

**ASUSTEK COMPUTER INC. AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Review Report Thereon**

**June 30, 2020 and 2019**

**(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 June 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three-month periods ended June 30, 2020 and 2019, and for the six-month periods ended June 30, 2020 and 2019, as well as the consolidated statements of changes in equity and of cash flows for the six-month periods ended June 30, 2020 and 2019, 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**

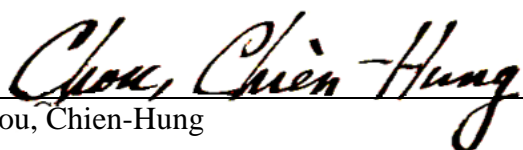
As explained in Note 4(3), the accompanying consolidated financial statements included certain non-significant consolidated subsidiaries and investments accounted for under equity method, which statements reflect total assets amounting to \$43,314,239 thousand and \$94,766,091 thousand (including investments accounted for under equity method amounting to \$437,551 thousand and \$1,847,133 thousand), constituting 11.82% and 28.61% of consolidated total assets as of June 30, 2020 and 2019, respectively, total liabilities amounting to \$11,803,307 thousand and \$24,780,917 thousand, constituting 6.43% and 15.07% of consolidated total liabilities as of June 30, 2020 and 2019, respectively, and total comprehensive income (loss) amounting to (\$426,195) thousand, (\$2,619,482) thousand, (\$1,686,964) thousand and (\$4,347,022) thousand, constituting (3.39%), (91.46%), (44.74%) and (39.54%) of consolidated total comprehensive income (loss) for the three-month periods ended June 30, 2020 and 2019, and for the six-month periods ended June 30, 2020 and 2019, 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 June 30, 2020 and 2019, and of its consolidated financial performance for the three-month periods ended June 30, 2020 and 2019, and for the six-month periods ended June 30, 2020 and 2019 and its consolidated cash flows for the six-month periods ended June 30, 2020 and 2019 in accordance with Regulations Governing the Preparations of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

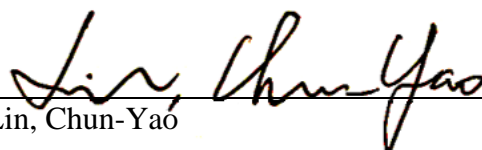
#### Other Matter – Reference to the reviews of other independent auditors

We did not review the financial statements of certain investments accounted for under equity method. Those financial statements were reviewed by other independent auditors whose reports thereon have been furnished to us and our conclusion expressed herein, insofar as it relates to the amounts included in the consolidated financial statements and information disclosed relative to these investments, is based solely on the reports of other independent auditors. These investments accounted for under equity method amounted to \$4,066,262 thousand and \$4,164,000 thousand, constituting 1.11% and 1.26% of consolidated total assets as of June 30, 2020 and 2019, respectively, and total comprehensive income amounted to \$29,616 thousand, \$50,487 thousand, \$19,770 thousand and \$74,169 thousand, constituting 0.24%, 1.76%, 0.52% and 0.67% of consolidated total comprehensive income (loss) for the three-month periods ended June 30, 2020 and 2019, and for the six-month periods ended June 30, 2020 and 2019, respectively.



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Chou, Chien-Hung



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Lin, Chun-Yao

For and on behalf of PricewaterhouseCoopers, Taiwan

August 12, 2020

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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 accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ASUSTEK COMPUTER INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
JUNE 30, 2020, DECEMBER 31, 2019 AND JUNE 30, 2019  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

ASSETS	NOTES	JUNE 30, 2020 (UNAUDITED)		DECEMBER 31, 2019		JUNE 30, 2019 (UNADUDITED)	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
<u>Current assets</u>							
Cash and cash equivalents	6(1)	\$ 56,796,079	16	\$ 79,083,376	23	\$ 69,985,641	21
Financial assets at fair value through profit or loss - current	6(2)	15,716,497	4	5,689,854	2	2,835,487	1
Financial assets at fair value through other comprehensive income - current	6(3)	782,451	-	769,603	-	674,493	-
Financial assets at amortized cost - current	6(4)	108,000	-	119,500	-	119,500	-
Derivative financial assets for hedging - current	6(5)	129,899	-	5,612	-	90,811	-
Notes receivable	6(6)	4,460,814	1	5,178,261	1	3,487,129	1
Trade receivables	6(6)(7) and 7	73,916,745	20	65,748,653	19	66,095,438	20
Other receivables	7	749,013	-	528,727	-	768,704	-
Inventories	6(8)	87,404,997	24	74,442,780	21	80,637,368	25
Prepayments		8,835,987	3	8,360,883	2	7,155,323	2
Other current assets	8	184,603	-	256,565	-	163,538	-
Total current assets		249,085,085	68	240,183,814	68	232,013,432	70
<u>Non-current assets</u>							
Financial assets at fair value through profit or loss - non-current	6(2)	236,267	-	244,224	-	102,550	-
Financial assets at fair value through other comprehensive income - non- current	6(3)	59,249,838	16	62,083,635	18	51,656,405	16
Investments accounted for under equity method	6(9)	14,727,717	4	6,367,892	2	6,057,801	2
Property, plant and equipment	6(10) and 8	22,080,008	6	22,354,443	6	20,184,109	6
Right-of-use assets	6(11)	2,786,961	1	3,016,854	1	3,167,863	1
Investment property		4,081,672	1	4,007,876	1	4,020,868	1
Intangible assets	6(12)	2,315,117	1	2,181,855	1	1,980,451	1
Deferred income tax assets		10,351,182	3	10,174,080	3	10,338,260	3
Other non-current assets	8	1,447,359	-	1,389,438	-	1,718,843	-
Total non-current assets		117,276,121	32	111,820,297	32	99,227,150	30
<u>TOTAL ASSETS</u>		\$ 366,361,206	100	\$ 352,004,111	100	\$ 331,240,582	100

(Continued)

ASUSTEK COMPUTER INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
JUNE 30, 2020, DECEMBER 31, 2019 AND JUNE 30, 2019  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

LIABILITIES AND EQUITY	NOTES	JUNE 30, 2020 (UNAUDITED)		DECEMBER 31, 2019		JUNE 30, 2019 (UNAUDITED)	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
<u>Current liabilities</u>							
Short-term borrowings	6(14)	\$ 5,845,292	1	\$ 5,600,728	2	\$ 5,732,267	2
Financial liabilities at fair value through profit or loss - current	6(2)	451,115	-	480,597	-	460,976	-
Derivative financial liabilities for hedging - current	6(5)	501,919	-	311,468	-	207,364	-
Contract liabilities - current	6(22)	917,603	-	968,662	-	1,035,727	-
Notes and trade payables	6(7) and 7	64,518,546	18	59,025,552	17	47,319,372	14
Other payables - accrued expenses	7	35,459,565	10	35,693,856	10	34,118,790	10
Dividends payable		11,185,574	3	-	-	11,897,637	4
Current income tax liabilities		6,592,417	2	4,875,979	2	6,296,374	2
Provisions for liabilities - current	6(16) and 9	21,237,367	6	21,752,992	6	22,105,016	7
Lease liabilities - current	6(30)	420,453	-	445,844	-	436,823	-
Refund liabilities - current	6(17)	18,058,482	5	20,829,445	6	18,181,009	6
Other current liabilities	7	4,439,156	1	4,533,502	1	4,121,516	1
Total current liabilities		169,627,489	46	154,518,625	44	151,912,871	46
<u>Non-current liabilities</u>							
Deferred income tax liabilities		12,854,756	4	12,876,044	4	11,115,701	4
Lease liabilities - non-current	6(30)	564,708	-	683,584	-	733,443	-
Other non-current liabilities		621,121	-	639,066	-	691,417	-
Total non-current liabilities		14,040,585	4	14,198,694	4	12,540,561	4
Total liabilities		183,668,074	50	168,717,319	48	164,453,432	50
<u>Equity attributable to shareholders of the parent</u>							
Share capital - common shares	6(18)	7,427,603	2	7,427,603	2	7,427,603	2
Capital surplus	6(19)	9,212,319	3	6,297,000	2	6,296,093	2
Retained earnings	6(20)						
Legal reserve		36,620,905	10	35,407,050	10	35,407,050	11
Special reserve		693,928	-	693,928	-	693,928	-
Unappropriated retained earnings		89,692,808	24	95,102,416	27	86,865,891	26
Other equity	6(3)(5)(21)	28,009,954	8	31,932,043	9	24,079,410	7
Total equity attributable to shareholders of the parent		171,657,517	47	176,860,040	50	160,769,975	48
Non-controlling interest		11,035,615	3	6,426,752	2	6,017,175	2
Total equity		182,693,132	50	183,286,792	52	166,787,150	50
TOTAL LIABILITIES AND EQUITY		\$ 366,361,206	100	\$ 352,004,111	100	\$ 331,240,582	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 SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE DATA)  
(UNAUDITED)

ITEMS	NOTES	FOR THE THREE-MONTH PERIODS ENDED JUNE 30,				FOR THE SIX-MONTH PERIODS ENDED JUNE 30,			
		2020		2019		2020		2019	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Operating revenue	6(22) and 7	\$ 92,271,493	100	\$ 74,165,885	100	\$ 163,029,459	100	\$ 160,095,109	100
Operating costs	6(8)(10)(11)(15)(25)(26) and 7	( 76,366,597 )	( 83 )	( 62,569,300 )	( 85 )	( 134,861,427 )	( 83 )	( 137,486,105 )	( 86 )
Gross profit		15,904,896	17	11,596,585	15	28,168,032	17	22,609,004	14
Unrealized profit (loss) from sales		( 7,195 )	-	-	-	( 7,195 )	-	-	-
Gross profit		15,897,701	17	11,596,585	15	28,160,837	17	22,609,004	14
Operating expenses	6(10)(11)(15)(25)(26), 7 and 9	( 10,818,149 )	( 11 )	( 9,754,925 )	( 13 )	( 20,138,411 )	( 12 )	( 19,063,823 )	( 12 )
Selling expenses		( 5,012,701 )	( 5 )	( 4,547,751 )	( 6 )	( 9,192,647 )	( 6 )	( 9,151,121 )	( 6 )
General and administrative expenses		( 1,784,920 )	( 2 )	( 1,865,916 )	( 3 )	( 3,585,347 )	( 2 )	( 3,325,557 )	( 2 )
Research and development expenses		( 4,020,528 )	( 4 )	( 3,341,258 )	( 4 )	( 7,360,417 )	( 4 )	( 6,587,145 )	( 4 )
Total operating expenses		( 10,818,149 )	( 11 )	( 9,754,925 )	( 13 )	( 20,138,411 )	( 12 )	( 19,063,823 )	( 12 )
Operating profit		5,079,552	6	1,841,660	2	8,022,426	5	3,545,181	2
Non-operating income and expenses									
Interest income		176,669	-	372,334	1	437,519	-	673,976	-
Other income	6(23)	51,544	-	34,849	-	93,343	-	68,447	-
Other gains (losses)	6(2)(5)(10)(11)(24)	2,020,175	2	747,145	1	225,446	-	2,362,435	2
Finance costs	6(11)	( 24,859 )	-	( 45,273 )	-	( 59,949 )	-	( 92,382 )	-
Share of profit of associates and joint ventures accounted for under equity method	6(9)	35,176	-	44,750	-	48,068	-	62,390	-
Total non-operating income and expenses		2,258,705	2	1,153,805	2	744,427	-	3,074,866	2
Profit before income tax		7,338,257	8	2,995,465	4	8,766,853	5	6,620,047	4
Income tax expenses	6(27)	( 1,752,608 )	( 2 )	( 525,821 )	-	( 2,256,583 )	( 1 )	( 1,334,936 )	( 1 )
Profit from continuing operations for the period		5,585,649	6	2,469,644	4	6,510,270	4	5,285,111	3
Profit (loss) from discontinued operations for the period	6(13)	323,605	-	( 601,450 )	( 1 )	495,260	-	( 962,527 )	-
Profit for the period		\$ 5,909,254	6	\$ 1,868,194	3	\$ 7,005,530	4	\$ 4,322,584	3
Other comprehensive income									
Components of other comprehensive income that will not be reclassified to profit or loss									
Profit (loss) on remeasurements of defined benefit plans	6(21)	\$ -	-	( \$ 16,113 )	-	\$ -	-	( \$ 16,113 )	-
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)(21)	7,603,061	8	915,212	1	( 2,819,073 )	( 2 )	6,331,380	4
Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method	6(9)(21)	1,437,196	2	2,924	-	1,415,306	1	9,849	-
Income tax relating to components of other comprehensive income	6(21)(27)	( 11,124 )	-	7,396	-	16,702	-	5,295	-
Components of other comprehensive income that will be reclassified to profit or loss									
Financial statements translation differences of foreign operations	6(21)	( 1,649,944 )	( 2 )	548,237	1	( 2,056,486 )	( 1 )	920,669	-
Gains (losses) on hedging instrument	6(5)(21)	( 906,607 )	( 1 )	( 349,483 )	( 1 )	( 66,164 )	-	( 397,449 )	-
Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method	6(9)(21)	( 134,972 )	-	( 1,348 )	-	( 137,669 )	-	287	-
Income tax relating to the components of other comprehensive income	6(21)(27)	329,581	-	( 110,948 )	-	412,038	-	( 182,346 )	-
Other comprehensive income (loss) for the period		\$ 6,667,191	7	\$ 995,877	1	( \$ 3,235,346 )	( 2 )	\$ 6,671,572	4
Total comprehensive income for the period		\$ 12,576,445	13	\$ 2,864,071	4	\$ 3,770,184	2	\$ 10,994,156	7
Profit attributable to:									
Shareholders of the parent		\$ 5,315,221	5	\$ 1,679,845	3	\$ 6,202,891	4	\$ 3,866,848	3
Non-controlling interest		594,033	1	188,349	-	802,639	-	455,736	-
		\$ 5,909,254	6	\$ 1,868,194	3	\$ 7,005,530	4	\$ 4,322,584	3
Total comprehensive income attributable to:									
Shareholders of the parent		\$ 11,274,817	12	\$ 2,685,520	4	\$ 2,280,802	2	\$ 10,542,258	7
Non-controlling interest		1,301,628	1	178,551	-	1,489,382	-	451,898	-
		\$ 12,576,445	13	\$ 2,864,071	4	\$ 3,770,184	2	\$ 10,994,156	7
Basic earnings per share (in dollars): Profit from continuing operations	6(28)	\$ 6.71		\$ 3.07		\$ 7.68		\$ 6.50	
Profit (loss) from discontinued operations		0.44		( 0.80 )		0.67		( 1.29 )	
Basic earnings per share		\$ 7.15		\$ 2.27		\$ 8.35		\$ 5.21	
Diluted earnings per share (in dollars): Profit from continuing operations	6(28)	\$ 6.70		\$ 3.07		\$ 7.64		\$ 6.48	
Profit (loss) from discontinued operations		0.43		( 0.81 )		0.66		( 1.29 )	
Diluted earnings per share		\$ 7.13		\$ 2.26		\$ 8.30		\$ 5.19	

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 SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)  
(UNAUDITED)

Equity attributable to owners of the parent												
Retained Earnings					Other Equity Interest					Total	Non-controlling interest	Total equity
Common shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains from financial assets measured at fair value through other comprehensive income	Gain (loss) on hedging instruments	Remeasurements of defined benefit plan				
\$7,427,603	\$6,297,000	\$35,407,050	\$ 693,928	\$ 95,102,416	( \$2,800,984)	\$ 35,155,750	( \$ 305,856)	( \$ 116,867)	\$176,860,040	\$6,426,752	\$183,286,792	
-	-	1,213,855	-	( 1,213,855)	-	-	-	-	-	-	-	
-	-	-	-	( 10,398,644)	-	-	-	-	( 10,398,644)	-	( 10,398,644)	
-	-	-	-	6,202,891	-	-	-	-	6,202,891	802,639	7,005,530	
-	-	-	-	-	( 1,701,903 )	( 2,154,022 )	( 66,164)	-	( 3,922,089)	686,743	( 3,235,346)	
-	78,353	-	-	-	-	-	-	-	78,353	-	78,353	
-	2,836,966	-	-	-	-	-	-	-	2,836,966	3,787,640	6,624,606	
-	-	-	-	-	-	-	-	-	-	( 668,159)	( 668,159)	
<u>\$7,427,603</u>	<u>\$9,212,319</u>	<u>\$36,620,905</u>	<u>\$ 693,928</u>	<u>\$ 89,692,808</u>	<u>( \$4,502,887)</u>	<u>\$ 33,001,728</u>	<u>( \$ 372,020)</u>	<u>( \$ 116,867)</u>	<u>\$171,657,517</u>	<u>\$11,035,615</u>	<u>\$182,693,132</u>	
\$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	
-	-	423,504	-	( 423,504)	-	-	-	-	-	-	-	
-	-	-	-	( 11,141,404)	-	-	-	-	( 11,141,404)	-	( 11,141,404)	
-	-	-	-	3,866,848	-	-	-	-	3,866,848	455,736	4,322,584	
-	-	-	-	-	734,753	6,344,679	( 397,449)	( 6,573)	6,675,410	( 3,838)	6,671,572	
-	4,296	-	-	7,457	-	-	-	-	11,753	-	11,753	
-	( 7,633)	-	-	-	-	-	-	-	( 7,633)	-	( 7,633)	
-	-	-	( 13)	13	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	( 761,646)	( 761,646)	
<u>\$7,427,603</u>	<u>\$6,296,093</u>	<u>\$35,407,050</u>	<u>\$ 693,928</u>	<u>\$ 86,865,891</u>	<u>( \$ 269,276)</u>	<u>\$ 24,578,708</u>	<u>( \$ 116,553)</u>	<u>( \$ 113,469)</u>	<u>\$160,769,975</u>	<u>\$6,017,175</u>	<u>\$166,787,150</u>	

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



ASUSTEK COMPUTER INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)  
(UNAUDITED)

