

Annual Report Website: <http://mops.twse.com.tw>

Stock Code: 2356

Company Website: <http://www.inventec.com>

Publication Date: May 15, 2019

# Inventec Corporation

## Inventec

## 2018 Annual Report

### Notice to readers

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

創新

Innovation

品質

Quality

虛心

Open Mind

力行

Execution

**1. Name, Title and Contact Information for Company's Spokesperson**

Name : Yu, Chin-Pao

Tel. : 886(2) 2881-0721

Title : Vice President

E-mail : iec@inventec.com

**Name, Title and Contact Information for Company's Deputy Spokesperson**

Name : Wu, Yung-Tsai

Tel. : 886(2) 2881-0721

Title : President

E-mail : iec@inventec.com

**2. Address and Telephone Number of Company's Headquarters, Branches and Plant**

Headquarters

Add : No.66, Hougang Street, Shilin District, Taipei City, Taiwan, R.O.C.

Tel : 886(2) 2881-0721

Taipei Research and Development Center

Add : No.166, Chengde Rd, Sec. 4, Shilin District, Taipei City, Taiwan, R.O.C.

Tel : 886(2) 2881-0721

Taoyuan Research and Development Center

Add : No.349, Renhe Rd, Sec. 2, Daxi District, Taoyuan City, Taiwan, R.O.C.

Tel : 886(3) 390-0000

Taoyuan Science and Technology Park

Add : No.88, Dazhi Rd, Taoyuan District, Taoyuan City, Taiwan, R.O.C.

Tel : 886(3) 390-0000

**3. Common Share Transfer Agent And Registrar**

Name : Registrar & Transfer Agency Department of Taishin International Bank

Add : B1F, No.96, Sec. 1, Jianguo N. Road, Zhongshan District, Taipei City, Taiwan, R.O.C.

Website: <http://www.taishinbank.com.tw>

Tel. : 886(2) 2504-8125

**4. Information of the Certified Public Accountants for the Latest Financial Repot**

Name of CPA: Lin, Wan-Wan and Yang, Liu-Fong

CPA Firm: KPMG

Add : 68F, No.7, Sec. 5, Xinyi Road, Taipei City, Taiwan, R.O.C.

Website: <http://www.kpmg.com.tw>

Tel : 886(2) 8101-6666

**5. Overseas Trade Places for Listed Negotiable Securities**

None

**6. Corporate Website**

<http://www.inventec.com>

## **Contents**

|  |            |
|--|------------|
| <b>Letter to Shareholders .....</b>  | <b>5</b>   |
| <b>I . Company Profile .....</b>   | <b>8</b>   |
| 1.1 Date of Incorporation.....   | 8          |
| 1.2 Company History.....   | 8          |
| <b>II . Corporate Governance Report.....</b>   | <b>15</b>  |
| 2.1 Organization .....   | 15         |
| 2.2 Directors, Supervisors and Management Team .....   | 17         |
| 2.3 Implementation of Corporate Governance .....   | 34         |
| 2.4.Information Regarding the Company’s Audit Fee and Independence.....                          | 88         |
| 2.5 Information Regarding the Replacement of CPA.....  | 90         |
| 2.6 Audit Independence .....   | 90         |
| 2.7 Changes in Shareholding of Directors, Supervisors, Managers and Major<br>Shareholders: ..... | 91         |
| 2.8 Relationship among the Top Ten Shareholders .....  | 93         |
| 2.9 Ownership of Shares in Affiliated Enterprises .....  | 96         |
| <b>III . Capital Overview .....</b>  | <b>97</b>  |
| 3.1 Capital and Shares .....   | 97         |
| 3.2 Bonds.....   | 103        |
| 3.3 Preferred Shares.....  | 103        |
| 3.4 Global Depository Receipts.....  | 103        |
| 3.5 Employee Stock Options .....   | 103        |
| 3.6 Restricted Employee Shares. ....   | 103        |
| 3.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions. ....              | 103        |
| 3.8 Financing Plans and Implementation .....   | 103        |
| <b>IV . Operational Highlights.....</b>  | <b>104</b> |
| 4.1 Business Activities.....   | 104        |
| 4.2 Market and Sales Overview .....  | 110        |
| 4.3 Human Resources .....  | 116        |
| 4.4 Environmental Protection Expenditure .....   | 117        |
| 4.5 Labor Relations .....  | 119        |

|   |            |
|---|------------|
| 4.6 Important Contracts .....   | 126        |
| <b>V. Financial Information .....</b>   | <b>127</b> |
| 5.1 Five-Year Financial Summary .....   | 127        |
| 5.2 Five-Year Financial Analysis .....  | 132        |
| 5.3 Audit Committee's Report in the Most Recent Year .....  | 137        |
| 5.4 Individual Financial Statements for the Years Ended December 31, 2018 and<br>2017, and Independent Auditors' Report .....   | 137        |
| 5.5 Consolidated Financial Statements for the Years Ended December 31, 2018 and<br>2017, and Independent Auditors' Report .....   | 137        |
| 5.6 The Effect on Company or its Affiliates have Experienced Financial Difficulties ...   | 137        |
| <b>VI. Review of Financial Conditions, Operating Results, and Risk Management.....</b>  | <b>138</b> |
| 6.1 Analysis of Financial Status .....  | 138        |
| 6.2 Analysis of Operation Results .....   | 140        |
| 6.3 Analysis of Cash Flow .....   | 143        |
| 6.4 Major Capital Expenditure Items .....   | 144        |
| 6.5 Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement<br>Plans and the Investment Plans for the Coming Year .....  | 144        |
| 6.6 Analysis of Risk Management .....   | 145        |
| 6.7 Other Important Matters .....   | 153        |
| <b>VII. Special Disclosure .....</b>  | <b>154</b> |
| 7.1 Summary of Affiliated Companies .....   | 154        |
| 7.2 Private Placement Securities in the Most Recent Years .....   | 171        |
| 7.3 The Shares in the Company Held or Disposed of by Subsidiaries in the Most<br>Recent Years .....   | 171        |
| 7.4 The Matters Listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities<br>and Exchange Act, which might Materially affect Shareholders' Equity or the<br>Price of the Company's Securities ..... | 171        |
| 7.5 Other Matters that Require Additional Description.....  | 171        |



# Letter to shareholders

Honorable ladies and gentlemen, welcome to be present in the 2019 Shareholders' meeting of Inventec Corporation. The comprehensive impacts of the trade war between China and The United States, fluctuations in exchange rate and Brexit development have led the market recovery in uncertain sentiment for the World's major economies. Due to the profound influence of the trade war between China and The United States on the global economy, the worldwide industry chain faces challenge of readjustment on optimization of industrial layout, and the information industry also embraces the severe adaption consequently. However, Inventec continues actively to implement resource integration and provide customers with superb products of core competency on the basis of its strong R&D capability along with the manufacturing advantage on the skill of software and hardware. Thanks to the efforts of all our employees, we had achieved performance growth for the past four years and had more than TWD 500 billion turnover for the first time in 2018. The business performance of 2018 and the business plan and outlook of 2019 are described as follows:

## **Business performance report for year 2018:**

Regarding revenue and profit in 2018, the consolidated revenue reached more than TWD \$506.8 billion, 8.42% growth compared with 2017 (Consolidated revenue of TWD 467.5 billion). Consolidated pre-tax operating profit was more than TWD 8.1 billion, indicating a growth of 13.17% compared with 2017. The after-tax net profit attributable to the parent company's shareholders was more than TWD 6.4 billion, a slight decrease compared with the previous year due to the influence of product portfolio factors; consolidated after-tax earnings per share was TWD 1.81, decreasing from the previous year (2017) when it was TWD 1.88.

Overall, the performance growth of 2018 continues to be attributed to the customer product layout and differentiated operation of the group's manufacturing process. Of those, the revenue of the Company's main product, the notebook computer which was about TWD 232.0 billion, increased by 14.46% compared with the same period last year due to increasing business demand. The revenue of server products was about TWD 181.0 billion, indicating 10.76% growth compared with the same period last year due to actively developing new customers and new products. With the impact of market demand and extreme production capacity, the operating revenue of smart device products was TWD 85.6 billion, which is generally in line with that of the same period last year. Since the overall industry outlook is still pessimistic with a stagnant market, despite having approximately TWD 8 billion in revenue, the solar energy company of the group is continuously making efforts to adjust its resource allocation strategy in pursuit of future opportunities.

## **Corporate governance and corporate social responsibility**

Inventec prioritizes its reputation and thus operates with integrity and sustainability. Inventec espouses "innovation, quality, open mind, and execution" in its operations and maximum asset accumulation during operation as its business philosophy. The Company abides by corporate governance internally and practices corporate citizenship externally. With its high regard for corporate governance and its various implementation forms, Inventec was ranked among the top 5% of the most excellent corporate-governance

companies for four consecutive years of Corporate Governance Assessment. In the spirit of "one more responsibility, one more concern", we will continue to improve corporate governance by strengthening the functional committee of the board and establishing a corporate governance organization, in addition to continuing to serve society, contributing to society, and fulfilling our corporate social responsibility through Inventec Group Charity Foundation.

### **Impact of external competition, the regulatory environment, and the overall operating environment and countermeasures**

In 2018, a challenging year, performance was affected by significant changes in the political and economic environment, the exchange rate, and the business cycle. Despite facing adverse condition of the trade war between The United States and China, Inventec has still managed good performance by changing its operating plan and adjusting its production line layout. Inventec continues to maintain an experimental spirit and actively seeks transformation and innovation to overcome changes in both the external and internal environment and achieve its objectives and plans.

### **Business plan and future prospect for year 2019**

Inventec focuses on software and hardware integration and develops high-quality and efficient products through its strong R&D capability and efficient operations team to meet customer needs. The specific implementation policy is divided into the following aspects:

- (1) Product business: As the leader of high-end laptop design and professional manufacturing in the past years, Inventec endeavors to continue thorough customer development, improve product average prices, and maintain the same level of operations. With regard to server business development, driven by the strong capital expenditure of major global network technology enterprises and the continuous demand from data centers, this year, the Company will expand its cooperation with strategic partners and focus on designing and manufacturing a new generation of platforms to enhance operation performance. As for intelligent device products, based on its accumulated experience in smart terminal, broadband, and acoustic fields, the Company expects to achieve more diversified development.
- (2) Product technology: The Company will continuously invest in the key technology fields of ABCD5 (Artificial Intelligence, Blockchain, Cloud Computing, Big Data, and 5G), including the artificial intelligence application research center deployed in Taiwan, integrate resources of all factories and 5G application research and development, and simultaneously recruit talents in related fields to develop in the direction of new trends.
- (3) Establishment of smart factory: Detailed strategies and development plans are respectively created according to four aspects: improvement on production process (industry 4.0), Toyota production system (TPS), lean six sigma (LSS), and production line automation (Automation).
- (4) Continue to focus and develop new businesses: The Company will develop business opportunities in the automotive electronics and health care fields. The Company will extensively develop product innovation to meet market demands.

With rapid changes in the global market and rapid technical development, Inventec will adopt three strategies, namely "customer satisfaction", "value creation, profit pursuit" and "promotion on younger talented executives" to foresee customers' needs, create value for customers, and pursue profits for the Company's shareholders. We deeply believe that only by enhancing ability, quality, and customized service, our core competitiveness can be improved through the circular system of value creation value through knowledge for the Company to create greater enterprise value for both shareholders and employees.

Best wishes to all of you !

Chairman: Cho, Tom-Hwar

President: Wu, Yung-Tsai

# **I . Company profile**

## **1.1 Date of incorporation: June 9, 1975**

## **1.2 Company history**

### **1975**

- Inventec Corporation was incorporated with a paid-in capital of NT\$1 million.

### **1987**

- Won the "PIP Optimal Growth Partner Award" issued by the world's largest department store chain, SEARS.
- Ranked No. 18 of the national export excellent manufacturers and won the Import and Export Excellent Manufacturer Award issued by the Minister of the Ministry of Economic Affairs.

### **1988**

- Started implementing upgrades of product structure and set up an overseas production base plan.
- Won the "PIP Optimal Growth Partner Award" issued by SEARS again and won "Best Cooperation Company Award" issued by Royal Dutch Philips Electronics Ltd.
- The Company's application for being a public company was approved.

### **1989**

- Began to produce notebook laptop computers, and word processor products.
- Established Inventec Besta Co., Ltd..

### **1990**

- Established Inventec Electronics (M) SDN. BHD., and started production of phone fax machines.

### **1991**

- Won "Best Cooperation Company Award" issued by Zenith.
- Established the joint venture TIM Electronics (Malaysia) Co., Ltd. in Malaysia with Toshiba Co. to produce communication products.
- Won "Excellent Manufacturer Award" issued by Texas Instruments.
- Invested in Inventec Electronics (Shanghai) Co., Ltd. through its investment in Inventec Corporation (Hong Kong) Co., Ltd..

### **1992**

- Granted ISO 9001 Quality Certification by BCIO and the BSI.

### **1993**

- The plug-in type language learning dictionary CD61 won "Outstanding Boutique Award" in the national product image awards issued by the Ministry of Economic Affairs.
- Won " Best Cooperation Company Award " issued by Texas Instruments again.
- Invested in Inventec Corporation (Hong Kong) Co., Ltd. for further investment in Inventec

Electronics (Tianjin) Co., Ltd., Inventec Electronics (Beijing) Co., Ltd., Inventec Electronics (Nanking) Co., Ltd. and Inventec Electronics (Xi'an) Co., Ltd..

- Started production of PDAs.

#### **1994**

- The reading electronic dictionary CD37 won the "Taiwan Boutique Mark". Meanwhile, the plug-in type reading electronic dictionary CD65 and e-books transcription machine won the "National Product Image Award" issued by the Ministry of Economic Affairs.
- Won the "Quality Control Group Award" issued by the Chinese Society for Quality.

#### **1995**

- Won the "National Quality Award", which symbolizes the highest honor in national quality operation and management.
- Started production of Pentium series multi-media notebooks.
- Established Donglan Factory in Shanghai.
- Established Hou Gang Factory to manufacture electronic dictionaries, and established Linkou Factory to manufacture and assemble computer peripherals.

#### **1996**

- Established Taipei Second Factory to manufacture PDA and graphic calculator.
- Established Jingting Factory in Shanghai.
- Inventec Corporation officially listed on 13<sup>th</sup> Nov..
- Won " Best Cooperation Company Award " issued by Texas Instruments again.

#### **1997**

- Established subsidiaries in the United States, Scotland, and Singapore.
- Ranked No. 3 among enterprise operation performances rated by the China Credit Information Service.
- Ranked first in Taiwan's enterprise operation performance ranking list rated by Commonwealth Magazine.
- Established Taipei Third Factory to manufacture notebook.

#### **1998**

- Established Taoyuan Factory for R&D, and manufacture of high-end desktop and server.

#### **1999**

- Taipei Third Factory achieved the whole country promotes the labor safe hygiene good prize by Council of Labor Affairs, Executive Yuan.
- Taipei Second Factory achieved TI SEA Awards by Texas Instruments.
- Inventec Besta Co., Ltd changed Chinese company name.
- Established Inventec Micro-Electronics Corp. for calculators.
- Established Inventec Online Corp. for software development.
- Established Inventec Multimedia and Telecom Corp. for multimedia and communications

products.

## **2000**

- Established Inventec Appliances Corp for the manufacture and sales of information appliances, WAP phone, science plotter.
- Invested in Inventec (Cayman) Corp. for further investment in Inventec Corporation (Shanghai) Co., Ltd..
- Elected to be the 1999 national good personalities and good deeds group representative of the Republic of China.
- The Company was responsible for manufacturing more than four million Compaq Computer Corporation commercial notebook computers.
- Taipei First factory won the “Industrial Excellence Award” issued by the Ministry of Economic Affairs.

## **2001**

- Invested in Inventec Tomorrow Studio Corporation for editorial tasks of book and electronic publication and sales.
- Won the Gold Award from the National Invention Award Corporate Group, which affirmed the outstanding achievement of the Company with regard to emphasizing intellectual property rights and research and development from product technology to prospective technology.
- Won the 9th Ministry of Economic Affairs Industrial Technology Development Award - Excellence Award, manifesting its emphasis on R&D achievement and remarkable effects with incentive measures.
- Won the “Enterprise Gold Trade Award” issued by the Executive Yuan again.
- The Company was responsible for manufacturing more than five million Compaq Computer Corporation commercial notebook computers.
- The notebook computers manufactured by the Company won the “Best Buy Award” issued by "PC World" from mainland China.

## **2002**

- Inventec Online Corp. and Inventec Appliances Corp. merged to integrate resources. Inventec Appliances Corp. is the surviving company after the merger.
- The Company was responsible for manufacturing more than six million Hewlett-Packard Company commercial notebook computers.

## **2003**

- The Company sold its investment in Inventec Appliance (Shanghai) Co., Ltd. to Inventec Appliances Corp..
- Inventec (Cayman) Corp. invested in Inventec (Pudong) Corp..

## **2004**

- Invested in Inventec Enterprise System Corp. for computer design, research and manufacture.
- Invested in Inventec (Czech) S.R.O. was engaged in parts assembling.

- Inventec (Cayman) Corp. invested in Inventec (Pudong) Technology Corp. and Inventec (Shanghai) Service Co., Ltd..
- The Company sold its investment in Inventec Electronics (Nanking) Co., Ltd. to Inventec Appliances Corp..

## **2005**

- Inventec (Cayman) Corp. invested in Inventec Hi-Tech Co., Ltd..
- Invested in Inventec Corporation Korea Branch which engages in developing wireless phone software.
- Inventec Appliances Corp. officially listed on 25<sup>th</sup> Oct..

## **2006**

- Established Hong Kong branch for wireless terminal production business.
- Inventec Holding (North America) Co., Ltd. invested in IEC Technologies. S. de R.L. de C.V. in Mexico.

## **2007**

- Due to the business development purpose, purchased a R&D building at Shihlin.
- Invested in Inventec (Cayman) Corp. for further investment in Inventec Huan Hsin (Zhejiang) Technology Co., Ltd..

## **2008**

- Exceeded 16 million units shipments of the Pudong Park notebook.
- Annual Sales exceeded 10 billion U.S. dollars.

## **2009**

- Invested in Kohjinsha Co., Ltd..
- Purchased the R&D building at Taoyuan.
- Dr. Eye family (Dr. Eye 8.1 version, mobile dictionary for PPC, translation by USB drive version) won three 2009 17th Taiwan Boutique Award information software awards.
- Won the “Corporate Social Responsibility Award” issued by Global Views Magazine.
- Established Inventec Investment Co., Ltd. for investment business.
- Established Inventec Technology (Singapore) Pte. Ltd. in Singapore for server business.
- Established Inventec Tooling and Mold Co., Ltd for mold business.
- Merged 100% owned subsidiary, Inventec Enterprise System Corp..
- Established R&D Centers in Palo Alto and Houston.
- Invested in Inventec (Cayman) Corp. for further investment in Inventec (ChongQing) Corporation.
- Invested in Inventec (Cayman) Corp. for further investment in Inventec (ChongQing) Service Co., Ltd..
- Awarded a “Carbon Reduction Model Enterprise” by the Industrial Development Bureau, Ministry of Economic Affairs.

## **2010**

- Through Inventec (Cayman) Corp., established the joint venture Onkyo-Inventa (Hong Kong) Co., Ltd. in Hong Kong with Onkyo Corporation.
- Through Inventec (Cayman) Corp., established the joint venture TPV-Inventa Holding Ltd. with Admiral Overseas Corporation.
- Reinvested in Inventec Huan Hsin (Zhejiang) Technology Co., Ltd. which became wholly owned subsidiary of Inventec Corporation.
- Kohjinsha Co., Ltd. changed company name to Inventec Development Japan Corporation, moved to a new location, and reduced the capital.
- Established Inventec Solar Energy Corp..
- Achieved National Invention and Creation Silver Medal Awards.
- Grated ISO 14064-1 Certification.

