ASUSTEK COMPUTER INC. AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Review Report Thereon

September 30, 2019 and 2018

(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 September 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three-month periods ended September 30, 2019 and 2018, and for the nine-month periods ended September 30, 2019 and 2018, as well as the consolidated statements of changes in equity and of cash flows for the nine-month periods ended September 30, 2019 and 2018, 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, which statements reflect total assets amounting to $100,756,104 thousand and $94,081,408 thousand (including investments accounted for under equity method amounting to $1,836,922 thousand and $113,779 thousand), constituting 29.88% and 26.27% of consolidated total assets as of September 30, 2019 and 2018, respectively, total liabilities amounting to $25,097,033 thousand and $26,672,313 thousand, constituting 15.35% and 14.66% of consolidated total liabilities as of September 30, 2019 and 2018, and total comprehensive income (loss) amounting to $1,791,609 thousand, ($1,428,243) thousand, ($2,555,413) thousand and ($2,707,264) thousand, constituting 25.75%, (34.75%), (14.23%) and (48.63%) of consolidated total comprehensive income (loss) for the three-month periods ended September 30, 2019 and 2018, and for the nine-month periods ended September 30, 2019 and 2018, 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 September 30, 2019 and 2018, and of its consolidated financial performance for the three-month periods ended September 30, 2019 and 2018, and for the nine-month periods ended September 30, 2019 and 2018 and its consolidated cash flows for the nine-month periods ended September 30, 2019 and 2018 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.

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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 $4,177,607 thousand and $3,748,029 thousand, constituting 1.24% and 1.05% of consolidated total assets as of September 30, 2019 and 2018, respectively, and total comprehensive income amounting to $12,869 thousand, $15,944 thousand, $87,038 thousand and $40,051 thousand, constituting 0.18%, 0.39%, 0.48% and 0.72% of consolidated total comprehensive income for the three-month periods ended September 30, 2019 and 2018, and for the nine-month periods ended September 30, 2019 and 2018, respectively.

Chou, Chien-Hung

Chang, Shu-Chiung

For and on behalf of PricewaterhouseCoopers, Taiwan

November 13, 2019

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such 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 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
SEPTEMBER 30, 2019, DECEMBER 31, 2018 AND SEPTEMBER 30, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

ASSETS	NOTES	SEPTEMBER 30, 2019 (UNAUDITED) AMOUNT	%	DECEMBER 31, 2018 AMOUNT	%	SEPTEMBER 30, 2018 (UNAUDITED) AMOUNT	%
Current assets							
Cash and cash equivalents	6(1)	$ 61,063,101	18	$ 63,972,548	19	$ 70,104,510	20
Financial assets at fair value through profit or loss - current	6(2)	8,428,677	3	4,995,219	1	5,494,334	1
Financial assets at fair value through other comprehensive income - current	6(3)	667,709	-	636,827	-	713,975	-
Financial assets at amortized cost - current	6(4)	119,500	-	1,665,377	-	-	-
Derivative financial assets for hedging - current	6(5)	614,073	-	334,333	-	235,798	-
Notes receivable	6(6)	6,885,942	2	4,397,115	1	10,687,129	3
Trade receivables	6(6)(7) and 7	68,415,206	20	77,717,433	23	77,127,886	22
Other receivables	7	2,216,889	1	736,104	-	701,566	-
Inventories	6(8)	79,260,680	24	94,259,039	28	95,917,796	27
Prepayments		8,183,371	2	6,096,345	2	6,951,381	2
Other current assets	8	220,340	-	113,906	-	192,429	-
Total current assets		236,075,488	70	254,924,246	74	268,126,804	75
Non-current assets							
Financial assets at fair value through profit or loss - non-current	6(2)	129,693	-	145,704	-	137,229	-
Financial assets at fair value through other comprehensive income - non-current	6(3)	52,685,950	16	45,359,962	13	51,146,850	14
Investments accounted for under equity method	6(9)	6,061,197	2	5,666,800	2	3,908,476	1
Property, plant and equipment	6(10) and 8	21,766,147	6	16,733,866	5	16,254,478	5
Right-of-use assets	6(11)	3,102,168	1	-	-	-	-
Investment property		4,014,931	1	4,024,499	1	3,996,893	1
Intangible assets	6(12)	1,919,680	1	2,071,736	1	2,130,891	1
Deferred income tax assets		10,012,071	3	9,726,356	3	8,956,220	2
Other non-current assets	6(14) and 8	1,382,108	-	3,512,707	1	3,452,740	1
Total non-current assets		101,073,945	30	87,241,630	26	89,983,777	25
TOTAL ASSETS		$ 337,149,433	100	$ 342,165,876	100	$ 358,110,581	100

(Continued)

ASUSTEK COMPUTER INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2019, DECEMBER 31, 2018 AND SEPTEMBER 30, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

LIABILITIES AND EQUITY	NOTES	SEPTEMBER 30, 2019 (UNAUDITED) AMOUNT	%	DECEMBER 31, 2018 AMOUNT	%	SEPTEMBER 30, 2018 (UNAUDITED) AMOUNT	%
Current liabilities							
Short-term borrowings	6(15)	$ 5,603,516	2	$ 7,124,984	2	$ 6,436,441	2
Financial liabilities at fair value through profit or loss - current	6(2)	109,374	-	240,293	-	119,188	-
Derivative financial liabilities for hedging - current	6(5)	13,034	-	53,437	-	135,543	-
Contract liabilities - current	6(24)	1,077,951	-	954,548	-	942,925	-
Notes and trade payables	6(7) and 7	55,892,294	17	65,138,253	19	73,251,971	20
Other payables - accrued expenses		35,591,860	11	37,620,949	11	34,996,891	10
Current income tax liabilities		6,889,865	2	5,066,425	2	5,944,683	2
Provisions for liabilities - current	6(18) and 9	21,835,462	6	22,429,049	7	21,606,318	6
Lease liabilities - current		449,875	-	-	-	-	-
Current portion of long-term borrowings	6(16)	-	-	-	-	602,820	-
Refund liabilities - current	6(19)	19,183,673	6	19,861,807	6	19,963,124	6
Other current liabilities	7	4,253,332	1	4,199,880	1	6,117,077	2
Total current liabilities		150,900,236	45	162,689,625	48	170,116,981	48
Non-current liabilities							
Long-term borrowings	6(16)	-	-	-	-	70,891	-
Deferred income tax liabilities		11,098,364	3	11,117,996	3	11,120,572	3
Lease liabilities - non-current		740,410	-	-	-	-	-
Other non-current liabilities		710,983	-	666,331	-	594,068	-
Total non-current liabilities		12,549,757	3	11,784,327	3	11,785,531	3
Total liabilities		163,449,993	48	174,473,952	51	181,902,512	51
Equity attributable to shareholders of the parent							
Share capital - common shares	6(20)	7,427,603	2	7,427,603	2	7,427,603	2
Capital surplus	6(21)	6,297,025	2	6,299,430	2	6,303,218	1
Retained earnings	6(22)						
Legal reserve		35,407,050	11	34,983,546	10	34,983,546	10
Special reserve		693,928	-	693,941	-	693,941	-
Unappropriated retained earnings		92,460,830	27	94,556,481	28	97,378,029	27
Other equity	6(3)(5)(23)	25,222,063	8	17,404,000	5	22,673,548	7
Total equity attributable to shareholders of the parent		167,508,499	50	161,365,001	47	169,459,885	47
Non-controlling interest		6,190,941	2	6,326,923	2	6,748,184	2
Total equity		173,699,440	52	167,691,924	49	176,208,069	49
TOTAL LIABILITIES AND EQUITY		$ 337,149,433	100	$ 342,165,876	100	$ 358,110,581	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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE DATA)
(UNAUDITED)

		FOR THE THREE -MONTH PERIODS ENDED SEPTEMBER 30,				FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30,			
		2019		2018		2019		2018	
ITEMS	NOTES	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Operating revenue	6(24) and 7	$ 93,946,499	100	$ 89,464,591	100	$ 254,041,608	100	$ 263,395,906	100
Operating costs	6(8)(17)(27)(28)(32) and 7	(77,534,099)	(83)	(76,505,591)	(86)	(215,020,204)	(84)	(223,513,041)	(85)
Gross profit		16,412,400	17	12,959,000	14	39,021,404	16	39,882,865	15
Operating expenses	6(11)(17)(27)(28)(32), 7 and 9								
Selling expenses		(5,313,769)	(5)	(4,535,912)	(5)	(14,464,890)	(6)	(12,202,090)	(5)
General and administrative expenses		(1,556,385)	(2)	(1,464,225)	(1)	(4,881,942)	(2)	(4,978,064)	(2)
Research and development expenses		(3,747,023)	(4)	(3,379,899)	(4)	(10,334,168)	(4)	(8,448,462)	(3)
Total operating expenses		(10,617,177)	(11)	(9,380,036)	(10)	(29,681,000)	(12)	(25,628,616)	(10)
Operating profit		5,795,223	6	3,578,964	4	9,340,404	4	14,254,249	5
Non-operating income and expenses									
Other income	6(25)	2,707,753	3	2,894,651	3	3,450,176	1	3,773,697	2
Other gains (losses)	6(2)(10)(26) and 9	(49,311)	-	264,878	-	2,313,124	1	(1,613,750)	(1)
Finance costs		(39,820)	-	(72,187)	-	(132,202)	-	(166,012)	-
Share of profit of associates and joint ventures accounted for under equity method	6(9)	5,864	-	13,561	-	68,254	-	32,042	-
Total non-operating income and expenses		2,624,486	3	3,100,903	3	5,699,352	2	2,025,977	1
Profit before income tax		8,419,709	9	6,679,867	7	15,039,756	6	16,280,226	6
Income tax expenses	6(29)	(1,769,434)	(2)	(1,268,692)	(1)	(3,104,370)	(1)	(3,094,586)	(1)
Profit from continuing operations for the period		6,650,275	7	5,411,175	6	11,935,386	5	13,185,640	5
Loss from discontinued operations for the period	6(13)	(841,438)	(1)	(1,813,281)	(2)	(1,803,965)	(1)	(5,296,578)	(2)
Profit for the period		$ 5,808,837	6	$ 3,597,894	4	$ 10,131,421	4	$ 7,889,062	3
Other comprehensive income									
Components of other comprehensive income that will not be reclassified to profit or loss									
Loss on remeasurements of defined benefit plans	6(23)	$ 16,113	-	$ -	-	$ -	-	$ -	-
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)(23)	1,052,797	1	1,288,852	1	7,384,177	3	(3,532,008)	(1)
Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method	6(9)(23)	(1,742)	-	-	-	8,107	-	(3)	-
Income tax relating to components of other comprehensive income	6(23)(29)	(5,361)	-	42,068	-	(66)	-	32,212	-
Components of other comprehensive income that will be reclassified to profit or loss									
Financial statements translation differences of foreign operations	6(23)	(780,769)	(1)	(456,297)	-	139,900	-	421,265	-
Gains (losses) on hedging instrument	6(5)(23)	717,592	1	(452,787)	-	320,143	-	771,309	-
Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method	6(9)(23)	(2,199)	-	70	-	(1,912)	-	(39)	-
Income tax relating to the components of other comprehensive income	6(23)(29)	152,258	-	90,440	-	(30,088)	-	(14,533)	-
Other comprehensive income (loss) for the period		$ 1,148,689	1	$ 512,346	1	$ 7,820,261	3	($ 2,321,797)	(1)
Total comprehensive income for the period		$ 6,957,526	7	$ 4,110,240	5	$ 17,951,682	7	$ 5,567,265	2
Profit attributable to:									
Shareholders of the parent		$ 5,633,102	6	$ 3,342,726	4	$ 9,499,950	4	$ 7,054,052	3
Non-controlling interest		175,735	-	255,168	-	631,471	-	835,010	-
		$ 5,808,837	6	$ 3,597,894	4	$ 10,131,421	4	$ 7,889,062	3
Total comprehensive income attributable to:									
Shareholders of the parent		$ 6,775,755	7	$ 3,862,202	5	$ 17,318,013	7	$ 4,741,974	2
Non-controlling interest		181,771	-	248,038	-	633,669	-	825,291	-
		$ 6,957,526	7	$ 4,110,240	5	$ 17,951,682	7	$ 5,567,265	2
Basic earnings per share (in dollars): Profit from continuing operations	6(30)	$ 8.72		$ 6.94		$ 15.22		$ 16.63	
Loss from discontinued operations		(1.14)		(2.44)		(2.43)		(7.13)	
Basic earnings per share		$ 7.58		$ 4.50		$ 12.79		$ 9.50	
Diluted earnings per share (in dollars) : Profit from continuing operations	6(30)	$ 8.68		$ 6.92		$ 15.14		$ 16.57	
Loss from discontinued operations		(1.13)		(2.43)		(2.41)		(7.10)	
Diluted earnings per share		$ 7.55		$ 4.49		$ 12.73		$ 9.47	

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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	Equity attributable to owners of the parent													
			Retained Earnings			Other Equity Interest								
	Common shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain on available-for-sale financial assets	Gain (loss) on effective portion of cash flow hedges	Gain (loss) on hedging instruments	Remeasurements of defined benefit plan	Total	Non-controlling interest	Total equity
For the nine-month period ended September 30, 2018														
Balance at January 1, 2018	$7,427,603	$5,554,197	$33,429,055	$693,941	$102,790,860	($1,875,958)	$ -	$27,893,808	($ 671,054)	$ -	($ 98,267)	$175,144,185	$3,530,118	$178,674,303
Effect of retrospective application and restatement	-	-	-	-	289,921	-	27,630,905	(27,893,808)	671,054	(671,054)	-	27,018	-	27,018
Balance at January 1, after adjustments	7,427,603	5,554,197	33,429,055	693,941	103,080,781	(1,875,958)	27,630,905	-	-	(671,054)	(98,267)	175,171,203	3,530,118	178,701,321
Appropriations of 2017 earnings (Note 6(22))														
Legal reserve	-	-	1,554,491	-	(1,554,491)	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(11,141,404)	-	-	-	-	-	-	(11,141,404)	-	(11,141,404)
Profit for the period	-	-	-	-	7,054,052	-	-	-	-	-	-	7,054,052	835,010	7,889,062
Other comprehensive income (loss) for the period	-	-	-	-	-	408,178	(3,495,106)	-	-	771,309	3,541	(2,312,078)	(9,719)	(2,321,797)
Change in associates and joint ventures accounted for under equity method	-	40,177	-	-	-	-	-	-	-	-	-	40,177	-	40,177
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(278)	-	-	-	-	-	-	-	-	-	(278)	-	(278)
Recognition of changes in ownership interest in subsidiaries	-	709,122	-	-	-	-	-	-	-	-	-	709,122	-	709,122
Non-controlling interest (Note 6(31))	-	-	-	-	-	-	-	-	-	-	-	-	2,392,775	2,392,775
Disposition of financial assets at fair value through other comprehensive income	-	-	-	-	(60,909)	-	-	-	-	-	-	(60,909)	-	(60,909)
Balance at September 30, 2018	$7,427,603	$6,303,218	$34,983,546	$693,941	$ 97,378,029	($1,467,780)	$ 24,135,799	$ -	$ -	$100,255	($ 94,726)	$169,459,885	$6,748,184	$176,208,069
For the nine-month period ended September 30, 2019														
Balance at January 1, 2019	$7,427,603	$6,299,430	$34,983,546	$693,941	$ 94,556,481	($1,004,029)	$ 18,234,029	$ -	$ -	$280,896	($ 106,896)	$161,365,001	$6,326,923	$167,691,924
Appropriations of 2018 earnings (Note 6(22))														
Legal reserve	-	-	423,504	-	(423,504)	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(11,141,404)	-	-	-	-	-	-	(11,141,404)	-	(11,141,404)
Profit for the period	-	-	-	-	9,499,950	-	-	-	-	-	-	9,499,950	631,471	10,131,421
Other comprehensive income for the period	-	-	-	-	-	111,770	7,384,506	-	-	320,143	1,644	7,818,063	2,198	7,820,261
Change in associates and joint ventures accounted for under equity method	-	5,229	-	-	(826)	-	-	-	-	-	-	4,403	-	4,403
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(7,634)	-	-	-	-	-	-	-	-	-	(7,634)	-	(7,634)
Reversal of special reserve	-	-	-	(13)	13	-	-	-	-	-	-	-	-	-
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(769,651)	(769,651)
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	(29,880)	-	-	-	-	-	-	(29,880)	-	(29,880)
Balance at September 30, 2019	$7,427,603	$6,297,025	$35,407,050	$693,928	$ 92,460,830	($ 892,259)	$ 25,618,535	$ -	$ -	$601,039	($ 105,252)	$167,508,499	$6,190,941	$173,699,440

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

ASUSTEK COMPUTER INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30,	
	2019	2018
Cash flows from operating activities		
Profit before income tax from continuing operations for the period	$ 15,039,756	$ 16,280,226
Loss before income tax from discontinued operations for the period	(1,822,848)	(5,741,223)
Profit before income tax from continuing and discontinued operations for the period	13,216,908	10,539,003
Income and expenses that result in non-cash flows		
Depreciation (including investment property and right-of-use assets)	1,424,673	942,033
Amortization	355,356	319,214
Expected credit impairment losses	152,519	298,679
Net loss (gain) on financial assets or liability at fair value through profit or loss	(1,217,040)	(980,771)
Share of profit of associates and joint ventures accounted for under equity method	(68,254)	(32,042)
Interest income	(999,402)	(1,128,586)
Dividend income	(2,349,345)	(2,552,907)
Interest expense	132,202	166,012
Others	47,937	118,749
Changes in assets/liabilities relating to operating activities		
Financial assets at fair value through profit or loss	(1,844,800)	4,739,383
Notes receivable	(2,575,801)	(2,329,403)
Trade receivables	9,262,122	(941,038)
Other receivables	(1,512,634)	(6,170)
Inventories	14,998,359	(12,861,839)
Prepayments	(944,547)	(500,554)
Other current assets	(106,435)	16,850
Financial liabilities at fair value through profit or loss	(965,605)	(1,504,665)
Contract liabilities	89,595	308,623
Notes and trade payables	(9,245,959)	16,751,721
Other payables - accrued expenses	(2,545,193)	(3,925,036)
Provisions for liabilities	(593,587)	778,075
Receipts in advance	28,671	(149,452)
Refund liabilities	(678,134)	(387,823)
Other current liabilities	51,112	1,812,363
Other operating liabilities	23,629	(4,463)
Receipt of interest	1,037,306	1,089,080
Payment of interest	(136,521)	(158,677)
Payment of income tax	(2,226,411)	(1,770,600)
Net cash flows provided by (used in) operating activities	12,810,721	8,645,759
Cash flows from investing activities		
Acquisition of financial assets at fair value through other comprehensive income	-	(325,904)
Proceeds from disposal of financial assets at amortized cost	1,562,822	-
Acquisition of property, plant and equipment	(6,214,614)	(2,167,205)
Acquisition of intangible assets	(121,107)	(335,149)
Changes in other non-current assets	(107,283)	(21,578)
Dividends received	2,546,501	2,564,254
Others	52,875	(16,947)
Net cash flows provided by (used in) investing activities	(2,280,806)	(302,529)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(1,522,398)	550,901
Proceeds from long-term borrowings	-	2,080,000
Redemption of long-term borrowings	-	(2,422,073)
Payment of cash dividends	(11,141,404)	(11,141,404)
Redemption of lease liabilities	(417,895)	-
Change in non-controlling interest	(779,445)	(407,887)
Others	20,811	(43,778)
Net cash flows provided by (used in) financing activities	(13,840,331)	(11,384,241)
Effects due to changes in exchange rate	400,969	952,559
Decrease in cash and cash equivalents	(2,909,447)	(2,088,452)
Cash and cash equivalents at beginning of period	63,972,548	72,192,962
Cash and cash equivalents at end of period	$ 61,063,101	$ 70,104,510

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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018
(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 November 13, 2019.