	<u>FOR THE SIX-MONTH PERIODS ENDED JUNE 30,</u>	
	<u>2020</u>	<u>2019</u>
<u>Cash flows from operating activities</u>		
Profit before income tax from continuing operations for the period	\$ 8,766,853	\$ 6,620,047
Profit (loss) before income tax from discontinued operations for the period	<u>542,215</u>	<u>( 710,407 )</u>
Profit before income tax from continuing and discontinued operations for the period	9,309,068	5,909,640
Income and expenses that result in non-cash flows		
Depreciation (including investment property and right-of-use assets)	1,422,156	882,495
Amortization	265,284	231,644
Expected credit impairment losses (gains)	( 167,197 )	589,310
Net loss (gain) on financial assets or liability at fair value through profit or loss	( 305,028 )	( 64,275 )
Share of profit of associates and joint ventures accounted for under equity method	( 48,068 )	( 62,390 )
Bargain purchase gain	( 372,035 )	-
Interest income	( 438,375 )	( 674,101 )
Dividend income	( 14,043 )	( 3,375 )
Interest expense	59,949	92,382
Others	61,435	10,720
Changes in assets/liabilities relating to operating activities		
Financial assets at fair value through profit or loss	( 8,909,525 )	2,720,129
Notes receivable	719,756	625,476
Trade receivables	( 8,257,889 )	11,302,667
Other receivables	88,415	103,967
Inventories	( 12,962,217 )	13,621,671
Prepayments	( 61,081 )	( 436,100 )
Other current assets	71,962	( 49,632 )
Financial liabilities at fair value through profit or loss	( 833,256 )	( 741,603 )
Contract liabilities	( 34,544 )	42,727
Notes and trade payables	5,492,994	( 17,818,881 )
Other payables - accrued expenses	( 340,910 )	( 3,802,763 )
Provisions for liabilities	( 515,625 )	( 324,033 )
Refund liabilities	( 2,770,963 )	( 1,680,798 )
Other current liabilities	( 282,727 )	44,915
Other operating liabilities	( 14,449 )	( 45 )
Receipt of interest	482,294	672,150
Payment of interest	( 63,707 )	( 92,455 )
Payment of income tax	( 1,068,913 )	( 1,276,112 )
Net cash flows provided by (used in) operating activities	<u>( 19,487,239 )</u>	<u>9,823,330</u>
<u>Cash flows from investing activities</u>		
Proceeds from disposal of financial assets at amortized cost	11,500	1,559,275
Acquisition of property, plant and equipment	( 1,058,717 )	( 4,083,372 )
Acquisition of intangible assets	( 289,134 )	( 92,213 )
Decrease (increase) in refundable deposits	31,656	( 292,933 )
Changes in other non-current assets	71,891	( 41,124 )
Dividends received	-	2,300
Others	( 42,416 )	45,980
Net cash flows provided by (used in) investing activities	<u>( 1,275,220 )</u>	<u>( 2,902,087 )</u>
<u>Cash flows from financing activities</u>		
Increase (decrease) in short-term borrowings	237,174	( 1,404,405 )
Redemption of lease liabilities	( 256,021 )	( 266,285 )
Others	( 3,497 )	1,919
Net cash flows provided by (used in) financing activities	<u>( 22,344 )</u>	<u>( 1,668,771 )</u>
Effects due to changes in exchange rate	( 1,502,494 )	760,621
Increase (decrease) in cash and cash equivalents	( 22,287,297 )	6,013,093
Cash and cash equivalents at beginning of period	79,083,376	63,972,548
Cash and cash equivalents at end of period	<u>\$ 56,796,079</u>	<u>\$ 69,985,641</u>

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

**ASUSTEK COMPUTER INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019**  
**(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 August 12, 2020.

**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 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

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
Amendment to IFRS 16, “Covid-19-related rent concessions”	June 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.	

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

None.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, “Extension of the temporary exemption from applying IFRS 9”	January 1, 2021
Amendments to IFRS 3, “Reference to the conceptual framework”	January 1, 2022
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, 2023
Amendments to IFRS 17, “Insurance contracts”	January 1, 2023
Amendments to IAS 1, “Classification of liabilities as current or non-current”	January 1, 2023
Amendments to IAS 16, “Property, plant and equipment: proceeds before intended use”	January 1, 2022
Amendments to IAS 37, “Onerous contracts—cost of fulfilling a contract”	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022
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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements

are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

These consolidated financial statements 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) Basis of preparation

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

- (A) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (B) Financial assets at fair value through other comprehensive income.
- (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) Basis of consolidation

A. Basis for preparation of consolidated financial statements

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

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

B. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Main business activities	Ownership (%)			Remark
			2020/6/30	2019/12/31	2019/6/30	
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	
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	94.58	
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	QUANTUM CLOUD INTERNATIONAL PTE. LTD. (QCI)	Servicing of information technology	100.00	100.00	100.00	
ASUS	JINSHUO CULTURAL DIFFUSION CO., LTD. (JSCD)	Participating and promoting of professional eSports	100.00	100.00	100.00	
ASUS and HCVC	SHINEWAVE INTERNATIONAL INC. (SWI)	Researching, developing, selling and consulting of information system software	51.00	51.00	51.00	

Investor	Subsidiary	Main business activities	Ownership (%)			Remark
			2020/6/30	2019/12/31	2019/6/30	
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	69.25	69.25	
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	46.03	52.93	52.93	
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	56.80	56.80	Note 2
ASUS and AIL Group	UNIMAX ELECTRONICS INCORPORATION (UEI)	Manufacturing and selling of automotive electronics and computer peripherals	100.00	100.00	100.00	
HMI GROUP	JOTECH LTD. (JOTECH)	Selling and repairing of information software and electronic information materials	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 communication 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 peripherals	-	100.00	100.00	
ASKEY GROUP	LEADING PROFIT CO., LTD. (LP)	Selling of communication products and peripherals	100.00	100.00	100.00	

Investor	Subsidiary	Main business activities	Ownership (%)			Remark
			2020/6/30	2019/12/31	2019/6/30	
ASKEY GROUP	UNI LEADER INTERNATIONAL LTD. (UNI)	Selling of communication products and 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 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 COMMUNICATION GMBH (ASKEYCG)	Selling and servicing of communication products	100.00	100.00	100.00	
ASKEY GROUP	ASKEY DO BRASIL TECNOLOGIA LTDA. (ASKEYBR)	Selling and servicing of communication products	100.00	100.00	100.00	
ASKEY GROUP	ASKEY CORPORATION (THAILAND) CO., LTD. (ASKEYTH)	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	100.00	100.00	
ASKEY GROUP	WONDALINK INC. (WONDA)	Manufacturing and designing of wired and wireless communication, electronic parts products, etc.	100.00	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	
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	
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 (%)			Remark
			2020/6/30	2019/12/31	2019/6/30	
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	46.00	
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	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	
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	
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	
AIL GROUP	ASUS POLSKA SP. Z O. O. (ACPL)	Providing support for 3C products in Poland	100.00	100.00	100.00	



Investor	Subsidiary	Main business activities	Ownership (%)			Remark
			2020/6/30	2019/12/31	2019/6/30	
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, S. L. U. (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	
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 HOLDING 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	

Investor	Subsidiary	Main business activities	Ownership (%)			Remark
			2020/6/30	2019/12/31	2019/6/30	
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	100.00	
AIL GROUP	ASUS PHILIPPINES CORPORATION (ASPH)	Providing support and repair for 3C products in Philippines	100.00	100.00	100.00	
AIL GROUP	QC SERVER AB (QCS)	Servicing of information technology	100.00	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	
AIL GROUP	ASUS CZECH SERVICE S. R. O. (ACCZS)	Repairing of 3C products in Europe	100.00	100.00	100.00	
AIL GROUP	ASUS PROPERTIES (VIETNAM) LTD. (APVN)	Servicing of management consulting	100.00	-	-	

Note 1: ACIB was named ASUS SPAIN MARKETING SUPPORT SL before it was renamed in April 2019. ACTH was named ASUS MARKETING (THAILAND) CO., LTD. before it was renamed in January 2019.

Note 2: 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 are 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 foreign exchange gains and losses 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, financial assets at amortized cost 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

- 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.

- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference between remeasured lease liability in profit or loss.

(18) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 20~50 years.

(19) Intangible assets

- A. Goodwill and trademark arise in a business combination accounted for by applying the acquisition method.
- B. Other intangible assets, mainly computer software, are amortized on a straight-line basis over their estimated useful lives of 1~10 years.

(20) Impairment of non-financial assets

- A. The Group assesses at the end of the financial reporting period the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in

prior years no longer exist or decrease, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss. However, the reversal should not exceed the carrying amount, net of depreciation or amortization had the impairment not been recognized.

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

(21) Borrowings

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

(22) Notes and trade payables

- A. 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.

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

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

(24) Derecognition of financial liabilities

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

(25) Offsetting financial assets and financial liabilities

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

(26) Non-hedging derivatives

Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is

entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognized in profit or loss.

(27) Hedge accounting

- A. At the inception of the hedging relationship, there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements.
- B. The Group designates the hedging relationship as cash flow hedge which is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.
- C. Cash flow hedges
  - (A) The cash flow hedge reserve associated with the hedged item is adjusted to the lower of the following (in absolute amounts):
    - a. The cumulative gain or loss on the hedging instrument from inception of the hedge; and
    - b. The cumulative change in fair value of the hedged item from inception of the hedge.
  - (B) The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income. The gain or loss on the hedging instrument relating to the ineffective portion is recognized in profit or loss.
  - (C) The amount that has been accumulated in the cash flow hedge reserve in accordance with (A) is accounted for as follows:
    - a. If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group shall remove that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or liability.
    - b. For cash flow hedges other than those covered by a. above, that amount shall be reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.
    - c. If that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, it shall immediately reclassify the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.
  - (D) When the hedging instrument expires, or is sold, terminated, exercised or when the hedging

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

(28) 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.

(29) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(A) Defined contribution plans

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

(B) Defined benefit plans

- a. The liability recognized in the balance sheets in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the financial reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of government bonds or interest rates of return of high-quality investments that have terms to maturity approximating to the terms of the related pension liability.
- b. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as other equity.
- c. Prior service costs are recognized immediately in profit or loss.

- d. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

C. Termination benefits

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

D. Employees' compensation and directors' remuneration

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

(30) Employee share-based payment

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

B. Restricted stocks:

- (A) The issued subsidiary uses the date notifying employees the number of shares of employees' stock bonus as the grant date.
- (B) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period.
- (C) For restricted stocks where those stocks do not restrict distribution of dividends to employees

and employees are not required to return the dividends received if they resign during the vesting period, the Group recognizes the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

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

(31) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the financial reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.
- C. Deferred income tax is recognized, using the balance sheets liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the financial reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At the end of the financial reporting period, unrecognized and recognized deferred income tax assets are

reassessed.

- E. Current income tax assets and liabilities are offset and the net amount is reported in the balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheets when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.
- 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.

(32) Dividends

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

(33) 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 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 services 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.

(34) 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.

(35) 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 June 30, 2020, the Group recognized \$18,058,482 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 June 30, 2020, the carrying amount of inventories was \$87,404,997.

**6. DETAILS OF SIGNIFICANT ACCOUNTS**

**(1) Cash and cash equivalents**

	2020/6/30	2019/12/31	2019/6/30
Cash on hand and petty cash	\$ 7,752	\$ 7,194	\$ 10,457
Checking accounts and demand deposits	22,195,674	31,952,371	24,674,047
Time deposits	33,145,191	45,793,398	43,646,941
Others	1,447,462	1,330,413	1,654,196
	<u>\$ 56,796,079</u>	<u>\$ 79,083,376</u>	<u>\$ 69,985,641</u>

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

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

	2020/6/30	2019/12/31	2019/6/30
Financial assets mandatorily measured at fair value through profit or loss - current:			
Listed and OTC stocks	\$ 503,087	\$ 539,720	\$ 538,435
Unlisted and non-OTC stocks	7,140	6,333	6,489
Beneficiary certificates	15,024,516	5,129,519	2,120,406
Derivatives	181,754	14,282	170,157
	<u>\$ 15,716,497</u>	<u>\$ 5,689,854</u>	<u>\$ 2,835,487</u>

	<u>2020/6/30</u>	<u>2019/12/31</u>	<u>2019/6/30</u>
Financial assets mandatorily measured at fair value through profit or loss - non-current:			
Listed and OTC stocks	\$ 842	\$ 853	\$ 805
Unlisted and non-OTC stocks	51,201	53,229	26,296
Beneficiary certificates	53,269	59,214	64,038
Hybrid instruments	10,955	10,928	11,411
Convertible bonds	120,000	120,000	-
	<u>\$ 236,267</u>	<u>\$ 244,224</u>	<u>\$ 102,550</u>
Financial liabilities held for trading - current:			
Derivatives	<u>\$ 451,115</u>	<u>\$ 480,597</u>	<u>\$ 460,976</u>

- 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. Refer to Note 12(3) 8 for the fair value on June 30, 2020, December 31, 2019 and June 30, 2019.
- B. Amounts recognized in profit or loss in relation to financial assets and liabilities at fair value through profit or loss are listed below:

	<u>For the three-month periods ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Financial assets and liabilities mandatorily measured at fair value through profit or loss		
Equity instruments	\$ 112,813	(\$ 53,935)
Beneficiary certificates	( 1,612)	18,195
Derivatives	( 592,023)	27,513
Hybrid instruments	( 82)	471
	<u>(\$ 480,904)</u>	<u>(\$ 7,756)</u>

	<u>For the six-month periods ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Financial assets and liabilities mandatorily measured at fair value through profit or loss		
Equity instruments	(\$ 45,463)	\$ 66,109
Beneficiary certificates	7,465	10,305
Derivatives	342,999	( 13,251)
Hybrid instruments	27	1,112
	<u>\$ 305,028</u>	<u>\$ 64,275</u>

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:

	2020/6/30			2019/12/31		
	Contract amount (in thousands)		Maturity period	Contract amount (in thousands)		Maturity period
Derivative financial assets:						
Forward exchange contracts						
-EUR/USD	EUR	45,000	2020/11	EUR	27,000	2020/02~ 2020/04
-NTD/USD	USD	160,000	2020/10	USD	-	-
-USD/NTD	USD	-	-	USD	200	2020/01
-GBP/USD	GBP	13,000	2020/07	GBP	11,000	2020/03
-PLN/USD	PLN	20,000	2020/09	PLN	-	-
-CNH/USD	CNH	141,637	2020/07	CNH	69,687	2020/02
-IDR/USD	IDR	511,265,000	2020/07	IDR	-	-
-INR/USD	INR	226,980	2020/07	INR	1,775,100	2020/01
-SEK/USD	SEK	20,000	2020/08	SEK	20,000	2020/04
-CAD/USD	CAD	193,100	2020/07~ 2021/02	CAD	-	-
-AUD/USD	AUD	13,000	2020/09	AUD	-	-
-RUB/USD	RUB	962,868	2020/07	RUB	-	-
-JPY/USD	JPY	2,143,400	2020/08	JPY	-	-
Currency option contracts						
-CNH/USD	CNH	1,944,651	2020/11	CNH	464,784	2020/05
-JPY/USD	JPY	3,487,440	2020/09	JPY	7,044,180	2020/03
-RUB/USD	RUB	1,838,700	2020/08	RUB	-	-
Currency swap contracts						
-USD/NTD	USD	-	-	USD	500	2020/01

	2020/6/30			2019/12/31		
	Contract amount (in thousands)		Maturity period	Contract amount (in thousands)		Maturity period
Derivative financial liabilities:						
Forward exchange contracts						
-CAD/USD	CAD	-	-	CAD	122,000	2020/01~ 2020/08
-NTD/USD	USD	350,000	2020/09	USD	360,000	2020/03
-USD/NTD	USD	-	-	USD	500	2020/01
-EUR/USD	EUR	252,000	2020/09~ 2020/10	EUR	345,000	2020/03~ 2020/04
-GBP/USD	GBP	-	-	GBP	12,000	2020/03
-NOK/USD	NOK	25,000	2020/07	NOK	110,000	2020/04
-CNH/USD	CNH	1,683,282	2020/07	CNH	1,669,883	2020/02
-IDR/USD	IDR	548,915,000	2020/10	IDR	1,137,271,000	2020/02
-INR/USD	INR	3,889,769	2020/07	INR	2,152,087	2020/01
-SEK/USD	SEK	31,200	2020/07	SEK	104,634	2020/04
-PLN/USD	PLN	117,000	2020/09	PLN	180,000	2020/04
-CHF/USD	CHF	-	-	CHF	2,500	2020/02
-MXN/USD	MXN	-	-	MXN	110,000	2020/02
-AUD/USD	AUD	30,000	2020/09	AUD	16,000	2020/02
-RUB/USD	RUB	568,550	2020/07	RUB	188,055	2020/01
Currency option contracts						
-RUB/USD	RUB	-	-	RUB	2,593,690	2020/04
-CNH/USD	CNH	2,074,629	2020/11	CNH	2,074,684	2020/05
-GBP/USD	GBP	-	-	GBP	2,000	2020/01
-EUR/USD	EUR	63,000	2020/10	EUR	117,000	2020/03
-IDR/USD	IDR	-	-	IDR	539,331,000	2020/04

2019/6/30			
	Contract amount (in thousands)		Maturity period
Derivative financial assets:			
Forward exchange contracts			
-USD/NTD	USD	200,400	2019/07
-RUB/USD	RUB	379,770	2019/08
-EUR/USD	EUR	10,000	2019/07
-JPY/USD	JPY	968,350	2019/08
-GBP/USD	GBP	7,000	2019/07
-CNH/USD	CNH	410,780	2019/07
Currency option contracts			
-EUR/USD	EUR	18,000	2019/10
-CNH/USD	CNH	836,252	2019/08
Currency swap contracts			
-USD/NTD	USD	500	2019/07
Derivative financial liabilities:			
Forward exchange contracts			
-AUD/USD	AUD	10,000	2019/07
-CAD/USD	CAD	215,500	2019/07~ 2020/02
-USD/NTD	USD	200	2019/07
-NTD/USD	USD	200,000	2019/11
-EUR/USD	EUR	216,000	2019/09~ 2019/12
-NOK/USD	NOK	36,000	2019/08
-RUB/USD	RUB	1,002,540	2019/08
-IDR/USD	IDR	1,258,699,000	2019/07
-INR/USD	INR	2,373,563	2019/07
-SEK/USD	SEK	91,000	2019/07
-PLN/USD	PLN	140,000	2019/11
-CHF/USD	CHF	15,200	2019/10
-CNH/USD	CNH	2,764,621	2019/09
Currency option contracts			
-EUR/USD	EUR	57,000	2019/10
-RUB/USD	RUB	881,085	2019/08
-CNH/USD	CNH	1,586,974	2019/12
-JPY/USD	JPY	4,229,250	2019/08
-INR/USD	INR	1,858,410	2019/08

(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.