## **2011**

- Invested in Kinmac Solar Corp..
- Invested in E-TON Solar Tech. Co., Ltd..
- Inventec Appliances Corp. became wholly owned subsidiary of Inventec Corporation.

## **2012**

- In 2011, ranked No. 8 in national corporate patent application volume, No. 6 in invention patent application volume, No. 7 in patent certification acquisition volume, and No. 5 in invention patent certification acquisition volume.
- The Company was awarded “PPS Alignment Supplier of the Year” by HP.
- The Company was awarded “EG Service Supplier of the Year” by HP.
- Won the “Energy Saving and Carbon Reduction Action Mark - Excellence Award”, issued by the Environmental Protection Administration, Executive Yuan.

## **2013**

- In 2012, ranked No. 7 in national corporate patent application volume, No. 6 in invention patent application volume, and No. 7 in invention patent certification acquisition volume.
- Won 2013 Ministry of Economic Affairs Industrial Innovation Achievement Praise -product/system/service innovation awards.
- Taoyuan Science and Technology Park won the “Energy Saving and Carbon Reduction Action Mark-Excellence Award”, issued by the Environmental Protection Administration, Executive Yuan.
- Invested in Inventec Technology (Chongqing) Corp. Ltd. through its investment in IEC (Cayman) Corporation.

## **2014**

- Named a U.S. "2013 Number of Patent Certification" global top 500 enterprise.
- Acquired "ISO-50001 International Energy Management System" certification for the first time.
- Won Taiwan 2013 patent application and notice of certification as a top ten enterprise.



- The Company won the 2014 Commonwealth Magazine World Corporate Citizenship Award.
- The Company won the 23rd ROC Corporate Environmental Protection Award issued by the Environmental Protection Administration, Executive Yuan.
- The Company won the “2014 Taiwan Corporate Sustainability Award - Gold Award” issued by the Taiwan Institute for Sustainable Energy.
- Inventec Appliances Corp. won Taiwan 2013 patent application and notice of certification as a top 100 enterprise.

## **2015**

- Established Inventec Manufacturing (India) Private Limited..
- Invested in Inventec Asset-Management (Shanghai) Corporation through its investment in Inventec (Shanghai) Corp..
- Reinvested in Chongqing YuYa Cloud Service Co., Ltd. through Inventec (Chongqing) Corp..
- Purchased the plant building in Taoyuan Science and Technology Park.
- Won the 2015 Commonwealth Magazine World Corporate Citizenship Award.
- Won the 24th ROC Corporate Environmental Protection Award issued by the Environmental Protection Administration, Executive Yuan.
- Won the “2015 Taiwan Corporate Sustainability Award - Silver Award” issued by the Taiwan Institute for Sustainable Energy.
- Won Taiwan 2015 patent application and notice of certification as a top ten enterprise.

## **2016**

- The Company and Advantech Co., Ltd. jointly established AIMobile Co., Ltd..
- The Company is ranked in the top five percent of companies in the second session of the corporate governance evaluation awarded by the Taiwan Stock Exchange.
- The Company won the 2016 Commonwealth Magazine World "Corporate Citizenship Award".
- The Company won the 25th "ROC Corporate Environmental Protection Award" issued by the Environmental Protection Administration, Executive Yuan.
- The Company won the "2016 Taiwan Corporate Sustainability Award - Gold Award" issued by the Taiwan Institute for Sustainable Energy.

## **2017**

- The Company is ranked in the top five percent of companies in the third session of the corporate governance evaluation awarded by the Taiwan Stock Exchange.
- The Company was honorably awarded the "Citizen Award of Commonwealth Corporation" by the magazine, Commonwealth, in 2017.
- The Company was honorably awarded with the "Quality Paradigm Prize of ISO Plus Award" by SGS.
- The Company was honorably awarded both the "Taiwan Corporate Sustainability Award" and "Golden Prize - Corporate Sustainability Account Award" by Taiwan Academy of Corporate Sustainability.

## **2018**

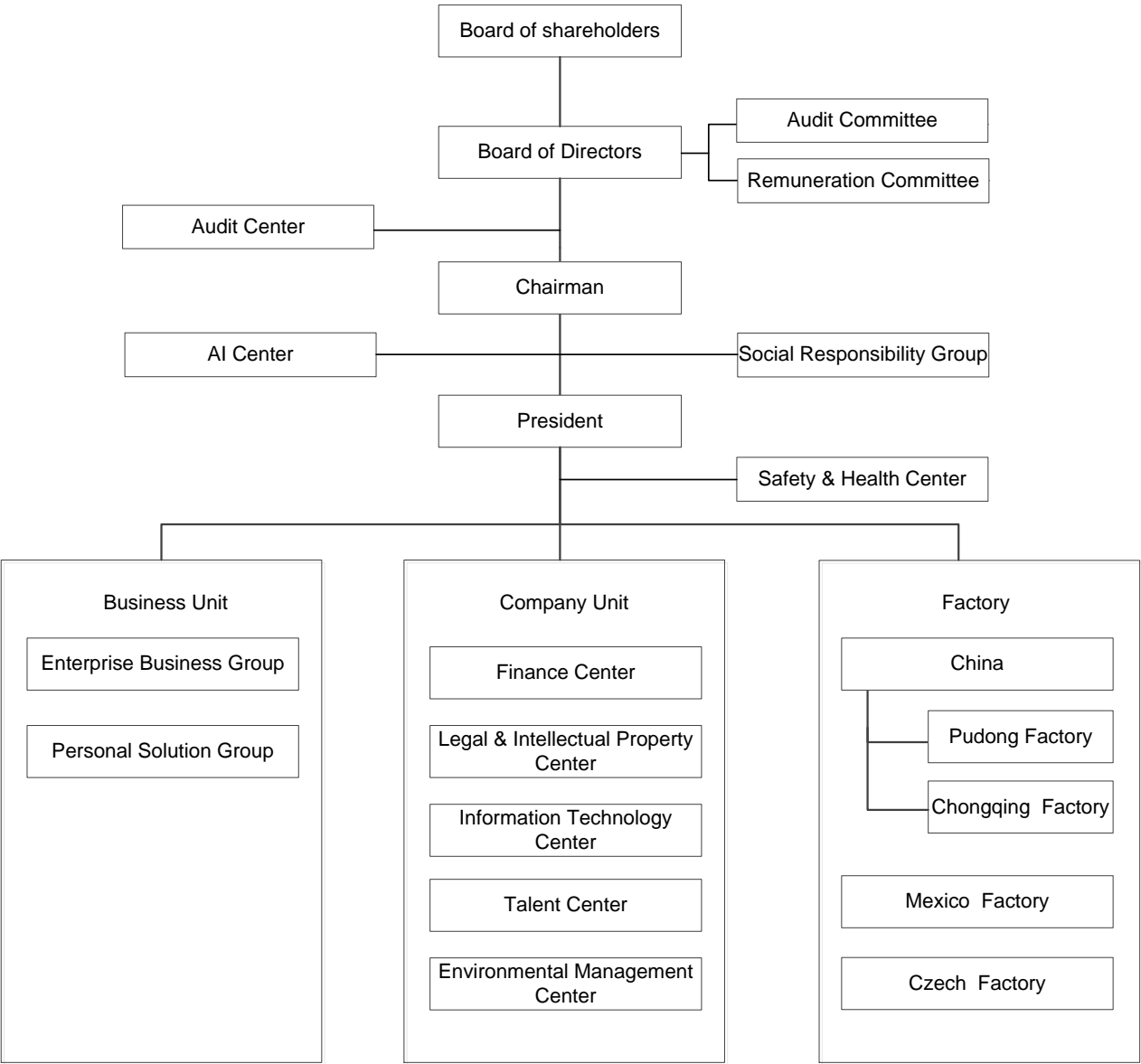
- The Company is ranked in the top five percent of companies in the fourth session of the corporate governance evaluation awarded by the Taiwan Stock Exchange.
- The Company won a spot on Forbes' 2018 Digital 100.
- The Company won the 2018 World Enterprise Citizen Award from Common Wealth Magazine.
- The Company won "Taiwan's Enterprise Sustainability Award" and the "Enterprise Sustainability Report Award - Gold Award".
- Invested in Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd. through its investment in Inventec Appliances (Shanghai) Co.Ltd.
- Invested in Inventec Appliances (Malaysia) SND BHD through its investment in Inventec Appliances (Cayman) Holding Corp..
- Won the Award of National Excellent Performance Healthy Career by the National Health Department of the Ministry of Health and Welfare

## **2019**

- Won First Place of HP's "2018 Best Supplier Evaluation"
- The Company is ranked in the top five percent of companies in the fifth session of the corporate governance evaluation awarded by the Taiwan Stock Exchange.

II. Corporate governance report

2.1 Organization



## Department functions

| Major Department                     | Major Business Activities   |
|--------------------------------------|---|
| Audit Center                         | Overall planning businesses such as internal control system, internal audits, self-assessment, etc. of the company.   |
| Social Responsibility Group          | Plan and execute corporate social responsibility related matters.   |
| AI Center                            | Research and development of artificial intelligence (AI) and IoTs, as well as the application of industry 4.0, are introduced.  |
| Enterprise Business Group            | Planning and management of enterprise business computer design, development, manufacturing, production, marketing, after-sales service, etc.  |
| Personal Solution Group              | Planning and management of portable computer design, development, manufacturing, production, marketing, after-sales service, etc.   |
| Finance Center                       | Overall planning of the financial, accounting, investment, and stock affairs business of the company.   |
| Legal & Intellectual Property Center | Overall planning of legal affairs, intellectual property rights, and other relevant matters.  |
| Information Technology Center        | <p>Overall planning of the establishment and operation of a network system structure, product life cycle management system, enterprise resource planning system, manufacturing execution system, quality inspection management system, supply chain management system, form management system, etc. of the company.</p> <p>Development and sales of enterprise solutions, enterprise system integration and consulting services, office system import and process automation services, and development and sales of green energy solutions.</p> |
| Talent Center                        | Overall planning of the company's human resources related business.   |
| Environmental Management Center      | Overall planning of the company's related management business and the integrated planning and supervision of environment and quality.   |
| Pudong Factory                       | Responsible for design and development, manufacturing, after-sales services, etc. of portable computers, wireless communication products, and corporate computers.  |
| Chongqing Factory                    | Responsible for design and development, manufacturing, after-sales services, etc. of portable computers, wireless communication products, and corporate computers.  |
| Mexico Factory                       | Responsible for production, testing, troubleshooting, after-sales services, etc. of corporate servers and storage systems.  |
| Czech Factory                        | Responsible for production, testing, troubleshooting, after-sales services, etc. of corporate servers and storage systems.  |

## 2.2 Directors, supervisors and management team

### 2.2.1 Board of directors and supervisors

#### 2.2.1.1 Introduction of board of directors and supervisors

2019.05.15

| Title    | Nationality<br>or<br>Registered<br>Address | Name              | Gender | Date<br>Elected | Term<br>(Years) | Date First<br>Elected | Shareholding<br>when Elected |       | Current<br>Shareholding |       | Spouse & Minor<br>Shareholding |       | Shareholding by<br>Nominee<br>Arrangement |   | Experience Education   | Selected<br>Current<br>Position<br>s | Executives, Directors or<br>Supervisors who are spouses<br>or within two degrees of<br>kinship |      |                   |
|----------|--|-------------------|--------|-----------------|-----------------|-----------------------|------------------------------|-------|-------------------------|-------|--------------------------------|-------|---|---|--|--------------------------------------|--|------|-------------------|
|          |  |                   |        |                 |                 |                       | Shares                       | %     | Shares                  | %     | Shares                         | %     | Shares                                    | % |  |                                      | Title  | Name | Relation<br>-ship |
| Chairman | R.O.C                                      | Cho,<br>Tom-Hwar  | Male   | 2017.06.16      | 3               | 2017.06.16            | 1,004,311                    | 0.03% | 1,004,311               | 0.03% | 5,508                          | 0.00% | —   | — | Department of Electrical<br>Engineering, National Taiwan<br>University,<br>Chairman, Inventec Solar<br>Energy Corporation<br>President, Inventec<br>Corporation<br>Director, Simplo Technology<br>Co.Ltd<br>Kuo Feng Corporation | Note 1                               | None   | None | None              |
| Director | R.O.C                                      | Yeh, Kuo-I        | Male   | 2017.06.16      | 3               | 1975.06.09            | 244,361,330                  | 6.81% | 226,361,330             | 6.31% | 99,314,117                     | 2.77% | —   | — | University of San Francisco<br>Chairman, Inventec<br>Corporation   | Note 2                               | None   | None | None              |
| Director | R.O.C                                      | Lee,<br>Tsu-Chin  | Male   | 2017.06.16      | 3               | 1980.06.08            | 115,833,835                  | 3.23% | 115,833,835             | 3.23% | —                              | —     | —   | — | Bachelor of Economics,<br>Tunghai University<br>Chairman, Inventec<br>Corporation  | Note 3                               | None   | None | None              |
| Director | R.O.C                                      | Wen,<br>Shih-Chih | Male   | 2017.06.16      | 3               | 2004.05.27            | 35,685,590                   | 0.99% | 35,685,590              | 0.99% | 37,399                         | 0.00% | —   | — | Xihu Vocational High School<br>of Industry and Commerce<br>Chairman, Shyh Shiunn<br>Investment Corp.<br>Senior Vice President,<br>Inventec Corporation   | Note 4                               | None   | None | None              |

| Title                   | Nationality<br>or<br>Registered<br>Address | Name                 | Gender | Date<br>Elected | Term<br>(Years) | Date First<br>Elected | Shareholding<br>when Elected |       | Current<br>Shareholding |       | Spouse & Minor<br>Shareholding |       | Shareholding by<br>Nominee<br>Arrangement |   | Experience Education   | Selected<br>Current<br>Position<br>s | Executives, Directors or<br>Supervisors who are spouses<br>or within two degrees of<br>kinship |      |                   |
|-------------------------|--|----------------------|--------|-----------------|-----------------|-----------------------|------------------------------|-------|-------------------------|-------|--------------------------------|-------|---|---|--|--------------------------------------|--|------|-------------------|
|                         |  |                      |        |                 |                 |                       | Shares                       | %     | Shares                  | %     | Shares                         | %     | Shares                                    | % |  |                                      | Title  | Name | Relation<br>-ship |
| Director                | R.O.C                                      | Chang,<br>Ching-Sung | Male   | 2017.06.16      | 3               | 2014.06.12            | 788,644                      | 0.02% | 788,644                 | 0.02% | 6,743,434                      | 0.19% | —   | — | Master of Electric<br>Engineering, National Taiwan<br>University<br>Chairman, Inventec<br>Appliances Corporation   | Note 5                               | None   | None | None              |
| Director                | R.O.C                                      | Huang,<br>Kuo-Chun   | Male   | 2017.06.16      | 3               | 2014.06.12            | 1,461,985                    | 0.04% | 1,357,985               | 0.04% | 9,327                          | 0.00% | —   | — | Bachelor of Electric<br>Engineering, National<br>Cheng-Kung University<br>President, Inventec<br>Corporation<br>Qume Electronics, Taiwan   | Note 6                               | None   | None | None              |
| Independent<br>Director | R.O.C                                      | Chang,<br>Chang-Pang | Male   | 2017.06.16      | 3               | 2014.06.12            | —                            | —     | —                       | —     | —                              | —     | —   | — | Master of Laws, National<br>Cheng-Chi University<br>Bachelor of Law, Fujen<br>University<br>Chief Executive Officer, Lien<br>Chan Foundation for Peace<br>and Development<br>Chairman, Fuhwa Financial<br>Holding Co., Ltd.<br>Deputy Minister, Ministry of<br>Economic Affairs,<br>Deputy Secretary General,<br>Executive Yuan<br>Vice Minister, Ministry of<br>Finance,<br>Chairman, Securities and<br>Exchange Commission,<br>Ministry of Finance | Note 7                               | None   | None | None              |

| Title                   | Nationality<br>or<br>Registered<br>Address | Name               | Gender | Date<br>Elected | Term<br>(Years) | Date First<br>Elected | Shareholding<br>when Elected |   | Current<br>Shareholding |   | Spouse & Minor<br>Shareholding |   | Shareholding by<br>Nominee<br>Arrangement |   | Experience Education  | Selected<br>Current<br>Position<br>s | Executives, Directors or<br>Supervisors who are spouses<br>or within two degrees of<br>kinship |      |                   |
|-------------------------|--|--------------------|--------|-----------------|-----------------|-----------------------|------------------------------|---|-------------------------|---|--------------------------------|---|---|---|---|--------------------------------------|--|------|-------------------|
|                         |  |                    |        |                 |                 |                       | Shares                       | % | Shares                  | % | Shares                         | % | Shares                                    | % |   |                                      | Title  | Name | Relation<br>-ship |
| Independent<br>Director | R.O.C                                      | Chen,<br>Ruey-Long | Male   | 2017.06.16      | 3               | 2014.06.12            | —                            | — | —                       | — | —                              | — | —   | — | Bachelor of Economics,<br>National Chung-Hsing<br>University<br>Chairman, Sinocon Industrial<br>Standards Foundation<br>Chairman, Institute for<br>Information Industry<br>Minister, Ministry of<br>Economic Affairs  | Note 8                               | None   | None | None              |
| Independent<br>Director | R.O.C                                      | Shyu,<br>Jyuo-Min  | Male   | 2017.06.16      | 3               | 2017.06.16            | —                            | — | —                       | — | —                              | — | —   | — | Ph. D. in Computer and<br>Engineering Science,<br>University of California,<br>Berkeley<br>Bachelor and Master of Electric<br>Engineering, National Taiwan<br>University<br>Minister, Ministry of Science<br>and Technology<br>President, Industrial<br>Technology Research Institute<br>Dean, National Tsing Hua<br>University, College of Electrical<br>Engineering and Computer<br>Science | Note 9                               | None   | None | None              |

Note 1: Chairman of Inventec Investments Co., Ltd. ; Director of Inventec Corporation (Hong Kong) Ltd., Inventec (Cayman) Corp., IEC (Cayman) Corporation, Inventec Holding (North America) Corp., Inventec (USA) Corp., Inventec Manufacturing (North America) Corp., Inventec Configuration (North America) Corp., Inventec Distribution(North America) Corp., and IEC Technologies,S.de R.L.de C.V..

Note 2: Director of Inventec Corporation (Hong Kong) Ltd., W.K Technology Fund VIII Ltd., PK Venture Capital Corp., PK II Venture Capital Corp., Kuo Hsieh Investment Co. Ltd., Fu Tai Investment Co. Ltd., WK Technology Fund., WK Technology Fund IV, W.K Technology Fund V Ltd., W.K Technology Fund VI Ltd., Royal Base Corporation, and Inventec Group Charity Foundation ; Supervisor of W.K Technology Fund VII Ltd.

Note 3: Chairman of I-Ssu-Tieh Investments Co., Ltd., and Inventec Group Charity Foundation.

Note 4: Director of Inventec Huan Hsin (Zhejiang) Technology Co., Ltd. ; Chairman of Shyh Shiunn Investment Corp.

Note 5: Chairman of Inventec Appliances Corp., Inventec Appliances (Shanghai) Co.Ltd., Inventec Appliances (Pudong) Corp., Inventec Appliances (Nanjing) Corp., Inventec Appliances (Jiangning) Corp., Inventec Appliances (Xi'An) Corporation, Inventec Appliances (Nanchang) Co., Ltd., Inventec Appliances (Shanghai) Enterprise Co.Ltd., and Apex Business Management & Consulting (Shanghai) Co., Ltd. ; Director of Inventec Appliances (Cayman) Holding Corp., Inventec Appliances (USA) Distribution Corp., Inventec Appliances USA Inc., Jinlife Biotech Corporation, and Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd. ; Representative of Inventec Appliances (Malaysia) SDN. BHD.