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 28, "Long-term interests in associates and joint ventures"	January 1, 2019
IFRIC 23, "Uncertainty over income tax treatments"	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

IFRS 16, "Leases"

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

B. The Group recognized the lease contract of lessees in line with IFRS 16 using the modified retrospective approach. Accordingly, the Group increased 'right-of-use asset' and lease liability and decreased other non-current assets - long-term prepaid rents and prepayment by $3,392,189, $1,384,624, $2,002,288 and $5,277, respectively with respect to the lease contracts of lessees on January 1, 2019.

C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

(A) Reassesment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previonsly identified as leases applying IAS 17 and IFRIC 4.

(B) The use of single discount rate to a portfolio of leases with reasonably similar characteristics.

(C) The accounting for operating leases whose period will end before December 31, 2019 as short-term lease and accordingly, rent expense of $142,748 was recognized for the nine-month period ended September 30, 2019.

(D) The exclusion of initial direct costs for the measurement of 'right-of-use asset'.

D. The Group calculated the present value of lease liabilities by using the incremental borrowing interest rate ranging from 1.15%~11.00%.

E. The Group recognized lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the leasee's incremental borrowing rate and lease liabilities recognized as of January 1, 2019 is as follows:

Operating lease commitments disclosed under IAS 17 as of December 31, 2018	$	1,630,676
Less: Applying short-term leases exemption	(	156,689)
Less: Applying low-value assets exemption	(	1,156)
Total lease contracts amount recognized as lease liabilities under IFRS 16 as of January 1, 2019	$	1,472,831
The range of incremental borrowing interst rate at the date of initial application		1.15%~11.00%
Lease liabilities recognized as of January 1, 2019 under IFRS 16	$	1,384,624

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

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, IAS 39 and IFRS 7, "Interest rate benchmark reform"	January 1, 2020
Amendments to IFRS 10 and IAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined by International Accounting Standards Board
IFRS 17, "Insurance contracts"	January 1, 2021

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

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

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

(1) <u>Compliance statement</u>

These consolidated financial statements of the Group have been prepared 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) <u>Basis of preparation</u>

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.

(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.

(3) <u>Basis of consolidation</u>

A. Basis for preparation of consolidated financial statements

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

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

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

(D) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

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

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)			
Investor	Subsidiary	Main business activities	2019/09/30	2018/12/31	2018/09/30	Remark
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	
ASUS	ASUSTEK HOLDINGS LIMITED (AHL)	Investing in computer peripheral business	100.00	100.00	100.00	
ASUS	ASUS GLOBAL PTE. LTD. (ASGL)	Selling of 3C products	100.00	100.00	100.00	
ASUS	ASUS CLOUD CORPORATION (ASUSCLOUD)	Selling and consulting of internet service	94.58	94.58	90.97	
ASUS	ASKEY COMPUTER CORP. (ASKEY)	Designing, manufacturing, repairing and selling of communication products and computer peripheral spare parts	100.00	100.00	100.00	
ASUS	HUA-CHENG VENTURE CAPITAL CORP. (HCVC)	Investing in computer peripheral business	100.00	100.00	100.00	
ASUS	HUA-MIN INVESTMENT CO., LTD. (HMI)	Investing in computer peripheral business	100.00	100.00	100.00	
ASUS	AGAIT TECHNOLOGY CORPORATION (AGA)	Designing and selling of computer peripheral and smart vacuums	-	-	100.00	
ASUS	QUANTUM CLOUD INTERNATIONAL PTE. LTD. (QCI)	Servicing of information technology	100.00	100.00	100.00	Note 1
ASUS	JINSHUO CULTURAL DIFFUSION CO., LTD. (JSCD)	Professional eSports	100.00	100.00	100.00	

Investor	Subsidiary	Main business activities	Ownership (%) 2019/09/30	2018/12/31	2018/09/30	Remark
ASUS and HCVC	SHINEWAVE INTERNATIONAL INC. (SWI)	Researching, developing, selling and consulting of information system	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	69.25	56.73	56.73	
ASUS and HCVC	PT. ASUS TECHNOLOGY INDONESIA BATAM (ACBT)	Selling of 3C products in Indonesia	100.00	100.00	100.00	
ASUS and HCVC	PT. ASUS TECHNOLOGY INDONESIA JAKARTA (ACJK)	Selling of 3C products in Indonesia	100.00	100.00	100.00	
ASUS, HCVC and HMI	ASMEDIA TECHNOLOGY INC. (ASMEDIA)	Designing, researching, developing and manufacturing of high-speed analog circuit	52.93	52.93	52.93	
ASUS, HCVC and HMI	UPI SEMICONDUCTOR CORP. (UPI)	Designing, researching, developing and selling of integrated circuits	-	-	50.99	Note 2
ASUS, HCVC and HMI	AAEON TECHNOLOGY INC. (AAEON)	Manufacturing and selling of industrial computers and computer peripherals	40.73	40.73	40.73	
ASUS, HMI and AAEON	ONYX HEALTHCARE INC. (ONYX)	Designing, manufacturing and selling of medical computers	56.80	55.86	55.86	Note 3
ASUS and AIL Group	UNIMAX ELECTRONICS INCORPORATION (UEI)	Manufacturing and selling of automotive eletronics and computer peripherals	100.00	100.00	100.00	
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 peripheral business	100.00	100.00	100.00	
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	YANG XU ELECTRONIC 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	

Investor	Subsidiary	Main business activities	Ownership (%) 2019/09/30	2018/12/31	2018/09/30	Remark
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	
ASKEY GROUP	WISE ACCESS (HK) LIMITED (WISE)	Investing in communication and computer peripheral business	100.00	100.00	100.00	
ASKEY GROUP	SILIGENCE SAS (SILIGENCE)	Selling and servicing of communication products	95.95	95.95	95.95	
ASKEY GROUP	ASKEY MAGICXPRESS (WUJIANG) CORP. (ASKEYMWJ)	Manufacturing and selling of communication products	-	100.00	100.00	
ASKEY GROUP	ASKEY COMMUNICATION GMBH (ASKEYCG)	Selling and servicing of communication products	100.00	100.00	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 and selling and servicing of communication products	100.00	100.00	100.00	
ASKEY GROUP	ASKEY JAPAN CO,. LTD. (ASKEYJP)	Selling and servicing of communication products	100.00	100.00	100.00	
ASKEY GROUP	ASKEY DIGITAL TECHNOLOGY CORP. (ASKEYDT)	Selling and servicing of communication products	100.00	-	-	
IUT	INTERNATIONAL UNITED TECHNOLOGY CO., LTD. (IUTS)	Investing in ink-jet print heads and ink-jet digital image output technology business	-	100.00	100.00	
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 peripheral 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	100.00	

Investor	Subsidiary	Main business activities	Ownership (%) 2019/09/30	2018/12/31	2018/09/30	Remark
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	
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	46.00	46.60	
UPI GROUP	UBIQ SEMICONDUCTOR CORP. (UBIQ)	Designing, researching, developing and selling of integrated circuits	-	-	100.00	Note 2
UPI GROUP	UPI-SEMICONDUCTOR CORPORATION (HK) LIMITED (UPIHK)	Investing in business of electronic products	-	-	100.00	Note 2
UPI GROUP	UPI-SEMICONDUCTOR CORPORATION (SHENZHEN) LIMITED (UPISZ)	Technical support for electronic products	-	-	100.00	Note 2
UPI GROUP	JPD LABO CO., LTD. (JPDJP)	Designing, researching and developing electronic products	-	-	100.00	Note 2
UPI GROUP	UPI SEMICONDUCTOR INC. (UPIUS)	Marketing support of integrated circuits	-	-	100.00	Note 2
ASUSCLOUD GROUP	ASUS CLOUD SINGAPORE PTE. LTD. (ASUSCLOUDSG)	Investing in internet service business	100.00	100.00	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 peripheral business	-	100.00	100.00	
AIL GROUP	CHANNEL PILOT LIMITED (CHANNEL)	Investing in 3C business	100.00	100.00	100.00	
AIL GROUP	UNIMAX HOLDINGS LIMITED (UHL)	Investing in automotive electronics and computer peripheral business	100.00	100.00	100.00	
AIL GROUP	ASUS TECHNOLOGY PTE. LIMITED (ASTP)	Investing in 3C business	100.00	100.00	100.00	
AIL GROUP	ASUS MIDDLE EAST FZCO (ACAE)	Providing support and repair for 3C products in Middle East	100.00	100.00	100.00	
AIL GROUP	ASUS EGYPT L. L. C. (ACEG)	Providing support for 3C products in Egypt	100.00	100.00	100.00	
AIL GROUP	ASUS COMPUTER GMBH (ACG)	Selling and providing support for 3C products in Germany	100.00	100.00	100.00	

Investor	Subsidiary	Main business activities	Ownership (%) 2019/09/30	2018/12/31	2018/09/30	Remark
AIL GROUP	ASUS FRANCE SARL (ACF)	Providing support for 3C products in France	100.00	100.00	100.00	
AIL GROUP	ASUSTEK (UK) LIMITED (ACUK)	Providing support for 3C products in United Kingdom	100.00	100.00	100.00	
AIL GROUP	ASUS TECHNOLOGY (HONG KONG) LIMITED (ACHK)	Providing support and repair for 3C products in Hong Kong	100.00	100.00	100.00	
AIL GROUP	ASUS KOREA CO., LTD. (ACKR)	Providing support and repair for 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)	Providing support for 3C products in Poland	100.00	100.00	100.00	
AIL GROUP	ASUS TECHNOLOGY PRIVATE LIMITED (ACIN)	Providing support and repair for 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)	Providing support for 3C products in Italy	100.00	100.00	100.00	
AIL GROUP	ASUS SPAIN MARKETING SUPPORT SL (ACIB)	Providing support for 3C products in Spain	100.00	100.00	100.00	Note 1
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. (ACCZ)	Providing support for 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)	Providing support for 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	
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)	Providing support for 3C products in Israel	100.00	100.00	100.00	
AIL GROUP	ASUSTEK COMPUTER (CHONGQING) CO., LTD. (ACCQ)	Selling of 3C products in China	100.00	100.00	100.00	

Investor	Subsidiary	Main business activities	Ownership (%) 2019/09/30	2018/12/31	2018/09/30	Remark
AIL GROUP	ASUS PERU S. A. C. (ACPE)	Providing support for 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)	Providing support for 3C products in Mexico	100.00	100.00	100.00	
AIL GROUP	ASUS PORTUGAL, SOCIEDADE UNIPESSOAL LDA. (ACPT)	Providing support for 3C products in Portugal	100.00	100.00	100.00	
AIL GROUP	ASUS HUNGARY SERVICES LIMITED LIABILITY COMPANY (ACHU)	Providing support and repair for 3C products in Hungary	100.00	100.00	100.00	
AIL GROUP	ASUS SWITZERLAND GMBH (ACCH)	Providing support for 3C products in Switzerland	100.00	100.00	100.00	
AIL GROUP	ASUS NORDIC AB (ACN)	Providing support for 3C products in North Europe	100.00	100.00	100.00	
AIL GROUP	ASUS COMPUTER COLOMBIA S. A. S. (ACCO)	Providing support for 3C products in Colombia	100.00	100.00	100.00	
AIL GROUP	ASUS (THAILAND) CO., LTD. (ACTH)	Providing support for 3C products in Thailand	100.00	100.00	100.00	Note 1
AIL GROUP	ASUSTEK COMPUTERS (PTY) LIMITED (ACZA)	Providing support and repair for 3C products in Africa	100.00	100.00	100.00	
AIL GROUP	ASUSTEK COMPUTER MALAYSIA SDN. BHD. (ACMY)	Providing support and repair for 3C products in Malaysia	100.00	100.00	100.00	
AIL GROUP	ASUS BILGISAYAR SISTEMLERI TICARET LIMITED SIRKETI (ACTR)	Providing support and repair for 3C products in Turkey	100.00	100.00	100.00	
AIL GROUP	ASUS CHILE SPA (ACCL)	Providing support for 3C products in Chile	100.00	100.00	100.00	
AIL GROUP	ASUS TEKNOLOJI SERVISLERI TICARET LIMITED SIRKETI (ASTR)	Repairing of 3C products in Turkey	100.00	100.00	100.00	
AIL GROUP	ASUS SERVICE (THAILAND) CO., LTD. (ASTH)	Repairing of 3C products in Thailand	100.00	100.00	-	
AIL GROUP	ASUS PHILIPPINES CORPORATION (ASPH)	Providing support and repair for 3C products in Philippines	100.00	-	-	
AIL GROUP	QC SERVER AB (QCS)	Servicing of information technology	100.00	-	-	
AIL GROUP	ASUS COMPUTER (SHANGHAI) CO., LTD. (ACS)	Repairing 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	

Investor	Subsidiary	Main business activities	Ownership (%) 2019/09/30	2018/12/31	2018/09/30	Remark
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: QCI was named ASUS DIGITAL INTERNATIONAL PTE. LTD. before it was renamed in June 2018; ACIB was named ASUS IBERICA S. L. before it was renamed in November 2018; ACTH was named ASUS MARKETING (THAILAND) Co., LTD. before it was renamed in January 2019.

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

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

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

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

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

F. Subsidiaries that have non-controlling interests that are material to the Group:

Non-controlling interests in each subsidiary is immaterial to the Group.

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

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

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

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

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

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

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

(5) 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) Financial assets measured at amortized costs

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

(10) Accounts and notes receivable

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

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

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

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

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

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

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

(13) Leasing arrangements (lessor) – operating leases

Lease income from an operating lease net of any incentives given to the lessee is recognized in profit or loss on a straight-line basis over the lease term.

(14) Inventories

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

(15) Investments accounted for under equity method

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

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

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

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

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

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

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

(16) Property, plant and equipment

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

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

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

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

(17) Leasing arrangements (lessee) - right-of-use assets/lease liabilities

Effective 2019

A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are fixed payment, less any lease incentives receivable. The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date; and

(c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(18) Operating leases (lessee)

Applicable for 2018

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.

(19) 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.

(20) 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 1~10 years.

(21) 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.

(22) 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.

(23) Notes and trade payables

A. Trade payables 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 trade payables without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(24) 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.

(25) Derecognition of financial liabilities

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

(26) 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.

(27) <u>Non-hedging derivatives</u>

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.

(28) <u>Hedge accounting</u>

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.

(29) 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.

(30) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(A) Defined contribution plans

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

(B) Defined benefit plans

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

b. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as other equity.
c. Prior service costs are recognized immediately in profit or loss.
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.

(31) 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".

(32) Income tax

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

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

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

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

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

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

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.

(33) 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.

(34) Revenue recognition

Sales of goods

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

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

(C) The Group's obligation to provide a repair 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.

(35) 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.

(36) 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 September 30, 2019, the Group recognized $19,183,673 as refund liabilities for sales returns and discounts.

B. Evaluation of inventories

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

As of September 30, 2019, the carrying amount of inventories was $79,260,680.

6. **DETAILS OF SIGNIFICANT ACCOUNTS**

(1) Cash and cash equivalents

	2019/09/30	2018/12/31	2018/09/30
Cash on hand and petty cash	$ 7,810	$ 7,117	$ 15,411
Checking accounts and demand deposits	25,871,517	25,676,338	22,714,153
Time deposits	33,828,821	36,911,805	46,030,795
Others	1,354,953	1,377,288	1,344,151
	$ 61,063,101	$ 63,972,548	$ 70,104,510

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

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

	2019/09/30	2018/12/31	2018/09/30
Financial assets mandatorily measured at fair value through profit or loss - current:			
Listed and OTC stocks	$ 486,287	$ 1,027,950	$ 1,065,698
Unlisted and non-OTC stocks	6,861	5,937	6,005
Beneficiary certificates	7,512,428	3,832,002	4,140,205
Derivatives	423,101	129,330	282,426
	$ 8,428,677	$ 4,995,219	$ 5,494,334
Financial assets mandatorily measured at fair value through profit or loss - non-current:			
Listed and OTC stocks	$ 771	$ 33,307	$ 31,002
Unlisted and non-OTC stocks	49,360	28,013	29,070
Beneficiary certificates	68,141	74,085	77,157
Hybrid instruments	11,421	10,299	-
	$ 129,693	$ 145,704	$ 137,229
Financial liabilities held for trading - current:			
Derivatives	$ 109,374	$ 240,293	$ 119,188

A. The hybrid instruments is a hybrid contract consisting of non-listed and OTC stock of V-NET AAEON and embedded options, the Group and stockholders of V-NET AAEON have the right to sell or buy stocks at original transaction price. The fair value of derivatives amounted to ($3,518) and $0 on September 30, 2019 and December 31, 2018, respectively.

