AAEON Technology Inc. and Subsidiaries

Consolidated Financial Statements and Report of Independent Accountants

December 31, 2019 and 2018

(Stock Code: 6579)

Company Address: 5F., No. 135, Ln. 235, Baoqiao Rd., Xindian Dist., New Taipei City, Taiwan (R.O.C.)

Contact Number: (02)8919-1234

The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

AAEON Technology Inc. and Subsidiaries

Consolidated Financial Statements and Report of Independent Accountants December 31, 2019 and 2018

Content

AAEON Technology Inc. and Subsidiaries

Declaration of Consolidated Financial Statements of Affiliated Enterprises

It is hereby declared that the Affiliation Report for 2019 (from January 1, 2019 to December 31, 2019) was prepared pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, and there are no significant inconsistencies between the information given above and the supplementary information disclosed in the financial statements for the above period.

Hereby certify

Company Name: AAEON Technology Inc.

Representative: Yung-Shun Chuang

February 27, 2020

Report of Independent Accountants

(2020)Tsai-Shen-Bao-Tzi No.19002346

To AAEON Technology Inc.:

Opinion

We have audited the accompanying consolidated balance sheets of AAEON Technology Inc. (hereinafter referred to as "AAEON") and its subsidiaries as of 31 December 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2019 and 2018, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, based on our audits and the audits of other CPAs (please refer to the "Other Matters"), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of 31 December 2019, and 2018, in conformity with the requirements of the "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies", and "International Financial Reporting Standards", "International Accounting Standards", "Interpretations developed by the International Financial Reporting Interpretations Committee" as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statement by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of AAEON Technology Inc. in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the audits of other CPAs, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audits of 2019 consolidated financial statements. These matters were addressed in the context of our audits of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of our 2019 consolidated financial statements are as follows:

Existence for incorporating the revenues of newly listed top ten sales customers

Explanation

Please refer to Note 4(30) of the consolidated financial statements for the accounting of revenue recognition, and refer to Note 6(17) of the consolidated financial statements for details of operating revenue.

AAEON's main businesses and products include the design, manufacturing and sales of industrial computers, medical computers and peripherals. Since product orders are effected by project cycles, the Company needs to focus on entering new markets and accepting orders of new projects, there will be changes in the top ten customers. After comparing the top ten sales customers in the Taiwan in 2019 and 2018, the incorporation of newly listed top ten sales customers has a significant impact on the consolidated operating revenue. With that, the CPA listed the existence for incorporating the revenues of AAEON's newly listed top ten sales customers as one of the key audit matters.

Audit Procedures

Our main audit procedures are as follows:

1. For the assessment and testing of the financial statements, the internal control procedures of sales transactions are based on the Group's internal control system.
2. Viewing the relevant industry background information of newly listed top ten sales customers.
3. Obtaining and sampling relevant vouchers for the transactions involving operating revenue of the newly listed top ten sales customers.

Accounting estimate of inventory valuation

Explanation

Please refer to Note 4(12) of the consolidated financial statements for the accounting estimate of inventory valuation; please refer to Note 5 to the consolidated financial statements for uncertainties in the accounting estimate of inventory evaluation; please refer to the note 6(5) of the consolidated financial statements for inventory items.

AAEON's main businesses and products include the design, manufacturing and sales of industrial computers, medical computers and peripherals. Given long production cycle of industrial computer and medical computer products, some products or spare parts have long inventory period due to long-term supply and maintenance needs of customers. The order adjustments or lower-than-expected market conditions may lead to fluctuations in product prices or low inventory correction, which may result in higher risk in inventory devaluation or obsolescence. AAEON's inventories are measured at the lower of inventory cost and net realizable value. For the inventories that exceeds its age and are individually identified to be out of date and obsolete, losses based on the policy of allowance for inventory impairment are recognized through individual assessment.

Corresponding the sales market and development strategies, AAEON readily adjusts its stocking demands, with significant inventory balances as industrial computers and medical computers are the main products. In addition, given high uncertainty from the management's subjective estimates on the net realizable value used in evaluating obsolete inventories, the allowance for inventory devaluation is listed as one of the key audit matters.

Audit Procedures

Our main audit procedures are as follows:

1. Assessing the policy of allowance for inventory impairment with the understanding of AAEON's operations and the nature of the industry.
2. Checking the management's details of outdated inventories as well as relevant documentary evidence.
3. Testing the price basis of net realizable value for each inventory item, and randomly checking the correctness of net realizable value.

Impairment loss on investments accounted for using the equity method

Explanation

Please refer to Note 4(13) of the consolidated financial statements for accounting policies on investments using the equity method; please refer to Note 5 to the consolidated financial statements for uncertainties in accounting estimates for investments using the equity method; please refer to Note 6 (6) of the consolidated financial statements for investment items.

AAEON's investment premium on IBASE TECHNOLOGY INC. (hereinafter referred to as “IBASE”) using the equity method is the recoverable amount estimated by calculating the value in use, and is used as the basis for impairment assessment. Since the assessment of value in use involves the management’s subjective estimates of future cash flows and discounted cash flows at the appropriate discount rate. The CPA believes that the aforementioned estimation of future cash flows and discount rates involves future forecasts, with high estimation uncertainty from the assumption which have a significant impact on the value of use. With that, the investment using equity method - IBASE’s assessment on reduced premium is listed as one of the key audit matters.

Audit Procedures

Our main audit procedures are as follows:

1. Assessing IBASE’s estimated revenue growth, gross profit margin and operating expense ratio of future cash flows in comparison with historical results and literatures on economic and industry forecasts.
2. Comparing the discount rate for IBASE's assessment on value in use with the assumption of cost of capital generated by cash and alternatives to ROA.
3. Check the correctness of evaluation models.

Other Matters - Audit of Other CPAs

The investee in AAEON's consolidated financial statements using the equity method has not been audited by the CPA, but are included in the audit work of other CPAs. Therefore, the CPA’s opinion on the amounts listed in the aforementioned consolidated financial statements are based on the audit reports of another CPA. The aforementioned investment using the equity method as of December 31, 2019 and 2018 were NT$3,987,493 thousand and NT$3,573,849 thousand, respectively, accounting for 41.20% and 36.71% of total consolidated assets. For the years ended December 31st, 2019 and 2018, the comprehensive income of affiliates and joint ventures using the equity method were NT$40,452 thousand and -NT$84 thousand, respectively, accounting for 6.27% and 0% of the consolidated comprehensive income.

Other Matters – Individual Financial Report

We have audited and expressed an unmodified opinion with other matter section on the individual financial statements for the years ended December 31, 2019 and 2018.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies” and “International Financial Reporting Standards”, “International Accounting Standards”, “Interpretations developed by the International Financial Reporting Interpretations Committee” as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PwC Taiwan

Certified Public Accountant

Shu-Chiung Chang

Chun-Yao Lin

Financial Supervisory Commission, Executive Yuan, R.O.C.

Approval reference: Jin-Guan-Zheng-Shen-0990042602
Securities and Futures Commission, Ministry of Finance

Approval reference: (1996)Tai-Tsai-Cheng (VI) No. 68702

February 27, 2020

Notes to Readers

The accompanying consolidated financial statements are intended only to present the Consolidated statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdoctions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors’ report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors’ report and consolidated financial statements, the Chinese version shall prevail.

AAEON Technology Inc. and Subsidiaries
Consolidated Balance Sheets
As of 31 December 2019 and 31 December 2018

Unit: NT$ thousand

	Assets	Notes	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current asset					
1100	Cash and cash equivalents	6. (1)	$ 2,516,971	26	$ 2,466,178	25
1110	Financial asset at fair value through profit or loss - current	6. (2)	508,167	5	1,019,105	10
1150	Net notes receivable	6. (4)	12,722	-	17,472	-
1170	Net accounts receivable	6. (4)	752,782	8	826,552	9
1200	Other Receivables		22,119	-	20,509	-
130X	Inventory	6. (5)	938,977	10	940,352	10
1410	Prepayment		56,148	1	52,181	1
1479	Other current liabilities - other	8	2,348	-	2,763	-
11XX	**Total current assets**		4,810,234	50	5,345,112	55
	Non-current assets					
1510	Financial asset at fair value through profit or loss - non-current	6. (2)	64,157	1	38,312	-
1517	Financial asset at fair value through other comprehensive income - non-current	6. (3)	2,381	-	10,350	-
1550	Investments accounted for using the equity method	6. (6)	3,987,493	41	3,573,849	37
1600	Property, Plant and Equipment	6. (7), 8	595,882	6	618,722	6
1755	Right-of-use asset	6. (8)	59,305	1	-	-
1760	Net Investment Property		58,370	-	70,457	1
1780	Intangible asset		23,993	-	5,972	-
1840	Deferred tax assets	6. (23)	62,563	1	58,272	1
1900	Other non-current assets		13,565	-	14,155	-
15XX	**Total non-current assets**		4,867,709	50	4,390,089	45
1XXX	**Total Assets**		$ 9,677,943	100	$ 9,735,201	100

(Continued)

AAEON Technology Inc. and Subsidiaries
Consolidated Balance Sheets
As of 31 December 2019 and 31 December 2018

Unit: NT$ thousand

	Liabilities and equity	Notes	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liability					
2100	Short-term borrowings	6. (9)	$ 44,370	1	$ 67,573	1
2120	Financial liabilities at fair value through profit or loss - current	6. (10)	-	-	1	-
2130	Contract Liability - Current	6. (10)	109,489	1	134,105	1
2150	Notes Payable		-	-	10,505	-
2170	Accounts Payable	7	483,480	5	557,938	6
2200	Other Payables	6. (11), 7	386,887	4	368,422	4
2230	Current tax liabilities		108,720	1	95,838	1
2250	Provisions - Current		37,937	-	46,254	-
2280	Lease Liability - Current		39,151	1	-	-
2399	Other current liabilities - other		24,364	-	14,314	-
21XX	**Total current liabilities**		1,234,398	13	1,294,950	13
	Non-current liabilities					
2527	Contract Liability - non-current	6. (17)	69,000	1	39,091	1
2550	Provisions - non-current		7,641	-	7,423	-
2570	Deferred tax liabilities	6. (23)	27,060	-	22,942	-
2580	Lease Liability - non-current		21,091	-	-	-
2670	Other non-current liabilities - other		2,240	-	2,396	-
25XX	**Total non-current liabilities**		127,032	1	71,852	1
2XXX	**Total Liabilities**		1,361,430	14	1,366,802	14
	Equity					
	Equity attributable to owners of parent					
	Share capital	6. (14)				
3110	Common share capital		1,484,985	15	1,484,985	15
	Capital surplus	6. (15)				
3200	Capital surplus		5,348,750	55	5,361,226	54
	Retained earnings	6. (16)				
3310	Legal reserve		332,568	3	259,282	3
3320	Special reserve		45,314	1	46,033	1
3350	Undistributed earnings		652,212	7	783,773	8
	Other Equity					
3400	Other Equity		(63,315)	-	(45,314)	-
31XX	**Total equity attributable to owners of parent**		7,800,514	81	7,889,985	81
36XX	**Non-controlling interests**	4. (3)	515,999	5	478,414	5
3XXX	**Total equity**		8,316,513	86	8,368,399	86
	Material Contingent Liabilities and Unrecognized Contractual Commitments	9				
	Material Subsequent Events	11				
3X2X	**Total liabilities and equity**		$ 9,677,943	100	$ 9,735,201	100

Please also refer to the notes as it is part of the consolidated financial statements.

Chairman: Yung-Shun Chuang　　Manager: Chien-Hung Lin　　Accounting Supervisor: Hsiu-Fen Wung

AAEON Technology Inc. and Subsidiaries
Consolidated Income Statement
For the years ended December 31, 2019 and 2018

Unit: NT$ thousand
(except for per share data in NT$)

	Item	Notes	2019 Amount	2019 %	2018 Amount	2018 %
4000	**Operating income**	6. (17), 7	$ 6,148,380	100	$ 5,800,255	100
5000	**Operating cost**	6. (5)(21) (22) (25), 7.	(4,084,458)	(66)	(4,012,024)	(69)
5900	**Operating profit**		2,063,922	34	1,788,231	31
	Operating expenses	6. (12) (21) (22) (25), 7.				
6100	Marketing Expense		(607,197)	(10)	(607,064)	(11)
6200	Administrative expenses		(247,057)	(4)	(251,598)	(4)
6300	R & D expense		(466,551)	(8)	(470,145)	(8)
6450	Expected credit impairment losses (gains)	12. (2)	(23,158)	-	4,649	-
6000	**Total operating expense**		(1,343,963)	(22)	(1,324,158)	(23)
6900	**Operating income**		719,959	12	464,073	8
	Non-operating income and expenses					
7010	Other income	6. (18)	58,018	1	59,306	1
7020	Other gains and losses	6. (19)	17,876	-	404,532	7
7050	Financial costs	6. (20)	(5,955)	-	(4,263)	-
7060	Share of the profit of associates and joint ventures accounted for using the equity method	6. (6)	40,530	1	10,602	-
7000	**Total non-operating income and expenses**		110,469	2	470,177	8
7900	**Profit before tax**		830,428	14	934,250	16
7950	income tax expense	6. (23)	(162,183)	(3)	(105,624)	(2)
8200	**Net income**		$ 668,245	11	$ 828,626	14

(Continued)

AAEON Technology Inc. and Subsidiaries
Consolidated Income Statement
For the years ended December 31, 2019 and 2018

Unit: NT$ thousand
(except for per share data in NT$)

	Item	Notes	2019 Amount	2019 %	2018 Amount	2018 %
	Other comprehensive income					
	Not to be reclassified to profit or loss in subsequent periods					
8316	Unrealized losses from equity instruments investments measured at fair value through other comprehensive income	6. (3)	($ 7,969)	-	($ 28,984)	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using the equity method - not to be reclassified to profit or loss in subsequent periods	6. (6)	2,864	-	(10,471)	-
8310	**Total amount not to be reclassified to profit or loss in subsequent periods**		(5,105)	-	(39,455)	-
	To be reclassified to profit or loss in subsequent periods					
8361	Exchange differences resulting from translating the financial statements of a foreign operation		(18,327)	-	2,736	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using the equity method - to be reclassified to profit or loss in subsequent periods	6. (6)	(2,942)	-	(215)	-
8399	Income tax relating to the components to be reclassified to profit or loss in subsequent periods	6. (23)	3,680	-	(610)	-
8360	**Total amount to be reclassified to profit or loss in subsequent periods**		(17,589)	-	1,911	-
8500	**Total comprehensive income**		$ 645,551	11	$ 791,082	14
	Net income attributable to:					
8610	Owners of parent		$ 552,152	9	$ 732,861	12
8620	Non-controlling interests		116,093	2	95,765	2
			$ 668,245	11	$ 828,626	14
	Total comprehensive income attributable to:					
8710	Owners of parent		$ 534,151	9	$ 709,154	13
8720	Non-controlling interests		111,400	2	81,928	1
			$ 645,551	11	$ 791,082	14
	Basic earnings per share	6. (24)				
9750	**Total basic earnings per share**		$ 5.17		$ 6.86	
	Diluted earnings per share	6. (24)				
9850	**Total diluted earnings per share**		$ 5.13		$ 6.81	

Please also refer to the notes as it is part of the consolidated financial statements.