Note 6: Chairman of Inventec Huan Hsin (Zhejiang) Technology Co., Ltd., and TPV-Inventa Holding Ltd.;

Note 7: Chief Executive Officer of Lien Chan Foundation for Peace and Development ; Independent Director of Formosa Petrochemical Corp., Silitech Technology Corporation, Powerchip Technology Corporation ; Director of Maxigen Biotech Inc., and Inventec Group Charity Foundation ; Supervisor of Jintex Corporation Ltd.

Note 8: Chairman of Sinocon Industrial Standards Foundation, and Powerchip Technology Corporation ; Independent Director of Formosa Chemicals & Fibre Corporation, China Petrochemical Development Corporation, and Walsin Lihwa Corporation ; Director of Teknowledge Development Corporation, Bank of Panhsin, HannStar Board Corp., Asia Cement Corporation, PowerGate Optical Inc., Powerchip Semiconductor Manufacturing Corp., and Inventec Group Charity Foundation.

Note 9: Director of Iridium Medical Technology Co., Ltd., Geothings Inc., and Modern Classic Limited ; Independent Director of United Microelectronics Corporation ; President of Cloud Computing & IoT Association in Taiwan ; Professor of Computer Science, National Tsing Hua University.

2.2.1.2.1 The institutional shareholders: None

2.2.1.2.2 The major shareholder is a juridical person: None



## 2.2.1.3 Professional qualifications and independence analysis of the board

05/15/2019

| Name \ Criteria   | Met one of the following professional qualification requirements with at least five years work experience   |   |  | Independence ( Note1 ) |       |       |       |       |       |       |       |       |        | Number of other public companies in which the individual is concurrently serving as an independent director |
|-------------------|---|---|--|------------------------|-------|-------|-------|-------|-------|-------|-------|-------|--------|---|
|                   | An instructor of higher position in a department of commerce,law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, or university | A judge,public prosecutor, attorney, CPA, or other professional or technical specialist who has passed a national examination and bee awarded a certificate in a profession necessary for the business of the company | Have work experience in the areas of commerce,law, finance, accounting, or otherwise necessary for the business of the company | 〈 1 〉                  | 〈 2 〉 | 〈 3 〉 | 〈 4 〉 | 〈 5 〉 | 〈 6 〉 | 〈 7 〉 | 〈 8 〉 | 〈 9 〉 | 〈 10 〉 |   |
| Cho, Tom-Hwar     | -   | -   | ✓  | -                      | -     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓      | -   |
| Yeh, Kuo-I        | -   | -   | ✓  | -                      | -     | -     | -     | -     | -     | ✓     | ✓     | ✓     | ✓      | -   |
| Lee, Tsu-Chin     | -   | -   | ✓  | -                      | -     | -     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓      | -   |
| Wen, Shih-Chih    | -   | -   | ✓  | -                      | -     | -     | ✓     | -     | ✓     | ✓     | ✓     | ✓     | ✓      | -   |
| Chang, Ching-Sung | -   | -   | ✓  | -                      | -     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓      | -   |
| Huang, Kuo-Chun   | -   | -   | ✓  | -                      | -     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓      | -   |
| Chang, Chang-Pang | ✓   | ✓   | ✓  | ✓                      | ✓     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓      | 3   |
| Chen, Ruey-Long   | -   | -   | ✓  | ✓                      | ✓     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓      | 3   |
| Shyu, Jyuo-Min    | ✓   | -   | ✓  | ✓                      | ✓     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓      | 1   |

Note1: The independence criteria to indicate whether the directors or supervisors had met any of the conditions during the 2 years prior to being elected or during the term of office

- (1) Not an employee of the company or its affiliates
- (2) Not a director or supervisor of the company or any of its affiliates. (Except for the independent director established by the company or a parent company or subsidiary pursuant to this Act or local laws and decrees)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company or that holds shares ranking in the top five in holdings.
- (6) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
- (7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, provided that this restriction does not apply to any member of the Remuneration Committee who exercises powers pursuant to Article 7 of the Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies Whose Stock is Listed on the TWSE or Traded on the TPEX.
- (8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company.
- (9) Not been a person of any conditions defined in Article 30 of the Company Act.
- (10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

## 2.2.2 Introduction of the management team

2019.05.15

| Title                    | Nationality | Name             | Gender | On-board Date | Current Shareholding |       | Spouse & Minor Shareholding |       | Shareholding By Nominee Arrangement |   | Experience Education   | Selected Current Positions | Executives, Directors or Supervisors who are spouses or within two degrees of kinship |      |              |
|--------------------------|-------------|------------------|--------|---------------|----------------------|-------|-----------------------------|-------|-------------------------------------|---|--|----------------------------|---|------|--------------|
|                          |             |                  |        |               | Shares               | %     | Shares                      | %     | Shares                              | % |  |                            | Title   | Name | Relationship |
| President                | R.O.C       | Wu, Yung-Tsai    | Male   | 2017.06.16    | 285,731              | 0.01% | 15,864                      | 0.00% | —                                   | — | M.B.A. in Management, National Taiwan University of Science and Technology<br>Linco Precision                  | Note 1                     | None  | None | None         |
| Business Group President | R.O.C       | Chang, Hui       | Male   | 2014.12.23    | 591,291              | 0.02% | 213,554                     | 0.01% | —                                   | — | M.B.A. in Global Management, Thunderbird School of Global Management   | Note 2                     | None  | None | None         |
| Business Group President | R.O.C       | Tsai, Chih-An    | Male   | 2014.12.23    | 746,101              | 0.02% | 13,208                      | 0.00% | —                                   | — | B.S. in Industrial Engineering and Enterprise Information, Tunghai University<br>Digital Equipment Corporation | Note 3                     | None  | None | None         |
| Senior Vice President    | R.O.C       | Chiu, ChuiI-Kuan | Male   | 2017.06.27    | 410,239              | 0.01% | 82,484                      | 0.00% | —                                   | — | B.S. in Institute of Control Engineering, National Chiao Tung University                                       | None                       | None  | None | None         |
| Senior Vice President    | R.O.C       | Chen, Yea-Ping   | Male   | 2013.07.30    | 120,000              | 0.00% | 20,000                      | 0.00% | —                                   | — | Ph. D. in Electrical Engineering, University of Wisconsin-Madison<br>Philips Semiconductors                    | None                       | None  | None | None         |
| Senior Vice President    | R.O.C       | Yi, Fu-Ming      | Male   | 2016.11.14    | 65,637               | 0.00% | —                           | —     | —                                   | — | B.S. in Electrical Engineering, Tatung University  | None                       | None  | None | None         |
| Vice President           | R.O.C       | Chang, Nai-Wen   | Female | 2004.12.01    | 28,857               | 0.00% | —                           | —     | —                                   | — | LL.M. in Law, University of Minnesota<br>VIA Technologies Inc.   | None                       | None  | None | None         |

| Title          | Nationality | Name            | Gender | On-board Date | Current Shareholding |       | Spouse & Minor Shareholding |       | Shareholding By Nominee Arrangement |   | Experience Education   | Selected Current Positions     | Executives, Directors or Supervisors who are spouses or within two degrees of kinship |      |              |
|----------------|-------------|-----------------|--------|---------------|----------------------|-------|-----------------------------|-------|-------------------------------------|---|--|--------------------------------|---|------|--------------|
|                |             |                 |        |               | Shares               | %     | Shares                      | %     | Shares                              | % |  |                                | Title   | Name | Relationship |
| Vice President | R.O.C       | Hong, Kuo-Ching | Male   | 2006.03.01    | 289,010              | 0.01% | 14,986                      | 0.00% | —                                   | — | M.B.A. in Executive Master of Business Administration, National Cheng-Chi University   | None                           | None  | None | None         |
| Vice President | R.O.C       | Chang Yiu-Lang  | Male   | 2007.05.01    | —                    | —     | —                           | —     | —                                   | — | B.B.A. in Business Administration, Senshu University<br>M.B.A. in Business Administration, Taiwan National University<br>Alpha Networks      | Director of AIMobile Co., Ltd. | None  | None | None         |
| Vice President | R.O.C       | Yu, Chin-Pao    | Male   | 2009.01.20    | 707,576              | 0.02% | 175,105                     | 0.00% | —                                   | — | B.B.A. in Accounting, National Cheng Kung University<br>M.B.A. in Executive Master of Business Administration, National Cheng-Chi University | Note 4                         | None  | None | None         |
| Vice President | R.O.C       | Chien, Kuei-Fen | Female | 2010.01.22    | 68                   | 0.00% | —                           | —     | —                                   | — | M.B.A., Missouri State University<br>Digital Equipment Corporation   | None                           | None  | None | None         |
| Vice President | R.O.C       | Lou, Jin-Pang   | Male   | 2010.02.23    | 44,613               | 0.00% | 573                         | 0.00% | —                                   | — | B.S. in Electrical Engineering, National Taipei University of Technology<br>Quanta Computer Inc.   | None                           | None  | None | None         |
| Vice President | R.O.C       | Tsai, Yuh-Chen  | Male   | 2010.12.28    | —                    | —     | —                           | —     | —                                   | — | M.S. in Engineering and Computer Science, Syracuse University<br>Arima Computer Corp.  | None                           | None  | None | None         |
| Vice President | R.O.C       | Hsu, Ching-Wu   | Male   | 2012.01.16    | 88,508               | 0.00% | —                           | —     | —                                   | — | M.B.A in Finance and Business Administration, National Taiwan University of Science and Technology<br>Sanyo Electric Corp., Ltd.             | None                           | None  | None | None         |

| Title                            | Nationality | Name            | Gender | On-board Date | Current Shareholding |       | Spouse & Minor Shareholding |       | Shareholding By Nominee Arrangement |   | Experience Education   | Selected Current Positions | Executives, Directors or Supervisors who are spouses or within two degrees of kinship |      |              |
|----------------------------------|-------------|-----------------|--------|---------------|----------------------|-------|-----------------------------|-------|-------------------------------------|---|--|----------------------------|---|------|--------------|
|                                  |             |                 |        |               | Shares               | %     | Shares                      | %     | Shares                              | % |  |                            | Title   | Name | Relationship |
| Vice President                   | R.O.C       | Chou, Shao-Hsin | Male   | 2013.07.30    | 592,615              | 0.02% | —                           | —     | —                                   | — | B.S. in Computer Science and Information Engineering, Tamkang University   | None                       | None  | None | None         |
| Vice President                   | R.O.C       | Lin, Shu-Ju     | Male   | 2018.02.27    | —                    | —     | —                           | —     | —                                   | — | Ph. D. in Mechanical Engineering,, National Taiwan University of Science and Technology<br>C.T. Star Co., Ltd.   | None                       | None  | None | None         |
| Vice President                   | R.O.C       | Liu, Ta-Cheng   | Male   | 2018.02.27    | 899                  | 0.00% | —                           | —     | —                                   | — | M.S. in Electronic Engineering , Chung Yuan Christian University<br>M.S. in Business Administration, National Chengchi University<br>Digital Equipment Corporation | None                       | None  | None | None         |
| Vice President                   | R.O.C       | Yen, Cheng-Lung | Male   | 2018.02.27    | 248                  | 0.00% | —                           | —     | —                                   | — | M.S. in Industrial Engineering, National Tsing Hua University.<br>RiTdisplay Corporation   | Note 5                     | None  | None | None         |
| Vice President                   | R.O.C       | Chao, Tsai-Hsiu | Female | 2018.02.27    | 6,227                | 0.00% | 20,275                      | 0.00% | —                                   | — | Master of Business Administration, National Central University<br>Digital Equipment Corporation  | None                       | None  | None | None         |
| Senior Director                  | R.O.C       | Li, Jui-Chin    | Male   | 2018.02.27    | —                    | —     | —                           | —     | —                                   | — | Master of Business Administration, Syracuse University<br>INTEL  | None                       | None  | None | None         |
| Senior Director of Talent Center | R.O.C       | Yu, Win-Chee    | Male   | 2011.10.01    | 573,636              | 0.02% | 147,922                     | 0.00% | —                                   | — | M.S. in Communications Engineering, National Chiao Tung University   | None                       | None  | None | None         |
| Director of Finance Center       | R.O.C       | Liang, Wen-Jan  | Male   | 2008.08.01    | —                    | —     | —                           | —     | —                                   | — | B.B.A. in Economics, National Taiwan University<br>OCBC Bank   | None                       | None  | None | None         |

| Title                      | Nationality | Name          | Gender | On-board Date | Current Shareholding |       | Spouse & Minor Shareholding |       | Shareholding By Nominee Arrangement |   | Experience Education   | Selected Current Positions | Executives, Directors or Supervisors who are spouses or within two degrees of kinship |      |              |
|----------------------------|-------------|---------------|--------|---------------|----------------------|-------|-----------------------------|-------|-------------------------------------|---|--|----------------------------|---|------|--------------|
|                            |             |               |        |               | Shares               | %     | Shares                      | %     | Shares                              | % |  |                            | Title   | Name | Relationship |
| Director of Talent Center  | R.O.C       | Lin, Shih-Pin | Male   | 2015.03.30    | 28,000               | 0.00% | —                           | —     | —                                   | — | M.S. in Manufacturing Engineering, Boston University<br>Radiant Opto-Electronics Corporation | None                       | None  | None | None         |
| Director of Finance Center | R.O.C       | Hsiao, I-Ying | Female | 2015.04.01    | 996                  | 0.00% | 676                         | 0.00% | —                                   | — | M.B.A., Baruch College, City University of New York<br>CTBC bank                             | None                       | None  | None | None         |

Note 1: Chairman of Inventec (Pudong) Corp., Inventec (Shanghai) Corp., Inventec (Shanghai) Service Co., Ltd., Inventec (Beijing) Electronics Technology Co., Ltd., and Inventec Asset-Management (Shanghai) Corporation ; President of Inventec (Shanghai) Corp., and Inventec (Shanghai) Service Co., Ltd.; Director of Inventec Huan Hsin (Zhejiang) Technology Co., Ltd., TPV-Inventa Holding Ltd., AIMobile Co., Inventec Investments Co., Ltd., Inventec Holding (North America) Corp.,Ltd., Inventec Manufacturing (India) Private Limited, Inventec (USA) Corp., Inventec Manufacturing (North America) Corp., Inventec Configuration (North America) Corp., Inventec Distribution(North America) Corp., and IEC Technologies,S.de R.L.de C.V..

Note 2: Chairman of Inventec (Chongqing) Corp., and Inventec (Chongqing) Service Co., Ltd.; Dircetor of TPV-Inventa Holding Ltd., Inventec Appliances Corp., and Inventec Manufacturing (India) Private Limited.

Note 3: Chairman of Inventec (Tianjin) Electronics Co., Ltd., Inventec (Pudong) Technology Corp., and Inventec Hi-Tech Corp.; President of Inventec (USA) Corp., Inventec Manufacturing(North America) Corp., Inventec Configuration(North America) Corp., Inventec Distribution(North America) Corp., IEC Technologies,S.de R.L.de C.V., and Inventec Holding (North America) Corp.,Ltd.; Director of Inventec Appliances Corp., Inventec Holding (North America) Corp., Inventec (USA) Corp., Inventec Manufacturing(North America) Corp., Inventec Configuration(North America) Corp., Inventec Distribution(North America) Corp., ; Representative of Inventec (Czech) s.r.o..

Note 4: Director and President of Inventec Investments Co., Ltd. ; Director of Inventec Solar Engergy Corporation, Arima Communications Corp., Global Strategic Investments Fund, and TPV- Inventa Holding Ltd. ; Supervisor of Inventec Besta Co., Ltd., Inventec Appliances Corp. , and AIMobile Co., Ltd. ; Chief Executive Officer of Inventec Group Charity Foundation ; Supervisor of Inventec Development Japan Corporation.

Note 5: Director of Inventec (Tianjin) Electronics Co., Ltd., Inventec (Pudong) Technology Corp., and Inventec Hi-Tech Corp.; President of Inventec (Pudong) Technology Corp., and Inventec Hi-Tech Corp..

2.2.3 Remuneration of directors, supervisors, the president, and vice president

2.2.3.1 Remuneration of directors

Unit: NT\$ Thousands

| Title                | Name              | Remuneration     |                                   |                        |                                   |             |                                   |               |                                   | Ratio of total to net income |                                   | Relevant remuneration received by directors who are also employees |                                   |                   |                                   |                    |       |      |       | Ratio of total to net income |                                   | Compensation paid to directors from an invested company other than the company's subsidiary |
|----------------------|-------------------|------------------|-----------------------------------|------------------------|-----------------------------------|-------------|-----------------------------------|---------------|-----------------------------------|------------------------------|-----------------------------------|--|-----------------------------------|-------------------|-----------------------------------|--------------------|-------|------|-------|------------------------------|-----------------------------------|---|
|                      |                   | Compensation (A) |                                   | Retirement Pension (B) |                                   | Bonus (C)   |                                   | Allowance (D) |                                   |                              |                                   | Salary and allowance (E)   |                                   | Severance pay (F) |                                   | Employees bonus(G) |       |      |       |                              |                                   |   |
|                      |                   | The company      | Companies in the financial report | The company            | Companies in the financial report | The company | Companies in the financial report | The company   | Companies in the financial report | The company                  | Companies in the financial report | The company  | Companies in the financial report | The company       | Companies in the financial report | cash               | stock | cash | stock | The company                  | Companies in the financial report |   |
| Chairman             | Cho, Tom-Hwar     | 7,200            | 7,200                             | -                      | -                                 | 97,343      | 97,343                            | 2,320         | 2,440                             | 1.64%                        | 1.65%                             | 58,640   | 84,958                            | 1,894             | 1,894                             | -                  | -     | -    | -     | 2.58%                        | 2.98%                             | -   |
| Director             | Yeh, Kuo-I        |                  |                                   |                        |                                   |             |                                   |               |                                   |                              |                                   |  |                                   |                   |                                   |                    |       |      |       |                              |                                   |   |
| Director             | Lee, Tsu-Chin     |                  |                                   |                        |                                   |             |                                   |               |                                   |                              |                                   |  |                                   |                   |                                   |                    |       |      |       |                              |                                   |   |
| Director             | Wen, Shih-Chih    |                  |                                   |                        |                                   |             |                                   |               |                                   |                              |                                   |  |                                   |                   |                                   |                    |       |      |       |                              |                                   |   |
| Director             | Chang, Ching-Sung |                  |                                   |                        |                                   |             |                                   |               |                                   |                              |                                   |  |                                   |                   |                                   |                    |       |      |       |                              |                                   |   |
| Director             | Huang, Kuo-Chun   |                  |                                   |                        |                                   |             |                                   |               |                                   |                              |                                   |  |                                   |                   |                                   |                    |       |      |       |                              |                                   |   |
| Independent Director | Chang, Chang-Pang |                  |                                   |                        |                                   |             |                                   |               |                                   |                              |                                   |  |                                   |                   |                                   |                    |       |      |       |                              |                                   |   |
| Independent Director | Chen, Ruey-Long   |                  |                                   |                        |                                   |             |                                   |               |                                   |                              |                                   |  |                                   |                   |                                   |                    |       |      |       |                              |                                   |   |
| Independent Director | Shyu, Jyuo-Min    |                  |                                   |                        |                                   |             |                                   |               |                                   |                              |                                   |  |                                   |                   |                                   |                    |       |      |       |                              |                                   |   |

\* Apart from those disclosed in the above table, the remuneration received by company directors for providing services to all companies in financial reports of recent years (such as taking a post as an adviser, other than employee): None.