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

	For the three-month periods ended September 30,	
	2019	2018
Financial assets and liabilities mandatorily measured at fair value through profit or loss		
Equity instruments	($ 58,747)	($ 67,436)
Debt instruments	-	-
Beneficiary certificates	10,537	4,486
Derivatives	1,200,965	359,489
Hybrid instruments	10	-
	$ 1,152,765	$ 296,539

	For the nine-month periods ended September 30,	
	2019	2018
Financial assets and liabilities mandatorily measured at fair value through profit or loss		
Equity instruments	$ 7,362	$ 380,886
Debt instruments	-	2,126
Beneficiary certificates	20,842	21,682
Derivatives	1,187,714	576,077
Hybrid instruments	1,122	-
	$ 1,217,040	$ 980,771

C. 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:

	2019/09/30			2018/12/31		
	Contract amount (in thousands)		Maturity period	Contract amount (in thousands)		Maturity period
Derivative financial assets:						
Forward exchange contracts						
-EUR/USD	EUR	278,000	2019/10~ 2020/02	EUR	78,000	2019/04
-NTD/USD	USD	290,000	2019/12	USD	50,000	2019/06
-USD/NTD	USD	200	2019/10	USD	400	2019/01
-GBP/USD	GBP	13,500	2019/12	GBP	6,000	2019/01
-NOK/USD	NOK	60,000	2019/11	NOK	32,487	2019/01
-PLN/USD	PLN	85,000	2019/12	PLN	56,255	2019/03
-CHF/USD	CHF	5,800	2019/11	CHF	-	-
-CNH/USD	CNH	1,751,000	2019/12	CNH	243,061	2019/01
-AUD/USD	AUD	8,000	2019/11	AUD	5,000	2019/01
-JPY/USD	JPY	431,000	2019/10	JPY	548,050	2019/03
-IDR/USD	IDR	394,625,000	2019/10	IDR	301,025,000	2019/01
-INR/USD	INR	1,062,550	2019/10	INR	174,744	2019/01
-RUB/USD	RUB	-	-	RUB	464,714	2019/01
-SEK/USD	SEK	-	-	SEK	26,839	2019/01
-CAD/USD	CAD	-	-	CAD	39,700	2019/01~ 2019/02
-THB/USD	THB	-	-	THB	64,820	2019/01
Currency option contracts						
-EUR/USD	EUR	50,000	2019/10	EUR	16,000	2019/03
-GBP/USD	GBP	27,000	2019/12	GBP	-	-
-RUB/USD	RUB	184,500	2020/01	RUB	1,001,640	2019/01
-CNH/USD	CNH	1,468,998	2019/12	CNH	765,457	2019/05
Currency swap contracts						
-USD/NTD	USD	1,000	2019/10	USD	500	2019/01
-NTD/USD	USD	-	-	USD	2,000	2019/06

	2019/09/30			2018/12/31		
	Contract amount (in thousands)		Maturity period	Contract amount (in thousands)		Maturity period
Derivative financial liabilities:						
Forward exchange contracts						
-CAD/USD	CAD	138,800	2019/10~ 2020/02	CAD	-	-
-NTD/USD	USD	100,000	2019/11	USD	20,000	2019/05
-USD/NTD	USD	400	2019/10	USD	200	2019/01
-EUR/USD	EUR	1,000	2020/01	EUR	198,700	2019/04
-GBP/USD	GBP	6,000	2020/01	GBP	-	-
-NOK/USD	NOK	20,000	2019/10	NOK	-	-
-CNH/USD	CNH	1,299,950	2019/12	CNH	695,975	2019/03
-IDR/USD	IDR	854,445,000	2019/10	IDR	1,517,622,000	2019/03
-INR/USD	INR	3,288,625	2019/10	INR	3,633,412	2019/03
-SEK/USD	SEK	-	-	SEK	30,940	2019/02
-PLN/USD	PLN	-	-	PLN	3,700	2019/01
-CHF/USD	CHF	-	-	CHF	2,800	2019/01
-JPY/USD	JPY	-	-	JPY	998,610	2019/02
Currency option contracts						
-RUB/USD	RUB	3,444,390	2019/12	RUB	-	-
-CNH/USD	CNH	-	-	CNH	2,499,061	2019/05
-JPY/USD	JPY	-	-	JPY	8,491,160	2019/03
-INR/USD	INR	-	-	INR	2,750,228	2019/02
Currency swap contracts						
-USD/NTD	USD	500	2019/10	USD	-	-
-NTD/USD	USD	-	-	USD	3,000	2019/06

	2018/09/30		
	Contract amount (in thousands)		Maturity period
Derivative financial assets:			
Forward exchange contracts			
-USD/NTD	USD	600	2018/10
-PLN/USD	PLN	61,844	2018/12
-CHF/USD	CHF	1,547	2018/10
-EUR/USD	EUR	199,870	2018/12
-JPY/USD	JPY	200,000	2018/10
-GBP/USD	GBP	21,460	2018/12
-SEK/USD	SEK	37,151	2018/10
-CNH/USD	CNH	1,161,547	2018/12
-IDR/USD	IDR	149,700,000	2018/11
-INR/USD	INR	1,939,087	2019/02
-AUD/USD	AUD	5,000	2018/10
-NTD/USD	USD	50,000	2018/10
Currency option contracts			
-EUR/USD	EUR	185,000	2019/01
-CNH/USD	CNH	2,480,278	2019/03
-RUB/USD	RUB	5,094,515	2019/01
Currency swap contracts			
-USD/NTD	USD	5,500	2018/10~ 2018/12
Derivative financial liabilities:			
Forward exchange contracts			
-CAD/USD	CAD	127,700	2018/10~ 2019/02
-SEK/USD	SEK	35,915	2018/11
-PLN/USD	PLN	1,370	2018/10
-AUD/USD	AUD	5,000	2018/11
-INR/USD	INR	1,761,274	2018/12
-MXN/USD	MXN	9,260	2018/10
-EUR/USD	EUR	42,000	2018/11
-RUB/USD	RUB	1,128,181	2018/11
-IDR/USD	IDR	1,290,679,000	2019/03
-NOK/USD	NOK	140,772	2019/01
Currency option contracts			
-RUB/USD	RUB	5,491	2019/01

(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.

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

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

	2019/09/30	2018/12/31	2018/09/30
Equity instruments - current:			
Listed and OTC stocks	$ 310,939	$ 310,939	$ 310,939
Valuation adiustment	356,770	325,888	403,036
	$ 667,709	$ 636,827	$ 713,975
Equity instruments - non-current:			
Listed and OTC stocks	$ 26,881,261	$ 26,880,445	$ 26,879,967
Unlisted and non-OTC stocks	558,436	586,560	486,534
	27,439,697	27,467,005	27,366,501
Valuation adjustment	25,246,253	17,892,957	23,780,349
	$ 52,685,950	$ 45,359,962	$ 51,146,850

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 $53,353,659, $45,996,789 and $51,860,825 on September 30, 2019, December 31, 2018 and September 30, 2018, respectively.

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

	For the three-month periods ended September 30,	
	2019	2018
Reclassfied from other equity to retained earnings due to disposal	($ 29,880)	$ -
Dividends are from investments recognized in profit or loss held at end of the reporting period	$ 2,298,467	$ 2,486,531

	For the nine-month periods ended September 30,	
	2019	2018
Reclassfied from other equity to retained earnings due to disposal	($ 29,880)	($ 60,909)
Dividends are from investments recognized in profit or loss held at end of the reporting period	$ 2,300,767	$ 2,491,137

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

(4) Financial assets at amortized cost

Items	2019/09/30	2018/12/31	2018/09/30
Current items:			
Time deposits with original maturity period of more than three months	$ 119,500	$ 1,665,377	$ -

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

B. As of September 30, 2019, December 31, 2018 and September 30, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Group were $119,500, $1,665,377 and $0, respectively.

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

(5) Hedging financial assets and liabilities

	2019/09/30	2018/12/31	2018/09/30
Financial assets - current			
Cash flow hedges - Forward exchange contracts	$ 614,073	$ 334,333	$ 235,798
Financial liabilities - current			
Cash flow hedges - Forward exchange contracts	(13,034)	(53,437)	(135,543)
	$ 601,039	$ 280,896	$ 100,255

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

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

	2019/09/30			2018/12/31		
Hedging instruments	Contract amount (in thousands)		Maturity period	Contract amount (in thousands)		Maturity period
Cash flow hedges:						
Derivative financial assets						
Forward exchange contracts						
-EUR/USD	EUR	500,000	2020/03	EUR	353,000	2019/06
-PLN/USD	PLN	151,000	2020/03	PLN	48,000	2019/06
-GBP/USD	GBP	43,000	2020/03	GBP	46,000	2019/06
-SEK/USD	SEK	154,000	2020/03	SEK	87,000	2019/06
-NOK/USD	NOK	116,000	2020/03	NOK	79,000	2019/06
-JPY/USD	JPY	2,200,000	2019/12	JPY	-	-
-RUB/USD	RUB	1,007,000	2019/12	RUB	1,787,000	2019/03
-AUD/USD	AUD	14,000	2019/12	AUD	14,000	2019/03
Derivative financial liabilities						
Forward exchange contracts						
-AUD/USD	AUD	2,000	2019/12	AUD	2,000	2019/03
-NOK/USD	NOK	4,000	2020/03	NOK	56,000	2019/06
-EUR/USD	EUR	25,000	2020/03	EUR	155,000	2019/06
-GBP/USD	GBP	7,000	2020/03	GBP	6,000	2019/06
-RUB/USD	RUB	722,000	2019/12	RUB	-	-
-SEK/USD	SEK	-	-	SEK	29,000	2019/06
-PLN/USD	PLN	-	-	PLN	46,000	2019/06
-JPY/USD	JPY	-	-	JPY	2,800,000	2019/03

Hedging instruments	2018/09/30 Contract amount (in thousands)		Maturity period
Cash flow hedges:			
Derivative financial assets			
Forward exchange contracts			
-AUD/USD	AUD	9,700	2018/12
-IDR/USD	IDR	373,295,000	2018/12
-INR/USD	INR	5,861,836	2018/12
-EUR/USD	EUR	477,000	2019/03
-GBP/USD	GBP	37,000	2019/03
-SEK/USD	SEK	93,000	2019/03
-NOK/USD	NOK	92,000	2018/12
-JPY/USD	JPY	3,450,000	2018/12
-PLN/USD	PLN	16,000	2019/03
Derivative financial liabilities			
Forward exchange contracts			
-IDR/USD	IDR	506,590,000	2018/12
-INR/USD	INR	664,113	2018/12
-EUR/USD	EUR	93,000	2019/03
-GBP/USD	GBP	14,000	2019/03
-SEK/USD	SEK	82,000	2019/03
-NOK/USD	NOK	77,000	2019/03
-PLN/USD	PLN	106,000	2019/03
-RUD/USD	RUB	6,372,600	2018/12
-AUD/USD	AUD	4,500	2018/12
-JPY/USD	JPY	350,000	2018/12

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:

	For the nine-month periods ended September 30, 2019	2018
Other equity - hedge effectiveness		
January 1	$ 280,896	($ 671,054)
Gains (losses) on hedge instrument	320,143	771,309
September 30	$ 601,039	$ 100,255
Other gains (losses) - hedge ineffectiveness	$ 8,028	($ 25,420)

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.

(6) Notes and trade receivables

	2019/09/30	2018/12/31	2018/09/30
Notes receivable	$ 6,972,916	$ 4,397,115	$ 10,698,931
Trade receivables	69,656,507	80,832,557	79,867,757
	76,629,423	85,229,672	90,566,688
Less: Loss allowance	(1,328,275)	(3,115,124)	(2,751,673)
	$ 75,301,148	$ 82,114,548	$ 87,815,015

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

	2019/09/30	2018/12/31	2018/09/30
Not past due	$ 64,192,807	$ 69,382,775	$ 78,115,360
Less than 90 days past due	10,810,871	13,041,760	9,811,539
Between 91 and 180 days past due	794,748	398,241	372,902
More than 181 days past due	830,997	2,406,896	2,266,887
	$ 76,629,423	$ 85,229,672	$ 90,566,688

B. As of September 30, 2019, December 31, 2018, September 30, 2018 and January 1, 2018, the balances of receivables (including notes receivable) from contracts with customers amounted to $76,629,423, $85,229,672, $90,566,688 and $87,339,736, respectively.

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

D. As of September 30, 2019, December 31, 2018 and September 30, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable were $6,885,942, $4,397,115 and $10,687,129, respectively. The maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were $68,415,206, $77,717,433 and $77,127,886, respectively.

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

(7) Offsetting financial assets and financial liabilities

A. The Group has assets (fair value of $30,545,896, $30,836,695 and $30,371,715 as of September 30, 2019, December 31, 2018 and September 30, 2018, respectively) and liabilities (fair value of $32,372,592, $36,514,971 and $34,310,554 as of September 30, 2019, December 31, 2018 and September 30, 2018, respectively) with certain companies that meet the offsetting criteria in paragraph 42 of IAS 32, resulting in the presentation of a net amount for trade receivables and notes and trade payables.

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

	Offsetting trade receivables, notes and trade payables					
	Gross amount of financial assets (before offset)	Gross amount of financial liabilities (before offset)	Offsetting amount	Amount of financial assets presented in the balance sheet (after offset)	Amount of financial liabilities presented in the balance sheet (after offset)	Not set off in the balance sheet: collateral (received) /provided
2019/09/30	$ 30,545,896	($ 32,372,592)	($ 29,294,755)	$ 1,251,141	($ 3,077,837)	$ -
2018/12/31	30,836,695	(36,514,971)	(30,631,626)	205,069	(5,883,345)	-
2018/09/30	30,371,715	(34,310,554)	(30,371,715)	-	(3,938,839)	-

(8) Inventories

	2019/09/30		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 37,905,915	($ 6,923,063)	$ 30,982,852
Work in process	3,623,561	(368,988)	3,254,573
Finished goods	2,492,446	(283,600)	2,208,846
Merchandise inventories	49,127,188	(7,032,939)	42,094,249
Inventories in transit	720,160	-	720,160
	$ 93,869,270	($ 14,608,590)	$ 79,260,680

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

	2018/09/30		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 53,015,128	($ 5,992,576)	$ 47,022,552
Work in process	5,264,867	(374,044)	4,890,823
Finished goods	3,625,351	(281,192)	3,344,159
Merchandise inventories	46,756,521	(7,382,340)	39,374,181
Inventories in transit	1,286,081	-	1,286,081
	$ 109,947,948	($ 14,030,152)	$ 95,917,796

Except for costs of goods sold, the inventories recognized as operating costs from continued and discontinued operations amounted to ($2,239,325), ($467,776), ($2,022,154), and ($228,503), of which ($2,290,105), ($503,825), ($2,069,817), and ($300,093) pertain to the decline (recovery) in value of inventories for the three-month periods ended September 30, 2019 and 2018, and for the nine-month periods ended September 30, 2019 and 2018, respectively. The Group reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold because some inventories with allowance for valuation loss had been sold during the three-month periods ended September 30, 2019 and 2018.

(9) Investments accounted for under equity method

	2019/09/30	2018/12/31	2018/09/30
Associates	$ 6,061,197	$ 5,666,800	$ 3,908,476

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 September 30,	
	2019	2018
Profit (loss) for the period	$ 5,864	$ 13,561
Other comprehensive (loss) income for the period (net of income tax)	(1,640)	(42)
Total comprehensive (loss) income for the period	$ 4,224	$ 13,519

	For the nine-month periods ended September 30,	
	2019	2018
Profit (loss) for the period	$ 68,254	$ 32,042
Other comprehensive (loss) income for the period (net of income tax)	7,932	(1,318)
Total comprehensive (loss) income for the period	$ 76,186	$ 30,724

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

	2019/09/30	2018/12/31	2018/09/30
Fair value of associates	$ 3,872,121	$ 2,896,449	$ 3,037,321

C. As of September 30, 2019 and 2018, the investments accounted for under equity method amounted to $1,836,922 and $113,779, respectively, and the share of comprehensive income (loss) amounted to ($10,946), ($2,313), ($12,589) and ($8,051) for the three-month periods ended September 30, 2019 and 2018, and for the nine-month periods ended September 30, 2019 and 2018, respectively, which were evaluated based on the investees’ unreviewed financial statements.

(10) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Miscellaneous equipment	Construction in progress and equipment under installation	Total
January 1, 2019						
Cost	$ 6,447,064	$ 7,363,769	$ 5,432,501	$ 4,299,207	$ 3,231,834	$ 26,774,375
Accumulated depreciation and impairment	-	(3,028,235)	(3,883,916)	(3,128,358)	-	(10,040,509)
	$ 6,447,064	$ 4,335,534	$ 1,548,585	$ 1,170,849	$ 3,231,834	$ 16,733,866
January 1, 2019	$ 6,447,064	$ 4,335,534	$ 1,548,585	$ 1,170,849	$ 3,231,834	$ 16,733,866
Acquisitions	1,014,089	373,243	2,439,028	320,721	2,096,853	6,243,934
Disposals	-	-	(53,165)	(21,034)	-	(74,199)
Depreciation	-	(156,720)	(467,308)	(337,538)	-	(961,566)
Reclassifications	-	781	18,886	14,671	(29,324)	5,014
Net exchange differences	5,814	(26,739)	(94,468)	(13,008)	(52,501)	(180,902)
September 30, 2019	$ 7,466,967	$ 4,526,099	$ 3,391,558	$ 1,134,661	$ 5,246,862	$ 21,766,147
September 30, 2019						
Cost	$ 7,466,967	$ 7,660,666	$ 7,493,707	$ 4,355,178	$ 5,246,862	$ 32,223,380
Accumulated depreciation and impairment	-	(3,134,567)	(4,102,149)	(3,220,517)	-	(10,457,233)
	$ 7,466,967	$ 4,526,099	$ 3,391,558	$ 1,134,661	$ 5,246,862	$ 21,766,147

	Land	Buildings	Machinery and equipment	Miscellaneous equipment	Construction in progress and equipment under installation	Total
January 1, 2018						
Cost	$ 6,430,351	$ 7,165,888	$ 5,586,398	$ 6,328,088	$ 1,411,302	$ 26,922,027
Accumulated depreciation and impairment	-	(2,812,818)	(3,758,221)	(5,100,512)	-	(11,671,551)
	$ 6,430,351	$ 4,353,070	$ 1,828,177	$ 1,227,576	$ 1,411,302	$ 15,250,476
January 1, 2018	$ 6,430,351	$ 4,353,070	$ 1,828,177	$ 1,227,576	$ 1,411,302	$ 15,250,476
Acquisitions	-	11,191	220,813	332,105	1,575,794	2,139,903
Disposals	-	(1,176)	(16,422)	(12,289)	-	(29,887)
Depreciation	-	(198,460)	(383,468)	(355,659)	-	(937,587)
Impairment	-	-	(25,007)	(2,794)	-	(27,801)
Reversal of impairment	-	-	13	-	-	13
Reclassifications	-	-	28,652	51,603	(114,548)	(34,293)
Effects due to changes in consolidated entities	-	-	-	7,482	-	7,482
Net exchange differences	13,248	(53,373)	(32,241)	(18,656)	(22,806)	(113,828)
September 30, 2018	$ 6,443,599	$ 4,111,252	$ 1,620,517	$ 1,229,368	$ 2,849,742	$ 16,254,478
September 30, 2018						
Cost	$ 6,443,599	$ 7,061,898	$ 5,558,200	$ 5,673,441	$ 2,849,742	$ 27,586,880
Accumulated depreciation and impairment	-	(2,950,646)	(3,937,683)	(4,444,073)	-	(11,332,402)
	$ 6,443,599	$ 4,111,252	$ 1,620,517	$ 1,229,368	$ 2,849,742	$ 16,254,478

A. After evaluating and comparing the carrying amount of property, plant and equipment and its recoverable amounts, the Group recognized impairment loss amounting to $0, $25,486, $0, $27,801 and impairment reversal gain amounting to $0, $0, $0 and $13 for the three-month periods ended September 30, 2019 and 2018, and for the nine-month periods ended September 30, 2019 and 2018, respectively.

