) Compliance statement

These separate financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Statements by Securities Issuers".

(2) Basis of preparation

A. Except for the following significant items, these separate 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 judgments in applying the Company's accounting policies are disclosed in Note 5.

C. The Company 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 separate financial statements for the year ended December 31, 2017. The Company's separate 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) Foreign currency translation

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

(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 subsidiaries 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 Company 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 interest in this foreign operation. In addition, if the Company 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.

(4) Classification of current and non-current items

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.

(5) 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.

(6) 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 amortised 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 Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

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

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

A. At initial recognition, the Company 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 Company'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 Company measures the financial assets at fair value plus transaction costs. The Company 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 Company's right to receive payment is established, it is probable the economic benefits associated with the dividend will flow to the Company 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.

(8) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company 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.

(9) 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 Company 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 Company recognizes the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Company 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 Company 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 Company has not retained control of financial asset.

(11) Operating leases (lessor)

An operating lease is a lease that almost 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.

(12) 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.

(13) Investments accounted for under equity method

A. Subsidiaries are all entities (including structured entity) controlled by the Company. The Company controls an entity when the Company 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.

B. Unrealized gains on transactions between the Company and its subsidiaries are eliminated to the extent of the Company's interest in the subsidiaries. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acqusition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company should continue to recognize losses in proportion to its ownership.
D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transaction 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 Company loses control of a subsidiary, the Company 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 all the related assets or liabilities were disposed of. That is, other comprehensive income in relation to the subsidiary should be reclassified to profit or loss.
F. Associates are all entities over which the Company 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.
G. The Company'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 Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
H. 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 Company's ownership percentage of the associate, the Company recognizes change in ownership interests in the associate in "capital surplus" in proportion to its ownership.
I. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company'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 Company.
J. In the case that an associate issues new shares or buys treasury stocks (including the Company does not acquire or dispose shares proportionately), which results in a change in the Company'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 Company'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.

K. Upon loss of significant influence over an associate, the Company 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.

L. 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.

M. According to "Regulations Governing the Preparation of Financial Reports by Securities Issuers", profit and other comprehensive income in the separate financial statements should be the same as profit and other comprehensive income attributable to shareholders of the parent in the consolidated financial statements, and the equity in the separate financial statements should be the same as the equity attributable to shareholders of the parent in the consolidated financial statements.

(14) 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 Company 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 each 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 the buildings are 10~50 years, machinery and equipment are 3~6 years and miscellaneous equipment are 1~15 years.

(15) 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.

(16) 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.

(17) Intangible assets

Computer software is amortised on a straight-line basis over its estimated useful life of 1~5 years.

(18) Impairment of non-financial assets

A. The Company 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 amortisation 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.

(19) 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.

(20) 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 Company measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(21) Derecognition of financial liabilities

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

(22) 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.

(23) 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.

(24) Provisions for liabilities

Provisions are recognized when the Company 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.

(25) 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 plan

For defined contribution plan, the contributions are recognized as pension expense 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 plan

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 plan are recognized in other comprehensive income in the period in which they arise and are recorded as other equity.

c. Past 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 Company'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 Company recognizes expense when it can no longer withdraw an offer of termination benefits or it recognizes related restructuring cost, 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 expense and liability, 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 Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(26) 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 separate 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 Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) 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 each 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.

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved 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.

(28) Revenue recognition

Sales of goods

(A) The Company 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 Company 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. 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 Company does not adjust the transaction price to reflect the time value of money.

(C) The Company'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.

5. **CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY**

The preparation of these separate financial statements requires management to make critical judgements in applying the Company'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 – Evaluation of inventories

Due to the rapid technology innovation, the Company 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 $38,520,218.

6. **DETAILS OF SIGNIFICANT ACCOUNTS**

(1) Cash and cash equivalents

	2018/12/31	2017/12/31
Cash on hand and petty cash	$ 245	$ 245
Checking accounts and demand deposits	6,932	253,448
Time deposits	2,306,111	81,542
	$ 2,313,288	$ 335,235

The Company 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	$ 47,600
Beneficiary certificates	2,484,934
Derivatives	7,258
	$ 2,539,792
Financial assets mandatorily measured at fair value through profit or loss - non-current:	
Beneficiary certificates	$ 53,538
Financial liabilities held for trading - current:	
Derivatives	$ 1,104

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	($	5,857)
Debt instruments		2,126
Beneficiary certificates		11,673
Derivatives		3,253
	$	11,195

B. The Company 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 -NTD/USD	USD	50,000	2019/06
Derivative financial liabilities:			
Forward exchange contracts -NTD/USD	USD	20,000	2019/05

Forward exchange contracts

The Company 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.

