

ASUSTEK COMPUTER INC. AND SUBSIDIARIES
Consolidated Financial Statements
With Independent Auditors' Review Report Thereon
March 31, 2018 and 2017
(Stock code: 2357)

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

Independent Auditors' Review Report

To the Board of Directors and Shareholders of
ASUSTEK COMPUTER INC.:

Introduction

We have reviewed the accompanying consolidated balance sheets of ASUSTEK COMPUTER INC. and subsidiaries (the "Group") as of March 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month periods ended March 31, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

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Basis for Qualified Conclusion

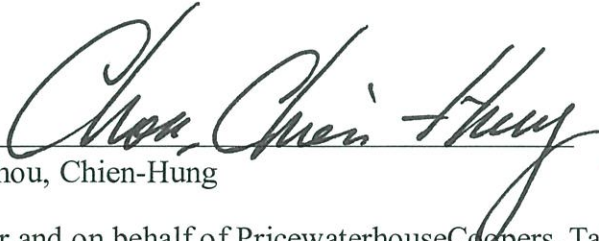
As explained in Note 4(3), the accompanying consolidated financial statements included certain non-significant consolidated subsidiaries and investments accounted for under equity method, whose statements reflect total assets amounting to \$88,350,113 thousand and \$87,712,001 thousand (including investments accounted for under equity method amounting to \$116,441 thousand and \$222,716 thousand), constituting 26% and 25% of consolidated total assets as of March 31, 2018 and 2017, respectively, total liabilities amounting to \$25,067,539 thousand and \$22,611,062 thousand, constituting 15% and 14% of consolidated total liabilities as of March 31, 2018 and 2017, and total comprehensive income amounting to \$529,750 thousand and \$932,174 thousand, constituting 23% and 17% of consolidated total comprehensive income for the three-month periods ended March 31, 2018 and 2017, respectively. These amounts and the related information disclosed in the accompanying consolidated financial statements were based on the unreviewed financial statements of consolidated subsidiaries and investments accounted for under equity method.

Qualified Conclusion

Based on our reviews and the reports of other independent auditors (please refer to other matter), except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain non-significant consolidated subsidiaries and investments accounted for under equity method been reviewed by independent auditors, that we might have become aware of had it not been for the situation described above, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three-month periods ended March 31, 2018 and 2017, in accordance with “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Other Matter - Reference to the reviews of other independent auditors

We did not review the financial statements of certain investments accounted for under equity method. Those financial statements were reviewed by other independent auditors whose reports thereon have been furnished to us and our conclusion expressed herein, insofar as it relates to the amounts included in the consolidated financial statements and information disclosed relative to these investments, is based solely on the reports of other independent auditors. These investments accounted for under equity method amounted to \$241,905 thousand and \$82,154 thousand as of March 31, 2018 and 2017, respectively, and total comprehensive income amounting to \$9,807 thousand and \$1,033 thousand for the three-month periods ended March 31, 2018 and 2017, respectively.



Chou, Chien-Hung Chang, Ming-Hui

for and on behalf of PricewaterhouseCoopers, Taiwan

May 11, 2018

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

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

ASSETS	Notes	MARCH 31, 2018 (UNAUDITED)		DECEMBER 31, 2017		MARCH 31, 2017 (UNAUDITED)	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
<u>Current assets</u>							
Cash and cash equivalents	6(1)	\$ 77,384,566	23	\$ 72,192,962	21	\$ 74,839,524	21
Financial assets at fair value through profit or loss - current	6(2)	6,900,849	2	8,057,062	3	3,859,931	1
Financial assets at fair value through other comprehensive income - current	6(3)	894,044	-	-	-	-	-
Available-for-sale financial assets - current	12(4)	-	-	803,394	-	487,808	-
Derivative financial assets for hedging - current	6(4)	78,323	-	11,392	-	356,655	-
Notes receivable	6(5)	8,412,194	3	8,369,528	3	8,828,697	3
Trade receivables	6(5)(6) and 7	65,946,536	19	76,509,775	22	71,706,570	20
Other receivables	7	980,909	-	629,230	-	695,224	-
Inventories	6(7)	86,448,996	25	83,055,957	24	90,232,041	26
Prepayments		7,303,535	2	7,753,577	2	5,002,617	2
Other current assets	8	195,667	-	205,503	-	133,540	-
Total current assets		254,545,619	74	257,588,380	75	256,142,607	73
<u>Non-current assets</u>							
Financial assets at fair value through profit or loss - non-current	6(2)	133,262	-	-	-	-	-
Financial assets at fair value through other comprehensive income - non-current	6(3)	54,674,458	16	-	-	-	-
Available-for-sale financial assets - non-current	12(4)	-	-	54,233,390	16	64,074,011	18
Financial assets carried at cost - non-current	12(4)	-	-	181,313	-	150,629	-
Investments accounted for under equity method	6(8)	405,014	-	364,542	-	351,537	-
Property, plant and equipment	6(9) and 8	15,588,995	4	15,250,476	4	13,662,701	4
Investment property		4,003,312	1	4,003,398	1	4,002,115	1
Intangible assets	6(10)	1,904,479	1	1,953,183	1	1,885,929	1
Deferred income tax assets		9,280,387	3	8,202,158	2	8,736,156	2
Other non-current assets	6(11) and 8	3,232,274	1	3,114,329	1	3,140,319	1
Total non-current assets		89,222,181	26	87,302,789	25	96,003,397	27
<u>TOTAL ASSETS</u>		\$ 343,767,800	100	\$ 344,891,169	100	\$ 352,146,004	100

(Continued)

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

LIABILITIES AND EQUITY	Notes	MARCH 31, 2018 (UNAUDITED)		DECEMBER 31, 2017		MARCH 31, 2017 (UNAUDITED)	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
<u>Current liabilities</u>							
Short-term borrowings	6(12)	\$ 6,275,767	2	\$ 5,750,078	2	\$ 3,375,167	1
Financial liabilities at fair value through profit or loss - current	6(2)	279,739	-	429,979	-	361,835	-
Derivative financial liabilities for hedging - current	6(4)	727,522	-	682,446	-	165,189	-
Contract liabilities - current	6(21)	803,721	-	-	-	-	-
Notes and trade payables	6(6) and 7	55,875,207	16	56,494,911	17	63,003,483	18
Other payables - accrued expenses	7	33,009,360	9	39,704,639	12	32,673,853	9
Current income tax liabilities		5,495,792	2	4,604,939	1	5,570,024	2
Provisions for liabilities - current	6(15) and 9	21,152,286	6	41,179,190	12	41,175,174	12
Receipts in advance		-	-	781,602	-	682,068	-
Current portion of long-term borrowings	6(13)	2,689	-	2,750	-	684,045	-
Refund liabilities - current	6(16)	19,616,083	6	-	-	-	-
Other current liabilities	7 and 9	6,815,522	2	4,255,639	1	3,719,980	1
Total current liabilities		150,053,688	43	153,886,173	45	151,410,818	43
<u>Non-current liabilities</u>							
Long-term borrowings	6(13)	1,008,938	1	1,011,177	-	540,000	-
Deferred income tax liabilities		11,137,486	3	10,673,666	3	9,935,037	3
Other non-current liabilities		597,798	-	645,850	-	628,307	-
Total non-current liabilities		12,744,222	4	12,330,693	3	11,103,344	3
Total liabilities		162,797,910	47	166,216,866	48	162,514,162	46
<u>Equity attributable to shareholders of the parent</u>							
Share capital - common shares	6(17)	7,427,603	2	7,427,603	2	7,427,603	2
Capital surplus	6(18)	5,587,138	2	5,554,197	1	5,099,335	1
Retained earnings	6(19)						
Legal reserve		33,429,055	10	33,429,055	10	31,508,782	9
Special reserve		693,941	-	693,941	-	693,941	-
Unappropriated retained earnings		105,399,448	31	102,790,860	30	105,444,543	30
Other equity	6(3)(4)(20) (26)	24,620,098	7	25,248,529	8	36,658,998	11
Total equity attributable to shareholders of the parent		177,157,283	52	175,144,185	51	186,833,202	53
Non-controlling interest		3,812,607	1	3,530,118	1	2,798,640	1
Total equity		180,969,890	53	178,674,303	52	189,631,842	54
TOTAL LIABILITIES AND EQUITY		\$ 343,767,800	100	\$ 344,891,169	100	\$ 352,146,004	100

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

ASUSTEK COMPUTER INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE DATA)
(UNAUDITED)

		FOR THE THREE-MONTH PERIODS ENDED MARCH 31,			
		2018		2017	
Items	Notes	AMOUNT	%	AMOUNT	%
Operating revenue	6(21) and 7	\$ 98,993,535	100	\$ 108,221,176	100
Operating costs	6(7)(14)(24)(25) and 7	(84,832,416)	(86)	(93,264,490)	(86)
Gross profit		14,161,119	14	14,956,686	14
Operating expenses	6(11)(14)(24)(25)(28), 7 and 9				
Selling expenses		(4,989,855)	(5)	(5,749,128)	(5)
General and administrative expenses		(1,879,664)	(2)	(1,818,073)	(2)
Research and development expenses		(3,506,676)	(3)	(3,378,955)	(3)
Total operating expenses		(10,376,195)	(10)	(10,946,156)	(10)
Operating profit		3,784,924	4	4,010,530	4
Non-operating income and expenses					
Other income	6(22)	373,685	-	259,762	-
Other gains (losses)	6(2)(23)	(605,153)	-	525,906	-
Finance costs		(39,926)	-	(21,368)	-
Share of profit (loss) of associates and joint ventures accounted for under equity method	6(8)	5,527	-	(2,286)	-
Total non-operating income and expenses		(265,867)	-	762,014	-
Profit before income tax		3,519,057	4	4,772,544	4
Income tax expenses	6(26)	(884,662)	(1)	(1,024,970)	(1)
Profit for the period		\$ 2,634,395	3	\$ 3,747,574	3
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)(20)	\$ 545,188	-	\$ -	-
Income tax relating to components of other comprehensive income	6(20)(26)	4,498	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss					
Financial statements translation differences of foreign operations	6(20)	(1,259,108)	(1)	(3,749,037)	(3)
Unrealized gain on valuation of available-for-sale financial assets	6(20) and 12(4)	-	-	5,874,290	5
Gain (loss) on effective portion of cash flow hedges	6(20)	-	-	(1,091,368)	(1)
Gain (loss) on hedging instruments	6(4)	21,855	-	-	-
Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method	6(8)(20)	89	-	(513)	-
Income tax relating to the components of other comprehensive income	6(20)(26)	322,000	-	631,075	1
Other comprehensive income (loss) for the period		(\$ 365,478)	(1)	\$ 1,664,447	2
Total comprehensive income for the period		\$ 2,268,917	2	\$ 5,412,021	5
Profit attributable to: Shareholders of the parent		\$ 2,379,576	3	\$ 3,651,390	3
Non-controlling interest		254,819	-	96,184	-
		\$ 2,634,395	3	\$ 3,747,574	3
Total comprehensive income attributable to:					
Shareholders of the parent		\$ 2,014,048	2	\$ 5,328,106	5
Non-controlling interest		254,869	-	83,915	-
		\$ 2,268,917	2	\$ 5,412,021	5
Earnings per share (In dollars)	6(27)				
Basic earnings per share		\$ 3.20		\$ 4.92	
Diluted earnings per share		\$ 3.19		\$ 4.88	

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

ASUSTEK COMPUTER INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	Equity attributable to shareholders of the parent													
	Retained earnings					Other equity								
	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	Non-controlling interest	Total equity
<u>For the three-month period ended March 31, 2017</u>														
Balance at January 1, 2017	\$ 7,427,603	\$ 5,079,722	\$ 31,508,782	\$ 693,941	\$ 101,793,153	\$ 2,149,750	\$ -	\$ 31,628,691	\$ 1,282,834	\$ -	(\$ 78,993)	\$ 181,485,483	\$ 2,731,731	\$ 184,217,214
Profit for the period	-	-	-	-	3,651,390	-	-	-	-	-	-	3,651,390	96,184	3,747,574
Other comprehensive income (loss) for the period	-	-	-	-	-	(3,108,170)	-	5,876,254	(1,091,368)	-	-	1,676,716	(12,269)	1,664,447
Total comprehensive income	-	-	-	-	3,651,390	(3,108,170)	-	5,876,254	(1,091,368)	-	-	5,328,106	83,915	5,412,021
Change in associates and joint ventures accounted for under equity method	-	(312)	-	-	-	-	-	-	-	-	-	(312)	-	(312)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	19,925	-	-	-	-	-	-	-	-	-	19,925	-	19,925
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(17,006)	(17,006)
Balance at March 31, 2017	<u>\$ 7,427,603</u>	<u>\$ 5,099,335</u>	<u>\$ 31,508,782</u>	<u>\$ 693,941</u>	<u>\$ 105,444,543</u>	<u>(\$ 958,420)</u>	<u>\$ -</u>	<u>\$ 37,504,945</u>	<u>\$ 191,466</u>	<u>\$ -</u>	<u>(\$ 78,993)</u>	<u>\$ 186,833,202</u>	<u>\$ 2,798,640</u>	<u>\$ 189,631,842</u>
<u>For the three-month period ended March 31, 2018</u>														
Balance at January 1, 2018	\$ 7,427,603	\$ 5,554,197	\$ 33,429,055	\$ 693,941	\$ 102,790,860	(\$ 1,875,958)	\$ -	\$ 27,893,808	(\$ 671,054)	\$ -	(\$ 98,267)	\$ 175,144,185	\$ 3,530,118	\$ 178,674,303
Effect on retrospective application and restatement	-	-	-	-	289,921	-	27,630,905	(27,893,808)	671,054	(671,054)	-	27,018	-	27,018
Balance after restatement on January 1, 2018	7,427,603	5,554,197	33,429,055	693,941	103,080,781	(1,875,958)	27,630,905	-	-	(671,054)	(98,267)	175,171,203	3,530,118	178,701,321
Profit for the period	-	-	-	-	2,379,576	-	-	-	-	-	-	2,379,576	254,819	2,634,395
Other comprehensive income (loss) for the period	-	-	-	-	-	(937,069)	546,145	-	-	21,855	3,541	(365,528)	50	(365,478)
Total comprehensive income	-	-	-	-	2,379,576	(937,069)	546,145	-	-	21,855	3,541	2,014,048	254,869	2,268,917
Change in associates and joint ventures accounted for under equity method	-	36,683	-	-	-	-	-	-	-	-	-	36,683	-	36,683
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(278)	-	-	-	-	-	-	-	-	-	(278)	-	(278)
Recognition of changes in ownership interest in subsidiaries	-	(3,464)	-	-	-	-	-	-	-	-	-	(3,464)	-	(3,464)
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	27,620	27,620
Disposition of financial assets at fair value through other comprehensive income	-	-	-	-	(60,909)	-	-	-	-	-	-	(60,909)	-	(60,909)
Balance at March 31, 2018	<u>\$ 7,427,603</u>	<u>\$ 5,587,138</u>	<u>\$ 33,429,055</u>	<u>\$ 693,941</u>	<u>\$ 105,399,448</u>	<u>(\$ 2,813,027)</u>	<u>\$ 28,177,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 649,199)</u>	<u>(\$ 94,726)</u>	<u>\$ 177,157,283</u>	<u>\$ 3,812,607</u>	<u>\$ 180,969,890</u>

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

ASUSTEK COMPUTER INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	<u>FOR THE THREE-MONTH PERIODS ENDED MARCH 31,</u>	
	<u>2018</u>	<u>2017</u>
<u>Cash flows from operating activities</u>		
Profit before income tax for the period	\$ 3,519,057	\$ 4,772,544
Adjustments to reconcile profit before income tax to net cash provided by (used in) operating activities		
Income and expenses that result in non-cash flows		
Depreciation (including investment property)	317,007	298,153
Amortisation	103,585	87,630
Bad debt provision of allowance for doubtful accounts	-	17,394
Expected credit impairment losses	55,304	-
Net loss on financial assets or liability at fair value through profit or loss	510,521	562,771
Share of profit of associates and joint ventures accounted for under equity method	(5,527)	2,286
Interest income	(338,598)	(259,761)
Dividend income	-	(1)
Interest expense	39,926	21,368
Others	1,809	(25,314)
Changes in assets/liabilities relating to operating activities		
Financial assets at fair value through profit or loss	1,614,711	2,401,343
Notes receivable	(42,666)	(3,938,261)
Trade receivables	10,576,766	8,265,641
Other receivables	(272,037)	(114,302)
Inventories	(3,393,039)	(3,137,345)
Prepayments	663,615	900,864
Other current assets	14,397	(29,808)
Financial liabilities at fair value through profit or loss	(1,116,544)	(465,902)
Contract liabilities	56,475	-
Notes and trade payables	(626,154)	(10,540,519)
Other payables - accrued expenses	(5,971,437)	(5,536,556)
Provisions for liabilities	324,043	(2,121,505)
Receipts in advance	(40,206)	86,776
Refund liabilities	(734,864)	-
Other current liabilities	2,648,576	(193,894)
Other operating liabilities	2,983	(4,509)
Receipt of interest	296,730	232,826
Payment of interest	(55,424)	(51,984)
Payment of income tax	(368,473)	(149,231)
Net cash flows provided by (used in) operating activities	<u>7,780,536</u>	<u>(8,919,296)</u>
<u>Cash flows from investing activities</u>		
Acquisition of property, plant and equipment	(685,962)	(303,884)
Decrease (increase) in refundable deposits	34,845	(197,667)
Change in other non-current assets	(1,042,237)	(237,996)
Receipt of dividends	-	1
Others	873	4,954
Net cash flows provided by (used in) investing activities	<u>(1,692,481)</u>	<u>(734,592)</u>
<u>Cash flows from financing activities</u>		
Increase in short-term borrowings	510,657	512,078
Proceeds from long-term borrowings	440,000	540,000
Redemption of long-term borrowings	(440,677)	(540,718)
Others	(24,453)	51,527
Net cash flows provided by (used in) financing activities	<u>485,527</u>	<u>562,887</u>
Effects due to changes in exchange rate	(1,381,978)	(3,762,144)
Increase (decrease) in cash and cash equivalents	5,191,604	(12,853,145)
Cash and cash equivalents at beginning of period	72,192,962	87,692,669
Cash and cash equivalents at end of period	<u>\$ 77,384,566</u>	<u>\$ 74,839,524</u>

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

ASUSTEK COMPUTER INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)
(UNAUDITED)

1. HISTORY AND ORGANIZATION

- (1) ASUSTEK COMPUTER INC. (ASUS or the Company) was established in the Republic of China (R.O.C.). The Company is primarily engaged in the design, R&D and sales of 3C products (including PCs, main boards, other boards and cards, tablet PCs, smart phones and other handheld devices, etc.).
- (2) The Company resolved to spin-off its OEM businesses on January 1, 2008. Pursuant to the Company's resolution, the Company transferred its computer OEM, design and manufacture of computer cases and molds and non-computer OEM businesses to its spun-off subsidiaries, PEGATRON CORPORATION (PEGA) and UNIHAN CORPORATION, respectively. On June 1, 2010, however, the Company transferred further its OEM assets and business (the Company's investments accounted for under equity method in PEGA) to the Company's another investee, PEGATRON INTERNATIONAL INVESTMENT CO. LTD. (PII). PII issued new shares to the Company and its shareholders as consideration. On April 29, 2013, the Company disposed the partial shares of PEGA and reduced the ownership percentage to less than 20%.

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

These consolidated financial statements were reported to the Board of Directors and issued on May 11, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, "Classification and measurement of share-based payment transactions"	January 1, 2018
Amendments to IFRS 4, "Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts"	January 1, 2018
IFRS 9, "Financial instruments"	January 1, 2018
IFRS 15, "Revenue from contracts with customers"	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 15, “Clarifications to IFRS 15, Revenue from contracts with customers”	January 1, 2018
Amendments to IAS 7, “Disclosure initiative”	January 1, 2017
Amendments to IAS 12, “Recognition of deferred tax assets for 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 Group’s financial condition and financial performance based on the Group’s assessment.

A. IFRS 9, “Financial instruments”

- (A) Classification of debt instruments is driven by the entity’s business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset at fair value through other comprehensive income or financial asset measured at 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 Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.
- (C) The amended general hedge accounting makes the accounting practices consistent with an entity’s risk management strategy. The components and the grouping of non-financial items

can be loosened as hedged items. The 80%~125% threshold of highly efficient hedge is removed, and that the hedged items and the hedged percentages that the hedge instruments can rebalance under the unchanged business objectives of risk management is increased.

B. IFRS 15, “Revenue from contracts with customers”

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.