E. Information about credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

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

	<u>2020/6/30</u>	<u>2019/12/31</u>	<u>2019/6/30</u>
Equity instruments - current:			
Listed and OTC stocks	\$ 310,939	\$ 310,939	\$ 310,939
Valuation adjustment	<u>471,512</u>	<u>458,664</u>	<u>363,554</u>
	<u>\$ 782,451</u>	<u>\$ 769,603</u>	<u>\$ 674,493</u>
Equity instruments - non-current:			
Listed and OTC stocks	\$ 26,877,718	\$ 26,878,597	\$ 26,881,311
Unlisted and non-OTC stocks	<u>509,114</u>	<u>510,739</u>	<u>588,423</u>
	27,386,832	27,389,336	27,469,734
Valuation adjustment	<u>31,863,006</u>	<u>34,694,299</u>	<u>24,186,671</u>
	<u>\$ 59,249,838</u>	<u>\$ 62,083,635</u>	<u>\$ 51,656,405</u>

A. The Group has elected to classify above investments that are considered to be strategic investments and steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$60,032,289, \$62,853,238 and \$52,330,898 on June 30, 2020, December 31, 2019 and June 30, 2019, 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:

	<u>For the three-month periods ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Dividends from investments recognized in profit or loss held at end of the reporting period	\$ 674	\$ 2,300
	<u>                    </u>	<u>                    </u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Dividends from investments recognized in profit or loss held at end of the reporting period	\$ 674	\$ 2,300
	<u>                    </u>	<u>                    </u>

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

(4) Financial assets at amortized cost

Items	2020/6/30	2019/12/31	2019/6/30
Current items:			
Time deposits with original maturity period of more than three months	\$ 108,000	\$ 119,500	\$ 119,500

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

B. As of June 30, 2020, December 31, 2019 and June 30, 2019, 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 \$108,000, \$119,500 and \$119,500, respectively.

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

(5) Hedging financial assets and liabilities

	2020/6/30	2019/12/31	2019/6/30
Financial assets - current			
Cash flow hedges - Forward exchange contracts	\$ 129,899	\$ 5,612	\$ 90,811
Financial liabilities - current			
Cash flow hedges - Forward exchange contracts	( 501,919)	( 311,468)	( 207,364)
	<u>(\$ 372,020)</u>	<u>(\$ 305,856)</u>	<u>(\$ 116,553)</u>

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:

	2020/6/30			2019/12/31		
	Contract amount (in thousands)		Maturity period	Contract amount (in thousands)		Maturity period
Hedging instruments						
Cash flow hedges:						
Hedging financial assets						
Forward exchange contracts						
-EUR/USD	EUR	232,000	2020/12	EUR	10,000	2020/03
-PLN/USD	PLN	54,000	2020/12	PLN	-	-
-GBP/USD	GBP	45,000	2020/12	GBP	18,000	2020/06
-SEK/USD	SEK	74,000	2020/12	SEK	-	-
-JPY/USD	JPY	4,845,000	2020/09	JPY	1,520,000	2020/03
-RUB/USD	RUB	2,000,000	2020/09	RUB	-	-
-AUD/USD	AUD	17,800	2020/09	AUD	-	-
Hedging financial liabilities						
Forward exchange contracts						
-AUD/USD	AUD	20,700	2020/09	AUD	27,000	2020/03
-NOK/USD	NOK	18,000	2020/09	NOK	208,000	2020/06
-EUR/USD	EUR	437,000	2020/12	EUR	535,000	2020/06
-GBP/USD	GBP	54,700	2020/09	GBP	41,000	2020/06
-RUB/USD	RUB	2,259,000	2020/09	RUB	2,185,000	2020/03
-SEK/USD	SEK	172,000	2020/09	SEK	132,000	2020/06
-PLN/USD	PLN	155,000	2020/12	PLN	164,000	2020/06
-JPY/USD	JPY	1,105,000	2020/09	JPY	400,000	2020/03
	2019/6/30					
	Contract amount (in thousands)		Maturity period			
Hedging instruments						
Cash flow hedges:						
Hedging financial assets						
Forward exchange contracts						
-EUR/USD	EUR	135,000	2019/12			
-GBP/USD	GBP	52,500	2019/12			
-SEK/USD	SEK	143,000	2019/09			
-NOK/USD	NOK	28,000	2019/09			
Hedging financial liabilities						
Forward exchange contracts						
-EUR/USD	EUR	436,000	2019/12			
-GBP/USD	GBP	7,500	2019/12			
-SEK/USD	SEK	144,000	2019/12			
-NOK/USD	NOK	125,000	2019/12			
-PLN/USD	PLN	162,500	2019/12			
-AUD/USD	AUD	14,400	2019/09			
-JPY/USD	JPY	3,200,000	2019/09			
-RUB/USD	RUB	2,669,000	2019/09			



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:

	2020	2019
<u>Other equity - hedge effectiveness</u>		
January 1	(\$ 305,856)	\$ 280,896
Gains (losses) on hedge instrument	( 66,164)	( 397,449)
June 30	(\$ 372,020)	(\$ 116,553)
Other gains - hedge ineffectiveness	\$ 12,369	\$ 2,164

- 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 gains (losses) on hedging instruments shall remain in other comprehensive income until the forecast transaction occurs; if the forecast transaction is no longer expected to occur, the amount shall be immediately reclassified from the gains (losses) on hedging instruments to other gains - hedge ineffectiveness.

(6) Notes and trade receivables

	2020/6/30	2019/12/31	2019/6/30
Notes receivable	\$ 4,544,608	\$ 5,264,364	\$ 3,771,639
Trade receivables	75,228,938	66,982,552	69,495,572
	79,773,546	72,246,916	73,267,211
Less: Loss allowance	( 1,395,987)	( 1,320,002)	( 3,684,644)
	\$ 78,377,559	\$ 70,926,914	\$ 69,582,567

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

	2020/6/30	2019/12/31	2019/6/30
Not past due	\$ 70,008,394	\$ 60,499,057	\$ 58,273,433
Less than 90 days past due	8,194,733	10,617,189	11,259,450
Between 91 and 180 days past due	638,591	465,392	1,240,731
More than 181 days past due	931,828	665,278	2,493,597
	\$ 79,773,546	\$ 72,246,916	\$ 73,267,211

- B. As of June 30, 2020, December 31, 2019, June 30, 2019 and January 1, 2019, the balances of receivables (including notes receivable) from contracts with customers amounted to \$79,773,546, \$72,246,916, \$73,267,211 and \$85,229,672, respectively.
- C. The Group does not hold financial assets as security for trade receivables.
- D. As of June 30, 2020, December 31, 2019, and June 30, 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable were \$4,460,814, \$5,178,261 and

\$3,487,129, respectively. The maximum exposure to credit risk in respect of the amount that best represents the Group's trade receivables were \$73,916,745, \$65,748,653 and \$66,095,438, respectively.

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

(7) Offsetting financial assets and financial liabilities

A. The Group has assets (fair value of \$25,319,634, \$23,052,990 and \$23,624,139 as of June 30, 2020, December 31, 2019, and June 30, 2019, respectively) and liabilities (fair value of \$32,192,445, \$30,151,754 and \$26,668,211 as of June 30, 2020, December 31, 2019, and June 30, 2019, respectively) with certain companies that meet the offsetting criteria in paragraph 42 of IAS 32, recognition of a net amount for trade receivables and notes and trade payables after offsetting.

B. The recognition information of the Group due to net delivery agreement is expressed as follows:

Trade receivables, notes and trade payables with offsetting right						
	Gross amount of financial assets (before offsetting)	Gross amount of financial liabilities (before offsetting)	Offsetting amount	Net amount of financial assets (after offsetting)	Net amount of financial liabilities (after offsetting)	Not set off in the balance sheet: collateral (received) /provided
2020/6/30	\$ 25,319,634	(\$ 32,192,445)	(\$ 25,038,884)	\$ 280,750	(\$ 7,153,561)	\$ -
2019/12/31	23,052,990	( 30,151,754)	( 22,190,250)	862,740	( 7,961,504)	-
2019/6/30	23,624,139	( 26,668,211)	( 23,624,139)	-	( 3,044,072)	-

(8) Inventories

2020/6/30			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 52,314,611	(\$ 6,221,280)	\$ 46,093,331
Work in process	2,892,100	( 340,941)	2,551,159
Finished goods	2,411,086	( 228,036)	2,183,050
Merchandise inventories	40,843,277	( 5,759,620)	35,083,657
Inventories in transit	1,493,800	-	1,493,800
	<u>\$ 99,954,874</u>	<u>(\$ 12,549,877)</u>	<u>\$ 87,404,997</u>
2019/12/31			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 35,599,092	(\$ 5,699,572)	\$ 29,899,520
Work in process	3,085,728	( 339,379)	2,746,349
Finished goods	2,996,863	( 343,442)	2,653,421
Merchandise inventories	44,799,733	( 6,558,770)	38,240,963
Inventories in transit	902,527	-	902,527
	<u>\$ 87,383,943</u>	<u>(\$ 12,941,163)</u>	<u>\$ 74,442,780</u>

	2019/6/30		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 41,516,578	(\$ 8,504,299)	\$ 33,012,279
Work in process	3,264,464	( 512,010)	2,752,454
Finished goods	3,543,969	( 334,788)	3,209,181
Merchandise inventories	48,461,986	( 7,609,370)	40,852,616
Inventories in transit	810,838	-	810,838
	<u>\$ 97,597,835</u>	<u>(\$ 16,960,467)</u>	<u>\$ 80,637,368</u>

Except for costs of goods sold, the inventories recognized as operating costs from continued and discontinued operations amounted to (\$583,586), (\$98,337), (\$35,318), and \$217,171, of which (\$651,089), (\$112,089), (\$201,042), and \$220,288 pertain to the decline (recovery) in value of inventories for the three-month periods ended June 30, 2020 and 2019, and for the six-month periods ended June 30, 2020 and 2019, 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 June 30, 2020 and 2019, and the six-month periods ended June 30, 2020.

(9) Investments accounted for under equity method

	2020/6/30	2019/12/31	2019/6/30
Associates	<u>\$ 14,727,717</u>	<u>\$ 6,367,892</u>	<u>\$ 6,057,801</u>

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

	For the three-month periods ended June 30,	
	2020	2019
Profit (loss) for the period	\$ 27,981	\$ 44,750
Other comprehensive income (loss) for the period (net of income tax)	1,301,747	1,185
Total comprehensive income (loss) for the period	<u>\$ 1,329,728</u>	<u>\$ 45,935</u>
	For the six-month periods ended June 30,	
	2020	2019
Profit (loss) for the period	\$ 40,873	\$ 62,390
Other comprehensive income (loss) for the period (net of income tax)	1,277,008	9,572
Total comprehensive income (loss) for the period	<u>\$ 1,317,881</u>	<u>\$ 71,962</u>

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

	2020/6/30	2019/12/31	2019/6/30
Fair value of associates	\$ 10,451,835	\$ 3,845,079	\$ 3,744,608

C. As of June 30, 2020 and 2019, the investments accounted for under equity method amounted to \$437,551 and \$1,874,133, respectively, and the share of comprehensive income (loss) amounted to (\$107,502), (\$4,161), (\$109,503) and (\$1,643) for the three-month periods ended June 30, 2020 and 2019, and for the six-month periods ended June 30, 2020 and 2019, 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, 2020						
Cost	\$7,448,252	\$11,289,495	\$ 8,420,605	\$ 4,405,767	\$ 1,627,648	\$ 33,191,767
Accumulated depreciation and impairment	- ( 3,165,912)	( 4,386,384)	( 3,285,028)	-	( 10,837,324)	
	<u>\$7,448,252</u>	<u>\$ 8,123,583</u>	<u>\$ 4,034,221</u>	<u>\$ 1,120,739</u>	<u>\$ 1,627,648</u>	<u>\$ 22,354,443</u>
January 1, 2020	\$7,448,252	\$ 8,123,583	\$ 4,034,221	\$ 1,120,739	\$ 1,627,648	\$ 22,354,443
Acquisitions	-	403,241	189,932	261,995	311,884	1,167,052
Disposals	-	-	( 5,584)	( 14,339)	-	( 19,923)
Depreciation	-	( 157,174)	( 729,425)	( 235,718)	-	( 1,122,317)
Impairment	-	-	( 1,924)	( 1,917)	-	( 3,841)
Reclassifications	-	( 45,436)	11,077	15,952	( 71,670)	( 90,077)
Net exchange differences	( 6,302)	( 56,799)	( 79,003)	( 19,567)	( 43,658)	( 205,329)
June 30, 2020	<u>\$7,441,950</u>	<u>\$ 8,267,415</u>	<u>\$ 3,419,294</u>	<u>\$ 1,127,145</u>	<u>\$ 1,824,204</u>	<u>\$ 22,080,008</u>
June 30, 2020						
Cost	\$7,441,950	\$11,418,043	\$ 7,815,087	\$ 4,521,669	\$ 1,824,204	\$ 33,020,953
Accumulated depreciation and impairment	-	( 3,150,628)	( 4,395,793)	( 3,394,524)	-	( 10,940,945)
	<u>\$7,441,950</u>	<u>\$ 8,267,415</u>	<u>\$ 3,419,294</u>	<u>\$ 1,127,145</u>	<u>\$ 1,824,204</u>	<u>\$ 22,080,008</u>

	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)	
	<u>\$6,447,064</u>	<u>\$ 4,335,534</u>	<u>\$ 1,548,585</u>	<u>\$ 1,170,849</u>	<u>\$ 3,231,834</u>	<u>\$ 16,733,866</u>
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	372,538	1,035,397	202,691	1,398,601	4,023,316
Disposals	-	-	( 32,514)	( 14,243)	-	( 46,757)
Depreciation	-	( 103,895)	( 255,665)	( 221,314)	-	( 580,874)
Reclassifications	-	1,136	15,003	12,514	( 29,711)	( 1,058)
Net exchange differences	6,217	28,716	4,766	5,703	10,214	55,616
June 30, 2019	<u>\$7,467,370</u>	<u>\$ 4,634,029</u>	<u>\$ 2,315,572</u>	<u>\$ 1,156,200</u>	<u>\$ 4,610,938</u>	<u>\$ 20,184,109</u>
June 30, 2019						
Cost	\$7,467,370	\$ 7,796,269	\$ 6,417,724	\$ 4,380,975	\$ 4,610,938	\$ 30,673,276
Accumulated depreciation and impairment	- ( 3,162,240)	( 4,102,152)	( 3,224,775)	-	( 10,489,167)	
	<u>\$7,467,370</u>	<u>\$ 4,634,029</u>	<u>\$ 2,315,572</u>	<u>\$ 1,156,200</u>	<u>\$ 4,610,938</u>	<u>\$ 20,184,109</u>

A. After evaluating and comparing the carrying amount of property, plant and equipment and its recoverable amounts, the Group recognized impairment loss amounting to \$1,509, \$0, \$3,841 and \$0 for the three-month periods ended June 30, 2020 and 2019, and for the six-month periods ended June 30, 2020 and 2019, 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

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	Transportation equipment	Office equipment	Other equipment	Land use right	Total
January 1, 2020	\$ 1,108,811	\$ 27,908	\$ 1,626	\$ 3,462	\$ 1,875,047	\$ 3,016,854
Acquisitions	135,158	5,294	-	-	-	140,452
Disposals	( 5,899)	-	-	-	-	( 5,899)
Depreciation	( 255,991)	( 7,562)	( 228)	( 1,309)	( 25,966)	( 291,056)
Reclassifications	270	( 357)	-	-	-	( 87)
Net exchange differences	( 23,184)	( 258)	( 10)	-	( 49,851)	( 73,303)
June 30, 2020	<u>\$ 959,165</u>	<u>\$ 25,025</u>	<u>\$ 1,388</u>	<u>\$ 2,153</u>	<u>\$ 1,799,230</u>	<u>\$ 2,786,961</u>

	Buildings	Transportation equipment	Office equipment	Other equipment	Land use right	Total
January 1, 2019	\$ 1,354,295	\$ 26,889	\$ 2,246	\$ 6,471	\$ 2,002,288	\$ 3,392,189
adjustment of adoption of IFRS 16						
Acquisitions	79,352	8,849	-	-	-	88,201
Disposals	( 15,727)	-	-	-	-	( 15,727)
Depreciation	( 261,695)	( 5,671)	( 366)	( 1,309)	( 27,798)	( 296,839)
Reclassifications	( 1,785)	( 155)	-	-	-	( 1,940)
Net exchange differences	( 11,272)	( 9,186)	104	( 391)	22,724	1,979
June 30, 2019	<u>\$ 1,143,168</u>	<u>\$ 20,726</u>	<u>\$ 1,984</u>	<u>\$ 4,771</u>	<u>\$ 1,997,214</u>	<u>\$ 3,167,863</u>

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

	For the three-month periods ended June 30,	
	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 5,135	\$ 9,254
Expense on short-term lease contracts	35,889	91,292
Expense on leases of low-value assets	2,949	3,294
Loss (gain) on lease modification	( 30)	( 126)

	For the six-month periods ended June 30,	
	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 16,448	\$ 16,204
Expense on short-term lease contracts	76,798	171,028
Expense on leases of low-value assets	7,546	5,234
Loss (gain) on lease modification	( 872)	( 126)

D. For the six-month periods ended June 30, 2020 and 2019, the Group's total cash outflow for leases was \$356,813 and \$458,751, respectively.