C. The Company 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	$	296,187
Valuation adjustment		331,940
	$	628,127
Equity instruments - non-current:		
Listed and OTC stocks	$	26,460,851
Unlisted and non-OTC stocks		219,730
		26,680,581
Valuation adjustment		17,722,396
	$	44,402,977

A. The Company 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 $45,031,104 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	($ 9,430,925)
Cumulative gains (losses) reclassified to retained earnings due to derecognition	$ -
Dividend income recognized in profit or loss	
Held at end of the year	$ 2,481,202
Derecognized during the year	-
	$ 2,481,202

C. The Company 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) Notes and trade receivables

	2018/12/31	2017/12/31
Notes receivable	$ -	$ 35
Trade receivables (including related parties)	62,337,196	73,048,001
	62,337,196	73,048,036
Less: Loss allowance	(193,755)	(26,811)
	$ 62,143,441	$ 73,021,225

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

	2018/12/31	2017/12/31
Not past due	$ 60,650,196	$ 72,820,273
Less than 90 days past due	1,662,843	200,316
Between 91 and 180 days past due	7,258	22,871
More than 181 days past due	16,899	4,576
	$ 62,337,196	$ 73,048,036

B. The Company 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 Company’s notes receivable were $0 and $35, respectively. The maximum exposure to credit risk in respect of the amount that best represents the Company’s accounts receivable were $62,143,441 and $73,021,190, respectively.

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

(5) Offsetting financial assets and financial liabilities

A. The Company 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 amout of financial assets (before offset)	Gross amout 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)
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)

(6) Inventories

	2018/12/31		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 40,355,447	($ 7,911,680)	$ 32,443,767
Work in process	2,446,104	(128,904)	2,317,200
Finished goods	1,146,934	(18,380)	1,128,554
Merchandise inventories	2,483,177	(442,901)	2,040,276
Inventories in transit	590,421	-	590,421
	$ 47,022,083	($ 8,501,865)	$ 38,520,218

	2017/12/31		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 30,193,166	($ 3,994,025)	$ 26,199,141
Work in process	940,705	(62,365)	878,340
Finished goods	563,399	(41,120)	522,279
Merchandise inventories	1,864,119	(356,587)	1,507,532
Inventories in transit	795,703	-	795,703
	$ 34,357,092	($ 4,454,097)	$ 29,902,995

Except for cost of goods sold, the inventories recognized as operating costs from continuing and discontinued operations amounted to $4,127,443 and $1,211,580, of which $4,047,768 and $1,077,061 pertain to the decline (recovery) in value of inventories for the years ended December 31, 2018 and 2017, respectively.

(7) Investments accounted for under equity method

	2018/12/31		2017/12/31	
	Book Value	Ownership (%)	Book Value	Ownership (%)
Subsidiaries:				
AIL	$ 38,757,749	100.00	$ 36,050,354	100.00
ASGL	27,679,883	100.00	26,421,777	100.00
AAEON	3,665,467	29.47	3,066,014	40.97
ASKEY	3,157,795	100.00	5,433,871	100.00
HCVC	1,957,398	100.00	1,687,469	100.00
HMI	1,282,577	100.00	1,032,224	100.00
ASMEDIA	948,488	40.74	699,814	40.88
AHL	625,246	100.00	601,961	100.00
Others	1,158,332		1,205,156	
	79,232,935		76,198,640	
Associates:				
Others (Note)	1,485,956		43,749	
	$ 80,718,891		$ 76,242,389	

Note: In October 2018, the Company disposed 6,430 thousand shares of its ownership of subsidiary － UPI and the disposed proceed is $417,950. After the Company disposed the shares, its ownership decreased to 27.53%. The remaining book value of equity investments was remeasured at fair value and difference between the fair value less related transaction costs and carrying amount was recognized in profit or loss. The gain on disposal of investments was amounting to $1,212,307.

A. Subsidiaries

Information about the Company's subsidiaries is provided in Note 4(3) of the 2018 consolidated financial statements.

B. Associates

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

	For the years ended December 31,	
	2018	2017
Profit (loss) for the year	$ 34,741	$ 7,915
Other comprehensive income (loss) for the year - net of income tax	11	(39)
Total comprehensive income (loss) for the year	$ 34,752	$ 7,876

(8) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Miscellaneous equipment	Construction in progress and equipment under installation	Total
January 1, 2018						
Cost	$ 4,891,103	$ 2,312,098	$ 925,937	$ 2,550,307	$ 487,270	$ 11,166,715
Accumulated depreciation and impairment	-	(670,080)	(728,027)	(2,337,381)	-	(3,735,488)
	$ 4,891,103	$ 1,642,018	$ 197,910	$ 212,926	$ 487,270	$ 7,431,227
January 1, 2018	$ 4,891,103	$ 1,642,018	$ 197,910	$ 212,926	$ 487,270	$ 7,431,227
Acquisitions	-	-	140,765	35,846	1,625,259	1,801,870
Disposals	-	-	-	(227)	-	(227)
Depreciation	-	(45,337)	(86,335)	(61,171)	-	(192,843)
Reclassifications	-	-	1,597	-	(544)	1,053
December 31, 2018	$ 4,891,103	$ 1,596,681	$ 253,937	$ 187,374	$ 2,111,985	$ 9,041,080
December 31, 2018						
Cost	$ 4,891,103	$ 2,312,098	$ 994,762	$ 616,036	$ 2,111,985	$ 10,925,984
Accumulated depreciation and impairment	-	(715,417)	(740,825)	(428,662)	-	(1,884,904)
	$ 4,891,103	$ 1,596,681	$ 253,937	$ 187,374	$ 2,111,985	$ 9,041,080