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

(11) Leasing arrangements-lessee

Effective 2019

A. The Group leases various assets including buildings, transportation equipment, office equipment, land use right, and so on. Rental contracts are typically made for periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. Right-of-use-assets

	Buildings	Transporation equipments	Office equipments	Other equipments	Land use right	Total
January 1, 2019						
Adjustment under IFRS 16	$ 1,354,295	$ 26,889	$ 2,246	$ 6,471	$ 2,002,288	$ 3,392,189
Acquisitions	174,493	11,838	-	-	-	186,331
Disposals	(15,763)	(88)	-	-	-	(15,851)
Depreciation	(403,490)	(8,663)	(541)	(1,963)	(41,339)	(455,996)
Reclassifications	(3,313)	(281)	-	-	-	(3,594)
Net exchange differences	62,918	(9,825)	57	(391)	(53,670)	(911)
September 30, 2019	$ 1,169,140	$ 19,870	$ 1,762	$ 4,117	$ 1,907,279	$ 3,102,168

C. The information on income and expense accounts relating to lease contracts is as follows:

	For the three-month period ended September 30, 2019	For the nine-month period ended September 30, 2019
Items affecting profit or loss		
Interest expense on lease liabilities	$ 9,995	$ 26,199
Expense on short-term lease contracts	72,596	243,624
Expense on leases of low-value assets	3,729	8,963

D. For the nine-month period ended September 30, 2019, the Group's total cash outflow for leases was $696,681.

(12) Intangible assets

	Trademark	Computer software	Goodwill	Others	Total
January 1, 2019					
Cost	$ 355,103	$ 1,862,492	$ 1,138,513	$ 685,072	$ 4,041,180
Accumulated amortization and impairment	-	(1,416,011)	(6,615)	(546,818)	(1,969,444)
	$ 355,103	$ 446,481	$ 1,131,898	$ 138,254	$ 2,071,736
January 1, 2019	$ 355,103	$ 446,481	$ 1,131,898	$ 138,254	$ 2,071,736
Acquisitions	-	103,584	-	-	103,584
Disposals	-	(18,638)	-	-	(18,638)
Amortization and impairment	-	(204,507)	-	(35,673)	(240,180)
Reclassifications	-	3,730	-	-	3,730
Net exchange differences	-	(544)	-	(8)	(552)
September 30, 2019	$ 355,103	$ 330,106	$ 1,131,898	$ 102,573	$ 1,919,680
September 30, 2019					
Cost	$ 355,103	$ 1,846,308	$ 1,138,278	$ 684,888	$ 4,024,577
Accumulated amortization and impairment	-	(1,516,202)	(6,380)	(582,315)	(2,104,897)
	$ 355,103	$ 330,106	$ 1,131,898	$ 102,573	$ 1,919,680

	Trademark	Computer software	Goodwill	Others	Total
January 1, 2018					
Cost	$ 358,298	$ 2,033,671	$ 1,180,794	$ 651,650	$ 4,224,413
Accumulated amortization and impairment	(3,195)	(1,637,328)	(48,896)	(581,811)	(2,271,230)
	$ 355,103	$ 396,343	$ 1,131,898	$ 69,839	$ 1,953,183
January 1, 2018	$ 355,103	$ 396,343	$ 1,131,898	$ 69,839	$ 1,953,183
Acquisitions	174	288,665	-	108,957	397,796
Disposals	-	(5,210)	-	-	(5,210)
Amortization	(9)	(213,832)	-	(25,965)	(239,806)
Reclassifications	-	26,699	-	-	26,699
Net exchange differences	-	(1,769)	-	(2)	(1,771)
September 30, 2018	$ 355,268	$ 490,896	$ 1,131,898	$ 152,829	$ 2,130,891
September 30, 2018					
Cost	$ 355,277	$ 1,902,091	$ 1,180,778	$ 693,572	$ 4,131,718
Accumulated amortization and impairment	(9)	(1,411,195)	(48,880)	(540,743)	(2,000,827)
	$ 355,268	$ 490,896	$ 1,131,898	$ 152,829	$ 2,130,891

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

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

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

(13) Discontinued operations

A. The Group determined the strategic phone transformation plan to focus on E-sports players and expert users in the future under the resolution by the Board of Directors on December 13, 2018. The transformation plan has been underway and the Group recognized valuation effects of assets and liabilities accordingly.

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

	For the nine-month periods ended September 30,	
	2019	2018
Operating cash flows	($ 3,561,983)	$ 703,194
Investing cash flows	-	-
Financing cash flows (Note)	3,561,983	(703,194)
Total cash flows	$ -	$ -

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

C. Analysis of the operating results of discontinued operations is as follows:

	For the three-month periods ended September 30,	
	2019	2018
Operating revenue	$ 2,395,017	$ 13,218,138
Operating costs	(3,294,392)	(12,898,656)
Operating expenses	(195,253)	(1,791,547)
Non-operating income and expenses	(17,813)	(504,187)
Pre-tax loss from discontinued operations	(1,112,441)	(1,976,252)
Income tax benefit (expenses)	271,003	162,971
Total loss from discontinued operations	($ 841,438)	($ 1,813,281)

	For the nine-month periods ended September 30, 2019	2018
Operating revenue	$ 15,240,490	$ 28,716,844
Operating costs	(15,325,434)	(28,817,654)
Operating expenses	(1,935,574)	(5,377,645)
Non-operating income and expenses	197,670	(262,768)
Pre-tax loss from discontinued operations	(1,822,848)	(5,741,223)
Income tax benefit (expenses)	18,883	444,645
Total loss from discontinued operations	($ 1,803,965)	($ 5,296,578)

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

	2018/12/31	2018/09/30
Land use right	$ 2,002,288	$ 1,999,319

In January 2018, December 31, 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, Chongquing 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 $13,746 and $40,061 for the three-month period ended September 30, 2018, and for the nine-month period ended September 30, 2018, respectively.

(15) Short-term borrowings

Type of borrowings	2019/09/30	Interest rate range	Collateral
Bank borrowings			
Guaranteed borrowings	$ 53,078	5.65%~5.90%	Property, plant and equipment
Credit borrowings	5,550,438	1.02%~2.88%	-
	$ 5,603,516		

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

Type of borrowings	2018/09/30	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	$ 6,436,441	0.94%~3.19%	-

(16) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	2018/09/30
Credit borrowings - installment-repayment				
Bank of Taiwan	2018/04~2019/09, payable at maturity date, commencing 2 years after the initial date of borrowing	1.16%~ 1.31%	-	$ 600,000
Others	2017/05~2022/05	5.57%~ 5.59%	Land and buildings	73,711
				673,711
Less: Current portion of long-term borrowings				(602,820)
				$ 70,891

A. The Group's long-term borrowings (including current portion of long-term borrowings) have been cancelled and redeemed in advance. As of September 30, 2019 and December 31, 2018, the balance amounted to $0.

B. Under the borrowing contracts, the Company's subsidiaries who signed the contracts are required to maintain certain covenants annually agreed by both sides, and the bank can inspect at any time when necessary. The borrowings were repaid in the second quarter of 2018.

(17) 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 $3,953, $3,813, $13,855 and $12,417 for the three-month periods ended September 30, 2019 and 2018, and for the nine-month periods ended September 30, 2019 and 2018, respectively.

(C) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 are $7,645.

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 $233,462, $264,351, $740,646 and $818,352 for the three-month periods ended September 30, 2019 and 2018, and for the nine-month periods ended September 30, 2019 and 2018, respectively.

(18) Provisions for liabilities

	Provisions for warranty	Provisions for legal claims and royalty	Total
January 1, 2019	$ 15,121,138	$ 7,307,911	$ 22,429,049
Recognition (reversal)	6,013,689	(329,272)	5,684,417
Used	(6,171,461)	(189,991)	(6,361,452)
Net exchange differences	31,741	51,707	83,448
September 30, 2019	$ 14,995,107	$ 6,840,355	$ 21,835,462

	Provisions for warranty	Provisions for legal claims and royalty	Provisions for sales returns and discounts	Total
January 1, 2018	$ 13,578,703	$ 7,249,540	$ 20,350,947	$ 41,179,190
Recognition (reversal)	7,934,905	(156,605)	-	7,778,300
Used	(7,218,968)	(100,283)	-	(7,319,251)
Reclassified to refund liabilities	-	-	(20,350,947)	(20,350,947)
Net exchange differences	146,035	172,991	-	319,026
September 30, 2018	$ 14,440,675	$ 7,165,643	$ -	$ 21,606,318

Analysis of total provisions:

	2019/09/30	2018/12/31	2018/09/30
Current	$ 21,835,462	$ 22,429,049	$ 21,606,318

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 as of January 1, 2018. Information is provided in Note 6 (19).

(19) Refund liabilities

	2019	2018
January 1	$ 19,861,807	$ -
Adjustments under IFRS 15	-	20,350,947
Balance after adjustment as of January 1	19,861,807	20,350,947
Recognition (reversal)	26,113,133	27,264,901
Used	(26,834,388)	(27,772,699)
Net exchange differences	43,121	119,975
September 30	$ 19,183,673	$ 19,963,124

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.

(20) Common shares

A. As of September 30, 2019, 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 nine-month periods ended September 30, 2019 and 2018 are both 742,760,280 shares.

B. As of September 30, 2019, the Company issued Global Depositary Receipts (GDRs), of which 4,958,000 units of the GDRs are now listed on the Luxembourg Stock Exchange. Per unit of GDR represents 5 shares of the Company's common stock and total GDRs represent 24,788,000 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.

(21) 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.

		2019/09/30		2018/12/31		2018/09/30
Share premium	$	4,227,966	$	4,227,966	$	4,227,966
Difference between consideration and carrying amount of subsidiaries acquired or disposed		885,390		893,024		897,526
Recognition of changes in ownership interest in subsidiaries		1,131,650		1,131,650		1,131,650
Changes in associates and joint ventures accounted for under equity method		52,019		46,790		46,076
	$	6,297,025	$	6,299,430	$	6,303,218

(22) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's profit after income tax, shall first be 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 12, 2018, the Company distributed cash dividends to owners amounting to $11,141,404 ($15 (in dollars) per share) for the appropriation of 2017 earnings. On June 18, 2019, the shareholders resolved to distribute cash dividends amounting to $11,141,404 ($15 (in dollars) per share) for the appropriation of 2018 earnings.

F. The information about employees' compensation and directors' remuneration is provided in Note 6(28).

(23) Other equity

	Gain (loss) on hedging instruments	Unrealized gain on valuation of financial assets at fair value through other comprehensive income	Financial statements translation differences of foreign operations	Remeasurement of defined benefit plans	Total
January 1, 2019	$ 280,896	$ 18,234,029	($ 1,004,029)	($ 106,896)	$ 17,404,000
-The Company	-	7,506,348	687,226	-	8,193,574
-Subsidiaries	320,143	(125,144)	(574,565)	1,644	(377,922)
-Associates	-	3,302	(891)	-	2,411
September 30, 2019	$ 601,039	$ 25,618,535	($ 892,259)	($ 105,252)	$ 25,222,063

	Gain (loss) on effective portion of cash flow hedges	Gain (loss) on hedging instruments	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	-	-	(3,285,331)	-	1,691,737	-	(1,593,594)
-Subsidiaries	-	771,309	(209,779)	-	(1,283,473)	3,541	(718,402)
-Associates	-	-	4	-	(86)	-	(82)
September 30, 2018	$ -	$ 100,255	$ 24,135,799	$ -	($ 1,467,780)	($ 94,726)	$ 22,673,548

(24) Operating revenue

	For the three-month periods ended September 30, 2019	For the three-month periods ended September 30, 2018
Revenue from contracts with customers	$ 96,341,516	$ 102,682,729
Less: Revenue from contracts with customers from discontinued operations	(2,395,017)	(13,218,138)
	$ 93,946,499	$ 89,464,591

	For the nine-month periods ended September 30,	
	2019	2018
Revenue from contracts with customers	$ 269,282,098	$ 292,112,750
Less: Revenue from contracts with customers from discontinued operations	(15,240,490)	(28,716,844)
	$ 254,041,608	$ 263,395,906

A. Disaggregation of revenue from contracts with customers

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

For the three-month period ended September 30, 2019	3C products	Others	Total
Revenue from contracts with customers	$ 92,895,609	$ 1,050,890	$ 93,946,499
Timing of revenue recognition			
At a point in time	$ 92,863,455	$ 1,015,867	$ 93,879,322
Over time	32,154	35,023	67,177
	$ 92,895,609	$ 1,050,890	$ 93,946,499

For the three-month period ended September 30, 2018	3C products	Others	Total
Revenue from contracts with customers	$ 86,886,502	$ 2,578,089	$ 89,464,591
Timing of revenue recognition			
At a point in time	$ 86,858,168	$ 2,560,902	$ 89,419,070
Over time	28,334	17,187	45,521
	$ 86,886,502	$ 2,578,089	$ 89,464,591

For the nine-month period ended September 30, 2019	3C products	Others	Total
Revenue from contracts with customers	$ 251,135,564	$ 2,906,044	$ 254,041,608
Timing of revenue recognition			
At a point in time	$ 251,039,323	$ 2,833,908	$ 253,873,231
Over time	96,241	72,136	168,377
	$ 251,135,564	$ 2,906,044	$ 254,041,608

For the nine-month period ended September 30, 2018	3C products	Others	Total
Revenue from contracts with customers	$ 255,489,391	$ 7,906,515	$ 263,395,906
Timing of revenue recognition			
At a point in time	$ 255,405,566	$ 7,858,670	$ 263,264,236
Over time	83,825	47,845	131,670
	$ 255,489,391	$ 7,906,515	$ 263,395,906

Revenue from contracts with customers from discontinued operations for the three-month periods ended September 30, 2019 and 2018, and for the nine-month periods ended September 30, 2019 and 2018, amounted to $2,395,017, $13,218,138, $15,240,490 and $28,716,844, respectively, and are recognized at a point in time.

B. Contract liabilities

(A) The Group recognized contract liabilities related to the contract revenue from sales and warranty amounting to $1,077,951, $954,548, $942,925 and $781,602 as of September 30, 2019, December 31, 2018, September 30, 2018 and January 1, 2018, respectively.

(B) The revenue recognized from the beginning balance of contract liability amounted to $69,271, $67,820, $363,762 and $260,732 for the three-month periods ended September 30, 2019 and 2018, and for the nine-month periods ended September 30, 2019 and 2018, respectively.

(25) Other income

	For the three-month periods ended September 30,	
	2019	2018
Dividend income	$ 2,345,970	$ 2,510,312
Interest income	325,301	355,194
Rent income	36,744	29,342
	2,708,015	2,894,848
Less: Other income from discontinued operations	(262)	(197)
	$ 2,707,753	$ 2,894,651

	For the nine-month periods ended September 30,	
	2019	2018
Dividend income	$ 2,349,345	$ 2,552,907
Interest income	999,402	1,128,586
Rent income	101,816	93,732
	3,450,563	3,775,225
Less: Other income from discontinued operations	(387)	(1,528)
	$ 3,450,176	$ 3,773,697

(26) Other gains (losses)

	For the three-month periods ended September 30,	
	2019	2018
Net currency exchange gains (losses)	($ 1,352,980)	($ 663,766)
Net gains (losses) on derivative financial instruments	1,200,975	359,489
Net gains (losses) on non-derivative financial instruments	(48,210)	(62,950)
Gains (losses) on disposal of investments	(1,009)	-
Other net gains (losses) (Note)	133,838	127,721
	(67,386)	(239,506)
Add (Less) : Other (gains) losses from discontinued operations	18,075	504,384
	($ 49,311)	$ 264,878

	For the nine-month periods ended September 30,	
	2019	2018
Net currency exchange gains (losses)	$ 450,747	($ 1,065,079)
Net gains (losses) on derivative financial instruments	1,188,836	576,077
Net gains (losses) on non-derivative financial instruments	28,204	404,694
Gains (losses) on disposal of investments	(1,009)	2,250
Other net gains (losses) (Note)	843,629	(1,795,988)
	2,510,407	(1,878,046)
Add (Less) : Other (gains) losses from discontinued operations	(197,283)	264,296
	$ 2,313,124	($ 1,613,750)

Note: 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 European Commission has finished the investigation in July, 2018 and the Group has already paid the related payables in the fourth quarter of 2018. The financial position of the Group is sound enough and cash and cash equivalents balance is assessed to be sufficient to cover the probable loss of the case. Therefore, the case has no significant impact to the operations of the Group. In addition, the Group will manage properly and respond to various types of operational and non-operational risk in the future.

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

	For the three-month periods ended September 30,					
	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses	$ 836,509	$ 5,805,735	$ 6,642,244	$ 824,370	$ 5,571,502	$ 6,395,872
Depreciation	247,860	291,989	539,849	147,913	157,997	305,910
Amortization	3,682	120,030	123,712	3,177	103,223	106,400

	For the nine-month periods ended September 30,					
	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses	$2,606,127	$16,623,288	$19,229,415	$ 2,554,537	$15,325,680	$17,880,217
Depreciation	581,689	835,873	1,417,562	450,895	486,692	937,587
Amortization	10,828	344,528	355,356	11,348	307,866	319,214

(28) Employee benefit expenses (including discontinued operations)

	For the three-month periods ended September 30,	
	2019	2018
Wages and salaries	$ 5,879,541	$ 5,562,107
Labor and health insurance	353,401	376,407
Pension (Note)	237,415	268,164
Other personnel expenses	171,887	189,194
	$ 6,642,244	$ 6,395,872

	For the nine-month periods ended September 30,	
	2019	2018
Wages and salaries	$ 16,854,002	$ 15,362,767
Labor and health insurance	1,102,461	1,151,178
Pension (Note)	754,501	830,769
Other personnel expenses	518,451	535,503
	$ 19,229,415	$ 17,880,217

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 September 30, 2019 and 2018, and for the nine-month periods ended September 30, 2019 and 2018, employees' compensation was accrued at $419,324, $231,660, $707,170 and $525,835, respectively; directors' remuneration was accrued at $22,069, $12,193, $37,219 and $27,676, respectively. The aforementioned amounts were recognized in salary expense.