When adopting the new standards in the IFRS as endorsed by the FSC effective from 2018, summary of carrying amount and significant effects for the Group’s financial assets and financial liabilities when retrospectively applying IFRS 9 and IFRS 15 on January 1, 2018 are as follows:

Affected accounts of consolidated balance sheet	Amount under 2017 IFRSs	Effect of adopting new standards	Amount under 2018 IFRSs	Remark
January 1, 2018				
Financial assets at fair value through profit or loss - current	\$ 8,057,062	\$ -	\$ 8,057,062	
Financial assets at fair value through profit or loss - non-current	-	133,358	133,358	B
Available-for-sale financial assets - current	803,394 (	803,394)	-	A
Available-for-sale financial assets - non-current	54,233,390 (	54,233,390)	-	A、B
Financial assets at fair value through other comprehensive income - current	-	803,394	803,394	A
Financial assets at fair value through other comprehensive income - non-current	-	54,308,363	54,308,363	A
Financial assets carried at cost - non-current	181,313 (	181,313)	-	A、B
Total affected assets	<u>\$ 63,275,159</u>	<u>\$ 27,018</u>	<u>\$ 63,302,177</u>	

Affected accounts of consolidated balance sheet	Amount under 2017 IFRSs	Effect of adopting new standards	Amount under 2018 IFRSs	Remark
January 1, 2018				
Contract liabilities	\$ -	\$ 781,602	\$ 781,602	C
Provisions for liabilities - current	41,179,190	(20,350,947)	20,828,243	C
Receipts in advance	781,602	(781,602)	-	C
Refund liabilities	-	20,350,947	20,350,947	C
Total affected liabilities	41,960,792	-	41,960,792	
Unappropriated retained earnings	102,790,860	289,921	103,080,781	A 、 B
Other equity	25,248,529	(262,903)	24,985,626	A 、 B
Total affected equity	128,039,389	27,018	128,066,407	
Total affected liabilities and equity	\$ 170,000,181	\$ 27,018	\$ 170,027,199	

Explanation:

- A. In accordance with IFRS 9, the Group reclassified available-for-sale financial assets and financial assets carried at cost in the amounts of \$54,948,924 and \$121,542 and made an irrevocable election on equity instruments not held for dealing or trading purpose. It resulted to an increase in financial assets at fair value through other comprehensive income of \$55,111,757, an increase in retained earnings of \$311,614 and a decrease in other equity of \$270,323.
- B. In accordance with IFRS 9, the Group reclassified available-for-sale financial assets and financial assets carried at cost in the amounts of \$87,860 and \$59,771 by increasing financial assets at fair value through profit or loss and decreasing retained earnings and increasing other equity in the amounts of \$133,358, \$21,693 and \$7,420 respectively.
- C. In accordance with IFRS 15, the Group adjusted the presentation of certain accounts in the balance sheet as follows:
- (A) Under IFRS 15, estimated sales returns and discounts are recognized as refund liabilities, different from provisions for liabilities - current as previously presented in the balance sheet. As of January 1, 2018, the balance amounted to \$20,350,947.
- (B) Under IFRS 15, liabilities relating to sales contracts are recognized as contract liabilities, different from receipts in advance as previously presented in the balance sheet. As of January 1, 2018, the balance amounted to \$781,602.
- D. Please refer to Notes 12(4) and (5) for disclosure in relation to the initial application of IFRS 9 and IFRS 15.
- (2) Effect of new issuances of or amendments to International Financial Reporting Standards as endorsed by the FSC but not yet adopted by the Group
- None.
- (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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, “Prepayment features with negative compensation”	January 1, 2019
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 16, “Leases”	January 1, 2019
IFRS 17, “Insurance contracts”	January 1, 2021
Amendments to IAS 19, “Plan amendment, curtailment or settlement”	January 1, 2019
Amendments to IAS 28, “Long-term interests in associates and joint ventures”	January 1, 2019
IFRIC 23, “Uncertainty over income tax treatments”	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment. The quantitative impact will be disclosed when the assessment is complete.

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 less than 12 months and leases of low-value assets). Lessor accounting still uses the dual classification approach: operating lease and finance lease, and only increases the related disclosures.

The Group will adopt the modified retrospective transitional provisions of IFRS 16 “Lease”, and classify the effects on the lease contract of lessee to January 1, 2019 in accordance with IFRS 16. The Group has reported to the Board of Directors in the first quarter of 2018 that the adoption of IFRS 16 has no significant impact to the Group based on the preliminary assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

These consolidated financial statements are prepared by the Group in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and IAS 34, “Interim Financial Reporting” as endorsed by the FSC.

(2) Basis of preparation

- A. Except for the following significant items, these consolidated financial statements have been prepared under the historical cost convention:
 - (A) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (B) Financial assets at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.
 - (C) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The critical accounting estimates and assumptions used in preparation of financial statements and the critical judgements in applying the Group's accounting policies are disclosed in Note 5.
- C. The Group used modified retrospective method recognizing 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 not to restate the consolidated financial statements for the three months ended March 31, 2017. The Group's consolidated financial statements for the three months ended March 31, 2017 were prepared in accordance with 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.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements
 - (A) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (B) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (C) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
 - (D) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference

between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

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

B. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Main business activities	Ownership (%)			Remark
			2018/03/31	2017/12/31	2017/03/31	
ASUS	ASUS COMPUTER INTERNATIONAL (ACI)	Selling of 3C products in North America	100.00	100.00	100.00	
ASUS	ASUS TECHNOLOGY INCORPORATION (ASUTC)	Selling of 3C products in Taiwan	100.00	100.00	100.00	
ASUS	ASUS HOLLAND B. V. (ACH)	Repairing of 3C products	100.00	100.00	100.00	
ASUS	ASUS INTERNATIONAL LIMITED (AIL)	Investing in 3C and computer peripheral business	100.00	100.00	100.00	Note 1
ASUS	ASUSTEK HOLDINGS LIMITED (AHL)	Investing in computer peripherals business	100.00	100.00	100.00	
ASUS	ASUS GLOBAL PTE. LTD. (ASGL)	Selling of 3C products	100.00	100.00	100.00	Note 1
ASUS	ASUS CLOUD CORPORATION (ASUSCLOUD)	Selling and consulting of internet service	90.97	90.06	90.06	
ASUS	ASKEY COMPUTER CORP. (ASKEY)	Designing, manufacturing, repairing and selling of communication products and computer peripheral spare parts	100.00	100.00	100.00	Note 1
ASUS	HUA-CHENG VENTURE CAPITAL CORP. (HCVC)	Investing in computer peripherals business	100.00	100.00	100.00	
ASUS	HUA-MIN INVESTMENT CO., LTD. (HMI)	Investing in computer peripherals business	100.00	100.00	100.00	
ASUS	AGAIT TECHNOLOGY CORPORATION (AGA)	Designing and selling of computer peripheral and smart vacuums	100.00	100.00	100.00	
ASUS	ASUS DIGITAL INTERNATIONAL PTE. LTD. (ADI)	Investing in computer peripherals business	100.00	100.00	100.00	
ASUS	PT. ASUS TECHNOLOGY INDONESIA JAKARTA (ACJK)	Selling of 3C products in Indonesia	100.00	100.00	-	

Investor	Subsidiary	Main business activities	Ownership (%)			Remark
			2018/03/31	2017/12/31	2017/03/31	
ASUS and HCVC	SHINEWAVE INTERNATIONAL INC. (SWI)	Researching, developing, selling and consulting of information system software	51.00	51.00	51.00	
ASUS and HCVC	INTERNATIONAL UNITED TECHNOLOGY CO., LTD. (TAIWAN) (IUT)	Researching, developing, manufacturing and selling of ink-jet print heads and ink-jet digital image output technology	56.73	56.73	56.73	
ASUS and HCVC	PT. ASUS TECHNOLOGY INDONESIA BATAM (ACBT)	Selling of 3C products in Indonesia	100.00	100.00	-	
ASUS, HCVC and HMI	ASMEDIA TECHNOLOGY INC. (ASMEDIA)	Designing, researching, developing and manufacturing of high-speed analog circuit	52.93	53.11	53.11	
ASUS, HCVC and HMI	UPI SEMICONDUCTOR CORP. (UPI)	Designing, researching, developing and selling of integrated circuits	52.03	52.03	52.03	
ASUS, HCVC and HMI	AAEON TECHNOLOGY INC. (AAEON)	Manufacturing and selling of industrial computers and computer peripherals	56.63	56.63	63.00	Note 1
ASUS, HCVC, HMI and AAEON	ONYX HEALTHCARE INC. (ONYX)	Designing, manufacturing and selling of medical computers	55.86	55.86	57.23	Note 3 and 4
SWI GROUP	EMES (SUZHOU) CO., LTD. (EMES)	Selling and consulting of information system software	100.00	100.00	100.00	
ASKEY GROUP	ASKEY INTERNATIONAL CORP. (ASKEYI)	Selling and servicing of communication products	100.00	100.00	100.00	
ASKEY GROUP	DYNALINK INTERNATIONAL CORP. (DIC)	Investing in communication business	100.00	100.00	100.00	
ASKEY GROUP	MAGIC INTERNATIONAL CO., LTD. (MIC)	Investing in computer peripherals business	100.00	100.00	100.00	Note 1
ASKEY GROUP	ASKEY (VIETNAM) COMPANY LIMITED (ASKEYVN)	Manufacturing and selling of communication products	100.00	100.00	100.00	
ASKEY GROUP	MAGICOM INTERNATIONAL CORP. (MAGICOM)	Investing in communication business	100.00	100.00	100.00	
ASKEY GROUP	ASKEY TECHNOLOGY (SHANGHAI) LTD. (ASKEYSH)	Researching, developing and selling of communication products	100.00	100.00	100.00	
ASKEY GROUP	OPENBASE LIMITED (OB)	Selling of communication products and computer peripherals	100.00	100.00	100.00	
ASKEY GROUP	LEADING PROFIT CO., LTD. (LP)	Selling of communication products and computer peripherals	100.00	100.00	100.00	
ASKEY GROUP	UNI LEADER INTERNATIONAL LTD. (UNI)	Selling of communication products and computer peripherals	100.00	100.00	100.00	
ASKEY GROUP	ASKEY TECHNOLOGY (JIANGSU) LTD. (ASKEYJS)	Manufacturing and selling of communication products	100.00	100.00	100.00	

Investor	Subsidiary	Main business activities	Ownership (%)			Remark
			2018/03/31	2017/12/31	2017/03/31	
ASKEY GROUP	WISE ACCESS (HK) LIMITED (WISE)	Investing in communication and computer peripherals business	100.00	100.00	100.00	
ASKEY GROUP	SILIGENCE SAS (SILIGENCE)	Selling and servicing of communication products	95.95	95.95	80.00	
ASKEY GROUP	ASKEY MAGICXPRESS (WUJIANG) CORP. (ASKEYMWJ)	Manufacturing and selling of communication products	100.00	100.00	100.00	
ASKEY GROUP	ASKEY COMMUNICATION GMBH (ASKEYCG)	Selling and servicing of communication products	100.00	100.00	100.00	
ASKEY GROUP	ASKEY DO BRASIL TECNOLOGIA LTDA. (ASKEYBR)	Servicing of communication products	100.00	100.00	100.00	
ASKEY GROUP	ASKEY CORPORATION (THAILAND) CO., LTD. (ASKEYTH)	Intelligent energy-savings service	100.00	100.00	-	
ASKEY GROUP	ASKEY JAPAN CO., LTD (ASKEYJP)	Selling and servicing of communication products	100.00	-	-	
IUT GROUP	INTERNATIONAL UNITED TECHNOLOGY CO., LTD. (IUTS)	Investing in ink-jet print heads and ink-jet digital image output technology business	100.00	100.00	100.00	
AGA GROUP	AGAITECH HOLDING LTD. (AG AHL)	Investing in computer peripherals business	-	-	100.00	
AGA GROUP	AGAIT TECHNOLOGY (H.K.) CORPORATION LIMITED (AG AHK)	Investing in computer peripherals business	100.00	100.00	100.00	
AAEON GROUP	AAEON ELECTRONICS, INC. (AAEONEI)	Selling of industrial computers and computer peripherals	100.00	100.00	100.00	
AAEON GROUP	AAEON DEVELOPMENT INCORPORATED (AAEONDI)	Investing in industrial computers and computer peripherals business	100.00	100.00	100.00	
AAEON GROUP	AAEON TECHNOLOGY CO., LTD. (AAEONTCL)	Investing in industrial computers and interface cards business	100.00	100.00	100.00	
AAEON GROUP	AAEON TECHNOLOGY (EUROPE) B. V. (AAEONEU)	Selling of industrial computers and computer peripherals	100.00	100.00	100.00	
AAEON GROUP	AAEON TECHNOLOGY GMBH (AAEONG)	Selling of industrial computers and computer peripherals	100.00	100.00	100.00	
AAEON GROUP	AAEON INVESTMENT CO., LTD. (AAEONI)	Investing in industrial computers and computer peripherals business	100.00	100.00	100.00	
AAEON GROUP	AAEON TECHNOLOGY SINGAPORE PTE. LTD. (AAEONSG)	Selling of industrial computers and computer peripherals	100.00	100.00	94.20	
AAEON GROUP	AAEON TECHNOLOGY (SUZHOU) INC. (AAEONSZ)	Manufacturing and selling of industrial computers and interface cards	100.00	100.00	100.00	
ONYX GROUP	ONYX HEALTHCARE USA, INC. (ONYXHU)	Selling of medical computers and peripherals	100.00	100.00	100.00	

Investor	Subsidiary	Main business activities	Ownership (%)			Remark
			2018/03/31	2017/12/31	2017/03/31	
ONYX GROUP	ONYX HEALTHCARE EUROPE B. V. (ONYXHE)	Marketing support and repairing of medical computers and peripherals	100.00	100.00	100.00	
ONYX GROUP	ONYX HEALTHCARE (SHANGHAI) LTD. (ONYXSH)	Selling of medical computers and peripherals	100.00	100.00	100.00	
ONYX GROUP	IHELPER INC. (IHELPER)	Researching, developing and selling of medical robots	46.00	-	-	
UPI GROUP	UBIQ SEMICONDUCTOR CORP. (UBIQ)	Designing, researching, developing and selling of integrated circuits	100.00	100.00	100.00	
UPI GROUP	UPI-SEMICONDUCTOR CORPORATION (HK) LIMITED (UPIHK)	Investing in integrated circuits business	100.00	100.00	100.00	
UPI GROUP	UPI-SEMICONDUCTOR CORPORATION (SHENZHEN) LIMITED (UPISZ)	Marketing support and technical service of integrated circuits	100.00	100.00	100.00	
UPI GROUP	JPD LABO CO., LTD. (JPDJP)	Designing, researching and developing of integrated circuits	100.00	100.00	100.00	Note 2
UPI GROUP	UPI SEMICONDUCTOR INC. (UPIUS)	Marketing service of integrated circuits	100.00	-	-	
ASUSCLOUD GROUP	ASUS CLOUD SINGAPORE PTE. LTD. (ASUSCLOUDSG)	Investing in internet service business	100.00	100.00	100.00	
ASUSCLOUD GROUP	ASUS CLOUD (TIANJIN) INFORMATION TECHNOLOGY CO., LTD. (ASUSCLOUDTJ)	Selling internet service	-	-	100.00	
ASUSCLOUD GROUP	ASUS LIFE CORPORATION (ASUSLC)	Selling of internet information service	50.00	50.00	50.00	
ASUSCLOUD GROUP	ASUS CLOUD (LUXEMBOURG) S. A R. L (ASUSCLOUDLB)	Providing maintenance and operating service for information hardware	100.00	100.00	100.00	
AIL GROUP	DEEP DELIGHT LIMITED (DDL)	Investing in computer peripherals business	100.00	100.00	100.00	
AIL GROUP	CHANNEL PILOT LIMITED (CHANNEL)	Investing in 3C business	100.00	100.00	100.00	Note 1
AIL GROUP	UNIMAX HOLDINGS LIMITED (UHL)	Investing in automotive electronics and computer peripherals business	100.00	100.00	100.00	
AIL GROUP	ASUS TECHNOLOGY PTE. LIMITED (ASTP)	Investing in 3C business	100.00	100.00	100.00	Note 1
AIL GROUP	ASUS MIDDLE EAST FZCO (ACAE)	Marketing support and repairing of 3C products in Middle East	100.00	100.00	100.00	
AIL GROUP	ASUS EGYPT L. L. C. (ACEG)	Marketing support of 3C products in Egypt	100.00	100.00	100.00	
AIL GROUP	ASUS COMPUTER GMBH (ACG)	Selling and marketing support of 3C products in Germany	100.00	100.00	100.00	

Investor	Subsidiary	Main business activities	Ownership (%)			Remark
			2018/03/31	2017/12/31	2017/03/31	
AIL GROUP	ASUS FRANCE SARL (ACF)	Marketing support of 3C products in France	100.00	100.00	100.00	
AIL GROUP	ASUSTEK (UK) LIMITED (ACUK)	Marketing support of 3C products in United Kingdom	100.00	100.00	100.00	
AIL GROUP	ASUS TECHNOLOGY (HONG KONG) LIMITED (ACHK)	Marketing support and repairing of 3C products in Hong Kong	100.00	100.00	100.00	
AIL GROUP	ASUS KOREA CO., LTD. (ACKR)	Marketing support and repairing of 3C products in South Korea	100.00	100.00	100.00	
AIL GROUP	ASUSTEK COMPUTER (S) PTE. LTD. (ACSG)	Repairing of 3C products in Singapore	100.00	100.00	100.00	
AIL GROUP	ASUS POLSKA SP. Z O. O. (ACPL)	Marketing support of 3C products in Poland	100.00	100.00	100.00	
AIL GROUP	ASUS TECHNOLOGY PRIVATE LIMITED (ACIN)	Marketing support and repairing of 3C products in India	100.00	100.00	100.00	
AIL GROUP	ASUS EUROPE B.V. (ACNL)	Selling of 3C products	100.00	100.00	100.00	
AIL GROUP	ASUS TECHNOLOGY (VIETNAM) CO., LTD. (ACVN)	Repairing of 3C products in Vietnam	100.00	100.00	100.00	
AIL GROUP	ASUSTEK ITALY S. R. L. (ACIT)	Marketing support of 3C products in Italy	100.00	100.00	100.00	
AIL GROUP	ASUS IBERICA S. L. (ACIB)	Marketing support of 3C products in Spain	100.00	100.00	100.00	
AIL GROUP	ASUS TECHNOLOGY (SUZHOU) CO., LTD. (ACSZ)	Researching and developing of 3C products	100.00	100.00	100.00	
AIL GROUP	ASUS JAPAN INCORPORATION (ACJP)	Selling of 3C products in Japan	100.00	100.00	100.00	
AIL GROUP	ASUS COMPUTER CZECH REPUBLIC S. R. O. (AC CZ)	Marketing support of 3C products in Czech Republic	100.00	100.00	100.00	
AIL GROUP	ASUSTEK COMPUTER (SHANGHAI) CO., LTD. (ACSH)	Selling of 3C products in China	100.00	100.00	100.00	
AIL GROUP	ASUS SERVICE AUSTRALIA PTY LIMITED (ASAU)	Repairing of 3C products in Australia	100.00	100.00	100.00	
AIL GROUP	ASUS AUSTRALIA PTY LIMITED (ACAU)	Marketing support of 3C products in Australia	100.00	100.00	100.00	
AIL GROUP	ACBZ IMPORTACAO E COMERCIO LTDA. (ACBZ)	Selling of 3C products in Brazil	100.00	100.00	100.00	Note 1
AIL GROUP	ASUS INDIA PRIVATE LIMITED (ASIN)	Selling of 3C products in India	100.00	100.00	100.00	
AIL GROUP	ASUS ISRAEL (TECHNOLOGY) LTD. (ACIL)	Marketing support of 3C products in Israel	100.00	100.00	100.00	

Investor	Subsidiary	Main business activities	Ownership (%)			Remark
			2018/03/31	2017/12/31	2017/03/31	
AIL GROUP	ASUSTEK COMPUTER (CHONGQING) CO., LTD. (ACCQ)	Selling of 3C products in China	100.00	100.00	100.00	
AIL GROUP	ASUS PERU S. A. C. (ACPE)	Marketing support of 3C products in Peru	100.00	100.00	100.00	
AIL GROUP	PT. ASUS SERVICE INDONESIA (ASID)	Repairing of 3C products in Asia-pacific and America	100.00	100.00	100.00	
AIL GROUP	ASUS HOLDINGS MEXICO, S. A. DE C. V. (ACMH)	Selling of 3C products in Mexico	100.00	100.00	100.00	
AIL GROUP	ASUS MEXICO, S. A. DE C. V. (ACMX)	Marketing support of 3C products in Mexico	100.00	100.00	100.00	
AIL GROUP	ASUS PORTUGAL, SOCIEDADE UNIPessoal LDA. (ACPT)	Marketing support of 3C products in Portugal	100.00	100.00	100.00	
AIL GROUP	ASUS HUNGARY SERVICES LIMITED LIABILITY COMPANY (ACHU)	Marketing support and repairing of 3C products in Hungary	100.00	100.00	100.00	
AIL GROUP	ASUS SWITZERLAND GMBH (ACCH)	Marketing support of 3C products in Switzerland	100.00	100.00	100.00	
AIL GROUP	ASUS NORDIC AB (ACN)	Marketing support of 3C products in North Europe	100.00	100.00	100.00	
AIL GROUP	ASUS COMPUTER COLOMBIA S. A. S. (ACCO)	Marketing support of 3C products in Colombia	100.00	100.00	100.00	
AIL GROUP	ASUS MARKETING (THAILAND) CO., LTD. (ACTH)	Marketing support of 3C products in Thailand	100.00	100.00	100.00	
AIL GROUP	ASUSTEK COMPUTERS (PTY) LIMITED (ACZA)	Marketing support of 3C products in Africa	100.00	100.00	-	
AIL GROUP	ASUSTEK COMPUTER MALAYSIA SDN. BHD. (ACMY)	Marketing support of 3C products in Malaysia	100.00	100.00	-	
AIL GROUP	ASUS BILGISAYAR SISTEMLERI TICARET LIMITED Sirketi (ACTR)	Marketing support of 3C products in Turkey	100.00	-	-	
AIL GROUP	UNIMAX ELECTRONICS INCORPORATION (UEI)	Manufacturing and selling of automotive electronics and computer peripherals	100.00	100.00	100.00	
AIL GROUP	ASUS COMPUTER (SHANGHAI) CO., LTD. (ACS)	Repairing support of 3C products	100.00	100.00	100.00	
AIL GROUP	ASUS INVESTMENTS (SUZHOU) CO., LTD. (ACISZ)	Leasing real estate	100.00	100.00	100.00	
AIL GROUP and ACH	ASUS CZECH SERVICE S. R. O. (ACCZS)	Repairing of 3C products in Europe	100.00	100.00	100.00	

Note 1: The subsidiary had been identified as significant subsidiary and its financial statements had been reviewed by independent auditors under the regulations of the authority.