	Land	Buildings	Machinery and equipment	Miscellaneous equipment	Construction in progress and equipment under installation	Total
January 1, 2017						
Cost	$ 4,891,103	$ 2,312,098	$ 838,580	$ 3,872,774	$ -	$ 11,914,555
Accumulated depreciation and impairment	-	(624,743)	(643,812)	(3,637,661)	-	(4,906,216)
	$ 4,891,103	$ 1,687,355	$ 194,768	$ 235,113	$ -	$ 7,008,339
January 1, 2017	$ 4,891,103	$ 1,687,355	$ 194,768	$ 235,113	$ -	$ 7,008,339
Acquisitions	-	-	90,245	54,626	440,532	585,403
Disposals	-	-	-	(5,152)	-	(5,152)
Depreciation	-	(45,337)	(87,103)	(77,494)	-	(209,934)
Reclassifications	-	-	-	5,833	46,738	52,571
December 31, 2017	$ 4,891,103	$ 1,642,018	$ 197,910	$ 212,926	$ 487,270	$ 7,431,227
December 31, 2017						
Cost	$ 4,891,103	$ 2,312,098	$ 925,937	$ 2,550,307	$ 487,270	$ 11,166,715
Accumulated depreciation and impairment	-	(670,080)	(728,027)	(2,337,381)	-	(3,735,488)
	$ 4,891,103	$ 1,642,018	$ 197,910	$ 212,926	$ 487,270	$ 7,431,227

The Company has no property, plant and equipment pledged to others.

(9) Discontinued operations

A. The Company is determined to reshape its smartphone business strategy to focus on perfecting solutions for gamers and expert users under the resolution by the Board of Directors on December 13, 2018. The transformation plan has been underway and the Company 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	$ 3,002,483	($ 6,620,529)
Investing cash flows	-	-
Financing cash flows (Note)	(3,002,483)	6,620,529
Total cash flows	$ -	$ -

Note: The continuing operations provided (obtain) financing support to (from) discontinued operations.

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

	For the years ended December 31, 2018	2017
Operating revenue	$ 39,768,689	$ 35,445,897
Operating costs	(39,067,799)	(34,124,358)
Unrealized (profit) loss from sales	(127,188)	201,096
Operating expenses	(2,845,769)	(4,311,409)
Other gains (losses)	81,484	222,386
Share of loss of associates and joint ventures accounted for under equity method	(5,320,305)	(1,299,187)
Loss before tax from discontinued operations	(7,510,888)	(3,865,575)
Income tax benefit	406,134	349,285
Loss after tax from discontinued operations	(7,104,754)	(3,516,290)
Pre-tax loss recognized on the remeasurement of assets and restructuring constructive obligation (Notes 1 and 2)	(5,804,514)	-
Income tax benefit recognized on the remeasurement of assets and restructuring constructive obligation	839,465	-
After-tax loss recognized on the remeasurement of assets and restructuring constructive obligation (Notes 1 and 2)	(4,965,049)	-
Total loss from discontinued operations	($ 12,069,803)	($ 3,516,290)

Note 1: It consists of inventory valuation loss, compensation loss for the vendors' preparation of materials in advance, sales discounts, reorganisation personnel expenses, royalty loss

and other losses from discontinued operations.

Note 2: Including effects of share of profit of subsidiaries, associates and joint ventures accounted for under equity method.

(10) Pensions

A. (A) The Company has 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 contributes 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 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 will make contribution for the deficit by next March. In addition, except for a few foreign employees, the Company had settled its financial obligations to its employees on December 31, 2007.

(B) The Company contributes 2% of the employees' monthly salaries and wages for a few foreign employees in accordance with R.O.C. Labor Standards Law to an independent retirement trust fund, with the Bank of Taiwan, the trustee. The pension costs under the above pension plan were $1,180 and $932 for the years ended December 31, 2018 and 2017, respectively.

(C) Expected contribution to the defined benefit pension plan of the Company for the year ending December 31, 2019 are $859.

B. Effective July 1, 2005, the Company has 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 contributes 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. The pension costs under the defined contribution pension plan were $281,457 and $285,526 for the years ended December 31, 2018 and 2017, respectively.