The employees' compensation and directors' remuneration amounting to $299,233 and $15,749, respectively, for 2018 as resolved by the Board of Directors were in agreement with the amounts recognized in the 2018 financial statements. The employees' compensation and directors' remuneration will be distributed in cash. Related information is available at the Market Observation Post System website.

(29) Income tax

A. Income tax expenses

(A) Components of income tax expense:

	For the three-month periods ended September 30, 2019	2018
Income tax expenses	$ 1,498,431	$ 1,105,721
Add: Income tax benefit from discontinued operations	271,003	162,971
Income tax expenses from continuing operations	$ 1,769,434	$ 1,268,692

	For the nine-month periods ended September 30, 2019	2018
Income tax expenses	$ 3,085,487	$ 2,649,941
Add: Income tax benefit from discontinued operations	18,883	444,645
Income tax expenses from continuing operations	$ 3,104,370	$ 3,094,586

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 September 30, 2019 and 2018, and for the nine-month periods ended September 30, 2019 and 2018.

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

	For the three-month periods ended September 30,	
	2019	2018
Changes in fair value of financial assets at fair value through other comprehensive income	$ 5,360	($ 42,068)
Currency translation differences	(152,258)	(90,440)
Remeasurements of defined benefit plans	1	-
	($ 146,897)	($ 132,508)

	For the nine-month periods ended September 30,	
	2019	2018
Changes in fair value of financial assets at fair value through other comprehensive income	$ 3,289	($ 28,671)
Currency translation differences	30,088	14,533
Remeasurements of defined benefit plans	(3,223)	(3,541)
	$ 30,154	($ 17,679)

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

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 at the first quarter of 2018.

(30) Earnings per share

	For the three-month period ended September 30, 2019		
	Amount after income tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit from continuing operations attributable to ordinary shareholders of the parent	$ 6,474,540		$ 8.72
Loss from discontinued operations attributable to ordinary shareholders of the parent	(841,438)		(1.14)
Profit attributable to ordinary shareholders of the parent	$ 5,633,102	742,760	$ 7.58
Diluted earnings per share			
Profit from continuing operations attributable to ordinary shareholders of the parent	$ 6,474,540		$ 8.68
Loss from discontinued operations attributable to ordinary shareholders of the parent	(841,438)		(1.13)
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	3,425	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 5,633,102	746,185	$ 7.55

	For the three-month period ended September 30, 2018		
	Amount after income tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit from continuing operations attributable to ordinary shareholders of the parent	$ 5,156,007		$ 6.94
Loss from discontinued operations attributable to ordinary shareholders of the parent	(1,813,281)		(2.44)
Profit attributable to ordinary shareholders of the parent	$ 3,342,726	742,760	$ 4.50
Diluted earnings per share			
Profit from continuing operations attributable to ordinary shareholders of the parent	$ 5,156,007		$ 6.92
Loss from discontinued operations attributable to ordinary shareholders of the parent	(1,813,281)		(2.43)
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	1,992	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 3,342,726	744,752	$ 4.49

	For the nine-month period ended September 30, 2019		
	Amount after income tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit from continuing operations attributable to ordinary shareholders of the parent	$ 11,303,915		$ 15.22
Loss from discontinued operations attributable to ordinary shareholders of the parent	(1,803,965)		(2.43)
Profit attributable to ordinary shareholders of the parent	$ 9,499,950	742,760	$ 12.79
Diluted earnings per share			
Profit from continuing operations attributable to ordinary shareholders of the parent	$ 11,303,915		$ 15.14
Loss from discontinued operations attributable to ordinary shareholders of the parent	(1,803,965)		(2.41)
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	3,795	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 9,499,950	746,555	$ 12.73

	For the nine-month period ended September 30, 2018		
	Amount after income tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit from continuing operations attributable to ordinary shareholders of the parent	$ 12,350,630		$ 16.63
Loss from discontinued operations attributable to ordinary shareholders of the parent	(5,296,578)		(7.13)
Profit attributable to ordinary shareholders of the parent	$ 7,054,052	742,760	$ 9.50
Diluted earnings per share			
Profit from continuing operations attributable to ordinary shareholders of the parent	$ 12,350,630		$ 16.57
Loss from discontinued operations attributable to ordinary shareholders of the parent	(5,296,578)		(7.10)
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	2,413	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 7,054,052	745,173	$ 9.47

(31) Transaction with non-controlling interests

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

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

	For the nine-month period ended September 30, 2018
Proceeds from subsidiary increased capital by issuing new shares	3,498,501
Less: Increased in carrying amount of non-controlling interest	(2,785,769)
Capital surplus - recognition of changes in ownership interest in subsidiaries	$ 712,732

(32) Operating leases (Not applicable from 2019)

The Group leases offices, warehouse and parking lots under operating lease agreements. The Group recognized rental expenses of $282,594 and $849,490 for the three-month period ended September 30, 2018, and for the nine-month period ended September 30, 2018, respectively. The Group leases offices, warehouse and parking lots under non-cancellable operating lease agreements. The future aggregate minimum lease payments are as follows:

	2018/12/31	2018/9/30
Less than 1 year	$ 711,234	$ 623,821
Between 1 and 2 years	362,707	301,213
Between 2 and 3 years	228,876	209,789
Between 3 and 4 years	134,059	162,760
More than 4 years	193,800	188,354

7. **RELATED PARTY TRANSACTIONS**

(1) Parent and ultimate controlling party

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

(2) Names of related parties and relationship

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

Note: I-WAYLINK INC. was formerly named BITATEK CO., LTD.

(3) Significant transactions and balances with related parties

A. Sales of goods

	For the three-month periods ended September 30, 2019	2018
Sales of goods		
-Associates	$ 43,677	$ 236
-Others	3,665	2,563
	$ 47,342	$ 2,799

	For the nine-month periods ended September 30, 2019	2018
Sales of goods		
-Associates	$ 70,108	$ 1,344
-Others	9,125	14,035
	$ 79,233	$ 15,379

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 September 30, 2019	2018
Purchases of goods		
-Associates	$ 6,551	$ 7,955
-Others	21,747	12,719
Purchases of services		
-Associates	941	657
-Others	5,343	6,030
	$ 34,582	$ 27,361

	For the nine-month periods ended September 30, 2019	2018
Purchases of goods		
-Associates	$ 20,821	$ 17,954
-Others	37,482	514,184
Purchases of services		
-Associates	2,785	1,389
-Others	20,181	17,906
	$ 81,269	$ 551,433

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

	2019/09/30	2018/12/31	2018/09/30
Trade receivables			
-Associates	$ 12,947	$ 299	$ 222
-Others	3,842	12,296	5,821
	16,789	12,595	6,043
Other receivables			
-Associates	454	454	17,942
	$ 17,243	$ 13,049	$ 23,985

The trade receivables mainly arise from sales transactions, are unsecured in nature and bear no interest. The other receivables are mainly dividends receivable and advance disbursement receivable.

D. Trade payables and other items of current liabilities

	2019/09/30	2018/12/31	2018/09/30
Trade payables			
-Associates	$ 5,210	$ 13,768	$ 5,256
-Others	22,876	15,686	18,609
	28,086	29,454	23,865
Other items of current liabilities			
-Associates	47	7	167
-Others	520	2,341	632
	567	2,348	799
	$ 28,653	$ 31,802	$ 24,664

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

(4) Key management compensation

	For the three-month periods ended September 30,	
	2019	2018
Salaries and other short-term employee benefits	$ 502,504	$ 308,685
Post-employment benefits	1,678	1,689
	$ 504,182	$ 310,374

	For the nine-month periods ended September 30,	
	2019	2018
Salaries and other short-term employee benefits	$ 916,787	$ 718,062
Post-employment benefits	5,009	4,955
	$ 921,796	$ 723,017

8. **PLEDGED ASSETS**

Pledged assets	Items	Book Value 2019/09/30	Book Value 2018/12/31	Book Value 2018/09/30	Purpose
Other current assets and other non-current assets	Pledged restricted deposits and refundable deposits	$ 496,405	$ 516,238	$ 209,455	Note
Property, plant and equipment	Land and buildings	216,701	218,480	217,725	Bank loans, customs guarantee and credit limits
		$ 713,106	$ 734,718	$ 427,180	

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

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

(1) Contingencies

Lawsuits for infringement of intellectual property rights

A. Several patentees filed lawsuits or investigations for patent infringement including the user interface, audio signal encoding and decoding system, audio stream, cellphone and tablet supporting OK Google functions, products with Google Play Movies and TV function, cellphone and tablet supporting touchscreen scrolling in accordance with user touch control, tablet, products with UMTS, remote upgrade code function, personal computer and server, heat dissipation structure of notebook processor, function of zenwatch of features to update and download the softwares through the cellphone against the Group. These lawsuits or investigations are currently under investigation in a California court, in a Texas court, in a German court, in a French court, in a Netherlands court and in an England court. The Group cannot presently determine the ultimate outcome of these lawsuits, but has already recognized the possible loss in the financial statements.

B. Several patentees filed lawsuits or investigations for patent infringement including AP and router products supporting MU-MIMO, MP3 function for desktop computer and notebook, SDRAM function, ZenFone trademarks, cellphone and tablet for Qualcomm chips with DCVS or DVFS capabilities, Omnivision CMOS image detector products, LED for cellphone products, notebook, products supporting HDCP 2.0 or higher version, equipped with some cellphone and router products, microprocessor with Intel's 14nm process Tri-Gate technology, cellphone and tablet, products that support Google Voice Assist or Microsoft Cortana Voice Assist, display and projector products, products with the clips made by TSMC, products with the Andriod virtual keyboard, products supporting LTE Aperiodic CQI / PMI / RI Reporting, smartphone communications products against the Group. These lawsuits or investigations are currently under investigation, in a Texas court, in a California court, in a Delaware court, in an Alabama court, at the United States International Trade Commission, in a German court, in a Japan court, in an India court and in a

China court. The Group cannot presently determine the ultimate outcome and effect of these lawsuits.

(2) Commitments

The Group has signed a contract amounting to $463,707 for the construction of a new office building of the headquarters, but has not recognized capital expenditures as of September 30, 2019.

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" are shown in the consolidated balance sheets.

During 2019, the Group's strategy was to maintain the liability ratio within reasonable security range, which was unchanged from 2018. The liability ratios are as follows:

	2019/09/30	2018/12/31	2018/09/30
Total liabilities	$ 163,449,993	$ 174,473,952	$ 181,902,512
Total equity	173,699,440	167,691,924	176,208,069
Total assets	$ 337,149,433	$ 342,165,876	$ 358,110,581
Liability ratio	48.48%	50.99%	50.80%

(2) Financial instruments

A. Financial instruments by category

	2019/09/30	2018/12/31	2018/09/30
Financial assets			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	$ 8,558,370	$ 5,140,923	$ 5,631,563
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	53,353,659	45,996,789	51,860,825
Financial assets at amortized cost			
Cash and cash equivalents	61,063,101	63,972,548	70,104,510
Financial assets at amortized cost	119,500	1,665,377	-
Notes receivable	6,885,942	4,397,115	10,687,129
Trade receivables	68,415,206	77,717,433	77,127,886
Other receivables	2,216,889	736,104	701,566
Refundable deposits	861,678	878,123	627,386
Derivative financial assets for hedging	614,073	334,333	235,798
	$ 202,088,418	$ 200,838,745	$ 216,976,663

	2019/09/30	2018/12/31	2018/09/30
Financial liabilities			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	$ 109,374	$ 240,293	$ 119,188
Financial liabilities at amortized cost			
Short-term borrowings	5,603,516	7,124,984	6,436,441
Notes and trade payables	55,892,294	65,138,253	73,251,971
Other payables - accrued expenses	35,591,860	37,620,949	34,996,891
Long-term borrowings (including current portion of long-term borrowings)	-	-	673,711
Deposits received	327,708	306,691	307,432
Lease liabilities	1,190,285	-	-
Derivative financial liabilities for hedging	13,034	53,437	135,543
	$ 98,728,071	$ 110,484,607	$ 115,921,177

B. Financial risk management policies

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

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

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

C. Nature and degree of significant financial risks

(A) Market risk

<u>Foreign exchange risk</u>

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(2).

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:

	2019/09/30					
				Sensitivity Analysis		
	Foreign currency amount (in dollars)	Exchange rate	Book value (NTD)	Extent of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 2,165,986,452	31.040	$ 67,232,219	1%	$ 672,322	$ -
EUR:USD	349,497,982	33.952	11,865,999	1%	118,660	-
CNH:USD	3,499,460,693	4.349	15,218,119	1%	152,181	-
Financial liabilities						
Monetary items						
USD:NTD	3,438,234,716	31.040	106,722,806	1%	1,067,228	-
EUR:USD	48,901,330	33.952	1,660,276	1%	16,603	-
CNH:USD	2,104,829,025	4.349	9,153,278	1%	91,533	-

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

	2018/09/30					
				Sensitivity Analysis		
	Foreign currency amount (in dollars)	Exchange rate	Book value (NTD)	Extent of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 2,967,274,842	30.525	$ 90,576,065	1%	$ 905,761	$ -
EUR:USD	267,039,733	35.479	9,474,358	1%	94,744	-
CNH:USD	2,447,749,261	4.435	10,856,459	1%	108,565	-
Financial liabilities						
Monetary items						
USD:NTD	4,047,189,269	30.525	123,540,452	1%	1,235,405	-
EUR:USD	108,389,339	35.479	3,845,619	1%	38,456	-
CNH:USD	2,378,824,214	4.435	10,550,757	1%	105,508	-

f. Net currency exchange (losses) gains (including realized and unrealized) arising from significant foreign exchange variation on the monetary items from continuing and discontinued operations held by the Group for the three-month periods ended September 30, 2019 and 2018, and for the nine-month periods ended September 30, 2019 and 2018, amounted to ($1,352,980), ($663,766), $450,747, and ($1,065,079), 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 and financial assets at fair value through other comprehensive income. 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 nine-month periods ended September 30, 2019 and 2018 by $5,433 and $11,318, respectively. A change of 1% in the price of the aforementioned financial assets at fair value through other comprehensive income could increase the Group's other comprehensive income for the nine-month periods ended September 30, 2019 and 2018 by $533,537 and $518,608, respectively.

Cash flow and fair value interest rate risk

a. The Group's main interest rate risk arises from long-term and short-term borrowings with variable rates which expose the Group to cash flow interest rate risk but is partially offset by cash and cash equivalents held at variable rates. During the nine-month periods ended September 30, 2019 and 2018, the Group's borrowings at variable rates were denominated in USD and NTD.

b. At September 30, 2019 and 2018, if interest rates on borrowings had been 1 basis point (0.01%) higher with all other variables held constant, non-operating expenses for the nine-month periods ended September 30, 2019 and 2018, would have been $1,031 and $1,330 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, financial assets at amortized cost, and the contract cash flows of debt instruments stated at fair value through profit or loss.

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

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

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

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

f. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
   (a) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
   (b) The disappearance of an active market for that financial asset because of financial difficulties;
   (c) Default or delinquency in interest or principal repayments;
   (d) Adverse changes in national or regional economic conditions that are expected to cause a default.

g. The Group writes off the financial assets, which cannot reasonably be expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On September 30, 2019, December 31, 2018 and September 30, 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 0.01% ~ 0.2%, and the total carrying amount of notes and trade receivables amounted to $8,957,163, $14,061,945 and $12,876,108 and loss allowance amounted to $327, $61,823 and $419 as of September 30, 2019, December 31, 2018 and September 30, 2018, respectively.
   (b) The Group refers to the forecast ability of global economic indicators to adjust the loss rate which is based on historical and current information when assessing the future default possibility of contract assets, accounts receivable and other receivables. The provision matrix as of September 30, 2019, December 31, 2018 and September 30, 2018 is as follows:

2019/09/30	Not past due	Less than 30 days past due	Between 31 and 60 days past due	Between 61 and 90 days past due	Between 91 and 180 days past due	More than 181 days past due	Total
Total book value	$ 55,360,413	$ 9,216,420	$ 926,965	$ 542,717	$ 794,748	$ 830,997	$ 67,672,260
Loss allowance	$ 19,498	$ 48,055	$ 89,364	$ 73,408	$ 359,207	$ 738,416	$ 1,327,948
Expected loss rate	0.01%~4.68%	0.07%~22.72%	0.12%~49.01%	0.49%~54.39%	10%~100%	10%~100%	

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

2018/09/30	Not past due	Less than 30 days past due	Between 31 and 60 days past due	Between 61 and 90 days past due	Between 91 and 180 days past due	More than 181 days past due	Total
Total book value	$ 65,391,507	$ 8,117,985	$ 1,195,186	$ 346,113	$ 372,902	$ 2,266,887	$ 77,690,580
Loss allowance	$ 26,963	$ 43,142	$ 120,976	$ 49,376	$ 275,611	$ 2,235,186	$ 2,751,254
Expected loss rate	0.01%~23.58%	0.01%~33.83%	0.59%~46.48%	0.82%~63.16%	10~100%	10%~100%	

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

	2019	2018
January 1	$ 3,115,124	$ 2,460,433
Provision for impairment	118,464	301,486
Write-offs	(209,183)	(58,939)
Reclassfications	(1,704,957)	-
Net exchange differences	8,827	48,693
September 30	$ 1,328,275	$ 2,751,673

For provisioned loss for the nine-month periods ended September 30, 2019 and 2018, the net impairment loss arising from customer's contract was $118,464 and $301,486, respectively.

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

	2019/09/30			
		Lifetime		
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortized cost	$ 119,500	$ -	$ -	$ 119,500

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

The Group has no investments in debt instruments at amortized cost as of September 30, 2018.

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

(C) Liquidity risk

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

b. The Group treasury invests surplus cash in demand deposits, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As of September 30, 2019, December 31, 2018 and September 30, 2018, the Group held financial assets at fair value through profit or loss of $8,005,576, $4,865,889 and $5,211,908, 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.

	2019/09/30				
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	More than 3 years	Total
Non-derivative financial liabilities:					
Short-term borrowings	$ 5,603,516	$ -	$ -	$ -	$ 5,603,516
Notes and trade payables	55,892,294	-	-	-	55,892,294
Other payables - accrued expenses	35,591,860	-	-	-	35,591,860
Lease liabilities	481,120	356,341	186,665	251,077	1,275,203
Other financial liabilities	1,146,137	-	-	-	1,146,137
Derivative financial liabilities:					
Forward exchange contracts	120,075	-	-	-	120,075
Currency option contracts	2,305	-	-	-	2,305
Currency swap contracts	28	-	-	-	28

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

	2018/09/30				
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	More than 3 years	Total
Non-derivative financial liabilities:					
Short-term borrowings	$ 6,436,441	$ -	$ -	$ -	$ 6,436,441
Notes and trade payables	73,251,971	-	-	-	73,251,971
Other payables - accrued expenses	34,996,891	-	-	-	34,996,891
Long-term borrowings (including current portion)	602,820	2,820	2,820	65,251	673,711
Other financial liabilities	3,468,640	-	-	-	3,468,640
Derivative financial liabilities:					
Forward exchange contracts	253,733	-	-	-	253,733
Currency option contracts	998	-	-	-	998

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, lease liabilities, current portion of long-term borrowings and long-term borrowings are reasonably approximate to the fair values.