Note 2: The name of UPI SOLUTIONS CO., LTD. was changed to JPD LABO CO., LTD. since June 1, 2017.

Note 3: HCVC has disposed all the ownership of shares at the third quarter of 2017.

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

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

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

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

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

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

- a. Assets and liabilities for each balance sheets presented are translated at the closing exchange rate at the end of the financial reporting period;
- b. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- c. All resulting exchange differences are recognized in other comprehensive income.

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

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

(5) 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.

(6) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

- A. At initial recognition, the Group makes an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading. The debt instruments are measured at fair value through other comprehensive income if both of the following conditions are met:
 - (A) The objective of the Group's business model is achieved by both collecting contractual cash flows and selling financial assets; and
 - (B) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
 - (A) The changes in fair value of equity investments that are recognized in other comprehensive income are reclassified to retained earnings. When the equity instruments are derecognized the cumulative gain or loss previously recognized in other comprehensive income is not reclassified from equity to profit or loss. Dividends are recognized as revenue when the

Group's right to receive payment is established, it is probable the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

- A. The contractual rights to receive cash flows from the financial asset has expired.
- B. The contractual rights to receive cash flows from the financial asset have been transferred and the Group has transferred substantially almost all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows from the financial asset have been transferred and the Group has not retained control of financial asset.

(12) Operating leases (lessor)

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

(13) 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.

(14) Investments accounted for under equity method

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20% or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in "capital surplus" in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares or buys treasury stocks (including the Group does not acquire or dispose shares proportionately), which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then "capital surplus" and "investments accounted for under equity method" shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.
- G. Upon loss of significant influence over an associate, the amounts previously recognized in other

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

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Except for land which is not depreciated, other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant, it should be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of the financial reporting period. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change. The estimated useful lives of buildings are 10~60 years, machinery and equipment are 1~10 years and miscellaneous equipment are 1~20 years.

(16) 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.

(17) 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.

(18) Intangible assets

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

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

(19) Impairment of non-financial assets

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

(20) Borrowings

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

(21) 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.

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

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(23) Derecognition of financial liabilities

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

(24) 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.

(25) 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.

(26) Hedge accounting

- A. At the inception of the hedging relationship, there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements.
- B. The Group designates the hedging relationship as cash flow hedge which is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.
- C. Cash flow hedges
 - (A) The cash flow hedge reserve associated with the hedged item is adjusted to the lower of the following (in absolute amounts):
 - a. The cumulative gain or loss on the hedging instrument from inception of the hedge; and
 - b. The cumulative change in fair value of the hedged item from inception of the hedge.
 - (B) The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income. The gain or loss on the hedging instrument relating to the ineffective portion is recognized in profit or loss.
 - (C) The amount that has been accumulated in the cash flow hedge reserve in accordance with (A) is accounted for as follows:
 - a. If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group shall remove that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or liability.
 - b. For cash flow hedges other than those covered by a. above, that amount shall be reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.

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

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

(27) Provisions for liabilities

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

(28) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(A) Defined contribution plans

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

(B) Defined benefit plans

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

- b. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as other equity.
- c. Prior service costs are recognized immediately in profit or loss.
- d. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

(C) Termination benefits

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

(D) Employees' compensation and directors' remuneration

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

(29) Employee share-based payment

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

B. Restricted stocks:

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

- (B) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period.
- (C) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognizes the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.
- (D) For restricted stocks where employees have to pay to acquire those stocks, if employees resign during the vesting period, they must return the stocks to the issued subsidiaries and the issued subsidiaries must refund their payments on the stocks, the issued subsidiary recognizes the payments from the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognizes the payments from the employees who are expected to be eventually vested with the stocks in “capital surplus – others”.

(30) 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 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.
- C. Deferred income tax is recognized, using the balance sheets liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (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 the end of the financial reporting period, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount is reported in the balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheets when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.
- G. The interim period income tax expense is calculated according to pretax income times effective income tax rate, and the related information is disclosed accordingly.
- H. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

(31) Dividends

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

(32) Revenue recognition

A. Sales of goods

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

- (B) Revenue from the sale of 3C products is recognized based on the price specified in the contract, net of the estimated volume discounts and sales discounts. Historical experience is usually used to estimate for the discounts and returns. A refund liabilities are recognized for expected sales discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made mainly with a credit term of open account 30 to 180 days, which is consistent with market practice.
- (C) The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognized as a provision.
- (D) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(33) Business combinations

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

(34) Operating segments

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

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

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

Critical accounting estimates and assumptions:

A. Revenue recognition

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

As of March 31, 2018, the Group recognized \$19,616,083 of refund liabilities for sales returns and discounts.

B. Evaluation of inventories

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

As of March 31, 2018, the carrying amount of inventories was \$86,448,996.

6. **DETAILS OF SIGNIFICANT ACCOUNTS**

(1) Cash and cash equivalents

	2018/03/31	2017/12/31	2017/03/31
Cash on hand and petty cash	\$ 9,461	\$ 7,252	\$ 7,267
Checking accounts and demand deposits	19,548,146	33,103,905	28,514,449
Time deposits	57,440,043	37,419,354	45,606,558
Others	386,916	1,662,451	711,250
	<u>\$ 77,384,566</u>	<u>\$ 72,192,962</u>	<u>\$ 74,839,524</u>

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

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

	<u>2018/03/31</u>
Current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Listed and OTC stocks	\$ 737,128
Unlisted and non-OTC stocks	8,086
Beneficiary certificates	6,000,550
Derivatives	<u>155,085</u>
	<u>\$ 6,900,849</u>

Non-current items:

Financial assets mandatorily measured at fair value through profit or loss	
Listed and OTC stocks	\$ 52,822
Unlisted and non-OTC stocks	29,070
Beneficiary certificates	43,795
Convertible bonds	<u>7,575</u>
	<u>\$ 133,262</u>

2018/03/31

Current items:

Financial liabilities held for trading	
Derivatives	<u>\$ 279,739</u>

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

	<u>For the three-month period ended March 31, 2018</u>
Financial assets and liabilities mandatorily measured at fair value through profit or loss	
Equity instruments	\$ 228,560
Beneficiary certificates	5,878
Derivatives	(<u>744,959</u>)
	<u>(\$ 510,521)</u>

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

Items	2018/03/31		
	Contract amount		Contract period
	(Nominal principal)		
	(in thousands)		
Derivative financial assets:			
Forward exchange contracts			
-EUR/USD	EUR	129,100	2018/01-2018/09
-NOK/USD	NOK	15,431	2018/03-2018/06
-JPY/USD	JPY	2,203,600	2018/03-2018/07
-GBP/USD	GBP	12,000	2018/03-2018/07
-SEK/USD	SEK	61,505	2018/01-2018/04
-CAD/USD	CAD	75,400	2018/01-2018/08
-USD/NTD	USD	600	2018/03-2018/04
Currency option contracts			
-EUR/USD	EUR	32,000	2018/02-2018/06
-CNH/USD	CNH	256,127	2018/02-2018/08
-RUB/USD	RUB	2,615,260	2018/02-2018/06
-JPY/USD	JPY	620,700	2018/02-2018/05
Currency swap contracts			
-USD/NTD	USD	1,000	2018/03-2018/04
Derivative financial liabilities:			
Forward exchange contracts			
-EUR/USD	EUR	85,220	2017/12-2018/07
-MXN/USD	MXN	21,130	2018/03-2018/04
-JPY/USD	JPY	660,100	2018/03-2018/08
-GBP/USD	GBP	10,600	2017/11-2018/05
-NOK/USD	NOK	96,948	2018/01-2018/05
Currency option contracts			
-JPY/USD	JPY	1,973,250	2018/01-2018/04
-MXN/USD	MXN	108,000	2018/02-2018/04
-CNH/USD	CNH	3,348,478	2017/12-2018/08
-USD/NTD	USD	11,000	2017/03-2018/06

(A) Forward exchange contracts

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

(B) Currency option contracts

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

(C) Currency swap contracts

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

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

D. Information relating to credit risk is provided in Note 12(2).

E. Information on December 31, 2017 and March 31, 2017 is provided in Note 12(4).

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

	<u>2018/03/31</u>
Current items:	
Equity instruments	
Listed and OTC stocks	\$ 310,939
Valuation adjustment	<u>583,105</u>
	<u>\$ 894,044</u>
Non-current items:	
Equity instruments	
Listed and OTC stocks	\$ 26,554,530
Unlisted and non-OTC stocks	<u>478,866</u>
	27,033,396
Valuation adjustment	<u>27,641,062</u>
	<u>\$ 54,674,458</u>

A. The Group has elected to classify above investments that are considered to be strategic investments and steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$55,568,502 as of March 31, 2018.

B. Due to the maturity of the investment target, the Group has disposed \$24,246 of Genesis investments at fair value and recognized in cumulative losses of \$60,909 on disposal for the three-month period ended March 31, 2018.

C. 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:

	<u>For the three-month period ended March 31, 2018</u>
<u>Equity instruments at fair value through other comprehensive income</u>	
Change of fair value recognized in other comprehensive income	\$ <u>478,332</u>
Cumulative gains (losses) reclassified to retained earnings due to derecognition	(\$ <u>60,909</u>)

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

E. Information on December 31, 2017 and March 31, 2017 is provided in Note 12(4).

(4) Hedging financial assets and liabilities

	2018/03/31
	<u>Assets (Liabilities)</u>
Current items:	
Forward exchange contracts - cash flow hedges	\$ 78,323
Forward exchange contracts - cash flow hedges	(727,522)
	<u>(\$ 649,199)</u>

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

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

		2018/03/31	
		Nominal principal	
		(in thousands)	Contract period
Hedging instruments			
Cash flow hedges			
Derivative financial assets:			
Forward exchange contracts			
-EUR/USD	EUR	120,000	2018/03-2018/09
-GBP/USD	GBP	6,000	2018/03-2018/09
-SEK/USD	SEK	65,000	2018/01-2018/06
-NOK/USD	NOK	20,000	2018/01-2018/06
-JPY/USD	JPY	1,000,000	2018/03-2018/06
-RUB/USD	RUB	1,600,000	2018/01-2018/06
-PLN/NTD	PLN	30,000	2018/01-2018/06
Derivative financial liabilities:			
Forward exchange contracts			
-EUR/USD	EUR	500,000	2017/06-2018/07
-GBP/USD	GBP	20,000	2018/01-2018/06
-NOK/USD	NOK	50,000	2018/01-2018/06
-JPY/USD	JPY	6,000,000	2018/02-2018/06
-MXN/USD	MXN	170,000	2018/03-2018/04

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

C. Cash flow hedges:

	<u>2018</u>
<u>Other equity - cash flow hedge reserve</u>	
January 1	(\$ 671,054)
Add: Gains (losses) on hedge effectiveness-amount recognized in other comprehensive income	7,133
Net exchange differences	<u>14,722</u>
March 31	<u>(\$ 649,199)</u>
 Hedge ineffectiveness - amount recognized in other gains (losses)	 <u>(\$ 72,883)</u>

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

E. The information on December 31, 2017 and March 31, 2017 is provided in Note 12(4).

(5) Notes and trade receivables

	<u>2018/03/31</u>	<u>2017/12/31</u>	<u>2017/03/31</u>
Notes receivable	\$ 8,412,194	\$ 8,369,528	\$ 8,828,697
Trade receivables	<u>70,581,228</u>	<u>80,957,042</u>	<u>77,202,839</u>
	78,993,422	89,326,570	86,031,536
Less: Allowance for sales returns and discounts	(2,174,211)	(1,986,834)	(2,592,653)
Less: Loss allowance	<u>(2,460,481)</u>	<u>(2,460,433)</u>	<u>(2,903,616)</u>
	<u>\$ 74,358,730</u>	<u>\$ 84,879,303</u>	<u>\$ 80,535,267</u>

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

	<u>2018/03/31</u>	<u>2017/12/31</u>	<u>2017/03/31</u>
Not past due	\$ 64,351,045	\$ 74,843,835	\$ 69,589,682
Less than 90 days	10,005,340	9,912,330	10,683,422
Between 91 and 180 days	374,966	334,541	566,253
More than 181 days	<u>2,087,860</u>	<u>2,249,030</u>	<u>2,599,526</u>
	<u>\$ 76,819,211</u>	<u>\$ 87,339,736</u>	<u>\$ 83,438,883</u>

The above ageing analysis is based on past due date.

B. The Group holds financial assets as security for trade receivables.

C. As of March 31, 2018, December 31, 2017 and March 31, 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable were \$8,412,194, \$8,369,528 and \$8,828,697, respectively. The maximum exposure to credit risk in respect of the amount that best

represents the Group's accounts receivable were \$65,946,536, \$76,509,775 and \$71,706,570, respectively.

D. Information relating to credit risk is provided in Note 12(2).

(6) Offsetting financial assets and financial liabilities

A. The Group has assets (fair value of \$19,524,984, \$32,856,423 and \$26,708,614 on March 31, 2018, December 31, 2017 and March 31, 2017, respectively) and liabilities (fair value of \$24,310,580, \$40,618,937 and \$30,519,154 on March 31, 2018, December 31, 2017 and March 31, 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. For certain transactions, the Group has received financial assets from those companies as collateral on March 31, 2017, and accordingly, it does not meet the offsetting criteria in paragraph 42 of IAS 32. However, under the associated collateral agreement, the collateral can be set off against the net amount of the assets and liabilities in the case of default and insolvency or bankruptcy.

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

Offsetting trade receivables, notes and trade payables						
	Gross amount of financial assets (before offset)	Gross amount of financial liabilities (before offset)	Offsetting amount	Amount of financial assets presented in the balance sheet (after offset)	Amount of financial liabilities presented in the balance sheet (after offset)	Not set off in the balance sheet: collateral (received) /provided
2018/03/31	\$ 19,524,984	(\$ 24,310,580)	(\$ 19,524,984)	\$ -	(\$ 4,785,596)	\$ -
2017/12/31	32,856,423	(40,618,937)	(32,856,423)	-	(7,762,514)	-
2017/03/31	26,708,614	(30,519,154)	(26,395,566)	313,048	(4,123,588)	(30,000)

(7) Inventories

2018/3/31			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 49,738,604	(\$ 6,088,310)	\$ 43,650,294
Work in process	3,825,694	(351,560)	3,474,134
Finished goods	2,743,945	(399,331)	2,344,614
Merchandise inventories	44,561,178	(8,526,507)	36,034,671
Inventories in transit	945,283	-	945,283
	<u>\$ 101,814,704</u>	<u>(\$ 15,365,708)</u>	<u>\$ 86,448,996</u>

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

	2017/03/31		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 45,362,413	(\$ 4,459,357)	\$ 40,903,056
Work in process	3,060,474	(262,316)	2,798,158
Finished goods	2,738,404	(395,041)	2,343,363
Merchandise inventories	54,665,928	(11,234,404)	43,431,524
Inventories in transit	755,940	-	755,940
	<u>\$ 106,583,159</u>	<u>(\$ 16,351,118)</u>	<u>\$ 90,232,041</u>

Except for costs of goods sold, the inventories recognized as operating costs amounted to \$1,071,813 and \$539,063, of which \$1,063,124 and \$527,101 pertain to the decline in value of inventories for the three-month periods ended March 31, 2018 and 2017, respectively.

(8) Investments accounted for under equity method

	2018/03/31	2017/12/31	2017/03/31
Associates	<u>\$ 405,014</u>	<u>\$ 364,542</u>	<u>\$ 351,537</u>

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

	For the three-month periods ended March 31,	
	2018	2017
Profit (loss) for the period	\$ 5,527	(\$ 2,286)
Other comprehensive income (loss) for the period - net of income tax	1,254	3,139
Total comprehensive income (loss) for the period	<u>\$ 6,781</u>	<u>\$ 853</u>

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

	2018/03/31	2017/12/31	2017/03/31
Fair value of associates	<u>\$ 858,282</u>	<u>\$ 190,823</u>	<u>\$ 183,049</u>

(9) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Miscellaneous equipment	Construction in progress and equipment under installation	Total
January 1, 2018						
Cost	\$ 6,430,351	\$ 7,165,888	\$ 5,586,398	\$ 6,328,088	\$ 1,411,302	\$ 26,922,027
Accumulated depreciation and impairment	-	(2,812,818)	(3,758,221)	(5,100,512)	-	(11,671,551)
	<u>\$ 6,430,351</u>	<u>\$ 4,353,070</u>	<u>\$ 1,828,177</u>	<u>\$ 1,227,576</u>	<u>\$ 1,411,302</u>	<u>\$ 15,250,476</u>
January 1, 2018	\$ 6,430,351	\$ 4,353,070	\$ 1,828,177	\$ 1,227,576	\$ 1,411,302	\$ 15,250,476
Acquisitions	-	-	50,106	137,608	434,541	622,255
Disposals	-	-	(1,203)	(4,051)	-	(5,254)
Depreciation	-	(66,202)	(132,211)	(117,107)	-	(315,520)
Reversal of impairment	-	-	13	-	-	13
Reclassifications	-	-	7,770	16,088	(38,915)	(15,057)
Effects due to changes in consolidated entities	-	-	-	9,040	-	9,040
Net exchange differences	(11,670)	11,257	21,922	6,675	14,858	43,042
March 31, 2018	<u>\$ 6,418,681</u>	<u>\$ 4,298,125</u>	<u>\$ 1,774,574</u>	<u>\$ 1,275,829</u>	<u>\$ 1,821,786</u>	<u>\$ 15,588,995</u>
March 31, 2018						
Cost	\$ 6,418,681	\$ 7,208,355	\$ 5,687,785	\$ 6,072,147	\$ 1,821,786	\$ 27,208,754
Accumulated depreciation and impairment	-	(2,910,230)	(3,913,211)	(4,796,318)	-	(11,619,759)
	<u>\$ 6,418,681</u>	<u>\$ 4,298,125</u>	<u>\$ 1,774,574</u>	<u>\$ 1,275,829</u>	<u>\$ 1,821,786</u>	<u>\$ 15,588,995</u>

	Land	Buildings	Machinery and equipment	Miscellaneous equipment	Construction in progress and equipment under installation	Total
January 1, 2017						
Cost	\$ 6,474,545	\$ 7,155,510	\$ 5,280,117	\$ 7,299,782	\$ -	\$ 26,209,954
Accumulated depreciation and impairment	-	(2,608,710)	(3,624,234)	(6,233,243)	-	(12,466,187)
	<u>\$ 6,474,545</u>	<u>\$ 4,546,800</u>	<u>\$ 1,655,883</u>	<u>\$ 1,066,539</u>	<u>\$ -</u>	<u>\$ 13,743,767</u>
January 1, 2017	\$ 6,474,545	\$ 4,546,800	\$ 1,655,883	\$ 1,066,539	\$ -	\$ 13,743,767
Acquisitions	-	35,536	225,023	114,845	-	375,404
Disposals	-	-	(1,165)	(6,020)	-	(7,185)
Depreciation	-	(65,971)	(127,663)	(103,131)	-	(296,765)
Reclassifications	-	2,306	14,358	50,174	-	66,838
Net exchange differences	(34,030)	(107,851)	(51,115)	(26,362)	-	(219,358)
March 31, 2017	<u>\$ 6,440,515</u>	<u>\$ 4,410,820</u>	<u>\$ 1,715,321</u>	<u>\$ 1,096,045</u>	<u>\$ -</u>	<u>\$ 13,662,701</u>
March 31, 2017						
Cost	\$ 6,440,515	\$ 7,005,535	\$ 5,315,722	\$ 6,714,692	\$ -	\$ 25,476,464
Accumulated depreciation and impairment	-	(2,594,715)	(3,600,401)	(5,618,647)	-	(11,813,763)
	<u>\$ 6,440,515</u>	<u>\$ 4,410,820</u>	<u>\$ 1,715,321</u>	<u>\$ 1,096,045</u>	<u>\$ -</u>	<u>\$ 13,662,701</u>

A. After evaluating and comparing the carrying amount of property, plant and equipment and its

recoverable amounts, the Group recognized impairment reversal gain amounting to \$13 and \$0 for the three-month periods ended March 31, 2018 and 2017, respectively.