(11) Provisions for liabilities

	Provisions for warranty	Provisions for legal claims and royalty	Total
January 1, 2018	$ 204,294	$ 3,647,088	$ 3,851,382
Recognition (reversal)	149,824	(385,939)	(236,115)
Used	(208,871)	-	(208,871)
Net exchange differences	9,197	124,332	133,529
December 31, 2018	$ 154,444	$ 3,385,481	$ 3,539,925

	Provisions for warranty	Provisions for legal claims and royalty	Total
January 1, 2017	$ 236,045	$ 4,016,738	$ 4,252,783
Recognition (reversal)	137,972	(52,275)	85,697
Used	(157,575)	-	(157,575)
Net exchange differences	(12,148)	(317,375)	(329,523)
December 31, 2017	$ 204,294	$ 3,647,088	$ 3,851,382

Analysis of total provisions for liabilities:

	2018/12/31	2017/12/31
Current	$ 3,539,925	$ 3,851,382

A. Provisions for warranty

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

(12) 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 742,760,280 shares for both years.

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 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.

(13) 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

(14) 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 year's 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 appropriations 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, 2019, the appropriations of 2018 earnings stated above had not been resolved by the shareholders.

G. For the information about to employees’ compensation and directors’ remuneration is provided in Note 6(20).

(15) 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

(16) Operating revenue

	For the year ended December 31, 2018
Revenue from contracts with customers	$ 313,009,133
Less: Revenue from contracts with customers from discontinued operations	(39,726,257)
	$ 273,282,876

A. Disaggregation of revenue from contracts with customers

The Company's revenue is derived from the transfer of goods and services 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	$ 268,954,242	$ 4,328,634	$ 273,282,876
Timing of revenue recognition			
At a point in time	$ 268,954,242	$ 4,328,634	$ 273,282,876

Revenue from contracts with customers from discontinued operations for the year ended December 31, 2018 amounting to $39,726,257 was recognized at a point in time.

B. Contract liabilities

(A) The Company recognized contract liabilities related to the contract revenue from sales amounting to $245,117 as of December 31, 2018.

(B) The revenue recognized from the beginning balance of contact liability amounted to $2,686.

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

(17) Other income

	For the years ended December 31, 2018	For the years ended December 31, 2017
Interest income	$ 35,345	$ 14,026
Rent income	110,776	-
Dividend income	2,483,234	2,799,240
	$ 2,629,355	$ 2,813,266

(18) Other gains (losses)

	For the years ended December 31, 2018	For the years ended December 31, 2017
Net gains (losses) on non-derivative financial instruments	$ 7,942	$ 8,360
Net gains (losses) on derivative financial instruments	3,253	74,510
Net currency exchange gains (losses)	1,217,155	215,854
Gains (losses) on disposal of investments (Note 1)	1,214,557	55,851
Other net gains (losses) (Note 2)	(2,133,172)	118,520
	309,735	473,095
Less: Other gains from discontinued operations	(81,484)	(222,386)
	$ 228,251	$ 250,709

Note 1: Related disclosures are provide in Note 6(7).

Note 2: The European Commission has started an investigation into whether the Company has restricted the retail prices of distributors in February, 2017. The Company 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 Company 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 Company 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 Company. In addition, the Company will manage properly and respond to various types of operational and non-operational risk in the future.

(19) 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	$ 323,068	$ 7,255,917	$ 7,578,985	$ 481,222	$ 10,237,915	$ 10,719,137
Depreciation	4,961	187,882	192,843	4,978	204,956	209,934
Amortisation	53	131,379	131,432	53	219,375	219,428

(20) Employee benefit expenses (including discontinued operations)

	For the years ended December 31,	
	2018	2017
Wages and salaries	$ 6,569,567	$ 9,640,983
Labor and health insurance	536,555	547,814
Pension (Note)	282,637	286,458
Director's emoluments	18,749	59,020
Other personnel expenses	171,477	184,862
	$ 7,578,985	$ 10,719,137

The Company’s headcount totaled 6,096 and 6,295 employees as of December 31, 2018 and 2017, respectively. There were 7 non-employee directors as of December 31, 2018 and 2017.

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 expenses.

   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 mentioned above is 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.

(21) Income tax

A. Income tax expenses

(A) Components of income tax expenses:

	For the years ended December 31, 2018	2017
Current income tax:		
Current income tax on profits for the year	$ 1,389,316	$ 1,082,242
Additional 10% tax on unappropriated earnings	284,901	465,554
Difference between prior year's income tax estimation and assessed results	(408,483)	(221,478)
Total current income tax	1,265,734	1,326,318
Deferred income tax:		
Origination and reversal of temporary differences	(2,220,119)	681,697
Impact of change in tax rate	1,654,073	-
Total deferred income tax	(566,046)	681,697
Income tax expenses	699,688	2,008,015
Add: Income tax benefit from discontinued operations	1,245,599	349,285
Income tax expenses from continued operations	$ 1,945,287	$ 2,357,300

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

	For the years ended December 31, 2018	2017
Currency translation differences	$ 151,679	($ 807,469)