(12) Intangible assets

	<u>Trademark</u>	<u>Computer software</u>	<u>Goodwill</u>	<u>Others</u>	<u>Total</u>
January 1, 2020					
Cost	\$ 355,103	\$ 1,902,491	\$ 1,163,497	\$ 975,702	\$ 4,396,793
Accumulated amortization and impairment	- (	1,605,034)	- (	609,904)	( 2,214,938)
	<u>\$ 355,103</u>	<u>\$ 297,457</u>	<u>\$ 1,163,497</u>	<u>\$ 365,798</u>	<u>\$ 2,181,855</u>
January 1, 2020	\$ 355,103	\$ 297,457	\$ 1,163,497	\$ 365,798	\$ 2,181,855
Acquisitions	-	337,313	-	18,199	355,512
Amortization and impairment	- (	158,751)	- (	37,375)	( 196,126)
Reclassifications	- (	11,585)	- (	6,528)	( 18,113)
Net exchange differences	- (	1,133)	- (	6,878)	( 8,011)
June 30, 2020	<u>\$ 355,103</u>	<u>\$ 463,301</u>	<u>\$ 1,163,497</u>	<u>\$ 333,216</u>	<u>\$ 2,315,117</u>
June 30, 2020					
Cost	\$ 355,103	\$ 2,197,941	\$ 1,163,497	\$ 916,009	\$ 4,632,550
Accumulated amortization and impairment	- (	1,734,640)	- (	582,793)	( 2,317,433)
	<u>\$ 355,103</u>	<u>\$ 463,301</u>	<u>\$ 1,163,497</u>	<u>\$ 333,216</u>	<u>\$ 2,315,117</u>
	<u>Trademark</u>	<u>Computer software</u>	<u>Goodwill</u>	<u>Others</u>	<u>Total</u>
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)
	<u>\$ 355,103</u>	<u>\$ 446,481</u>	<u>\$ 1,131,898</u>	<u>\$ 138,254</u>	<u>\$ 2,071,736</u>
January 1, 2019	\$ 355,103	\$ 446,481	\$ 1,131,898	\$ 138,254	\$ 2,071,736
Acquisitions	-	35,145	-	32,369	67,514
Amortization	- (	133,426)	- (	25,097)	( 158,523)
Reclassifications	- (	2,100)	-	-	( 2,100)
Net exchange differences	-	1,752	-	72	1,824
June 30, 2019	<u>\$ 355,103</u>	<u>\$ 347,852</u>	<u>\$ 1,131,898</u>	<u>\$ 145,598</u>	<u>\$ 1,980,451</u>
June 30, 2019					
Cost	\$ 355,103	\$ 1,827,797	\$ 1,138,546	\$ 717,501	\$ 4,038,947
Accumulated amortization and impairment	- (	1,479,945)	( 6,648)	( 571,903)	( 2,058,496)
	<u>\$ 355,103</u>	<u>\$ 347,852</u>	<u>\$ 1,131,898</u>	<u>\$ 145,598</u>	<u>\$ 1,980,451</u>

A. The impairment assessment of goodwill relies on the managements' subjective judgement, including identifying cash-generating units and determining the recoverable amounts of related cash-generating units. The recoverable amount is based on the 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 industry standard calculations are determined by reference to the business market value in consideration of the similar industries with the similar products, capital and operating revenues, etc. Management determined budgeted gross margin and growth rate based on past performance and the expectations of market development. The market valuation used 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 is determined to reshape its smartphone business strategy and adjust product positioning to focus on perfecting solutions for gamers and expert users under the resolution by the Board of Directors on December 13, 2018. The transformation plan has been in progress 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 six-month periods ended June 30,	
	2020	2019
Operating cash flows	\$ 191,199	(\$ 4,219,750)
Investing cash flows	-	-
Financing cash flows (Note)	( 191,199)	4,219,750
Total cash flows	\$ -	\$ -

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

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

	For the three-month periods ended June 30,	
	2020	2019
Operating revenue	\$ 985,340	\$ 5,403,358
Operating costs	( 679,877)	( 5,122,092)
Operating expenses	( 54,017)	( 746,948)
Non-operating income and expenses	120,875	( 35,603)
Profit (loss) before income tax from discontinued operations	372,321	( 501,285)
Income tax expenses	( 48,716)	( 100,165)
Total profit (loss) from discontinued operations	\$ 323,605	(\$ 601,450)



	For the six-month periods ended June 30,	
	2020	2019
Operating revenue	\$ 2,401,958	\$ 12,845,473
Operating costs	( 1,684,009)	( 12,031,042)
Operating expenses	( 150,815)	( 1,740,321)
Non-operating income and expenses	( 24,919)	215,483
Profit (loss) before income tax from discontinued operations	542,215	( 710,407)
Income tax expenses	( 46,955)	( 252,120)
Total profit (loss) from discontinued operations	\$ 495,260	(\$ 962,527)

(14) Short-term borrowings

Type of borrowings	2020/6/30	Interest rate range	Collateral
Bank borrowings			
Guaranteed borrowings	\$ 42,223	5.00%	Property, plant and equipment
Credit borrowings	5,803,069	0.98%~2.29%	-
	<u>\$ 5,845,292</u>		
Type of borrowings	2019/12/31	Interest rate range	Collateral
Bank borrowings			
Guaranteed borrowings	\$ 44,370	5.15%~5.40%	Property, plant and equipment
Credit borrowings	5,556,358	1.03%~2.65%	-
	<u>\$ 5,600,728</u>		
Type of borrowings	2019/6/30	Interest rate range	Collateral
Bank borrowings			
Guaranteed borrowings	\$ 57,150	5.65%~5.90%	Property, plant and equipment
Credit borrowings	5,675,117	1.00%~4.34%	-
	<u>\$ 5,732,267</u>		

(15) 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 \$4,417, \$5,799, \$8,265 and \$9,902 for the three-month periods ended June 30, 2020 and 2019, and for the six-month periods ended June 30, 2020 and 2019, respectively.
- (C) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to \$7,568.

**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 \$169,604, \$252,798, \$382,919 and \$507,184 for the three-month periods ended June 30, 2020 and 2019, and for the six-month periods ended June 30, 2020 and 2019, respectively.

(16) Provisions for liabilities

	Provisions for warranty	Provisions for legal claims and royalty	Total
January 1, 2020	\$ 14,902,060	\$ 6,850,932	\$ 21,752,992
Recognition (reversal)	2,775,572	169,408	2,944,980
Used	( 2,922,048)	( 193,134)	( 3,115,182)
Net exchange differences	( 231,605)	( 113,818)	( 345,423)
June 30, 2020	<u>\$ 14,523,979</u>	<u>\$ 6,713,388</u>	<u>\$ 21,237,367</u>

	Provisions for warranty	Provisions for legal claims and royalty	Total
January 1, 2019	\$ 15,121,138	\$ 7,307,911	\$ 22,429,049
Recognition (reversal)	3,936,907	( 182,669)	3,754,238
Used	( 4,164,407)	( 139,092)	( 4,303,499)
Net exchange differences	156,866	68,362	225,228
June 30, 2019	<u>\$ 15,050,504</u>	<u>\$ 7,054,512</u>	<u>\$ 22,105,016</u>

Analysis of total provisions:

	2020/6/30	2019/12/31	2019/6/30
Current	<u>\$ 21,237,367</u>	<u>\$ 21,752,992</u>	<u>\$ 22,105,016</u>

A. Provisions for warranty

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

B. Provisions for legal claims and royalty

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

(17) Refund liabilities

	2020	2019
January 1	\$ 20,829,445	\$ 19,861,807
Recognition (reversal)	16,311,300	16,133,560
Used	( 18,623,715)	( 18,041,841)
Net exchange differences	( 458,548)	227,483
June 30	<u>\$ 18,058,482</u>	<u>\$ 18,181,009</u>

The Group recognizes refund liabilities on 3C products sold. Refund liabilities are estimated based on these products' historical data and other known factors. A provision is recognized as current when

it is expected to be used in one year.

(18) Common shares

A. As of June 30, 2020, 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 six-month periods ended June 30, 2020 and 2019 are both 742,760,280 shares.

B. As of June 30, 2020, the Company issued Global Depositary Receipts (GDRs), of which 4,878,000 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 24,392,000 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.

(19) 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.

	2020/6/30	2019/12/31	2019/6/30
Share premium	\$ 4,227,966	\$ 4,227,966	\$ 4,227,966
Difference between consideration and carrying amount of subsidiaries acquired or disposed	885,390	885,390	885,391
Recognition of changes in ownership interest in subsidiaries	3,967,755	1,130,789	1,131,650
Changes in associates and joint ventures accounted for under equity method	131,208	52,855	51,086
	<u>\$ 9,212,319</u>	<u>\$ 6,297,000</u>	<u>\$ 6,296,093</u>

(20) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's profit after income tax, shall first be offset against 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 18, 2019, the Company distributed cash dividends to owners amounting to \$11,141,404 (\$15 (in dollars) per share) for the appropriation of 2018 earnings. On June 9, 2020, the shareholders resolved to distribute cash dividends amounting to \$10,398,644 (\$14 (in dollars) per share) for the appropriation of 2019 earnings.

(21) 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, 2020	(\$ 305,856)	\$ 35,155,750	(\$ 2,800,984)	(\$ 116,867)	\$ 31,932,043
-The Company	-	( 2,630,578)	( 526,524)	-	( 3,157,102)
-Subsidiaries	( 66,164)	( 174,932)	( 1,112,226)	-	( 1,353,322)
-Associates	-	651,488	( 63,153)	-	588,335
June 30, 2020	<u>(\$ 372,020)</u>	<u>\$ 33,001,728</u>	<u>(\$ 4,502,887)</u>	<u>(\$ 116,867)</u>	<u>\$ 28,009,954</u>

	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	-	6,476,042	617,821	-	7,093,863
-Subsidiaries	( 397,449)	( 135,374)	116,876	( 6,573)	( 422,520)
-Associates	-	4,011	56	-	4,067
June 30, 2019	<u>(\$ 116,553)</u>	<u>\$ 24,578,708</u>	<u>(\$ 269,276)</u>	<u>(\$ 113,469)</u>	<u>\$ 24,079,410</u>

(22) Operating revenue

	For the three-month periods ended June 30,	
	2020	2019
Revenue from contracts with customers	\$ 93,256,833	\$ 79,569,243
Less: Revenue from contracts with customers from discontinued operations	( 985,340)	( 5,403,358)
	<u>\$ 92,271,493</u>	<u>\$ 74,165,885</u>
	For the six-month periods ended June 30,	
	2020	2019
Revenue from contracts with customers	\$ 165,431,417	\$ 172,940,582
Less: Revenue from contracts with customers from discontinued operations	( 2,401,958)	( 12,845,473)
	<u>\$ 163,029,459</u>	<u>\$ 160,095,109</u>

A. Disaggregation of revenue from contracts with customers

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

For the three-month period ended

<u>June 30, 2020</u>	<u>3C products</u>	<u>Others</u>	<u>Total</u>
Revenue from contracts with customers	<u>\$ 91,308,144</u>	<u>\$ 963,349</u>	<u>\$ 92,271,493</u>
Timing of revenue recognition			
Revenue recognized at a point in time	\$ 91,275,435	\$ 946,289	\$ 92,221,724
Revenue recognized over time	<u>32,709</u>	<u>17,060</u>	<u>49,769</u>
	<u>\$ 91,308,144</u>	<u>\$ 963,349</u>	<u>\$ 92,271,493</u>

For the three-month period ended

<u>June 30, 2019</u>	<u>3C products</u>	<u>Others</u>	<u>Total</u>
Revenue from contracts with customers	<u>\$ 73,157,673</u>	<u>\$ 1,008,212</u>	<u>\$ 74,165,885</u>
Timing of revenue recognition			
Revenue recognized at a point in time	\$ 73,125,084	\$ 982,072	\$ 74,107,156
Revenue recognized over time	<u>32,589</u>	<u>26,140</u>	<u>58,729</u>
	<u>\$ 73,157,673</u>	<u>\$ 1,008,212</u>	<u>\$ 74,165,885</u>

For the six-month period ended

<u>June 30, 2020</u>	<u>3C products</u>	<u>Others</u>	<u>Total</u>
Revenue from contracts with customers	<u>\$ 161,364,069</u>	<u>\$ 1,665,390</u>	<u>\$ 163,029,459</u>
Timing of revenue recognition			
Revenue recognized at a point in time	\$ 161,299,674	\$ 1,628,820	\$ 162,928,494
Revenue recognized over time	<u>64,395</u>	<u>36,570</u>	<u>100,965</u>
	<u>\$ 161,364,069</u>	<u>\$ 1,665,390</u>	<u>\$ 163,029,459</u>

For the six-month period ended

<u>June 30, 2019</u>	<u>3C products</u>	<u>Others</u>	<u>Total</u>
Revenue from contracts with customers	<u>\$ 158,239,955</u>	<u>\$ 1,855,154</u>	<u>\$ 160,095,109</u>
Timing of revenue recognition			
Revenue recognized at a point in time	\$ 158,175,868	\$ 1,818,041	\$ 159,993,909
Revenue recognized over time	<u>64,087</u>	<u>37,113</u>	<u>101,200</u>
	<u>\$ 158,239,955</u>	<u>\$ 1,855,154</u>	<u>\$ 160,095,109</u>

Revenue from contracts with customers from discontinued operations for the three-month periods ended June 30, 2020 and 2019, and for the six-month periods ended June 30, 2020 and 2019 amounted to \$985,340, \$5,403,358, \$2,401,958 and \$12,845,473, 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 \$917,603, \$968,662, \$1,035,727 and \$954,548 as of June 30, 2020, December 31, 2019, June 30, 2019 and January 1, 2019, respectively.

(B) The revenue recognized from the beginning balance of contract liabilities amounted to \$80,318, \$104,278, \$300,765 and \$294,491 for the three-month periods ended June 30, 2020 and 2019, and for the six-month periods ended June 30, 2020 and 2019, respectively.

### (23) Other income

	For the three-month periods ended June 30,	
	2020	2019
Rent income	\$ 37,501	\$ 31,474
Dividend income	14,043	3,375
	<u>\$ 51,544</u>	<u>\$ 34,849</u>
	For the six-month periods ended June 30,	
	2020	2019
Rent income	\$ 79,300	\$ 65,072
Dividend income	14,043	3,375
	<u>\$ 93,343</u>	<u>\$ 68,447</u>

### (24) Other gains (losses)

	For the three-month periods ended June 30,	
	2020	2019
Net currency exchange gains (losses)	\$ 2,127,583	\$ 331,368
Net gains (losses) on derivative financial instruments	( 592,105)	27,984
Net gains (losses) on non-derivative financial instruments	111,201	( 35,740)
Other net gains (losses)	<u>494,115</u>	<u>387,864</u>
	2,140,794	711,476
Add (Less) : Other losses (gains) from discontinued operations	( 120,619)	35,669
	<u>\$ 2,020,175</u>	<u>\$ 747,145</u>



	For the six-month periods ended June 30,	
	2020	2019
Net currency exchange gains (losses)	(\$ 679,917)	\$ 1,803,727
Net gains (losses) on derivative financial instruments	343,026 (	12,139)
Net gains (losses) on non-derivative financial instruments	( 37,998)	76,414
Other net gains (losses)	574,560	709,791
	199,671	2,577,793
Add (Less) : Other losses (gains) from discontinued operations	25,775 (	215,358)
	<u>\$ 225,446</u>	<u>\$ 2,362,435</u>

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

	For the three-month periods ended June 30,					
	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses	\$ 850,786	\$ 5,974,483	\$ 6,825,269	\$ 853,450	\$ 5,145,989	\$ 5,999,439
Depreciation	401,114	304,909	706,023	160,978	288,286	449,264
Amortization	4,153	124,146	128,299	3,693	112,304	115,997

	For the six-month periods ended June 30,					
	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses	\$1,696,876	\$11,324,940	\$13,021,816	\$ 1,769,618	\$ 10,817,553	\$12,587,171
Depreciation	808,286	605,087	1,413,373	333,829	543,884	877,713
Amortization	7,496	257,788	265,284	7,146	224,498	231,644

(26) Employee benefit expenses (including discontinued operations)

	For the three-month periods ended June 30,	
	2020	2019
Wages and salaries	\$ 6,188,965	\$ 5,252,910
Labor and health insurance	308,726	314,926
Pension (Note)	174,021	258,597
Other personnel expenses	153,557	173,006
	<u>\$ 6,825,269</u>	<u>\$ 5,999,439</u>

	For the six-month periods ended June 30,	
	2020	2019
Wages and salaries	\$ 11,551,951	\$ 10,974,461
Labor and health insurance	772,601	749,060
Pension (Note)	391,184	517,086
Other personnel expenses	306,080	346,564
	<u>\$ 13,021,816</u>	<u>\$ 12,587,171</u>

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

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

B. For the three-month periods ended June 30, 2020 and 2019, and for the six-month periods ended June 30, 2020 and 2019, employees' compensation was accrued at \$396,391, \$125,047, \$462,591 and \$287,846, respectively; directors' remuneration was accrued at \$20,863, \$6,582, \$24,347 and \$15,150, respectively. The aforementioned amounts were recognized in salary expense.

The employees' compensation and directors' remuneration were estimated and accrued based on no less than 1% and no more than 1% of profit of current year distributable for the six-month period ended June 30, 2020.

Employees' compensation and directors' remuneration amounting to \$906,786 and \$47,725, respectively, for 2019 as resolved by the Board of Directors during its meeting were in agreement with those amounts recognized in the 2019 financial statements. Related information is available at the Market Observation Post System website.