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

(10) Intangible assets

	<u>Trademark</u>	<u>Computer software</u>	<u>Goodwill</u>	<u>Others</u>	<u>Total</u>
January 1, 2018					
Cost	\$ 358,298	\$ 2,033,671	\$ 1,180,794	\$ 651,650	\$ 4,224,413
Accumulated amortisation and impairment	(3,195)	(1,637,328)	(48,896)	(581,811)	(2,271,230)
	<u>\$ 355,103</u>	<u>\$ 396,343</u>	<u>\$ 1,131,898</u>	<u>\$ 69,839</u>	<u>\$ 1,953,183</u>
January 1, 2018	\$ 355,103	\$ 396,343	\$ 1,131,898	\$ 69,839	\$ 1,953,183
Acquisitions	-	25,441	-	410	25,851
Disposals	- (	186)	-	- (	186)
Amortisation	- (	70,484)	- (	8,544)	(79,028)
Reclassifications	-	5,617	-	-	5,617
Net exchange differences	- (	958)	-	- (	958)
March 31, 2018	<u>\$ 355,103</u>	<u>\$ 355,773</u>	<u>\$ 1,131,898</u>	<u>\$ 61,705</u>	<u>\$ 1,904,479</u>
March 31, 2018					
Cost	\$ 358,298	\$ 2,048,862	\$ 1,180,851	\$ 652,099	\$ 4,240,110
Accumulated amortisation and impairment	(3,195)	(1,693,089)	(48,953)	(590,394)	(2,335,631)
	<u>\$ 355,103</u>	<u>\$ 355,773</u>	<u>\$ 1,131,898</u>	<u>\$ 61,705</u>	<u>\$ 1,904,479</u>
	<u>Trademark</u>	<u>Computer software</u>	<u>Goodwill</u>	<u>Others</u>	<u>Total</u>
January 1, 2017					
Cost	\$ 358,298	\$ 1,670,272	\$ 1,180,170	\$ 710,478	\$ 3,919,218
Accumulated amortisation and impairment	(3,195)	(1,363,602)	(48,272)	(605,425)	(2,020,494)
	<u>\$ 355,103</u>	<u>\$ 306,670</u>	<u>\$ 1,131,898</u>	<u>\$ 105,053</u>	<u>\$ 1,898,724</u>
January 1, 2017	\$ 355,103	\$ 306,670	\$ 1,131,898	\$ 105,053	\$ 1,898,724
Acquisitions	-	51,107	-	-	51,107
Amortisation	- (	56,426)	- (	9,041)	(65,467)
Reclassifications	-	704	-	-	704
Net exchange differences	-	872	-	(11)	861
March 31, 2017	<u>\$ 355,103</u>	<u>\$ 302,927</u>	<u>\$ 1,131,898</u>	<u>\$ 96,001</u>	<u>\$ 1,885,929</u>
March 31, 2017					
Cost	\$ 358,298	\$ 1,717,942	\$ 1,180,204	\$ 652,450	\$ 3,908,894
Accumulated amortisation and impairment	(3,195)	(1,415,015)	(48,306)	(556,449)	(2,022,965)
	<u>\$ 355,103</u>	<u>\$ 302,927</u>	<u>\$ 1,131,898</u>	<u>\$ 96,001</u>	<u>\$ 1,885,929</u>

A. The impairment assessment of goodwill relies on the managements' subjective judgement, including identifying cash-generating units and determining the recoverable amounts of related cash-generating units. The recoverable amount is based on the fair value of cash generating units

less disposal costs. The fair value is based on stock price in active market classified as Level 2. The main investment however has been listed on the TWSE from August, 2017 and the fair value is classified as Level 1 on March 31, 2018 and December 31, 2017.

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

(11) Long-term prepaid rents (shown as “Other non-current assets”)

	<u>2018/03/31</u>	<u>2017/12/31</u>	<u>2017/03/31</u>
Land use right	<u>\$ 2,123,569</u>	<u>\$ 1,196,841</u>	<u>\$ 1,179,307</u>

In December, 2017, February, 2014, September, 2013, April, 2010, November, 2008, October, 2006, and July, 2002, the Group signed a land use right contract with Suzhiu City Government, Shanghai City Government, Chongqing City Government and Wujiang City Government, for the use of land for a period of 40~50 years. All rentals had been paid on the contract dates. The Group recognized rental expenses of \$12,099 and \$8,208 for the three-month periods ended March 31, 2018 and 2017, respectively.

(12) Short-term borrowings

<u>Type of borrowings</u>	<u>2018/03/31</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Credit borrowings	<u>\$ 6,275,767</u>	0.93% ~3.22%	-
<u>Type of borrowings</u>	<u>2017/12/31</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Credit borrowings	<u>\$ 5,750,078</u>	0.80% ~2.90%	-
<u>Type of borrowings</u>	<u>2017/03/31</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Credit borrowings	<u>\$ 3,375,167</u>	0.78%~3.92%	-

(13) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	2018/03/31
Credit borrowings - installment-repayment				
Bank of Taiwan	2018.01~2019.09, payable at maturity date, commencing 2 years after the initial date of borrowing	1.11%~1.16%	-	\$ 440,000
Taishin International Bank	2017.03~2020.03, payable at maturity date, commencing 3 years after the signing date of contract	1.28%	-	500,000
Others	2017.05~2022.05	4.01%~4.48%	Land and buildings	71,627
				<u>1,011,627</u>
Less: Current portion of long-term borrowings				(2,689)
				<u>\$ 1,008,938</u>
Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	2017/12/31
Credit borrowings - installment-repayment				
Bank of Taiwan	2017.10~2019.09, payable at maturity date, commencing 2 years after the initial date of borrowing	1.11%	-	\$ 440,000
Taishin International Bank	2017.03~2020.03, payable at maturity date, commencing 3 years after the signing date of contract	1.28%	-	500,000
Others	2017.05~2022.05	4.01%~4.48%	Land and buildings	73,927
				<u>1,013,927</u>
Less: Current portion of long-term borrowings				(2,750)
				<u>\$ 1,011,177</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	2017/03/31
Credit borrowings - installment-repayment				
Mega International Commercial Bank	2015.02~2017.09, payable at maturity date, commencing 2 years after the initial date of borrowing	1.51%~2.61%	-	\$ 606,600
Bank of Taiwan	2016.09~2018.09, payable at maturity date, commencing 2 years after the initial date of borrowing	1.31%~1.38%	-	240,000
Taishin International Bank	2017.03~2020.03, payable at maturity date, commencing 3 years after the signing date of contract	1.28%	-	300,000
Others	2012.05~2017.05	3.03%~3.13%	Buildings	77,445
				<u>1,224,045</u>
Less: Current portion of long-term borrowings				(684,045)
				<u>\$ 540,000</u>

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

(14) Pensions

A. Defined benefit pension plans

(A) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the

trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contribution for the deficit by next March.

(B) The pension costs under the defined benefit pension plans of the Group were \$3,982 and \$3,898 for the three-month periods ended March 31, 2018 and 2017, respectively.

(C) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2019 are \$7,572.

B. Defined contribution pension plans

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

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

(C) The pension costs under the defined contribution pension plans of the Group were \$286,421 and \$277,640 for the three-month periods ended March 31, 2018 and 2017, respectively.

(15) Provisions for liabilities

	Provisions for warranty	Provisions for sales returns and discounts	Provisions for legal claims and royalty	Total
January 1, 2018	\$ 13,578,703	\$ 20,350,947	\$ 7,249,540	\$ 41,179,190
Recognition (reversal)	3,269,999	-	181,907	3,451,906
Used	(2,784,422)	-	(19,344)	(2,803,766)
Reclassified to refund liabilities	-	(20,350,947)	-	(20,350,947)
Net exchange differences	(164,192)	-	(159,905)	(324,097)
March 31, 2018	<u>\$ 13,900,088</u>	<u>\$ -</u>	<u>\$ 7,252,198</u>	<u>\$ 21,152,286</u>

	Provisions for warranty	Provisions for sales returns and discounts	Provisions for legal claims and royalty	Total
January 1, 2017	\$ 14,070,105	\$ 21,576,443	\$ 7,650,131	\$ 43,296,679
Recognition (reversal)	3,310,134	9,558,396	(108,622)	12,759,908
Use	(2,856,906)	(9,697,656)	-	(12,554,562)
Net exchange differences	(721,893)	(1,139,981)	(464,977)	(2,326,851)
March 31, 2017	<u>\$ 13,801,440</u>	<u>\$ 20,297,202</u>	<u>\$ 7,076,532</u>	<u>\$ 41,175,174</u>

Analysis of total provisions:

	2018/03/31	2017/12/31	2017/03/31
Current	<u>\$ 21,152,286</u>	<u>\$ 41,179,190</u>	<u>\$ 41,175,174</u>

A. Provisions for warranty

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

B. Provisions for legal claims and royalty

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

C. Provisions for sales returns and discounts

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

D. Provisions for sales returns and discounts have been reclassified to refund liabilities in accordance with IFRS 15. Information is provided in Note 6 (16).

(16) Refund liabilities

	Refund liabilities
January 1, 2018	\$ -
Adjustments under IFRS 15	<u>20,350,947</u>
Balance after adjustment as of January 1, 2018	20,350,947
Recognition (reversal)	8,799,280
Used	(9,291,607)
Net exchange differences	(242,537)
March 31, 2018	<u>\$ 19,616,083</u>

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

(17) Common shares

A. As of March 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 three-month periods ended March 31, 2018 and 2017 are both 742,760,280 shares.

B. As of March 31, 2018, the Company issued Global Depositary Receipts (GDRs), of which 5,071,000 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 25,357,000 shares of the Company's common stock. The terms of GDR are as follows:

(A) Voting rights

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

(B) Dividends, stock warrants and other rights

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

(18) 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.

	2018/03/31	2017/12/31	2017/03/31
Share premium	\$ 4,227,966	\$ 4,227,966	\$ 4,227,966
Difference between consideration and carrying amount of subsidiaries acquired or disposed	897,526	897,804	866,258
Recognition of changes in ownership interest in subsidiaries	419,064	422,528	-
Changes in associates and joint ventures accounted for under equity method	42,582	5,899	5,111
	<u>\$ 5,587,138</u>	<u>\$ 5,554,197</u>	<u>\$ 5,099,335</u>

(19) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. When such legal reserve amounts to the total authorized capital, the Company shall not be subject to this requirement. The Company may then appropriate or reverse a certain amount as special reserve according to the demand for the business or relevant regulations. After the distribution of earnings, the remaining earnings and prior years' undistributed earnings may be appropriated according to a resolution of the Board of Directors adopted in the shareholders' meeting.
- B. The Company is facing a rapidly changing industrial environment, with the life cycle of the industry in the growth phase. In line with the long-term financial plan of the Company and the demand for cash by the shareholders, the Company should distribute cash dividends of not less than 10% of the total dividends declared.
- C. Except for covering accumulated deficit, increasing capital or payment of cash in proportion to ownership percentage, the legal reserve shall not be used for any other purpose. The amount capitalized or the cash payment shall be limited to the portion of legal reserve which exceeds 25% of the paid-in capital.
- D. (A) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the end of the financial reporting period before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
(B) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- E. As resolved by the shareholders on June 7, 2017, the Company distributed cash dividends to owners amounting to \$12,626,925 (\$17 (in dollars) per share) for the appropriation of 2016 earnings. On March 16, 2018, the Board of Directors proposed to distribute cash dividends amounting to \$11,141,404 (\$15 (in dollars) per share) for the appropriation of 2017 earnings.

However, the proposition has not yet been resolved by the shareholders as of May 11, 2018, and not yet been distributed.

F. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(25).

(20) 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	-	-	486,309	-	(1,195,575)	-	(709,266)
-Subsidiaries	-	21,855	59,836	-	258,417	3,541	343,649
-Associates	-	-	-	-	89	-	89
March 31, 2018	<u>\$ -</u>	<u>(\$ 649,199)</u>	<u>\$ 28,177,050</u>	<u>\$ -</u>	<u>(\$ 2,813,027)</u>	<u>(\$ 94,726)</u>	<u>\$ 24,620,098</u>
	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	-	-	-	5,868,826	(3,261,798)	-	2,607,028
-Subsidiaries	(1,091,368)	-	-	7,423	154,044	-	(929,901)
-Associates	-	-	-	5	(416)	-	(411)
March 31, 2017	<u>\$ 191,466</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,504,945</u>	<u>(\$ 958,420)</u>	<u>(\$ 78,993)</u>	<u>\$ 36,658,998</u>

(21) Operating revenue

	For the three-month period ended March 31, 2018
Revenue from contracts with customers	<u>\$ 98,993,535</u>

A. Disaggregation of revenue from contracts with customers

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

	3C products	Others	Total
Revenue from contracts with customers	\$ 97,258,464	\$ 1,735,071	\$ 98,993,535
Timing of revenue recognition			
At a point in time	\$ 97,218,638	\$ 1,681,000	\$ 98,899,638
Over time	39,826	54,071	93,897
	\$ 97,258,464	\$ 1,735,071	\$ 98,993,535

B. Contract liabilities

(A) The Group recognized contract liabilities related to the contract revenue from sales and warranty amounting to \$803,721 as of March 31, 2018.

(B) The revenue recognized that was included in the contract liability balance at the beginning of the period amounted to \$73,521.

C. Related disclosures on operating revenue for the three-month period ended March 31, 2017 are provided in Note 12(5) B.

(22) Other income

	For the three-month periods ended March 31,	
	2018	2017
Interest income	\$ 338,598	\$ 259,761
Rent income	35,087	-
Dividend income	-	1
	\$ 373,685	\$ 259,762

(23) Other gains (losses)

	For the three-month periods ended March 31,	
	2018	2017
Net gains (losses) on non-derivative financial instruments	\$ 234,438	\$ 54,639
Net gains (losses) on derivative financial instruments	(744,959)	(617,410)
Net currency exchange gains (losses)	1,984,068	945,719
Gains (losses) on disposal of investments	2,250	38,744
Other net gains (losses) (Note)	(2,080,950)	104,214
	(\$ 605,153)	\$ 525,906

Note: The estimated amount involved relative to the investigation by The European Commission on the alleged restriction imposed by the Group on the retail prices of distributors is further described in Note 9(2).

(24) Costs and expenses by nature

For the three-month periods ended March 31,						
	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses	\$ 908,315	\$ 5,687,007	\$ 6,595,322	\$ 941,412	\$ 5,499,264	\$ 6,440,676
Depreciation	151,278	164,242	315,520	125,929	170,836	296,765
Amortisation	4,421	99,164	103,585	3,659	83,971	87,630

(25) Employee benefit expenses

For the three-month periods ended March 31,		
	2018	2017
Wages and salaries	\$ 5,711,450	\$ 5,577,396
Labor and health insurance	412,699	392,945
Pension (Note)	290,403	281,538
Other personnel expenses	180,770	188,797
	<u>\$ 6,595,322</u>	<u>\$ 6,440,676</u>

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 three-month periods ended March 31, 2018 and 2017, employees' compensation was accrued at \$339,519 and \$258,011, respectively; directors' remuneration was accrued at \$17,869 and \$13,580, 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 three-month period ended March 31, 2018.

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. As of May 11, 2018, the employees' compensation and directors' remuneration of the Company for 2017 has not yet been distributed.

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.

(26) Income tax

A. Income tax expenses

(A) Components of income tax expense:

	<u>For the three-month periods ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Income tax expenses	<u>\$ 884,662</u>	<u>\$ 1,024,970</u>

In line with the change in tax rate in interim period, the Group considers the related amendments and recognizes the effect of the change immediately. There is no significant impact to current income tax and income tax expense for the three-month periods ended March 31, 2018 and 2017.

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

	<u>For the three-month periods ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Changes in fair value of available-for-sale financial assets	\$ -	(\$ 171)
Changes in fair value of financial assets at fair value through other comprehensive income	(957)	-
Currency translation differences	(322,000)	(630,904)
Remeasurements of defined benefit plans	(3,541)	-
	<u>(\$ 326,498)</u>	<u>(\$ 631,075)</u>

B. The Tax Authority has examined the Company's income tax returns through 2015 except for 2014.

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

(27) Earnings per share

For the three-month period ended March 31, 2018			
	Amount after income tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,379,576	742,760	<u>\$ 3.20</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	2,493	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 2,379,576	745,253	\$ 3.19

For the three-month period ended March 31, 2017			
	Amount after income tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 3,651,390	742,760	<u>\$ 4.92</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	4,808	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 3,651,390	747,568	\$ 4.88

(28) Operating leases

The Group leases offices, warehouse and parking lots under operating lease agreements. The Group recognized rental expenses of \$280,040 and \$269,935 for the three-month periods ended March 31, 2018 and 2017, respectively. Information about the future aggregate minimum lease payments under non-cancellable operating leases is provided in Note 9.

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

(2) Names of related parties and relationship

Names of related parties	Relationship with the Group
ASUSTOR INC.	Associate
LITEMAX ELECTRONIC INC.	Associate
Others (related parties with non-significant transactions)	Others

(3) Significant transactions and balances with related parties

A. Sales of goods:

	For the three-month periods ended March 31,	
	2018	2017
Sales of goods		
-Associates	\$ 564	\$ 551
-Others	3,967	639
	<u>\$ 4,531</u>	<u>\$ 1,190</u>

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

B. Purchases of goods and services:

	For the three-month periods ended March 31,	
	2018	2017
Purchases of goods		
-Associates	\$ 6,523	\$ 17,690
-Others	262,823	170,966
Purchases of services		
-Associates	215	1
-Others	10,322	10,000
	<u>\$ 279,883</u>	<u>\$ 198,657</u>

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

C. Trade receivables and other receivables:

	2018/03/31	2017/12/31	2017/03/31
Trade receivables			
-Associates	\$ 291	\$ 499	\$ 566
-Others	3,952	2,342	332
	<u>4,243</u>	<u>2,841</u>	<u>898</u>
Other receivables			
-Associates	252	252	398
-Others	-	128	-
	<u>252</u>	<u>380</u>	<u>398</u>
	<u>\$ 4,495</u>	<u>\$ 3,221</u>	<u>\$ 1,296</u>

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

D. Trade payables and other items of current liabilities:

	<u>2018/03/31</u>	<u>2017/12/31</u>	<u>2017/03/31</u>
Trade payables			
-Associates	\$ 7,370	\$ 13,751	\$ 16,751
-Others	<u>171,009</u>	<u>189,661</u>	<u>104,236</u>
	178,379	203,412	120,987
Other items of current liabilities			
-Associates	-	994	-
-Others	<u>696</u>	<u>775</u>	<u>-</u>
	696	1,769	-
	<u>\$ 179,075</u>	<u>\$ 205,181</u>	<u>\$ 120,987</u>

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

(4) Key management compensation

	<u>For the three-month periods ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Salaries and other short-term employee benefits	\$ 404,352	\$ 319,794
Post-employment benefits	<u>1,682</u>	<u>1,658</u>
	<u>\$ 406,034</u>	<u>\$ 321,452</u>

8. **PLEDGED ASSETS**

<u>Pledged assets</u>	<u>Items</u>	<u>Book Value</u>			<u>Purpose</u>
		<u>2018/03/31</u>	<u>2017/12/31</u>	<u>2017/03/31</u>	
Other current assets and other non-current assets	Pledged restricted deposits, time deposits and refundable deposits	\$ 227,073	\$ 222,181	\$ 332,633	Note
Property, plant and equipment	Land and buildings	213,738	217,086	93,703	Bank loans, customs guarantee and credit limits
		<u>\$ 440,811</u>	<u>\$ 439,267</u>	<u>\$ 426,336</u>	

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

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

(1) Contingencies

A. Lawsuits for infringement of intellectual property rights

(A) Several patentees filed lawsuits or investigations for patent infringement including the patent of Blu-Ray, DVD player subtitle, Motherboards and Router, User Interface, audio signal encoding and decoding system, Audio stream, 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, touchscreen scrolling in accordance with user touch control, Pad, products with UMTS and remote upgrade code function against the Group. These lawsuits or investigations are currently under investigation in a California court, in a Texas court, in a German court, in a French court, in a Netherlands court and in an England court. The Group cannot presently determine the ultimate outcome of these lawsuits, but has already recognized the possible loss in the financial statements.