Chairman: Yung-Shun Chuang　　Manager: Chien-Hung Lin　　Accounting Supervisor: Hsiu-Fen Wung

AAEON Technology Inc. and Subsidiaries
Statements of Changes in Equity
For the years ended December 31, 2019 and 2018

Unit: NT$ thousand

	Notes	Equity attributable to owners of parent										Non-controlling interests	Total
				Retained earnings			Other Equity						
		Common share capital	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of a foreign operation	Unrealized gains (losses) form financial assets at fair value through other comprehensive income	Unrealized gains (losses) from available-for-sale items financial assets	Remeasurements of defined benefit plans	Total		
2018													
Balance on 1 January 2018		$ 1,068,000	$ 2,272,484	$ 203,262	$ 25,797	$ 665,113	($ 21,607)	$ -	($ 24,426)	$ -	$ 4,188,623	$ 443,287	$ 4,631,910
Effects on retrospective application and restatement		-	-	-	-	(24,426)	-	-	24,426	-	-	-	-
Balance on 1 January 2018 (Adjusted)		1,068,000	2,272,484	203,262	25,797	640,687	(21,607)	-	-	-	4,188,623	443,287	4,631,910
Net income		-	-	-	-	732,861	-	-	-	-	732,861	95,765	828,626
Other comprehensive income		-	-	-	-	-	1,110	(23,172)	-	(1,645)	(23,707)	(13,837)	(37,544)
Total comprehensive income		-	-	-	-	732,861	1,110	(23,172)	-	(1,645)	709,154	81,928	791,082
Appropriations and distribution for 2017:	6. (16)												
Legal reserve		-	-	56,020	-	(56,020)	-	-	-	-	-	-	-
Special reserve		-	-	-	20,236	(20,236)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(507,300)	-	-	-	-	(507,300)	-	(507,300)
Effect from long-term investment that has not been recognized based on shareholding percentage	6. (15)	-	7,226	-	-	(6,692)	-	-	-	-	534	-	534
Transfer of new shares issued by other companies	6. (14) (15)	416,985	3,081,516	-	-	-	-	-	-	-	3,498,501	-	3,498,501
Share of changes in net assets of associates and joint ventures accounted for using the equity method		-	-	-	-	473	-	-	-	-	473	-	473
Changes in non-controlling interests - cash dividends for non-controlling interests		-	-	-	-	-	-	-	-	-	-	(66,241)	(66,241)
Changes in non-controlling interests - effects on cash capital increase of subsidiaries		-	-	-	-	-	-	-	-	-	-	19,440	19,440
Balance on 31 December 2018		$ 1,484,985	$ 5,361,226	$ 259,282	$ 46,033	$ 783,773	($ 20,497)	($ 23,172)	$ -	($ 1,645)	$ 7,889,985	$ 478,414	$ 8,368,399
2019													
Balance on 1 January 2019		$ 1,484,985	$ 5,361,226	$ 259,282	$ 46,033	$ 783,773	($ 20,497)	($ 23,172)	$ -	($ 1,645)	$ 7,889,985	$ 478,414	$ 8,368,399
Net income		-	-	-	-	552,152	-	-	-	-	552,152	116,093	668,245
Other comprehensive income		-	-	-	-	-	(15,683)	(1,832)	-	(486)	(18,001)	(4,693)	(22,694)
Total comprehensive income		-	-	-	-	552,152	(15,683)	(1,832)	-	(486)	534,151	111,400	645,551
Appropriations and distribution for 2018:	6. (16)												
Legal reserve		-	-	73,286	-	(73,286)	-	-	-	-	-	-	-
Reverse special reserve		-	-	-	(719)	719	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(608,844)	-	-	-	-	(608,844)	-	(608,844)
Differences between share price and book value from acquisition or disposal of subsidiaries	6. (15)	-	(19,899)	-	-	-	-	-	-	-	(19,899)	-	(19,899)
Effect from long-term investment that has not been recognized based on shareholding percentage	6. (15)	-	5,877	-	-	(669)	-	-	-	-	5,208	-	5,208
Share of changes in net assets of associates and joint ventures accounted for using the equity method		-	-	-	-	(1,397)	-	-	-	-	(1,397)	-	(1,397)
Share-based Payment	6. (13) (15)	-	1,546	-	-	(236)	-	-	-	-	1,310	-	1,310
Changes in non-controlling interests - cash dividends for non-controlling interests		-	-	-	-	-	-	-	-	-	-	(65,018)	(65,018)
Changes in non-controlling interests - acquisition of additional interests in subsidiaries		-	-	-	-	-	-	-	-	-	-	(8,797)	(8,797)
Balance on 31 December 2019		$ 1,484,985	$ 5,348,750	$ 332,568	$ 45,314	$ 652,212	($ 36,180)	($ 25,004)	$ -	($ 2,131)	$ 7,800,514	$ 515,999	$ 8,316,513

Please also refer to the notes as it is part of the consolidated financial statements.

Chairman: Yung-Shun Chuang　　Manager: Chien-Hung Lin　　Accounting Supervisor: Hsiu-Fen Wung

AAEON Technology Inc. and Subsidiaries
Consolidated Statement of Cash Flows
For the years ended December 31, 2019 and 2018

Unit: NT$ thousand

	Notes	2019.1.1~2019.12.31	2018.1.1~2018.12.31
Cash flows from operating activities			
Profit before income tax from continuing operations		$ 830,428	$ 934,250
Adjustments			
Income and other adjustments with no cash flow effects			
depreciation expense	6 (7) (8) (21)	92,368	57,539
Amortization expenses	6 (21)	6,296	6,802
Expected credit impairment losses (gains)	12 (2)	23,158	(4,649)
Costs of share-based payment awards	6 (13)	1,310	-
Interest income	6 (18)	(12,251)	(9,938)
Dividend income	6 (18)	(32,410)	(43,338)
Interest expenses	6 (21)	5,955	4,263
Net gains from financial assets and liabilities at fair value through profit or loss	6 (2) (10) (19)	(25,189)	(370,643)
Losses on disposal of property, plant and equipment	6 (7) (19)	98	6,230
Expenses transferred from property, plant and equipment		-	1,472
Depreciation expense of investment property (other gains and losses)		5,707	5,884
Share of profit of associates accounted for using the equity method	6 (6)	(40,530)	(10,602)
Changes in operating assets and liabilities			
Net changes in operating assets			
Financial assets and liabilities at fair value through profit or loss		35,362	(193,394)
Notes and accounts receivable		54,633	(107,749)
Other Receivables		(1,610)	(1,486)
Inventory		1,375	(43,140)
Prepayment		(3,967)	2,760
Net changes in operating liabilities			
contract liability		9,123	(10,782)
Notes and accounts payable		(84,963)	79,568
Other Payables		16,498	62,054
Other current liabilities		6,220	1,497
Provisions		(8,099)	(2,187)
Other non-current liabilities		(156)	(971)
Net cash from operating activities		879,356	363,440
Interest received		12,251	9,938
Interest paid	6 (8)	(5,955)	(4,263)
Income taxes paid		(146,106)	(60,035)
Net cash flows from operating activities		739,546	309,080

(Continued)

AAEON Technology Inc. and Subsidiaries
Consolidated Statement of Cash Flows
For the years ended December 31, 2019 and 2018

Unit: NT$ thousand

	Notes	2019.1.1~2019.12.31	2018.1.1~2018.12.31
Cash flows from investing activities			
Acquired financial assets at fair value through profit or loss		($ 34,656)	$ -
Decrease in other current assets		415	6,542
Acquisition of investments accounted for using the equity method		(673)	-
Acquisition of property, plant and equipment	6 (26)	(19,720)	(33,059)
Disposal of property, plant and equipment	6 (7)	478	4,265
Acquisition of intangible asset		(22,347)	(5,090)
Increase in other non-current assets		(9,454)	(8,143)
Dividends received		173,277	54,685
Net cash flows from investing activities		87,320	19,200
Cash flows from financing activities			
Increase (decrease) in short-term borrowings		(22,257)	67,573
Repayment of lease principal	6 (8)	(44,492)	-
Repayment of long-term borrowings		-	(74,893)
Acquired shareholding of subsidiary		(28,696)	-
Changes in non-controlling interests - cash dividends for non-controlling interests	4 (3)	(65,018)	(66,241)
Cash dividends paid		(608,844)	(507,300)
Increase in cash capital of non-controlling interests		-	19,440
Net cash flows from financing activities		(769,307)	(561,421)
Effects of exchange rate changes on cash and cash equivalents		(6,766)	197
Increase (decrease) in cash and cash equivalents		50,793	(232,944)
Cash and cash equivalents at the beginning of periods		2,466,178	2,699,122
Cash and cash equivalents at the end of periods		$ 2,516,971	$ 2,466,178

Please also refer to the notes as it is part of the consolidated financial statements.

Chairman: Yung-Shun Chuang Manager: Chien-Hung Lin Accounting Supervisor: Hsiu-Fen Wung

AAEON Technology Inc. and Subsidiaries
Notes of Consolidated Financial Statements
December 31, 2019 and 2018

Unit: NT$ thousand
(unless otherwise specified)

I. Company Profile

AAEON Technology Co., Ltd. (hereinafter referred to as the "the Company") was established in the Republic of China. The main businesses of the company and its subsidiaries (hereinafter collectively referred to as the "Group") include the manufacturing, processing and imports/exports of computer peripherals, electronic components, computer test instruments, computer PCB functional testing, and radio telecommunication equipment and its components; the R&D, design, manufacturing, processing and trading of various industrial computers, medical computers, industrial controllers, quantity controllers and components; industrial computer automation design and services, as well as the import/export of related materials. The Company has been listed on Taiwan Stock Exchange since August 2017. Asustek Computer Co., Ltd. holds 40.72% of the Company's shares (including indirect holdings) and is the Group's ultimate parent company.

II. Date and Procedures for the Authorization of Financial Reports

The consolidated financial reports were approved by the board of directors in February 26, 2020.

III. New or Revised Standards and Applied Interpretations

(I) The impact of adopting standards or interpretations issued, revised or amended by IASB which are endorsed by the Financial Supervisory Commission (hereinafter referred to as FSC)

Standards or interpretations issued, revised or amended by IASB which are endorsed by FSC at the end of the reporting period are listed below:

Newly issued revised or amended standards and interpretations	Effective date issued by IASB
Amendments to IFRS 9 “Pre-payment Features with Negative Compensation”	1 January 2019
IFRS 16 “Leases”	1 January 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	1 January 2019
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	1 January 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	1 January 2019
Annual Improvements 2015 - 2017 Cycle	1 January 2019

Apart from the items explained below, the remaining standards and interpretations have no material impact on the Group:

IFRS 16 “Leases”

1. IFRS 16 “Leases” replaces IAS 17 “Lease” and related interpretations and SICs. The new standard requires lessees to account for the right-of-use assets and lease liabilities (apart from leases with a lease term of 12 months or less, or for underlying assets of low value). Lessor accounting still uses the dual classification approach and only adds relevant new disclosure.

2. We adopt the 2019 IFRS, International Accounting Standards, IFRIC Interpretations and SIC Interpretations as endorsed by the Financial Supervisory Commission, with the application of IFRS16 without restating the comparative information (hereinafter referred to as the "modified retroactive adjustment") to lease contracts of lessees. On January 1, 2019, the

right-of-use asset and lease liabilities both increased by NT$91,388.

3. The expedient practices adopted for the initial application of IFRS 16 are as follows:
   (1) Not reassessing whether a contract is, or contains, a lease at the date of initial application. Instead, the Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4.
   (2) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
   (3) Leases for which the lease terms ends at the latest on December 31, 2019 are recognized as short-term leases. Rental expenses of NT$5,974 are recognized by these lease agreements in 2019.
   (4) Direct cost is not included in the initial measurement of the right-of-use asset.
4. In measuring lease liabilities at the present value, the Group shall use its incremental borrowing rate ranging from 1.68% to 5.25%.
5. The Group has disclosed the amount of its operating lease commitments in accordance with IAS 17. The reconciliation of present value discounted by the incremental borrowing rate at the date of initial application and the lease liabilities recognized on January 1, 2019 are as follows:

Operating lease commitments disclosed applying IAS 17 on December 31, 2018	$ 107,530
Less: Exemption for short-term leases	(11,778)
Less: Exemption for low value assets	(74)
Adopted the IFRS 16 - Total amount in the lease contract for the recognition of lease liabilities in January 1, 2019	$ 95,678
The Group's incremental borrowing rate at the date of initial application	1.68%~5.25%
Adopted the IFRS 16 - Leases for the recognition of lease liabilities in January 1, 2019	$ 91,388

(II) The impact of the IFRS issued and amended by IASB which are endorsed by FSC but not yet adopted by the Group

Standards or interpretations issued, revised or amended by IASB which are endorsed by FSC at 2020 are listed below:

Newly issued revised or amended standards and interpretations	Effective date issued by IASB
Amendment to IAS 1 and IAS 8 on "Disclosure Initiative - Definition of Materials"	1 January 2020
Amendments to IFRS 3 ("Definition of a Business")	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 ("Reforming Interest Rate Benchmarks")	1 January 2020

The above standards and interpretations have no material impact on the Group.

(III) The impact of IFRS standards issued by IASB but have not yet endorsed by FSC

Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC are listed below:

Newly issued revised or amended standards and interpretations	Effective date issued by IASB
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 IASB
IFRS 17 "Insurance Contracts"	1 January 2021
Amendments to IAS 1 ("Classification of liabilities as current or non-current")	1 January 2022

The above standards and interpretations have no material impact on the Group.

IV. Summary of Significant Accounting Policies

The significant accounting policies for the consolidated financial statements are summarized as follows. Unless otherwise noted, these policies have been applied consistently to all periods

(I) Statement of compliance

The 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" (hereinafter collectively referred to as the IFRSs) as endorsed by FSC of the Republic of China.

(II) Basis of preparation

1. The consolidated financial statements have been prepared on a historical cost basis except for the following reasons:
   (1) Financial assets and liabilities (including derivatives) that have been measured at fair value through profit or loss.
   (2) Financial assets that have been measured at fair value through other comprehensive income.
2. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the consolidated financial statements are disclosed in Note 5.

(III) Basis of consolidation

1. Preparation principle of consolidated financial statement:
   (1) The Group includes all subsidiaries in preparing the consolidated financial report. A subsidiary is an entity (including a structured entity) that is controlled by the Group. The Group controls the subsidiary when it is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the subsidiary. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.
   (2) All intra-group balances, income and expenses, unrealized gains and losses are eliminated in full. The necessary adjustments have been made to the accounting policies of the subsidiaries, consistent with the policies adopted by the Group.
   (3) Profit and loss and other comprehensive income are attributed to the owners of the parent and to the non-controlling interests, and the total comprehensive income is also attributed to the owners of the parent and to the non-controlling income even if this results in the non-controlling interests having a deficit balance.
   (4) A change in the ownership interest of a subsidiary, without a change of control

(transaction with non-controlling interests), is accounted for as an equity transaction, which is the transaction between owners. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration or received would be recognized directly in equity.

(5) When the Group loses the control in a subsidiary, the remaining investment is remeasured at fair value and initially recognized as fair value for the financial asset or initially recognized at cost for the investment in the affiliate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. The Group shall account for all amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the Group had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by the Group would be reclassified to profit or loss on the disposal of the related assets or liabilities, the gain or loss from equity is reclassified to profit or loss when the Group loses significant influence.

2. The subsidiaries included in the consolidated financial statements:

			Ownership interest		
Investor	Investee	Business	2019.12.31	2018.12.31	Notes
AAEON Technology Inc.	AAEON ELECTRONICS, INC. (AEI)	Sales of IPC and PC peripherals	100%	100%	
AAEON Technology Inc.	AAEON DEVELOPMENT INC. (ADI)	Investment of IPC and PC peripherals	-	100%	Note 1
AAEON Technology Inc.	AAEON TECHNOLOGY CO., LTD (ATCL)	Investment of IPC and interface card	100%	100%	
AAEON Technology Inc.	AAEON TECHNOLOGY (EUROPE) B.V.(ANI)	Sales of IPC and PC peripherals	100%	100%	
AAEON Technology Inc.	AAEON INVESTMENT, CO., LTD. (AAEONI)	Investment of IPC and PC peripherals	100%	100%	
AAEON Technology Inc.	ONYX HEALTHCARE INC. (ONYX)	Design, manufacture and sales of medical PC	50.00%	49.07%	Note 2
AAEON Technology Inc.	AAEON TECHNOLOGY SINGAPORE PTE. LTD (ASG)	Sales of IPC and PC peripherals	100%	-	

Investor	Investee	Business	Ownership interest 2019.12.31	Ownership interest 2018.12.31	Notes
ADI	AAEON TECHNOLOGY SINGAPOREPTE. LTD(ASG)	Sales of IPC and PC peripherals	-	100%	
ATCL	AAEON TECHNOLOGY (SUZHOU) INC.(ACI)	Production and sales of IPC and interface card	100%	100%	
ANI	AAEON TECHNOLOGY GMBH(AGI)	Sales of IPC and PC peripherals	100%	100%	
ONYX	ONYX HEALTHCARE EUROPE B.V. (ONI)	Marketing support and maintenance of medical PC and peripherals	100%	100%	
ONYX	ONYX HEALTHCARE USA, INC. (OHU)	Sales of medical PC and peripherals	100%	100%	
ONYX	ONYX HEALTHCARE (SHANGHAI) LTD (OCI)	Sales of medical PC and peripherals	100%	100%	
ONYX	IHELPER INC. (IHELPER)	R&D and sales of medical robots	46.00%	46.00%	Note 2

Note 1: Completed liquidation on December 2019.