(27) Income tax

A. Income tax expenses

(A) Components of income tax expense:

	For the three-month periods ended June 30,	
	2020	2019
Income tax expenses	\$ 1,801,324	\$ 625,986
Add (Less): Income tax expenses from discontinued operations	( 48,716)	( 100,165)
Income tax expenses from continuing operations	<u>\$ 1,752,608</u>	<u>\$ 525,821</u>

	For the six-month periods ended June 30,	
	2020	2019
Income tax expenses	\$ 2,303,538	\$ 1,587,056
Add (Less): Income tax expenses from discontinued operations	( 46,955)	( 252,120)
Income tax expense from continuing operations	<u>\$ 2,256,583</u>	<u>\$ 1,334,936</u>

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

	For the three-month periods ended June 30,	
	2020	2019
Changes in fair value of financial assets at fair value through other comprehensive income	\$ 11,124	(\$ 4,172)
Currency translation differences	( 329,581)	110,948
Remeasurements of defined benefit plans	-	( 3,224)
	<u>(\$ 318,457)</u>	<u>\$ 103,552</u>

	For the six-month periods ended June 30,	
	2020	2019
Changes in fair value of financial assets at fair value through other comprehensive income	(\$ 16,702)	(\$ 2,071)
Currency translation differences	( 412,038)	182,346
Remeasurements of defined benefit plans	-	( 3,224)
	<u>(\$ 428,740)</u>	<u>\$ 177,051</u>

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

(28) Earnings per share

	For the three-month periods ended June 30,	
	2020	2019
Profit:		
Profit from continuing operations attributable to shareholders of the parent	\$ 4,991,616	\$ 2,281,295
Profit (loss) from discontinued operations attributable to shareholders of the parent	323,605 (	601,450)
Profit attributable to shareholders of the parent	<u>\$ 5,315,221</u>	<u>\$ 1,679,845</u>
Number of shares (shares in thousands):		
Weighted average number of shares outstanding - basic	<u>742,760</u>	<u>742,760</u>
Basic earnings per share (in dollars):		
Profit from continuing operations attributable to shareholders of the parent	\$ 6.71	\$ 3.07
Profit (loss) from discontinued operations attributable to shareholders of the parent	0.44 (	0.80)
Profit attributable to shareholders of the parent	<u>\$ 7.15</u>	<u>\$ 2.27</u>
	For the three-month periods ended June 30,	
	2020	2019
Profit:		
Profit from continuing operations attributable to shareholders of the parent	\$ 4,991,616	\$ 2,281,295
Profit (loss) from discontinued operations attributable to shareholders of the parent	323,605 (	601,450)
Profit attributable to shareholders of the parent	<u>\$ 5,315,221</u>	<u>\$ 1,679,845</u>
Number of shares (shares in thousands):		
Weighted average number of shares outstanding - basic	742,760	742,760
The effect of dilutive potential common shares - employees' compensation	2,142	1,291
Weighted average number of shares outstanding - diluted	<u>744,902</u>	<u>744,051</u>
Diluted earnings per share (in dollars):		
Profit from continuing operations attributable to shareholders of the parent	\$ 6.70	\$ 3.07
Profit (loss) from discontinued operations attributable to shareholders of the parent	0.43 (	0.81)
Profit attributable to shareholders of the parent	<u>\$ 7.13</u>	<u>\$ 2.26</u>

		For the six-month periods ended June 30,	
		2020	2019
Profit:			
Profit from continuing operations attributable to shareholders of the parent	\$	5,707,631	\$ 4,829,375
Profit (loss) from discontinued operations attributable to shareholders of the parent		495,260 (	962,527)
Profit attributable to shareholders of the parent	\$	<u>6,202,891</u>	<u>\$ 3,866,848</u>
Number of shares (shares in thousands):			
Weighted average number of shares outstanding - basic		<u>742,760</u>	<u>742,760</u>
Basic earnings per share (in dollars):			
Profit from continuing operations attributable to shareholders of the parent	\$	7.68	\$ 6.50
Profit (loss) from discontinued operations attributable to shareholders of the parent		0.67 (	1.29)
Profit attributable to shareholders of the parent	\$	<u>8.35</u>	<u>\$ 5.21</u>
		For the six-month periods ended June 30,	
		2020	2019
Profit:			
Profit from continuing operations attributable to shareholders of the parent	\$	5,707,631	\$ 4,829,375
Profit (loss) from discontinued operations attributable to shareholders of the parent		495,260 (	962,527)
Profit attributable to shareholders of the parent	\$	<u>6,202,891</u>	<u>\$ 3,866,848</u>
Number of shares (shares in thousands):			
Weighted average number of shares outstanding - basic		742,760	742,760
The effect of dilutive potential common shares - employees' compensation		4,184	1,846
Weighted average number of shares outstanding - diluted		<u>746,944</u>	<u>744,606</u>
Diluted earnings per share (in dollars):			
Profit from continuing operations attributable to shareholders of the parent	\$	7.64	\$ 6.48
Profit (loss) from discontinued operations attributable to shareholders of the parent		0.66 (	1.29)
Profit attributable to shareholders of the parent	\$	<u>8.30</u>	<u>\$ 5.19</u>

(29) Transactions with non-controlling interest

In April 2020, the Group's subsidiary - ASMEDIA exchanged shares with WT, and increased capital by issuing new shares for the consideration of acquiring 22.39% equity of WT of \$6,624,000. Since the Group did not acquire new shares, the Group's ownership of the subsidiary decreased by 6.90%. The effect of the change in ownership interest in subsidiaries to capital surplus - recognition of ownership interest in subsidiaries is as follows:

	For the six-month period ended June 30, 2020
The consideration for subsidiary increased capital by issuing new shares	\$ 6,624,000
Less: Increasing in carrying amount of non-controlling interest	( 3,787,640)
Capital surplus - recognition of changes in ownership interest in subsidiaries	<u>\$ 2,836,360</u>

(30) Changes in liabilities arising from financing activities

	January 1, 2020	Cash flow	Non-cash changes		June 30, 2020
			Foreign exchange changes	Others (Note)	
Short-term borrowings	\$ 5,600,728	\$ 237,174	\$ 7,390	\$ -	\$ 5,845,292
Lease liabilities	1,129,428	( 256,021)	( 22,612)	134,366	985,161
	<u>\$ 6,730,156</u>	<u>(\$ 18,847)</u>	<u>(\$ 15,222)</u>	<u>\$ 134,366</u>	<u>\$ 6,830,453</u>

	January 1, 2019	Cash flow	Non-cash changes		June 30, 2019
			Foreign exchange changes	Others (Note)	
Short-term borrowings	\$ 7,124,984	(\$ 1,404,405)	\$ 11,688	\$ -	\$ 5,732,267
Lease liabilities	1,384,624	( 266,285)	( 1,352)	53,279	1,170,266
	<u>\$ 8,509,608</u>	<u>(\$ 1,670,690)</u>	<u>\$ 10,336</u>	<u>\$ 53,279</u>	<u>\$ 6,902,533</u>

Note: Others are leases modifications.

**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. (ASUSTOR)	Associate

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

Note: I-WAYLINK was named BITATEK CO., LTD. before it was renamed in April 2019.

(3) Significant transactions and balances with related parties

A. Sales of goods

	For the three-month periods ended June 30,	
	2020	2019
Sales of goods		
-Associates	\$ 77,346	\$ 7,112
-Others	439	1,978
	<u>\$ 77,785</u>	<u>\$ 9,090</u>
	For the six-month periods ended June 30,	
	2020	2019
Sales of goods		
-Associates	\$ 77,440	\$ 26,431
-Others	4,620	5,460
	<u>\$ 82,060</u>	<u>\$ 31,891</u>

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

B. Purchases of goods and expenses

	For the three-month periods ended June 30,	
	2020	2019
Purchases of goods		
-Associates	\$ 353,014	\$ 8,460
-Others	26,466	6,423
Purchases of services and other expenditures		
-Associates	869	922
-Others	81	4,613
	<u>\$ 380,430</u>	<u>\$ 20,418</u>

	For the six-month periods ended June 30,	
	2020	2019
Purchases of goods		
-Associates	\$ 370,775	\$ 14,270
-Others	40,413	15,735
Purchases of services and other expenditures		
-Associates	1,856	1,844
-Others	11,319	14,838
	<u>\$ 424,363</u>	<u>\$ 46,687</u>

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

C. Trade receivables and other receivables

	2020/6/30	2019/12/31	2019/6/30
Trade receivables			
-Associates	\$ 18,909	\$ 1,038	\$ 5,790
-Others	233	3,140	1,991
	<u>19,142</u>	<u>4,178</u>	<u>7,781</u>
Other receivables			
-Associates	188,844	600	197,825
-Others	11,990	-	1,075
	<u>200,834</u>	<u>600</u>	<u>198,900</u>
	<u>\$ 219,976</u>	<u>\$ 4,778</u>	<u>\$ 206,681</u>

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

	2020/6/30	2019/12/31	2019/6/30
Trade payables			
-Associates	\$ 684,363	\$ 4,034	\$ 7,766
-Others	29,892	16,481	8,006
	<u>714,255</u>	<u>20,515</u>	<u>15,772</u>
Other items of current liabilities			
-Associates	135,598	3,879	173
-Others	6	3,329	74
	<u>135,604</u>	<u>7,208</u>	<u>247</u>
	<u>\$ 849,859</u>	<u>\$ 27,723</u>	<u>\$ 16,019</u>

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



(4) Key management compensation

		For the three-month periods ended June 30,	
		2020	2019
Salaries and other short-term employee benefits	\$	476,204	\$ 189,555
Post-employment benefits		1,643	1,651
	\$	<u>477,847</u>	<u>\$ 191,206</u>
		For the six-month periods ended June 30,	
		2020	2019
Salaries and other short-term employee benefits	\$	599,751	\$ 414,283
Post-employment benefits		3,356	3,331
	\$	<u>603,107</u>	<u>\$ 417,614</u>

8. **PLEDGED ASSETS**

		Book Value			Purpose
Pledged assets	Items	2020/6/30	2019/12/31	2019/6/30	
Other current assets and other non-current assets	Pledged restricted deposits and refundable deposits	\$ 692,861	\$ 701,706	\$ 815,013	Note
Property, plant and equipment	Land and buildings	205,265	209,817	219,510	Bank loans, customs guarantee and credit limits
		<u>\$ 898,126</u>	<u>\$ 911,523</u>	<u>\$ 1,034,523</u>	

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, UMTS communication function products, product with remote upgrade code function, tablet, cellphone and pad supporting OK Google functions, products with Google Play Movies and TV function, cellphone and tablet supporting touchscreen scrolling in accordance with user touch control, display and projector products against the Group. These lawsuits or investigations are currently under investigation in a California court, in a Texas court, in a German court and in a Netherlands 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 MP3 function for desktop computer and notebook, ZenFone trademarks, AP and Router products supporting MU-MIMO, notebook, LED for cellphone products, cellphone and tablet, products supporting HDCP 2.0 version and above, router products, microprocessor with Intel's 14nm process Tri-Gate technology, products that support Google Voice Assist or Microsoft Cortana Voice Assist, cellphone products supporting UMTS, LTE communication standard, products with Android virtual keyboard, PCI Bridge driver, Bluetooth module, I2C and SM Bus protocol, hard disk drive, mother board with motion sensor, notebook, desktop computer, server, tablet, and cellphone products, computer, tablet, cellphone products with touchscreen scrolling, with wireless Network communication products that support IEEE 802.11ac communication standard, after-sales service, monitor product that feature local dimming or black frame insertion, notebook and tablet with embedded camera module, cellphone product with AI Charging function 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 an Arkansas court, in a German court, in a Japan court, in an India court, in a Brazil court, at the Italian Competition Authority 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 \$125,455 for the construction of a new office building of the headquarters, but has not recognized capital expenditures as of June 30, 2020.

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 calculated as "current liabilities plus non-current liabilities" are shown in the consolidated balance sheets.

During 2020, the Group's strategy was to maintain the liability ratio within reasonable security range, which was unchanged from 2019. The liability ratios are as follows:

	2020/6/30	2019/12/31	2019/6/30
Total liabilities	\$ 183,668,074	\$ 168,717,319	\$ 164,453,432
Total equity	182,693,132	183,286,792	166,787,150
Total assets	\$ 366,361,206	\$ 352,004,111	\$ 331,240,582
Liability ratio	50.13%	47.93%	49.65%

(2) Financial instruments

A. Financial instruments by category

	2020/6/30	2019/12/31	2019/6/30
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 15,952,764	\$ 5,934,078	\$ 2,938,037
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	60,032,289	62,853,238	52,330,898
Financial assets at amortized cost			
Cash and cash equivalents	56,796,079	79,083,376	69,985,641
Financial assets at amortized cost	108,000	119,500	119,500
Notes receivable	4,460,814	5,178,261	3,487,129
Trade receivables	73,916,745	65,748,653	66,095,438
Other receivables	749,013	528,727	768,704
Refundable deposits	1,000,005	1,031,661	1,171,055
Derivative financial assets for hedging	129,899	5,612	90,811
	<u>\$ 213,145,608</u>	<u>\$ 220,483,106</u>	<u>\$ 196,987,213</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	\$ 451,115	\$ 480,597	\$ 460,976
Financial liabilities at amortized cost			
Short-term borrowings	5,845,292	5,600,728	5,732,267
Notes and trade payables	64,518,546	59,025,552	47,319,372
Dividends payable	11,185,574	-	11,897,637
Other payables - accrued expenses	35,459,565	35,693,856	34,118,790
Deposits received	253,703	263,095	331,785
Lease liabilities	985,161	1,129,428	1,170,266
Derivative financial liabilities for hedging	501,919	311,468	207,364
	<u>\$ 119,200,875</u>	<u>\$ 102,504,724</u>	<u>\$ 101,238,457</u>

B. Financial risk management policies

(A) The Group's operating activities expose the Group to a variety of financial risks, including

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

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

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

C. Nature and degree of significant financial risks

(A) Market risk

Foreign exchange risk

- a. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, EUR and CNY. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.
- b. The management has set up the policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group's treasury. Exchange rate risk is measured through a forecast of highly probable 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:

2020/6/30						
(Foreign currency: functional currency)	Foreign currency amount (in dollars)	Exchange rate	Book value (NTD)	Sensitivity Analysis		
				Extent of variation	Effect on profit or loss	Effect on other comprehensive income
	<u>Financial assets</u>					
	<u>Monetary items</u>					
	USD:NTD	\$ 2,667,021,541	29.630	\$ 79,023,848	1%	\$ 790,238
EUR:USD	341,320,542	33.269	11,355,244	1%	113,552	-
CNH:USD	3,105,795,948	4.190	13,012,297	1%	130,123	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	3,833,487,084	29.630	113,586,222	1%	1,135,862	-
EUR:USD	54,315,422	33.269	1,806,996	1%	18,070	-
CNH:USD	2,080,359,990	4.190	8,716,047	1%	87,160	-
2019/12/31						
(Foreign currency: functional currency)	Foreign currency amount (in dollars)	Exchange rate	Book value (NTD)	Sensitivity Analysis		
				Extent of variation	Effect on profit or loss	Effect on other comprehensive income
	<u>Financial assets</u>					
	<u>Monetary items</u>					
	USD:NTD	\$ 2,826,399,266	29.980	\$ 84,735,450	1%	\$ 847,355
EUR:USD	372,630,272	33.590	12,516,499	1%	125,165	-
CNH:USD	3,546,677,285	4.305	15,268,900	1%	152,689	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	3,648,538,312	29.980	109,383,179	1%	1,093,832	-
EUR:USD	53,356,706	33.590	1,792,230	1%	17,922	-
CNH:USD	2,363,458,728	4.305	10,174,992	1%	101,750	-

2019/6/30

	Foreign currency amount (in dollars)	Exchange rate	Book value (NTD)	Sensitivity Analysis		
				Extent of variation	Effect on profit or loss	Effect on other comprehensive income
				(Foreign currency: functional currency)		
				<u>Financial assets</u>		
				<u>Monetary items</u>		
USD:NTD	\$ 2,576,303,727	31.060	\$ 80,019,994	1%	\$ 800,200	\$ -
EUR:USD	254,206,985	35.107	8,924,460	1%	89,245	-
CNH:USD	3,911,403,566	4.522	17,688,681	1%	176,887	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	3,068,833,840	31.060	95,317,979	1%	953,180	-
EUR:USD	49,243,089	35.107	1,728,780	1%	17,288	-
CNH:USD	2,026,798,464	4.522	9,165,864	1%	91,659	-

- f. Net currency exchange gains (losses) (including realized and unrealized) arising from foreign exchange variation on the monetary items from continuing and discontinued operations held by the Group for the three-month periods ended June 30, 2020 and 2019, and for the six-month periods ended June 30, 2020 and 2019 amounted to \$2,127,583, \$331,368, (\$679,917), and \$1,803,727, 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 six-month periods ended June 30, 2020 and 2019 by \$5,623 and \$5,720, 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 six-month periods ended June 30, 2020 and 2019 by \$600,323 and \$523,309, 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 six-month periods ended June 30, 2020 and 2019, the Group's borrowings at variable rates were denominated in USD and NTD.

- b. At June 30, 2020 and 2019, if interest rates on borrowings had been 1 basis point (0.01%) higher with all other variables held constant, non-operating expenses for the six-month periods ended June 30, 2020 and 2019 would have been \$421 and \$748 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. 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 June 30, 2020, December 31, 2019 and June 30, 2019, 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% ~ 0.3%, and the total carrying amount of notes and trade receivables amounted to \$7,346,199, \$9,493,985 and \$5,015,692 and loss allowance amounted to \$455, \$86,548 and \$565 as of June 30, 2020, December 31, 2019 and June 30, 2019, 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 notes receivable and trade receivables. The provision matrix as of June 30, 2020, December 31, 2019 and June 30, 2019 is as follows:

2020/6/30	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	\$ 62,810,556	\$ 5,968,048	\$ 1,495,537	\$ 587,403	\$ 633,975	\$ 931,828	\$ 72,427,347
Loss allowance	\$ 23,253	\$ 3,706	\$ 135,849	\$ 78,582	\$ 275,034	\$ 879,108	\$ 1,395,532
Expected loss rate	0.01%~4.68%	0.01%~22.72%	0.09%~50.58%	0.49%~72.91%	1.42%~100%	10%~100%	

2019/12/31	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	\$ 51,118,302	\$ 7,722,452	\$ 2,236,939	\$ 630,670	\$ 379,290	\$ 665,278	\$ 62,752,931
Loss allowance	\$ 22,903	\$ 1,968	\$ 307,161	\$ 105,051	\$ 136,049	\$ 660,322	\$ 1,233,454
Expected loss rate	0.01%~4.68%	0.01%~29.77%	0.09%~49.01%	0.35%~59.79%	1.42%~100%	10%~100%	

2019/6/30	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	\$ 53,401,341	\$ 7,517,913	\$ 2,470,026	\$ 1,127,911	\$ 1,240,731	\$ 2,493,597	\$ 68,251,519
Loss allowance	\$ 89,035	\$ 4,566	\$ 327,005	\$ 197,333	\$ 619,982	\$ 2,446,158	\$ 3,684,079
Expected loss rate	0.01%~4.68%	0.06%~25.53%	0.12%~49.01%	0.49%~54.39%	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:

	2020	2019
January 1	\$ 1,320,002	\$ 3,115,124
Recognition (reversal)	120,086	576,866
Write-offs	( 11,503)	( 34,319)
Net exchange differences	( 32,598)	26,973
June 30	<u>\$ 1,395,987</u>	<u>\$ 3,684,644</u>

For provisioned loss for the six-month periods ended June 30, 2020 and 2019, the net impairment loss arising from customer's contract was \$120,086 and \$576,866, respectively.