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

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

	2019/09/30			
	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 487,058	$ 5,772	$ 50,449	$ 543,279
Beneficiary certificates	7,512,428	68,141	-	7,580,569
Forward exchange contracts	-	331,530	-	331,530
Currency option contracts	-	91,326	-	91,326
Currency swap contracts	-	245	-	245
Hybrid instruments	-	-	11,421	11,421
Derivative financial assets for hedging	-	614,073	-	614,073
Financial assets at fair value through other comprehensive income				
Equity securities	53,045,044	207,234	101,381	53,353,659
	$ 61,044,530	$1,318,321	$ 163,251	$ 62,526,102
Liabilities:				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 107,041	$ -	$ 107,041
Currency option contracts	-	2,305	-	2,305
Currency swap contracts	-	28	-	28
Derivative financial liabilities for hedging	-	13,034	-	13,034
	$ -	$ 122,408	$ -	$ 122,408

	2018/12/31			
	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 1,061,257	$ 4,848	$ 29,102	$ 1,095,207
Beneficiary certificates	3,832,002	74,085	-	3,906,087
Forward exchange contracts	-	107,385	-	107,385
Currency option contracts	-	21,900	-	21,900
Currency swap contracts	-	45	-	45
Hybrid instruments	-	-	10,299	10,299
Derivative financial assets for hedging	-	334,333	-	334,333
Financial assets at fair value through other comprehensive income				
Equity securities	45,665,381	233,718	97,690	45,996,789
	$ 50,558,640	$ 776,314	$ 137,091	$ 51,472,045
Liabilities:				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 137,378	$ -	$ 137,378
Currency option contracts	-	102,853	-	102,853
Currency swap contracts	-	62	-	62
Derivative financial liabilities for hedging	-	53,437	-	53,437
	$ -	$ 293,730	$ -	$ 293,730

	2018/09/30			
	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 1,096,700	$ 4,884	$ 30,191	$ 1,131,775
Beneficiary certificates	4,140,205	77,157	-	4,217,362
Forward exchange contracts	-	142,901	-	142,901
Currency option contracts	-	135,630	-	135,630
Currency swap contracts	-	3,895	-	3,895
Derivative financial assets for hedging	-	235,798	-	235,798
Financial assets at fair value through other comprehensive income				
Equity securities	51,589,501	244,086	27,238	51,860,825
	$ 56,826,406	$ 844,351	$ 57,429	$ 57,728,186
Liabilities:				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 118,190	$ -	$ 118,190
Currency option contracts	-	998	-	998
Derivative financial liabilities for hedging	-	135,543	-	135,543
	$ -	$ 254,731	$ -	$ 254,731

(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. For the nine-month periods ended September 30, 2019 and 2018, there was no transfer between Level 1 and Level 2.

E. The movement of Level 3 is as follows:

	2019		
	Equity instruments	Debt instruments	Total
January 1	$ 137,091	$ -	$ 137,091
Recognized in profit (loss) (Note 1)	(7,531)	-	(7,531)
Recognized in net other comprehensive income (loss) (Note 2)	3,691	-	3,691
Acquired in the period	30,000	-	30,000
September 30	$ 163,251	$ -	$ 163,251
Movement of unrealized gain or loss in profit or loss of assets and liabilities held as of September 30, 2019	($ 7,531)	$ -	($ 7,531)

	2018		
	Equity instruments	Debt instruments	Total
January 1	$ 2,229	$ 7,575	$ 9,804
Recognized in profit (loss) (Note 1)	(1,108)	2,126	1,018
Recognized in net other comprehensive income (loss) (Note 2)	(12,096)	-	(12,096)
Acquired in the period	29,070	-	29,070
Disposed in the period	-	(9,701)	(9,701)
Effect on retrospective application	39,334	-	39,334
September 30	$ 57,429	$ -	$ 57,429
Movement of unrealized gain or loss in profit or loss of assets and liabilities held as of September 30, 2018	($ 1,108)	$ 2,126	$ 1,018

Note 1 : Recorded as other gains (losses).

Note 2 : Recorded as unrealized gain (loss) from investments in equity instruments measured at fair value through other comprehensive income.

F. There was no transfer into or out from Level 3 for the nine-month periods ended September 30, 2019 and 2018.

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

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

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

	Fair value at September 30, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Equity instruments:					
Unlisted and non-OTC stocks	$ 31,089	Net asset value	Not applicable	Not applicable	The higher the net asset value, the higher the fair value
Unlisted and non-OTC stocks	120,741	Discounted cash flow method	Note 1	Not applicable	Note 2
Hybrid instruments:					
Unlisted and non-OTC stocks	14,939	Discounted cash flow method	Note 1	Not applicable	Note 2
Embedded option	(3,518)	Option pricing model	Stock price volatility	Not applicable	The higher the stock price volatility, the higher the fair value

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Equity instruments:					
Unlisted and non-OTC stocks	$ 1,089	Net asset value	Not applicable	Not applicable	The higher the net asset value, the higher the fair value
Unlisted and non-OTC stocks	125,703	Discounted cash flow method	Note 1	Not applicable	Note 2
Hybrid instruments:					
Unlisted and non-OTC stocks	10,299	Discounted cash flow method	Note 1	Not applicable	Note 2

	Fair value at September 30, 2018		Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Equity instruments:						
Unlisted and non-OTC stocks	$	1,121	Net asset value	Not applicable	Not applicable	The higher the net asset value, the higher the fair value
Unlisted and non-OTC stocks		56,308	Discounted cash flow method	Note 1	Not applicable	Note 2

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.

13. **SUPPLEMENTARY DISCLOSURES**

(1) Significant transactions information

A. Financing provided: Please refer to table 1.

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

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

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

E. Acquisition of real estate properties at costs of at least $300 million or 20% of the paid-in capital: Please refer to table 5.

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 6.

H. Receivables from related parties amounting to at least $100 million or 20% of the paid-in capital: Please refer to table 7.

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

J. Intercompany relationships and significant intercompany transactions (only transactions amounting to at least $100 million are disclosed): Please refer to table 8.

(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 9.

(3) Information on investments in China

A. Information on investment in mainland China: Please refer to table 10.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in China: Please refer to table 8.

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 nine-month periods ended September 30, 2019		
	3C Brand	Others	Total
Revenues from external customers (Note 1)	$ 241,995,721	$ 27,286,377	$ 269,282,098
Revenues from other segments (Note 1)	$ 1,246,420	$ 4,185,324	- (Note 2)
Segment income from continuing operations	$ 8,278,204	$ 1,062,537	$ 9,340,741
Total assets held by continuing operations (Note 3)	$ -	$ -	$ -

	For the nine-month periods ended September 30, 2018		
	3C Brand	Others	Total
Revenues from external customers (Note 1)	$ 258,182,072	$ 33,930,678	$ 292,112,750
Revenues from other segments (Note 1)	$ 6,170,314	$ 5,188,746	- (Note 2)
Segment income from continuing operations	$ 14,603,569	($ 335,788)	$ 14,267,781
Total assets held by continuing operations (Note 3)	$ -	$ -	$ -

Note 1: Including discontinued operations.

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

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

(4) Reconciliation for segment income

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

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

	For the nine-month periods ended September 30,	
	2019	2018
Reportable continuing operation's profit before adjustment	$ 9,340,741	$ 14,267,781
Unallocated profit (loss)	(337)	(13,532)
Reportable continuing operation's profit	$ 9,340,404	$ 14,254,249

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

FINANCING PROVIDED

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

Table 1 (Amounts in thousands of New Taiwan dollars and foreign currencies)

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Nature for Financing (Note 1)	Transaction Amounts	Reason for Financing	Loss allowance	Collateral		Financing Limits for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)	Note
													Item	Value			
1	ASTP	ASGL	Non-current assets	Yes	27,936,000 (USD 900,000)	27,936,000 (USD 900,000)	27,936,000 (USD 900,000)	0.99706 ~ 1.61331	b	-	Need for operations	-	-	-	42,226,031 (USD 1,360,375)	42,226,031 (USD 1,360,375)	
2	ONYX	ONYXSH	Other receivable	Yes	4,277 (USD 138)	4,277 (USD 138)	4,277 (USD 138)	5.756	b	-	Need for operations	-	-	-	96,056	384,223	

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：a. 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.

b. According to Procedures for Lending of ONYX, limit of total financing amount shall not exceed 40% ONYX's the net worth of the latest audited or reviewed report.

Limit financing amount for individual counterparty：a. 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.

b. According to Procedures for Lending of ONYX, limit of financing amount for individual counter-party shall not exceed 10% of the net worth of ONYX as of the period. Where funds are loaned for business dealings, limit of financing amount for individual counter-party shall not exceed business dealings amount of latest year. Business dealings amount here means sales amount or purchase amount of lender and borrower, which is higher.

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

ENDORSEMENTS AND GUARANTEES PROVIDED

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

Table 2 (Amounts in thousands of New Taiwan dollars and foreign currencies)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement / Guarantee Amount Allowable (Note)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
1	ASKEY	ASKEYJS	Subsidiary	880,499	620,800 (USD 20,000)	- (USD -)	- (USD -)	-	-	1,173,998	Y	N	Y	

Note： Limit of the total amount of guarantee: According to Procedures for Endorsements and Guarantees of ASKEY, the total amount of guarantee shall not exceed 40% of the net worth of ASKEY as of the period.
Limit of the total amount of guarantee for individual counterparty：According to Procedures for Endorsements and Guarantees of ASKEY, limit of guarantee amount for individual counterparty shall not exceed 30% of the net worth of ASKEY as of the period.

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

(EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

SEPTEMBER 30, 2019

Table 3 (Amounts in thousands of New Taiwan dollars)

Held Company Name	Marketable Securities		Relationship with the Company (Note 1)	Financial Statement Account (Note 2)	September 30, 2019				Note
	Type	Name			Shares/Units	Carrying Value	(%)	Fair Value	
ASUS	Fund	YUANTA WAN TAI MONEY MARKET	-	a	44,134,406	670,088	-	670,088	
ASUS	Fund	JIH SUN MONEY MARKET	-	a	26,942,740	400,261	-	400,261	
ASUS	Fund	UPAMC JAMES BOND MONEY MARKET	-	a	53,352,463	893,872	-	893,872	
ASUS	Fund	SINOPAC TWD MONEY MARKET	-	a	59,530,339	830,805	-	830,805	
ASUS	Fund	TAISHIN 1699 MONEY MARKET	-	a	58,985,305	800,100	-	800,100	
ASUS	Fund	YUANTA DE LI MONEY MARKET	-	a	38,544,369	630,096	-	630,096	
ASUS	Fund	TAISHIN TA CHONG MONEY MARKET	-	a	14,045,437	200,025	-	200,025	
ASUS	Fund	UNION MONEY MARKET	-	a	129,620,474	1,715,605	-	1,715,605	
ASUS	Stock	SPORTON	-	a	336,394	67,952	0.36	67,952	
ASUS	Stock	GLOBALWAFERS	-	c	1,626,626	510,761	0.37	510,761	
ASUS	Stock	JMC	-	c	1,000,000	89,000	1.00	89,000	
ASUS	Stock	ENE	a	c	917,247	10,824	1.22	10,824	
ASUS	Stock	ALCOR MICRO	-	c	905,879	13,633	1.20	13,633	
ASUS	Stock	AZUREWAVE	-	c	934,745	18,695	0.62	18,695	
ASUS	Stock	LEDLINK	-	c	718,607	16,887	1.44	16,887	
ASUS	Fund	TNP	-	b	98	25,332	2.06	25,332	
ASUS	Fund	TNP LIGHT	-	b	146	34,424	3.67	34,424	
ASUS	Stock	EMPASS	-	d	704,460	32,828	19.90	32,828	
ASUS	Stock	ADVANTECH	-	d	100,628,870	27,471,682	14.39	27,471,682	
ASUS	Stock	PEGA	-	d	448,506,484	24,219,350	17.17	24,219,350	
ASUS	Stock	NANOLUX	-	d	536	35,071	11.43	35,071	
ASUS	Stock	APTOS	-	d	312,600	-	0.35	-	
ASUS	Stock	94BOT	-	d	100,000	1,500	4.80	1,500	
ASUS	Stock	A-WEI TECH	-	d	301,876	1,130	1.83	1,130	
ASUS	Stock	EOSTEK	-	d	1,600,000	13,409	14.94	13,409	
ASUS	Stock	AMTRUST	a	d	10,000,000	102,683	7.81	102,683	
ASUTC	Fund	NOMURA TAIWAN MONEY MARKET	-	a	60,031,084	981,922	-	981,922	
ASMEDIA	Fund	FUH HWA RMB MONEY MARKET	-	a	531,862	27,636	-	27,636	
ASMEDIA	Fund	MEGA DIAMOND MONEY MARKET	-	a	4,777,983	60,069	-	60,069	
ASMEDIA	Fund	CAPITAL MONEY MARKET	-	a	1,862,833	30,131	-	30,131	
ASMEDIA	Stock	ICATCH TECHNOLOGY	-	d	5,500,000	99,000	7.80	99,000	
ASKEY	Stock	CIPHERMAX	-	b	9,234	-	-	-	
ASKEY	Stock	RETI	-	b	80,700	-	3.32	-	
MIC	Stock	BROADCOM	-	b	90	771	-	771	
MIC	Stock	ZARLINK SEMI-CONDUCTOR	-	b	44,775	-	0.04	-	
HCVC	Fund	YUANTA WAN TAI MONEY MARKET	-	a	558,765	8,484	-	8,484	
HCVC	Fund	TAISHIN TA CHONG MONEY MARKET	-	a	757,861	10,793	-	10,793	
HCVC	Fund	YUANTA DE BAO MONEY MARKET	-	a	348,419	4,198	-	4,198	
HCVC	Fund	CAPITAL MONEY MARKET	-	a	917,513	14,841	-	14,841	
HCVC	Fund	TAISHIN 1699 MONEY MARKET	-	a	569,947	7,731	-	7,731	
HCVC	Stock	PRIMESENSOR TECHNOLOGY	-	d	73,894	3,560	0.19	3,560	
HCVC	Stock	APAQ TECHNOLOGY	a	d	10,668,012	348,844	12.63	348,844	
HCVC	Stock	A-WEI TECH	-	d	301,876	1,130	1.83	1,130	
HCVC	Stock	LEDLINK	-	c	336,546	7,909	0.66	7,909	
HMI	Fund	TAISHIN 1699 MONEY MARKET	-	a	1,770,304	24,013	-	24,013	
HMI	Stock	APAQ TECHNOLOGY	-	d	3,210,015	104,967	3.80	104,967	
HMI	Stock	A-WEI TECH	-	d	174,417	653	1.06	653	
AAEON	Stock	ADVANTECH	-	a	730	199	-	199	
AAEON	Fund	MEGA DIAMOND MONEY MARKET	-	a	2,091,070	26,289	-	26,289	
AAEON	Stock	MACHVISION TECHNOLOGY	b	a	1,135,020	366,045	2.66	366,045	
AAEON	Stock	ATECH OEM TECHNOLOGY	b	a	234	2	-	2	
AAEON	Stock	INSYNERGER TECHNOLOGY	-	b	1,710,000	19,360	19.29	19,360	
AAEON	Stock	UNITECH ELECTRONICS	-	a	549,600	8,711	1.17	8,711	
AAEON	Stock	LILEE SYSTEMS	-	a	468,750	-	-	-	
AAEON	Stock	YAN CHUNG TECHNOLOGY	-	a	266,600	-	7.27	-	
AAEON	Stock	ALLIED BIOTECH	b	a	300,000	5,772	0.32	5,772	
AAEON	Stock	TELEION WIRELESS	-	a	149,700	-	-	-	
AAEON	Stock	V-NET AAEON	-	b	29	11,421	14.50	11,421	
AAEONI	Fund	HSBC GLOBAL INCOME BOND	-	a	555,078	7,132	-	7,132	
AAEONI	Stock	ATECH OEM TECHNOLOGY	b	a	3,456,000	31,864	6.02	31,864	
AAEONI	Stock	MUTTO OPTRONICS	-	a	310,000	2,806	0.68	2,806	
AAEONI	Stock	SUNENGINE	b	a	550,537	1,089	2.75	1,089	
ONYX	Stock	MELTEN CONNECTED HEALTHCARE	-	d	4,193,548	2,381	7.31	2,381	
ONYX	Stock	MACHVISION TECHNOLOGY	b	a	27,000	8,708	0.06	8,708	
ONYX	Stock	INNO FUND III	-	b	3,000,000	30,000	13.04	30,000	
ASGL	Fund	JIH SUN MONEY MARKET	-	a	548,984	8,156	-	8,156	
AIL	Fund	PRODIGY STRATEGY INVESTMENT XIV	-	a	3,530	149,129	-	149,129	
AIL	Stock	EONEX	-	d	31,733	-	2.70	-	
AIL	Stock	SPLASHTOP	-	d	5,728,003	-	3.66	-	
AIL	Stock	ISTAGING	-	d	988,889	15,270	2.15	15,270	
AIL	Stock	PTSN	-	d	86,992,600	232,492	4.91	232,492	
AIL	Fund	ASIA PACIFIC GENESIS C	-	b	-	8,385	9.00	8,385	
UEI	Fund	CAPITAL MONEY MARKET	-	a	683,306	11,052	-	11,052	

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

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

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

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

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

Table 4 (Amounts in thousands of New Taiwan dollars)

Company Name	Marketable Securities		Financial Statement Account (Note 1)	Counter-party	Nature of Relationship	Beginning Balance		Acquisition			Disposal					Ending Balance	
	Type	Name				Shares/Units	Amount	Shares/Units	Amount	Note 2	Shares/Units	Amount	Carrying Value	Note 2	Gain/Loss on Disposal	Shares/Units	Amount
ASUS	Fund	SINOPAC TWD MONEY MARKET	a	-	-	24,915,857	346,412	170,609,230 -	2,377,000 200	a b	135,994,748	1,894,240	1,892,807	a	1,433	59,530,339	830,805
ASUS	Fund	UNION MONEY MARKET	a	-	-	68,708,454	905,818	379,609,155 -	5,019,000 213	a b	318,697,135	4,212,000	4,209,426	a	2,574	129,620,474	1,715,605
ASUS	Fund	FSITC MONEY MARKET	a	-	-	-	-	7,945,095	1,420,000	a	7,945,095	1,420,245	1,420,000	a	245	-	-
ASUS	Fund	YUANTA DE LI MONEY MARKET	a	-	-	72,633,103	1,182,525	99,777,231	1,630,000	a	133,865,965 -	2,184,670 -	2,179,095 3,334	a b	5,575	38,544,369	630,096
ASUS	Fund	FSITC TAIWAN MONEY MARKET	a	-	-	-	-	68,514,069	1,050,000	a	68,514,069	1,050,533	1,050,000	a	533	-	-
ASUS	Fund	YUANTA WAN TAI MONEY MARKET	a	-	-	-	-	274,872,702 -	4,170,000 88	a b	230,738,296	3,500,277	3,500,000	a	277	44,134,406	670,088
ASUS	Fund	NOMURA TAIWAN MONEY MARKET	a	-	-	-	-	84,445,822	1,380,000	a	84,445,822	1,380,381	1,380,000	a	381	-	-
ASUS	Fund	YUANTA DE BAO MONEY MARKET	a	-	-	-	-	249,246,031	3,000,000	a	249,246,031	3,000,249	3,000,000	a	249	-	-
ASUS	Fund	UPAMC JAMES BOND MONEY MARKET	a	-	-	-	-	223,973,309 -	3,750,000 364	a b	170,620,846	2,857,096	2,856,492	a	604	53,352,463	893,872
ASUS	Fund	TAISHIN TA CHONG MONEY MARKET	a	-	-	3,537,572	50,179	35,131,658	500,000	a	24,623,793 -	350,211 -	350,089 65	a b	122	14,045,437	200,025
ASUS	Fund	TAISHIN 1699 MONEY MARKET	a	-	-	-	-	147,542,269 -	2,000,000 100	a b	88,556,964	1,200,106	1,200,000	a	106	58,985,305	800,100
ASUS	Fund	JIH SUN MONEY MARKET	a	-	-	-	-	47,158,782 -	700,000 261	a b	20,216,042	300,028	300,000	a	28	26,942,740	400,261

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.