B. Reconciliation between income tax expenses and accounting profit:

	For the years ended December 31,	
	2018	2017
Income tax calculated based on profit before tax and statutory tax rate	$ 986,945	$ 2,983,996
Tax exempt income by tax regulation	(743,009)	(486,968)
Effect from tax exemption on investment (income) loss	(1,257,437)	(260,473)
Additional 10% tax on unappropriated earnings	284,901	465,554
Difference between prior year's income tax estimation and assessed results	(408,483)	(221,478)
Impact of change in the tax rate on unrealized profit from sales	98,741	111,081
Impact of change in tax rate	1,654,073	-
Effect from exchange differences	(117,414)	(589,873)
Expense disallowed by tax regulation	229,632	-
Others	(28,261)	6,176
Income tax expenses	699,688	2,008,015
Add: Income tax benefit from discontinued operations	1,245,599	349,285
Income tax expenses from continuing operations	$ 1,945,287	$ 2,357,300

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

	2018			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
- Deferred income tax assets:				
Unrealized profit from sales	$ 550,369	($ 170,883)	$ -	$ 379,486
Unrealized purchase discounts	342,805	(219,474)	-	123,331
Decline in value of inventories	757,197	943,176	-	1,700,373
Unrealized expenses and provision for royalty	642,953	456,901	-	1,099,854
Currency translation differences	344,856	-	(151,679)	193,177
Others	36,779	14,717	-	51,496
Subtotal	2,674,959	1,024,437	(151,679)	3,547,717
- Deferred income tax liabilities:				
Investment income from foreign investees	(10,460,627)	(474,101)	-	(10,934,728)
Unrealized exchange gains	(73,222)	15,710	-	(57,512)
Subtotal	(10,533,849)	(458,391)	-	(10,992,240)
Total	($ 7,858,890)	$ 566,046	($ 151,679)	($ 7,444,523)

	2017			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
- Deferred income tax assets:				
Unrealized profit from sales	$ 661,684	($ 111,315)	$ -	$ 550,369
Unrealized purchase discounts	353,949	(11,144)	-	342,805
Decline in value of inventories	574,096	183,101	-	757,197
Unrealized provision for royalty	651,840	(8,887)	-	642,953
Currency translation differences	-	-	344,856	344,856
Others	37,104	(325)	-	36,779
Subtotal	2,278,673	51,430	344,856	2,674,959
- Deferred income tax liabilities:				
Investment income from foreign investees	(9,698,820)	(761,807)	-	(10,460,627)
Unrealized exchange gains	(101,902)	28,680	-	(73,222)
Currency translation differences	(462,613)	-	462,613	-
Subtotal	(10,263,335)	(733,127)	462,613	(10,533,849)
Total	($ 7,984,662)	($ 681,697)	$ 807,469	($ 7,858,890)

D. The Tax Authority has examined the Company’s income tax returns through 2016.

E. 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 Company has assessed and recognized the impact of the change in income tax rate.

(22) 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	$ 16,304,839		$ 21.95
Loss from discontinued operations	(12,069,803)		(16.25)
Profit for the year	$ 4,235,036	742,760	$ 5.70
Diluted earnings per share			
Profit from continuing operations	$ 16,304,839		$ 21.90
Loss from discontinued operations	(12,069,803)		(16.21)
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	1,801	
Profit for the year 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	$ 19,061,195		$ 25.66
Loss from discontinued operations	(3,516,290)		(4.73)
Profit for the year	$ 15,544,905	742,760	$ 20.93
Diluted earnings per share			
Profit from continuing operations	$ 19,061,195		$ 25.49
Loss from discontinued operations	(3,516,290)		(4.70)
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	4,795	
Profit for the year plus assumed conversion of all dilutive potential ordinary shares	$ 15,544,905	747,555	$ 20.79

(23) Operating leases

The Company leases offices and parking lots under operating lease agreements. The Company recognized rental expenses of $229,594 and $243,111 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 Company
ASGL	Subsidiary
ASUTC	Subsidiary
Others (related parties with non-significant transactions)	Subsidiary, associate and other related parties

(3) Significant transactions and balances with related parties

A. Sales of goods (including discontinued operations):

	For the years ended December 31,	
	2018	2017
Sales of goods		
-ASGL	$ 279,023,384	$ 305,167,421
-Subsidiaries	22,770,115	22,126,328
-Associates	484	-
-Others	259	-
	$ 301,794,242	$ 327,293,749

The sales prices of transactions with related parties were decided on the basis of the economic environment and market competition in each sales area. The terms of the transactions are due 30 to 180 days after the date of delivery or open account 30 to 60 days. The terms of the above transactions are similar to those for third parties.

B. Purchases of goods and services:

	For the years ended December 31,	
	2018	2017
Purchases of goods		
-Subsidiaries	$ 1,241,570	$ 1,267,284
-Associates	12,218	31,353
-Others	43,124	34,846
	1,296,912	1,333,483
Purchases of services		
-Subsidiaries	81,046	45,244
-Associates	57	10
-Others	15,000	20,623
	96,103	65,877
	$ 1,393,015	$ 1,399,360

Purchase terms are due 30 to 90 days after the date of acceptance or open account 30 to 60 days, which were similar to those for third parties.