- j. For investments in financial assets at amortized cost and debt instruments at fair value through profit or loss, the credit rating levels are as follows:

2020/6/30				
		Lifetime		
		12 months	Significant increase in credit risk	Impairment of credit
		Total		
Financial assets at amortized cost	\$ 108,000	\$ -	\$ -	\$ 108,000
Financial assets at fair value through profit or loss	\$ 120,000	\$ -	\$ -	\$ 120,000
2019/12/31				
		Lifetime		
		12 months	Significant increase in credit risk	Impairment of credit
		Total		
Financial assets at amortized cost	\$ 119,500	\$ -	\$ -	\$ 119,500
Financial assets at fair value through profit or loss	\$ 120,000	\$ -	\$ -	\$ 120,000

	2019/6/30			
		Lifetime		
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortized cost	\$ 119,500	\$ -	\$ -	\$ 119,500

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 June 30, 2020, December 31, 2019 and June 30, 2019, the Group held financial assets at fair value through profit or loss of \$15,534,743, \$5,675,572 and \$2,665,330, 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.

2020/6/30					
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	More than 3 years	Total
<u>Non-derivative financial liabilities:</u>					
Short-term borrowings	\$ 5,845,292	\$ -	\$ -	\$ -	\$ 5,845,292
Notes and trade payables	64,518,546	-	-	-	64,518,546
Dividends payable	11,185,574	-	-	-	11,185,574
Other payables	35,459,565	-	-	-	35,459,565
- accrued expenses					
Lease liabilities	461,323	266,204	146,138	186,271	1,059,936
Other financial liabilities	1,389,269	3,248	-	4,802	1,397,319
<u>Derivative financial liabilities:</u>					
Forward exchange contracts	921,675	-	-	-	921,675
Currency option contracts	31,359	-	-	-	31,359
2019/12/31					
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	More than 3 years	Total
<u>Non-derivative financial liabilities:</u>					
Short-term borrowings	\$ 5,600,728	\$ -	\$ -	\$ -	\$ 5,600,728
Notes and trade payables	59,025,552	-	-	-	59,025,552
Other payables	35,693,856	-	-	-	35,693,856
- accrued expenses					
Lease liabilities	477,686	339,574	180,834	214,028	1,212,122
Other financial liabilities	1,020,620	-	-	2,155	1,022,775
<u>Derivative financial liabilities:</u>					
Forward exchange contracts	726,536	-	-	-	726,536
Currency option contracts	65,529	-	-	-	65,529
2019/6/30					
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	More than 3 years	Total
<u>Non-derivative financial liabilities:</u>					
Short-term borrowings	\$ 5,732,267	\$ -	\$ -	\$ -	\$ 5,732,267
Notes and trade payables	47,319,372	-	-	-	47,319,372
Dividends payable	11,897,637	-	-	-	11,897,637
Other payables	34,118,790	-	-	-	34,118,790
- accrued expenses					
Lease liabilities	465,888	316,399	190,931	273,123	1,246,341
Other financial liabilities	1,143,701	-	-	-	1,143,701
<u>Derivative financial liabilities:</u>					
Forward exchange contracts	626,285	-	-	-	626,285
Currency option contracts	42,055	-	-	-	42,055

- 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, dividends payable, other current liabilities, guarantee deposits received, lease liabilities, 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:

	2020/6/30			
	Level 1	Level 2	Level 3	Total
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity instruments	\$ 503,929	\$ 6,051	\$ 52,290	\$ 562,270
Debt instruments	-	-	120,000	120,000
Beneficiary certificates	15,024,516	53,269	-	15,077,785
Forward exchange contracts	-	134,000	-	134,000
Currency option contracts	-	47,754	-	47,754
Hybrid instruments	-	-	10,955	10,955
Derivative financial assets for hedging	-	129,899	-	129,899
Financial assets at fair value through other comprehensive income				
Equity instruments	59,840,652	189,256	2,381	60,032,289
	<u>\$ 75,369,097</u>	<u>\$ 560,229</u>	<u>\$ 185,626</u>	<u>\$ 76,114,952</u>

2020/6/30				
	Level 1	Level 2	Level 3	Total
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 419,756	\$ -	\$ 419,756
Currency option contracts	-	31,359	-	31,359
Derivative financial liabilities for hedging	-	501,919	-	501,919
	<u>\$ -</u>	<u>\$ 953,034</u>	<u>\$ -</u>	<u>\$ 953,034</u>

2019/12/31				
	Level 1	Level 2	Level 3	Total
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity instruments	\$ 540,573	\$ 5,244	\$ 54,318	\$ 600,135
Debt instruments	-	-	120,000	120,000
Beneficiary certificates	5,129,519	59,214	-	5,188,733
Forward exchange contracts	-	11,338	-	11,338
Currency option contracts	-	2,767	-	2,767
Currency swap contracts	-	177	-	177
Hybrid instruments	-	-	10,928	10,928
Derivative financial assets for hedging	-	5,612	-	5,612
Financial assets at fair value through other comprehensive income				
Equity instruments	<u>62,638,033</u>	<u>212,824</u>	<u>2,381</u>	<u>62,853,238</u>
	<u>\$68,308,125</u>	<u>\$ 297,176</u>	<u>\$ 187,627</u>	<u>\$68,792,928</u>

Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 415,068	\$ -	\$ 415,068
Currency option contracts	-	65,529	-	65,529
Derivative financial liabilities for hedging	-	311,468	-	311,468
	<u>\$ -</u>	<u>\$ 792,065</u>	<u>\$ -</u>	<u>\$ 792,065</u>

2019/6/30				
	Level 1	Level 2	Level 3	Total
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value				
through profit or loss				
Equity instruments	\$ 539,240	\$ 5,400	\$ 27,385	\$ 572,025
Beneficiary certificates	2,120,406	64,038	-	2,184,444
Forward exchange contracts	-	119,183	-	119,183
Currency option contracts	-	50,965	-	50,965
Currency swap contracts	-	9	-	9
Hybrid instruments	-	-	11,411	11,411
Derivative financial assets for hedging	-	90,811	-	90,811
Financial assets at fair value through				
other comprehensive income				
Equity instruments	51,989,170	255,007	86,721	52,330,898
	<u>\$ 54,648,816</u>	<u>\$ 585,413</u>	<u>\$ 125,517</u>	<u>\$ 55,359,746</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value				
through profit or loss				
Forward exchange contracts	\$ -	\$ 418,921	\$ -	\$ 418,921
Currency option contracts	-	42,055	-	42,055
Derivative financial liabilities for hedging	-	207,364	-	207,364
	<u>\$ -</u>	<u>\$ 668,340</u>	<u>\$ -</u>	<u>\$ 668,340</u>

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

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

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

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

- c. For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market, and the Group must make reasonable estimates based on its assumptions.
  - d. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
  - e. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheets. The pricing and inputs information used during valuation are carefully assessed and adjusted based on current market conditions.
- D. For the six-month periods ended June 30, 2020 and 2019, there was no transfer between Level 1 and Level 2.
- E. The movement of Level 3 is as follows:

	2020		
	<u>Equity instruments</u>	<u>Debt instruments</u>	<u>Total</u>
January 1	\$ 67,627	\$ 120,000	\$ 187,627
Recognized in profit (loss) (Note 1)	( 2,001)	-	( 2,001)
June 30	<u>\$ 65,626</u>	<u>\$ 120,000</u>	<u>\$ 185,626</u>

	2019		
	<u>Equity instruments</u>	<u>Debt instruments</u>	<u>Total</u>
January 1	\$ 137,091	\$ -	\$ 137,091
Recognized in profit (loss) (Note 1)	( 605)	-	( 605)
Recognized in other comprehensive income (loss) (Note 2)	( 10,969)	-	( 10,969)
June 30	<u>\$ 125,517</u>	<u>\$ -</u>	<u>\$ 125,517</u>

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 six-month periods ended June 30, 2020 and 2019.

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 June 30, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Equity instruments:					
Unlisted and non-OTC stocks	\$ 32,930	Net asset value	Not applicable	Not applicable	The higher the net asset value, the higher the fair value
Unlisted and non-OTC stocks	21,741	Discounted cash flow method	Note 1	Not applicable	Note 2
Hybrid instruments:					
Unlisted and non-OTC stocks	40,929	Discounted cash flow method	Note 1	Not applicable	Note 2
Embedded option	( 29,974)	Option pricing model	Stock price volatility	Not applicable	The higher the stock price volatility, the higher the fair value
Debt instruments:					
Convertible bonds	120,000	Income approach and trinomial model	Note 1	20%	Note 2



	<u>Fair value at December 31, 2019</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Equity instruments:					
Unlisted and non-OTC stocks	\$ 34,958	Net asset value	Not applicable	Not applicable	The higher the net asset value, the higher the fair value
Unlisted and non-OTC stocks	21,741	Discounted cash flow method	Note 1	Not applicable	Note 2
Hybrid instruments:					
Unlisted and non-OTC stocks	49,695	Discounted cash flow method	Note 1	Not applicable	Note 2
Embedded option (	38,767)	Option pricing model	Stock price volatility	Not applicable	The higher the stock price volatility, the higher the fair value
Debt instruments:					
Convertible bonds	120,000	Income approach and trinomial model	Note 1	20.00%	Note 2
	<u>Fair value at June 30, 2019</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Equity instruments:					
Unlisted and non-OTC stocks	\$ 1,089	Net asset value	Not applicable	Not applicable	The higher the net asset value, the higher the fair value
Unlisted and non-OTC stocks	113,017	Discounted cash flow method	Note 1	Not applicable	Note 2
Hybrid instruments:					
Unlisted and non-OTC stocks	13,543	Discounted cash flow method	Note 1	Not applicable	Note 2
Embedded option (	2,132)	Option pricing model	Stock price volatility	Not applicable	The higher the stock price volatility, the higher the fair value

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

Note 2: The higher the discount for lack of marketability is, the lower the fair value is; the higher the weighted average cost of capital and discount for lack of control are, the lower the fair value is; the higher the long-term revenue growth rate and long-term operating profit before income tax are, the higher the 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: None.
- C. Marketable securities held at the end of period (excluding investments in subsidiaries, associates and joint ventures): Please refer to table 2.
- 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 3.
- E. Acquisition of real estate properties at costs of at least \$300 million or 20% of the paid-in capital: Please refer to table 4.
- F. Disposal of real estate properties at prices of at least \$300 million or 20% of the paid-in capital: None.
- G. Total purchases from or sales to related parties of at least \$100 million or 20% of the paid-in capital: Please refer to table 5.
- H. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: Please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting period: Please refer to 6(2), (5).
- J. Intercompany relationships and significant intercompany transactions: Please refer to table 7.

#### (2) **Information on investees**

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

#### (3) **Information on investments in China**

- A. Information on investments in mainland China: Please refer to table 9.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies

in China: Please refer to table 7.

(4) Major shareholders information

Major shareholders information: None.

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 six-month period ended June 30, 2020		
	3C Brand	Others	Total
Revenues from external customers (Note 1)	\$ 148,430,854	\$ 17,000,563	\$ 165,431,417
Revenues from other segments (Note 1)	\$ 681,760	\$ 2,411,562	- (Note 2)
Segment income from continuing operations	\$ 7,158,541	\$ 866,633	\$ 8,025,174
Total assets held by continuing operations (Note 3)	\$ -	\$ -	\$ -
	For the six-month period ended June 30, 2019		
	3C Brand	Others	Total
Revenues from external customers (Note 1)	\$ 154,071,501	\$ 18,869,081	\$ 172,940,582
Revenues from other segments (Note 1)	\$ 703,153	\$ 2,726,707	- (Note 2)
Segment income from continuing operations	\$ 2,821,676	\$ 724,588	\$ 3,546,264
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 six-month periods ended June 30,	
	2020	2019
Reportable continuing operation's profit before adjustment	\$ 8,025,174	\$ 3,546,264
Unallocated profit (loss)	( 2,748)	( 1,083)
Reportable continuing operation's profit	<u>\$ 8,022,426</u>	<u>\$ 3,545,181</u>

ASUSTEK COMPUTER INC. AND SUBSIDIARIES  
FINANCING PROVIDED  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020

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

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Nature for Financing (Note 1)	Transaction Amounts	Reason for Financing	Loss allowance	Collateral		Financing Limits for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)	Note
													Item	Value			
1	ASTP	ASGL	Other receivables and non-current assets	Yes	26,667,000 (USD 900,000)	26,667,000 (USD 900,000)	26,667,000 (USD 900,000)	0.99706 ~ 1.61331	b	-	Need for operations	-	-	-	40,657,223 (USD 1,372,164)	40,657,223 (USD 1,372,164)	
2	ASTP	QCS	Non-current assets	Yes	498,335 (SEK 156,709)	498,335 (SEK 156,709)	57,876 (SEK 18,200)	0.5	b	-	Need for operations	-	-	-	40,657,223 (USD 1,372,164)	40,657,223 (USD 1,372,164)	
3	ONYX	ONYXSH	Other receivables	Yes	4,083 (USD 138)	- (USD -)	- (USD -)	5.756	b	-	Need for operations	-	-	-	93,429	373,715	

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  
MARKETABLE SECURITIES HELD  
(EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)  
JUNE 30, 2020

Table 2 (Amounts in thousands of New Taiwan dollars)

Held Company Name	Marketable Securities		Relationship with the Company (Note 1)	Financial Statement Account (Note 2)	June 30, 2020				Note
	Type	Name			Shares/Units	Carrying Value	(%)	Fair Value	
ASUS	Fund	YUANTA WAN TAI MONEY MARKET	-	a	108,318,438	1,650,242	-	1,650,242	
ASUS	Fund	NOMURA TAIWAN MONEY MARKET	-	a	45,990,081	755,024	-	755,024	
ASUS	Fund	YUANTA DE BAO MONEY MARKET	-	a	99,185,542	1,199,203	-	1,199,203	
ASUS	Fund	UPAMC JAMES BOND MONEY MARKET	-	a	93,404,124	1,570,618	-	1,570,618	
ASUS	Fund	SINOPAC TWD MONEY MARKET	-	a	75,765,309	1,060,972	-	1,060,972	
ASUS	Fund	TAISHIN 1699 MONEY MARKET	-	a	212,251,953	2,890,723	-	2,890,723	
ASUS	Fund	YUANTA DE LI MONEY MARKET	-	a	48,758,636	800,124	-	800,124	
ASUS	Fund	TAISHIN TA CHONG MONEY MARKET	-	a	82,564,074	1,180,311	-	1,180,311	
ASUS	Fund	UNION MONEY MARKET	-	a	173,288,503	2,302,363	-	2,302,363	
ASUS	Stock	SPORTON	-	a	336,394	80,735	0.36	80,735	
ASUS	Stock	GLOBALWAFERS	-	c	1,626,626	655,530	0.37	655,530	
ASUS	Stock	JMC	-	c	1,000,000	61,900	1.00	61,900	
ASUS	Stock	ENE	a	c	917,247	8,209	1.22	8,209	
ASUS	Stock	ALCOR MICRO	-	c	905,879	15,672	1.28	15,672	
ASUS	Stock	AZUREWAVE	-	c	934,745	17,293	0.62	17,293	
ASUS	Stock	LEDLINK	-	c	718,607	16,241	1.47	16,241	
ASUS	Fund	TNP	-	b	98	19,514	2.06	19,514	
ASUS	Fund	TNP LIGHT	-	b	160	26,555	3.67	26,555	
ASUS	Stock	EMPASS	-	d	1,056,690	42,585	15.97	42,585	
ASUS	Stock	ADVANTECH	-	d	100,628,870	29,735,831	14.36	29,735,831	
ASUS	Stock	PEGA	-	d	448,506,484	28,704,415	17.18	28,704,415	
ASUS	Stock	NANOLUX	-	d	536	33,579	11.43	33,579	
ASUS	Stock	APTOS	-	d	312,600	-	0.35	-	
ASUS	Stock	94BOT	-	d	100,000	-	4.80	-	
ASUS	Stock	A-WEI TECH	-	d	301,876	731	1.83	731	
ASUS	Stock	EOSTEK	-	d	1,600,000	11,662	14.94	11,662	
ASUS	Stock	AMTRUST	a	d	10,000,000	93,218	7.81	93,218	
ASUTC	Fund	NOMURA TAIWAN MONEY MARKET	-	a	60,031,084	985,536	-	985,536	
ASMEDIA	Fund	FUH HWA RMB MONEY MARKET	-	a	531,862	26,938	-	26,938	
ASMEDIA	Fund	MEGA DIAMOND MONEY MARKET	-	a	4,777,983	60,320	-	60,320	
ASMEDIA	Fund	CAPITAL MONEY MARKET	-	a	1,862,833	30,246	-	30,246	
ASMEDIA	CB	AUGENTIX	-	b	1,000,000	120,000	-	120,000	
ASMEDIA	Stock	ICATCH TECHNOLOGY	-	d	5,500,000	101,475	7.51	101,475	
ASKEY	Stock	CIPHERMAX	-	b	9,234	-	-	-	
ASKEY	Stock	RETI	-	b	80,700	-	3.32	-	
MIC	Stock	BROADCOM	-	b	90	842	-	842	
MIC	Stock	ZARLINK SEMI-CONDUCTOR	-	b	44,775	-	0.04	-	
HCVC	Fund	YUANTA WAN TAI MONEY MARKET	-	a	558,765	8,513	-	8,513	
HCVC	Fund	TAISHIN TA CHONG MONEY MARKET	-	a	4,818,524	68,884	-	68,884	
HCVC	Fund	YUANTA DE BAO MONEY MARKET	-	a	348,419	4,213	-	4,213	
HCVC	Fund	TAISHIN 1699 MONEY MARKET	-	a	8,150,078	110,998	-	110,998	
HCVC	Stock	LEDLINK	-	c	336,546	7,606	0.67	7,606	
HCVC	Stock	PRIMESENSOR TECHNOLOGY	-	d	23,234	729	0.19	729	
HCVC	Stock	APAQ TECHNOLOGY	a	d	10,668,012	320,040	12.63	320,040	
HCVC	Stock	A-WEI TECH	-	d	301,876	731	1.83	731	
HMI	Fund	TAISHIN 1699 MONEY MARKET	-	a	3,537,398	48,177	-	48,177	
HMI	Fund	TAISHIN TA CHONG MONEY MARKET	-	a	3,549,525	50,743	-	50,743	
HMI	Stock	APAQ TECHNOLOGY	-	d	3,210,015	96,301	3.80	96,301	
HMI	Stock	A-WEI TECH	-	d	174,417	422	1.06	422	
AAEON	Stock	ADVANTECH	-	a	730	216	-	216	
AAEON	Fund	MEGA DIAMOND MONEY MARKET	-	a	2,091,070	26,399	-	26,399	
AAEON	Stock	MACHVISION TECHNOLOGY	b	a	1,180,198	367,632	2.64	367,632	
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	9,370	1.17	9,370	
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	6,051	0.32	6,051	
AAEON	Stock	TELEION WIRELESS	-	a	149,700	-	-	-	
AAEON	Stock	V-NET AAEON	-	b	29	10,955	14.50	10,955	
AAEONI	Fund	HSBC GLOBAL INCOME BOND	-	a	555,078	6,965	-	6,965	
AAEONI	Stock	ATECH OEM TECHNOLOGY	b	a	3,456,000	37,498	6.02	37,498	
AAEONI	Stock	MUTTO OPTRONICS	-	a	310,000	1,804	0.68	1,804	
AAEONI	Stock	SUNENGINE	b	a	156,903	1,089	2.75	1,089	
ONYX	Stock	MELTEN CONNECTED HEALTHCARE	-	d	4,193,548	2,381	6.47	2,381	
ONYX	Stock	MACHVISION TECHNOLOGY	b	a	18,716	5,830	0.04	5,830	
ONYX	Stock	INNO FUND III	-	b	3,000,000	31,841	13.04	31,841	
ASGL	Fund	JIH SUN MONEY MARKET	-	a	615,972	9,189	-	9,189	
ASGL	Fund	YUANTA DE BAO MONEY MARKET	-	a	2,027,719	24,516	-	24,516	
ASGL	Fund	YUANTA DE LI MONEY MARKET	-	a	182,841	3,000	-	3,000	
AIL	Fund	PRODIGY STRATEGY INVESTMENT XIV	-	a	3,530	141,719	-	141,719	
AIL	Stock	EONEX	-	d	31,733	-	2.70	-	
AIL	Stock	ISTAGING	-	d	988,889	5,599	2.15	5,599	
AIL	Stock	PTSN	-	d	260,977,800	100,139	4.91	100,139	
AIL	Fund	ASIA PACIFIC GENESIS C	-	b	-	7,200	9.00	7,200	
UEI	Fund	CAPITAL MONEY MARKET	-	a	528,420	8,580	-	8,580	