| Bracket  | Name  |   |   |   |
|--|---|---|---|---|
|  | Total of (A+B+C+D)                                |   | Total of (A+B+C+D+E+F+G)                          |   |
|  | The Company                                       | Companies in the financial report                 | The Company                                       | Companies in the financial report                 |
| Below NT\$ 2,000,000                               |   |   |   |   |
| NT\$2,000,000(Included) ~ \$5,000,000(Excluded)    | Chang, Chang-Pang, Chen, Ruey-Long Shyu, Jyuo-Min | Chang, Chang-Pang, Chen, Ruey-Long Shyu, Jyuo-Min | Chang, Chang-Pang, Chen, Ruey-Long Shyu, Jyuo-Min | Chang, Chang-Pang, Chen, Ruey-Long Shyu, Jyuo-Min |
| NT\$5,000,000(Included) ~ \$10,000,000(Excluded)   |   |   |   |   |
| NT\$10,000,000(Included) ~ \$15,000,000(Excluded)  | Lee, Tsu-Chin, Wen, Shih-Chih, Huang, Kuo-Chun    | Lee, Tsu-Chin, Wen, Shih-Chih, Huang, Kuo-Chun    | Lee, Tsu-Chin, Wen, Shih-Chih, Huang, Kuo-Chun    | Lee, Tsu-Chin, Wen, Shih-Chih, Huang, Kuo-Chun    |
| NT\$15,000,000(Included) ~ \$30,000,000(Excluded)  | Cho, Tom-Hwar Yeh, Kuo-I, Chang, Ching-Sung       | Cho, Tom-Hwar Yeh, Kuo-I, Chang, Ching-Sung       | Cho, Tom-Hwar Yeh, Kuo-I, Chang, Ching-Sung       | Cho, Tom-Hwar Yeh, Kuo-I, Chang, Ching-Sung       |
| NT\$30,000,000(Included) ~ \$50,000,000(Excluded)  |   |   |   |   |
| NT\$50,000,000(Included) ~ \$100,000,000(Excluded) |   |   |   |   |
| Over NT\$100,000,000                               |   |   |   |   |
| Total  | 9   | 9   | 9   | 9   |

Note: Supervisor's remuneration is not applicable (due to the establishment of the audit committee)



2.2.3.2 Remunerations paid to the management team

Unit: NT\$ Thousands

| Title                    | Name             | Compensation<br>(A) |                                      | Retirement<br>Pension (B) |                                      | Bonus<br>(C) |                                      | Employees bonus<br>(D) |       |                                      |       | Ratio of total<br>to net income |                                      | Compensation<br>paid to directors<br>from an invested<br>company other<br>than the<br>company's<br>subsidiary |
|--------------------------|------------------|---------------------|--------------------------------------|---------------------------|--------------------------------------|--------------|--------------------------------------|------------------------|-------|--------------------------------------|-------|---------------------------------|--------------------------------------|---|
|                          |                  | The company         | Companies in the<br>financial report | The company               | Companies in the<br>financial report | The company  | Companies in the<br>financial report | The company            |       | Companies in the<br>financial report |       | The company                     | Companies in the<br>financial report |   |
|                          |                  |                     |                                      |                           |                                      |              |                                      | cash                   | stock | cash                                 | stock |                                 |                                      |   |
| President                | Wu, Yung-Tsai    | 54,696              | 54,696                               | -                         | -                                    | 95,400       | 95,770                               | 35,300                 | -     | 35,300                               | -     | 2.85%                           | 2.86%                                | -   |
| Business Group President | Chang, Hui       |                     |                                      |                           |                                      |              |                                      |                        |       |                                      |       |                                 |                                      |   |
| Business Group President | Tsai, Chih-An    |                     |                                      |                           |                                      |              |                                      |                        |       |                                      |       |                                 |                                      |   |
| Senior Vice President    | Chiu, ChuiI-Kuan |                     |                                      |                           |                                      |              |                                      |                        |       |                                      |       |                                 |                                      |   |
| Senior Vice President    | Chen, Yea-Ping   |                     |                                      |                           |                                      |              |                                      |                        |       |                                      |       |                                 |                                      |   |
| Senior Vice President    | Yi, Fu-Ming      |                     |                                      |                           |                                      |              |                                      |                        |       |                                      |       |                                 |                                      |   |
| Vice President           | Chang, Nai-Wen   |                     |                                      |                           |                                      |              |                                      |                        |       |                                      |       |                                 |                                      |   |
| Vice President           | Hong, Kuo-Ching  |                     |                                      |                           |                                      |              |                                      |                        |       |                                      |       |                                 |                                      |   |
| Vice President           | Chang Yiu-Lang   |                     |                                      |                           |                                      |              |                                      |                        |       |                                      |       |                                 |                                      |   |
| Vice President           | Yu, Chin-Pao     |                     |                                      |                           |                                      |              |                                      |                        |       |                                      |       |                                 |                                      |   |
| Vice President           | Chien, Kuei-Fen  |                     |                                      |                           |                                      |              |                                      |                        |       |                                      |       |                                 |                                      |   |
| Vice President           | Lou, Jin-Pang    |                     |                                      |                           |                                      |              |                                      |                        |       |                                      |       |                                 |                                      |   |
| Vice President           | Tsai, Yuh-Chen   |                     |                                      |                           |                                      |              |                                      |                        |       |                                      |       |                                 |                                      |   |
| Vice President           | Hsu, Ching-Wu    |                     |                                      |                           |                                      |              |                                      |                        |       |                                      |       |                                 |                                      |   |
| Vice President           | Chou, Shao-Hsin  |                     |                                      |                           |                                      |              |                                      |                        |       |                                      |       |                                 |                                      |   |
| Vice President           | Lin, Shu-Ju      |                     |                                      |                           |                                      |              |                                      |                        |       |                                      |       |                                 |                                      |   |
| Vice President           | Liu, Ta-Cheng    |                     |                                      |                           |                                      |              |                                      |                        |       |                                      |       |                                 |                                      |   |
| Vice President           | Yen, Cheng-Lung  |                     |                                      |                           |                                      |              |                                      |                        |       |                                      |       |                                 |                                      |   |
| Vice President           | Chao,Tsai-Hsiu   |                     |                                      |                           |                                      |              |                                      |                        |       |                                      |       |                                 |                                      |   |

Note: Lin, Shu-Ju, Liu, Ta-Cheng, Yen, Cheng-Lung, Chao, Tsai-Hsiu as the Vice President on 27th Feb. 2018.

| Bracket   | Name  |   |
|---|---|---|
|   | The Company   | Companies in the financial report   |
| Below NT\$ 2,000,000                                  |   |   |
| NT\$2,000,000(Included) ~<br>\$5,000,000(Excluded)    |   |   |
| NT\$5,000,000(Included) ~<br>\$10,000,000(Excluded)   | Chen, Yea-Ping , Chiu, ChuiI-Kuan, Chang, Nai-Wen, Hong,<br>Kuo-Ching, Chang, Yiu-Lang, Chien, Kuei-Fen, Tsai,<br>Yuh-Chen, Hsu, Ching-Wu, Chou, Shao-Hsin, Lin, Shu-Ju,<br>Liu, Ta-Cheng, Yen ,Cheng-Lung, Chao, Tsai-Hsiu | Chen, Yea-Ping , Chiu, ChuiI-Kuan, Chang, Nai-Wen, Hong,<br>Kuo-Ching, Chang, Yiu-Lang, Chien, Kuei-Fen, Tsai,<br>Yuh-Chen, Hsu, Ching-Wu, Chou, Shao-Hsin, Lin, Shu-Ju,<br>Liu, Ta-Cheng, Yen ,Cheng-Lung, Chao, Tsai-Hsiu |
| NT\$10,000,000(Included) ~<br>\$15,000,000(Excluded)  | Lou, Jin-Pang , Yu, Chin-Pao, Yi, Fu-Ming   | Lou, Jin-Pang , Yu, Chin-Pao, Yi, Fu-Ming   |
| NT\$15,000,000(Included) ~<br>\$30,000,000(Excluded)  | Wu, Yung-Tsai, Chang, Hui, Tsai, Chih-An  | Wu, Yung-Tsai, Chang, Hui, Tsai, Chih-An  |
| NT\$30,000,000(Included) ~<br>\$50,000,000(Excluded)  |   |   |
| NT\$50,000,000(Included) ~<br>\$100,000,000(Excluded) |   |   |
| Over NT\$100,000,000                                  |   |   |
| Total   | 19  | 19  |

### 2.2.3.3 Employee profit sharing granted to management team

Unit: NT\$ Thousands

| Title                            | Name              | Stock | Cash   | Total  | Ratio of Total Amount to Net Income |
|----------------------------------|-------------------|-------|--------|--------|-------------------------------------|
| President                        | Wu, Yung-Tsai     | -     | 39,700 | 39,700 | 0.61%                               |
| Business Group President         | Chang, Hui        |       |        |        |                                     |
| Business Group President         | Tsai, Chih-An     |       |        |        |                                     |
| Senior Vice President            | Chiu, Chui-I-Kuan |       |        |        |                                     |
| Senior Vice President            | Chen, Yea-Ping    |       |        |        |                                     |
| Senior Vice President            | Yi, Fu-Ming       |       |        |        |                                     |
| Vice President                   | Chang, Nai-Wen    |       |        |        |                                     |
| Vice President                   | Hong, Kuo-Ching   |       |        |        |                                     |
| Vice President                   | Chang Yiu-Lang    |       |        |        |                                     |
| Vice President                   | Yu, Chin-Pao      |       |        |        |                                     |
| Vice President                   | Chien, Kuei-Fen   |       |        |        |                                     |
| Vice President                   | Lou, Jin-Pang     |       |        |        |                                     |
| Vice President                   | Tsai, Yuh-Chen    |       |        |        |                                     |
| Vice President                   | Hsu, Ching-Wu     |       |        |        |                                     |
| Vice President                   | Chou, Shao-Hsin   |       |        |        |                                     |
| Vice President                   | Lin, Shu-Ju       |       |        |        |                                     |
| Vice President                   | Liu, Ta-Cheng     |       |        |        |                                     |
| Vice President                   | Yen, Cheng-Lung   |       |        |        |                                     |
| Vice President                   | Chao, Tsai-Hsiu   |       |        |        |                                     |
| Senior Director                  | Li, Jui-Chin      |       |        |        |                                     |
| Senior Director of Talent Center | Yu, Win-Chee      |       |        |        |                                     |
| Director of Finance Center       | Liang, Wen-Jan    |       |        |        |                                     |
| Director of Talent Center        | Lin, Shih-Pin     |       |        |        |                                     |
| Director of Finance Center       | Hsiao, I-Ying     |       |        |        |                                     |

Note: Lin, Shu-Ju, Liu, Ta-Cheng, Yen, Cheng-Lung, Chao, Tsai-Hsiu as the Vice President on 27th Feb. 2018; Li, Jui-Chin as the Senior Director on 27th Feb. 2018

2.2.3.4 Compare and state the ratio of total remuneration paid to the company's directors, supervisors, president and vice presidents by the company and the companies in the consolidated financial statements to net income in the past two years.

Unit: NT\$ Thousands

| Item   | The Company |           | Companies in the financial report |           |
|--|-------------|-----------|-----------------------------------|-----------|
|  | 2017        | 2018      | 2017                              | 2018      |
| Remuneration of Directors                        | 117,798     | 106,863   | 117,928                           | 106,983   |
| Ratio of total to net income                     | 1.74%       | 1.64%     | 1.75%                             | 1.65%     |
| Remuneration of the President and Vice President | 204,298     | 185,396   | 204,748                           | 185,766   |
| Ratio of total to net income                     | 3.02%       | 2.85%     | 3.03%                             | 2.86%     |
| Net income                                       | 6,754,912   | 6,499,856 | 6,754,912                         | 6,499,856 |

Note: The Company's audit committee is established on 16th Jun. 2017. Compared with 2017, the ratio of remuneration of the directors, president and vice presidents to the after-tax net profit was reduced in 2018 to reduce distributable profit.

2.2.3.5 Policy, standards, and combination of remuneration payment to directors, supervisors, president, and vice president, the remuneration determination procedure, and the relationship between operation performance and future risk

- (1). According to the Articles of Incorporation of the Company, if the Company has annual profits, no less than 3% of them shall be allocated as employee remuneration, and no more than 3% as director remuneration. However, when the Company experiences accumulated losses, it shall reserve the compensation amount in advance. The employee remuneration may be issued in cash or stock; the issuing object may include employees subordinated to the company that conform to certain conditions; and the conditions and methods thereof will be stipulated by the Board of Directors.

Remuneration payable to the board of directors shall be determined once the salary and remuneration committee has reviewed and submitted their report to the board. Remuneration should not be above the limit ceiling, as stipulated in the Company's articles of association. The stipulated remuneration procedure is based on the "Performance Evaluation Regulations of the Board" and "Remuneration Regulations of the Board of Directors and Manager". The company salary and remuneration committee will, aside from taking reference from the standard of the peer trade, evaluate performance and salary remuneration based on the following criteria: the amount of time devoted to the company by the individuals, the responsibility shouldered, the objectives achieved by the individuals and other scenarios, their performance assuming other duty-posts, the

salary and remuneration awarded by the company to individuals in similar posts in recent years, the short-term achievement and longer sales objectives of the company, the performance of the company's operations, and reasonableness related to future risk.

- (2). Remuneration payable to the president and vice president shall be determined after the salary and remuneration committee has reviewed and submitted their report to the board. The stipulated remuneration procedure is based on the "Remuneration Regulations of the Board of Directors and Manager". The Company salary and remuneration committee will, aside from taking reference from the standard of the peer trade, evaluate performance and salary remuneration based on the following criteria: the amount of time devoted to the company by the individuals, the responsibility shouldered, the objectives achieved by the individuals and other scenarios, their performance assuming other duty-posts, the salary and remuneration awarded by the company to individuals in similar posts in recent years, the short-term achievement and longer sales objectives of the company, the performance of the company's operations, and reasonableness related to future risk.

## 2.3 Implementation of corporate governance

### 2.3.1 Board of directors

A total of 12 (A) meetings of the board of directors were held in 2018. Directors' attendance status is as follows:

| Title                | Name              | Attendance in Person (B) | By Proxy | Attendance Rate (%) B/A | Remarks |
|----------------------|-------------------|--------------------------|----------|-------------------------|---------|
| Chairman             | Cho, Tom-Hwar     | 12                       | 0        | 100%                    |         |
| Director             | Yeh, Kuo-I        | 12                       | 0        | 100%                    |         |
| Director             | Lee, Tsu-Chin     | 12                       | 0        | 100%                    |         |
| Director             | Wen, Shih-Chih    | 12                       | 0        | 100%                    |         |
| Director             | Chang, Ching-Sung | 12                       | 0        | 100%                    |         |
| Director             | Huang, Kuo-Chun   | 12                       | 0        | 100%                    |         |
| Independent Director | Chang, Chang-Pang | 12                       | 0        | 100%                    |         |
| Independent Director | Chen, Ruey-Long   | 11                       | 1        | 92%                     |         |
| Independent Director | Shyu, Jyuo-Min    | 12                       | 0        | 100%                    |         |

Other matters that should be recorded:

I. Should any of the following circumstances occur at the Board of Directors Meeting, the date of the Board of Directors, the stage, contents proposed, opinions of all independent directors, and the Company's handling of independent directors' opinions, should any exist, shall be specified:

- (I) Matters as stipulated in Paragraph 3 of Article 14 of the Securities Exchange Act: Not Applicable (due to the establishment of the audit committee).
- (II) Apart from the above-mentioned matters, other board resolution matters on which an independent director has an adverse or expertise opinion recorded or in the form of a written statement: None.

II. For the director's avoidance of proposal with a conflict of interest, the name of the director, proposal content, reason for conflict of interest, and participation in voting shall be specified:

| Board of Directors Meeting | Board of Directors  | Contents proposed   | Cause of conflict of interest and status of voting participation  |
|----------------------------|---|---|---|
| 2018.03.26                 | Cho, Tom-Hwar<br>Yeh, Kuo-I<br>Lee, Tsu-Chin,<br>Wen, Shih-Chih,<br>Chang, Ching-Sung,<br>Huang, Kuo-Chun | Discuss the remuneration of the Company's employees and directors in 2017 proposed by Remuneration Committee.         | This resolution proposes the directors' remunerations and, except for the directors prohibited from discussion and voting according to law, the other attending directors have no objection, and this resolution is approved. |
| 2018.03.26                 | Chang, Ching-Sung,<br>Chen, Ruey-Long,<br>Shyu, Jyuo-Min  | Remove the new restrictions on non-competition of the directors Chang, Ching-Sung, Chen, Ruey-Long and Shyu, Jyuo-Min | Except for the directors prohibited from discussion and voting, the other attending directors have no objection, and this resolution is approved.   |
| 2018.11.12                 | Yeh, Kuo-I<br>Lee, Tsu-Chin,  | Donate TWD 10 million to Inventec Group Charity Foundation.   | Except for the directors prohibited from discussion and voting, the other attending directors have no   |

|            |   |  |   |
|------------|---|--|---|
|            | Chang, Chang-Pang,<br>Chen, Ruey-Long,  |  | objection, and this resolution is approved.   |
| 2018.12.25 | Cho, Tom-Hwar<br>Yeh, Kuo-I<br>Lee, Tsu-Chin,<br>Wen, Shih-Chih,<br>Chang, Ching-Sung,<br>Huang, Kuo-Chun | Discuss the remuneration of the directors and managers proposed by Remuneration Committee of company | This resolution proposes the directors' remunerations and, except for the directors prohibited from discussion and voting according to law, the other attending directors have no objection, and this resolution is approved. |

III. Objective of strengthening the function of the Board of Directors in the current year and recent years (e.g. set up an Audit Committee, improve information transparency, etc.) and execution assessment: The Company adopted the system for nominating candidates in 2017 to elect the 15th session of directors and supervisors, electing nine directors (including three independent directors). All independent board directors will work as members of the Audit Committee, while a substitute supervisor will be installed for the Audit Committee. In order to strengthen the independence and diversity of the Board of Directors. The diversified policy is adopted for the appointment of the director, including basic conditions and values: gender, age, nationality and culture, etc., and professional knowledge and skills: professional background, professional skills and industrial experience, etc. If a member of the Board of Directors receives further continuous education during the term of office, the Company will buy liability insurance for the business scope executed by all directors. The Board of Directors is responsible to the Shareholders' Meeting and exercise its function and power according to relevant laws and decrees, the Company's Articles of Association, and resolutions of Shareholders' Meetings. Members of the Board of Directors adhere to the attitude of loyalty, prudence, and fulfilling manager's responsibility, take company interests as their premise, assess company operation strategies, risk management, annual budget, and business performance, and supervise significant matters, such as major capital expenditure, investment disposal, etc. Board of Directors meetings shall be convened at least once every quarter, and important resolutions shall be published immediately on the company website for inquiry. The Board of Directors and senior supervisors of the Company attach great importance to corporate governance and the implementation of the internal control system, convening a Board of Directors meeting every month to review issues such as corporate governance, finance, operations and the internal control system, etc. A corporate governance meeting is also convened every quarter, appointing an accountant with checking and auditing (audit and review) the content and indicating the impact that the new laws and regulations will have on the Company, and propose suggestions and descriptions on new laws and decrees regarding examination each quarter, and the Board of Directors will coordinate with relevant laws and decrees to adjust the practice and regulation of corporate governance and the internal control system.