Note 2: Although the Group does not hold more than 50% shareholding, it is included in the preparation of the consolidated financial report as it has control over the Company's financial, operating and personnel policies

3. The subsidiaries excluded from the consolidated financial statements: None.
4. Different adjustments from subsidiaries during the reporting period: None.
5. Significant restrictions: None.
6. Subsidiaries with material non-controlling interests

The Group’s total non-controlling interests as of December 31, 2019 and 2018 were NT$515,999 and NT$478,414, respectively. The Group’s subsidiaries with significant non-controlling interests are as follows:

		Non-controlling interests 2019.12.31		Non-controlling interests 2018.12.31	
Name of subsidiary	Main business location	Amount	Ownership interest	Amount	Ownership interest
ONYX	Taiwan	$ 503,918	50.00%	$ 462,440	50.93%

Summarized financial information of subsidiaries:

Balance sheet

	ONYX	
	2019.12.31	2018.12.31
Current asset	$ 776,699	$ 1,150,423
non-current assets	602,187	54,779
Current liability	(288,720)	(247,405)
non-current liabilities	(70,155)	(33,876)
Total Net Assets	$ 1,020,011	$ 923,921

Statement of comprehensive income

	ONYX	
	2019	2018
Income	$ 1,482,944	$ 1,424,672
Profit before tax	$ 289,910	$ 227,911
income tax expense	(54,381)	(36,516)
Net income	235,529	191,395
Other comprehensive income (net amount after tax)	(9,391)	(27,166)
Total comprehensive income	$ 226,138	$ 164,229
Total comprehensive income attributable to non-controlling interests	$ 115,248	$ 85,430
Dividends paid for non-controlling interests	$ 65,018	$ 66,241

Cash flow statement

	ONYX	
	2019	2018
Net cash flows from operating activities	$ 376,453	$ 170,088
Net cash flows used in investing activities	(44,101)	(492,529)
Net cash flows from financing activities	(141,842)	(110,608)
Effects of exchange rate changes on cash and cash equivalents	(4,276)	2,040
Increase (decrease) in cash and cash equivalents	186,234	(431,009)
Cash and cash equivalents at the beginning of periods	222,321	653,330
Cash and cash equivalents at the end of periods	$ 408,555	$ 222,321

(IV) Translation of foreign currency

The entities' items listed in the financial report are measured in the currency (i.e., functional currency) of the primary economic environment in which the entity operates. The Company's functional currency “NTD” is the presentation currency of the consolidated financial statement.

1.Foreign currency transaction and account balances

(1) Foreign currency transactions are recorded using the spot conversion rate to the functional currency on the date of transaction. Exchange differences arising from foreign currency transactions are reported in profit or loss in the period.

(2) Foreign currency denominated monetary assets and monetary liabilities shall be translated at the spot conversion rate at the end of each reporting period, and the exchange difference arising from the translation are reported in profit or loss in the period.

(3) The non-functional foreign currency denominated monetary assets and monetary liabilities are measured at fair value through profit or loss, translated at the spot conversion rate at the end of each reporting period, and the exchange difference arising from the translation are reported in profit or loss in the period. For those that are measured at fair value through other comprehensive income are translated at the spot conversion rate at the end of each reporting period, and the exchange difference arising from the translation are recognized in other comprehensive income in the period. For those that are not measured at fair value will use historical exchange rates for the initial exchange transaction.

(4) All foreign exchange gains and losses are recognized as “Other gains and losses” in the statement of comprehensive income.

2. Translation of foreign operations:

The results and financial position of any individual entity within the reporting entity whose functional currency differs from the presentation currency are translated using the following procedures:

A. assets and liabilities for each statement of financial position presented shall be translated at the closing rate at the date of that statement of financial position;

B. income and expenses for each statement of comprehensive income or separate income statement presented shall be translated at exchange rates at the dates of the transactions; and

C. all resulting exchange differences shall be recognized in other comprehensive income.

(V) Classification standard for distinguishing current and non-current assets and liabilities

1. Assets that meet one of the following conditions are classified as current assets:

(1) Expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.

(2) Held primarily for the purpose of trading.

(3) Expected to be realized within 12 months after the balance sheet date.

(4) Cash or a cash equivalent, unless the asset is to be used for an exchange or to settle a liability, or otherwise remains restricted, at more than 12 months after the balance sheet date.

Assets not attributable to any of the classes above are classified as non-current assets.

2. Liabilities that meet one of the following conditions are classified as current liabilities:

(1) Expects to be settled in its normal operating cycle.

(2) Held primarily for the purpose of trading.

(3) Expected to be settled when due within 12 months after the balance sheet date.

(4) Does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. 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.

Liabilities not attributable to any of the classes above are classified as non-current liabilities.

(VI) Cash equivalents

Cash equivalents refer to short-term and highly liquid investment readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value. The fixed deposits attributable to the above definition, reflecting that the purpose must be to meet the short-term cash commitments, are classified as cash equivalents.

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

1. Financial assets not measured at amortized cost or at fair value through other comprehensive income.
2. The regular way purchases or sales of the Group's financial assets at fair value through profit or loss are recognized on a trade date basis.
3. For the Group's initial recognition, relevant transaction costs at fair value are recognized as profit or loss, and subsequent to initial recognition, profits or losses at fair value are recognized as income.
4. Dividends revenue should be recognized when the right to receive payment is established, provided that it is probable that the economic benefits will flow to the enterprise and the amount of revenue can be measured reliably.

(VIII) Financial asset at fair value through other comprehensive income

1. At initial recognition, an entity has the irrevocable option to present the subsequent changes of investments in equity instruments, which are not held for trading, in other comprehensive income; or debt instrument investments that meets the following two conditions:
   (1) Financial assets are held within a business model whose objective is to hold the financial asset to collect the contractual cash flows.
   (2) 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.
2. The regular way purchases or sales of the Group's financial assets at fair value through other comprehensive income are recognized on a trade date basis.
3. Investments are initially recognized at fair value plus transaction costs and are subsequently carried at fair value:

   The changes in fair value of equity instruments are recognized as other comprehensive income, while all other gains and losses are recognized in other comprehensive income. Those amounts are derecognized without being reclassified to profit or loss and would be transferred to retained earnings. Dividends revenue should be recognized when the right to receive payment is established, provided that it is probable that the economic benefits will flow to the enterprise and the amount of revenue can be measured reliably.

(IX) Accounts and notes receivable

1. Accounts and notes receivable means the entity has an unconditional contractual right to consideration for goods or services that have been transferred.
2. Short-term accounts and notes receivables with no stated interest rate may be measured at the original invoice amount as the effect of discounting is immaterial.

(X) Impairment of financial assets

At the end of each reporting period, for the Group's credit risk has not increased significantly since original recognition after considering all reasonable and supportable information (including forward-looking information) for accounts receivable containing a significant financing component, the loss allowance is measured based on the 12-month expected credit losses. For the credit risk that has increased significantly since original recognition, loss allowance is measured based on the expected credit loss during the exposure period. As for an accounts receivable that do not contain significant financing components or a contract asset, loss allowances are measured based on the expected credit losses during the exposure period.

(XI) Derecognition of financial assets

The Group's financial assets are considered for derecognition only when it meets one of the following three conditions:

1. The contractual rights to the cash flows from the financial assets expire.
2. Transferred the contractual rights to receive the cash flows of the financial asset, and has already transferred substantially all the risks and rewards of ownership.
3. Transferred the contractual rights to receive the cash flows of the financial asset, but has not retained control of the financial assets.

(XII) Inventory

Inventories shall be measured at the lower of cost and net realizable value, of which costs are determined by the weighted average cost method. Production costs of work in process and finished goods include raw materials, direct labor, other direct costs, and production overheads (distributed based on normal capacity), but exclude borrowing costs. On comparison between the cost and net realizable value, the lower of the two is considered as the value of inventory, and a comparison can be made the item by item or by the group of items. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(XIII) Investments accounted for using the equity method - affiliates

1. Affiliates refer to all entities over which the Group has significant influence but no control and generally directly or indirectly holding 20 per cent or more of the voting power. The Group recognizes its equity method investment in affiliates at cost at the time of acquisition.
2. The Group's share of its associates' post-acquisition profits or losses or other comprehensive income is recognized as current profit or loss or other comprehensive income as appropriate. 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 obligations or made payments on behalf of the associate.
3. If the affiliate's changes in equity not classified as profit or loss or other comprehensive income did not affect the affiliate's shareholding ratio, the changes are recognized as "capital reserve."
4. Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of affiliates have been changed where necessary to ensure consistency with the policies adopted by the Group.
5. When the affiliate issues additional shares, if the Group does not subscribe or acquire based on the proportion, which lead to a change in investment proportion but still with significant influence, the increase or decrease in net equity value are adjusted against the "capital reserve"

and “investments accounted for using the equity method.” If the Group’s investment is reduced, apart from the above adjustments, the Group reclassifies to profit or loss the proportion of the gain or loss previously recognized in other comprehensive income relative to that reduction in ownership interest.

6. When the Group loses significant influence over the affiliate, the remaining investment to the affiliate is remeasured at fair value, and any difference between fair value and carrying amount is recognized in profit or loss.
7. When the Group loses significant influence at the disposal of an affiliate, the Group shall account for all amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the Group had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by the Group would be reclassified to profit or loss on the disposal of the related assets or liabilities, the gain or loss from equity is reclassified to profit or loss when the Group loses significant influence. If the Group still has significant influence on the affiliate, the proportionate amount of the gains or losses previously recognized in other comprehensive income is reclassified.
8. When the Group loses significant influence at the disposal of an affiliate, the related capital reserve shall be recognized as profit or loss; if the Group still has significant influence on the affiliate, capital reserve are transferred to profit or loss based on disposal ratio.
9. For the reciprocal investments between the Company and another company, investment income or loss was recognized using the equity method based on the amount prior to recognition of profit or loss.

(XIV) Property, Plant and Equipment

1. Property, plant and equipment are stated at cost, and the amount of interest incurred during the construction period are capitalized.
2. Subsequent costs are included in the carrying amount of an asset or recognized as an asset only if 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 those parts that are replaced shall be derecognized. All other repair and maintenance costs are recognized in profit or loss as incurred.
3. Property, plant and equipment is subsequently measured either using a cost model. These assets, except land, are depreciated using the straight-line method over its useful life. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.
4. The Group reviews the assets’ residual value, useful life and depreciation method at each financial year-end, and if expectations differ from previous estimates, or if the expected pattern of consumption of the future economic benefits embodied in the asset has significantly changed, the Group shall handle the change in accounting estimates in accordance with IAS 8 - “Accounting Policies, Changes in Accounting Estimates and Errors” from the date of change. The estimated economic lives of various assets are as follows:

Buildings	40~50 years
Machinery and equipment	3~10 years
Other equipment	3~10 years

(XV) Lease transactions by lessees - right-of-use assets / lease liabilities

Applicable from 2019

1. Lease assets are recognized as right-of-use assets and lease liabilities on the date which the asset is available for use by the Group. When the lease contract is a short-term leases or

leases of low-value assets, lease payments should be recognized as an expense in the income statement over the lease term on a straight-line basis.

2. The lease liability is calculated as all the lease payments not paid at the commencement date discounted by the interest rate implicit in the lease or incremental borrowing rate. The payments included comprise fixed payments less any lease incentives receivable.

   These are subsequently measured at amortized cost using the interest method, and is recognized as interest expense over the lease term. If there is a change in lease term or lease payment from modifications to non-lease contracts, the remeasurement of lease liabilities are treated as adjustments to the right-of-use asset.

3. The right-of-use asset is recognized at cost on the commencement date of the lease. The costs include:

   (1) the initial measurement of the lease liability; and
   (2) any initial direct costs incurred;

   Subsequently, the cost model is used to calculate the depreciation expense at the earlier of the end of the useful life of the right-of-use asset or the end of the lease. Remeasurements of the lease liability are treated as adjustments to the right-of-use asset.

(XVI) Leases (lessee)

Applicable from 2018

Payments made under operating leases, net of any incentives received from the lessor, are charged to current profit or loss on a straight-line basis over the term of the lease.

(XVII) Investment Property

Investment properties are measured initially at cost, and are subsequently measured using the cost model. Investment properties except land are depreciated using the straight-line method over its useful life of 50 years.

(XVIII) Intangible asset

Computer software is recognized at acquisition cost and amortized using the straight-line method over its useful life of 1-5 years.

(XIX) Impairment of non-financial assets

For assets that show signs of being impaired at the end of the reporting period, if the Group's measurement result of the recoverable amount indicates that an asset's recoverable amount is lower than its carrying value, the reduced amount shall be recognized as the loss of asset impairment. Recoverable amount refers to the higher of an asset's fair value less costs of disposal or value in use. When impairment of the previous year does not exist or are resolved, the impairment loss is reversed immediately. On reversal, the asset's carrying amount is increased, but does not exceed the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset.

(XX) Loans

Borrowings are measured at fair value after deducting transaction costs at initial recognition. Subsequently, any difference between the price after deducting transaction costs and the redemption value are calculated using the effective interest method at amortized cost during the borrowing period.

(XXI) Accounts and notes payable

1. Liabilities incurred for purchase of materials or supplies, goods, or services on credit, as well as other notes payables arising from non-operating activities.

2. Short-term accounts and notes payables with no stated interest rate may be measured at the original invoice amount as the effect of discounting is immaterial.

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

1. Refers to financial liabilities that are held for trading with the main intention to repurchase them in the near term, and financial liabilities excluding derivative instruments designated as hedging instruments in accordance with hedging accounting.
2. For the Group's initial recognition, relevant transaction costs at fair value are recognized as profit or loss, and subsequent to initial recognition, profits or losses at fair value are recognized as income.

(XXIII) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

(XXIV) 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.

(XXV) Provisions

Provisions (including warranty) should be recognized only when there is present obligation resulting from past events, when settlement is expected to result in an outflow of resources for economic benefits, and when the amount of obligation can be measured reliably. The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The measurement is at discounted present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability, and discount must be amortized to interest expense. No provision is recognized for future operating losses.

(XXVI) Employee welfare

1. Short-term employee benefits

   Short-term employee benefits are recognized as expenses when the employee has rendered the service and are measured at the undiscounted amount of benefits expected to be paid in exchange for that service.

2. Pension funds - Defined contribution plans

   In defined contribution plans, the allocated pension fund is recognized as current pension cost on an accrual basis. Prepayments are recognized as an asset to the extent that it will lead to a cash refund or a reduction in future payments.

3. Employee compensation and remuneration for directors and supervisors

   Employee compensation and remuneration for directors and supervisors are recognized as expenses and liabilities when the Group has a present legal or constructive obligation to make such payments and a reliable estimate of the obligation can be made. The deviation between estimated and actual distribution amount of employee bonus and compensation to directors and supervisors shall be treated as a change in accounting estimates. In addition, for employee bonuses paid by shares, the closing price on the day before the board resolution shall form the basis for the calculation.

(XXVII) Share-based payment for employees

The equity-settled share-based payment arrangement equals the grant-date fair value of equity instruments based on the employee's services, and is recognized as compensation costs over the vested period with relative adjustments in equity. Fair value reflect the effect of changes in vesting and non-vesting conditions of market price when they take place. Recognition of compensation costs are adjusted with the number of awards which will meet service conditions and non-market vesting conditions. The final measure of compensation cost is recognized as the vesting quantity on the vesting date.

(XXVIII) Income tax

1. Income tax expense includes current and deferred tax Income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity respectively.
2. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generate taxable income. Management regularly evaluates the status of income tax filings in accordance with applicable tax laws, and estimates income tax liabilities based on taxes expected to be paid to tax authorities where applicable. An additional tax out of unappropriated earnings is provided for as income tax in accordance with the Income Tax Act, and the approved distribution of earnings for the year after the profitable year by resolution of the shareholders' meeting is recognized as unappropriated earnings income tax expenses.
3. Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Balance Sheet. Initial recognition of deferred tax liabilities arising from goodwill not recognized, and the deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Taxable temporary differences associated with investments in subsidiaries and affiliates are not recognized if the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates/laws that are expected to be applied.
4. Deferred tax assets recognized for all taxable temporary differences may be used to offset future income on future tax returns. Deferred income tax assets are recognized to the extent that temporary differences are likely to be used to offset future taxable income, and unrecognized and recognized deferred tax assets are re-evaluated at each balance sheet date.
5. Current tax assets and current tax liabilities can only be offset in the statement of financial position if the Company has the legal right and the intention to settle on a net basis. Deferred tax assets and deferred tax liabilities can only be offset in the statement of financial position if the entity has the legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same taxing authority on the same entity or different entities that intend to realize the asset and settle the liability at the same time.