C. Trade receivables:

	2018/12/31	2017/12/31
Trade receivables		
-ASGL	$ 48,265,302	$ 63,052,049
-ASUTC	3,730,870	3,276,581
-Subsidiaries	341,894	159,601
-Associates	-	53
	$ 52,338,066	$ 66,488,284

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

D. Notes and trade payables and other items of current liabilities:

	2018/12/31	2017/12/31
Notes and trade payables		
-Subsidiaries	$ 372,641	$ 191,739
-Associates	5,283	10,622
-Others	13,690	8,812
	391,614	211,173
Other items of current liabilities		
-Subsidiaries	54,913	22,958
	$ 446,527	$ 234,131

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	$ 671,817	$ 562,445
Post-employment benefits	5,628	5,548
	$ 677,445	$ 567,993

8. **PLEDGED ASSETS**

		Book Value		
Pledged assets	Item	2018/12/31	2017/12/31	Purpose
Other non-current assets	Time deposits	$ 184,819	$ 184,715	Pledged for lodgment for security decided by court, cutoms duties, 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, products with UMTS, Tablet, cellphone and pad 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 and product with remote upgrade code function against the Company. These lawsuits or investigations are currently under investigation in a California court, in a Texas court, in a Germany court, in a French court, in a Netherlands court and in an England court. The Company 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 and notebook, ZenFone trademarks, cellphone and pad for Qualcomm chips with DCVS or DVFS capabilities, Omnivision CMOS Image Detector 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 motion picture recording/playback and fingerprint recognition, optimize power consumption management, products with static image processing (pixel capture), audio decoding and related functions, microprocessor with Intel's 14mm process Tri-Gate technology, cellphone and tablet and the source code is the firmware of the ASUS router product against the Company. 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, United States International Trade Commission, in a Germany court, in a Japan court, in an India court and in a China court. The Company cannot presently determine the ultimate outcome and effect of these lawsuits.

(2) Commitments

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

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

	2018/12/31	2017/12/31
Between 1 and 2 years	$ 201,634	$ 221,785
Between 2 and 3 years	20,872	187,167
Between 3 and 4 years	858	19,997

10. **SIGNIFICANT DISASTER LOSS:** None.

11. **SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL REPORTING PERIOD:** None.

12. **OTHERS**

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company'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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company 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 separate balance sheets.

During 2018, the Company'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	$ 89,219,530	$ 84,154,322
Total equity	161,365,001	175,144,185
Total assets	$ 250,584,531	$ 259,298,507
Liability ratio	35.60%	32.45%

(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	$ 2,593,330	$ -
Financial assets held for trading	-	6,368,076
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	45,031,104	-
Available-for-sale financial assets	-	54,366,381
Financial assets carried at cost	-	89,610
Financial assets at amortised cost		
Cash and cash equivalents	2,313,288	335,235
Notes receivables	-	35
Trade receivables	62,143,441	73,021,190
Other receivables	127,190	25,626
Refundable deposits	352,830	254,966
	$ 112,561,183	$ 134,461,119

	2018/12/31	2017/12/31
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	$ 1,104	$ 34,226
Financial liabilities at amortised cost		
Notes and trade payables	52,799,533	46,449,308
Other payables - accrued expenses	18,943,662	20,494,142
Deposits received	52,280	52,140
	$ 71,796,579	$ 67,029,816

B. Financial risk management policies

(A) The Company's operating activities expose the Company 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 Company, derivative financial instruments, such as foreign exchange forward 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 Company'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 Company'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 Note 6(2).

C. Nature and degree of significant financial risks

(A) Market risk

Foreign exchange risk

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

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

c. The Company hedges foreign exchange rate by using forward exchange contracts. However, the Company 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 Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

e. The Company's businesses involve some non-functional currency operations (the Company's functional currency is NTD. 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	$ 1,923,470,967	30.715	$ 59,079,411	1%	$ 590,794	$ -
Non-Monetary items						
USD:NTD	2,265,208,202	30.715	69,575,870	-	-	-
Financial liabilities						
Monetary items						
USD:NTD	2,205,736,566	30.715	67,749,199	1%	677,492	-

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	$ 2,343,502,015	29.76	$ 69,742,620	1%	$ 697,426	$ -
Non-Monetary items						
USD:NTD	2,177,292,083	29.76	64,796,212	-	-	-
Financial liabilities						
Monetary items						
USD:NTD	2,063,820,730	29.76	61,419,305	1%	614,193	-

f. Net currency exchange (losses) gains (including realized and unrealized) arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2018 and 2017 amounted to $1,217,155 and $215,854, respectively.

Price risk

a. The Company'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 Company diversifies its portfolio.