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

ACQUISITION OF REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

Table 5

(Amounts in thousands of New Taiwan dollars)

Company Name	Type of Property	Transaction Date	Transaction Amount	Status of Payment	Counter-party	Nature of Relationship	Where Counter-party is a Related Party, Details of Prior Transaction				Price Reference	Purpose of Acquisition	Other Commitments
							Former Holder of Property	Former Holder	Transfer Date	Amount			
ASUS	Land and buildings	2019/5/7	1,323,128	Completed payment	Pfizer Pharmaceutical Co., Ltd.	-	NA	NA	NA	NA	Appraisal report and price negotiation	Office use and rental	-
ASUS	Construction in progress and equipment under installation	As of 2019/7/17	531,467	T/T by the construction progress and acceptance	Yankey Engineering Co., Ltd.	-	NA	NA	NA	NA	Tendering, price comparison and price negotiation	Office use	-
ASUS	Construction in progress and equipment under installation	As of 2019/9/18	2,773,206	T/T by the construction progress and acceptance	Chung-Lin General Contractors, Ltd.	-	NA	NA	NA	NA	Tendering, price comparison and price negotiation	Office use	-
ACCQ	Construction in progress and equipment under installation	As of 2019/1/25	293,283	T/T by the construction progress and acceptance	Shanghai Construction No.1 (Group) Co., Ltd.	-	NA	NA	NA	NA	Tendering, price comparison and price negotiation	Office use and rental	-

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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

Table 6 (Amounts in thousands of New Taiwan dollars)

Company Name	Related Party	Nature of Relationship (Note 1)	Transaction Details				Abnormal Transaction		Notes/Trade Receivables or Payables (Note 3)		Note
			Purchases/ (Sales)	Amount	% to Total Purchases/ (Sales) amount	Payment Terms (Note 2)	Unit Price	Payment Terms	Ending Balance	% to Total Notes/Trade Receivables or Payables (Note 3)	
ASUS	ASUTC	b	(Sales)	(13,441,394)	(6.42)	OA 90	-	-	3,574,948	6.98	
ASUS	ASGL	b	(Sales)	(187,654,524)	(89.61)	OA 180	-	-	38,459,127	75.11	
ASUS	AAEON	b	(Sales)	(943,733)	(0.45)	Month-end 30 days	-	-	242,958	0.47	
ASUS	ASUSCLOUD	b	(Sales)	(130,265)	(0.06)	OA 150	-	-	135,823	0.27	
ASUS	ASKEY	b	Purchases	873,726	0.51	Month-end 60 days	-	-	(323,621)	(0.68)	
ASUS	ASMEDIA	b	Purchases	142,919	0.08	Month-end 30 days	-	-	(9,053)	(0.02)	
ASGL	ACCQ	b	(Sales)	(7,070,110)	(3.37)	OA 180	-	-	3,902,684	4.25	
ASGL	ACI	b	(Sales)	(36,456,276)	(17.39)	OA 180	-	-	22,135,049	24.11	
ASGL	ACSH	b	(Sales)	(33,767,349)	(16.11)	OA 180	-	-	24,255,153	26.42	
ASGL	ACJP	b	(Sales)	(4,338,406)	(2.07)	OA 120	-	-	997,625	1.09	
ASGL	ASIN	b	(Sales)	(4,702,152)	(2.24)	OA 180	-	-	4,714,195	5.13	
ASGL	ACMH	b	(Sales)	(1,147,837)	(0.55)	OA 180	-	-	1,225,766	1.34	
ASGL	ACNL	b	(Sales)	(13,586,782)	(6.48)	OA 180	-	-	3,865,881	4.21	
ASGL	ACBT	b	(Sales)	(263,898)	(0.13)	OA 180	-	-	1,545,857	1.68	
ASGL	ACJK	b	(Sales)	(4,712,311)	(2.25)	OA 180	-	-	3,750,502	4.08	
ASKEY	LP	b	(Sales)	(4,429,283)	NA (Note 4)	Month-end 90 days	-	Payment terms is one to two months longer than third parties	1,223,198	16.33	
ASKEY	LP	b	Purchases	973,886	4.63	Month-end 90 days	Based on cost of finished goods plus related expenditure of related party	-	-	-	
ASKEY	UNI	b	Purchases	12,813,157	60.97	Month-end 90 days	Based on cost of finished goods plus related expenditure of related party	-	(3,629,570)	(67.05)	
ASKEY	ASKEYI	b	(Sales)	(3,187,910)	(16.01)	Month-end 90 days	-	Payment terms is one to two months longer than third parties	1,141,144	15.24	
ASKEY	SILIGENCE	b	(Sales)	(436,858)	(2.19)	Month-end 90 days	-	Payment terms is one to two months longer than third parties	89,796	1.20	
LP	ASKEYJS	b	(Sales)	(4,437,792)	(81.96)	Month-end 90 days	-	Payment terms is one to two months longer than third parties	1,302,034	100.00	
LP	ASKEYJS	b	Purchases	974,283	17.99	Month-end 90 days	Based on cost of finished goods plus related expenditure of related party	-	(135,339)	(9.96)	
UNI	ASKEYJS	b	Purchases	12,760,794	100.00	Month-end 90 days	Based on cost of finished goods plus related expenditure of related party	-	(3,644,046)	100.00	
AAEON	AAEONEU	b	(Sales)	(330,831)	(10.65)	Month-end 60 days	-	-	92,256	14.09	
AAEON	AAEONSZ	b	(Sales)	(198,182)	(6.38)	Month-end 60 days	-	-	75,554	11.54	
AAEON	AAEONEI	b	(Sales)	(507,469)	(16.33)	Month-end 60 days	-	-	119,089	18.18	
AAEON	ONYXHU	b	(Sales)	(119,036)	(3.83)	Month-end 60 days	-	-	4,405	0.67	
ONYX	ONYXHU	b	(Sales)	(230,980)	(26.28)	Month-end 90 days	-	-	25,391	20.92	

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

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

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

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

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

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

SEPTEMBER 30, 2019

Table 7 (Amounts in thousands of New Taiwan dollars)

Company Name	Related Party	Nature of Relationship (Note)	Ending Balance	Turnover		Overdue		Amounts Received in Subsequent Period	Loss allowance
						Amount	Action Taken		
ASUS	ASUTC	b	3,574,948	4.91	times	-	-	2,211,092	-
ASUS	ASGL	b	38,459,127	5.77	times	-	-	25,133,038	-
ASUS	AAEON	b	242,958	5.73	times	-	-	217,750	-
ASUS	ASUSCLOUD	b	135,823	2.56	times	-	-	-	-
ASGL	ACCQ	b	3,902,684	3.92	times	-	-	725,577	-
ASGL	ACI	b	22,135,049	2.25	times	-	-	5,188,680	-
ASGL	ACSH	b	24,255,153	1.80	times	156,630	Keep in reconciliation and dunning monthly	7,175,365	-
ASGL	ACJP	b	997,625	4.32	times	-	-	660,964	-
ASGL	ASIN	b	4,714,195	1.71	times	563,221	Keep in reconciliation and dunning monthly	491,439	-
ASGL	ACMH	b	1,225,766	1.39	times	523,266	Keep in reconciliation and dunning monthly	94,616	-
ASGL	ACNL	b	3,865,881	4.48	times	-	-	1,589,668	-
ASGL	ACBT	b	1,545,857	0.13	times	1,442,019	Keep in reconciliation and dunning monthly	263,737	-
ASGL	ACJK	b	3,750,502	3.35	times	-	-	1,090,921	-
ASGL	ACIN	b	126,321	0.05	times	-	-	15,709	1
ASKEY	ASUS	a	323,621	3.35	times	-	-	98,509	-
ASKEY	LP	b	1,223,198	5.48	times	-	-	-	-
ASKEY	ASKEYI	b	1,141,144	4.22	times	-	-	-	-
UNI	ASKEY	b	3,629,570	4.32	times	-	-	93,120	-
LP	ASKEYJS	b	1,302,034	4.90	times	-	-	-	-
ASKEYJS	UNI	b	3,644,046	4.27	times	-	-	93,120	-
ASKEYJS	LP	b	135,339	7.47	times	-	-	-	-
AAEON	AAEONEI	b	119,089	6.55	times	-	-	-	-

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

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

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

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

Table 8-1 (Amounts in thousands of New Taiwan dollars)

No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Account	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets
0	ASUS	ASUTC	a	Sales	13,441,394	OA 90	5.29%
0	ASUS	ASGL	a	Sales	187,654,524	OA 180	73.87%
0	ASUS	AAEON	a	Sales	943,733	Month-end 30 days	0.37%
0	ASUS	ASUSCLOUD	a	Sales	130,265	OA 150	0.05%
1	ASMEDIA	ASUS	b	Sales	142,919	Month-end 30 days	0.06%
2	ASGL	ACCQ	c	Sales	7,070,110	OA 180	2.78%
2	ASGL	ACI	c	Sales	36,456,276	OA 180	14.35%
2	ASGL	ACSH	c	Sales	33,767,349	OA 180	13.29%
2	ASGL	ACJP	c	Sales	4,338,406	OA 120	1.71%
2	ASGL	ASIN	c	Sales	4,702,152	OA 180	1.85%
2	ASGL	ACMH	c	Sales	1,147,837	OA 180	0.45%
2	ASGL	ACNL	c	Sales	13,586,782	OA 180	5.35%
2	ASGL	ACBT	c	Sales	263,898	OA 180	0.10%
2	ASGL	ACJK	c	Sales	4,712,311	OA 180	1.85%
3	ASKEY	ASUS	b	Sales	873,726	Month-end 60 days	0.34%
3	ASKEY	LP	c	Sales	4,429,283	Month-end 90 days	1.74%
3	ASKEY	SILIGENCE	c	Sales	436,858	Month-end 90 days	0.17%
3	ASKEY	ASKEYI	c	Sales	3,187,910	Month-end 90 days	1.25%
4	UNI	ASKEY	c	Sales	12,813,157	Month-end 90 days	5.04%
5	LP	ASKEY	c	Sales	973,886	Month-end 90 days	0.38%
5	LP	ASKEYJS	c	Sales	4,437,792	Month-end 90 days	1.75%
6	ASKEYJS	UNI	c	Sales	12,760,794	Month-end 90 days	5.02%
6	ASKEYJS	LP	c	Sales	974,283	Month-end 90 days	0.38%
7	AAEON	AAEONEI	c	Sales	507,469	Month-end 60 days	0.20%
7	AAEON	AAEONSZ	c	Sales	198,182	Month-end 60 days	0.08%
7	AAEON	AAEONEU	c	Sales	330,831	Month-end 60 days	0.13%
7	AAEON	ONYXHU	c	Sales	119,036	Month-end 60 days	0.05%
8	ONYX	ONYXHU	c	Sales	230,980	Month-end 90 days	0.09%
9	ACH	ASGL	c	Service revenue	309,643	Pay on delivery	0.12%
10	ACCZS	ASGL	c	Service revenue	334,250	Pay on delivery	0.13%
11	ACF	ASGL	c	Service revenue	271,332	Pay on delivery	0.11%
12	ACG	ASGL	c	Service revenue	318,224	Pay on delivery	0.13%
13	ACHK	ASGL	c	Service revenue	108,369	Pay on delivery	0.04%
14	ACIN	ASGL	c	Service revenue	120,202	Pay on delivery	0.05%
15	ACUK	ASGL	c	Service revenue	174,076	Pay on delivery	0.07%
16	ACCQ	ASGL	c	Service revenue	101,423	Pay on delivery	0.04%
17	ACSZ	ASGL	c	Service revenue	1,214,579	Pay on delivery	0.48%
18	ACAU	ASGL	c	Service revenue	106,676	Pay on delivery	0.04%
19	ACN	ASGL	c	Service revenue	182,917	Pay on delivery	0.07%
20	ACIT	ACNL	c	Service revenue	221,995	Pay on delivery	0.09%
21	ACIB	ACNL	c	Service revenue	124,851	Pay on delivery	0.05%
22	ACS	ASGL	c	Service revenue	155,106	Pay on delivery	0.06%

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

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

SEPTEMBER 30, 2019

Table 8-2 (Amounts in thousands of New Taiwan dollars)

No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Account	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets
0	ASUS	ASUTC	a	Trade receivables	3,574,948	OA 90	1.06%
0	ASUS	ASGL	a	Trade receivables	38,459,127	OA 180	11.41%
0	ASUS	AAEON	a	Trade receivables	242,958	Month-end 30 days	0.07%
0	ASUS	ASUSCLOUD	a	Trade receivables	135,823	OA 150	0.04%
2	ASGL	ACCQ	c	Trade receivables	3,902,684	OA 180	1.16%
2	ASGL	ACI	c	Trade receivables	22,135,049	OA 180	6.57%
2	ASGL	ACSH	c	Trade receivables	24,255,153	OA 180	7.19%
2	ASGL	ACJP	c	Trade receivables	997,625	OA 120	0.30%
2	ASGL	ASIN	c	Trade receivables	4,714,195	OA 180	1.40%
2	ASGL	ACMH	c	Trade receivables	1,225,766	OA 180	0.36%
2	ASGL	ACNL	c	Trade receivables	3,865,881	OA 180	1.15%
2	ASGL	ACBT	c	Trade receivables	1,545,857	OA 180	0.46%
2	ASGL	ACJK	c	Trade receivables	3,750,502	OA 180	1.11%
2	ASGL	ACIN	c	Trade receivables	126,321	OA 150	0.04%
3	ASKEY	ASUS	b	Trade receivables	323,621	Month-end 60 days	0.10%
3	ASKEY	LP	c	Trade receivables	1,223,198	Month-end 90 days	0.36%
3	ASKEY	ASKEYI	c	Trade receivables	1,141,144	Month-end 90 days	0.34%
4	UNI	ASKEY	c	Trade receivables	3,629,570	Month-end 90 days	1.08%
5	LP	ASKEYJS	c	Trade receivables	1,302,034	Month-end 90 days	0.39%
6	ASKEYJS	UNI	c	Trade receivables	3,644,046	Month-end 90 days	1.08%
6	ASKEYJS	LP	c	Trade receivables	135,339	Month-end 90 days	0.04%
7	AAEON	AAEONEI	c	Trade receivables	119,089	Month-end 60 days	0.04%
10	ACCZS	ASGL	c	Trade receivables	123,959	Pay on delivery	0.04%
12	ACG	ASGL	c	Trade receivables	103,385	Pay on delivery	0.03%
16	ACCQ	ASGL	c	Other receivables	100,730	Pay on delivery	0.03%
17	ACSZ	ASGL	c	Trade receivables	273,968	Pay on delivery	0.08%
23	ACI	ASGL	c	Other receivables	106,000	Pay on delivery	0.03%
24	ACSH	JSCD	c	Other receivables	245,378	Pay on delivery	0.07%

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

a. ASUS is coded 0.

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

Note 2： Transactions are categorized as follows:

a. The parent company to subsidiary.

b. Subsidiary to parent company.

c. Subsidiary to subsidiary.