IV. Circumstances of the company's individual directors in implementing the diversified policy for members of the Board of Directors:

| Diversified Items<br>Name | Nationality | Gender | Law | Accounting and finance | Marketing technology | Operating management | Industry knowledge | Leadership decisions | Operation judgment | Crisis management | International market opinion |
|---------------------------|-------------|--------|-----|------------------------|----------------------|----------------------|--------------------|----------------------|--------------------|-------------------|------------------------------|
| Cho, Tom-Hwar             | R.O.C       | Male   | -   | V                      | V                    | V                    | V                  | V                    | V                  | V                 | V                            |
| Yeh, Kuo-I                | R.O.C       | Male   | -   | V                      | V                    | V                    | V                  | V                    | V                  | V                 | V                            |
| Lee, Tsu-Chin             | R.O.C       | Male   | -   | V                      | V                    | V                    | V                  | V                    | V                  | V                 | V                            |
| Wen, Shih-Chih            | R.O.C       | Male   | -   | V                      | V                    | V                    | V                  | V                    | V                  | V                 | V                            |
| Chang, hing-Sung          | R.O.C       | Male   | -   | V                      | V                    | V                    | V                  | V                    | V                  | V                 | V                            |
| Huang, Kuo-Chun           | R.O.C       | Male   | -   | V                      | V                    | V                    | V                  | V                    | V                  | V                 | V                            |
| Chang, hang-Pang          | R.O.C       | Male   | V   | V                      | -                    | V                    | V                  | V                    | V                  | V                 | V                            |
| Chen, Ruey-Long           | R.O.C       | Male   | -   | V                      | -                    | V                    | V                  | V                    | V                  | V                 | V                            |
| Shyu, Jyuo-Min            | R.O.C       | Male   | -   | -                      | V                    | V                    | V                  | V                    | V                  | V                 | V                            |

Note 1: Independent directors (three seats) account for 33%.

Note 2: Term of office of independent directors: 2014/06/12 two seats / term of 5 years, 2017/06/16 1 seat / term of 2 years

V. Attendance of independent directors at 2018 board meetings:

●: Attending in person; ◎: Delegated a representative to attend; ○: absent

| Board of Directors Meeting | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
|----------------------------|---|---|---|---|---|---|---|---|---|----|----|----|
| Chang, hang-Pang           | ● | ● | ● | ● | ● | ● | ● | ● | ● | ●  | ●  | ●  |
| Chen, Ruey-Long            | ● | ● | ◎ | ● | ● | ● | ● | ● | ● | ●  | ●  | ●  |
| Shyu, Jyuo-Min             | ● | ● | ● | ● | ● | ● | ● | ● | ● | ●  | ●  | ●  |

### 2.3.2 Audit committee :

A total of 4 (A) meetings of the audit committee were held in 2018. Attendance status is as follows:

| Title            | Name              | Attendance in Person (B) | By Proxy | Attendance Rate (%) B/A | Remarks |
|------------------|-------------------|--------------------------|----------|-------------------------|---------|
| Convener         | Chang, Chang-Pang | 4                        | 0        | 100%                    |         |
| Committee member | Chen, Ruey-Long   | 4                        | 0        | 100%                    |         |
| Committee member | Shyu, Jyuo-Min    | 4                        | 0        | 100%                    |         |

Other scenarios to be described:

A. If the audit committee is found to have any of the following situations, it should state the date of the board meeting, session, case content, resolution result by the audit committee, and administration of the company regarding the opinion of the audit committee

a. Items listed in Article 14-5 of the stock transaction Law

| Audit Committee | Contents proposed  | Matters stipulated in Paragraphs 14-3 of the Securities Exchange Act | Administration of the company regarding the opinion of the Audit Committee | Resolution result by the Audit Committee  |
|-----------------|--|--|--|---|
| 2018.03.26      | 1. 2017 statement of internal control system   | 14-5-11  | N  | Passed by all   |
|                 | 2. 2017 financial report and business report   | 14-5-10  | N  | Passed by all   |
|                 | 3. Profit distribution of 2017   | 14-5-11  | N  | Passed by all   |
|                 | 4. Employment of certified public accountant.  | 14-5-8   | N  | Passed by all   |
|                 | 5. Modification of the articles of incorporation   | 14-5-11  | N  | Passed by all   |
|                 | 6. Modification of the company's endorsed guarantee implementation regulation  | 14-5-3   | N  | Passed by all   |
|                 | 7. Removal of directors Chang, Ching-Sung, Chen, Ruey-Long and Shyu, Jyuo-Min's new restrictions on non-competition. | 14-5-4   | N  | Except for the directors prohibited from discussion and voting, the other attending directors have no objection, and this resolution is approved. |

|            |  |         |   |               |
|------------|--|---------|---|---------------|
| 2018.05.15 | 1. 2018 Q1 consolidated financial report                                     | 14-5-11 | N | Passed by all |
| 2018.08.14 | 1. 2018 Q2 consolidated financial report                                     | 14-5-10 | N | Passed by all |
| 2018.11.12 | 1. 2018 Q3 consolidated financial report.                                    | 14-5-11 | N | Passed by all |
|            | 2. Revision of the Internal Control System of the Company.                   | 14-5-1  | N | Passed by all |
|            | 3. Revision of the performance evaluation regulation for board of directors. | 14-5-4  | N | Passed by all |
|            | 4. Accountant's fees of 2018   | 14-5-8  | N | Passed by all |

b. Apart from the aforementioned item, other cases of resolution not passed by the Audit Committee but agreed to by two-thirds of the entire board of directors: None

B. Regarding execution by independent board directors preventing cases of conflict of interest, name of independent board director, motion content, case of conflict of interest avoided, and voting participation should be described: See A (a) for removal of Chen, Ruey-Long and Shyu, Jyuo-Min's new non-competition restrictions.

C. Communication of independent board directors with the internal auditing chief and accountant (company finance, major issues of business conditions conducted through communications, and the methods and results should be described).

a. Based on the regulations of "Regulations Governing Establishment of Internal Control Systems by Public Companies" the internal auditing chief will prepare an audit report, follow it up after it is submitted, and hand it over to an independent board director for review by the end of the month after the month in which the auditing items were completed.

b. In view of items for consultation and instruction by independent board directors for improvement and subsequent follow-up, these items should be filed and reported to the independent board director after being completed, and the consultation results should be reported to the board at the end of the month.

c. When the company's internal control system gives instruction for project auditing an important issue, the project auditing team should carry out auditing and complete the auditing report.

d. The audit center should report to independent board directors about internal auditing business every month, and the status of communication between the independent board director and the auditing chief should be favorable.

- e. Independent board directors should carry out communication related to company governance meetings, important finances, and business conditions every season, and the status of communication between the independent board director and the auditing chief should be favorable.

D. Communication and scenario of independent board directors with the internal auditing chief and accountant

| Date of meeting                                | Subject of communication                  | Items of communication  | Process execution results of the company   |
|--|---|---|--|
| 2018.03.26<br><br>Corporate governance meeting | Accountant<br><br>Internal auditing chief | Audit range and opinion of 2017 financial report<br><br>Description of key audit items<br><br>Financial statement and major accounting item analysis description<br><br>Impact of new bulletin -IFRS9   | The directors have no objection at the meeting.  |
| 2018.03.26<br><br>Audit Committee              | Accountant<br><br>Internal auditing chief | Statement of 2017 internal control system<br><br>2017 financial report and business report<br><br>2017 profit distribution<br><br>Employment of certified public accountant<br><br>Modification of the articles of incorporation<br><br>Modification of the company's endorsed guarantee implementation regulation<br><br>Removal of directors Chang, Ching-Sung, Chen, Ruey-Long and Shyu, Jyuo-Min' s new restrictions on | After passage by the Audit Committee, it shall be submitted to the board for resolution. |

|  |                                       |   |  |
|--|---------------------------------------|---|--|
|  |                                       | non-competition.  |  |
| 2018.05.15<br>Corporate governance meeting | Accountant<br>Internal auditing chief | Audit range and opinion of 2018 Q1 financial report<br>Financial statement and major accounting item analysis description<br>Impact of new bulletin -IFRS9 & IFRS15<br>Important law update - Financial Regulatory Committee's new corporate governance blueprint | The directors have no objection at the meeting.  |
| 2018.05.15<br>Audit Committee              | Accountant<br>Internal auditing chief | 2018 Q1 consolidated financial report   | After passage by the Audit Committee, it shall be submitted to the board for resolution. |
| 2018.08.14<br>Corporate governance meeting | Accountant<br>Internal auditing chief | Audit range and opinion of 2018 Q2 financial report<br>Financial statement and major accounting item analysis description<br>Key audit items of 2018<br>Important act update - company law  | The directors have no objection at the meeting.  |
| 2018.08.14<br>Audit Committee              | Accountant                            | 2018 Q2 consolidated financial report   | After passage by the Audit Committee, it shall be submitted to the board for resolution. |
| 2018.11.12<br>Corporate governance         | Accountant<br>Internal auditing chief | Audit range and opinion of 2018 Q3 financial report<br>Financial statement and major accounting item analysis description   | The directors have no objection at the meeting.  |

|                               |  |   |   |
|-------------------------------|--|---|---|
| meeting                       |  | <p>Communication of other items</p> <p>Key audit items of 2018</p> <p>Important laws update- revision emphasis of mainland China's individual income tax</p>  |   |
| 2018.11.12<br>Audit Committee | <p>Accountant</p> <p>Internal auditing chief</p> | <p>2018 Q3 consolidated financial report</p> <p>Modification of internal control system</p> <p>Modification of performance evaluation regulation for board of directors.</p> <p>Accountant's fees of 2018</p> | <p>After passage by the Audit Committee, it shall be submitted to the board for resolution.</p> |

E. The audit committee intends to assist the board of directors in overseeing the quality and integrity of the company's accounting, auditing, and financial reporting processes and financial controls. Matters to be deliberated by the audit committee include:

1. Establish or amend the internal control system in accordance with Article 14.1 of the Securities Exchange Act
2. Evaluate the effectiveness of the internal control system
3. According to Article 36.1 of the Securities and Exchange Act, establish or amend the procedures for asset acquisition or disposal, transaction of derivative commodities, lending, endorsement or security provision and other material financial transactions.
4. Items relevant to the directors' interest
5. Transaction of major asset or derivative commodities
6. Lending of large amounts, endorsements and security provisions
7. Raising, issuance or private placement of securities of an equity nature.
8. Appointment, discharge and remuneration of certified public accountant.
9. Appointment and removal of finance, accounting or internal audit supervisors

10. Annual financial report and semi-annual financial report

11. Other major issues stipulated by the company or the competent authority

F. Business performance of the audit committee in 2018

1. The company holds quarterly audit committee meetings to supervise the company's financial and business conditions and internal control system.
2. Refer A(a) for detailed operations in 2018
3. Review of financial reports (see the audit committee's report on Page 137 of the annual report).
4. Evaluate the effectiveness of the internal control system: The audit committee evaluates the effectiveness of the company's internal control systems, policies, and procedures (including financial, operational, risk management, information security, outsourcing, compliance, and other control measures) and then reviews the regular reports submitted by the audit department and the registered public accountant and management, including for risk management and compliance. The audit committee believes that the company's risk management and internal control systems are effective, as well as that the company has adopted necessary control mechanisms to monitor and correct any violations.
5. 2018 internal control system statement (see Page 84 of the annual report)

**2.3.3 Participation of supervisor in board meeting: NA. The company has established the audit committee.**

### 2.3.4 Corporate governance implementation status and deviations from “corporate governance best-practice principles for TWSE/GTSM listed companies”

| Item   | Implementation Status |   |  | Non-implementation and its reason(s) |
|--|-----------------------|---|--|--------------------------------------|
|  | Y                     | N | Summary  |                                      |
| 1. If the Company established and disclosed Corporate Governance Principles in accordance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies? | ✓                     |   | <p>The Company has formulated the "Inventec Corporation Corporate Governance Best Practice Principles" pursuant to the "Listed Company Corporate Governance Best Practice Principles" and was disclosed on the company website and <a href="http://mops.twse.com.tw">mops.twse.com.tw</a>. In order to establish good corporate governance and risk control, the Company takes creating shareholder value and integrity operations as its objective and formulates relevant corporate governance rules under the premise of complying with the basic requirements of laws and ethical standards. In order to guarantee shareholder equality, the Company has formulated the Code of Integrity Operation, Codes of Ethical Conduct, Global Employee Code of Conduct Management Measures, and Procedures for Handling Material Inside Information in order to regulate information confidentiality and prevent insider trading and conflicts of interest, which will impact the rights and interests of the Company. Furthermore, the Company provides complaint channels and procedures to strengthen the enterprise's attention to the rights and interests of interested parties. Through the internal and external company website, e-mail, and contract, the Company carries out educational propaganda on corporate governance laws and decrees, so that company directors, managers, and employees can fully understand and abide by laws and codes of conduct related to the businesses engaged by them.</p> <p>Listed subsidiaries of the Company Group have not yet formulated such regulations, but they all abide by relevant regulations.</p> | No difference.                       |



| Item  | Implementation Status |   |  | Non-implementation and its reason(s) |
|---|-----------------------|---|--|--------------------------------------|
|   | Y                     | N | Summary  |                                      |
| 2. Shareholding Structure & Shareholders' Rights  |                       |   |  |                                      |
| (1) If the Company established internal procedures to handle shareholder suggestions, proposals, complaints and litigation and execute accordingly? | ✓                     |   | (1) Pursuant to internal stock affairs operation procedure, the Company assigns stock affairs and relevant responsible units to be responsible for handling shareholder suggestions, doubts, disputes, litigation, etc. and implement them according to procedures; the Company otherwise appoints a professional stock affairs agency as the window for serving shareholders.   | No difference.                       |
| (2) If the Company maintained of a list of major shareholders and a list of ultimate owners of these major shareholders?                            | ✓                     |   | (2) In case of change of stock rights held by an insider (director, manager, and shareholder holding more than 10% of the total stock), the Company will declare such at mops.twse.com.tw on a monthly basis, so that the stock affairs unit can instantly and effectively master major shareholders and the final controller list of the major shareholders.  | No difference.                       |
| (3) If risk management mechanism and "firewall" between the Company and its affiliates are in place?  | ✓                     |   | (3) The internal control of the Company covers risk management and operation activity of the operation level and has formulated the "Subsidiary Management Measures" to supervise operation management and financial and business information of the subsidiary in order to implement the risk control mechanism to the subsidiary. The Company has also formulated written specifications for financial business related operations between and among affiliated enterprises; all business contacts shall be handled according to the operation specifications in order to completely eradicate non-routine transactions. | No difference.                       |
| (4) If the Company established internal policies that forbid insiders from trading based on non-disclosed information?                              | ✓                     |   | (4) The Company has formulated the "Codes of Ethical Conduct" and "Insider Trading Prevention Management Operation Procedure", among others, to prohibit company insiders from utilizing information undisclosed to the market to transact negotiable securities; internal educational training and  | No difference.                       |

| Item   | Implementation Status |   |  | Non-implementation and its reason(s) |
|--|-----------------------|---|--|--------------------------------------|
|  | Y                     | N | Summary  |                                      |
|  |                       |   | literature are carried out regularly.  |                                      |
| 3. Structure of Board of Directors and its responsibility  |                       |   |  |                                      |
| (1) Does the Board of Directors set and implement a diversification policy?  | ✓                     |   | (1) Pursuant to Article 20 of the "Inventec Corporation Corporate Governance Best Practice Principles", the Company has formulated diversified policies for members of the Board of Directors and implements them. Basic conditions and value, as well as gender, age, nationality, culture, etc., shall be considered, and they shall possess professional knowledge and skills, especially the knowledge, skills and quality required to perform their duty, including operation judgment, accounting and financial analysis, crisis management, leadership and decision-making ability, and industry knowledge and international market view.                               | No difference.                       |
| (2) If the Company established any other functional committee in addition to Remueration Committee,Audit Committee as required by law? | ✓                     |   | (2) The company has its independent board directors working as members of the salary and Remuneration Committee and Audit Committee.The Company will also establish the "Social Responsibility Group", which is dedicated to promoting corporate social responsibility and related affairs.  | No difference.                       |
| (3) If the Company established methods and procedures to assess the performance of the Board and conduct assessment on annual basis?   | ✓                     |   | (3) According to Article 37 of the practical regulations of the listed company governance practice regulations, the company formulates and provides performance evaluation regulations of the board of directors to the board of directors for approval, implements corporate governance, improves the functions of the board of directors, and publishes them on the company website. The company's board of directors annually performs performance evaluation. The scope of the 2018 performance evaluation of the executive board covers the performance evaluation of the overall board of directors, functional committees, and individual board members. The evaluation | No difference.                       |

| Item | Implementation Status |   |   | Non-implementation and its reason(s) |
|------|-----------------------|---|---|--------------------------------------|
|      | Y                     | N | Summary   |                                      |
|      |                       |   | <p>methods include internal self- evaluation of the board of directors, self-evaluation of board members, and evaluation. The internal performance evaluation criteria for the board of directors (functional committee) include: 1. extent of participation in company operations; 2. enhancing the decision-making quality of the board; 3. board composition and structure; 4. election and continuous learning of board directors; and 5. internal control. Preference evaluation items of directors: 1. understanding of the company's targets and tasks; 2. understanding of their responsibilities; 3. participation in the company's operations; 4. internal relationship management and communication; 5. specialty and continuous advanced studies; and 6. internal control. In 2018, the results are "good" for the internal performance self-evaluation of the board of directors, the functional committee, and the performance self-evaluation of board members. According to the performance evaluation regulations for the board of directors, the evaluation is performed by an external professional independent agency or an external expert team at least once every three years. In 2018, the external professional independent agency KPMG Enterprise Management Co., Ltd. was contracted for the external evaluation, and Executive Vice President Zhu Chengguang worked as the project director. The evaluation period was from September 4, 2018 to January 9, 2019. The evaluation range covers the entire board of directors, functional committees, and individual board members. The evaluation method includes data analysis, questionnaires, and interviews, and the performance evaluation reports are issued according to the evaluation results. The evaluation contents of the board of directors include establishment of an efficient board of directors, effective operation of the board of directors, professional development and advanced study, enterprise foresight, responsibility performance, responsibility understanding, management level, creation of corporate culture,</p> |                                      |

| Item  | Implementation Status |   |   | Non-implementation and its reason(s) |
|---|-----------------------|---|---|--------------------------------------|
|   | Y                     | N | Summary   |                                      |
| (4) If the Company assess the independence of CPA periodically? | ✓                     |   | <p>communication with stakeholders, and performance evaluation. The evaluation contents of the board members include understanding of the company's goals and tasks, understanding of responsibilities, professional development and advanced study, degree of participation in the company's operations, and internal relationship management and communication. The performance evaluation contents of the audit committee include the establishment of an efficient audit committee, effective operation of the audit committee, professional development and advanced study, performance of responsibilities, establishment of appeal channels, relationship with the board of directors, and performance evaluation. The performance evaluation of the compensation committee consists of the establishment of an efficient compensation committee, effective operation of the compensation committee, professional development and advanced study, understanding of responsibilities, relationship with the board of directors and performance evaluation. The results are "good" or "excellent" for the internal performance self-evaluation of the board of directors, the functional committee, and the performance self-evaluation of board members in 2018. Recommendations for optimization include increasing the number of women directors and strengthening directors' professional development programs, the audit committee's supervision of the compliance framework for oversee global operations, and the reporting process. The results of the 2018 internal and external performance evaluation of the board of directors and subsequent suggestions were reported to the board of directors in January 2019.</p> <p>(4) Every year, after consent is obtained from the Audit Committee, it shall be submitted to the board for resolution and decide to appoint an accountant and regularly examines the accountant's independence and evaluates whether there is circumstance of violating No. 10 of the Code of Ethics</p> | No difference.                       |