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 SIX-MONTH PERIOD ENDED JUNE 30, 2020

Table 3 (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	-	-	71,083,476	993,335	164,423,649	2,300,000	a	159,741,816	2,235,000	2,233,208	a	1,792	75,765,309	1,060,972
								-	845	b							
ASUS	Fund	UNION MONEY MARKET	a	-	-	79,175,992	1,049,407	241,050,519	3,200,000	a	146,938,008	1,950,000	1,948,137	a	1,863	173,288,503	2,302,363
								-	1,093	b							
ASUS	Fund	YUANTA WAN TAI MONEY MARKET	a	-	-	32,894,521	500,082	343,030,475	5,220,000	a	267,606,558	4,071,712	4,070,000	a	1,712	108,318,438	1,650,242
								-	160	b							
ASUS	Fund	UPAMC JAMES BOND MONEY MARKET	a	-	-	71,423,578	1,198,359	290,531,021	4,880,000	a	268,550,475	4,509,592	4,508,034	a	1,558	93,404,124	1,570,618
								-	293	b							
ASUS	Fund	TAISHIN TA CHONG MONEY MARKET	a	-	-	-	-	114,097,436	1,630,000	a	31,533,362	450,053	450,000	a	53	82,564,074	1,180,311
								-	311	b							
ASUS	Fund	TAISHIN 1699 MONEY MARKET	a	-	-	-	-	280,466,194	3,818,000	a	68,214,241	928,235	928,000	a	235	212,251,953	2,890,723
								-	723	b							
ASUS	Fund	NOMURA TAIWAN MONEY MARKET	a	-	-	-	-	45,990,081	755,000	a	-	-	-	-	-	45,990,081	755,024
								-	24	b							
ASUS	Fund	YUANTA DE LI MONEY MARKET	a	-	-	-	-	48,758,636	800,000	a	-	-	-	-	-	48,758,636	800,124
								-	124	b							
ASUS	Fund	YUANTA DE BAO MONEY MARKET	a	-	-	-	-	126,569,203	1,530,000	a	27,383,661	331,000	330,951	a	49	99,185,542	1,199,203
								-	154	b							
ASMEDIA	Stock	WT	c	-	-	-	-	171,000,000	6,624,000	a	-	-	132,664	d	-	171,000,000	8,492,732
								-	79,230	c							
								-	1,550,131	e							
								-	372,035	f							

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

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

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

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

e. Investments accounted for under equity method.

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

b. Current-revaluation.

c. Recognized investment gain or loss under equity investment.

d. Recognized effect of exchange rate changes and recognized financial statements translation differences of foreign operations under equity investment.

e. Recognized change in ownership under equity investment.

f. Bargain purchase gain.

## 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 SIX-MONTH PERIOD ENDED JUNE 30, 2020

Table 4 (Amounts in thousands of New Taiwan dollars)

Company Name	Type of Property	Transaction Date	Transaction Amount	Status of Payment	Counterparty	Nature of Relationship	Where Counterparty 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	Buildings	As of 2019/7/17	531,467	T/T based on construction progress and acceptance	Yankey Engineering Co., Ltd.	-	NA	NA	NA	NA	Tendering, price comparison and price negotiation	Office use	-
ASUS	Buildings	As of 2020/3/20	3,111,458	T/T based on 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	276,672	T/T based on 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 SIX-MONTH PERIOD ENDED JUNE 30, 2020

Table 5 (Amounts in thousands of New Taiwan dollars)

Company Name	Related Party	Nature of Relationship (Note 1)	Transaction Details				Abnormal Transaction		Notes/Trade Receivables or Payables		Note
			Purchases/ (Sales)	Amount	% to Total Purchases/ (Sales) amount	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total Notes/Trade Receivables or Payables	
ASUS	ASUTC	b	(Sales)	( 7,278,918)	( 5.84)	OA 90	-	-	2,414,671	5.22	
ASUS	ASGL	b	(Sales)	( 113,921,940)	( 91.38)	OA 180	-	-	29,595,013	63.95	
ASUS	AAEON	b	(Sales)	( 541,702)	( 0.43)	Month-end 30 days	-	-	110,574	0.24	
ASUS	ASKEY	b	Purchases	267,491	0.22	Month-end 60 days	-	-	( 185,971)	( 0.32)	
ASUS	ASMEDIA	b	Purchases	119,590	0.10	Month-end 30 days	-	-	-	-	
ASUS	WT	c	Purchases	302,478	0.25	Month-end 60 days	-	-	( 620,107)	( 1.07)	
ASGL	ACCQ	b	(Sales)	( 4,290,177)	( 3.37)	OA 180	-	-	3,090,168	3.80	
ASGL	ACI	b	(Sales)	( 22,673,902)	( 17.80)	OA 180	-	-	18,197,332	22.36	
ASGL	ACSH	b	(Sales)	( 17,928,759)	( 14.07)	OA 180	-	-	19,600,995	24.08	
ASGL	ACJP	b	(Sales)	( 3,226,354)	( 2.53)	OA 120	-	-	2,197,450	2.70	
ASGL	ASIN	b	(Sales)	( 1,935,168)	( 1.52)	OA 180	-	-	3,293,153	4.05	
ASGL	ACMH	b	(Sales)	( 1,028,525)	( 0.81)	OA 180	-	-	1,064,920	1.31	
ASGL	ACNL	b	(Sales)	( 8,521,690)	( 6.69)	OA 180	-	-	4,843,163	5.95	
ASGL	ACJK	b	(Sales)	( 2,822,104)	( 2.22)	OA 180	-	-	3,155,462	3.88	
ASGL	ACBT	b	(Sales)	( 133,158)	( 0.10)	OA 180	-	-	925,377	1.14	
ASKEY	LP	b	(Sales)	( 2,701,914)	NA (Note 2)	Month-end 90 days	-	Payment term is one to two months longer than third parties	1,098,681	16.59	
ASKEY	ASKEYI	b	(Sales)	( 2,126,739)	( 19.51)	Month-end 90 days	-	Payment term is one to two months longer than third parties	1,451,904	21.93	
ASKEY	SILIGENCE	b	(Sales)	( 194,837)	( 1.79)	Month-end 90 days	-	Payment term is one to two months longer than third parties	30,681	0.46	
ASKEY	ASKEYJS	b	Purchases	6,960,547	60.17	Month-end 90 days	Based on cost of finished goods plus related expenditure of related party	-	( 3,004,332)	64.26	
LP	ASKEYJS	b	(Sales)	( 2,692,718)	( 99.01)	Month-end 90 days	-	Payment term is one to two months longer than third parties	1,065,705	100.00	
AAEON	AAEONEU	b	(Sales)	( 220,630)	( 10.27)	Month-end 60 days	-	-	98,376	14.77	
AAEON	AAEONEI	b	(Sales)	( 503,634)	( 23.44)	Month-end 60 days	-	-	144,102	21.64	
AAEON	AAEONSZ	b	(Sales)	( 158,793)	( 7.39)	Month-end 60 days	-	-	60,616	9.10	
ONYX	ONYXHU	b	(Sales)	( 141,023)	( 28.29)	Month-end 90 days	-	-	91,317	42.96	

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

Note 2 : 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

JUNE 30, 2020

Table 6 (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	2,414,671	5.24 times	-	-	1,740,874	-
ASUS	ASGL	b	29,595,013	5.61 times	-	-	27,652,459	-
ASUS	AAEON	b	110,574	8.44 times	-	-	89,131	-
ASGL	ACCQ	b	3,090,168	1.82 times	-	-	293,230	-
ASGL	ACI	b	18,197,332	2.29 times	-	-	6,459,159	-
ASGL	ACSH	b	19,600,995	1.82 times	757,536	Keep in reconciliation and dunning monthly	6,168,632	-
ASGL	ACJP	b	2,197,450	3.97 times	-	-	1,142,972	-
ASGL	ASIN	b	3,293,153	1.19 times	1,236,356	Keep in reconciliation and dunning monthly	688,759	-
ASGL	ACMH	b	1,064,920	1.98 times	131,465	Keep in reconciliation and dunning monthly	204,808	-
ASGL	ACNL	b	4,843,163	4.03 times	-	-	2,342,899	-
ASGL	ACJK	b	3,155,462	1.46 times	346,169	Keep in reconciliation and dunning monthly	491,455	-
ASGL	ACBT	b	925,377	0.28 times	750,960	Keep in reconciliation and dunning monthly	188,566	-
ASKEY	ASUS	a	185,971	2.28 times	-	-	67,209	-
ASKEY	LP	b	1,098,681	3.99 times	-	-	338,889	-
ASKEY	ASKEYI	b	1,451,904	3.04 times	-	-	117,017	-
LP	ASKEYJS	b	1,065,705	3.84 times	-	-	338,889	-
ASKEYJS	ASKEY	b	3,004,332	3.75 times	-	-	1,050,009	-
AAEON	AAEONEI	b	144,102	7.99 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 SIX-MONTH PERIOD ENDED JUNE 30, 2020

Table 7-1

(Amounts in thousands of New Taiwan dollars)

No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Account	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets
0	ASUS	ASUTC	a	Sales	7,278,918	OA 90	4.40%
0	ASUS	ASGL	a	Sales	113,921,940	OA 180	68.86%
0	ASUS	AAEON	a	Sales	541,702	Month-end 30 days	0.33%
1	ASMEDIA	ASUS	b	Sales	119,590	Month-end 30 days	0.07%
2	ASGL	ACCQ	c	Sales	4,290,177	OA 180	2.59%
2	ASGL	ACI	c	Sales	22,673,902	OA 180	13.71%
2	ASGL	ACSH	c	Sales	17,928,759	OA 180	10.84%
2	ASGL	ACJP	c	Sales	3,226,354	OA 120	1.95%
2	ASGL	ASIN	c	Sales	1,935,168	OA 180	1.17%
2	ASGL	ACMH	c	Sales	1,028,525	OA 180	0.62%
2	ASGL	ACNL	c	Sales	8,521,690	OA 180	5.15%
2	ASGL	ACJK	c	Sales	2,822,104	OA 180	1.71%
2	ASGL	ACBT	c	Sales	133,158	OA 180	0.08%
3	ASKEY	ASUS	b	Sales	267,491	Month-end 60 days	0.16%
3	ASKEY	LP	c	Sales	2,701,914	Month-end 90 days	1.63%
3	ASKEY	ASKEYI	c	Sales	2,126,739	Month-end 90 days	1.29%
3	ASKEY	SILIGENCE	c	Sales	194,837	Month-end 90 days	0.12%
4	LP	ASKEYJS	c	Sales	2,692,718	Month-end 90 days	1.63%
5	ASKEYJS	ASKEY	c	Sales	6,960,547	Month-end 90 days	4.21%
6	AAEON	AAEONEI	c	Sales	503,634	Month-end 60 days	0.30%
6	AAEON	AAEONSZ	c	Sales	158,793	Month-end 60 days	0.10%
6	AAEON	AAEONEU	c	Sales	220,630	Month-end 60 days	0.13%
7	ONYX	ONYXHU	c	Sales	141,023	Month-end 90 days	0.09%
8	ACH	ASGL	c	Service revenue	251,194	Pay on delivery	0.15%
9	ACI	ASGL	c	Service revenue	299,084	Pay on delivery	0.18%
10	ACCZS	ASGL	c	Service revenue	260,397	Pay on delivery	0.16%
11	ACF	ASGL	c	Service revenue	172,865	Pay on delivery	0.10%
12	ACG	ASGL	c	Service revenue	173,593	Pay on delivery	0.10%
13	ACIN	ASGL	c	Service revenue	108,466	Pay on delivery	0.07%
14	ACUK	ASGL	c	Service revenue	105,903	Pay on delivery	0.06%
15	ACCQ	ASGL	c	Service revenue	545,183	Pay on delivery	0.33%
16	ACSZ	ASGL	c	Service revenue	785,994	Pay on delivery	0.48%
17	ACN	ASGL	c	Service revenue	135,477	Pay on delivery	0.08%
18	ACIT	ACNL	c	Service revenue	128,914	Pay on delivery	0.08%
19	ACS	ASGL	c	Service revenue	102,429	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)

JUNE 30, 2020

Table 7-2

(Amounts in thousands of New Taiwan dollars)

No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Account	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets
0	ASUS	ASUTC	a	Trade receivables	2,414,671	OA 90	0.66%
0	ASUS	ASGL	a	Trade receivables	29,595,013	OA 180	8.08%
0	ASUS	AAEON	a	Trade receivables	110,574	Month-end 30 days	0.03%
2	ASGL	ACCQ	c	Trade receivables	3,090,168	OA 180	0.84%
2	ASGL	ACI	c	Trade receivables	18,197,332	OA 180	4.97%
2	ASGL	ACSH	c	Trade receivables	19,600,995	OA 180	5.35%
2	ASGL	ACJP	c	Trade receivables	2,197,450	OA 120	0.60%
2	ASGL	ASIN	c	Trade receivables	3,293,153	OA 180	0.90%
2	ASGL	ACMH	c	Trade receivables	1,064,920	OA 180	0.29%
2	ASGL	ACNL	c	Trade receivables	4,843,163	OA 180	1.32%
2	ASGL	ACBT	c	Trade receivables	925,377	OA 180	0.25%
2	ASGL	ACJK	c	Trade receivables	3,155,462	OA 180	0.86%
3	ASKEY	ASUS	b	Trade receivables	185,971	Month-end 60 days	0.05%
3	ASKEY	LP	c	Trade receivables	1,098,681	Month-end 90 days	0.30%
3	ASKEY	ASKEYI	c	Trade receivables	1,451,904	Month-end 90 days	0.40%
4	LP	ASKEYJS	c	Trade receivables	1,065,705	Month-end 90 days	0.29%
5	ASKEYJS	ASKEY	c	Trade receivables	3,004,332	Month-end 90 days	0.82%
6	AAEON	AAEONEI	c	Trade receivables	144,102	Month-end 60 days	0.04%
12	ACG	ASGL	c	Trade receivables	155,922	Pay on delivery	0.04%
16	ACSZ	ASGL	c	Trade receivables	282,930	Pay on delivery	0.08%
9	ACI	ASGL	c	Other receivables	125,981	Pay on delivery	0.03%

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 INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
(EXCLUDING INFORMATION ON INVESTMENTS IN MAINLAND CHINA)  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020

Table 8 (Amounts in thousands of New Taiwan dollars)