(XXIX) Dividend distribution

The distribution of dividends to shareholders are recognized in the financial report by resolution of the shareholders' meeting, cash dividends are recognized as liabilities, stock dividends are recognized as dividends to be distributed, and are recognized as common stock at the record date of issuing new shares.

(XXX) Income recognition

1. Sales of products

(1) The Group manufactures and sells products related to industrial computers and medical computers, and sales revenue is recognized when control is transferred to the customer, that is, upon delivery of the product. The wholesaler has full discretion over the channel and price to sell the products, and there is no unsatisfied performance obligations that could affect the wholesaler’s acceptance of products. Delivery does not occur until the products have been shipped to the specified location, the risk of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(2) Revenues from sales of products related to industrial computers and medical computers are recorded based on the contract price net of the estimated volume discounts and returns at the time of sale. The quantity discounts and sales discounts given to customers are usually calculated on the basis of 6 months of cumulative sales. The Group estimates sales discounts based on historical experience under the expected value method, with revenue amount included to the extent that it is highly probable a significant reversal in the amount of cumulative revenue recognized will not occur, while estimates are updated at the end of the reporting period. The estimated sales discount provided to customers as of the end of the reporting period is recognized as refund liability. The terms for sales transactions are payment 30-60 days EOM. As the interval between transfer of the promised goods or services and payment by the customer is less than 12 months, the Group has not adjusted transaction price to reflect the time value of money.

(3) The Group provides product warranty for the goods sold, and has the obligation to provide refund for the defective goods sold, while the provisions for sales return should be recognized.

(4) Accounts receivable is recorded when the Group has the unconditional right to the consideration at that time since payment is due based only upon the passage of time.

2. Warrant income

The Group’s services for advance warranty income for extended warranties are reclassified as revenue based on length of the remaining warranty period.

(XXXI) Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, identified as the Board, is responsible for allocating resources and assessing the performance of the Group's operating segments.

V. Significant Accounting Judgments, Estimations and Major Sources of Assumption Uncertainty

When preparing the consolidated financial report, management is required to make judgments on the application of the Group's accounting policies, and to make estimates and assumptions at the end of the reporting period based on expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ significantly from these estimates under different assumptions. The estimates are continually evaluated and adjusted based on historical experience and other factors. These estimates and assumptions have the risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Significant accounting judgments, estimations and assumption uncertainty are described as follows:

Significant Accounting Estimations

1. Inventory valuation

Since inventory should be valued at the lower of cost and net realizable value, the Group must judge and estimate net realizable value of inventories at the reporting period. Due to the rapidly changing technology, the Group assesses the amount of inventories at the end of the reporting period due to normal wear and tear, obsolescence or no market value and write down inventories to net realizable value. Inventory evaluation is mainly based on the estimate of product demand during a specific future period, which may lead to significant changes.

As of December 31, 2019, the carrying amount of the Group's inventory was NT$938,977.

2. Impairment loss on investments accounted for using the equity method

For investments using the equity method that show signs of being impaired, the carrying amount may not be recovered, and the investment is immediately assessed for impairment. The Group assesses the recoverable amount based on present value of the investee's expected future cash flows, and analyzes the reasonableness of relevant assumptions.

As of December 31, 2019, the carrying amount of AAEON's investment on IBASE TECHNOLOGY INC. using the equity method was NT$3,369,909.

VI. Significant Accounting Items

(I) Cash and cash equivalents

	2019.12.31		2018.12.31	
Reserve cash and working capital	$	1,314	$	1,448
Check deposit and current deposit		2,465,857		2,392,740
Time deposit		49,800		71,990
Total	$	2,516,971	$	2,466,178

1. Due to good credit quality of the Group's principal financial institutions and the Group's relationships with multiple financial institutions, the exposure to a diversified set of risks would lower the probability of a default.
2. Please refer to Note 8 for the Group's collateral provision in the form of cash and cash equivalent guarantees.

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

Item	2019.12.31	2018.12.31
Current:		
Financial assets mandatorily measured at fair value through profit or loss	$ 164,733	$ 633,463
Shares in publicly traded entities	3,000	3,000
Shares in emerging stock companies	77,744	77,744
Shares in non-publicly traded entities	31,141	31,141
Beneficiary securities		
Derivatives		
-foreign currency forward contract	77	31
- currency and interest rate swaps	177	26
	276,872	745,405
Valuation adjustment	231,295	273,700
Subtotal	$ 508,167	$ 1,019,105

Item	2019.12.31	2018.12.31
Non-current:		
Financial assets mandatorily measured at fair value through profit or loss		
Shares in non-publicly traded entities	$ 59,070	$ 29,070
Hybrid instrument	10,832	10,832
	69,902	39,902
Valuation adjustment	(5,745)	(1,590)
Subtotal	$ 64,157	$ 38,312

1. The hybrid instrument is a contract that contains both a host contract and embedded options of the unlisted company V-net AAEON Corporation Ltd. (hereinafter referred to as V-net). The options provide original shareholders the right to resell/repurchase stocks of the Company and V-net at the original transaction price. Please refer to Note 12 (3) 8 for the fair value as of December 31, 2019 and 2018.
2. Details of financial assets at fair value through profit or loss recognized as income:

	2019	2018
Financial assets mandatorily measured at fair value through profit or loss		
Equity instrument	$ 24,987	$ 372,308
Beneficiary securities	751	731
Derivatives	67	(342)
Hybrid instrument	629	-
Total	$ 26,434	$ 372,697

3. The Group has no financial assets measured at fair value through profit or loss pledged as collaterals.
4. The transaction and contract information of derivative financial assets undertaken by the Group where no hedge accounting was applied are as follows:

	2019.12.31	
Derivative financial assets	Contract amount (nominal amounts)	Contract period
Current:		
Foreign currency forward contract		
- Buy NTD and sell USD	USD 200,000	2019.12.4~2020.1.3
Currency and interest rate swaps		
- Buy NTD and sell USD	USD 500,000	2019.12.4~2020.1.3

	2018.12.31	
Derivative financial assets	Contract amount (nominal amounts)	Contract period
Current:		
Foreign currency forward contract		
- Buy NTD and sell USD	USD 200,000	2018.12.11~2019.1.10
- Buy NTD and sell USD	USD 200,000	2018.12.24~2019.1.29
Currency and interest rate swaps		
- Buy NTD and sell USD	USD 500,000	2018.12.18~2019.1.22

(1) Foreign currency forward contract
The Group's forward exchange contract is a USD forward transaction without hedging accounting, in the aim to avoid the foreign exchange rate risk on export prices.

(2) Currency and interest rate swaps
The Group's currency and interest rate swaps a foreign exchange transaction that involves trading one currency for the same in another currency without hedging accounting, in the aim to avoid exchange rate risks of export and import prices.

(III) Financial asset at fair value through other comprehensive income

Item	2019.12.31	2018.12.31
Non-current:		
Equity instrument		
Shares in non-publicly traded entities	$ 39,334	$ 39,334
Valuation adjustment	(36,953)	(28,984)
Total	$ 2,381	$ 10,350

1. The Group chose to classify the strategic investment on MELTEN CONNECTED HEALTHCARE INC. as financial assets measured at fair value through other comprehensive income. The fair value of the investments as of December 31, 2019 and 2018 were NT$$2,381 and NT$$10,350 respectively.

2. Details of financial assets at fair value through other comprehensive income recognized as income and comprehensive income:

	2019	2018
Equity instrument measured at fair value through other comprehensive income		
Changes in fair value recognized in other comprehensive income	($ 7,969)	($ 28,984)

3. The Group has no financial assets measured at fair value through other comprehensive income pledged as collaterals.

(IV) Notes and accounts receivable

	2019.12.31	2018.12.31
Notes receivable	$ 12,722	$ 17,472

	2019.12.31	2018.12.31
Accounts receivable	$ 776,926	$ 830,329
Less : Allowance for losses	(24,144)	(3,777)
	$ 752,782	$ 826,552

1. The aging of accounts and notes receivable are as follows:

Accounts receivable	2019.12.31	2018.12.31
Not yet due	$ 560,469	$ 591,222
Within 30 days	155,137	194,789
31-60 days	29,640	30,613
61-90 days	840	9,263
91-180 days	15,519	1,959
Over 181 days	15,321	2,483
	$ 776,926	$ 830,329

Notes receivable	2019.12.31	2018.12.31
Not yet due	$ 12,722	$ 17,472

The aging analysis above is based on the number of days past due.

2. The Group does not hold any collateral over the accounts and notes receivables.
3. The balance of accounts and notes receivable were both from customer contracts as of December 31, 2019 and 2018, with balance of receivables and loss allowance for customer contracts of NT$740,052 and NT$8,384 respectively on January 1, 2018.
4. Regardless of any collateral held or other credit enhancements, the maximum exposure to the credit risk of notes receivables as of December 31, 2019 and 2018 were NT$12,722 and NT$17,472 respectively, and the maximum exposure to the credit risk of accounts receivable as of December 31, 2019 and 2018 were NT$752,782 and NT$826,552, respectively.
5. Please refer to Note 12 (2) for credit risk information of notes and accounts receivables.

(V) Inventory

	2019.12.31		
	Cost	Valuation allowance	Carrying amount
Raw material	$ 430,210	($ 52,918)	$ 377,292
Work in progress	413,395	(70,210)	343,185
Finished good	225,197	(23,367)	201,830
Merchandise inventory	19,225	(2,555)	16,670
Total	$ 1,088,027	($ 149,050)	$ 938,977

	2018.12.31		
	Cost	Valuation allowance	Carrying amount
Raw materials	$ 484,553	($ 67,332)	$ 417,221
Work in progress	355,441	(49,902)	305,539
Finished good	233,537	(29,055)	204,482
Merchandise inventory	15,619	(2,619)	13,000
Inventory in transit	110	-	110
Total	$ 1,089,260	($ 148,908)	$ 940,352

The Group’s cost of inventories recognized as expenses of the current period:

	2019	2018
Cost of inventory sold	$ 4,050,575	$ 3,904,597
Loss on inventory valuation and obsolescence	22,716	101,455
Losses on disposal of inventories	9,427	5,728
Others	1,740	244
	$ 4,084,458	$ 4,012,024

(VI) Investments accounted for using the equity method

	2019	2018
January 1	$ 3,573,849	$ 85,772
Increase in investments accounted for using the equity method	510,248	3,498,501
Share of investment income accounted for using the equity method	40,530	10,602
Distribution of investment income accounted for using the equity method	(140,867)	(11,347)
Changes in capital surplus	3,811	1,007
Changes in other equity	(78)	(10,686)
December 31	$ 3,987,493	$ 3,573,849

Investee	2019.12.31 Ownership interest %	2019.12.31 Book value	2018.12.31 Ownership interest %	2018.12.31 Book value
LITEMAX ELECTRONICS INC.	12.09	$ 111,998	13.54	$ 95,575
IBASE TECHNOLOGY INC.	30.55	3,369,909	30.35	3,478,274
WINMATE INC.	12.97	505,586	-	-
		$ 3,987,493		$ 3,573,849

1. The Group issued new shares on September 29, 2018 and exchanged shares with IBASE TECHNOLOGY INC. (hereinafter referred to as IBASE). The Group obtained 30% ownership of IBASE, and has adopted the equity method for evaluation as it has significant influence over IBASE.
2. Summarized aggregated financial information of the Group's share in these associates is as follows:

   Balance sheet

	IBASE 2019.12.31	IBASE 2018.12.31
Current asset	$ 2,890,779	$ 3,259,189
Non-current assets	4,893,276	3,989,514
Current liability	(2,210,287)	(1,707,793)
Non-current liabilities	(234,036)	(33,077)
Total Net Assets	$ 5,339,732	$ 5,507,833
Share of net assets of the affiliate	$ 2,391,491	$ 2,499,856
Goodwill	978,418	978,418
Book value of affiliates	$ 3,369,909	$ 3,478,274

   Statement of comprehensive income

	IBASE 2019	IBASE 2018
Income	$ 3,840,356	$ 3,929,252
Net income of continuing operations	$ 259,160	$ 342,000
Other comprehensive income (net amount after tax)	(2,196)	(85,454)
Total comprehensive income	$ 256,964	$ 256,546
Dividends received from affiliates	$ 105,784	$ -

3. The Group's share of their operating results of affiliates that are individually not significant to the Group:

	2019	2018
Net income of continuing operations	$ 40,253	$ 13,896
Other comprehensive income (net amount after tax)	714	(11)
Total comprehensive income	$ 40,967	$ 13,885

4. Fair values of the Group's affiliates with quoted prices are as follows:

	2019.12.31	2018.12.31
LITEMAX ELECTRONICS INC.	$ 244,233	$ 164,744
IBASE TECHNOLOGY INC.	2,325,916	2,063,952
WINMATE INC.	514,965	-
	$ 3,085,114	$ 2,228,696

5. Although the Group holds less than 20% of the voting power of LITEMAX ELECTRONICS INC., it has significant influence to LITEMAX ELECTRONICS INC. and has adopted the equity method for evaluation as its shareholding percentage is the highest, and has also been serving as a director of LITEMAX ELECTRONICS INC..
6. Although the Group holds less than 20% of the voting power of WINMATE INC., it has adopted the equity method for evaluation as its subsidiary Onyx has served as a director of WINMATE INC. since May 24, 2019.

(VII) Property, Plant and Equipment

	2019					
	Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and equipment to be inspected	Total
January 1						
Cost	$ 289,956	$ 316,735	$ 112,249	$ 226,483	$ 69	$ 945,492
Accumulated depreciation and impairment	-	(94,968)	(67,366)	(164,436)	-	(326,770)
	$ 289,956	$ 221,767	$ 44,883	$ 62,047	$ 69	$ 618,722
January 1	$ 289,956	$ 221,767	$ 44,883	$ 62,047	$ 69	$ 618,722
Additions	-	1,581	2,001	11,849	6,256	21,687
Disposal	-	-	(8)	(568)	-	(576)
Reclassification	-	5,254	4,039	1,723	1,176	12,192
depreciation expense	-	(9,640)	(13,207)	(27,358)	-	(50,205)
Net exchange differences	(1,849)	(3,001)	(54)	(1,034)	-	(5,938)
December 31	$ 288,107	$ 215,961	$ 37,654	$ 46,659	$ 7,501	$ 595,882
December 31						
Cost	$ 288,107	$ 329,469	$ 117,843	$ 185,198	$ 7,501	$ 928,118
Accumulated depreciation and impairment	-	(113,508)	(80,189)	(138,539)	-	(332,236)
	$ 288,107	$ 215,961	$ 37,654	$ 46,659	$ 7,501	$ 595,882

2018						
	Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and equipment to be inspected	Total
January 1						
Cost	$ 287,554	$ 314,277	$ 168,827	$ 277,482	$ 3,176	$ 1,051,316
Accumulated depreciation and impairment	-	(86,803)	(101,926)	(216,777)	-	(405,506)
	$ 287,554	$ 227,474	$ 66,901	$ 60,705	$ 3,176	$ 645,810
January 1	$ 287,554	$ 227,474	$ 66,901	$ 60,705	$ 3,176	$ 645,810
Additions	-	-	1,708	23,437	7,794	32,939
Disposal	-	-	(8,447)	(2,048)	-	(10,495)
Reclassification	-	593	1,470	11,826	(10,901)	2,988
depreciation expense	-	(8,634)	(16,403)	(32,502)	-	(57,539)
Net exchange differences	2,402	2,334	(346)	629	-	5,019
December 31	$ 289,956	$ 221,767	$ 44,883	$ 62,047	$ 69	$ 618,722
December 31						
Cost	$ 289,956	$ 316,735	$ 112,249	$ 226,483	$ 69	$ 945,492
Accumulated depreciation and impairment	-	(94,968)	(67,366)	(164,436)	-	(326,770)
	$ 289,956	$ 221,767	$ 44,883	$ 62,047	$ 69	$ 618,722

1. The above property, plant and equipment are assets for self-use requirement.
2. Please refer to Note 8 for the property, plant and equipment as collaterals for loans.