(B) Several patentees filed lawsuits or investigations for patent infringement including supporting Smart Lock function for Android 5.0, cellphone supporting Android OS automated setting function, AP and router products supporting MU-MIMO, DVD player restriction technology, products using SK hynix Solid State Drive, processors and memories of Samsung, product with Nvidia GPU, MP3 function for desktop and notebook, SDRAM function, ZenFone trademarks, products supporting Miracast and HDCP 2.2 function, Pad against the Group. These lawsuits or investigations are currently under investigation in a Texas court, in a California court, at the United States International Trade Commission, in a German court and in an India court. The Group cannot presently determine the ultimate outcome and effect of these lawsuits.

B. The European Commission has started an investigation into whether the Group has restricted the retail prices of distributors in February, 2017. The Group has always followed the law seriously and worked with the European Union together to complete the investigation following the cooperation process. The Group assessed the probable loss amounting to \$2,324,089 for the case of the restricted retail prices which was recognized as other gains (losses). The financial position of the Group is sound enough and cash and cash equivalents balance is assessed to be sufficient to cover the probable loss of the case. Therefore, the case has no significant impact to the operations of the Group. In addition, the Group will manage properly and respond to various types of operational and non-operational risk in the future.

(2) Commitments

A. The Group has signed a contract amounting to \$3,237,668 for the construction of a new office building of the headquarters, but has not recognized capital expenditures as of March 31, 2018.

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

	<u>2018/03/31</u>	<u>2017/12/31</u>	<u>2017/03/31</u>
Less than 1 year	\$ 612,735	\$ 702,091	\$ 470,730
Between 1 and 2 years	267,090	487,377	251,419
Between 2 and 3 years	183,244	206,828	97,274
Between 3 and 4 years	128,116	132,364	68,868
More than 4 years	177,642	211,673	103,871

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

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

None.

12. **OTHERS**

(1) Capital management

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

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

	<u>2018/03/31</u>	<u>2017/12/31</u>	<u>2017/03/31</u>
Total liabilities	\$ 162,797,910	\$ 166,216,866	\$ 162,514,162
Total equity	<u>180,969,890</u>	<u>178,674,303</u>	<u>189,631,842</u>
Total assets	<u>\$ 343,767,800</u>	<u>\$ 344,891,169</u>	<u>\$ 352,146,004</u>
Liability ratio	<u>47.36%</u>	<u>48.19%</u>	<u>46.15%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>2018/03/31</u>	<u>2017/12/31</u>	<u>2017/03/31</u>
<u>Financial assets</u>			
Financial assets measured at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 7,034,111	\$ -	\$ -
Financial assets held for trading	-	8,057,062	3,859,931
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	55,568,502	-	-
Available-for-sale financial assets	-	55,036,784	64,561,819
Financial assets carried at cost	-	181,313	150,629
Financial assets at amortised cost			
Cash and cash equivalents	77,384,566	72,192,962	74,839,524
Notes receivable	8,412,194	8,369,528	8,828,697
Trade receivables	65,946,536	76,509,775	71,706,570
Other receivables	980,909	629,230	695,224
Refundable deposits	529,799	564,611	654,704
Derivative financial assets for hedging	78,323	11,392	356,655
	<u>\$ 215,934,940</u>	<u>\$ 221,552,657</u>	<u>\$ 225,653,753</u>
<u>Financial liabilities</u>			
Financial liabilities measured at fair value through profit or loss			
Financial assets held for trading	\$ 279,739	\$ 429,979	\$ 361,835
Financial liabilities at amortised cost			
Short-term borrowings	6,275,767	5,750,078	3,375,167
Notes and trade payables	55,875,207	56,494,911	63,003,483
Other payables - accrued expenses	33,009,360	39,704,639	32,673,853
Long-term borrowings (including current portion of long-term borrowings)	1,011,627	1,013,927	1,224,045
Deposits received	299,292	345,884	379,809
Derivative financial liabilities for hedging	727,522	682,446	165,189
	<u>\$ 97,478,514</u>	<u>\$ 104,421,864</u>	<u>\$ 101,183,381</u>

B. Financial risk management policies

(A) The Group's operating activities expose the Group to a variety of financial risks, including market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. To minimize any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts, currency option contracts and currency swap contracts are used to hedge certain exchange rate risk, and

derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

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

(C) Information about derivative financial instruments that are used to hedge financial risk are provided in Note 6(2) and (4).

C. Nature and degree of significant financial risks

(A) Market risk

Foreign exchange risk

- a. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, EUR and CNY. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.
- b. The management has set up the policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group's treasury. Exchange rate risk is measured through a forecast of highly probably USD, EUR and CNY expenditures. Forward foreign exchange contracts are adopted to minimize the volatility of the exchange rate affecting recognition of revenue of forecast sale.
- c. The Group hedges foreign exchange rate by using forward exchange contracts, currency option contracts and currency swap contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(4) and Note 12(4).
- d. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.
- e. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency is NTD; other certain subsidiaries' functional currency is USD, EUR, CNY, etc.). Non-monetary items are assessed to have no significant impact on the Group. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

2018/03/31						
	Foreign currency amount (In dollars)	Exchange rate	Book value (NTD)	Sensitivity Analysis		
				Extent of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 2,995,243,412	29.105	\$ 87,176,560	1%	\$ 871,766	\$ -
EUR:USD	244,224,621	35.869	8,760,093	1%	87,601	-
CNH:USD	3,149,362,164	4.648	14,638,451	1%	146,385	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	3,602,865,745	29.105	104,861,408	1%	1,048,614	-
EUR:USD	120,050,374	35.869	4,306,152	1%	43,062	-
CNH:USD	2,312,483,167	4.648	10,748,580	1%	107,486	-
2017/12/31						
	Foreign currency amount (In dollars)	Exchange rate	Book value (NTD)	Sensitivity Analysis		
				Extent of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 2,991,872,022	29.760	\$ 89,038,111	1%	\$ 890,381	\$ -
EUR:USD	462,594,040	35.569	16,454,078	1%	164,541	-
CNH:USD	2,250,184,341	4.565	10,272,506	1%	102,725	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	3,750,761,060	29.760	111,622,649	1%	1,116,226	-
EUR:USD	59,877,814	35.569	2,129,803	1%	21,298	-
CNH:USD	2,186,888,918	4.565	9,983,550	1%	99,836	-
2017/03/31						
	Foreign currency amount (In dollars)	Exchange rate	Book value (NTD)	Sensitivity Analysis		
				Extent of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 2,980,989,679	30.330	\$ 90,413,417	1%	\$ 904,134	\$ -
EUR:USD	415,801,648	32.429	13,483,963	1%	134,840	-
CNH:USD	2,575,635,182	4.407	11,350,693	1%	113,507	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	3,760,461,428	30.330	114,054,795	1%	1,140,548	-
EUR:USD	46,704,338	32.429	1,514,567	1%	15,146	-
CNH:USD	2,002,916,371	4.407	8,826,750	1%	88,268	-

- f. Net currency exchange (losses) gains (including realized and unrealized) arising from significant foreign exchange variation on the monetary items held by the Group for the three-month periods ended March 31, 2018 and 2017, amounted to \$1,984,068 and \$945,719, respectively.

Price risk

- a. The Group's equity instruments, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity instruments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- b. The Group mainly invests in equity instruments comprised of shares and open-end funds issued by the domestic companies. The value of equity instruments are susceptible to market price risk arising from uncertainties about future performance of equity markets. Assuming a hypothetical increase of 1% in the price of the aforementioned financial assets at fair value through profit or loss while the other conditions remain unchanged could increase the Group's non-operating revenue for the three-month periods ended March 31, 2018 and 2017 by \$8,271 and \$2,696, respectively. A change of 1% in the price of the aforementioned financial assets at fair value through other comprehensive income and available-for-sale financial instruments could increase the Group's other comprehensive income for the three-month periods ended March 31, 2018 and 2017 by \$555,685 and \$645,542, respectively.

Cash flow and fair value interest rate risk

- a. The Group's main interest rate risk arises from long-term and short-term borrowings with variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During the three-month periods ended March 31, 2018 and 2017, the Group's borrowings at variable rate were denominated in USD and NTD.
- b. At March 31, 2018 and 2017, if interest rates on borrowings had been 1 basis point (0.01%) higher with all other variables held constant, non-operating expenses for the three-month periods ended March 31, 2018 and 2017, would have been \$393 and \$206 higher, respectively, mainly as a result of higher interest expense on floating rate borrowings.

(B) Credit risk

- a. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at fair value through profit or loss.
- b. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of "A" class above as evaluated by an independent party are accepted as counterparties. According to the Group's credit policy, each operating entity in the Group

is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors, and the utilization of credit limits is regularly monitored.

- c. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- d. The Group adopts the assumptions under IFRS 9, for most operating entities, the default occurs when the contract payments are past due over 90 days. For some subsidiaries, based on the local trading conditions and historical experience, the default occurs when the contract payments are past due over 180 days.
- e. The Group classifies customer's accounts receivable in accordance with customer types. The Group applies the simplified approach using provision matrix and loss rate method to estimate expected credit loss.
- f. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (a) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (b) The disappearance of an active market for that financial asset because of financial difficulties;
 - (c) Default or delinquency in interest or principal repayments;
 - (d) Adverse changes in national or regional economic conditions that are expected to cause a default.
- g. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On March 31, 2018, the Group has no written-off financial assets that are still under recourse procedures.
- h. (a) The expected loss rate for the excellent credit quality clients is 0.03% ~ 0.2%, the total carrying amount of notes and trade receivables and loss allowance amounting to \$3,747,304 and \$277 for the three-month period ended March 31, 2018.
(b) The Group refers to the forecastability of global economic indicators to adjust the loss rate which is based on historical and current information when assessing the future default possibility of contract assets, accounts receivable and other receivables. The loss rate methodology as of March 31, 2018 is as follows:

On March 31, 2018, the provision matrix is as follows:

2018/3/31	Not past due	Less than 30 days	Between 31 and 60 days	Between 61 and 90 days	More than 91 days	Total
Expected loss rate	0.01~3.85%	0.13~14.46%	0.59~46.48%	0.82~63.16%	10~100%	
Total book value	<u>\$ 62,733,546</u>	<u>\$ 8,022,051</u>	<u>\$ 1,586,362</u>	<u>\$ 426,816</u>	<u>\$ 2,477,343</u>	<u>\$ 75,246,118</u>
Loss allowance	<u>\$ 8,095</u>	<u>\$ 3,983</u>	<u>\$ 178,314</u>	<u>\$ 45,642</u>	<u>\$ 2,224,170</u>	<u>\$ 2,460,204</u>

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

	2018
	Notes and trade receivables
January 1_IAS 39	\$ 2,460,433
Adjustments under new standards	-
January 1_IFRS 9	2,460,433
Provision for impairment (reversal)	52,789
Write-offs	(5,093)
Net exchange differences	(47,648)
March 31	<u>\$ 2,460,481</u>

For provisioned loss for the three-month period ended March 31, 2018, the net impairment loss arising from customer's contract is \$52,789.

- j. Credit risk information for the year ended December 31, 2017 and the first quarter of 2017 are provided in Note 12(4).

(C) Liquidity risk

- a. Cash flow forecasting is performed in the operating entities of the Group and aggregated by the Group treasury. The Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's cash flow plans and compliance with internal balance sheets ratio targets.
- b. The Group treasury invests surplus cash in demand deposits, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. At March 31, 2018, December 31, 2017 and March 31, 2017, the Group held financial assets at fair value through profit or loss of \$6,745,764, \$8,036,538 and \$3,735,226, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- c. The table below analyses the Group's non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the financial reporting period to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows.

2018/03/31					
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	More than 3 years	Total
<u>Non-derivative</u>					
<u>financial liabilities:</u>					
Short-term borrowings	\$ 6,275,767	\$ -	\$ -	\$ -	\$ 6,275,767
Notes and trade payables	55,875,207	-	-	-	55,875,207
Other payables	33,009,360	-	-	-	33,009,360
- accrued expenses					
Long-term borrowings	2,689	942,689	2,689	63,560	1,011,627
(including current portion)					
Other financial liabilities	3,939,017	14	-	-	3,939,031
<u>Derivative financial liabilities:</u>					
Forward exchange contracts	801,013	-	-	-	801,013
Currency option contracts	206,248	-	-	-	206,248
2017/12/31					
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	More than 3 years	Total
<u>Non-derivative</u>					
<u>financial liabilities:</u>					
Short-term borrowings	\$ 5,750,078	\$ -	\$ -	\$ -	\$ 5,750,078
Notes and trade payables	56,494,911	-	-	-	56,494,911
Other payables	39,704,639	-	-	-	39,704,639
- accrued expenses					
Long-term borrowings	2,750	442,750	502,750	65,677	1,013,927
(including current portion)					
Other financial liabilities	1,199,921	36	-	8,297	1,208,254
<u>Derivative financial liabilities:</u>					
Forward exchange contracts	897,265	-	-	-	897,265
Currency option contracts	209,548	-	-	-	209,548
Currency swap contracts	5,612	-	-	-	5,612
2017/03/31					
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	More than 3 years	Total
<u>Non-derivative</u>					
<u>financial liabilities:</u>					
Short-term borrowings	\$ 3,375,167	\$ -	\$ -	\$ -	\$ 3,375,167
Notes and trade payables	63,003,483	-	-	-	63,003,483
Other payables	32,673,853	-	-	-	32,673,853
- accrued expenses					
Long-term borrowings	684,045	240,000	300,000	-	1,224,045
(including current portion)					
Other financial liabilities	1,142,187	395	-	-	1,142,582
<u>Derivative financial liabilities:</u>					
Forward exchange contracts	293,309	-	-	-	293,309
Currency option contracts	227,965	-	-	-	227,965
Currency swap contracts	5,750	-	-	-	5,750

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

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

- B. Financial instruments not measured at fair value

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

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

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

2018/03/31				
	Level 1	Level 2	Level 3	Total
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 789,950	\$ 6,141	\$ 31,015	\$ 827,106
Debt securities	-	-	7,575	7,575
Beneficiary certificates	6,000,550	43,795	-	6,044,345
Derivative instruments	-	155,085	-	155,085
Derivative financial assets for hedging	-	78,323	-	78,323
Financial assets at fair value through other comprehensive income				
Equity securities	55,263,039	266,129	39,334	55,568,502
	<u>\$ 62,053,539</u>	<u>\$ 549,473</u>	<u>\$ 77,924</u>	<u>\$ 62,680,936</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	\$ -	\$ 279,739	\$ -	\$ 279,739
Derivative financial liabilities for hedging	-	727,522	-	727,522
	<u>\$ -</u>	<u>\$ 1,007,261</u>	<u>\$ -</u>	<u>\$ 1,007,261</u>

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

	2017/03/31			
	Level 1	Level 2	Level 3	Total
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Open-end funds	\$ 3,465,654	\$ -	\$ -	\$ 3,465,654
Listed and OTC stocks	269,572	-	-	269,572
Forward exchange contracts	-	66,537	-	66,537
Currency option contracts	-	57,738	-	57,738
Currency swap contracts	-	430	-	430
Derivative financial assets for hedging	-	356,655	-	356,655
Available-for-sale financial assets				
Listed and OTC stocks	64,400,415	-	-	64,400,415
Unlisted and non-OTC stocks	-	141,299	12,530	153,829
Convertible bonds	-	-	7,575	7,575
	<u>\$ 68,135,641</u>	<u>\$ 622,659</u>	<u>\$ 20,105</u>	<u>\$ 68,778,405</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 128,120	\$ -	\$ 128,120
Currency option contracts	-	227,965	-	227,965
Currency swap contracts	-	5,750	-	5,750
Derivative financial liabilities for hedging	-	165,189	-	165,189
	<u>\$ -</u>	<u>\$ 527,024</u>	<u>\$ -</u>	<u>\$ 527,024</u>

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

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

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

- b. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the financial reporting date.
- c. For high-complexity financial instruments, the fair value is measured by using 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 Group must make reasonable estimates based on its assumptions.

- d. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
 - e. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial 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 Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheets. The pricing and inputs information used during valuation are carefully assessed and adjusted based on current market conditions.
- D. JMC ELECTRONICS CO., LTD. has been listed on the TWSE from January, 2017, therefore, the Group has transferred the fair value from Level 2 to Level 1 at the end of the month when the event occurred. For the three-month period ended March 31, 2018, there was no transfer between Level 1 and Level 2.
- E. The following chart is the movement of Level 3:

	2018		
	Equity instruments	Debt instruments	Total
January 1	\$ 2,229	\$ 7,575	\$ 9,804
Recognized in profit (loss) (Note 1)	(284)	-	(284)
Acquired in the period	29,070	-	29,070
Effect on retrospective application	39,334	-	39,334
March 31	<u>\$ 70,349</u>	<u>\$ 7,575</u>	<u>\$ 77,924</u>
Movement of unrealised gain or loss in profit or loss of assets and liabilities held as of March 31, 2018	<u>(\$ 284)</u>	<u>\$ -</u>	<u>(\$ 284)</u>

	2017		
	<u>Equity instruments</u>	<u>Debt instruments</u>	<u>Total</u>
January 1	\$ 13,611	\$ 7,575	\$ 21,186
Recognized in net other comprehensive income (loss) (Note 2)	(1,081)	-	(1,081)
March 31	<u>\$ 12,530</u>	<u>\$ 7,575</u>	<u>\$ 20,105</u>
Movement of unrealised gain or loss in profit or loss of assets and liabilities held as of March 31, 2017	(\$ 1,081)	\$ -	(\$ 1,081)

Note 1 : Recorded as other gains (losses).

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

- F. There was no transfer into or out from Level 3 for the three-month periods ended March 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:

	<u>Fair value at March 31, 2018</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Equity instruments:					
Unlisted and non-OTC stocks	\$ 1,945	Net asset value	Not applicable	Not applicable	The higher the net asset value, the higher the fair value
Unlisted and non-OTC stocks	\$ 68,404	Discounted cash flow method	Note 1	Not applicable	Note 2
Debt instruments:					
Convertible bonds	\$ 7,575	Evaluate with peer price-book ratios and price-to-sale ratios	Not applicable	Not applicable	The higher the peer price-book ratios and price-to-sale ratios, the higher the fair value
	<u>Fair value at December 31, 2017</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Equity instruments:					
Unlisted and non-OTC stocks	\$ 2,229	Net asset value	Not applicable	Not applicable	The higher the net asset value, the higher the fair value
Debt instruments:					
Convertible bonds	\$ 7,575	Net asset value	Not applicable	Not applicable	The higher the net asset value, the higher the fair value
	<u>Fair value at March 31, 2017</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Equity instruments:					
Unlisted and non-OTC stocks	\$ 12,530	Net asset value	Not applicable	Not applicable	The higher the net asset value, the higher the fair value
Debt instruments:					
Convertible bonds	\$ 7,575	Net asset value	Not applicable	Not applicable	The higher the net asset value, the higher the fair value

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

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

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

(4) Effects on initial application of IFRS 9

- A. Summary of significant accounting policies for the year ended December 31, 2017 and the first quarter of 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 and derecognized 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 and derecognized 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 Group assesses at the end of the financial reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- b. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
 - (a) Significant financial difficulty of the issuer or debtor;
 - (b) A breach of contract, such as a default or delinquency in interest or principal payments;
 - (c) The Group granted the borrower a concession that a lender would not otherwise consider for economic or legal reasons relating to the borrower’s financial difficulty;
 - (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
 - (e) The disappearance of an active market for that financial asset because of financial difficulties;
 - (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local unfavorable economic conditions that correlate with defaults on the assets in the group;
 - (g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or
 - (h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- c. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:
 - (a) Financial assets measured at 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 and hedging activities

- a. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Any changes in the fair value are recognized in profit or loss.
- b. The Group designates certain derivatives as:
Hedges of the variability in cash flow associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).
- c. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for

undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

- d. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.
- e. Cash flow hedge
 - (a) The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the statement of comprehensive income within “other gains (losses)”.
 - (b) When the forecast transaction that is hedged results in the recognition of a non-financial asset or financial liability, the gains and losses previously deferred in other comprehensive income are reclassified into profit or loss in the periods when the asset acquired or the liability assumed affects profit or loss. The deferred amounts are ultimately recognized in sales revenue.
 - (c) When a hedging instrument expires or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income. When a forecast transaction occurs or is no longer expected to occur, the cumulative gain or loss that was recognized in other comprehensive income is transferred to profit or loss in the periods when the hedged forecast cash flow affects profit or loss.