| Item   | Implementation Status |   |   | Non-implementation and its reason(s) |
|--|-----------------------|---|---|--------------------------------------|
|  | Y                     | N | Summary   |                                      |
|  |                       |   | bulletin or the occurrence of circumstances stipulated in Article 47 of the Accounting Act. It further confirms that the accountant has no other financial interests and business relationship with the Company other than the costs of certifying and finance and taxation cases, and checks whether the accountant is a director, manager, or shareholder of the Company or gets payments from the Company, confirming that the accountant is not an interested party. The appointment of an accountant and fee review can only be conducted after the Company has confirmed its independence through the examination of the accountant independence assessment result.   |                                      |
| 4. Should the listed company establish a department dedicated to corporate governance on a part-time basis, or assign the responsibility of monitoring corporate governance and related affairs to a person (including but not limited to providing directors and supervisors with the necessary materials for executing their business responsibilities, handling of matters related to the Board of Directors Meeting and the Shareholders' Meeting pursuant to the relevant laws and regulations, handling of company registration and changes in registration status, and preparation of the meeting minutes of the Board of Directors Meeting | ✓                     |   | <p>The company handles affairs related to corporate governance through the financial center. On February 26, 2019, by board resolution, Vice president Yu, Chin-Pao, who has more than three years of management experience in finance, stock affairs, and public company deliberation, was appointed the additional post of the corporate governance director to safeguard the rights and interests of shareholders and strengthen the functions of the board of directors. The primary responsibilities of the corporate governance director include the following: 1. Handling matters related to board and shareholders' meetings in accordance with the law; 2. Prepare the minutes of board and shareholders' meetings; 3. Assisting directors in their appointment and continuing education; 4. Providing data required by the directors for business execution; 5. Assisting directors in complying with the law; 6. Other matters set forth in the articles of association or the contract of the company.</p> <p>The business performance of 2018 is described as follows:<br/>1. Assist the directors with carrying out business, providing necessary data, and arranging directors' further study: (1) Provide board members with information at the time of appointment and regularly update the development</p> | No difference.                       |

| Item                                 | Implementation Status |   |   | Non-implementation and its reason(s) |
|--------------------------------------|-----------------------|---|---|--------------------------------------|
|                                      | Y                     | N | Summary   |                                      |
| and the Shareholders' Meeting etc.)? |                       |   | <p>according to the latest laws and regulations related to the company's business field and corporate governance; (2) Review the confidentiality of relevant information and provide the company information required by the directors in order to maintain smooth communication between directors and business executives; (3) In accordance with the practice code on corporate governance, the independent director shall understand the company's financial needs through individual interviews with the internal audit director or a certified public accountant and assist in scheduling meetings; and (4) Assist directors in formulating annual training plans and arranging courses according to the company's industrial characteristics and the directors' education and experience background;</p> <p>2. Assist the board of directors and the board of shareholders in official business discussion procedures and decision compliance: (1) Report the company's corporate governance status to the board of directors, independent directors, and the audit committee and confirm whether the shareholders' and board meetings comply with relevant laws and codes of corporate governance; (2) Assist and remind directors with regard to following laws and regulations in the execution of the business or in the making of formal board resolutions and subsequently make suggestions when the board of directors makes an illegal resolution;</p> <p>3. Prepare and provide the meeting agenda to the directors seven days prior to the meeting, call a meeting, provide meeting data, and give advance notice if circumvention is required for interest and further complete the board meeting minutes within 20 days after the meeting;</p> <p>4. Register the date of the shareholders' meeting in advance in accordance with the law, prepare the meeting notice and procedure manual within the legally specified time period, and complete change registration for the revised</p> |                                      |

| Item  | Implementation Status |   |  | Non-implementation and its reason(s) |
|---|-----------------------|---|--|--------------------------------------|
|   | Y                     | N | Summary  |                                      |
|   |                       |   | <p>articles of association or the reelection of directors;</p> <p>5. The company change registration was approved in June 2018;</p> <p>6. Other matters prescribed in the articles of association or the company's contract.</p> <p>Please refer to further manager training on page 58 for further governance manager training hours</p>  |                                      |
| 5. If the Company established communication channel with interested parties (Including but not limited to shareholders, employees, customers and suppliers, etc.) and disclosed key corporate social responsibility issues frequently enquired by stakeholders on the designated area of the corporate website? | ✓                     |   | The Company has established a spokesman system, dedicated to handling relevant matters, and the company website has created an interested party zone to maintain communication channels with interested parties at any time through information delivery by telephone, fax, e-mail, etc., for important corporate social responsibility issues that concern interested parties and their feedback. The Company will also properly handle matters to respect and maintain its due rights and interests. | No difference.                       |
| 6. If the Company engaged professional transfer agent to host annual general shareholders' meeting?   | ✓                     |   | The Company has appointed the stock affairs agency department of "Taishin International Bank Co., Ltd." to be responsible for serving shareholders and handling affairs of the Shareholders' Meetings.   | No difference.                       |
| 7. Information Disclosure<br>(1) If the Company set up a corporate website to disclose information regarding the  | ✓                     |   | (1) Through the company website ( <a href="http://www.inventec.com">http://www.inventec.com</a> ), the Company updates and discloses financial business and corporate governance information regularly and for special matters. Furthermore, the Company   | No difference.                       |

| Item   | Implementation Status |   |   | Non-implementation and its reason(s) |
|--|-----------------------|---|---|--------------------------------------|
|  | Y                     | N | Summary   |                                      |
| <p>Company's finance, business and corporate governance?</p> <p>(2) If the Company adopted any other information disclosure channels (e.g., maintaining an English-language website, appointing designated personnel to handle information collection and disclosure, appointing spokespersons, webcasting investors conference, etc)?</p>   | ✓                     |   | <p>utilizes Shareholders' Meetings and Investor Conferences to describe the governance situation of the Company to investors.</p> <p>(2) The Company has set up Chinese and English websites and assigned dedicated personnel to be responsible for the collection and disclosure of company information; it has also set up a spokesman and agency spokesman system; when convening an Investor Conference, the Company will also place the process materials on the company website for investor's to look up and input them at <a href="http://mops.twse.com.tw">mops.twse.com.tw</a> as required.</p>   | No difference.                       |
| <p>8. If the Company had other important information to facilitate better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and</p> | ✓                     |   | <p>1. Employee rights and interests: Pursuant to government laws and decrees and personnel management measures of the Company, the Company provides all kinds of basic due labor conditions, including a working hour mechanism and thorough ask for leave system, as well as provides a stable and safe work environment, and in addition to basic welfares, such as labor insurance, health insurance, pension allocation, etc., employees can also enjoy regular health examinations, group insurance, and thorough employee retirement measures.</p> <p>2. Employee care: The Company has established the Occupational Safety and Health Committee pursuant to laws to discuss safety and health related regulations. In order to ensure employee safety and health, the Company has formulated the "Occupational Safety and Health Policy", regularly holds all kinds of keynote lectures and courses, provides physician consultation, opens diversified channel for employee to express opinions and consultation, and creates good participation sense and smooth two-way</p> | No difference                        |



| Item          | Implementation Status |   |   | Non-implementation and its reason(s) |
|---------------|-----------------------|---|---|--------------------------------------|
|               | Y                     | N | Summary   |                                      |
| supervisors)? |                       |   | <p>communication channel.</p> <p>3. Investor relations: The Company takes guaranteeing shareholders' rights and interests as its main objective, treats all shareholders equally, and instantly announces relevant significant company information, such as finance, business, change of insiders' stock holdings, etc. at "mops.twse.com.tw" pursuant to relevant regulations.</p> <p>4. Supplier relations: In addition to formulating "Codes of Ethical Conduct" and the "Global Employee Code of Conduct Management Measures", The responsibilities of a responsible business alliance (RBA) member include establishing and providing Inventec's standard of responsible business alliance to suppliers. The standards cover labor, health, safety, environmental, and business ethics matters. Important information about the company's suppliers is published in iSupplier placement. A sustainable supply chain explanation session of Inventec Group is held every year in the hopes that the company can serve as an example and lead more suppliers to jointly improve their environmental protection consciousness and fulfill their corporate social responsibility.</p> <p>5. Rights of interested parties: Operate pursuant to Articles 51-54 of the "Inventec Corporation Corporate Governance Best Practice Principles" and set up an interested party zone.</p> <p>6. Execution circumstances of the risk management policy and risk measurement standards: Through an external audit unit and execution of the internal control system, the Company has properly identified, assessed, and reduced all kinds of operation risks. In addition to controlling daily operation procedures, the Company has established a crisis response team in a timely manner to supervise the execution of risk control at any time in</p> |                                      |

| Item   | Implementation Status |   |   | Non-implementation and its reason(s) |
|--|-----------------------|---|---|--------------------------------------|
|  | Y                     | N | Summary   |                                      |
|  |                       |   | <p>order to reduce adverse impacts on the Company.</p> <p>7. Execution circumstance of customer policy: The Company has formulated an appropriate customer policy and operation target and adjusts its operation strategy in a timely manner to achieve the target.</p> <p>8. Circumstances of buying liability insurance for directors: The Company has bought relevant liability insurance for its directors. Related liability insurance for directors is purchased up to the end of June 2019, and the insurance policy will be renewed upon expiration. The insured amount, scope of insurance, and insurance fees of the liability insurance of the directors are reported to the board.</p> <p>9. Situation of director's attendance in Board of Directors meetings: Board of Directors meetings are regularly convened, and directors actively attend; the Company reports the attendance situation of directors online in a timely manner.</p> |                                      |
| 9. Please describe the improvements of the corporate governance evaluation results released by the corporate governance center of the Taiwan Stock Exchange Corporation in the last year, and propose priority matters or measures to strengthen areas yet unimproved. (No need to be filled in by companies that were not subject to evaluation). | ✓                     |   | <p>In the second, third, fourth and fifth session corporate governance evaluation results, the Company is listed as ranked in the top five percent of companies.</p> <p>Improvements already made: Revise the performance evaluation scope and methods of the board of directors.</p> <p>Improvements to be made: Evaluation regarding the feasibility of establishing other functional committees shall be continued.</p>  | No difference                        |

## 10. Continuing professional education hours for directors in 2018

| Title    | Name             | Date       | Course  | Hours | Institute                                   |
|----------|------------------|------------|---|-------|---|
| Chairman | Cho,<br>Tom-Hwar | 2018.03.26 | Impact of EU's personal data protection regulation (GDPR) on Taiwan's enterprise and response | 1.5   | The Taiwan Corporate Governance Association |
|          |                  | 2018.05.15 | Plan and major reform of new corporate governance blueprint (2018~2020)                       | 1.5   | The Taiwan Corporate Governance Association |
|          |                  | 2018.08.14 | Description of major issues modifying of company law  | 1.5   | The Taiwan Corporate Governance Association |
|          |                  | 2018.11.12 | Revision emphasis of China Mainland's individual income tax                                   | 1.5   | The Taiwan Corporate Governance Association |
| Director | Yeh, Kuo-I       | 2018.03.26 | Impact of EU's personal data protection regulation (GDPR) on Taiwan's enterprise and response | 1.5   | The Taiwan Corporate Governance Association |
|          |                  | 2018.05.15 | Plan and major reform of new corporate governance blueprint (2018~2020)                       | 1.5   | The Taiwan Corporate Governance Association |
|          |                  | 2018.08.14 | Description of major issues modifying of company law  | 1.5   | The Taiwan Corporate Governance Association |
|          |                  | 2018.11.12 | Revision emphasis of China Mainland's individual income tax                                   | 1.5   | The Taiwan Corporate Governance Association |
| Director | Lee,<br>Tsu-Chin | 2018.03.26 | Impact of EU's personal data protection regulation (GDPR) on Taiwan's enterprise and response | 1.5   | The Taiwan Corporate Governance Association |
|          |                  | 2018.05.15 | Plan and major reform of new corporate governance blueprint (2018~2020)                       | 1.5   | The Taiwan Corporate Governance Association |
|          |                  | 2018.08.14 | Description of major issues modifying of company law  | 1.5   | The Taiwan Corporate Governance Association |
|          |                  | 2018.11.12 | Revision emphasis of China Mainland's individual income tax                                   | 1.5   | The Taiwan Corporate Governance Association |
| Director | Wen,             | 2018.03.26 | Impact of EU's personal data protection   | 1.5   | The Taiwan Corporate Governance Association |

| Title       | Name              | Date       | Course  | Hours | Institute                                   |
|-------------|-------------------|------------|---|-------|---|
|             | Shih-Chih         |            | regulation (GDPR) on Taiwan's enterprise and response   |       |   |
|             |                   | 2018.05.15 | Plan and major reform of new corporate governance blueprint (2018~2020)                       | 1.5   | The Taiwan Corporate Governance Association |
|             |                   | 2018.08.14 | Description of major issues modifying of company law  | 1.5   | The Taiwan Corporate Governance Association |
|             |                   | 2018.11.12 | Revision emphasis of China Mainland's individual income tax                                   | 1.5   | The Taiwan Corporate Governance Association |
| Director    | Chang, Ching-Sung | 2018.03.26 | Impact of EU's personal data protection regulation (GDPR) on Taiwan's enterprise and response | 1.5   | The Taiwan Corporate Governance Association |
|             |                   | 2018.05.15 | Plan and major reform of new corporate governance blueprint (2018~2020)                       | 1.5   | The Taiwan Corporate Governance Association |
|             |                   | 2018.08.14 | Description of major issues modifying of company law  | 1.5   | The Taiwan Corporate Governance Association |
|             |                   | 2018.11.12 | Revision emphasis of China Mainland's individual income tax                                   | 1.5   | The Taiwan Corporate Governance Association |
| Director    | Huang, Kuo-Chun   | 2018.03.26 | Impact of EU's personal data protection regulation (GDPR) on Taiwan's enterprise and response | 1.5   | The Taiwan Corporate Governance Association |
|             |                   | 2018.05.15 | Plan and major reform of new corporate governance blueprint (2018~2020)                       | 1.5   | The Taiwan Corporate Governance Association |
|             |                   | 2018.08.14 | Description of major issues modifying of company law  | 1.5   | The Taiwan Corporate Governance Association |
|             |                   | 2018.10.15 | 12th Taipei's corporate governance forum  | 3.0   | Financial Supervisory Commission            |
| Independent | Chang,            | 2018.03.26 | Impact of EU's personal data protection regulation (GDPR) on Taiwan's enterprise              | 1.5   | The Taiwan Corporate Governance Association |

| Title                | Name            | Date       | Course   | Hours | Institute  |
|----------------------|-----------------|------------|--|-------|--|
| Director             | Chang-Pang      |            | and response   |       |  |
|                      |                 | 2018.05.15 | Plan and major reform of new corporate governance blueprint (2018~2020)  | 1.5   | The Taiwan Corporate Governance Association            |
|                      |                 | 2018.08.14 | Description of major issues modifying of company law   | 1.5   | The Taiwan Corporate Governance Association            |
|                      |                 | 2018.11.12 | Revision emphasis of China Mainland's individual income tax  | 1.5   | The Taiwan Corporate Governance Association            |
| Independent Director | Chen, Ruey-Long | 2018.04.13 | In according with global anti-tax avoidance, tax environment changes and reform trends in Taiwan, mainland China, and the United States are discussed. | 3.0   | The Taiwan Corporate Governance Association            |
|                      |                 | 2018.05.15 | Plan and major reform of new corporate governance blueprint (2018~2020)  | 1.5   | The Taiwan Corporate Governance Association            |
|                      |                 | 2018.08.14 | Description of major issues modifying of company law   | 1.5   | The Taiwan Corporate Governance Association            |
|                      |                 | 2018.09.21 | Analysis of major issue on new company law   | 3.0   | Securities and Futures Institute                       |
|                      |                 | 2018.09.21 | Trends and important norms of money laundering and terrorism prevention  | 3.0   | Securities and Futures Institute                       |
| Independent Director | Shyu, Jyuo-Min  | 2018.03.26 | Impact of EU's personal data protection regulation (GDPR) on Taiwan's enterprise and response  | 1.5   | The Taiwan Corporate Governance Association            |
|                      |                 | 2018.05.15 | Plan and major reform of new corporate governance blueprint (2018~2020)  | 1.5   | The Taiwan Corporate Governance Association            |
|                      |                 | 2018.08.14 | Description of major issues modifying of company law   | 1.5   | The Taiwan Corporate Governance Association            |
|                      |                 | 2018.09.10 | Discussion of the Financial Regulatory Committee's new corporate governance blueprints – rights and responsibilities of directors                      | 3.0   | Taiwan Stock Exchange and Taipei Juridical Association |

## 11. Continuing professional education hours for managers in 2018

| Title                      | Name              | Date        | Course  | Hours | Institute                                      |
|----------------------------|-------------------|-------------|---|-------|--|
| President                  | Wu,<br>Yung-Tsai  | 2018.02.06  | Artificial intelligence lecture   | 2.0   | Inventec Corporation                           |
| Vice President             | Chang,<br>Nai-Wen | 2018.10.04  | Discussion of company information security based on criminal investigation                    | 2.0   | Inventec Corporation                           |
| Vice President             | Yu, Chin-Pao      | 2018.10.15  | 12th Taipei's corporate governance forum  | 3.0   | Financial Supervisory Commission               |
|                            |                   | 2018.10.4~5 | Continuing education program of accountant officer  | 12.0  | Accounting Research and Development Foundation |
|                            |                   | 2018.08.13  | Description of major issues on modification of company law                                    | 1.5   | The Taiwan Corporate Governance Association    |
|                            |                   | 2018.05.14  | Plan and major reform of new corporate governance blueprint (2018~2020)                       | 1.5   | The Taiwan Corporate Governance Association    |
|                            |                   | 2018.03.27  | Impact of EU's personal data protection regulation (GDPR) on Taiwan's enterprise and response | 1.5   | The Taiwan Corporate Governance Association    |
| Vice President             | Hsu,<br>Ching-Wu  | 2018.05.25  | Improvement of governance energy by corporate fraud analysis                                  | 6.0   | The Institute of Internal Auditors-Taiwan      |
|                            |                   | 2018.09.13  | Disclosure of corporate fraud meaning knowable to auditors                                    | 6.0   | Securities and Futures Institute               |
| Director of Finance Center | Liang,<br>Wen-Jan | 2018.08.28  | Transfer pricing and Advanced Pricing Agreement of Inventec's USA subsidy                     | 2.0   | Inventec Corporation                           |
| Director of Finance Center | Hsiao, I-Ying     | 2018.03.14  | DBS financial seminar - synchronized recovery, synchronized normalization                     | 2.5   | DBS Bank (Taiwan) Ltd                          |
|                            |                   | 2018.07.23  | Teach you insider trading   | 2.0   | Inventec Corporation                           |

## 12. Certificate of license

|                | Taiwan<br>CPA | CIA | Taiwan<br>CIA | Public company accounting<br>supervisor with professional<br>certification | Stock Affair Specialist | Enterprise Internal<br>Control Basic Ability |
|----------------|---------------|-----|---------------|--|-------------------------|--|
| Finance Center | 4             | 2   | 3             | 1  | 1                       | 0  |
| Audit Center   | 0             | 1   | 1             | 0  | 0                       | 3  |

## 13. Board members and the important management succession plan of company

To improve the function of the board of directors and strengthen the company's management mechanism, an appropriate board of directors shall be established with a diversified policy for the members of the board of directors according to the demand of operations and development of the company. On the principle of equality to shareholders, directors shall be elected according to the candidate nomination system. Pursuant to the company's "talent-oriented" philosophy, Talent Cultivation shall be the basis for the sustainable management of Inventec. In view of the core value, strategy, and goal of the company, the perfect succession plan shall be made. First, the talent shall be retained, which requires establishing a talent pool, education and training, performance assessment, incentives, and potential successor reserve. A systematic process shall be developed for talent elevation to guarantee the steady development of the company's human resources. Second, sustainable operation is needed. Talents shall be cultivated from within, the talent development plan shall be approved each year, the careers of crucial senior management successors shall be planned. By shifting different positions, personnel will learn through practice, and successors will be cultivated for the future. With a focus on the core value course, Yingyeda's enterprise culture and value will be conveyed, and its management philosophy will be identified. Through a hierarchical and functional course, personnel can learn industrial knowledge, management ability, and professional competence. Through position shifting, education, and training, trainers will be put to use in an integrated way in order to cultivate strategy and decision-making ability and pass down the experience and profession of the company.

Note: Unless otherwise described, the listed subsidiaries of the Company Group comply with relevant regulations upon corporate governance operation.