Diversification of the portfolio is done in accordance with the limits set by the Company.

b. The Company 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 Company's non-operating revenue for the years ended December 31, 2018 and 2017 by $476 and $535, 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 Company's other comprehensive income for the years ended December 31, 2018 and 2017 by $450,311 and $543,588, respectively.

Cash flow and fair value interest rate risk

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions. The Company expects no significant interest rate risk.

(B) Credit risk

a. Credit risk refers to the risk of financial loss to the Company 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 Company manages their credit risk taking into consideration the entire company'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 Company's credit policy, each operating entity in the Company 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 Company 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 Company 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.

e. The Company classifies customer's accounts receivable in accordance with customer types. The Company 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 Company writes off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights. On December 31, 2018, the Company 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%, and the total carrying amount of notes and trade receivables and loss allowance amounted to \$52,338,066 and \$0 as of December 31, 2018, respectively.

(b) The Company 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 90 days past due	More than 91 days	Total
Expected loss rate	0.19%	1.04%~22.72%	53.68%~100%	
Total book value	\$ 8,322,060	\$ 1,652,913	\$ 24,157	\$ 9,999,130
Loss allowance	\$ 15,812	\$ 157,893	\$ 20,050	\$ 193,755

i. Movement in relation to the company applying the simplified approach to provide loss allowance for notes and trade receivables is as follows:

		2018
		Notes and trade receivables
January 1_IAS 39	$	26,811
Adjustments under new standards		-
January 1_IFRS 9		26,811
Provision for impairment		170,153
Write-offs	(	3,209)
December 31	$	193,755

For provisioned loss for the year ended December 31, 2018, the net impairment loss arising from customer's contract is $170,153.

j. 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 various departments of the Company and aggregated by the Company treasury. The Company treasury monitors rolling forecasts of the Company'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 Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's cash flow plans and compliance with internal balance sheets ratio targets.

b. The Company 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. As of December 31, 2018 and 2017, the Company held financial assets at fair value through profit or loss of $2,532,534 and $6,368,076, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

c. The table below analyses the Company'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:					
Notes and trade payables	$ 52,799,533	$ -	$ -	$ -	$ 52,799,533
Other payables - accrued expenses	18,943,662	-	-	-	18,943,662
Derivative financial liabilities:					
Forward exchange contracts	1,104	-	-	-	1,104

	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:					
Notes and trade payables	$ 46,449,308	$ -	$ -	$ -	$ 46,449,308
Other payables - accrued expenses	20,494,142	-	-	-	20,494,142
Derivative financial liabilities:					
Forward exchange contracts	34,226	-	-	-	34,226

d. The Company 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, notes and trade payables, other payables - accrued expenses, other current liabilities, guarantee deposits received 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	$ 47,600	$ -	$ -	$ 47,600
Beneficiary certificates	2,484,934	53,538	-	2,538,472
Forward exchange contracts	-	7,258	-	7,258
Financial assets at fair value through other comprehensive income				
Equity securities	44,863,737	167,367	-	45,031,104
	$ 47,396,271	$ 228,163	$ -	$ 47,624,434
Liabilities:				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 1,104	$ -	$ 1,104

	2017/12/31			
	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Listed and OTC stocks	$ 53,457	$ -	$ -	$ 53,457
Open-end funds	6,314,619	-	-	6,314,619
Available-for-sale financial assets				
Listed and OTC stocks	54,263,733	-	-	54,263,733
Unlisted and non-OTC stocks	-	95,073	-	95,073
Convertible bonds	-	-	7,575	7,575
	$ 60,631,809	$ 95,073	$ 7,575	$ 60,734,457
Liabilities:				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 34,226	$ -	$ 34,226

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

a. The instruments the Company 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 self-developed 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 Company 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 Company's financial and non-financial instruments. 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 Company'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	$ -	$ 7,575	$ 7,575
Recognized in profit (loss) (Note)	-	2,126	2,126
Sold in the period	-	(9,701)	(9,701)
December 31	$ -	$ -	$ -
Movement of unrealized gain or loss in profit or loss of assets and liabilities held as of December 31, 2018	$ -	$ -	$ -

Note: Recorded as other gains (losses).

There was no change in Level 3 for the year ended December 31, 2017.

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, 2017	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to 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

There was no Level 3 financial instruments as of December 31, 2018.

I. The Company 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 amortised 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 Company 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 Company 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 Company 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 Company 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 amortised 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 amortised 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 amortisation) 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

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 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	Investments accounted for using equity method	Unappropriated retained earnings	Other equity
IAS 39	$ 6,368,076	$ 54,366,381	$ 89,610	$ 76,242,389	$ 102,790,860	$ 25,248,529
Transferred into and measured at fair value through profit or loss	34,326	(7,575)	(26,751)	-	-	-
Transferred into and measured at fair value through other comprehensive income-equity	-	62,859	(62,859)	-	101,601	(101,601)
Adjustment on investments accounted for using equity method	-	-	-	(8,504)	191,163	(199,667)
Fair value adjustment	(2,843)	38,365	-	-	(2,843)	38,365
IFRS 9	$ 6,399,559	$ 54,460,030	$ -	$ 76,233,885	$ 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 $7,575, and $26,751 under IAS 39 are not held for trading, the Company 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 $2,843. Making the corresponding election for associates accounted for using equity method resulted in a decrease in investments accounted for equity method of $11,430, a decrease in retained earnings of $18,849 and an increase in other equity interest of $7,419.