(VIII) Lease transactions - lessee

Applicable from 2019

1. The underlying assets in the Group's lease include houses, transportation equipment and other equipment. The contract term period typically ranges from 1 to 6 years. The lease contract is negotiated individually and contains various terms and conditions, with no other restrictions imposed.
2. The lease term of part of the Group's houses and transportation equipment is no more than 12 months, with leases of office equipment which are low-value assets.

3. The carrying amount of right-of-use assets and the amount of depreciation expense recognized are as follows:

	2019.12.31	2019
	Carrying amount	Depreciation expense
Houses	$ 44,860	$ 35,761
Transportation equipment	13,772	6,249
Other equipment	673	153
	$ 59,305	$ 42,163

4. The Group has added NT$22,625 of right-of-use assets in 2019.
5. The profit and loss related to the lease contract are as follows:

	2019
Items that affect profit/loss of the current period	
Interest expenses of lease liabilities	$ 2,202
Expenses of short-term lease contracts	18,104
Expenses of leases of low-value assets	25

6. The total cash outflow of the Group's leases was NT$64,823 in 2019.

(IX) Short-term borrowings

Nature of the borrowing	2019.12.31	Interest rate range	Collateral
Borrowings from banks			
Pledged loans	$ 44,370	5.15%~5.40%	Property, Plant and Equipment

Nature of the borrowing	2018.12.31	Interest rate range	Collateral
Borrowings from banks			
Pledged loans	$ 67,573	5.65%~5.90%	Property, Plant and Equipment

1. As of 2019 and 2018, interest expenses recognized in income were NT$3,318 and NT$4,061, respectively.
2. Please refer to Note 8 for the guarantee status of short-term borrowings.

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

Item	2019.12.31	2018.12.31
Current:		
Financial asset or liability held for trading		
Derivatives - foreign currency forward contract	$ -	$ 1

1. Details of financial liabilities at fair value through profit or loss recognized as income:

	2019	2018
Financial asset or liability held for trading		
Derivatives	($ 1,245)	($ 2,054)

2. The transaction and contract information of derivative financial liabilities undertaken by the Group where no hedge accounting was applied are as follows:

	2019.12.31	
Derivative financial liabilities	Contract amount (nominal amounts)	Contract period
Current:		
Currency and interest rate swaps		
- Buy NTD and sell USD	USD 500,000	2019.12.18~2020.1.20

	2018.12.31	
Derivative financial liabilities	Contract amount (nominal amounts)	Contract period
Current:		
Foreign currency forward contract		
- Buy NTD and sell USD	USD 200,000	2018.12.5~2019.1.4

(1) Foreign currency forward contract
The Group's forward exchange contract is a USD forward transaction without hedging accounting, in the aim to avoid the foreign exchange rate risk on export prices.

(2) Currency and interest rate swaps
The Group's currency and interest rate swaps a foreign exchange transaction that involves trading one currency for the same in another currency without hedging accounting, in the aim to avoid exchange rate risks of export and import prices.

(XI) Other Payables

	2019.12.31	2018.12.31
Salaries, incentives and bonuses payable	$ 223,800	$ 210,999
Technical service fee payable	40,153	30,901
Assembly costs payable	3,874	6,492
Others	119,060	120,030
	$ 386,887	$ 368,422

(XII) Pension

1. Since July 1, 2005, the Company and its domestic subsidiaries have established certain retirement payout methods applicable for domestic employees in accordance with the "Labor Pension Act." The Company and its domestic subsidiaries choose to apply the labor pension system stipulated in the "Labor Pension Act" and allocate pensions on a monthly basis to the individual labor pension account managed by the Bureau of Labor Insurance at 6% of monthly wage. Based on the principal and accrued dividends from an employee's individual

labor pension account, labor pension shall be paid by monthly pension payments or by lump-sum payment upon retirement.

2. In accordance with the pension insurance system formulated by the People's Republic of China, ACI and OCI has allocated provisions for pension insurance based on a specified ratio of the overall wage of local employees. Each employee’s retirement pension is managed by the government, and ACI and OCI have no further obligations except to be responsible for monthly allocation.
3. AEI and OHU currently have a personal pension scheme under the Company’s support. The Company and the employees are jointly liable for the employee’s pension fund, of which the company allocates 3% of total wage, and the pension is capped by the amount paid by employees.
4. ASG, ANI, AGI and ONI shall allocate pensions in accordance with local laws and regulations.
5. In 2019 and 2018, the Group has recognized pension costs of NT$32,442 and NT$31,369, respectively in accordance with the aforementioned pension scheme.

(XIII) Share-based Payment

1. The Group’s 2019 share-based payment arrangement are as follows:

Arrangement type	Grant date	Granted shares (thousand)	Contract period	Vesting conditions
Employee share purchase plan	November 26, 2019	3,000	5 years	2~4 years of service

All of the above arrangements are for equity-settled share-based payments.

2. Details of the aforementioned share-based payment arrangement:

	2019	
	Share options (thousand shares)	Weighted average exercise price
Outstanding option in January 1	-	$ -
Share options granted	3,000	72.3
Outstanding option in December 31	3,000	72.3
Executable option in December 31	-	

3. The maturity date and exercise price of outstanding share options at the end of the reporting period are as follows:

			2019.12.31	
Arrangement type	Authorized issue date	Maturity date	Number of shares (thousand)	Exercise price (NT$)
Employee share purchase plan	November 26, 2019	November 25, 2024	3,000	$ 72.3

4. The Group's fair value of a share-based payment award issued to an employee on the grant date is estimated by use of the Black - Scholes option pricing model.

Arrangement type	Grant date	Granted shares (thousand)	Share price (NT$)	Exercise price (NT$)	Expected volatility	Expected duration	Risk-free interest rate	Fair value per unit (NT$)
Employee share purchase plan	November 26, 2019	3,000	72.3	72.3	26.88%	3.875 years	0.58%	15.7445

5. Expenses of share-based payment transaction:

	2019	2018
Equity settlement	$ 1,310	$ -

(XIV) Share capital

1. As of December 31, 2019, the Company's authorized capital was NT$2,000,000 (including 5,000 shares reserved for issuing employee stock options), with paid-in capital of NT$1,484,985, divided into 148,498 shares, each at par value of NT$10 per share. Full payment has been received for the Company's issued shares. The adjustment of the Company's outstanding ordinary shares (thousand shares) issued at the beginning and end of the period are as follows:

	2019	2018
January 1	148,498	106,800
Transfer of new shares issued by other companies	-	41,698
December 31	148,498	148,498

2. In order to expand the business scale and improve industrial advantages, the Company plans to exchanged shares with IBASE TECHNOLOGY INC. by resolution of the board of directors on June 11, 2018. The Company increased its capital by issuing 41,698 thousand new shares for the exchange of 52,922 thousand common shares from IBASE TECHNOLOGY INC. with the conversion ratio of 0.788 shares of the Company in exchange for one common share of IBASE TECHNOLOGY INC. at the record date on September 29, 2018. The transfer of new shares issued by other companies have been approved by the FSC, and company registration changes have been made in October 2018.
3. On April 30, 2019, the Company passed the issuance of employee stock options (ESOs) by resolution of the board of directors, which was then amended on November 12, 2019 by resolution of the board of directors. A total of 3,000 ESOs were issued and each ESO granted the right to buy 1,000 shares. A total of 3,000 thousand new common shares were issued for exercising the ESOs, of which the exercise price per share are set in accordance with relevant regulations.
4. As of December 31, 2019, AAEON's affiliate - IBASE TECHNOLOGY INC. owns 41,698 thousand of AAEON's shares.

(XV) Capital surplus

In accordance with the Company Act, the capital surplus arising from shares issued in excess of par and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital at a certain percentage of the Company's capital surplus. In accordance with the Securities Exchange

Act, capitalization of this reserve is capped at 10% of the Company's paid-up capital each year. The Company shall not use the capital reserve to make good its capital loss, unless the surplus reserve is insufficient to make good such loss.

	2019					
	Share premium	Differences between share option and book value from acquisition or disposal of subsidiaries	Recognition of all equity changes of the subsidiaries	Changes in net equity value of affiliates	Employee share option	Others
January 1	$ 4,902,942	$ 233,099	$ 213,637	$ 7,532	$ 1,835	$ 2,181
Differences between share price and book value from acquisition or disposal of subsidiaries	-	(19,899)	-	-	-	-
Effect from long-term investments that have not been recognized based on shareholdings percentage	-	-	-	5,877	-	-
Share-based Payment	-	-	-	-	1,546	-
December 31	$ 4,902,942	$ 213,200	$ 213,637	$ 13,409	$ 3,381	$ 2,181

	2018					
	Share premium	Differences between share option and book value from acquisition or disposal of subsidiaries	Recognition of all equity changes of the subsidiaries	Changes in net equity value of affiliates	Employee share option	Others
January 1	$ 1,821,426	$ 233,099	$ 213,637	$ 306	$ 1,835	$ 2,181
Transfer of new shares issued by other companies	3,081,516		-	-	-	-
Effects from long-term investment that have not been recognized based on shareholding percentage	-	-	-	7,226	-	-
December 31	$ 4,902,942	$ 233,099	$ 213,637	$ 7,532	$ 1,835	$ 2,181

(XVI) Retained earnings

1. Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings at the beginning of the period shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.
2. In the future, the Company may have the surplus profit distributable as dividends in part or in whole considering the financial, business and operational factors. The ratio of share dividend shall exceed 5% of distributable earnings. Surplus distribution can be in the form of cash or stock dividends. For the measurement of future capital requirements and capital

structure, cash dividend shall not be less than 10% of the total number of dividends in the future, and the actual distribution amount shall be adopted by resolution of the shareholders' meeting.

3. Unless losses have been covered or where legal reserve is distributed by the issuance of new shares or by cash in proportion to the shareholders' existing shareholding, the Company shall not make distributions out of legal reserve, of which only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.
4. (1)For surplus distribution, the Company shall appropriate special reserve to the debit balance of other equity on the end of the reporting period. When the debit balance of other equity is reversed, the reversal amount can be included in distributable surplus.
   (2)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.
5. The Company passed the following 2018 and 2017 earnings distribution by resolution of the shareholders' meetings on May 31 2019 and May 28, 2018:

	2018		2017	
	Amount	Dividend per share (NT$)	Amount	Dividend per share (NT$)
(Reverse) special reserve	($ 719)		$ 20,236	
Legal reserve	73,286		56,020	
Cash dividends	608,844	$ 4.10	507,300	$ 4.75
	$ 681,411		$ 583,556	

There is no difference between the 2018 and 2017 surplus distributions passed by the resolutions of the board of directors of the Company.

6. The 2019 surplus distributions passed by the resolutions of the board of directors of the Company in February 26, 2020 are as follows:

	2019	
	Amount	Dividend per share (NT$)
Special reserve	$ 18,001	
Legal reserve	54,985	
Cash dividends	475,195	$ 3.20
	$ 548,181	

The 2019 surplus distributions have not yet been passed by the resolutions of the shareholders' meeting.

7. Information regarding the employee bonuses and remuneration to directors can be obtained from Note 6 (22).

(XVII) Operating income

	2019	2018
Revenue from Contracts with Customers	$ 6,148,380	$ 5,800,255

1. Disaggregation of revenue from contracts with customers

   The Group's revenue come from the provision of goods and services that are transferred over time and at a point in time. The revenues are segmented into the following major product lines:

2019	IPC	Medical PC	Total
Revenue from Contracts with Customers	$ 4,672,470	$ 1,475,910	$ 6,148,380
Time of income recognition			
Income recognized at a point in time	4,667,216	1,458,382	6,125,598
Revenue recognized over time	5,254	17,528	22,782
Total	$ 4,672,470	$ 1,475,910	$ 6,148,380

2018	IPC	Medical PC	Total
Revenue from Contracts with Customers	$ 4,382,904	$ 1,417,351	$ 5,800,255
Time of income recognition			
Income recognized at a point in time	4,380,566	1,403,753	5,784,319
Revenue recognized over time	2,338	13,598	15,936
Total	$ 4,382,904	$ 1,417,351	$ 5,800,255

2. Contract liability

   (1) Recognized contract liabilities relative to revenue from contracts with customers are as follows:

	2019.12.31	2018.12.31	2018.1.1
Contract Liability - Current:			
Advances from customers	$ 86,760	$ 108,439	$ 119,349
Warranty contract	22,729	25,666	17,906
Contract Liability - non-current:			
Advances from customers	34,454	-	-
Warranty contract	39,546	39,091	46,723
Total	$ 178,489	$ 173,196	$ 183,978

(2) Recognized income of contract liabilities at January 1

	2019	2018
Beginning balance of contract liabilities		
Recognized income		
Advances from customers	$ 43,787	$ 76,731
Warranty contract	22,781	15,936
Total	$ 66,568	$ 92,667

(XVIII) Other income

	2019	2018
Interest income:		
Deposit interest	$ 12,070	$ 9,914
Other interest income	181	24
Rental income	13,357	-
Dividend income	32,410	43,338
Income from counter-party default	-	6,030
	$ 58,018	$ 59,306

(XIX) Other gains and losses

	2019	2018
Losses on disposal of property, plant and equipment	($ 98)	($ 6,230)
Foreign exchange gains (losses)	(20,970)	7,769
Net income from financial assets and liabilities at fair value through profit or loss (note)	25,189	370,643
Other income	13,755	32,350
	$ 17,876	$ 404,532

Note: The fair value (closing price) of Machvision's shares held and sold by the Group was NT$368 at the beginning of the period and NT$360.5 at the end of the period for 2019, and was NT$206 at the beginning of the period and NT$368 at the end of the period for 2018, which are recognized as realized and unrealized gains (losses) due to changes in the valuation of financial assets of (NT$2,889) and NT$378,634, respectively.

(XX) Financial costs

	2019	2018
Interest expenses	$ 5,955	$ 4,263

(XXI) Extra information regarding the nature of cost and expenses

	2019			2018		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Expenses from employee benefits	$ 225,774	$ 886,590	$1,112,364	$ 228,837	$ 885,256	1,114,093
Depreciation expense	55,228	37,140	92,368	40,279	17,260	57,539
Amortization expenses	1,772	4,524	6,296	1,970	4,832	6,802

(XXII) Expenses from employee benefits

	2019	2018
Salaries expenses	$ 986,154	$ 987,326
Labor and national health insurance expenses	76,127	81,534
Pension expenses	32,442	31,369
Other employment expenses	17,641	13,864
	$ 1,112,364	$ 1,114,093

1. According to the Articles of Incorporation of the Company, the Company accrued employees' compensation at rates of no less than 5% and remuneration of directors and supervisors at rates no higher than 1%, of the remaining profit after deducting accumulated losses.
2. In 2019 and 2018, based on the Company's profitability as well as the percentage stipulated in the Articles of Incorporation, employee compensation were estimated at NT$56,912 and NT$59,511 respectively, while the remuneration of directors were estimated at NT$5,439 and NT$4,200, respectively, which are recognized as salary expenses.

   The remuneration to employees and directors by the board of directors in 2018 were NT$59,511 and NT$4,200, respectively, which were the same as the amounts recognized in the 2018 financial report.

   Information on remuneration of employees and directors approved by the board of directors is disclosed on the MOPS.