## 2.3.5 Status of remuneration committee

### 2.3.5.1 Remuneration committee

| Title<br>(Note1)        | Criteria<br>Name  | Met one of the following professional qualification requirements<br>with at least five years work experience  |  |  | Independence ( Note2 ) |   |   |   |   |   |   |   | Number of<br>other public<br>companies in<br>which the<br>individual is<br>concurrently<br>serving as an<br>Remuneration<br>Committee<br>member | Note |
|-------------------------|-------------------|---|--|--|------------------------|---|---|---|---|---|---|---|---|------|
|                         |                   | An instructor of higher<br>position in a department of<br>commerce,law, finance,<br>accounting, or other<br>academic department related<br>to the business needs of the<br>company in a public or<br>private junior college, or<br>university | A judge,public prosecutor,<br>attorney, CPA, or other<br>professional or technical<br>specialist who has passed a<br>national examination and bee<br>awarded a certificate in a<br>profession necessary for the<br>business of the company | Have work<br>experience in the<br>areas of<br>commerce,law,<br>finance, accounting,<br>or otherwise<br>necessary for the<br>business of the<br>company | 1                      | 2 | 3 | 4 | 5 | 6 | 7 | 8 |   |      |
| Independent<br>Director | Chang, Chang-Pang | ✓   | ✓  | ✓  | ✓                      | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 3   |      |
| Independent<br>Director | Chen, Ruey-Long   | –   | –  | ✓  | ✓                      | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 3   |      |
| Independent<br>Director | Shyu, Jyuo-Min    | ✓   | –  | ✓  | ✓                      | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 1   |      |

Note1 : Title: Ddirector, independent director, and other °

Note2 : During the 2 years before being appointed or during the term of office, a remuneration committee member shall have been or be any of the following:

- (1) Not an employee of the company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50 percent of the voting shares.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under any other's name, in an aggregate amount of 1 percent or more of the total number of issued shares of the company or ranking in the top 10 in shareholding.



- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5 percent or more of the total number of issued shares of the company or ranks in the top 5 in shareholding.
- (6) Not a director, supervisor, managerial officer, or shareholder holding 5 percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
- (7) Not a professional individual who, or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, or accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof.
- (8) Not been a person of any conditions defined in Article 30 of the Company Act.

### 2.3.5.2 The state of the remuneration committee's implementation

A. The remuneration committee comprised of 3 members.

B. Tenure of the remuneration committee is from 16th June, 2017 to 15th June, 2020. A total of 2 (A) meetings of the remuneration committee were held in 2018, the status of attendance is as follows:

| Title  | Name              | Attendance in Person<br>(B) | By Proxy | Attendance Rate (%)<br>B/A | Remarks              |
|--|-------------------|-----------------------------|----------|----------------------------|----------------------|
| Chairman   | Chang, Chang-Pang | 2                           | 0        | 100%                       | Independent Director |
| Member   | Chen, Ruey-Long   | 2                           | 0        | 100%                       | Independent Director |
| Member   | Shyu, Jyuo-Min    | 2                           | 0        | 100%                       | Independent Director |
| <p>Other information to be disclosed:</p> <p>1. If Board of Directors did not adopt or revise the proposal made by the Remuneration Committee, please specify the date, session, agendas and resolutions of the Board of Directors meeting and how the Company handled the proposal made by the Remuneration Committee ( If amount of the compensation approved by the Board of Directors is higher than that proposed by the Remuneration Committee, please specify the reasons and differences in proposals.): None.</p> <p>2. If any members of the Remuneration Committee were against or reserved their opinions towards the resolutions, please specify the date, session, agendas, opinions of all members and how the opinions were handled: None.</p> |                   |                             |          |                            |                      |

Note: The company holds an annual remuneration committee meeting to evaluate the remuneration policies and systems of the company's directors and managers and make recommendations to the board of directors.

### 2.3.5.3 Operation of the salary and remuneration committee in 2018

| Date       | Contents proposed   | Result of resolution                        | Company's disposal of the salary and committee's suggestion               |
|------------|---|---|---|
| 2018.03.26 | 2017 remuneration distribution to employees, and board directors  | All members of the committee agree to adopt | Submitted to the board of directors; all present directors agree to adopt |
| 2018.12.25 | Discuss the performance evaluation and compensation policy, system, standards and structure of the current director and manager.<br>2018 employee compensation and director compensation ratio.<br>Director and manager compensation and year-end bonus planning. | All members of the committee agree to adopt | Submitted to the board of directors; all present directors agree to adopt |

### 2.3.6 Implementation of corporate social responsibility

| Item   | Implementation Status |   |   | Non-implementation and its reason(s) |
|--|-----------------------|---|---|--------------------------------------|
|  | Y                     | N | Summary   |                                      |
| 1. Exercising Corporate Governance   |                       |   |   |                                      |
| (1) If the Company established corporate social responsibility ("CSR") policy or system and reviewed its implementation and effectiveness?   | ✓                     |   | (1) The Company has formulated corporate social responsibility policies pursuant to the "Inventec Corporation Code of Corporate Social Responsibility", believes in "corporate governance" internally, practices "corporate citizenship" externally, and promotes relevant works and activities through the Board of Directors operation, internal control system, and four directions of "environmental protection, culture, poverty relief, and community".<br><br>Listed subsidiaries of the Company Group have not yet formulated such regulations, but they all abide by relevant regulations. | No difference                        |
| (2) If the Company conducted CSR related trainings?  | ✓                     |   | (2) The Company regularly holds educational training on corporate social responsibility, including promoting the inclusion of corporate social responsibility into operation activities and the development direction of the company and approves specific promotion plans for corporate social responsibility.   | No difference                        |
| (3) If the Company set up a unit exclusively or concurrently to execute CSR policies and if the Board appointed member(s) of management team to supervise and report its implementation status to the Board? | ✓                     |   | (3) The enterprise level of "corporate social responsibility" of the Company is the Chairman of the Board of Directors, and the "Social Responsibility Group" is established under the Chairman to be dedicated to promoting corporate social responsibility related affairs and regularly report to the Board of Directors. Making social responsibility policy, system, or related management guidelines of responsible corporations and the proposal and implementation of a substantive launch plan, report the implementation plan and results to the board every year.                        | No difference                        |
| (4) If the Company adopted appropriate remuneration policies, integrated employee  | ✓                     |   | (4) In accordance with the Articles of Association, if the company makes a profit, the company shall allocate no less than 3% of the annual profits for employee compensation and no more than 3% of the annual profits for the directors' compensation. The remuneration committee, which shall  | No difference                        |

| Item  | Implementation Status |   |   | Non-implementation and its reason(s) |
|---|-----------------------|---|---|--------------------------------------|
|   | Y                     | N | Summary   |                                      |
| performance appraisal with CSR policies, and established a clear and effective incentive and discipline system ?  |                       |   | consist of three independent directors, shall be responsible for formulating and regularly reviewing the performance evaluation and compensation of directors and managers, as well as the policies, systems, standards, and structures thereof. The company has a reasonable salary and compensation policy, and employees' individual performance is evaluated according to the company's current evaluation system. Individual performance goals and interview results are used as the basis for salary adjustments, bonuses, and compensation payment. Bonuses shall be determined based on the company's operating performance, annual net profit, and employee evaluation and should be given regularly. Furthermore, all employees shall comply with the "Global Code of Conduct Management Regulations." Those who violate the relevant regulations shall be punished in accordance with the relevant rewards and punishments of the "Personnel Management Regulations." Employees' salaries shall grows together with the company's operations and conform to corporate social responsibility.   |                                      |
| 2.Fostering a Sustainable Environment<br>(1) If the Company endeavored to utilize resources more efficiently and utilized renewable materials which have a lower impact on the environment? | ✓                     |   | (1) In order to save the resources needed in product production, at the stage of design and development, to maintain product function and quality, the Company has reduced the components and consumable materials needed to be used in product production through the design of common use and reduction of materials and recycling, reusing, etc. Green design is the design for the environment, and its connotation is to integrate the consideration of environment, safety, etc. into the stage of product development and design through a systematic approach, then include it in the product life cycle, import the concept of green design into the manufacturing process, utilize the selection of raw materials and product easy dismantling design, reduce product environmental impact, and maintain product price, efficiency, and quality at the same time. The green design strategies of Inventec are divided into the following eight points: 1. Spare no effort to seek approaches to reduce environmental impact; 2. Lessen the total energy consumption in the product life cycle; 3. Mitigate the burden on the land; 4. Design for clean production and use; 5. Design for durability; 6. Design for best function; 7. Design for reuse, recovery, and recycling; 8. Avoid using raw materials with toxic substances in | No difference                        |

| Item  | Implementation Status |   |   | Non-implementation and its reason(s) |
|---|-----------------------|---|---|--------------------------------------|
|   | Y                     | N | Summary   |                                      |
| (2) If the Company established proper environment management system based on the characteristics of the industry where the Company belongs to?  | ✓                     |   | <p>the product.</p> <p>(2) The environmental sustainable management system established by the Company gives due consideration to the requirements of the government, customers, employees, community and other interested parties and also refers to international standards such as ISO/IECQ, etc.. The system includes the Environmental Management System, the Hazardous Substance Process Management System, the Greenhouse Gas Management System and the Energy Management System, amongst others. All the aforementioned preceding systems have passed external certifications and verifications conducted by independent third party certification authorities. Furthermore, these four major management systems are also the communication platforms between Inventec and interested parties.</p>   | No difference                        |
| (3) If the Company monitored the impact of climate change on the Company's business operations, checked greenhouse gas inventory and established corporate strategies on energy conservation and reduction on carbon and greenhouse gas emission? | ✓                     |   | <p>(3) In response to the demand of the government, customers and international investment institutions on the issue of climate change, The company has employed the departmental sector based approach of science based target (SBT), and used sectoral Decarbonization approach tool to find out the target of reduction amount with thermal gas. Given with the fact as based on 2015 as the basis year, it is found that the emission amount of thermal gas for 2025 should be reduced by 19%. The company has also aggressively pursued green industries, and continuously pursues the reduction of the impact of production on the environment through green research and development, establishing green plants, increasing energy savings, water savings, and reducing production energy consumption, with the aim of making real contribution to the green economy in the times of climate change. Furthermore, the "Inventec Group Greenhouse Gas Inventory Report" is periodically disclosed and updated on the company website. The Company has adopted a greenhouse gas inventory system since 2008, and so far it has completed twelve years (from 2007 to 2018) of greenhouse gas inventory processes. Meanwhile, in response to the government's implementation of the Greenhouse Gas Reduction and Management Act, and to allow the results of the aforementioned inventory be known to interested parties, all greenhouse gas inventory procedures and documentation are conducted and created based on the Greenhouse Gas Emission Inventory Registration Management Measures promulgated by the</p> | No difference                        |

| Item  | Implementation Status |   |   | Non-implementation and its reason(s) |
|---|-----------------------|---|---|--------------------------------------|
|   | Y                     | N | Summary   |                                      |
|   |                       |   | <p>Environmental Protection Administration, Executive Yuan, the Greenhouse Gas Inspection Guidelines, GHG Protocol, and the ISO 14064-1 international norm. Following completion of the inventory, internal and third-party external verification is conducted to ensure completeness and credibility of the data gathered. In 2018, the total greenhouse gas emissions of major companies under the Inventec Group was 345,830.475 tonnes of carbon dioxide (inventory scope: 7 plants of Inventec, 4 plants of Inventec Appliances, 1 plant of Inventec Solar Energy, E-TON Solar Tech, AIMobile Co., Ltd.), an decrease of 8,830.890 tonnes of carbon dioxide compared to the 354,661.365 tonnes of emissions in 2017. The main greenhouse gas emissions of Inventec Group in 2018 were indirect greenhouse gas emissions from energy (category 2) in 2018 amounting to 94.98% of the total emissions. As for the additional carbon emissions, the company will work with the local government to implement a carbon management mechanism and head to the stipulated transaction center platform to carry out carbon trades and purchase carbon rights in order to carry out carbon neutralization. To achieve environmental sustainability, in addition to implementing energy saving and enhancing equipment energy efficiency, the company has worked to break loose from the current status by establishing clean devices of solar power generation in mainland China plants (Pudong, Nanjing). By 2018, the power generation amount was 5,032,459 kW-h of electricity. In Taiwan (Taoyuan and Tainan), we have also developed clean solar power generation devices, and the power generation amount in 2018 was 285,631 of kW-h of electricity.</p> |                                      |
| <p>3.Preserving Public Welfare</p> <p>(1) If the Company followed relevant labor laws, and internationally recognized human rights principal, and established appropriate management policies and procedures?</p> | ✓                     |   | <p>(1) Pursuant to relevant labor laws and regulations and by referring to internationally recognized basic labor human rights principles, the Company has established relevant work specifications and announced them so that the employees can understand in order to ensure the rights and interests of employees. Furthermore, the Company has formulated the "Global Employee Code of Conduct Management Measures" for each plant, which stipulate the basic code of conduct for the labor and capital on the basis of fairness and impartiality. As an employee of the Company, when facing all kinds of work behaviors and ethical and legal problems, we shall aim to create</p>  | No difference                        |

| Item   | Implementation Status |   |  | Non-implementation and its reason(s) |
|--|-----------------------|---|--|--------------------------------------|
|  | Y                     | N | Summary  |                                      |
| (2) If the Company established grievance channel for employees and handled complaints appropriately?   | ✓                     |   | <p>shareholder and employee value and ensuring social responsibility. Therefore, under the precondition of following the basic requirements of laws and ethical standards of each country or district, we shall comply with all kinds of internal control systems of the company.</p> <p>(2) The "Global Employee Code of Conduct Management Measures" and "Employee Complaints and External Reporting Management Specifications" of the Company has been explicitly stipulated to encourage the report of any illegal conducts or behaviors that violate ethical standards, and their punishment measures. Anyone who violates relevant regulation shall be punished pursuant to the relevant reward and punishment provisions in the "Global Employee Code of Conduct Management Measures" and "Personnel Management Measures". Furthermore, each plant has set up an "Employee Complaint System" to guarantee a fair arbitration mechanism when employees suffer from human rights related infringements. In the plants in mainland China, a grassroots employee care group has been especially set up to handle employee complaints and understand the employee's voice through employee interviews, etc.</p>                              | No difference                        |
| (3) If the Company provided safe and healthy working environment to employees and conducted relevant training on safety and health management to employees periodically? | ✓                     |   | <p>(3) In order to improve safety, health, and environment management performance, the Company has established a professional and effective safety, health, environment, and energy management system, and plans the safety, health, and environment management plan pursuant to relevant laws every year, including occupational disaster prevention in its implementation. Emergency response drills are carried out for different issues, such as fire, flood, earthquake, etc. Risk management strategies are discussed and formulated, and all kinds of international information are promptly mastered. In the spirit of sustainable improvement of the safety, health, environment, and energy management system, and with systematized practice and performance, the Company adopts continuous cycling mechanisms from planning, execution, and examination to correction, exerts independent protection and control functions, and reduce potential risks to safety, health, environment, and energy in order to reduce operation risks. Regarding health promotion, new employees are required to provide a physical examination report pursuant to law before reporting for duty; for in-service employees, better than what is</p> | No difference                        |



| Item   | Implementation Status |   |   | Non-implementation and its reason(s) |
|--|-----------------------|---|---|--------------------------------------|
|  | Y                     | N | Summary   |                                      |
| (4) If the Company established a periodical communication mechanism to employees and notified employees of significant changes that may impact the Company's operation in a proper manner? | ✓                     |   | <p>required by relevant laws and decrees, the Company regularly carries out all employees' health examination every year and implements health management operations. It also regularly cooperates with medical and health institutions to hold all kinds of health lectures and consultations.</p> <p>(4) Through all the mechanisms described below, the Company provides channels for significant company information delivery, real-time employee responses, and regular communication.</p> <p>(A) Internal website and announcement delivery: For company operation information, management policies, change of personnel organization, or other relevant significant messages, employees will be notified instantly through internal website or written and electronic announcement.</p> <p>(B) Two-way talks between grassroots employees and senior supervisors: monthly meetings and all kinds of symposium held occasionally.</p> <p>(C) Management policy and business process communication: communication meetings for employee representatives from each department will be held regularly every month.</p> <p>(D) Cross-department communication and labor and capital communication: internal portal platform has set up the multi-functional "Employee Opinion Exchange Area".</p> <p>(E) Instant response problem and information consultation: each unit has established a service consultation window and service hot line.</p> <p>(F) Employee welfare policy and welfare promotion: employee welfare committee monthly meetings and special meetings.</p> <p>(G) Grassroots employee care group: handle employee complaints and understand the employee's voice through employee interviews, etc.</p> | No difference                        |
| (5) If the Company provided career planning, relevant training and skill development for   | ✓                     |   | <p>(5) By taking corporate operation objectives and development strategies as a training blueprint and being oriented according to actual employee demands, the Company has developed an effective career skills development training plan.</p>   | No difference                        |

| Item   | Implementation Status |   |  | Non-implementation and its reason(s) |
|--|-----------------------|---|--|--------------------------------------|
|  | Y                     | N | Summary  |                                      |
| employees?   |                       |   | <p>(A) Talent asset appreciation: Encourage employees to take in-service training in English and Japanese courses in order to be in line with international norms.</p> <p>(B) Corporate culture communication: After reporting for duty, new employees will receive new employee training to become familiar with internal personnel regulation systems, corporate culture, work environment, etc. All kinds of employee assemblies and communication meetings will be held regularly, in which the senior supervisor will directly deliver company operation philosophy and operation direction and describe the strategic policy of each department.</p> <p>(C) Supervisor cultivation plan: Basic supervisor training, advanced supervisor training, and custom senior management courses will be regularly held in order to improve overall management capability.</p> <p>(D) Professional competency development: According to all kinds of demands to develop professional skills and with the Technical Committee, designedly carry out professional skill training courses.</p> <p>(E) Condense team consensus: Carry out all kinds of team building and encouragement courses and strategic operation meetings based on the demand and build high identification for both the team and the company.</p> |                                      |
| (6) If the Company established any consumer protection measures with regard to the process of research and development, procurement, production, operations and services and its grievance channels? | ✓                     |   | <p>(6) The Company provides customers with a comprehensive and thorough customer relations management service mechanism, from order receiving to the stage of product development and to the stage of mass production. After product delivery, we track the product condition to the customer end and actively care about all feedback from the customer. Through the customer complaint management system and with a complete customer complaint standard operation procedure, the Company prepares reason analysis, correction and prevention solutions in project review, and confirms effectiveness in order to give feedback on problem solving to customers and understand real customer demands to achieve the highest customer satisfaction. Furthermore, by periodically holding customer business review meetings, the Company can discuss relevant issues, such as technology research and development, product delivery, product</p>   | No difference                        |

| Item  | Implementation Status |   |  | Non-implementation and its reason(s) |
|---|-----------------------|---|--|--------------------------------------|
|   | Y                     | N | Summary  |                                      |
| (7) If the Company followed relevant laws and regulations and international guidelines on marketing and labeling of products and services?                  | ✓                     |   | <p>quality, after-sales service, quotation cost, energy saving and carbon reduction, green products, corporate social responsibility, etc., in response to the issues that concern customers. In order to solve the problems reflected by customers, the customer service and quality assurance departments have established a 24-hour customer service hot line and customer service website and provide instant services and response mechanisms through a stationed service mechanism at OEM/ODM customer end.</p> <p>(7) In response to environmental protection legal issues of each country throughout the world and provide customers with better environmental protection service, the Company will assist customers in acquiring product green mark certification, including such certification mechanisms as Taiwan Green Mark, China Green Mark (SEPA), China Energy Saving Mark (CECP), China Energy Saving Label (CEL), Energy Star, American Green Procurement Assessment Guideline (EPEAT), etc., in order to provide global customers more environmentally friendly products and services.</p> | No difference                        |
| (8) Prior to engaging commercial dealings, if the Company assessed whether the supplier had track record of negative impact on the environment and society? | ✓                     |   | <p>(8) The Company strengthens its cooperation with suppliers through mutual understanding to seek win-win situations. Supplier management carries out various assessments on suppliers according to customer requirements, laws and regulations, and international trends, including propaganda, promotion, and audit of the supplier. Regarding new supplier assessment, through technical skill development and evaluation, subcontractor supply capability evaluation, purchasing operation system audits, supplier corporate responsibility investigation and appraisal, on-site examination, HSF assessment, and signing of environmental protection affidavit, it will guarantee that the requirements and control contents stipulated in relevant international environmental protection laws and regulations and relevant environmental protection specifications of the Company are applicable now and in the future.</p>  | No difference                        |
| (9) If the contracts with major suppliers stipulated a clause that  | ✓                     |   | <p>(9) With regard to the various assessments of suppliers, in addition to the quality, cost, delivery time, technical skill, and service that are assessed in the general industry, with the rise of</p>  | No difference                        |