Investor Company	Investee Company	Location	Main Businesses	Original Investment Amount		Balance as of June 30, 2020			Net Income (Loss) of the Investee	Share of Profit/Loss of Investee	Note
				June 30, 2020	December 31, 2019	Shares	Percentage of Ownership(%)	Carrying Value			
ASUS	ACI	U.S.A	Selling of 3C products in North America	13,320	13,320	50,000	100.00	1,479,925	1,953,455	1,953,455	Note 2
ASUS	ASUTC	Taiwan	Selling of 3C products in Taiwan	204,244	204,244	19,000,000	100.00	-	217,277	217,277	Note 1、2 and 3
ASUS	ACH	Netherlands	Repairing of 3C products	37,821	37,821	3,000,000	100.00	209,641	6,300	6,300	Note 2
ASUS	AIL	Cayman Islands	Investing in 3C and computer peripheral business	3,281,057	3,281,057	89,730,042	100.00	35,068,992	( 510,866)	( 510,866)	Note 1 and 2
ASUS	DEEP	Taiwan	Researching, developing and selling of AI medical related software	45,030	-	674,908	21.96	45,030	-	-	Note 2
ASUS	ASGL	Singapore	Selling of 3C products	838,070	838,070	28,000,000	100.00	33,677,327	2,950,817	2,613,009	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	2,533,352	( 401,275)	( 403,809)	Note 2
ASUS	HCVC	Taiwan	Investing in computer peripherals business	1,100,000	1,100,000	114,500,000	100.00	2,453,196	110,793	110,793	Note 2
ASUS	HMI	Taiwan	Investing in computer peripherals business	680,000	680,000	68,000,000	100.00	1,442,641	68,770	68,770	Note 2
ASUS	QCI	Singapore	Servicing of information technology	25,290	25,290	830,001	100.00	7,909	2,330	2,330	Note 2
ASUS	ASUSCLOUD	Taiwan	Selling and consulting of internet service	596,678	596,678	23,645,558	94.58	71,701	( 50,458)	( 47,724)	Note 2
ASUS	UEI	Taiwan	Manufacturing and selling of automotive electronics and computer peripherals	66,354	66,354	21,300,000	100.00	76,592	8,265	8,265	Note 2
ASUS	GAIUS	Cayman Islands	Investing in electric motor tricycle industry	310,400	310,400	16,386,481	35.00	284,494	( 57,965)	( 20,288)	Note 2
ASUS	NEXTS	Cayman Islands	Investing in cloud computing service business	94,324	94,324	8,560,974	43.48	73,032	3,664	1,593	Note 2
ASUS and HCVC	ACJK	Indonesia	Selling of 3C products in Indonesia	259,576	244,480	8,500	100.00	144,047	( 168,967)	( 168,967)	Note 2
ASUS and HCVC	IMOTION	Taiwan	Investing in AI and IPC peripherals business	180,000	180,000	18,000,000	30.00	25,593	( 291,174)	( 74,249)	Note 2
ASUS and HCVC	ACBT	Indonesia	Selling of 3C products in Indonesia	301,321	301,321	1,100,000	100.00	-	( 38,686)	( 38,686)	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	75,678	( 5,013)	( 2,557)	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	177,743	11,323,682	69.25	114,135	( 6,552)	( 4,537)	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	46.03	5,115,826	1,315,151	492,071	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	186,844	149,968	9,569	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	4,900,923	187,668	50,707	Note 2
ASUS、HCVC and HMI	JPX	Taiwan	Designing and selling of computer peripheral spare parts	20,000	20,000	2,000,000	20.00	3,978	( 9,857)	( 1,025)	Note 2
ASUS and HCVC	UPI	Taiwan	Designing, researching, developing and selling of integrated circuits	486,532	486,532	24,790,905	35.54	1,684,505	124,436	35,925	Note 2
ASUS、HMI and AAEON	ONYX	Taiwan	Designing, manufacturing and selling of medical computers	146,376	146,376	12,500,583	56.80	518,147	60,580	3,391	Note 2 and 4
HMI	JOTECH	Taiwan	Selling and repairing of information software and electronic information materials	30,000	30,000	3,000,000	100.00	28,699	( 842)	-	Note 2
ASKEY	ASKEYI	U.S.A	Selling and servicing of communication products	307,607	307,607	10,000,000	100.00	-	( 34,691)	-	Note 2 and 3
ASKEY	DIC	British Virgin Islands	Investing in communication business	271,695	271,695	8,160,172	100.00	79,322	( 174)	-	Note 2
ASKEY	MIC	British Virgin Islands	Investing in communication business	3,752,306	3,752,306	114,942,014	100.00	2,987,909	( 219,184)	-	Note 2
ASKEY	ECOLAND	Taiwan	Planning and design integration of ecology, architecture and energy	21,840	21,840	780,000	33.91	5,424	( 2,273)	-	Note 2
ASKEY	ASKEYDT	Taiwan	Selling and servicing of communication products	30,000	30,000	3,000,000	100.00	30,042	44	-	Note 2
ASKEY	WONDA	Taiwan	Manufacturing and designing of wired and wireless communication, electronic parts products, etc.	65,344	65,344	9,242,232	100.00	59,201	1,834	-	Note 2
ASKEY、MIC and OB	ASKEYBR	Brazil	Selling and servicing of communication products	27,968	28,299	3,200,000	100.00	699	( 2,722)	-	Note 2
DIC	ASKEYVN	Vietnam	Manufacturing and selling of communication products	169,914	171,921	2,883,359	100.00	75,604	-	-	Note 2
DIC	WISE	Hong Kong	Investing in communication business	40,045	40,518	1,600,000	100.00	10,739	( 274)	-	Note 2
MIC	MAGICOM	Cayman Islands	Investing in communication business	2,697,219	2,729,079	91,030,000	100.00	3,016,383	( 225,298)	-	Note 2
MIC	LP	Mauritius	Selling of communication products and peripherals	1,482,982	1,500,499	50,050,000	100.00	-	33	-	Note 2 and 3

Investor Company	Investee Company	Location	Main Businesses	Original Investment Amount		Balance as of June 30, 2020			Net Income (Loss) of the Investee	Share of Profit/Loss of Investee	Note
				June 30, 2020	December 31, 2019	Shares	Percentage of Ownership(%)	Carrying Value			
MIC	UNI	Mauritius	Selling of communication products and peripherals	1,482	1,499	50,000	100.00	19,279	56	-	Note 2
MIC	ASKEYCG	Germany	Selling and servicing of communication products	3,877	3,923	100,000	100.00	3,117	( 87)	-	Note 2
MIC	ASKEYTH	Thailand	Selling and servicing of communication products	1,858	1,880	20,000	100.00	1,176	7,141	-	Note 2
MIC	ASKEYJP	Japan	Selling and servicing of communication products	1,393	1,409	500,000	100.00	-	( 1,368)	-	Note 2 and 3
ASKEY and WISE	SILIGENCE	France	Selling and servicing of communication products	176,698	177,170	4,623,090	95.95	63,467	( 1,695)	-	Note 2
AAEON	AAEONEI	U.S.A	Selling of industrial computers and computer peripherals	145,187	146,902	490,000	100.00	192,609	11,508	-	Note 2
AAEON	AAEONTCL	British Virgin Islands	Investing in industrial computers and interface cards business	260,954	264,037	8,807,097	100.00	190,307	( 11,260)	-	Note 2
AAEON	AAEONEU	Netherlands	Selling of industrial computers and computer peripherals	3,327	3,359	-	100.00	49,254	9,159	-	Note 2
AAEON	AAEONI	Taiwan	Investing in industrial computers and computer peripherals business	150,000	150,000	15,000,000	100.00	110,929	42	-	Note 2
AAEON	LITEMAX	Taiwan	Selling of computer peripherals	70,218	70,218	5,015,050	12.01	100,983	64,894	-	Note 2
AAEON	IBASE	Taiwan	Manufacturing and selling of industrial motherboard	3,498,501	3,498,501	52,921,856	30.79	3,270,097	43,454	-	Note 2
AAEON	AAEONSG	Singapore	Selling of industrial computers and computer peripherals	12,390	12,998	465,840	100.00	38,133	1,013	-	Note 2
AAEONEU	AAEONG	Germany	Selling of industrial computers and computer peripherals	998	1,008	-	100.00	17,777	264	-	Note 2
ONYX	ONYXHU	U.S.A	Selling of medical computers and peripherals	59,260	59,960	200,000	100.00	62,939	( 14,234)	-	Note 2
ONYX	ONYXHE	Netherlands	Marketing support and repairing of medical computers and peripherals	3,327	3,359	100,000	100.00	11,997	789	-	Note 2
ONYX	IHELPER	Taiwan	Researching, developing and selling of medical robots	16,560	16,560	1,656,000	46.00	8,315	( 4,296)	-	Note 2
ONYX	WINMATE	Taiwan	Bidding and distribution of liquid crystal display application equipment and modules	528,534	510,248	9,711,000	13.45	508,338	110,142	-	Note 2
ASUSCLOUD	ASUSCLOUDSG	Singapore	Investing in internet service business	24,853	24,853	-	100.00	4,161	919	-	Note 2
ASUSCLOUD	ASUSCLOUDLB	Luxembourg	Providing maintenance and operating service for information hardware	18,065	18,065	-	100.00	2,952	( 195)	-	Note 2
ASUSCLOUD	ASUSLC	Taiwan	Selling of internet information service	5,000	5,000	500,000	50.00	-	( 2,068)	-	Note 2 and 3
ASMEDIA	WT	Taiwan	Agent sales of semiconductor and electronic components	6,624,000	-	171,000,000	22.39	8,492,732	1,405,401	-	Note 2
AIL	CHANNEL	British Virgin Islands	Investing in 3C business	889,878	900,389	30,033,000	100.00	34,412,881	( 517,104)	-	Note 2
CHANNEL	ASTP	Singapore	Investing in 3C business	888,974	899,475	44,419,424	100.00	40,657,223	217,117	-	Note 2
CHANNEL	ACEG	Egypt	Providing support for 3C products in Egypt	-	-	-	100.00	1,327	( 420)	-	Note 2
CHANNEL and ASTP	ACAE	United Arab Emirates	Providing support and repair for 3C products in Middle East	4,086	4,134	5	100.00	23,540	19	-	Note 2
CHANNEL and ASTP	ASID	Indonesia	Repairing of 3C products in Asia-Pacific and America	44,445	44,970	1,500,000	100.00	39,038	2,000	-	Note 2
CHANNEL 、ASTP and ACNL	ACTH	Thailand	Providing support for 3C products in Thailand	13,997	14,163	20,000	100.00	24,122	2,982	-	Note 2
CHANNEL 、ASTP and ACNL	ASTH	Thailand	Repairing of 3C products in Thailand	5,618	5,684	60,000	100.00	5,709	( 198)	-	Note 2
ASTP	ACG	Germany	Selling and providing support for 3C products in Germany	2,807	2,840	-	100.00	158,694	6,086	-	Note 2
ASTP	ACF	France	Providing support for 3C products in France	1,477	1,495	5,300	100.00	56,328	6,343	-	Note 2
ASTP	ACUK	U.K.	Providing support for 3C products in United Kingdom	2,674	2,705	50,000	100.00	52,118	5,167	-	Note 2
ASTP	ACHK	Hong Kong	Providing support and repair for 3C products in Hong Kong	1,907	1,929	500,000	100.00	12,434	843	-	Note 2
ASTP	ACKR	South Korea	Providing support and repair for 3C products in South Korea	10,250	10,371	158,433	100.00	43,216	1,931	-	Note 2
ASTP	ACIN	India	Providing support and repair for 3C products in India	244,965	247,859	20,134,400	100.00	301,666	7,549	-	Note 2
ASTP	ACNL	Netherlands	Selling of 3C products	17,250	17,454	375,000	100.00	1,481,353	63,606	-	Note 2
ASTP	ACVN	Vietnam	Repairing of 3C products in Vietnam	2,370	2,398	-	100.00	22,859	2,350	-	Note 2
ASTP	ACIB	Spain	Providing support for 3C products in Spain	18	18	3,000	100.00	42,478	2,496	-	Note 2
ASTP	ACJP	Japan	Selling of 3C products in Japan	72,523	73,380	20,500	100.00	344,779	47,585	-	Note 2
ASTP	ASAU	Australia	Repairing of 3C products in Australia	28,602	28,940	950,000	100.00	47,205	10,131	-	Note 2
ASTP	ACAU	Australia	Providing support for 3C products in Australia	10,691	10,817	350,000	100.00	49,200	( 1,403)	-	Note 2
ASTP	ACIL	Israel	Providing support for 3C products in Israel	385	390	50,000	100.00	2,622	2,449	-	Note 2
ASTP	ACCO	Colombia	Providing support for 3C products in Colombia	889	899	74,489	100.00	3,112	1,312	-	Note 2
ASTP	ACZA	South Africa	Providing support and repair for 3C products in Africa	2	2	1,000	100.00	5,233	886	-	Note 2
ASTP	ACMY	Malaysia	Providing support and repair for 3C products in Malaysia	3,463	3,504	500,000	100.00	20,996	1,298	-	Note 2
ASTP	ACCL	Chile	Providing support for 3C products in Chile	51	51	1,000	100.00	1,708	444	-	Note 2

Investor Company	Investee Company	Location	Main Businesses	Original Investment Amount		Balance as of June 30, 2020			Net Income (Loss) of the Investee	Share of Profit/Loss of Investee	Note
				June 30, 2020	December 31, 2019	Shares	Percentage of Ownership(%)	Carrying Value			
ASTP	ASPH	Philippines	Providing support and repair for 3C products in Philippines	5,936	6,006	1,059,995	100.00	4,607	( 1,413)	-	Note 2
ASTP	APVN	Vietnam	Servicing of management consulting	1,482	-	50,000	100.00	1,473	( 7)	-	Note 2
ASTP and ACNL	ACPE	Peru	Providing support for 3C products in Peru	37,495	37,936	4,195,740	100.00	35,549	338	-	Note 2
ASTP and ACNL	ACMH	Mexico	Selling of 3C products in Mexico	112,516	113,843	51,120	100.00	-	( 8,505)	-	Note 2 and 3
ASTP and ACNL	ACBZ	Brazil	Selling of 3C products in Brazil	5,840,400	5,909,388	549,469,000	100.00	2,493,573	( 317,727)	-	Note 2
ASTP and ACNL	ASIN	India	Selling of 3C products in India	200,817	203,189	33,500,000	100.00	221,406	133,526	-	Note 2
ASTP and ACMH	ACMX	Mexico	Providing support for 3C products in Mexico	301	305	132	100.00	6,578	306	-	Note 2
ACNL	ACHU	Hungary	Providing support and repair for 3C products in Hungary	1,663	1,679	-	100.00	9,608	954	-	Note 2
ACNL	ACPT	Portugal	Providing support for 3C products in Portugal	998	1,008	30,000	100.00	12,408	798	-	Note 2
ACNL	ACCH	Switzerland	Providing support for 3C products in Switzerland	7,603	7,676	3,400	100.00	27,337	1,139	-	Note 2
ACNL	ACN	Sweden	Providing support for 3C products in North Europe	1,060	1,070	3,000	100.00	67,601	5,886	-	Note 2
ACNL	ACTR	Turkey	Providing support and repair for 3C products in Turkey	14,640	14,782	2,046	100.00	41,748	2,769	-	Note 2
ACNL	ASTR	Turkey	Repairing of 3C products in Turkey	339	342	3,000	100.00	3,889	142	-	Note 2
ACNL	ACPL	Poland	Providing support for 3C products in Poland	48,428	48,896	1,000	100.00	53,440	2,228	-	Note 2
ACNL	ACIT	Italy	Providing support for 3C products in Italy	1,597	1,612	-	100.00	-	4,481	-	Note 2 and 3
ACNL	ACCZ	Czech Republic	Providing support for 3C products in Czech Republic	260	263	-	100.00	18,115	1,700	-	Note 2
ACNL	ACCZS	Czech Republic	Repairing of 3C products in Europe	6,968	7,035	-	100.00	105,047	8,038	-	Note 2
ACNL	QCS	Sweden	Servicing of information technology	155	157	500	100.00	209	80	-	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 INVESTMENTS IN MAINLAND CHINA  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020

Table 9 (Amounts in thousands of New Taiwan dollars and foreign currencies)

Investee Company	Main Businesses	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Beginning Balance of Accumulated Outflow of Investment from Taiwan	Investment Flows		Ending Balance Accumulated Outflow of Investment from Taiwan	Net Income (Loss) of the Investee Company	Percentage of Ownership (%)	Investment Income (Loss) Recognized in Current Period (Note 2 b and c)	Carrying Amount as of June 30, 2020 (Note 2 b and c)	Ending Balance of Accumulated Inward Remittance of Earnings	Note (Note 1 b)
					Outflow	Inflow							
ACSH	Selling of 3C products in China	1,425,203	b	1,425,203	-	-	1,425,203	( 879,501)	100.00	( 879,501)	-	-	ASTP Invested (Note 3)
ACS	Repairing of 3C products	59,260	b	59,260	-	-	59,260	2,272	100.00	2,272	69,762	-	ASTP Invested
ACSZ	Researching and developing of 3C products	1,451,870	b	1,451,870	-	-	1,451,870	75,230	100.00	75,230	2,958,752	-	ASTP Invested
ACCQ	Selling of 3C products in China	2,044,470	b	2,044,470	-	-	2,044,470	26,365	100.00	26,365	5,239,757	-	ASTP Invested
ACISZ	Leasing real estate	486,374	c	-	-	-	-	( 2,212)	100.00	( 2,212)	413,793	-	-
ASKEYSH	Researching, developing and selling of communication products	88,890	b	88,890	-	-	88,890	3,036	100.00	3,036	4,578	-	MIC Invested
ASKEYJS	Manufacturing and selling of communication products	2,666,700	b	2,666,700	-	-	2,666,700	( 225,344)	100.00	( 225,344)	2,979,155	-	MAGICOM Invested
AAEONSZ	Manufacturing and selling of industrial computers and interface cards	257,493	b	257,493	-	-	257,493	( 11,203)	100.00	( 11,203)	199,438	-	AAEONTCL Invested
ONYXSH	Selling of medical computers and peripherals	59,260	a	59,260	-	-	59,260	( 1,508)	100.00	( 1,508)	5,938	-	-
EMES	Selling and consulting of information system software	8,889	a	8,889	-	-	8,889	1,375	100.00	1,375	11,297	-	-
JSCD	Participating and promoting of professional eSports	673,900	a	673,900	-	-	673,900	( 65,558)	100.00	( 65,558)	451,858	-	-
EOSTEK SHENZHEN	Smart TV and projector platform service	207,410	c	53,097	-	-	53,097	-	14.94	-	-	-	-

Company Name	Ending Balance of Accumulated Investment in Mainland China	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
ASUS	6,243,113 USD 210,702	6,432,745 USD 217,102	109,615,879
ASKEY	3,138,474 USD 105,922	3,138,474 USD 105,922	(Note 4)
AAEON	257,493 USD 8,690	257,493 USD 8,690	4,815,398
SWI	8,889 USD 300	10,074 USD 340	89,033
ONYX	59,260 USD 2,000	59,260 USD 2,000	566,429

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

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

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

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

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

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

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

Note 4 : In accordance with the "Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China", There is no upper Limit on Investment.