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

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

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

Table 9 (Amounts in thousands of New Taiwan dollars)

				Original Investment Amount		Balance as of September 30, 2019					
Investor Company	Investee Company	Location	Main Businesses	September 30, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value	Net Income (Loss) of the Investee	Share of Profit/Loss of Investee	Note
ASUS	ACI	U.S.A	Selling of 3C products in North America	13,320	13,320	50,000	100.00	-	(22,649)	(22,649)	Note 2 and 3
ASUS	ASUTC	Taiwan	Selling of 3C products in Taiwan	204,244	204,244	19,000,000	100.00	-	(45,508)	(45,508)	Note 1、2 and 3
ASUS	ACH	Netherlands	Repairing of 3C products	37,821	37,821	3,000,000	100.00	195,551	1,223	1,223	Note 2
ASUS	AIL	Cayman Islands	Investing in 3C and computer peripheral business	3,281,057	3,281,057	89,730,042	100.00	37,393,990	(392,507)	(392,507)	Note 1 and 2
ASUS	AHL	Cayman Islands	Investing in computer peripherals business	662,434	662,434	20,452,104	100.00	570,517	19,275	19,275	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	2,927,435	(150,817)	(158,527)	Note 2
ASUS	HCVC	Taiwan	Investing in computer peripherals business	1,100,000	1,100,000	114,500,000	100.00	2,079,208	103,028	103,028	Note 2
ASUS	HMI	Taiwan	Investing in computer peripherals business	680,000	680,000	68,000,000	100.00	1,358,959	71,027	71,027	Note 2
ASUS	ASGL	Singapore	Selling of 3C products	838,070	838,070	28,000,000	100.00	31,199,769	2,547,810	4,113,785	Note 2
ASUS	QCI	Singapore	Servicing of information technology	25,290	25,290	830,001	100.00	6,027	939	939	Note 2
ASUS	ASUSCLOUD	Taiwan	Selling and consulting of internet service	596,678	596,678	23,645,558	94.58	58,703	(62,071)	(58,708)	Note 2
ASUS and UHL	UEI	Taiwan	Manufacturing and selling of automotive electronics and computer peripherals	66,354	198,041	21,300,000	100.00	69,923	4,193	3,568	Note 2
ASUS and AHL	NEXTS	Cayman Islands	Investing in cloud computing service business	94,324	87,886	8,560,974	43.48	73,111	(560)	(745)	Note 2
ASUS and HCVC	ACJK	Indonesia	Selling of 3C products in Indonesia	244,480	244,480	8,000	100.00	200,167	20,410	20,410	Note 2
ASUS and HCVC	IMOTION	Taiwan	AIOT business	180,000	180,000	18,000,000	30.00	161,155	(62,468)	(15,929)	Note 2
ASUS and HCVC	ACBT	Indonesia	Selling of 3C products in Indonesia	301,321	301,321	1,100,000	100.00	-	(816,839)	(816,839)	Note 2 and 3
ASUS and HCVC	SWI	Taiwan	Researching, developing, selling and consulting of information system software	72,146	72,146	5,469,750	51.00	80,074	(6,924)	(3,531)	Note 2
ASUS and HCVC	IUT	Taiwan	Researching, developing, manufacturing and selling of ink-jet print heads and ink-jet digital image output technology	177,743	123,227	11,323,682	69.25	115,817	1,068	599	Note 2
ASUS、HCVC and HMI	ASMEDIA	Taiwan	Designing, researching, developing and manufacturing of high-speed analog circuit	342,673	342,673	31,775,315	52.93	1,240,505	724,348	295,078	Note 2
ASUS、HCVC and HMI	EMC	Taiwan	Designing, manufacturing and selling of computer peripheral spare parts	81,060	81,060	6,359,548	18.05	183,270	219,490	14,005	Note 2
ASUS、HCVC and HMI	AAEON	Taiwan	Manufacturing and selling of industrial computers and computer peripherals	3,357,568	3,357,568	60,474,000	40.73	4,952,104	368,371	101,658	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	3,686	(9,782)	(1,130)	Note 2
ASUS and HCVC	UPI	Taiwan	Designing, researching, developing and selling of integrated circuits	425,702	425,702	23,855,053	34.20	1,562,064	23,992	6,605	Note 2
ASUS、HMI and AAEON	ONYX	Taiwan	Designing, manufacturing and selling of medical computers	146,376	117,680	12,500,584	56.80	541,469	190,040	10,639	Note 2 and 4
ASKEY	ASKEYI	U.S.A	Selling and servicing of communication products	307,607	307,607	10,000,000	100.00	27,806	(43,364)	-	Note 2
ASKEY	DIC	British Virgin Islands	Investing in communication business	271,695	271,695	8,160,172	100.00	84,283	2,102	-	Note 2
ASKEY	MIC	British Virgin Islands	Investing in computer peripherals business	3,752,306	3,847,164	114,942,014	100.00	3,230,366	(29,824)	-	Note 2
ASKEY	ECOLAND	Taiwan	Green energy industry	21,840	21,840	780,000	33.91	6,693	(4,606)	-	Note 2
ASKEY	ASKEYDT	Taiwan	Selling and servicing of communication products	30,000	-	3,000,000	100.00	29,966	(34)	-	Note 2
DIC	ASKEYVN	Vietnam	Manufacturing and selling of communication products	178,000	176,136	2,883,359	100.00	79,202	1	-	Note 2
DIC	WISE	Hong Kong	Investing in communication and computer peripherals business	41,951	41,511	1,600,000	100.00	11,315	1,790	-	Note 2
MIC	MAGICOM	Cayman Islands	Investing in communication business	2,825,571	2,795,986	91,030,000	100.00	3,355,596	(17,022)	-	Note 2
MIC	OB	British Virgin Islands	Selling of communication products and computer peripherals	1,552	1,536	50,000	100.00	34,765	548	-	Note 2
MIC	LP	Mauritius	Selling of communication products and computer peripherals	1,553,552	1,537,286	50,050,000	100.00	-	149	-	Note 2 and 3
MIC	UNI	Mauritius	Selling of communication products and computer peripherals	1,552	1,536	50,000	100.00	20,132	(7)	-	Note 2
MIC	ASKEYCG	Germany	Selling and servicing of communication products	4,062	4,019	100,000	100.00	3,138	(124)	-	Note 2
MIC	ASKEYTH	Thailand	Intelligent energy-savings service and selling and servicing of communication products	1,946	1,926	20,000	100.00	-	(11,101)	-	Note 2 and 3
MIC	ASKEYJP	Japan	Selling and servicing of communication products	1,459	1,444	500,000	100.00	-	(1,085)	-	Note 2 and 3

				Original Investment Amount		Balance as of September 30, 2019					
Investor Company	Investee Company	Location	Main Businesses	September 30, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value	Net Income (Loss) of the Investee	Share of Profit/Loss of Investee	Note
MIC and OB	ASKEYBR	Brazil	Servicing of communication products	29,299	28,993	3,200,000	100.00	5,828	(4,245)	-	Note 2
ASKEY and WISE	SILIGENCE	France	Selling and servicing of communication products	178,598	178,160	4,623,090	95.95	66,875	11,217	-	Note 2
AAEON	AAEONEI	U.S.A	Selling of industrial computers and computer peripherals	152,096	150,504	490,000	100.00	176,361	10,576	-	Note 2
AAEON	AAEONDI	British Virgin Islands	Investing in industrial computers and computer peripherals business	20,481	20,266	50,000	100.00	37,204	(5,014)	-	Note 2
AAEON	AAEONTCL	British Virgin Islands	Investing in industrial computers and interface cards business	273,372	270,510	8,807,097	100.00	219,278	(6,755)	-	Note 2
AAEON	AAEONEU	Netherlands	Selling of industrial computers and computer peripherals	3,395	3,520	-	100.00	55,049	23,501	-	Note 2
AAEON	AAEONI	Taiwan	Investing in industrial computers and computer peripherals business	150,000	150,000	15,000,000	100.00	106,541	(4,129)	-	Note 2
AAEON	LITEMAX	Taiwan	Selling of computer peripherals	70,218	70,218	5,015,050	12.09	106,971	131,902	-	Note 2
AAEON	IBASE	Taiwan	Manufacturing and selling of industrial motherboard	3,498,501	3,498,501	52,921,856	30.55	3,389,638	182,919	-	Note 2
AAEONDI	AAEONSG	Singapore	Selling of industrial computers and computer peripherals	13,108	13,114	465,840	100.00	37,809	(4,990)	-	Note 2
AAEONEU	AAEONG	Germany	Selling of industrial computers and computer peripherals	1,019	1,056	-	100.00	17,425	1,589	-	Note 2
ONYX	ONYXHU	U.S.A	Selling of medical computers and peripherals	62,080	61,430	200,000	100.00	82,133	12,923	-	Note 2
ONYX	ONYXHE	Netherlands	Marketing support and repairing of medical computers and peripherals	3,395	3,520	100,000	100.00	11,402	1,935	-	Note 2
ONYX	IHELPER	Taiwan	Researching, developing and selling of medical robot	16,560	16,560	1,656,000	46.00	11,175	(5,205)	-	Note 2
ONYX	WINMATE	Taiwan	Bidding and distribution of liquid crystal display application equipment and modules	510,248	-	9,363,000	12.97	497,728	192,490	-	Note 2
ASUSCLOUD	ASUSCLOUDSG	Singapore	Investing in internet service business	23,344	19,935	-	100.00	2,804	(349)	-	Note 2
ASUSCLOUD	ASUSCLOUDLB	Luxembourg	Providing maintaence and operating service of information hardware	18,065	18,065	-	100.00	3,127	138	-	Note 2
ASUSCLOUD	ASUSLC	Taiwan	Selling of internet information service	5,000	5,000	500,000	50.00	1,665	(3,175)	-	Note 2
AIL	CHANNEL	British Virgin Islands	Investing in 3C business	932,224	922,464	30,033,000	100.00	36,727,833	(424,133)	-	Note 2
AIL	UHL	Cayman Islands	Investing in automotive electronics and computer peripherals business	201,760	199,648	6,500,000	100.00	66,304	842	-	Note 2
AIL	POTIXC	Cayman Islands	Designing and training of WEB application software	31,040	30,715	5,000,000	22.22	30,213	2,069	-	Note 2
CHANNEL	ASTP	Singapore	Investing in 3C business	931,278	921,527	44,419,424	100.00	42,226,031	318,735	-	Note 2
CHANNEL and ASTP	ACAE	United Arab Emirates	Providing support and repair for 3C products in Middle East	4,280	4,236	5	100.00	23,348	10,253	-	Note 2
CHANNEL and ASTP	ACEG	Egypt	Providing support for 3C products in Egypt	776	768	-	100.00	1,934	(19)	-	Note 2
CHANNEL and ASTP	ASID	Indonesia	Repairing of 3C products in Asia-pacific and America	46,560	46,073	1,500,000	100.00	39,023	503	-	Note 2
CHANNEL、ASTP and ACNL	ACTH	Thailand	Providing support for 3C products in Thailand	14,663	14,510	20,000	100.00	22,650	3,695	-	Note 2
CHANNEL、ASTP and ACNL	ASTH	Thailand	Repairing of 3C products in Thailand	5,885	2,856	60,000	100.00	6,097	(2)	-	Note 2
ASTP	ACG	Germany	Selling and providing support for 3C products in Germany	2,940	2,909	-	100.00	147,620	6,424	-	Note 2
ASTP	ACF	France	Providing support for 3C products in France	1,548	1,531	5,300	100.00	46,955	(3,514)	-	Note 2
ASTP	ACUK	U.K.	Providing support for 3C products in United Kingdom	2,801	2,772	50,000	100.00	45,085	5,030	-	Note 2
ASTP	ACHK	Hong Kong	Providing support and repair for 3C products in Hong Kong	1,997	1,976	500,000	100.00	11,806	1,373	-	Note 2
ASTP	ACKR	South Korea	Providing support and repair for 3C products in South Korea	10,738	10,626	158,433	100.00	43,082	2,917	-	Note 2
ASTP	ACSG	Singapore	Repairing of 3C products in Singapore	-	389	20,002	100.00	-	(99)	-	Note 2
ASTP	ACIN	India	Providing support and repair for 3C products in India	256,622	253,935	20,134,400	100.00	320,665	13,671	-	Note 2
ASTP	ACNL	Netherlands	Selling of 3C products	18,071	17,881	375,000	100.00	1,311,061	41,766	-	Note 2
ASTP	ACVN	Vietnam	Repairing of 3C products in Vietnam	2,483	2,457	-	100.00	19,793	3,656	-	Note 2
ASTP	ACIB	Spain	Providing support for 3C products in Spain	19	18	3,000	100.00	37,491	2,242	-	Note 2
ASTP	ACJP	Japan	Selling of 3C products in Japan	75,974	75,179	20,500	100.00	261,379	108,197	-	Note 2
ASTP	ASAU	Australia	Repairing of 3C products in Australia	29,963	29,649	950,000	100.00	34,844	6,511	-	Note 2
ASTP	ACAU	Australia	Providing support for 3C products in Australia	11,200	11,082	350,000	100.00	49,182	3,342	-	Note 2
ASTP	ACIL	Israel	Providing support for 3C products in Israel	404	399	50,000	100.00	-	(5,962)	-	Note 2 and 3
ASTP	ACCO	Colombia	Providing support for 3C products in Colombia	931	921	74,489	100.00	2,781	1,550	-	Note 2
ASTP	ACZA	South Africa	Providing support and repair for 3C products in Africa	2	2	1,000	100.00	757	(2,872)	-	Note 2
ASTP	ACMY	Malaysia	Providing support and repair for 3C products in Malaysia	3,628	3,590	500,000	100.00	20,033	565	-	Note 2
ASTP	ACCL	Chile	Providing support for 3C products in Chile	53	53	1,000	100.00	1,132	900	-	Note 2

Investor Company	Investee Company	Location	Main Businesses	Original Investment Amount		Balance as of September 30, 2019			Net Income (Loss) of the Investee	Share of Profit/Loss of Investee	Note
				September 30, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value			
ASTP	ASPH	Philippines	Providing support and repair for 3C products in Philippines	6,219	-	1,059,995	100.00	4,397	(1,931)	-	Note 2
ASTP and ACNL	ACPE	Peru	Providing support for 3C products in Peru	39,268	12	4,195,740	100.00	39,397	(865)	-	Note 2
ASTP and ACNL	ACMH	Mexico	Selling of 3C products in Mexico	117,844	116,658	51,120	100.00	-	(15,775)	-	Note 2 and 3
ASTP and ACNL	ACBZ	Brazil	Selling of 3C products in Brazil	6,118,318	6,054,272	549,469,000	100.00	4,208,633	151,290	-	Note 2
ASTP and ACNL	ASIN	India	Selling of 3C products in India	210,373	208,171	33,500,000	100.00	210,638	162,476	-	Note 2
ASTP and ACMH	ACMX	Mexico	Providing support for 3C products in Mexico	315	312	132	100.00	7,985	1,176	-	Note 2
ACNL	ACHU	Hungary	Providing support and repair for 3C products in Hungary	1,698	1,760	-	100.00	8,966	1,063	-	Note 2
ACNL	ACPT	Portugal	Providing support for 3C products in Portugal	1,019	1,056	30,000	100.00	10,623	458	-	Note 2
ACNL	ACCH	Switzerland	Providing support for 3C products in Switzerland	7,759	8,044	3,400	100.00	24,848	993	-	Note 2
ACNL	ACN	Sweden	Providing support for 3C products in North Europe	1,082	1,122	3,000	100.00	56,216	3,842	-	Note 2
ACNL	ACTR	Turkey	Providing support and repair for 3C products in Turkey	14,941	15,490	2,046	100.00	47,986	3,538	-	Note 2
ACNL	ASTR	Turkey	Repairing of 3C products in Turkey	346	359	3,000	100.00	3,382	3,297	-	Note 2
ACNL	ACPL	Poland	Providing support for 3C products in Poland	49,423	51,239	1,000	100.00	50,963	307	-	Note 2
ACNL	ACIT	Italy	Providing support for 3C products in Italy	1,630	1,690	-	100.00	-	(6,992)	-	Note 2 and 3
ACNL	ACCZ	Czech Republic	Providing support for 3C products in Czech Republic	266	275	-	100.00	16,263	1,268	-	Note 2
ACNL	ACCZS	Czech Republic	Repairing of 3C products in Europe	7,111	7,372	-	100.00	94,203	6,830	-	Note 2
ACNL	QCS	Sweden	Servicing of information technology	158	-	500	100.00	158	-	-	Note 2

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

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

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

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

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

Table 10 (Amounts in thousands of New Taiwan dollars and foreign currencies)

Investee Company	Main Businesses	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Beginning Balance of Accumulated Outflow of Investment from Taiwan	Investment Flows		Ending Balance Accumulated Outflow of Investment from Taiwan	Net Income (Loss) of the Investee Company	Percentage of Ownership (%)	Investment Income (Loss) Recognized in Current Period (Note 2 c)	Carrying Amount as of September 30, 2019 (Note 2 c and Note 3)	Ending Balance of Accumulated Inward Remittance of Earnings	Note (Note 1 b)
					Outflow	Inflow							
ACSH	Selling of 3C products in China	1,493,024	b	1,493,024	-	-	1,493,024	(1,456,655)	100.00	(1,456,655)	-	-	ASTP Invested
ACS	Repairing of 3C products	62,080	b	62,080	-	-	62,080	1,687	100.00	1,687	68,446	-	ASTP Invested
ACSZ	Researching and developing of 3C products	1,520,960	b	1,520,960	-	-	1,520,960	108,197	100.00	108,197	2,964,337	-	ASTP Invested
ACCQ	Selling of 3C products in China	2,141,760	b	2,141,760	-	-	2,141,760	245,958	100.00	245,958	5,300,381	-	ASTP Invested
ACISZ	Leasing real estate	509,519	c	-	-	-	-	(5,249)	100.00	(5,249)	433,377	-	-
ASKEYSH	Researching, developing and selling of communication products	93,120	b	93,120	-	-	93,120	3,019	100.00	3,019	10,290	-	MIC Invested
ASKEYJS	Manufacturing and selling of communication products	2,793,600	b	2,793,600	-	-	2,793,600	(11,067)	100.00	(11,067)	3,316,781	-	MAGICOM Invested
ASKEYMWJ	Manufacturing and selling of communication products	-	b	93,120	-	(93,120)	-	143	-	143	-	89,866	MAGICOM Invested
AAEONSZ	Manufacturing and selling of industrial computers and interface cards	269,746	b	269,746	-	-	269,746	(6,753)	100.00	(6,753)	224,633	-	AAEONTCL Invested
ONYXSH	Selling of medical computers and peripherals	46,560	a	46,560	-	-	46,560	(14,076)	100.00	(14,076)	-	-	-
EMES	Selling and consulting of information system software	9,312	a	9,312	-	-	9,312	(540)	100.00	(540)	9,485	-	-
JSCD	Professional eSports	673,900	a	487,360	186,540	-	673,900	(112,563)	100.00	(112,563)	476,833	-	-
9SKY HANGZHOU	Manufacturing and serving of data storage media	93,120	c	5,321	-	-	5,321	-	5.71	-	-	-	-
9SKY SHANGHAI	Manufacturing and serving of data storage media	31,040	c	1,416	-	-	1,416	-	5.71	-	-	-	-
EOSTEK SHENZHEN	Smart TV and projector platform service	217,280	c	55,624	-	-	55,624	-	14.94	-	-	-	-

Company Name	Ending Balance of Accumulated Investment in Mainland China	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 4)
ASUS	6,540,203 USD 210,702	6,738,859 USD 217,102	104,219,664
ASKEY	3,287,825 USD 105,922	3,287,825 USD 105,922	1,762,690
AAEON	269,746 USD 8,690	269,746 USD 8,690	4,874,518
SWI	9,312 USD 300	10,554 USD 340	94,205
ONYX	46,560 USD 1,500	46,560 USD 1,500	584,205

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

a. Direct investment in Mainland China.

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

c. Other methods.

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

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

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

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

b. The financial statements was reviewed by independent auditors of the parent company in Taiwan.

c. Others.

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

Note 4：Upper Limit on Investment of ASKEY amounting to $1,762,690 is calculated by net worth as of September 30, 2019, however amount authorized by Investment Commission in the latest application is $5,728,299.