(B) For equity investments that were previously classified as available-for-sale financial assets and financial assets carried at cost amounting to $54,358,806 and $62,859 under IAS 39, respectively, the Company elected to designate all of these investments as financial assets at fair value through other comprehensive income (loss) (equity instruments) on initial application of IFRS 9. This resulted to an increase in unappropriated retained earnings of $101,601 and a decrease in other equity of $63,236. Making the corresponding election for associates accounted for using equity method resulted in an increase in investments accounted for using equity method of $2,926, an increase in retained earnings of $210,012, and a decrease in other equity interest of $207,086.

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:		
Financial assets held for trading		
Open-end funds	$	6,314,619
Listed and OTC stocks		53,457
	$	6,368,076
Financial liabilities held for trading-current:		
Financial assets held for trading		
Forward exchange contracts	$	34,226

a. The Company recognized net loss on derivative financial instruments held for trading amounting to $74,510 and net gain on non-derivative financial instruments held for trading amounting to $8,360 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 liabilities:			
Forward exchange contracts			
-NTD/USD	USD	145,000	2018/01

Forward exchange contracts

The Company 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.

c. The Company 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	$	296,187
Valuation adjustment		557,162
Accumulated impairment	(	64,460)
	$	788,889

		2017/12/31
Available-for-sale financial assets-non-current:		
Listed and OTC stocks	$	26,460,851
Unlisted and non-OTC stocks		117,730
Convertible bonds		7,575
		26,586,156
Valuation adjustment		26,991,336
	$	53,577,492

a. The Company recognized $3,887,043 in other comprehensive loss for fair value change and reclassified $55,805 from equity to profit for the year ended December 31, 2017, respectively.

b. After evaluating and comparing the carrying amount of available-for-sale financial assets and its recoverable amounts, the Company recognized impairment loss both amounting to $46 for the year ended December 31, 2017.

c. The Company 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	$	100,000
Private fund		26,751
		126,751
Accumulated impairment	(	37,141)
	$	89,610

a. In accordance with the Company'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 Company classified those funds as "financial assets measured at cost".

b. The Company has no financial assets measured at cost pledged to others.

(D) Notes and trade receivables (including related parties)

a. The aging analysis of trade receivables (including related parties) that were past due but not impaired is as follows:

		2017/12/31
Less than 90 days	$	188,669
Between 91 and 180 days		11,548
More than 181 days		675
	$	200,892

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 (including related parties):

(a) Impaired and past due (including related parties)

	2017/12/31
Gross amount (including related parties)	$ 26,811

(b) Movements for allowance for doubtful accounts (accumulated impairment) of trade receivables (including related parties) are as follows:

	2017		
	Individual provision	Group provision	Total
January 1	$ -	$ 43,773	$ 43,773
Recognition (reversal)	-	(16,962)	(16,962)
December 31	$ -	$ 26,811	$ 26,811

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

	2017/12/31
Group 1	$ 66,487,946
Group 2	6,332,352
	$ 72,820,298

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. The Company does not holds any collateral as security.

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 Company 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 Company's credit policy, each operating entity in the Company 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

The Company 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 Company's activities. Revenue arising from the sales of goods is recognized when the Company 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 Company 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 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	$ 335,875,563
Less: Sales revenue from discontinued operations	(35,445,897)
	$ 300,429,666

C. The effects and description of current balance sheet and comprehensive income statement if the Company 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
Other current liabilities	$ 472,447	$ 717,564	($ 245,117)
Contract liabilities	245,117	-	245,117

In accordance with IFRS 15, the Company recognized contract liabilities related to selling products, but recognized other current 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 Company in the current period.

13. **SUPPLEMENTARY DISCLOSURES**

(1) Significant transactions information

A. Financings provided: Please refer to table 1

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

C. Marketable securities held at the ended 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 NT$300 million or 20% of the paid-in capital: None.

F. Disposal of real estate properties at prices of at least NT$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 periods: Please refer to 6(2) 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 mainland China

A. Information on ivestment 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**

Not applicable.

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/ 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: Purchases/(Sales)	Transaction Details: Amount	Transaction Details: % to Total Purchases/(Sales) amount	Transaction Details: Payment Terms (Note 2)	Abnormal Transaction: Unit Price	Abnormal Transaction: Payment Terms	Notes/Trade Receivables or Payables (Note 3): Ending Balance	Notes/Trade Receivables or Payables (Note 3): % to Total Notes/Trade Receivables or Payables (Note 3)	Note
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)

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			
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 peripherals	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.