(XXIII) Income tax

1. Income tax expense

(1) Components of income tax expense:

	2019	2018
Current income tax:		
Income tax from current income	$ 158,595	$ 127,955
Income tax on undistributed earnings	2,643	-
Prior year income tax overestimation	(2,501)	(10,232)
Total current income tax	158,737	117,723
Deferred tax		
Origination and reversal of temporary differences	3,446	(7,799)
Effect on changes in tax rate	-	(4,300)
income tax expense	$ 162,183	$ 105,624

(2) Income tax relative to other comprehensive income:

	2019	2018
Differences in translation of foreign operations	($ 3,680)	$ 547
Effect on changes in tax rate	-	63
Total	($ 3,680)	$ 610

2. Reconciliation between income tax expense and accounting profit

	2019	2018
Income tax calculated by tax regulation	$ 197,278	$ 210,077
Expenses disallowed by tax regulation	5,155	7,262
Tax exempt income by tax regulation	(43,101)	(103,866)
Temporary differences unrecognized as deferred tax assets	2,709	6,683
Prior year income tax overestimation	(2,501)	(10,232)
Income tax on undistributed earnings	2,643	-
Effect on changes in tax rate	-	(4,300)
income tax expense	$ 162,183	$ 105,624

3. Amounts of deferred tax assets as a result of temporary differences and tax loss are as follows:

	2019				
	January 1	Recognized in income	Recognized in other comprehensive income	Forex effect	December 31
Deferred tax assets:					
Temporary differences:					
Unrealized warranty provision	$ 10,735	($ 1,620)	$ -	$ -	$ 9,115
Unrealized gross margin	8,242	2,461	-	-	10,703
Inventory valuation allowance	27,790	329	-	-	28,119
Exchange differences resulting from translating the financial statements of a foreign operation	472	-	2,242	-	2,714
Others	11,033	940	-	(61)	11,912
Sub-total	$ 58,272	$ 2,110	$ 2,242	($ 61)	$ 62,563
Deferred tax liabilities:					
Share of profit of subsidiaries accounted for under the equity method	($ 21,449)	($ 5,550)	$ -	$ -	($ 26,999)
Exchange differences resulting from translating the financial statements of a foreign operation	(1,438)	-	1,438	-	-
Others	(55)	(6)	-	-	(61)
Sub-total	($ 22,942)	(5,556)	1,438	-	($ 27,060)
Total	$ 35,330	($ 3,446)	$ 3,680	($ 61)	$ 35,503

	2018				
	January 1	Recognized in income	Recognized in other comprehensive income	Forex effect	December 31
Deferred tax assets:					
Temporary differences:					
Unrealized warranty provision	$ 9,148	$ 1,587	$ -	$ -	$ 10,735
Unrealized gross margin	6,067	2,175	-	-	8,242
Inventory valuation allowance	16,356	11,434	-	-	27,790
Others	12,920	(1,209)	(287)	81	11,505
Sub-total	$ 44,491	$ 13,987	($ 287)	$ 81	$ 58,272
Deferred tax liabilities:					
Share of profit of subsidiaries accounted for under the equity method	($ 19,501)	($ 1,948)	$ -	$ -	($ 21,449)
Exchange differences resulting from translating the financial statements of a foreign operation	(1,115)	-	(323)	-	(1,438)
Others	(115)	60	-	-	(55)
Sub-total	($ 20,731)	(1,888)	(323)	-	($ 22,942)
Total	$ 23,760	$ 12,099	($ 610)	$ 81	$ 35,330

4. The income tax returns of the Company, ONYX and AAEONI through 2017 have been approved by the Tax Authority.
5. The amendment of the Income Tax Act came into effect on February 7, 2018, and the Group adopts the amended Income Tax Act in 2018 to adjust the prescribed tax rate applicable to the profit-seeking enterprise from 17% to 20%. The Group has already assessed the relative tax effect from the changes in tax rate in the first quarter of 2018.

(XXIV) Earnings per share (EPS)

	2019		
	After-tax amount	Weighted average number of ordinary shares outstanding (thousand)	Earnings per share (EPS) (NT$)
Basic earnings per share			
Net profit for the year attributable to ordinary equity holders of the parent entity	$ 552,152	106,800	$ 5.17
Diluted earnings per share			
Effect of dilutive potential ordinary shares Employees' bonuses		835	
Effect of net profit for the year attributable to ordinary equity holders of the parent entity plus the potential ordinary shares	$ 552,152	107,635	$ 5.13

The Company's employee stock options were not included in the calculation of diluted earnings per share due to its anti-dilutive impact on earnings per share in 2019.

	2018		
	After-tax amount	Weighted average number of ordinary shares outstanding (thousand)	Earnings per share (EPS) (NT$)
Basic earnings per share			
Net profit for the year attributable to ordinary equity holders of the parent entity	$ 732,861	106,800	$ 6.86
Diluted earnings per share			
Effect of dilutive potential ordinary shares Employees' bonuses		739	
Effect of net profit for the year attributable to ordinary equity holders of the parent entity plus the potential ordinary shares	$ 732,861	107,539	$ 6.81

The Company applies the equity method for the exchange of shares with IBASE, and applies the treasury stock method for investments on IBASE. In calculating earnings per share, the Company recognizes IBASE's shareholding as treasury shares which is a deduction from equity.

(XXV) Operating lease

Applicable from 2018

For the operating lease of offices, factories and parking spaces, the Group has recognized rental costs and expenses of NT$59,391 in 2018 as current profit and loss. The total future minimum lease payments under non-cancellable lease contracts are as follows:

	2018.12.31
No more than 1 year	$ 54,884
1-5 years	52,646
	$ 107,530

(XXVI) Supplemental cash flow information

1. Partial cash payments for investing activities:

	2019	2018
Acquisition of property, plant and equipment	$ 21,687	$ 32,939
Add: Equipment accounts payable at January 1	141	261
Less: Equipment accounts payable at December 31	(2,108)	(141)
Cash paid	$ 19,720	$ 33,059

2. Investing activities that do not affect cash flows:

	2019	2018
Transfer of new shares issued by other companies	$ -	$ 3,498,501

VII. Related party transaction

(I) Parent and ultimate controlling party

AAEON is controlled by ASUSTEK COMPUTER INC. (incorporated in R.O.C.), the ultimate parent of the Company with 40.72% ownership (including indirect shareholdings) of AAEON.

(II) Related parties

Name of related party	Relation
ASUSTEK COMPUTER INC.	Ultimate parent company
IBASE TECHNOLOGY INC.	Affiliate - Investee accounted for under the equity method (Note 1)
IBASE GAMING INC.	Affiliate - Subsidiary of IBASE TECHNOLOGY INC. (Note 1)
LITEMAX ELECTRONICS INC.	Affiliate - Investee accounted for under the equity method
WINMATE INC.	Affiliate - Subsidiary accounted for under the equity method (Note 2)
ATECH OEM INC.	Other related party - the Company's Chairman as a director

Name of related party	Relation
King Core Electronics Inc.	Other related party - the Company’s Chairman as a director
MACHVISION,INC.	Other related party - the Company’s Chairman as a director
FU LI INVESTMENT INC.	Other related party - the Company’s Chairman as Fuli’s Chairman
EVERFOCUS ELECTRONICS CORP.	Other related party - the Company’s Chairman as EverFocus’ Chairman
AAEON EDUCATION FOUNDATION	Other related party - the Company’s Chairman as AAEON EDUCATION FOUNDATION’s Chairman
MELTEN CHINA INC.	Other related party - same management as Onyx (Note 3)
KINPO ELECTRONICS, INC.	Other related party - IHELPER’s major shareholder
NEW ERA AI ROBOTIC INC.	Other related party - Subsidiary of IHELPER’s major shareholder
ASUS TECHNOLOGY INCORPORATION	Fellow subsidiary - same as ultimate parent entity
ASKEY COMPUTER CORP.	Fellow subsidiary - same as ultimate parent entity
ASUS COMPUTER INTERNATIONAL	Fellow subsidiary - same as ultimate parent entity

Note 1: IBASE TECHNOLOGY INC. Technology Co., Ltd. and its subsidiaries have become the Group’s affiliates since September 29, 2018.

Note 2: WINMATE INC. has become the Group’s affiliate since May 24, 2019.

Note 3: MELTEN CHINA INC.has canceled its related party relationship with the Group on January 1, 2019.

(III) Significant transactions with related parties

1. Operating income

	2019	2018
Ultimate parent entity	$ 1,049	$ 2,730
Associate	3,281	2,014
Fellow subsidiary	-	292
Other related party	12,118	25,408
Total	$ 16,448	$ 30,444

The Group's sales price to each of the aforementioned related parties is set based on the economic environment and market competition of each sales region. The Group has granted credit periods of 60 days EOM or 30 days EOD to its related parties, with no significant difference compared to general customers.

2. Purchases

	2019	2018
Goods purchased		
Ultimate parent entity ASUSTEK COMPUTER INC.	$ 1,213,359	$ 1,169,687
Associate	10,849	19,890
Fellow subsidiary	12,268	6,044
Other related party	4,500	14,185
Total	$ 1,240,976	$ 1,209,806

The Group's purchases are in accordance with its general terms and conditions (market prices), with payment period of 30 days EOM or 30-60 days EOM.

3. Operating expenses

	2019	2018
Ultimate parent entity	$ 66,037	$ 49,979
Associate	3,181	2,662
Fellow subsidiary	449	713
Other related party	5,047	7,648
	$ 74,714	$ 61,002

The above operating expenses are mainly technical service fees.

4. Payables from related parties

	2019.12.31	2018.12.31
Ultimate parent entity - ASUSTEK COMPUTER INC.	$ 106,039	$ 166,064
Associate	1,621	8,485
Fellow subsidiary	21	183
Other related party	972	1,996
Total	$ 108,653	$ 176,728

5. Other payables

	2019.12.31	2018.12.31
Ultimate parent entity	$ 40,153	$ 30,901
Associate	6	7
Fellow subsidiary	-	40
Other related party	20	2,341
Total	$ 40,179	$ 33,289

Mainly for technical service fee payable.

(IV) Key management remuneration

	2019	2018
Wages and other short-term employee benefits	$ 64,058	$ 61,953
Post-employment benefits	1,428	1,518
Total	$ 65,486	$ 63,471

VIII. Assets pledged as collaterals

The Company's pledged assets are summarized below:

	Book Value		
Asset	2019.12.31	2018.12.31	Guarantee purpose
Property, Plant and Equipment	$ 209,818	$ 218,481	Loans and the line of credit
Restricted time deposit (including other current assets)	899	921	Collateral provided for foreign exchange forward contract
	$ 210,717	$ 219,402	

IX. Material Contingent Liabilities and Unrecognized Contractual Commitments

(I) Contingencies

None.

(II) Commitments

1. For the details of operating leases transaction, please refer to Note 6 (25).
2. As of December 31, 2019, the Group has issued a promissory note of $ 450,000 required for the application a comprehensive credit line and transactions of derivatives.
3. On June 11, 2018, the Company signed a share exchange agreement with IBASE TECHNOLOGY INC., and increased its capital by issuing 41,698 thousand new shares for the exchange of 52,922 thousand common shares from IBASE TECHNOLOGY INC.. The record date of the share exchange was September 29, 2018. The two parties agree to notify the other party of the transaction terms and conditions in writing, providing the preferential right of subscription for the following changes in shareholdings:
   (1) Either party wishes to reduce shares of the other party which are acquired based on the share exchange agreement.
   (2) Either party wishes to increase its shareholding in the other party within three years after the contract is signed.

X. Losses Due to Major Disasters

None.

XI. Material Subsequent Events

For the 2019 surplus distribution proposed by the board of directors in February 26, 2020, please refer to Note 6 (16).

XII. Others Matters

(I) Capital management

The Group has set up capital management objectives to ensure continued operation, maintain the best capital structure for the reduction in cost of capital, and protect shareholders' interests. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(II) Financial instrument

1. Type of financial instrument

	2019.12.31	2018.12.31
Financial asset		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 572,324	$ 1,057,417
Financial asset at fair value through other comprehensive income		
Designated equity instrument investments	2,381	10,350
Financial assets measured at amortized cost/loans and receivables		
Cash and cash equivalents	2,516,971	2,466,178
Notes receivable	12,722	17,472
Accounts receivable	752,782	826,552
Other Receivables	22,119	20,509
Limited time deposit (classified in the balance sheet as other current assets)	899	921
Guarantee deposits (classified in the balance sheet as other non-current assets)	12,095	10,677
	$ 3,892,293	$ 4,410,076
Financial liability		
Financial liabilities at fair value through profit or loss		
Financial asset or liability held for trading	$ -	$ 1
Financial liabilities measured at amortized cost		
Short-term borrowings	44,370	67,573
Notes Payable	-	10,505
Accounts Payable	483,480	557,938
Other Payables	386,887	368,422
	$ 914,737	$ 1,004,439
Lease liabilities (including current and non-current)	$ 60,242	$ -

2. Risk management policy

The Group adopts a comprehensive risk management system for the management to clearly identify, measure and control all risks to achieve effective control and measurement.

The Group's Control and management strategies are as follows:

(1) Interest rate risk:

The Group continuously keep track on the trend of interest rates and set up stop-loss points to control interest rate risks.

(2) Exchange rate risk:

The Group uses derivative financial instruments such as forward foreign exchange transactions to hedge for foreign currency assets or liabilities or highly probable transactions to reduce the risks in cash flows and fair value from fluctuation in foreign exchange rates. In addition, the changes foreign exchange rate is closely monitored, with a stop loss point to mitigate exchange rate risks.

(3) Credit risk:

The Group has a stringent credit evaluation policy and only trades with counterparties of good credit quality, with regular application of credit protection measures to mitigate credit risk.

3. The nature and level of material financial risks

(1) Market risk

Exchange rate risk

A. The Group's international operations have been subject to exchange rate risks arise from transactions denominated in a currency other than the functional currencies of the Company and its subsidiaries, which includes main currencies such as USD, SGD, EUR and RMB. Related exchange rate risks arise from future business transactions and recognized assets and liabilities.

B. The Group's management formulated policies to manage exchange rate risks relative to the functional currency of the Company and its subsidiaries. The finance department is responsible for hedging the overall exchange rate risk. Exchange rate risk is measured through highly probable forecast transactions that involves expenditures denominated in USD and RMB. Accordingly, the Group uses foreign currency forward contracts to mitigate the impact of exchange rate fluctuations on the costs of purchasing inventories.

C. The Group uses forward exchange and currency and interest rate swaps to hedge exchange rate risks without hedging accounting, which are recognized as financial assets or liabilities at fair value through profit or loss. Please refer to Note 6 (2) and (10) for more details.

D. Since the Group's businesses involves certain non-functional currencies (NTD is the functional currency of the Company and part of its subsidiaries, while the functional currencies of other subsidiaries include USD, SGD and RMB), it may be affected by exchange rate fluctuations. The foreign currency assets and liabilities that may be significantly affected by exchange rate fluctuations are as follows:

	2019.12.31		
	Foreign currency (NT$ thousand)	Exchange rate	Carrying amount (NT$)
(Foreign currency: functional currency)			
Financial asset			
Monetary items			
USD : NTD	$ 34,447	29.98	$ 1,032,721
EUR : NTD	255	33.59	8,565
USD : CNY	95	6.96	2,848
USD : SGD	550	1.35	16,489
Financial liability			
Monetary items			
USD : NTD	$ 14,617	29.98	$ 438,218
EUR : NTD	300	33.59	10,077
USD : CNY	1,958	6.96	58,701
USD : SGD	411	1.35	12,322

	2018.12.31		
	Foreign currency (NT$ thousand)	Exchange rate	Carrying amount (NT$)
(Foreign currency: functional currency)			
Financial asset			
Monetary items			
USD : NTD	$ 39,295	30.715	$ 1,206,946
EUR : NTD	248	35.20	8,730
USD : CNY	55	6.87	1,689
USD : SGD	271	1.37	8,324
Financial liability			
Monetary items			
USD : NTD	$ 15,449	30.715	$ 474,516
EUR : NTD	291	35.20	10,243
USD : CNY	1,746	6.87	53,628
USD : SGD	203	1.37	6,235

E. The overall realized and unrealized foreign exchange gains and losses of the Group's monetary items that may be significantly affected by exchange rate fluctuations in 2019 and 2018 were (NT$20,970) and NT$7,769, respectively.

F. The Group’s foreign currency risk analysis due to significant foreign exchange rate fluctuations is as follows:

	2019		
	Sensitivity analysis		
	Extent of change	Effect on income	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial asset			
Monetary items			
USD : NTD	1%	$ 10,327	$ -
EUR : NTD	1%	86	-
USD : CNY	1%	28	-
USD : SGD	1%	165	-
Financial liability			
Monetary items			
USD : NTD	1%	$ 4,382	$ -
EUR : NTD	1%	101	-
USD : CNY	1%	587	-
USD : SGD	1%	123	-

	2018		
	Sensitivity analysis		
(Foreign currency: functional currency)	Extent of change	Effect on income	Effect on other comprehensive income
Financial asset			
Monetary items			
USD : NTD	1%	$ 12,069	$ -
EUR : NTD	1%	87	-
USD : CNY	1%	17	-
USD : SGD	1%	83	-
Financial liability			
Monetary items			
USD : NTD	1%	$ 4,745	$ -
EUR : NTD	1%	102	-
USD : CNY	1%	536	-
USD : SGD	1%	62	-

Price risk

A. The Group is exposed to equity instrument price risk because of investments classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage the price risk arising from investments in equity instruments, the Group has diversified 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 and open-end funds issued by domestic companies, of which the price of equity instruments will be affected by uncertainty of future value of the investment target. Assuming all other factors remain unchanged, if prices of equity instruments rise or fall by 1%, the 2019 and 2018 net profit after tax will that arise from the gain or loss of equity instruments measured at fair value through profit or loss will increase or decrease by NT$5,277 and NT$10,574, respectively, whereas the other comprehensive income in 2019 and 2018 will increase or decrease by NT$24 and NT$104, respectively, since it is classified as gains or losses of financial assets measured at fair value through other comprehensive income.