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

	Measured at fair value through profit or loss	Available-for-sale		Total	Effects	
		Measured at fair value through other comprehensive income - equity	Measured at cost		Unappropriated retained earnings	Other equity
IAS 39	\$ 8,057,062	\$ 55,036,784	\$ 181,313	\$ 63,275,159	\$ 102,790,860	\$ 25,248,529
Transferred into and measured at fair value through profit or loss	147,631	(87,860)	(59,771)	-	(7,420)	7,420
Transferred into and measured at fair value through other comprehensive income-equity	-	121,542	(121,542)	-	311,614	(311,614)
Fair value adjustment	(14,273)	41,291	-	27,018	(14,273)	41,291
IFRS 9	<u>\$ 8,190,420</u>	<u>\$ 55,111,757</u>	<u>\$ -</u>	<u>\$ 63,302,177</u>	<u>\$ 103,080,781</u>	<u>\$ 24,985,626</u>

- (A) As equity investments that were previously classified as available-for-sale financial assets and financial assets carried at cost amounting to \$54,948,924, and \$121,542 under IAS 39 are not held for trading, the Group elected to designate all of these investments as financial assets at fair value through other comprehensive income (equity instruments) on initial application of IFRS 9. This resulted to an increase in unappropriated retained earnings of \$311,614 and a decrease in other equity of \$270,323.
- (B) For equity investments that were previously classified as available-for-sale financial assets and financial assets carried at cost amounting to \$87,860 and \$59,771 under IAS 39, the Group elected to designate all of these investments as financial assets at fair value through profit or loss (equity instruments) on initial application of IFRS 9. This resulted to a decrease in unappropriated retained earnings of \$21,693 and an increase in other equity of \$7,420.
- C. The significant accounts for the year ended December 31, 2017 and the first quarter of 2017 are as follows:

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

	<u>2017/12/31</u>	<u>2017/03/31</u>
Current items:		
Financial assets held for trading		
Open-end funds	\$ 7,547,488	\$ 3,465,654
Listed and OTC stocks	489,050	269,572
Non-hedging derivatives	<u>20,524</u>	<u>124,705</u>
	<u>\$ 8,057,062</u>	<u>\$ 3,859,931</u>
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives	<u>\$ 429,979</u>	<u>\$ 361,835</u>

- a. The Group recognized net loss on derivative financial instruments held for trading amounting to \$617,410 and net gain on non-derivative financial instruments held for trading amounting to \$54,639 for the three-month period ended March 31, 2017.

b. The unexpired contracts are as follows:

Items	2017/12/31			2017/03/31		
	Contract amount (Nominal principal)		Contract period	Contract amount (Nominal principal)		Contract period
	(in thousands)			(in thousands)		
Derivative financial assets:						
Forward exchange contracts						
-EUR/USD	EUR	40,000	2017/09-2018/01	EUR	97,000	2016/06-2017/09
-NOK/USD	NOK	124,202	2017/10-2018/03	NOK	142,598	2017/01-2017/06
-JPY/USD	JPY	-	-	JPY	2,698,700	2017/03-2017/06
-GBP/USD	GBP	-	-	GBP	8,000	2017/01-2017/05
-SEK/USD	SEK	-	-	SEK	88,630	2017/01-2017/04
-CAD/USD	CAD	-	-	CAD	15,500	2016/12-2017/08
-CHF/USD	CHF	-	-	CHF	4,978	2017/03-2017/05
-PLN/USD	PLN	-	-	PLN	21,647	2017/03-2017/04
-USD/NTD	USD	600	2017/12-2018/01	USD	400	2017/03-2017/04
Currency option contracts						
-EUR/USD	EUR	10,000	2017/11-2018/02	EUR	121,000	2017/01-2017/07
-JPY/USD	JPY	3,963,600	2017/12-2018/03	JPY	-	-
-IDR/USD	IDR	-	-	IDR	235,800,000	2017/02-2017/06
-RUB/USD	RUB	449,160	2017/10-2018/01	RUB	-	-
-CNH/USD	CNH	-	-	CNH	1,495,702	2016/12-2017/09
-AUD/USD	AUD	-	-	AUD	36,000	2017/03-2017/06
-USD/NTD	USD	-	-	USD	108,000	2017/03-2017/06
Currency swap contracts						
-USD/NTD	USD	500	2017/12-2018/03	USD	3,000	2017/03-2017/06

Items	2017/12/31			2017/03/31		
	Contract amount (Nominal principal)		Contract period	Contract amount (Nominal principal)		Contract period
	(in thousands)			(in thousands)		
Derivative financial liabilities:						
Forward exchange contracts						
-EUR/USD	EUR	313,000	2017/09-2018/04	EUR	320,000	2016/12-2017/06
-CHF/USD	CHF	4,967	2017/11-2018/01	CHF	-	-
-JPY/USD	JPY	-	-	JPY	323,300	2017/03-2017/05
-SEK/USD	SEK	174,020	2017/12-2018/03	SEK	73,918	2017/03-2017/06
-GBP/USD	GBP	22,600	2017/10-2018/04	GBP	8,000	2016/12-2017/04
-AUD/USD	AUD	14,000	2017/12-2018/02	AUD	2,000	2017/03-2017/04
-PLN/USD	PLN	48,686	2017/11-2018/02	PLN	-	-
-CAD/USD	CAD	36,800	2017/06-2018/03	CAD	85,000	2016/12-2017/11
-USD/NTD	USD	-	-	USD	400	2017/03-2017/05
-NTD/USD	USD	145,000	2017/10-2018/01	USD	-	-
Currency option contracts						
-EUR/USD	EUR	208,000	2017/11-2018/03	EUR	52,000	2017/03-2017/07
-JPY/USD	JPY	7,642,950	2017/12-2018/03	JPY	19,356,980	2017/03-2017/06
-RUB/USD	RUB	4,447,730	2017/11-2018/03	RUB	6,237,390	2017/03-2017/07
-GBP/USD	GBP	29,000	2017/11-2018/02	GBP	33,000	2017/03-2017/06
-CNH/USD	CNH	1,919,033	2017/08-2018/04	CNH	3,461,115	2016/11-2017/09
-MXN/USD	MXN	-	-	MXN	310,675	2017/03-2017/07
-IDR/USD	IDR	-	-	IDR	1,227,030,000	2017/02-2017/07
-INR/USD	INR	10,125,760	2017/10-2018/04	INR	5,188,310	2017/01-2017/07
Currency swap contracts						
-USD/NTD	USD	20,000	2017/03-2018/06	USD	15,000	2017/02-2017/06

(a) Forward exchange contracts

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

(b) Currency option contracts

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

(c) Currency swap contracts

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

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

(B) Available-for-sale financial assets

	<u>2017/12/31</u>	<u>2017/03/31</u>
Current items:		
Listed and OTC stocks	\$ 310,939	\$ 310,939
Unlisted and non-OTC stocks	<u>-</u>	<u>-</u>
	310,939	310,939
Valuation adjustment	556,915	241,283
Accumulated impairment	(64,460)	(64,414)
	<u>\$ 803,394</u>	<u>\$ 487,808</u>
Non-current items:		
Listed and OTC stocks	\$ 26,591,875	\$ 26,591,882
Unlisted and non-OTC stocks	355,066	282,113
Convertible bonds	<u>7,575</u>	<u>7,575</u>
	26,954,516	26,881,570
Valuation adjustment	27,419,567	37,330,797
Accumulated impairment	(140,693)	(138,356)
	<u>\$ 54,233,390</u>	<u>\$ 64,074,011</u>

- The Group recognized \$5,876,254 in other comprehensive income for fair value change and reclassified \$39,154 from equity to profit for the three-month period ended March 31, 2017.
- After evaluating and comparing the carrying amount of available-for-sale financial assets and its recoverable amounts, the Group recognized impairment loss amounting to \$0 for the three-month period ended March 31, 2017.
- The Group has no available-for-sale financial assets pledged to others.

(C) Financial assets measured at cost

	<u>2017/12/31</u>	<u>2017/03/31</u>
Non-current items:		
Unlisted and non-OTC stocks	\$ 315,641	\$ 279,111
Private fund	<u>59,771</u>	<u>68,050</u>
	375,412	347,161
Accumulated impairment	(194,099)	(196,532)
	<u>\$ 181,313</u>	<u>\$ 150,629</u>

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

(D) Hedge accounting

		<u>2017/12/31</u>	<u>2017/03/31</u>		
		<u>Assets (Liabilities)</u>	<u>Assets (Liabilities)</u>		
Current items:					
	Forward exchange contracts - cash flow hedges	\$ 11,392	\$ 356,655		
	Forward exchange contracts - cash flow hedges	(682,446)	(165,189)		
		<u>(\$ 671,054)</u>	<u>\$ 191,466</u>		
Cash flow hedges:					
	Hedged item	Derivative instruments designated as hedges	Fair value of derivative instruments designated as hedges	Period of anticipated cash flow	Period of gain (loss) expected to be recognized
2017/12/31	Expected transactions	Forward exchange contracts	(\$ 671,054)	2018/01-2018/07	2018/01-2018/07
2017/03/31	Expected transactions	Forward exchange contracts	191,466	2017/04-2017/09	2017/04-2017/09

- The hedged highly probable forecast transactions denominated in foreign currency are expected to occur during the next 12 months. Amounts accumulated in “other comprehensive income” as of December 31, 2017 and March 31, 2017 are recycled into profit or loss in the periods when the hedged asset acquired or the hedged liability assumed affects profit or loss. The Group has assessed that the effect of profit or loss arising from ineffective cash flow hedge is insignificant as the Group was effective mostly in executing the hedge transactions for the three-month period ended March 31, 2017.
- Information on gain or loss arising from cash flow hedges recognized in profit (loss) and other comprehensive income (loss):

	<u>For the three-month period ended March 31, 2017</u>
Amount adjusted in other comprehensive income (loss)	(\$ 1,091,368)
Amount transferred from other comprehensive income to profit (loss)	760,102

c. The unexpired contracts are as follows:

	2017/12/31			2017/03/31		
	Contract amount (Nominal principal) (in thousands)		Contract period	Contract amount (Nominal principal) (in thousands)		Contract period
Derivative financial assets for hedging:						
Forward exchange contracts						
-EUR/USD	EUR	130,000	2017/09-2018/03	EUR	435,000	2016/11-2017/09
-GBP/USD	GBP	-	-	GBP	20,000	2017/01-2017/06
-JPY/USD	JPY	1,500,000	2017/11-2018/03	JPY	2,500,000	2017/03-2017/06
-SEK/USD	SEK	-	-	SEK	120,000	2017/01-2017/06
-AUD/USD	AUD	5,000	2017/12-2018/03	AUD	20,000	2017/02-2017/06
-PLN/USD	PLN	-	-	PLN	15,000	2017/03-2017/09
-NOK/USD	NOK	20,000	2017/10-2018/03	NOK	95,000	2017/01-2017/06
-TRY/USD	TRY	-	-	TRY	10,000	2017/02-2017/06
Derivative financial liabilities for hedging:						
Forward exchange contracts						
-EUR/USD	EUR	620,000	2017/06-2018/07	EUR	90,000	2017/01-2017/06
-JPY/USD	JPY	-	-	JPY	1,000,000	2017/03-2017/06
-INR/USD	INR	750,000	2017/12-2018/03	INR	1,000,000	2017/03-2017/06
-SEK/USD	SEK	50,000	2017/09-2018/03	SEK	-	-
-RUB/USD	RUB	1,800,000	2017/12-2018/03	RUB	8,000,000	2017/02-2017/06
-GBP/USD	GBP	30,000	2017/09-2018/03	GBP	10,000	2017/01-2017/06
-AUD/USD	AUD	15,000	2017/12-2018/03	AUD	5,000	2017/02-2017/06
-PLN/USD	PLN	60,000	2017/12-2018/03	PLN	190,000	2017/01-2017/09
-NOK/USD	NOK	20,000	2017/12-2018/03	NOK	-	-

(E) Notes and trade receivables

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

	2017/12/31	2017/03/31
Less than 90 days	\$ 9,774,462	\$ 9,209,254
Between 91 and 180 days	200,925	377,305
More than 181 days	60,096	156,824
	<u>\$ 10,035,483</u>	<u>\$ 9,743,383</u>

The above aging analysis is based on past due date, and there was no significant change for the credit quality of the above receivables after the assessment. They were still considered collectible, and had no impairment concern.

b. Individual assessment of impaired trade receivables:

(a) Impaired but not past due

	2017/12/31	2017/03/31
Gross amount	<u>\$ 15</u>	<u>\$ 2,607</u>

(b) Impaired and past due

	2017/12/31	2017/03/31
Gross amount	<u>\$ 2,460,418</u>	<u>\$ 2,901,009</u>

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

	2017		
	Individual provision	Group provision	Total
January 1	\$ 1,928,328	\$ 1,149,426	\$ 3,077,754
Recognition (reversal)	(798)	9,127	8,329
Write-offs	(398)	(9,430)	(9,828)
Net exchange differences	(114,730)	(57,909)	(172,639)
March 31	<u>\$ 1,812,402</u>	<u>\$ 1,091,214</u>	<u>\$ 2,903,616</u>

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

	2017/12/31	2017/03/31
Group 1	\$ 38,905,037	\$ 36,311,335
Group 2	27,569,255	25,651,853
	<u>\$ 66,474,292</u>	<u>\$ 61,963,188</u>

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 Group holds cash and financial assets as security for trade receivable as of March 31, 2017.
- D. Credit risk information for the year ended December 31, 2017 and the first quarter of 2017 are as follows :
- (A) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The maximum exposure to credit risk is the carrying amount of all financial instruments. According to the Group's credit policy, each operating entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set by the Board of Directors based on internal or external ratings. The utilization of credit limits is regularly monitored. Credit risk arises mainly from cash and cash equivalents, derivative financial instruments, deposits and short-term financial products guaranteed income with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. For banks and financial institutions, only those with a rating of "A" class above as evaluated by an independent party are accepted as counterparties.

(B) No credit limits were exceeded during the three-month period ended March 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

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

Sales of goods

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

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

B. The revenue recognized by using above accounting policies for the first quarter of 2017 are as follows:

Sales revenue

Sales revenue

	For the three-month period ended March 31, 2017
\$	<u>108,221,176</u>

C. The effects and description of current balance sheets and comprehensive income statements if the Group continues adopting the above accounting policies for the three-month period ended March, 31, 2017 are as follows:

2017/03/31

Balance sheet items	Amount under IFRS 15	Amounts under previous accounting policies	Effects of changing accounting policy
Receipts in advance	\$ -	\$ 803,721	(\$ 803,721)
Contract liabilities	803,721	-	803,721
Provisions for liabilities - current	-	19,616,083	(19,616,083)
Refund liabilities - current	19,616,083	-	19,616,083

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

13. **SUPPLEMENTARY DISCLOSURES**

(1) Significant transactions information

- A. 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 \$300 million or 20% of the paid-in capital: None.
- F. Disposal of real estate properties at prices of at least \$300 million or 20% of the paid-in capital: None.
- G. Total purchases from or sales to related parties of at least \$100 million or 20% of the paid-in capital: Please refer to table 5.
- H. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: Please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to 6(2), (4) and 12(2).
- J. Intercompany relationships and significant intercompany transactions (only disclosures transactions amount at least \$100 million or 20% of the paid-in capital): Please refer to table 7.

(2) Information on investees

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

(3) Information on investments in China

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

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

14. **OPERATING SEGMENT INFORMATION**

(1) General information

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

(2) Measurement basis

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

(3) Segment information

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

For the three-month period ended March 31, 2018			
	3C Brand	Others	Total
Revenues from external customers	\$ 89,239,103	\$ 9,754,432	\$ 98,993,535
Revenues from other segments	\$ 817,209	\$ 1,813,611	- (Note 1)
Segment income	\$ 4,060,176	(\$ 264,961)	\$ 3,795,215
Total assets (Note 2)	\$ -	\$ -	\$ -

For the three-month period ended March 31, 2017			
	3C Brand	Others	Total
Revenues from external customers	\$ 98,047,011	\$ 10,174,165	\$ 108,221,176
Revenues from other segments	\$ 158,574	\$ 1,666,407	- (Note 1)
Segment income	\$ 3,809,020	\$ 203,951	\$ 4,012,971
Total assets (Note 2)	\$ -	\$ -	\$ -

Note 1: The intra-segment revenues have been eliminated to \$0.

Note 2: Because the Group's segment assets are not provided to the chief operating decision-maker, such items are not required to be disclosed.

(4) Reconciliation for segment income

- A. The intra-segment transactions are based on fair value. The revenues from external customers reported to the chief operating decision-maker are measured in a manner consistent with the consolidated statements of comprehensive income.
- B. The reconciliation of the reportable operating segment's profit (others are the same as consolidated statements of comprehensive income) is as follows:

	For the three-month periods ended March 31,	
	2018	2017
Reportable operating segments' profit before adjustment	\$ 3,795,215	\$ 4,012,971
Unallocated profit (loss)	(10,291)	(2,441)
Reportable operating segments' profit	<u>\$ 3,784,924</u>	<u>\$ 4,010,530</u>

ASUSTEK COMPUTER INC. AND SUBSIDIARIES
FINANCING PROVIDED
FOR THE THREE-MONTH PERIOD ENDED MARCH 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	Allowance for Bad Debt	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 non-current assets	Yes	26,194,500 (USD 900,000)	26,194,500 (USD 900,000)	26,194,500 (USD 900,000)	0.99706 ~ 1.61331	b	-	Need for operations	-	-	-	39,283,726 (USD 1,349,724)	39,283,726 (USD 1,349,724)	

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.

Note 3 : Amount denominated in foreign currencies in this table are re-translated at the exchange rates prevailing at the end of the financial reporting period.

ASUSTEK COMPUTER INC. AND SUBSIDIARIES
ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE THREE-MONTH PERIOD ENDED MARCH 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	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement / Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship (Note 1)	Guaranteed Party (Notes 2)										
1	ASKEY	ASKEYJS	c	1,494,277	1,164,200 (USD 40,000)	1,164,200 (USD 40,000)	989,570 (USD 34,000)	-	23.37	1,992,369	Y	N	Y	

Note 1 : Nature of relationship of guaranteed Party :

- a. A company that has a business relationship with endorsement/guarantee provider.
- b. A subsidiary in which endorser/guarantor provider holds directly over 50% of equity interest.
- c. An investee in which endorsement/guarantee provider and its subsidiaries hold over 50% of equity interest.
- d. An investor which holds directly or indirectly over 50% of equity interest of endorser/guarantor provider.
- e. A company that has provided guarantees to endorsement/guarantee provider, and vice versa, due to contractual requirements.
- f. An investee in which endorsement/guarantee provider conjunctly invests with other stockholders, and for which endorsement/guarantee provider has provided endorsement/guarantee provider in proportion to its shareholding percentage.

Note 2 : 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.

Note 3 : Amount denominated in foreign currencies in this table are re-translated at the exchange rates prevailing at the end of the financial reporting period.