<u>Cash flow and fair value interest rate risk</u>

A. The Group's interest rate risk arises mainly from long-term and short-term borrowings at floating rates, which exposes the Group to cash flow interest rate risk, but part of the risk can be offset by cash and cash equivalents held at floating rates. In 2019 and 2018, the Group’s floating rate borrowings were mainly denominated in USD.

B. Assuming all other factors remain unchanged, if the USD borrowing rate rises or falls by 0.25%, net profit as of December 31, 2019 and 2018 will decrease or increase by NT$111 and NT$169, respectively mainly due to changes in interest expenses that arise from floating rate borrowings.

(2) Credit risk

A. The Group's credit risk refers to the risk that the counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge its obligation under the contract, which is mainly due to the inability of counterparties to meet the terms of their contracts for collecting the cash flows of the receivables.

B. The Group establishes credit risk policies based on its own risk management perspective. In accordance with internal credit policies, credit risks are required to be managed and analyzed before each of the Group’s operating entity set up the terms and conditions for payment and delivery for each new customer. The internal risk control system evaluates the customers’ credit quality based on their financial conditions, past experience and other factors. Individual risk exposure limits are set by the board of directors based on internal or external risk ratings, and credit lines are monitored on a regular basis.

C. The Group adopts IFRS 9 to provide a presumption that default has occurred when contractual payments are more than 90 days past due.

D. The Group adopts IFRS 9 to provide the following presumption as basis for judging whether the credit risk on a financial instrument has increased significantly since the initial recognition:

It is deemed that credit risk after the original recognition of financial assets has increased significantly when contractual payments are more than 30 days past due.

E. The customers' accounts receivables are segmented based on customer type. A simplified loss rate approach is used for ECL measurement based on the provision matrix.

F. The Group has written off the recoverable amount of financial assets that could not reasonably be estimated after recourse, but will continue to pursue recourse to preserve its rights. As of December 31, 2019 and 2018, the Group had no recourse claims that had been written off.

G. (1) Expected loss rate for the creditworthy group of customers was 0.2%. The total book value and loss allowance of accounts receivable as of December 31, 2019 were NT$489,154 and NT$300, respectively, and the total book value and loss allowance for receivables as of December 31, 2018 were NT$584,909 and NT$415, respectively.

(2) The Group considers the world economic outlook and future prospects when adjusting the loss rate that is set up based on historical and current loss period information, in order to estimate the loss of notes receivables and allowance for doubtful accounts of customers with general credit quality. The provision matrix as of December 31, 2018 is as follows:

	Not yet due	Less than 30 days past due	30 days past due	60 days past due	90 days past due	120 days past due	Total
2019.12.31							
Expected loss rate	0%~1.50%	0%~5.21%	0.09%~19.39%	0.49%~41.97%	1.42%~65.35%	100%	
Total book value	$ 195,463	$ 42,910	$ 27,288	$ 606	$ 14,490	$ 16,350	$ 297,107
Loss allowance	$ 81	$ 169	$ 23	$ 30	$ 7,191	$ 16,350	$ 23,844

	Not yet due	Less than 30 days past due	30 days past due	60 days past due	90 days past due	120 days past due	Total
2018.12.31							
Expected loss rate	0.08%~0.37%	0.37%~3.47%	0.12%~14.20%	0.49%~36.72%	50%	100%	
Total book value	$ 186,575	$ 47,753	$ 12,997	$ 3,000	$ 580	$ 2,206	$ 253,111
Loss allowance	$ 41	$ 75	$ 128	$ 622	$ 290	$ 2,206	$ 3,362

(3) The total book values of the accounts receivable-related parties as of December 31, 2019 and 2018 were NT$3,387 and NT$9,781, respectively. The expected credit loss is not significant thanks to low credit risk, which lead to a loss allowance of NT$0.

H. The Group's simplified approach of notes receivable and changes in allowance for doubtful accounts are as follows:

	Notes and accounts receivable (including related parties)	
	2019	2018
January 1	$ 3,777	$ 8,384
Write off (reversal) of impairment loss	23,158	(4,649)
Write-off of irrecoverable amounts	(2,062)	-
Forex effect	(729)	42
December 31	$ 24,144	$ 3,777

From the loss recognized in 2019 and 2018, the (reversed) impairment losses for accounts receivables arising from customer contracts were NT$23,158 and (NT$4,649), respectively.

(3) Liquidity risk

A. Cash flow is forecasted by each of the Group's operating entity and summarized by the finance department. The Group's finance department monitors liquidity forecasting to ensure that it has sufficient funds to meet the operational requirements.

B. The Group's unused loan amount as of December 31, 2019 and 2018 were NT$532,486 and NT$489,677, respectively.

C. The table below analyzes the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date, whereas derivative financial liabilities are analyzed based on the remaining period at the balance sheet date to the expected maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

Derivative financial liabilities:			
2019.12.31	Within 1 year	1-2 years	2-5 years
Short-term borrowings	$ 44,370	$ -	$ -
Accounts Payable	483,480	-	-
Other Payables	386,887	-	-
lease liabilities	40,702	15,971	6,037
Provisions	37,937	7,641	-

Non-derivative financial liabilities:			
2018.12.31	Within 1 year	1-2 years	2-5 years
Short-term borrowings	$ 67,573	$ -	$ -
Notes Payable	10,505	-	-
Accounts Payable	557,938	-	-
Other Payables	368,422	-	-
Provisions	46,254	7,423	-

Derivative financial liabilities:	Within 1 year	1-2 years	2-5 years
2018.12.31			
Foreign currency forward contract	$ 1	$ -	$ -

D. The Group's cash flows are not expected to occur significantly earlier than the maturity date, or to be significantly different from the actual amount.

(III) Information on fair value

1. The various levels of fair value measurement of financial and non-financial instruments are defined as follows:

   Level 1: Quoted prices (unadjusted) in active markets for assets or liabilities identical to those being valued that the entity can obtain at the measurement date. Quoted price in an "active market" means that quoted prices represent market transactions related to assets and liabilities that are readily and regularly occurring. This includes fair values of TWSE listed shares and beneficiary securities invested by the Group.

   Level 2: Inputs in this level are observable for assets and liabilities, either directly or indirectly, other than quoted prices described in level 1. This includes fair values of TPEx listed stocks and derivative financial instruments invested by the Group.

   Level 3: Inputs in this level are unobservable for assets and liabilities being valued. This includes equity instruments of non-active markets invested by the Group.

2. Financial instruments not measured at fair value

   The carrying amounts of the Group's cash and cash equivalents, notes receivable, accounts receivable, other receivables, limited time deposit (classified in the balance sheet as other current asset), guarantee deposits (classified in the balance sheet as other non-current asset), short-term borrowings, notes payable, accounts payable, other payables and lease liabilities are reasonable approximations of fair values.

3. The Group has classified financial and non-financial instruments measured at fair value based on the nature, characteristics and risks of assets and liabilities, as well as in accordance with the fair value hierarchy. The relevant information is as follows:

(1) The Group classifies its financial instrument based on the nature of assets and liabilities, with relevant information as follows:

2019.12.31	1st Level	2nd Level	3rd Level	Total
Asset				
At fair value on a recurring basis				
Financial assets at fair value through profit or loss				
Equity securities	$ 468,068	$ 5,244	$ 54,318	$ 527,630
Beneficiary securities	33,512	-	-	33,512
Derivatives				
- Foreign currency forward contract	-	77	-	77
- Currency and interest rate swaps	-	177	-	177
Hybrid instrument	-	-	10,928	10,928
Financial asset at fair value through other comprehensive income				
Equity securities	-	-	2,381	2,381
Total	$ 501,580	$ 5,498	$ 67,627	$ 574,705

2018.12.31	1st Level	2nd Level	3rd Level	Total
Asset				
At fair value on a recurring basis				
Financial assets at fair value through profit or loss				
Equity securities	$ 980,350	$ 4,848	$ 29,102	$1,014,300
Beneficiary securities	32,761	-	-	32,761
Derivatives				
- Foreign currency forward contract	-	31	-	31
- Currency and interest rate swaps	-	26	-	26
Hybrid instrument	-	-	10,299	10,299

Financial asset at fair value through other comprehensive income				
Equity securities	-	-	10,350	10,350
Total	$ 1,013,111	$ 4,905	$ 49,751	$1,067,767
Liability				
At fair value on a recurring basis				
Financial liabilities at fair value through profit or loss				
Foreign currency forward contract	$ -	$ 1	$ -	$ 1
Total	$ -	$ 1	$ -	$ 1

(2) The Group's approaches and assumptions for fair value measurement are as follows:

A. The Group adopts quoted prices as inputs used to measure fair value (1st level), which are classified as follows based on the characteristics of the financial instruments:

	Shares of listed companies	Open-end funds
Quoted market price	Closing market prices	Net value

B. Except for the aforementioned financial instruments in an active market, the fair values of other financial instruments are obtained by using valuation techniques, or by reference to the quoted prices of counterparties.

C. The Group adopts valuation techniques widely used by market participants for evaluating non-standardized and less complex financial instruments. The parameters used in the valuation models of such financial instruments are usually market observable information.

D. The evaluation of derivatives is based on the valuation model generally accepted by market users, such as the discount method. Foreign currency forward contracts are usually evaluated based on the current forward exchange rates.

E. The output of the evaluation model is an estimated value, and the valuation technique may not reflect all the relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value of the valuation model will be adjusted based on additional parameters, such as the model risk or liquidity risk. According to the Group's management policies of fair value valuation model and related control procedures, its management believes that valuation adjustments are appropriate and necessary for the fair values of financial and non-financial instruments to be presented fairly in the consolidated balance sheet. The price information and parameters used in the evaluation process are carefully evaluated, with appropriate adjustments according to current market conditions.

4. Transfers have not occurred between the 1st and 2nd level inputs in 2019 and 2018.

5. The following table shows changes in 3rd level inputs in 2019 and 2018:

	2019	2018
	Equity instrument	Equity instrument
January 1	$ 49,751	$ 2,228
Effects of IFRS 9	-	39,334
Current subscription	30,000	38,312
Loss recognized in income (Note 1)	(4,155)	(1,139)
Changes in fair value recognized in other comprehensive income (Note 2)	(7,969)	(28,984)
December 31	$ 67,627	$ 49,751
Changes in unrealized gains or losses on assets and liabilities owned at the end of the period that are entered in profit or loss	($ 4,155)	($ 1,139)

Note 1: Classified in the balance sheet as other gains and losses.

Note 2: Classified in the balance sheet as unrealized losses from equity instruments investments measured at fair value through other comprehensive income.

6. Whether transfers have occurred in the 3rd level in 2019 and 2018.
7. The Group's validation process for 3rd level fair value measurement on financial instruments is independently performed by the Finance Department. The independent data sources are used to bring the evaluation results closer to the market, while ensuring the reasonableness of evaluation results with consistent resources and executable representative prices.

   In addition, the Finance Department is responsible for formulated fair value valuation policies and evaluation procedures, and ensuring the Group’s compliance with relevant IFRS regulations.
8. The quantitative analysis of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs as valuation models for 3rd level fair value measurements are as follows:

	Fair value at December 31, 2019	Valuation technique	Significant unobservable inputs	Interval (weighted average)	Relationship between inputs and fair value
Equity instrument:					
Shares of unlisted companies	$ 34,958	NAV approach	N/A	N/A	The higher the value of net assets, the higher the fair value of the stocks
Shares of unlisted companies	21,741	Discounted Cash Flow Approach	Note 1	N/A	Note 2
Hybrid instrument:					
Shares of unlisted companies	49,695	Discounted Cash Flow Approach	Note 1	N/A	Note 2
Embedded option	(38,767)	Option Pricing Model	Price volatility	N/A	The higher the price volatility, the higher the fair value of the stocks

	Fair value at December 31, 2018	Valuation technique	Significant unobservable inputs	Interval (weighted average)	Relationship between inputs and fair value
Equity instrument:					
Shares of unlisted companies	$ 1,089	NAV approach	N/A	N/A	The higher the value of net assets, the higher the fair value of the stocks
Shares of unlisted companies	38,363	Discounted Cash Flow Approach	Note 1	N/A	Note 2
Hybrid instrument:					
Shares of unlisted companies	10,299	Discounted Cash Flow Approach	Note 1	N/A	Note 2

Note 1: Long term sales growth, weighted average cost of capital, long term net profit before tax, discount for lack of marketability, and discount for minority interest.

Note 2: The higher the discount for lack of marketability, the lower the fair value of the stocks; the higher the weighted average cost of capital discount for minority interest, the lower the fair value of the stocks; the higher the long term sales growth and long term net profit before tax, the higher the fair value of the stocks.

9. After careful assessment, the Group has selected valuation models and evaluation parameters, but the application of the various valuation models or evaluation parameters may lead to different evaluation results.

XIII. Disclosures

(I) Information on significant transactions

1. Lending funds to others: Please refer to schedule 1.
2. Providing endorsements or guarantees for others: None.
3. Holding of securities at the end of the period (excluding investing in subsidiaries, affiliates and joint ventures): Please refer to schedule 2.
4. Aggregate purchases or sales of the same securities reaching NT$300 million or 20 percent of paid-in capital or more: None.
5. Acquisition of real estate reaching NT$300 million or 20 percent of paid-in capital or more: None.
6. Disposal of real estate reaching NT$300 million or 20 percent of paid-in capital or more: None.
7. Purchase and sales with related parties reaching $100 million or 20 percent of paid-in capital or more: Please refer to schedule 3.
8. Accounts receivable from related parties reaching NT$100 million or 20 percent of paid-in capital or more: Please refer to schedule 4.
9. Trading in derivative instruments: Please refer to Note 6 (2) and (10).
10. Intercompany relationships and significant intercompany transactions and transaction amount: Please refer to Schedule 5.

(II) Information on investees

Names, locations and related information of investees (excluding investments in China): Please refer to Schedule 6.

(III) Information on investments in China

1. Basic information: Please refer to Schedule 7.
2. Information on investments in China - Investee significant transactions for invested businesses in China, either directly or indirectly through a third area: Please refer to Schedule 5.

XIV. Segment information

(I) General information

The Group's management has identified department responsible for reporting to the board of directors based on the reporting information for their decision-making. In the current period, there were no significant changes in the Group's corporate structure, segmentation bases, and measurement bases for segment information.

(II) Measurement of segment information

Profits or losses of the Group's operating segments are measured by segment income and pre-tax profit/loss, and are used as basis for performance evaluation. In addition, the accounting policies of operating segments are the same as the summary of significant accounting policies in Note 4.

(III) Segment information

Segment information reported to the chief operating decision-maker are provided as follows:

	2019			
	IPC	Medical PC	write-off	Total
Revenue from external customers	$ 4,672,470	$ 1,475,910	$ -	$ 6,148,380
Revenue from internal segments	287,538	7,034	(294,572)	-
Segment revenue	$ 4,960,008	$ 1,482,944	($ 294,572)	$ 6,148,380
segment profit or loss	$ 540,518	$ 289,910	$ -	$ 830,428
Segment profit or loss:				
Depreciation and amortization	$ 81,111	$ 23,260	$ -	$ 104,371

	2018			
	IPC	Medical PC	write-off	Total
Revenue from external customers	$ 4,382,904	$ 1,417,351	$ -	$ 5,800,255
Revenue from internal segments	277,247	7,321	(284,568)	-
Segment revenue	$ 4,660,151	$ 1,424,672	($ 284,568)	$ 5,800,255
segment profit or loss	$ 706,339	$ 227,911	$ -	$ 934,250
Segment profit or loss:				
Depreciation and amortization	$ 56,883	$ 13,394	$ -	$ 70,277

Note 1: Segment income has been write-off to NT$0.

Note 2: Not required to be disclosed as the measure of segment assets has not been provided to the chief operating decision-maker.

(IV) Adjustment information on segment profit or loss

Adjustment is not required as the Company's reportable segment profit/loss are equivalent to the income (loss) from continuing operations.