ASUSTEK COMPUTER INC. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
(EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)
MARCH 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	March 31, 2018				Note
	Type	Name			Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
ASUS	Fund	NOMURA TAIWAN MONEY MARKET	-	Financial assets at fair value through profit or loss - current	18,305,496	297,268	-	297,268	
ASUS	Fund	JIH SUN MONEY MARKET	-	Financial assets at fair value through profit or loss - current	90,379,781	1,332,469	-	1,332,469	
ASUS	Fund	SINOPAC TWD MONEY MARKET	-	Financial assets at fair value through profit or loss - current	65,541,379	908,364	-	908,364	
ASUS	Fund	YUANTA DE LI MONEY MARKET	-	Financial assets at fair value through profit or loss - current	72,148,293	1,170,621	-	1,170,621	
ASUS	Fund	UNION MONEY MARKET	-	Financial assets at fair value through profit or loss - current	80,878,188	1,062,869	-	1,062,869	
ASUS	Stock	SPORTON	-	Financial assets at fair value through profit or loss - current	333,064	53,290	0.36	53,290	
ASUS	Stock	ENE	a	Financial assets at fair value through other comprehensive income - current	917,247	13,850	1.22	13,850	
ASUS	Stock	LEDLINK	-	Financial assets at fair value through other comprehensive income - current	718,607	31,080	1.38	31,080	
ASUS	Stock	AZUREWAVE	-	Financial assets at fair value through other comprehensive income - current	934,745	21,686	0.70	21,686	
ASUS	Stock	ALCOR MICRO	-	Financial assets at fair value through other comprehensive income - current	905,879	17,257	1.23	17,257	
ASUS	Stock	GLOBALWAFERS	-	Financial assets at fair value through other comprehensive income - current	1,626,626	740,115	0.37	740,115	
ASUS	Stock	JMC	-	Financial assets at fair value through other comprehensive income - current	1,000,000	55,500	1.00	55,500	
ASUS	Bond	MOBISOCIAL	-	Financial assets at fair value through profit or loss - non-current	-	7,575	-	7,575	
ASUS	Fund	TNP	-	Financial assets at fair value through profit or loss - non-current	94	22,705	2.06	22,705	
ASUS	Stock	APTOS	-	Financial assets at fair value through other comprehensive income - non-current	625,200	10,066	1.10	10,066	
ASUS	Stock	ADVANTECH	-	Financial assets at fair value through other comprehensive income - non-current	100,628,870	21,132,063	14.43	21,132,063	
ASUS	Stock	EMPASS	-	Financial assets at fair value through other comprehensive income - non-current	497,500	14,925	19.90	14,925	
ASUS	Stock	AMTRUST	a	Financial assets at fair value through other comprehensive income - non-current	10,000,000	102,654	7.81	102,654	
ASUS	Stock	PEGA	-	Financial assets at fair value through other comprehensive income - non-current	448,506,484	32,740,973	17.16	32,740,973	
ASUS	Stock	94BOT	-	Financial assets at fair value through other comprehensive income - non-current	100,000	2,030	5.13	2,030	
ASUS	Stock	EOSMEM	-	Financial assets at fair value through other comprehensive income - non-current	301,876	5,313	1.83	5,313	
ASUS	Stock	EOSTEK	-	Financial assets at fair value through other comprehensive income - non-current	1,600,000	32,287	14.94	32,287	
ASUS	Stock	NANOLUX	-	Financial assets at fair value through other comprehensive income - non-current	536	28,539	11.43	28,539	
ASUTC	Fund	NOMURA TAIWAN MONEY MARKET	-	Financial assets at fair value through profit or loss - current	60,031,084	974,863	-	974,863	
ASMEDIA	Fund	FUH HWA RMB MONEY MARKET	-	Financial assets at fair value through profit or loss - current	531,862	28,425	-	28,425	
ASKEY	Stock	NETCOMM	-	Financial assets at fair value through profit or loss - non-current	1,980,000	52,205	1.35	52,205	
ASKEY	Stock	CIPHERMAX	-	Financial assets at fair value through profit or loss - non-current	9,234	-	-	-	
ASKEY	Stock	RETI	-	Financial assets at fair value through profit or loss - non-current	80,700	-	3.32	-	
MIC	Stock	BROADCOM	-	Financial assets at fair value through profit or loss - non-current	90	617	-	617	
MIC	Stock	ZARLINK SEMI-CONDUCTOR	-	Financial assets at fair value through profit or loss - non-current	44,775	-	0.04	-	
HCVC	Fund	YUANTA WAN TAI MONEY MARKET	-	Financial assets at fair value through profit or loss - current	1,062,402	16,018	-	16,018	
HCVC	Fund	TAISHIN TA CHONG MONEY MARKET	-	Financial assets at fair value through profit or loss - current	757,861	10,714	-	10,714	
HCVC	Fund	YUANTA DE BAO MONEY MARKET	-	Financial assets at fair value through profit or loss - current	348,419	4,168	-	4,168	
HCVC	Fund	CAPITAL MONEY MARKET	-	Financial assets at fair value through profit or loss - current	917,513	14,733	-	14,733	
HCVC	Fund	TAISHIN 1699 MONEY MARKET	-	Financial assets at fair value through profit or loss - current	74,398	1,002	-	1,002	
HCVC	Stock	PRIMESENSOR TECHNOLOGY	-	Financial assets at fair value through other comprehensive income - non-current	233,286	3,635	0.75	3,635	
HCVC	Stock	APAQ TECHNOLOGY	a	Financial assets at fair value through other comprehensive income - non-current	5,568,012	314,593	7.32	314,593	
HCVC	Stock	EOSMEM	-	Financial assets at fair value through other comprehensive income - non-current	301,876	5,313	1.83	5,313	
HCVC	Stock	LEDLINK	-	Financial assets at fair value through other comprehensive income - current	336,546	14,556	0.65	14,556	

Held Company Name	Marketable Securities		Relationship with the Company (Note 1)	Financial Statement Account	March 31, 2018				Note
	Type	Name			Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
HMI	Fund	TAISHIN 1699 MONEY MARKET	-	Financial assets at fair value through profit or loss - current	669,578	9,014	-	9,014	
HMI	Stock	APAQ TECHNOLOGY	-	Financial assets at fair value through other comprehensive income - non-current	3,210,015	181,366	4.22	181,366	
HMI	Stock	EOSMEM	-	Financial assets at fair value through other comprehensive income - non-current	174,417	3,070	1.06	3,070	
AAEON	Stock	ADVANTECH	-	Financial assets at fair value through profit or loss - current	730	153	-	153	
AAEON	Fund	MEGA DIAMOND MONEY MARKET	-	Financial assets at fair value through profit or loss - current	2,091,070	26,097	-	26,097	
AAEON	Stock	MACHVISION	b	Financial assets at fair value through profit or loss - current	1,860,020	603,576	4.37	603,576	
AAEON	Stock	ATECH OEM TECHNOLOGY	-	Financial assets at fair value through profit or loss - current	293	4	-	4	
AAEON	Stock	INSYNERGER TECHNOLOGY	-	Financial assets at fair value through profit or loss - non-current	1,710,000	29,070	19.29	29,070	
AAEON	Stock	UNITECH ELECTRONICS	-	Financial assets at fair value through profit or loss - current	549,600	17,917	1.17	17,917	
AAEON	Stock	LILEE SYSTEMS	-	Financial assets at fair value through profit or loss - current	468,750	-	-	-	
AAEON	Stock	YAN CHUNG TECHNOLOGY	-	Financial assets at fair value through profit or loss - current	266,600	-	7.27	-	
AAEON	Stock	ALLIED BIOTECH	b	Financial assets at fair value through profit or loss - current	300,000	6,141	0.32	6,141	
AAEON	Stock	TELEION WIRELESS	-	Financial assets at fair value through profit or loss - current	149,700	-	-	-	
AAEONI	Fund	HSBC GLOBAL INCOME BOND	-	Financial assets at fair value through profit or loss - current	555,078	6,903	-	6,903	
AAEONI	Stock	ATECH OEM TECHNOLOGY	b	Financial assets at fair value through profit or loss - current	4,320,000	56,160	5.94	56,160	
AAEONI	Stock	MUTTO OPTRONICS	-	Financial assets at fair value through profit or loss - current	310,000	5,704	0.68	5,704	
AAEONI	Stock	SUNENGINE	b	Financial assets at fair value through profit or loss - current	1,313,931	1,945	2.75	1,945	
ONYX	Stock	MELTEN CONNECTED HEALTHCARE	-	Financial assets at fair value through other comprehensive income - non-current	4,193,548	39,334	7.31	39,334	
ONYX	Stock	MACHVISION	-	Financial assets at fair value through profit or loss - current	1,000	324	-	324	
ASGL	Fund	JIH SUN MONEY MARKET	-	Financial assets at fair value through profit or loss - current	817,809	12,057	-	12,057	
AIL	Fund	PRODIGY STRATEGY INVESTMENT XIV	-	Financial assets at fair value through profit or loss - current	3,530	123,030	-	123,030	
AIL	Stock	EONEX	-	Financial assets at fair value through other comprehensive income - non-current	31,733	-	2.70	-	
AIL	Stock	SPLASHTOP	-	Financial assets at fair value through other comprehensive income - non-current	5,728,003	-	3.41	-	
AIL	Stock	ISTAGING	-	Financial assets at fair value through other comprehensive income - non-current	988,889	58,297	2.66	58,297	
DDL	Fund	ASIA PACIFIC GENESIS C	-	Financial assets at fair value through profit or loss - non-current	-	21,090	9.00	21,090	
AHL	Stock	9SKY	-	Financial assets at fair value through other comprehensive income - non-current	1,000,000	-	5.71	-	
UEI	Fund	NOMURA TAIWAN MONEY MARKET	-	Financial assets at fair value through profit or loss - current	119,142	1,935	-	1,935	

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

b. Other related parties - Chairman of held company is the director of investee company.

Note 2 : Amount denominated in foreign currencies in this table are re-translated at the exchange rates prevailing at the end of the financial reporting period.

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 THREE-MONTH PERIOD ENDED MARCH 31, 2018

Table 4 (Amounts in thousands of New Taiwan dollars)

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	UNION MONEY MARKET	a	-	-	95,139,167	1,249,063	81,439,593	1,070,000	a	95,700,572	1,257,000	1,256,365	a	635	80,878,188	1,062,869
ASUS	Fund	NOMURA TAIWAN MONEY MARKET	a	-	-	41,404,159	671,683	35,744,174	580,000	a	58,842,837	955,000	954,559	a	441	18,305,496	297,268
ASUS	Fund	JIH SUN MONEY MARKET	a	-	-	99,905,228	1,471,354	33,594,853	495,000	a	43,120,300	635,300	634,468	a	832	90,379,781	1,332,469
ASUS	Fund	TAISHIN TA CHONG MONEY MARKET	a	-	-	42,501,948	600,238	-	-	-	42,501,948	600,463	600,000	a	463	-	-
ASUS	Fund	YUANTA DE BAO MONEY MARKET	a	-	-	25,104,603	300,000	65,653,829	785,000	a	90,758,432	1,085,424	1,085,000	a	424	-	-
ASUS	Fund	YUANTA DE LI MONEY MARKET	a	-	-	42,760,000	693,050	102,990,596	1,670,000	a	73,602,303	1,193,395	1,193,008	a	387	72,148,293	1,170,621
ASUS	Fund	FSITC MONEY MARKET	a	-	-	2,453,541	435,194	-	-	-	2,453,541	435,354	435,025	a	329	-	-
ASUS	Fund	SINOPAC TWD MONEY MARKET	a	-	-	28,456,899	394,000	80,849,834	1,120,000	a	43,765,354	606,174	605,996	a	178	65,541,379	908,364
ASUS	Fund	YUANTA WAN TAI MONEY MARKET	a	-	-	33,199,429	500,037	-	-	-	33,199,429	500,222	500,000	a	222	-	-

- 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. 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. Received cash dividends
h. Variance of unrealized profit from sale
- Note 3 : Amount denominated in foreign currencies related to income and expenses in this table are re-translated at average exchange rates from January 1, 2018 to March 31, 2018, otherwise are re-translated at the exchange rates prevailing at the end of the financial reporting period.

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 THREE-MONTH PERIOD ENDED MARCH 31, 2018

Table 5

(Amounts in thousands of New Taiwan dollars)

Company Name	Related Party	Nature of Relationship (Note 1)	Transaction Details				Abnormal Transaction		Notes/Trade Payables or Receivables (Note 3)		Note
			Purchases/ (Sales)	Amount	% to Total Purchases/ (Sales) amount	Payment Terms (Note 2)	Unit Price	Payment Terms	Ending Balance	% to Total Notes/Trade payable or Accounts Receivable (Note 3)	
ASUS	ASUTC	b	(Sales)	(4,423,995)	(6.57)	OA 90	-	-	3,179,406	5.64	
ASUS	ASGL	b	(Sales)	(60,458,258)	(89.81)	OA 180	-	-	48,461,416	86.04	
ASUS	AAEON	b	(Sales)	(258,311)	(0.38)	Month-end 30 days	-	-	111,733	0.20	
ASUS	OB	b	Purchases	229,521	0.32	Month-end 60 days	-	-	(258,727)	(0.56)	
ASGL	ACCQ	b	(Sales)	(2,631,506)	(3.63)	OA 180	-	-	2,139,373	2.64	
ASGL	ACI	b	(Sales)	(9,931,181)	(13.68)	OA 180	-	-	18,273,920	22.57	
ASGL	ACSH	b	(Sales)	(13,261,983)	(18.27)	OA 180	-	-	25,347,843	31.31	
ASGL	ACJP	b	(Sales)	(1,983,911)	(2.73)	OA 120	-	-	1,758,436	2.17	
ASGL	ASIN	b	(Sales)	(116,092)	(0.16)	OA 180	-	-	1,870,362	2.31	
ASGL	ACMH	b	(Sales)	(482,626)	(0.66)	OA 180	-	-	1,449,066	1.79	
ASGL	ACNL	b	(Sales)	(4,875,885)	(6.72)	OA 180	-	-	3,201,507	3.95	
ASGL	ACBT	b	(Sales)	(431,243)	(0.59)	OA 180	-	-	451,441	0.05	
ASKEY	LP	b	(Sales)	(2,727,239)	Note 4	Month-end 90 days	-	Payment term is one to two months longer than third parties	679,984	8.41	
ASKEY	LP	b	Purchases	1,848,079	20.11	Month-end 90 days	Based on cost of finished goods plus related expenditure of related party	-	-	-	
ASKEY	UNI	b	Purchases	4,405,040	47.93	Month-end 90 days	Based on cost of finished goods plus related expenditure of related party	-	(4,410,367)	(71.40)	
ASKEY	ASKEYI	b	(Sales)	(375,836)	(5.64)	Month-end 90 days	-	Payment term is one to two months longer than third parties	315,923	3.91	
LP	ASKEYJS	b	(Sales)	(2,697,447)	(59.30)	Month-end 90 days	-	Payment term is one to two months longer than third parties	2,392,277	100.00	
LP	ASKEYJS	b	Purchases	1,834,606	40.28	Month-end 90 days	Based on cost of finished goods plus related expenditure of related party	-	(1,711,506)	(71.57)	
UNI	ASKEYJS	b	Purchases	4,406,290	100.00	Month-end 90 days	Based on cost of finished goods plus related expenditure of related party	-	(4,394,242)	(99.88)	
OB	ASKEYJS	b	Purchases	236,148	100.00	Month-end 90 days	Based on cost of finished goods plus related expenditure of related party	-	(207,945)	(88.62)	
AAEON	AAEONEI	b	(Sales)	(140,899)	(15.40)	Month-end 60 days	-	-	53,276	10.81	
UPI	MAXCHIP	d	Purchases	117,158	83.42	Month-end 30 days	-	-	(64,372)	(26.98)	
UBIQ	MAXCHIP	d	Purchases	134,247	97.79	Month-end 30 days	-	-	(96,046)	(45.21)	

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 subsidiaries 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 : Sales of raw materials is not considering sales which is deducted from cost of goods sold.

Note 5 : Amount denominated in foreign currencies related to income and expenses in this table are re-translated at average exchange rates from January 1, 2018 to March 31, 2018, otherwise are re-translated at the exchange rates prevailing at the end of the financial reporting period.

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

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

MARCH 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	Allowance for bad debts
					Amount	Action Taken		
ASUS	ASUTC	b	3,179,406	5.48 times	-	-	1,679,899	-
ASUS	ASGL	b	48,461,416	4.34 times	-	-	23,207,878	-
ASUS	AAEON	b	111,733	8.01 times	-	-	85,374	-
OB	ASUS	a	258,727	4.22 times	-	-	87,934	-
ASGL	ACCQ	b	2,139,373	4.83 times	-	-	929,619	-
ASGL	ACI	b	18,273,920	1.91 times	-	-	5,166,015	-
ASGL	ACSH	b	25,347,843	2.21 times	-	-	4,462,150	-
ASGL	ACJP	b	1,758,436	4.44 times	-	-	732,333	-
ASGL	ASIN	b	1,870,362	0.22 times	632,251	Keep in reconciliation and dunning monthly	369,533	-
ASGL	ACMH	b	1,449,066	1.45 times	418,127	Keep in reconciliation and dunning monthly	120,278	-
ASGL	ACNL	b	3,201,507	4.85 times	-	-	2,325,630	-
ASGL	ACBT	b	451,441	6.87 times	-	-	-	-
ASKEY	LP	b	679,984	17.88 times	-	-	15	-
ASKEY	SILIGENCE	b	116,117	4.50 times	-	-	59,221	-
ASKEY	ASKEYI	b	315,923	6.76 times	-	-	-	-
UNI	ASKEY	b	4,410,367	4.12 times	-	-	1,262,991	-
LP	ASKEYJS	b	2,392,277	4.92 times	-	-	291,065	-
ASKEYJS	LP	b	1,711,506	4.64 times	-	-	195,189	-
ASKEYJS	UNI	b	4,394,242	4.14 times	-	-	1,262,991	-
ASKEYJS	OB	b	207,945	5.63 times	-	-	61,703	-

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

Note 2 : Amount denominated in foreign currencies in this table are re-translated at the exchange rates prevailing at the end of the financial reporting period.

ASUSTEK COMPUTER INC. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
(ONLY DISCLOSE TRANSACTIONS AMOUNT OF AT LEAST NT\$100 MILLION)
FOR THE THREE-MONTH PERIOD ENDED MARCH 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 (Note 3)
0	ASUS	ASUTC	a	Sales	4,423,995	OA 90	4.47%
0	ASUS	ASGL	a	Sales	60,458,258	OA 180	61.07%
0	ASUS	AAEON	a	Sales	258,311	Month-end 30 days	0.26%
1	OB	ASUS	b	Sales	229,521	Month-end 60 days	0.23%
2	ASGL	ACCQ	c	Sales	2,631,506	OA 180	2.66%
2	ASGL	ACI	c	Sales	9,931,181	OA 180	10.03%
2	ASGL	ACSH	c	Sales	13,261,983	OA 180	13.40%
2	ASGL	ACJP	c	Sales	1,983,911	OA 120	2.00%
2	ASGL	ASIN	c	Sales	116,092	OA 180	0.12%
2	ASGL	ACMH	c	Sales	482,626	OA 180	0.49%
2	ASGL	ACNL	c	Sales	4,875,885	OA 180	4.93%
2	ASGL	ACBT	c	Sales	431,243	OA 180	0.44%
3	ASKEY	LP	c	Sales	2,727,239	Month-end 90 days	2.75%
3	ASKEY	ASKEYI	c	Sales	375,836	Month-end 90 days	0.38%
4	UNI	ASKEY	c	Sales	4,405,040	Month-end 90 days	4.45%
5	LP	ASKEY	c	Sales	1,848,079	Month-end 90 days	1.87%
5	LP	ASKEYJS	c	Sales	2,697,447	Month-end 90 days	2.72%
6	ASKEYJS	UNI	c	Sales	4,406,290	Month-end 90 days	4.45%
6	ASKEYJS	LP	c	Sales	1,834,606	Month-end 90 days	1.85%
6	ASKEYJS	OB	c	Sales	236,148	Month-end 90 days	0.24%
7	AAEON	AAEONEI	c	Sales	140,899	Month-end 60 days	0.14%
8	ACH	ASGL	c	Maintenance revenue	192,328	Pay on delivery	0.19%
8	ACH	ASGL	c	Marketing support revenue	5	Pay on delivery	0.00%
9	ACCZS	ASGL	c	Maintenance revenue	178,035	Pay on delivery	0.18%
10	ACG	ASGL	c	Marketing support revenue	151,875	Pay on delivery	0.15%
10	ACG	ASGL	c	Maintenance revenue	31	Pay on delivery	0.00%
11	ACSZ	ASGL	c	Service revenue	455,584	Pay on delivery	0.46%

ASUSTEK COMPUTER INC. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
(ONLY DISCLOSE TRANSACTIONS AMOUNT OF AT LEAST NT\$100 MILLION)
MARCH 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			Percentage of Consolidated Net Revenue or Total Assets (Note 3)
				Financial Statements Account	Amount	Terms	
0	ASUS	ASUTC	a	Trade receivables	3,179,406	OA 90	0.92%
0	ASUS	ASGL	a	Trade receivables	48,461,416	OA 180	14.10%
0	ASUS	AAEON	a	Trade receivables	111,733	Month-end 30 days	0.03%
1	OB	ASUS	b	Trade receivables	258,727	Month-end 60 days	0.08%
2	ASGL	ACCQ	c	Trade receivables	2,139,373	OA 180	0.62%
2	ASGL	ACI	c	Trade receivables	18,273,920	OA 180	5.32%
2	ASGL	ACSH	c	Trade receivables	25,347,843	OA 180	7.37%
2	ASGL	ACJP	c	Trade receivables	1,758,436	OA 120	0.51%
2	ASGL	ASIN	c	Trade receivables	1,870,362	OA 180	0.54%
2	ASGL	ACMH	c	Trade receivables	1,449,066	OA 180	0.42%
2	ASGL	ACNL	c	Trade receivables	3,201,507	OA 180	0.93%
2	ASGL	ACBT	c	Trade receivables	451,441	OA 180	0.13%
3	ASKEY	LP	c	Trade receivables	679,984	Month-end 90 days	0.20%
3	ASKEY	SILIGENCE	c	Trade receivables	116,117	Month-end 90 days	0.03%
3	ASKEY	ASKEYI	c	Trade receivables	315,923	Month-end 90 days	0.09%
4	UNI	ASKEY	c	Trade receivables	4,410,367	Month-end 90 days	1.28%
5	LP	ASKEYJS	c	Trade receivables	2,392,277	Month-end 90 days	0.70%
6	ASKEYJS	UNI	c	Trade receivables	4,394,242	Month-end 90 days	1.28%
6	ASKEYJS	LP	c	Trade receivables	1,711,506	Month-end 90 days	0.50%
6	ASKEYJS	OB	c	Trade receivables	207,945	Month-end 90 days	0.06%
8	ACH	ASGL	c	Trade receivables	174,854	Pay on delivery	0.05%
9	ACCZS	ASGL	c	Trade receivables	143,797	Pay on delivery	0.04%
10	ACG	ASGL	c	Trade receivables	131,343	Pay on delivery	0.04%
11	ACSZ	ASGL	c	Trade receivables	469,685	Pay on delivery	0.14%

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.

Note 3 : Regarding percentage of transaction amount to consolidated net revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated net revenue for income statement accounts.

Note 4 : Only disclose sales and accounts receivables side information for intercompany relationships and significant intercompany transactions.

Corresponding purchase and accounts payables information was not be elaborated any further.

Note 5 : Amount denominated in foreign currencies related to income and expenses in this table are re-translated at average exchange rates from January 1, 2018 to March 31, 2018, otherwise are re-translated at the exchange rates prevailing at the end of the financial reporting period.

ASUSTEK COMPUTER INC. AND SUBSIDIARIES
NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018

Table 8

(Amounts in thousands of New Taiwan dollars)

Investor Company	Investee Company	Location	Main Businesses	Original Investment Amount		Balance as of March 31, 2018			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				March 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	-	277,944	277,944	Note 2 and 4
ASUS	ASUTC	Taiwan	Selling of 3C products in Taiwan	204,244	204,244	19,000,000	100.00	193,079	(105,497)	(105,497)	Note 1 and 2
ASUS	ACH	Netherlands	Repairing of 3C products	37,821	37,821	3,000,000	100.00	199,611	3,991	3,991	Note 2
ASUS	AIL	Cayman Islands	Investing in 3C and computer peripheral business	3,281,057	3,281,057	89,730,042	100.00	36,139,401	322,640	322,640	Note 1 and 2
ASUS	AHL	Cayman Islands	Investing in computer peripherals business	662,434	662,434	20,452,104	100.00	589,309	(12,747)	(12,747)	Note 2
ASUS	ASKEY	Taiwan	Designing, manufacturing, repairing and selling of communication products and computer peripheral spare parts	5,021,108	5,021,108	480,000,000	100.00	4,974,798	(498,989)	(505,132)	Note 2
ASUS	HCVC	Taiwan	Investing in computer peripherals business	1,100,000	1,100,000	114,500,000	100.00	1,742,404	48,683	48,683	Note 2
ASUS	HMI	Taiwan	Investing in computer peripherals business	680,000	680,000	68,000,000	100.00	1,082,426	37,277	37,277	Note 2
ASUS	AGA	Taiwan	Designing and selling of computer peripheral and smart vacuums	140,000	140,000	14,000,000	100.00	24,408	(998)	(998)	Note 2
ASUS	ASGL	Singapore	Selling of 3C products	838,070	838,070	28,000,000	100.00	30,858,802	5,081,778	4,867,916	Note 2
ASUS	ADI	Singapore	Investing in computer peripherals business	25,290	25,290	830,001	100.00	5,961	(61)	(61)	Note 2
ASUS	ACJK	Indonesia	Selling of 3C products in Indonesia	60,840	60,840	2,000	100.00	37,731	(12,829)	(12,829)	Note 2
ASUS	ASUSCLOUD	Taiwan	Selling and consulting of internet service	496,678	450,278	13,645,558	90.97	75,533	(21,923)	(20,076)	Note 2
ASUS and HCVC	ACBT	Indonesia	Selling of 3C products in Indonesia	273,775	273,775	1,000,000	100.00	208,797	(8,891)	(8,891)	Note 2
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	83,835	(1,367)	(697)	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	58,576	1,869	1,060	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	999,964	145,554	59,353	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	154,895	46,893	2,992	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	56.63	4,390,485	273,171	109,593	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	7,932	(2,937)	(339)	Note 2
ASUS · HCVC and HMI	UPI	Taiwan	Designing, researching, developing and selling of integrated circuits	637,128	637,128	35,561,053	52.03	480,926	138,908	52,091	Note 2
ASUS · HMI and AAEON	ONYX	Taiwan	Designing, manufacturing and selling of medical computers	117,680	117,680	11,176,168	55.86	480,096	8,664	485	Note 2 and 5
ASKEY	ASKEYI	U.S.A	Selling and servicing of communication products	307,607	307,607	10,000,000	100.00	174,020	(28,066)	-	Note 3
ASKEY	DIC	British Virgin Islands	Investing in communication business	271,695	271,695	8,160,172	100.00	75,341	(28)	-	Note 3
ASKEY	MIC	British Virgin Islands	Investing in computer peripherals business	3,832,534	3,832,534	117,525,738	100.00	3,867,570	10,552	-	Note 3
ASKEY	ECOLAND	Taiwan	Green energy industry	21,840	21,840	780,000	33.91	10,182	(3,172)	-	Note 3
DIC	ASKEYVN	Vietnam	Manufacturing and selling of communication products	166,904	170,660	2,883,359	100.00	74,060	-	-	Note 3
DIC	WISE	Hong Kong	Investing in communication and computer peripherals business	39,335	40,221	1,600,000	100.00	9,399	(83)	-	Note 3
MIC	MAGICOM	Cayman Islands	Investing in communication business	2,649,428	2,709,053	91,030,000	100.00	3,980,834	12,278	-	Note 3
MIC	OB	British Virgin Islands	Selling of communication products and computer peripherals	1,455	1,488	50,000	100.00	37,039	4,988	-	Note 3
MIC	LP	Mauritius	Selling of communication products and computer peripherals	1,456,705	1,489,488	50,050,000	100.00	-	(4,956)	-	Note 3 and 4
MIC	UNI	Mauritius	Selling of communication products and computer peripherals	1,455	1,488	50,000	100.00	18,900	17	-	Note 3
MIC	ASKEYCG	Germany	Selling and servicing of communication products	3,809	3,894	100,000	100.00	3,382	(49)	-	Note 3
MIC	ASKEYTH	Thailand	Intelligent energy-savings service	1,825	1,866	20,000	100.00	1,471	(100)	-	Note 3
MIC	ASKEYJP	Japan	Selling and servicing of communication products	1,368	-	500,000	100.00	1,368	-	-	Note 3
MIC and OB	ASKEYBR	Brazil	Servicing of communication products	13,090	13,385	1,500,000	100.00	2,456	(1,825)	-	Note 3
ASKEY and WISE	SILIGENCE	France	Selling and servicing of communication products	175,991	176,873	4,623,090	95.95	55,148	(458)	-	Note 3
IUT	IUTS	Samoa Islands	Investing in ink-jet print heads and ink-jet digital image output technology business	-	-	-	100.00	-	-	-	Note 3

Investor Company	Investee Company	Location	Main Businesses	Original Investment Amount		Balance as of March 31, 2018			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				March 31, 2018	December 31, 2017	Shares	Percentage of Ownership	Carrying Value			
AGA	AGAHK	Hong Kong	Investing in computer peripherals business	-	-	18,820,000	100.00	-	-	-	Note 3
AAEON	AAEONEI	U.S.A	Selling of industrial computers and computer peripherals	142,615	145,824	490,000	100.00	142,830	(14,326)	-	Note 3
AAEON	AAEONDI	British Virgin Islands	Investing in industrial computers and computer peripherals business	19,204	19,636	50,000	100.00	37,505	(4,959)	-	Note 3
AAEON	AAEONTCL	British Virgin Islands	Investing in industrial computers and interface cards business	256,331	262,099	8,807,097	100.00	277,741	324	-	Note 3
AAEON	AAEONEU	Netherlands	Selling of industrial computers and computer peripherals	3,587	3,557	-	100.00	42,933	(4,237)	-	Note 3
AAEON	AAEONI	Taiwan	Investing in industrial computers and computer peripherals business	150,000	150,000	15,000,000	100.00	123,363	3,589	-	Note 3
AAEON	LITEMAX	Taiwan	Selling of computer peripherals	70,218	70,218	5,015,050	14.50	87,010	9,293	-	Note 3
AAEONDI	AAEONSG	Singapore	Selling of industrial computers and computer peripherals	12,956	12,986	465,840	100.00	37,372	(4,936)	-	Note 3
AAEONEU	AAEONG	Germany	Selling industrial computers and computer peripherals	10,761	10,671	-	100.00	16,372	253	-	Note 3
ONYX	ONYXHU	U.S.A	Selling of medical computers and peripherals	58,210	59,520	200,000	100.00	47,530	(11,987)	-	Note 3
ONYX	ONYXHE	Netherlands	Marketing support and repairing of medical computers and peripherals	3,587	3,557	100,000	100.00	10,469	539	-	Note 3
ONYX	IHELPER	Taiwan	Researching, developing and selling of medical robot	16,560	-	1,656,000	46.00	16,382	(388)	-	Note 3
UPI	UBIQ	Taiwan	Designing, researching, developing and selling of integrated circuits	190,784	190,784	20,000,000	100.00	226,089	34,785	-	Note 3
UPI	UPIHK	Hong Kong	Investing in integrated circuits business	133,561	133,561	4,350,000	100.00	9,324	603	-	Note 3
UPI	UPIUS	U.S.A	Servicing of integrated circuits	-	-	-	100.00	-	-	-	Note 3
UBIQ	JPDJP	Japan	Designing, researching and developing of integrated circuits	18,005	18,005	1,400	100.00	27,075	3,198	-	Note 3
ASUSCLOUD	ASUSCLOUDSG	Singapore	Investing in internet service business	19,935	19,935	-	100.00	270	(31)	-	Note 3
ASUSCLOUD	ASUSCLOUDLB	Luxembourg	Providing maintenance and operating service for information hardware	18,065	18,065	-	100.00	2,880	130	-	Note 3
ASUSCLOUD	ASUSLC	Taiwan	Selling of internet information service	5,000	5,000	500,000	50.00	2,353	(975)	-	Note 3
AIL	DDL	British Virgin Islands	Investing in computer peripherals business	332,437	339,919	11,422,000	100.00	324,968	234	-	Note 3
AIL	CHANNEL	British Virgin Islands	Investing in 3C business	874,110	893,782	30,033,000	100.00	35,411,111	318,292	-	Note 3
AIL	UHL	Cayman Islands	Investing in automotive electronics and computer peripherals business	189,183	193,440	6,500,000	100.00	76,909	(59)	-	Note 3
AIL	POTIXC	Cayman Islands	Designing and training of WEB application software	29,105	29,760	5,000,000	22.22	24,369	2,347	-	Note 3
CHANNEL	ASTP	Singapore	Investing in 3C business	873,223	892,874	44,419,424	100.00	39,283,726	93,420	-	Note 3
CHANNEL and ASTP	ACAE	United Arab Emirates	Marketing support and repairing of 3C products in Middle East	4,014	4,104	5	100.00	12,125	126	-	Note 3
CHANNEL and ASTP	ACEG	Egypt	Marketing support of 3C products in Egypt	727	744	-	100.00	1,687	5	-	Note 3
CHANNEL and ASTP	ASID	Indonesia	Repairing of 3C products in Asia-Pacific and America	43,658	44,640	1,500,000	100.00	36,867	183	-	Note 3
CHANNEL 、ASTP and ACNL	ACTH	Thailand	Marketing support of 3C products in Thailand	13,749	14,059	20,000	100.00	15,207	(1,769)	-	Note 3
ASTP	ACG	Germany	Selling and marketing support of 3C products in Germany	2,757	2,819	-	100.00	141,890	2,716	-	Note 3
ASTP	ACF	France	Marketing support of 3C products in France	1,451	1,484	5,300	100.00	45,238	2,511	-	Note 3
ASTP	ACUK	U.K.	Marketing support of 3C products in United Kingdom	2,626	2,685	50,000	100.00	39,160	1,587	-	Note 3
ASTP	ACHK	Hong Kong	Marketing support and repairing of 3C products in Hong Kong	1,873	1,915	500,000	100.00	8,405	455	-	Note 3
ASTP	ACKR	South Korea	Marketing support and repairing of 3C products in South Korea	10,069	10,295	158,433	100.00	40,473	(6,779)	-	Note 3
ASTP	ACSG	Singapore	Repairing of 3C products in Singapore	369	377	20,002	100.00	9,872	1,420	-	Note 3
ASTP	ACPL	Poland	Marketing support of 3C products in Poland	472	482	1,000	100.00	53,060	1,886	-	Note 3
ASTP	ACIN	India	Marketing support and repairing of 3C products in India	240,625	246,040	20,134,400	100.00	286,750	7,370	-	Note 3
ASTP	ACNL	Netherlands	Selling of 3C products	16,944	17,325	375,000	100.00	593,711	(87,897)	-	Note 3
ASTP	ACVN	Vietnam	Repairing of 3C products in Vietnam	2,328	2,381	-	100.00	13,304	600	-	Note 3
ASTP	ACIT	Italy	Marketing support of 3C products in Italy	533,971	545,988	-	100.00	22,836	1,710	-	Note 3
ASTP	ACIB	Spain	Marketing support of 3C products in Spain	17	18	3,000	100.00	35,817	728	-	Note 3
ASTP	ACJP	Japan	Selling of 3C products in Japan	71,238	72,841	20,500	100.00	152,903	(26,320)	-	Note 3
ASTP	ACCZ	Czech Republic	Marketing support of 3C products in Czech Republic	2,412	2,466	-	100.00	14,909	380	-	Note 3
ASTP	ASAU	Australia	Repairing of 3C products in Australia	28,095	28,727	950,000	100.00	33,374	1,444	-	Note 3
ASTP	ACAU	Australia	Marketing support of 3C products in Australia	10,502	10,738	350,000	100.00	43,051	(1,797)	-	Note 3
ASTP	ACIL	Israel	Marketing support of 3C products in Israel	378	387	50,000	100.00	2,477	160	-	Note 3
ASTP	ACCO	Colombia	Marketing support of 3C products in Colombia	873	893	74,489	100.00	-	(358)	-	Note 3 and 4
ASTP	ACZA	South Africa	Marketing support and repairing of 3C products in Africa	2	2	1,000	100.00	4,085	256	-	Note 3

Investor Company	Investee Company	Location	Main Businesses	Original Investment Amount		Balance as of March 31, 2018			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				March 31, 2018	Decemberh 31, 2017	Shares	Percentage of Ownership	Carrying Value			
ASTP	ACMY	Malaysia	Marketing support and repairing of 3C products in Malaysia	3,401	3,478	500,000	100.00	18,472	1,205	-	Note 3
ASTP and ACH	ACCZS	Czech Republic	Repairing of 3C products in Europe	8,346	8,532	-	100.00	86,782	4,486	-	Note 3
ASTP and ACNL	ACPE	Peru	Marketing support of 3C products in Peru	11	12	1,000	100.00	1,539	(471)	-	Note 3
ASTP and ACNL	ACMH	Mexico	Selling of 3C products in Mexico	110,619	113,075	51,120	100.00	-	(133,069)	-	Note 3 and 4
ASTP and ACNL	ACBZ	Brazil	Selling of 3C products in Brazil	5,736,946	5,866,044	549,469,000	100.00	4,930,805	173,660	-	Note 3
ASTP and ACNL	ASIN	India	Selling of 3C products in India	197,259	201,698	33,500,000	100.00	-	55,301	-	Note 3 and 4
ASTP and ACMH	ACMX	Mexico	Marketing support of 3C products in Mexico	296	302	132	100.00	4,193	(97)	-	Note 3
ACNL	ACHU	Hungary	Marketing support and repairing of 3C products in Hungary	1,793	1,778	-	100.00	8,254	273	-	Note 3
ACNL	ACPT	Portugal	Marketing support of 3C products in Portugal	1,076	1,067	30,000	100.00	10,100	180	-	Note 3
ACNL	ACCH	Switzerland	Marketing support of 3C products in Switzerland	8,197	8,128	3,400	100.00	22,093	258	-	Note 3
ACNL	ACN	Sweden	Marketing support of 3C products in North Europe	1,143	1,133	3,000	100.00	53,947	1,126	-	Note 3
ACNL	ACTR	Turkey	Marketing support and repairing of 3C products in Turkey	15,785	-	2,046	100.00	51,222	256	-	Note 3
UHL	UEI	Taiwan	Manufacturing and selling of automotive electronics and computer peripherals	187,661	191,884	21,300,000	100.00	76,869	(59)	-	Note 3
AHL	NEXTS	Cayman Islands	Investing in cloud computing service business	87,886	87,886	8,560,974	43.48	73,960	(7,093)	-	Note 3

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

Note 2 : Only disclose the share of profits/losses of investee recognized by ASUS.

Note 3 : According to regulation, the share of profits/losses of the investee company is not reflected herein.

Note 4 : Credit balance of investments accounted for under equity method is transferred to other liabilities - non-current.

Note 5 : Percentage of ownership represents controlling ratio not consolidated shareholding percentage.

Note 6 : Amount denominated in foreign currencies related to income and expenses in this table are re-translated at average exchange rates from January 1, 2018 to March 31, 2018, otherwise are re-translated at the exchange rates prevailing at the end of the financial reporting period.

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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 (Losses) of the Investee Company	Percentage of Ownership	Investment Income (Loss) Recognized in Current Period (Note 2 b + c)	Carrying Amount as of March 31, 2018 (Note 2 b + c and 3)	Ending Balance of Accumulated Inward Remittance of Earnings	Note (Note 1 b)
					Outflow	Inflow							
ACSH	Selling of 3C products in China	235,751	b	235,751	-	-	235,751	(4,481)	100.00	(4,481)	-	-	ASTP Invested
ACS	Repairing support of 3C products	58,210	b	58,210	-	-	58,210	789	100.00	789	68,522	-	ASTP Invested
ACSZ	Researching and developing of 3C products	1,426,145	b	1,426,145	-	-	1,426,145	48,504	100.00	48,504	2,930,320	-	ASTP Invested
ACCQ	Selling of 3C products in China	2,008,245	b	2,008,245	-	-	2,008,245	110,936	100.00	110,936	5,127,230	-	ASTP Invested
ACISZ	Leasing real estate	477,756	c	-	-	-	-	(1,161)	100.00	(1,161)	471,137	-	-
ASKEYSH	Researching, developing and selling of communication products	87,315	b	87,315	-	-	87,315	301	100.00	301	6,640	-	MIC Invested
ASKEYJS	Manufacturing and selling of communication products	2,619,450	b	2,619,450	-	-	2,619,450	11,847	100.00	11,847	3,849,999	-	MAGICOM Invested
ASKEYMWJ	Manufacturing and selling of communication products	87,315	b	87,315	-	-	87,315	344	100.00	344	95,455	-	MAGICOM Invested
AAEONSZ	Manufacturing and selling of industrial computers and interface cards	252,930	b	252,930	-	-	252,930	400	100.00	400	281,534	-	AAEONTCL Invested
ONYXSH	Selling of medical computers and peripherals	43,658	a	43,658	-	-	43,658	(2,387)	100.00	(2,387)	8,963	-	-
EMES	Selling and consulting of information system software	8,732	a	8,732	-	-	8,732	1,089	100.00	1,089	11,542	-	-
UPISZ	Marketing support and technical service of integrated circuits	16,735	b	16,735	-	-	16,735	603	100.00	603	8,511	-	UPIHK Invested
9SKY HANGZHOU	Manufacturing and serving of data storage media	87,315	c	4,989	-	-	4,989	-	5.71	-	-	-	-
9SKY SHANGHAI	Manufacturing and serving of data storage media	29,105	c	1,328	-	-	1,328	-	5.71	-	-	-	-
EOSTEK SHENZHEN	Smart TV and projector platform service	203,735	c	52,156	-	-	52,156	-	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
ASUS	4,327,984	6,144,136	106,294,370
	USD 148,702	USD 211,102	
ASKEY	3,172,445	3,172,445	2,988,553
	USD 109,000	USD 109,000	
AAEON	252,930	252,930	2,957,337
	USD 8,690	USD 8,690	
SWI	8,732	9,896	98,630
	USD 300	USD 340	
UPI	16,735	16,735	554,587
	USD 575	USD 575	
ONYX	43,658	43,658	536,008
	USD 1,500	USD 1,500	

Note 1 : The methods for engaging in investment in Mainland China include the following:

- Direct investment in Mainland China.
- Indirectly investment in Mainland China through companies registered in a third region (Please specify the name of the company in third region).
- 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:

- The financial report was reviewed and certified by an international accounting firm in cooperation with an R.O.C. accounting firm.
- The financial statements was reviewed and certificated by independent auditors of the parent company in Taiwan.
- Others.

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

Note 4 : Amount denominated in foreign currencies related to income and expenses in this table are re-translated at average exchange rates from January 1, 2018 to March 31, 2018, otherwise are re-translated at the exchange rates prevailing at the end of the financial reporting period.