(V) Geographical information

The Company's 2019 and 2018 geographical information are as follows:

	2019		2018	
	Income	Non-current assets	Income	Non-current assets
Taiwan	$ 3,454,242	$ 450,473	$ 3,259,948	$ 418,792
China	542,455	90,855	527,639	103,761
Singapore	127,955	1,913	122,299	33
USA	1,470,842	161,523	1,507,698	169,032
Europe	552,886	34,256	382,671	7,011
Total	$ 6,148,380	$ 739,020	$ 5,800,255	$ 698,629

Non-current assets refers to non-current items excluding financial instruments, deferred tax assets and part of the other non-current assets.

(VI) Major customer information

The Group's customers exceeding 10% of consolidated operating income in 2019 and 2018 is as follows:

	2019	2018
A	$ 649,332	$ 756,064

AAEON Technology Inc. and Subsidiaries

Lending funds to others

2019.1.1~2019.12.31

Schedule 1

Unit: NT$ thousand

(unless otherwise specified)

Serial No. (Note 1)	Lender	Borrower	Business items	Related party	Maximum amount (Note 4)	Ending balance (Note 4)	Actual amount	Interest rate range	Nature of loans (Note 2)	Business amount (Note 3)	Reasons for the necessity of short-term financing facility	Allowance for doubtful account	Collateral		Authorization for loans extended to any single entity (Note 3)	Total authorization for loans (Note 3)	Remarks
													Name	Value			
1	ONYX HEALTHCARE INC.	ONYX HEALTHCARE (SHANGHAI) LTD	Other Receivables	Y	$ 4,131 (USD137,800)	$ 4,131 (USD 137,800)	$ 4,131 (USD 137,800)	5.76%	2	$ -	Operating cycle	$ -	-	$ -	$ 100,793	$ 403,172	None

Note 1: Serial No. is filled in as follows:

(1) Issuer is numbered 0.

(2) Investees are numbered sequentially according to company name from Arabic numeral 1.

Note 2: The nature of loaning funds shall fill in the business transactions or short-term financing facility.

(1) Business transactions.

(2) Necessary for short-term financing facility.

Note 3: The total financing amount shall not exceed 40 percent of the lending company's net worth in the most recent CPA audit report or reviewed financial statements.
Authorization for loans extended to any single entity shall not exceed 10% of the net worth on the most current financial statements of the lending company. Loans for business transactions shall not exceed the amount of business transactions between the two parties in the most recent year. The amount of business transaction refers to the amount of purchases or sales between the two parties, whichever is higher.

Note 4: Foreign currencies involved in this schedule is converted to NTD under the exchange rate at end period of the financial report.

AAEON Technology Inc. and Subsidiaries

Holding of securities at the end of the period (excluding investing in subsidiaries, affiliates and joint ventures)

31 December 2019

Schedule 2

Unit: NT$ thousand
(unless otherwise specified)

Holding company	Marketable securities type and name: Type	Marketable securities type and name: Name (Note 1)	Relationship with the Company	Financial Statement Account	December 31, 2019: Shares	December 31, 2019: Carrying value (Note 2)	December 31, 2019: Percentage of Ownership (%)	December 31, 2019: Fair value	Remarks
AAEON Technology Inc.	Fund	Mega Diamond Money Market	None	Financial assets at fair value through profit or loss - current	2,091,070	$ 26,329	-	$ 26,329	None
"	Stock	Advantech Co.,Ltd.	"	"	730	221	-	221	"
"	"	MACHVISION,INC.	Other related party - the Company’s Chairman as a director	"	1,135,020	409,175	2.66	409,175	"
"	"	ATECH OEM INC.	"	"	234	2	-	2	"
"	"	Unitech Electronics Co., Ltd.	None	"	549,600	9,975	1.17	9,975	"
"	"	LILEE SYSTEMS Ltd.	"	"	468,750	-	-	-	"
"	"	Econova Technology Co.	"	"	266,600	-	7.27	-	"
"	"	Allied Biotech Co.	Other related party - the Company’s Chairman as a director	"	300,000	5,244	0.32	5,244	"
"	"	TELEION WIRELESS, INC.	None	"	149,700	-	-	-	"
"	"	InSynerger Technology Co., Ltd.	"	Financial assets at fair value through profit or loss - non-current	1,710,000	19,360	19.29	19,360	"
"	"	V-Net AAEON Corporation Ltd.	"	"	29	10,928	14.50	10,928	Note 3
AAEON INVESTMENT, CO., LTD.	Fund	HSBC Global Income Bond Fund	"	Financial assets at fair value through profit or loss - current	555,078	7,183	-	7,183	None
"	Stock	ATECH OEM INC.	Other related party - the Company’s Chairman as a director	"	3,456,000	36,115	6.02	36,115	"
"	"	Mutto Optronics Co.	None	"	310,000	2,846	0.68	2,846	"
"	"	Sunengine Co., Ltd.	Other related party - the Company’s Chairman as a director	"	550,537	1,089	2.75	1,089	"
ONYX HEALTHCARE INC.	"	MACHVISION,INC.	"	"	27,000	9,734	0.06	9,734	"
"	"	INNO FUND III	None	Financial assets at fair value through profit or loss - non-current	3,000,000	33,869	13.04	33,869	"
"	"	MELTEN CONNECTED HEALTHCARE INC.	None	Financial asset at fair value through other comprehensive income - non-current	4,193,548	2,381	6.47	2,381	"

Note 1:The “securities” above refer to stocks, bonds, beneficiary certificates and derivatives included in IFRS 9 “Financial Instruments”.

Note 2:For those measured at fair value, please enter the carrying value after the valuation adjustment of fair value and deduction of accumulated impairment in the carrying value column.
As for those assets not measured at fair value, please enter the carrying value of initial acquisition cost or amortized cost after deducting accumulated impairment in the carrying value column.

Note 3:Hybrid contract with embedded options.

AAEON Technology Inc. and Subsidiaries

Purchase and sales with related parties reaching $100 million or 20 percent of paid-in capital or more

2019.1.1~2019.12.31

Schedule 3

Unit: NT$ thousand

(unless otherwise specified)

Purchasing (sales) company	Name of transaction counterparties	Relation	Transaction				Reasons for difference between the related party transaction terms and the arms length terms of transaction (Note)		Accounts and notes receivable (payable)		Remarks
			Purchase (sales)	Amount	Percentage of total purchase (sales) (%)	Duration of credit	Price	Duration of credit	Balance	Percentage of total accounts and notes receivable (payable) (%)	
AAEON Technology Inc.	ASUSTEK COMPUTER INC.	Parent	Purchases	$ 1,212,244	42.28	Net 30 days	$ -	-	($ 106,039)	(26.93)	None
"	AAEON ELECTRONICS, INC.	Subsidiary	(Sales)	(649,648)	(15.23)	Net 60 days	-	-	107,909	16.28	"
"	AAEON TECHNOLOGY (SUZHOU) INC.	"	(Sales)	(278,529)	(6.53)	"	-	-	54,439	8.21	"
"	AAEON TECHNOLOGY (EUROPE) B.V.	"	(Sales)	(399,629)	(9.37)	"	-	-	67,828	10.23	"
"	ONYX HEALTHCARE USA,INC.	"	(Sales)	(159,777)	(3.75)	"	-	-	15,218	2.30	"
"	ONYX HEALTHCARE INC.	"	(Sales)	(127,693)	(2.99)	Net 30 days	-	-	50,594	7.63	"
ONYX HEALTHCARE INC.	ONYX HEALTHCARE USA,INC.	"	(Sales)	(282,445)	(24.40)	Net 90 days	-	-	29,359	21.69	"

Note: The reasons for difference between the related party transaction terms and the arms length terms of transaction shall be described in the ASP and loan term section.

AAEON Technology Inc. and Subsidiaries

Accounts receivable from related parties reaching NT$100 million or 20 percent of paid-in capital or more

31 December 2019

Schedule 4

Unit: NT$ thousand

(unless otherwise specified)

Company Name	Name of transaction counterparties	Relation	Ending balance (Note 1)	Turnover (%)	Overdue		Amounts Received in Subsequent Period	Allowance for doubtful account
					Amount	Action taken		
AAEON Technology Inc.	AAEON Electronics, Inc.	Subsidiary	$ 107,909	6.88	$ -	-	$ -	$ -

Note: Please fill in separately based on accounts receivable, notes and other receivables of related parties.

AAEON Technology Inc. and Subsidiaries

Intercompany relationships and significant intercompany transactions and transaction amount

2019.1.1~2019.12.31

Schedule 5

Unit: NT$ thousand

(unless otherwise specified)

Serial No. (Note 1)	Company Name	Counter party	Nature of relationships (Note 2)	Intercompany transaction: Financial Statement Item	Amount (Note 4)	Terms	Percentage of Consolidated Net Revenue or Total Assets (Note 3)
0	AAEON Technology Inc.	AAEON ELECTRONICS, INC.	1	Net sales	$ 649,648	Net 60 days	10.57%
"	"	AAEON ELECTRONICS, INC.	1	Accounts receivable	107,909	"	1.12%
"	"	AAEON TECHNOLOGY (SUZHOU) INC.	1	Net sales	278,529	"	4.53%
"	"	AAEON TECHNOLOGY (EUROPE) B.V.	1	Net sales	399,629	"	6.50%
"	"	ONYX HEALTHCARE USA,INC.	1	Net sales	159,777	"	2.60%
"	"	ONYX HEALTHCARE INC.	1	Net sales	127,693	Net 30 days	2.08%
1	AAEON TECHNOLOGY (EUROPE) B.V.	AAEON Technology Inc.	2	Service revenues	128,803	"	2.09%
2	ONYX HEALTHCARE INC.	ONYX HEALTHCARE USA, INC.	3	Net sales	282,445	Net 90 days	4.59%

Note 1: Intercompany transactions should be indicated in the numbered columns individually. The number is filled in as follows:

(1) Parent company is numbered 0.

(2) Subsidiaries are numbered sequentially according to company name from Arabic numeral 1.

Note 2: There are three types of relationships with counterparties (Disclosure is not required for the same intercompany transactions. For example: If the parent has already disclosed the intercompany transaction, the subsidiary is not required to disclose the same transaction.
For intercompany transactions between subsidiaries, if one of the subsidiary has already disclosed the transaction, the other subsidiary is not required to disclose the same transaction)

(1) Parent company to subsidiary

(2) Subsidiary to parent company

(3) Subsidiary to subsidiary

Note 3: The calculation of transaction amount as a percentage of consolidated net revenue or total assets: in the case of financial statement accounts, ending balance is divided by consolidated total assets; in the case of income statement accounts, cumulative amount in the period is divided by consolidated net revenue.

Note 4: There is no need to disclose transactions of no more than NT$100 million, and transactions shall be disclosed as assets and income.

AAEON Technology Inc. and Subsidiaries

Names, locations and related information of investees (excluding investments in China)
2019.1.1~2019.12.31

Schedule 6

Unit: NT$ thousand

(unless otherwise specified)

				Original Investment		Balance as of December 31, 2019					
Name of investor	Name of investee	Location	Main businesses and products	December 31, 2019	December 31, 2018	Shares	Percentage (%)	Carrying Amount	Net Income (Loss) of the Investee(Note 2)	Share of Profit/Loss of Investee (Note 2)	Remarks
AAEON Technology Inc.	AAEON ELECTRONICS, INC.	USA	Sales of IPC and PC peripherals	$ 146,902	$ 50,504	490,000	100.00	$ 174,461	$ 20,912	$ 20,907	
"	AAEON DEVELOPMENT INC.	British Virgin Islands	Investment of IPC and PC peripherals	-	20,266	-	-	-	(5,119)	(5,119)	
"	AAEON TECHNOLOGY CO.,LTD	"	Investment of IPC and interface card	264,037	270,510	8,807,097	100.00	209,935	(13,543)	(13,493)	
"	AAEON TECHNOLOGY (EUROPE) B.V.	Netherlands	Sales of IPC and PC peripherals	3,359	3,520	-	100.00	40,557	9,338	9,338	
"	AAEON TECHNOLOGY SINGAPORE PTE.LTD.	Singapore	Sales of IPC and PC peripherals	12,998	-	465,840	100.00	39,509	(2,412)	2,578	
"	AAEON INVESTMENT, CO., LTD.	Taiwan	Investment of IPC and PC peripherals	150,000	150,000	15,000,000	100.00	110,888	218	218	
"	ONYX HEALTHCARE INC.	"	Design, manufacture and sales of medical PC	73,358	44,662	11,005,146	50.00	494,464	239,377	119,551	
"	LITEMAX ELECTRONICS INC.	"	Sales of PC peripherals	70,218	70,218	5,015,050	12.09	111,998	171,797	21,319	
"	IBASE TECHNOLOGY INC.	"	Manufacturing and sales of industrial motherboards	3,498,501	3,498,501	52,921,856	30.55	3,369,909	255,432	277	
AAEON TECHNOLOGY (EUROPE) B.V.	AAEON TECHNOLOGY GMBH	Germany	Sales of IPC and PC peripherals	1,008	1,056	-	100.00	17,681	2,031	-	Note 1
AAEON DEVELOPMENT INC.	AAEON TECHNOLOGY SINGAPORE PTE.LTD.	Singapore	Sales of IPC and PC peripherals	-	13,114	-	-	-	(2,412)	-	"

AAEON Technology Inc. and Subsidiaries

Names, locations and related information of investees (excluding investments in China)
2019.1.1~2019.12.31

Schedule 6 | Unit: NT$ thousand

(unless otherwise specified)

				Original Investment		Balance as of December 31, 2019					
Name of investor	Name of investee	Location	Main businesses and products	December 31, 2019	December 31, 2018	Shares	Percentage (%)	Carrying Amount	Net Income (Loss) of the Investee(Note 2)	Share of Profit/Loss of Investee (Note 2)	Remarks
ONYX HEALTHCARE INC.	ONYX HEALTHCARE USA,INC.	USA	Sales of medical PC and peripherals	59,960	61,430	200,000	100.00	84,047	13,462	-	Note 1
"	ONYX HEALTHCARE EUROPE B.V.	Netherlands	Marketing support and maintenance of medical PC and peripherals	3,359	3,520	100,000	100.00	11,582	2,636	-	"
"	IHELPER INC.	Taiwan	R&D and sales of medical robots	16,560	16,560	1,656,000	46.00	10,292	(7,125)	-	"
"	WINMATE INC.	Taiwan	Bid quotations, distributions and sales of LCD application equipment and modules	510,248	-	9,363,000	12.97	505,586	241,183	-	"

Note 1: According to relevant regulations, there is no need to fill in investment profit and loss disclosed in this period.
Note 2: The profit or loss of the amount involving foreign currencies are converted to NTD at the average exchange rate between January 1 and December 31, 2019, while others are converted to NTD under the exchange rate at end period of the financial report.

AAEON Technology Inc. and Subsidiaries

Information on investments in China - basic information

2019.1.1~2019.12.31

Schedule 7

Unit: NT$ thousand

(unless otherwise specified)

Name of investee	Main businesses and products	Paid-in capital	Methods of investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	Percentage of Ownership (%)	Share of Profits / Losses (Note 2 (2) B)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019	Remarks
					Outflow	Inflow							
AAEON TECHNOLOGY (SUZHOU) INC.	Production and sales of IPC and interface card	$ 260,534	2	$ 260,534	$ -	$ -	$ 260,534	($ 13,428)	100	($ 13,428)	$ 215,955	$ -	
ONYX HEALTHCARE (SHANGHAI) LTD	Sales of medical PC and peripherals	59,960	1	44,970	14,990	-	59,960	(15,199)	100	(15,199)	7,495	-	

Company Name	Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
AAEON Technology Inc.	260,534	260,534	4,989,908
ONYX HEALTHCARE INC.	59,960	59,960	612,007

Note 1: The methods of investment are listed below, please mark the category on schedule:

(1) Investment in China companies directly.

(2) Investment in China companies through AAEON TECHNOLOGY CO.,LTD in a third region.

(3) Other methods of investing in China.

Note 2: The column of investment profit or loss for the period:

(1) It should be noted if the entity was in preparation stage without profit or loss on investment.

(2) It should be noted that the basis of recognizing the profit or loss on investment includes the following:

A. The financial statement is audited and certified by international accounting firms which have partnership with R.O.C. accounting firms.

B. The financial statement is audited and certified by the parent company's auditors in Taiwan.

C. Other basis

Note 3: The profit or loss of the amount involving foreign currencies are converted to NTD at the average exchange rate between January 1 and December 31, 2019, while others are converted to NTD under the exchange rate at end period of the financial report.