| Item   | Implementation Status |   |   | Non-implementation and its reason(s) |
|--|-----------------------|---|---|--------------------------------------|
|  | Y                     | N | Summary   |                                      |
| allowed the Company to terminate or rescind the contract at any time shall the suppliers violate CSR policies and cause significant impact to the environment and society?   |                       |   | corporate social responsibility awareness, the Company will also extend the assessment scope to green products and corporate social responsibility, and the assessment scope will correspond to the Company's requirements for supplier, including the establishment of management systems such as ISO 9001, ISO 14001, OHSAS 18001, RBA, etc. Through diversified assessment consideration, the Company ensures that the cooperating supplier can specifically respond to important supply chain issues, such as product environmental protection, manufacturing process environmental protection condition operation requirements, restriction of the use of hazardous substances, prohibiting child labor, guaranteeing employee rights and interests, workplace safety, etc. The Company ensures that the supplier does not violate the aforementioned circumstances through supplier RBA auditing. Every year, the Company will perform an on-site audit on existing suppliers with medium and high risks and ask for improvement; furthermore, contract contents explicitly stipulate a legal compliance clause, and in case of violation of relevant important laws and regulations and having an obvious impact on the environment and society, the contract can be terminated or canceled pursuant to such clause. |                                      |
| 4. Enhancing Information Disclosure<br>If the Company disclosed CSR report and other relevant information on its corporate website and MOPS?   | ✓                     |   | (1) On the principle of accuracy, openness, and transparency, the Company discloses relevant company information; through its investor service platform, the Company continuously and instantly publishes corporate governance operation performance reports and financial information on the information service disclosure platform and mops.twse.com.tw. All corporate social responsibility related messages are also posted on the company website to be read by the public.   | No difference                        |
| 5. If the Company established any guideline of corporate social responsibility in accordance with “Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM-Listed Companies” and please state the implementation status of the guideline and any reasons for non-implementation:<br><br>Pursuant to the "Listed Company Corporate Governance Best Practice Principles", the Company has established the "Inventec Corporation Corporate Governance Best Practice Principles", as while fulfilling its corporate social responsibility, the Company also ought to give full consideration to the interests of interested parties and treat customers and consumers in a fair and respectful way. Furthermore, social or environmental issues can be solved through commercial methods, |                       |   |   |                                      |

| Item   | Implementation Status |   |         | Non-implementation and its reason(s) |
|--|-----------------------|---|---------|--------------------------------------|
|  | Y                     | N | Summary |                                      |
| which have no impact on the principles of business operations.   |                       |   |         |                                      |
| 6.Other material information that helps to understand the operation of corporate social responsibility:  |                       |   |         |                                      |
| (1).Environmental protection:  |                       |   |         |                                      |
| To the Company, "environmental protection" is a part of its "social responsibility" in our top ten beliefs, namely "environmental protection, culture, poverty relief, and community". In order to fulfill our corporate citizenship responsibility and practice the "green energy environmental protection" of our five major policies, the Company has set Inventec's environmental objectives, environmental policies, and environmental projects in order to guide the overall power of our colleagues to move towards a new vision of green sustainability.   |                       |   |         |                                      |
| (2). Community participation:  |                       |   |         |                                      |
| Integrate into community life with practical action and the long-term adoption of community parks and designate dedicated personnel for maintenance and cleaning in order to provide community residents with a comfortable and clean public space.  |                       |   |         |                                      |
| (3). Social contribution:  |                       |   |         |                                      |
| In order to care for society, the Company responds to blood and love donation and is enthusiastic about social responsibility. In recent years, we have been honored with the "Favorable Blood-donating Institute Award" by the Ministry of the Interior, the "Favorable Institute Award of Work Safety" and "Disaster-free Work-hour Record Certificate" by the Ministry of Labor of the Executive Yuan, the "Citizen Prize of Commonwealth Corporations" by the magazine, Commonwealth," the "Hygiene Institute Award of National Favorable Job Safety" by the Ministry of Labor of the Executive Yuan," the "Corporate Environmental Protection Award" by the EPA of the Executive Yuan," and the "Taiwan Corporate Sustainability Report Award" by the Taiwan Institute of Sustainable Energy. |                       |   |         |                                      |
| (4).Social service:  |                       |   |         |                                      |
| From 8:00 am to 9:00 am from Monday to Friday, the Company will arrange an internal security guard to ease vehicle congestion during office hours and safeguard community traffic safety on surrounding roads of the Company.  |                       |   |         |                                      |
| (5). Social benefit:   |                       |   |         |                                      |
| Inventec encourages employee to actively participate in public benefit activities such as caring for minority groups, literary and artistic activities and   |                       |   |         |                                      |

| Item  | Implementation Status |   |         | Non-implement-ation and its reason(s) |
|---|-----------------------|---|---------|---------------------------------------|
|   | Y                     | N | Summary |                                       |
| contributing to ecological education, etc. The Inventec Group Charity Foundation was established in 2010, mainly to assist and support public charity organizations from all walks of life in engaging businesses in social welfare. In support of disadvantaged groups, it has been giving out year-end donations to dozens of social welfare public groups over the years before the Spring Festival, to assist them with their long-term social welfare work. The company has also evaluated the fundraising projects of charities from a variety of areas and has chosen favorable social welfare organizations to which to give charitable donations; these organizations generally include such items as children's welfare, welfare for the physically and mentally disabled, women's welfare, and seniors' welfare. From 2017 to 2018, the company has accepted an invitation from the Taipei City Government to participate in the "Juvenile Anti-drug Justice Alliance" to launch a joint anti-drug project for young people. The social responsibility group of the Company also regularly calls on colleagues for small donations, and raises funds to donate to social welfare institutions such as the "Hsinchu City Charity Foundation" and the "New Life Social Welfare Development Promotion Association" on a monthly basis. The Talent Center also encourages colleagues to participate in World Vision - Hunger Thirty Experience Camp activities and take trips to Xinyi Village, Nantou County to visit children receiving education in remote areas of the country. The Company also gets involves in literary and artistic activities by continuously donating to the Taipei Philharmonic Foundation to support its hosting of the Taipei International Choral Festival. It has also sponsored Kaohsiung Classical Chamber Orchestra for the spring concert in 2018. With respect to ecological conservation, over the years the Company has been cooperating with the Wild Bird Society of Taipei to promote the environmental education plan of Kwan-tu Nature Park, and encourages staff to become conversation volunteers at the Kwan-tu wetland. |                       |   |         |                                       |
| (6). Consumer rights and interests:   |                       |   |         |                                       |
| The Company has provided product liability insurance, and has set up a related product customer service hot line.   |                       |   |         |                                       |
| (7). Human rights:  |                       |   |         |                                       |
| The Company has provided public accidental insurance and employee group insurance.  |                       |   |         |                                       |
| (8). Safety and health:   |                       |   |         |                                       |
| In addition to complying with the Occupational Safety and Health Act and relevant subordinate legislations and carrying out all kinds of matters as required, the Company also effectively promotes the Taiwan Occupational Safety and Health Management System (TOSHMS) and International Occupational Health and Safety Assessment Series (OHSAS 18001), implements all kinds of safety and health business management, and works together with community medical and health resources to arrange employees to participate in the screening of four cancers (breast cancer, cervical cancer, oral cancer, colorectal cancer), bone mineral density test, and physical fitness test, and also holds health lectures, etc. So far, the Company has won several awards, including: "Labor Safety Excellent Unit - Enterprise Award", "Labor Safety and Health Excellent Unit - Five Stars Award", "National Favorable Institute Award of Job Safety and  |                       |   |         |                                       |

| Item   | Implementation Status |   |         | Non-implementation and its reason(s) |
|--|-----------------------|---|---------|--------------------------------------|
|  | Y                     | N | Summary |                                      |
| <p>Hygiene", "Hazard-Free Working Hour Record Award", "Excellent Health Workplace - Health Excellence Award", "Taipei City Excellent Breastfeeding Room Certification", "Taoyuan County Excellent Breastfeeding Room Award", and "Blood Donation Excellent Enterprise Award", etc. Furthermore, the Company actively coordinates with the promotion of all kinds of government policies, facilitates harmonious labor-capital relationships, and fulfills its corporate social responsibility.</p> <p>The corporate social responsibility related information of the Company, such as corporate governance implementation, sustainable environment development, social benefits, etc., are disclosed on the company website and <a href="http://mops.twse.com.tw">mops.twse.com.tw</a>.</p>  |                       |   |         |                                      |
| <p>7. Please provide further description for company product or corporate social responsibility report which is certified by relevant organization:</p> <p>In order to improve the transparency, completeness, and reliability of information disclosure, for the "2018 Inventec Corporate Social Responsibility Report", the Company designated a third party unit (SGS) to carry out substantial examination and assurance operations on the contents and data in the report according to GRI sustainability report criteria "core option" in order to conform to the GRI G4 core option and AA1000 AS 2008 second type high assurance level.</p> <p>Listed subsidiaries of the Company Group have not yet acquired relevant certification on corporate social responsibility report, but they all abide by relevant regulations and have no significant difference.</p> |                       |   |         |                                      |

Note: Unless otherwise described, the listed subsidiaries of the Company Group comply with relevant regulations upon Corporate Social Responsibility.

### 2.3.7 Implementation of ethical corporate management best practice principles

| Items   | Implementation Status |   |   | Non-implementation and its reason(s) |
|---|-----------------------|---|---|--------------------------------------|
|   | Y                     | N | Summary   |                                      |
| 1. Ethical Corporate Management Policy  |                       |   |   |                                      |
| (1) If the Company clearly specified ethical corporate management and process in its internal policies and external document? If the Board of Directors and the management team committed to enforce such policies rigorously and thoroughly? | ✓                     |   | (1) The Company attaches importance to its reputation and takes integrity and sustainable operations as the maximum assets accumulated by company operations. Among them, the "Codes of Ethical Conduct" and "Code of Integrity Operation" are the ethical standards of conduct and specifications for integrity operation philosophy for directors, managers, employees, appointees, or those with substantial control capability of the Company in order to prevent the occurrence of conflicts of interest and acts without good faith, as well as let interested parties of the company better understand the above company standards by which they must abide. The official business discussion of the Board of Directors of the Company takes good governance system establishment, supervision function improvement, and management mechanism strengthening as its major purposes. Unless otherwise prescribed by laws and decrees or regulations, the Board of Directors meetings shall be conducted pursuant to the "Rules for Board of Directors' Discussion" of the Company. Upon convening a Board of Directors meeting, the discussion unit designated by the Board of Directors shall prepare relevant materials for the Board of Directors' examination at any time and notify managers from relevant departments who are not directors to attend according to the contents of the proposals. When necessary, the Company will also invite accountants and other professionals to attend meetings. | No difference                        |
| (2) If the Company established any measures to prevent unethical conduct and clearly prescribed the specific ethical management practice including  | ✓                     |   | (2) The Company has formulated schemes for preventing acts without good faith in the "Global Employee Code of Conduct Management Measures" and "Employee Complaints and External Reporting Management Specifications" pursuant to the "Code of Integrity Operations", including operation procedures, behavioral guidelines, violation punishments, and a complaint   | No difference                        |



| Items  | Implementation Status |   |   | Non-implementation and its reason(s) |
|--|-----------------------|---|---|--------------------------------------|
|  | Y                     | N | Summary   |                                      |
| <p>operational procedures, guiding principles, penalties and grievance channels?</p> <p>(3) If the Company adopted any preventive measures against business activities specified in the second paragraph of Article 7 of Ethical Corporate Management Best Practice Principles for TWSE/GTSE Listed Companies or in other business activities within the business scope which are possibly at a higher risk of being involved in an unethical conduct?</p> | ✓                     |   | <p>system, and implements them. Operation Procedure and Behavioral Guidelines for Honest Operation have been established.</p> <p>(3) In order to ensure the implementation of integrity operations, all new employees of the Company must participate in the "Implement Internal Control System" and relevant legal courses training, and an audit supervisor will report the important poor external and internal control cases, deficiency analysis, and self-prevention countermeasures in the Board of Directors meetings. Furthermore, the Company signs improper benefits banned purchase contract with its suppliers, establishes an effective accounting system and internal control system, regularly executes internal auditing and self-assessment operations, and actually checks the company's compliance in order to prevent the occurrence of acts without good faith.</p> | No difference                        |
| <p>2. Implementation of Ethical Corporate Management</p> <p>(1) If the Company checked whether the respective counterparty holds any record of unethical misconduct and if the contract terms required the compliance of ethical corporate management policy?</p>  | ✓                     |   | <p>(1) In addition to formulating the "Codes of Ethical Conduct" and "Global Employee Code of Conduct Management Measures", the Company has also formulated "New Manufacturer Assessment Management Measures" that require new manufacturers to have good business reputations and conform to the ethical requirements of the Company. In "Purchase Contracts", it shall explicitly stipulate that the supplier shall abide by the special guarantee clause, in which the payment of commission, proportion commission, brokerage fees, tail end fees, or other beneficial behaviors are prohibited. In case of violation, the Company is entitled to terminate the contract</p>  | No difference                        |

| Items   | Implementation Status |   |   | Non-implementation and its reason(s) |
|---|-----------------------|---|---|--------------------------------------|
|   | Y                     | N | Summary   |                                      |
|   |                       |   | immediately, and the supplier shall unconditionally cooperate to ask such person that received benefits for compensation.   |                                      |
| (2) If the Company set up a unit, under the direct supervision of the Board of Directors, to handle the implementation of ethical corporate management and reported to the Board of Directors periodically? | ✓                     |   | (2) To fulfill their management responsibility of the good faith operation, prevent interest conflicts, provide the appropriate statements channel, the company establishes the talent center as a part-time organization for good faith operation to take charge of establishment, communication and training of good faith operation policy and dishonest behavior prevention scheme, and the relevant unit supervises the performance, and regularly report relevant plan and performance to the board of director every year.   | No difference                        |
| (3) If the Company established a policy on prevention of conflict of interests, provided appropriate reporting channel and executed rigorously and thoroughly?  | ✓                     |   | (3) The Company has formulated the "Codes of Ethical Conduct", "Global Employee Code of Conduct Management Measures", and "Employee Complaints and External Reporting Management Specifications" to standardize the prevention of the occurrence of conflict of interest circumstances, explicitly stipulating that directors, managers, and all employees must not accept any gift or business entertaining and prohibiting transactions or business contact between the company and relatives of colleagues in order to avoid the impact of personal improper interests on company rights and interests. The Company has formulated a conflict of interest prevention policy in the "Code of Integrity Operations" and provides proper channel for directors, supervisors, managers, and other interested parties attending Board of Directors meetings to actively describe whether they have any potential conflict of interest with the company, which they shall evade. | No difference                        |
| (4) If the Company established an effective accounting system and internal control system to  | ✓                     |   | (4) The Company has established an effective accounting system and internal control system.<br>(A)Accounting system: In order to implement integrity operations, an   | No difference                        |

| Items   | Implementation Status |   |  | Non-implementation and its reason(s) |
|---|-----------------------|---|--|--------------------------------------|
|   | Y                     | N | Summary  |                                      |
| implement ethical corporate management, and if internal auditing department or CPA conducted periodic auditing? |                       |   | <p>effective accounting system has been established. The accounting system of the Company was formulated pursuant to relevant laws and decrees and principles, such as the Securities Exchange Act, Company Act, Business Accounting Act, Securities Issuer Financial Statement Preparation Standards and International Financial Reporting Standards recognized by the Financial Supervisory Commission, International Accounting Standards, interpretation and interpretation announcements, etc., and was designed in accordance with company regulations, aiming at meeting actual operation requirements.</p> <p>(B) Internal control system: In order to implement integrity operations, the internal control system of the Company is the management process following the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and was designed by its managers, Consent of audit committee, passed by its board of directors, and implemented by the board of directors, managers, and other employees for purpose of promoting sound operations of the company, so as to reasonably ensure that the following objectives are achieved: (1). Effectiveness and efficiency of operations. (2). Reliability, timeliness, transparency, and regulatory compliance of reporting. (3). Compliance with applicable laws, regulations, and bylaws. Components of Inventec's internal control system include: (1). control environment, (2). risk assessment, (3).control activities, (4).information and communication, and (5).monitoring activities. The prevention (risk control) internal control system of Inventec includes: (1).prevention (risk control) risk assessment, (2). prevention (risk control) internal control, (3).prevention (risk control) internal audit, and (4).prevention (risk control) self-assessment.</p> <p>(C) Internal audit: : Preventive audits (risk control) are performed according</p> |                                      |

| Items  | Implementation Status |   |   | Non-implementation and its reason(s) |
|--|-----------------------|---|---|--------------------------------------|
|  | Y                     | N | Summary   |                                      |
|  |                       |   | to the audit policy for the following 11 high risks approved by the board of directors in 2018: ethics, audit authority, inventory management, receivables, costs and expenses, asset preservation, industrial safety and environmental protection, information security, financial reporting (IFRS), financial regulations, compliance with laws and regulations to establish the audit emphasis for the preventive (risk control) management mechanism, and identify potential operational risks as soon as possible, assist the operations team to take preventive actions in advance, and continuously improve the contribution and value of internal audits to Inventec and its subsidiaries. Internal prevention audit (risk control) plan: The 2018 internal audit plan approved by the board of directors covers: factories (Shilin Factory, Taoyuan Factory, Taipei Computer Factory), subsidiaries (PSG Group, EBG Group, Solar Energy Group, a total of 25 and Inventec Appliances Group, a total of 11). The internal audit report and the follow-up report are submitted to the audit committee for inspection prior to the end of the following month after the completion of the audit project. In addition to the "annual audit plan" approved by the board of directors, the preventive (risk control) internal audit shall be carried out for the control operations of each transaction cycle in all factory areas and subsidiaries. To expand the depth of internal audits and promote their greater synergy and contribution, the audit center will establish project audits when requested to do so by the board of directors for the important problems and high-risk businesses found in routine audits and shall conduct in-depth investigations and submit audit reports. |                                      |
| (5) If the Company organized training and awareness programs on ethical corporate management to internal and | ✓                     |   | (5) To promote the concept of honest management, the Company holds regular internal and external educational training courses focusing on honest and ethical management practices. For the year 2018, the total number of hours spent on training amounted to 59,946, with training expenses of   | No difference                        |

| Items   | Implementation Status |   |  | Non-implementation and its reason(s) |
|---|-----------------------|---|--|--------------------------------------|
|   | Y                     | N | Summary  |                                      |
| external parties?   |                       |   | NT\$7,689,895. The related promotion or proportion of training on honest behavior in the Taiwan area for the year 2018 has reached 100%.   |                                      |
| 3.Implementation of whistleblowing system   |                       |   |  |                                      |
| (1) If the Company established a whistleblowing and reward system? Upon receiving a reported case, is there a dedicated personnel handling the reported case? | ✓                     |   | (1) System management and special personnel for special responsibilities: In order to solve major violations or misconduct, etc. complained about by employees, the Company has set up external and internal complaint management. When employees suffer from improper, illegal, or unreasonable events, they can submit a complaint according to the complaint system. There were no employee complaints or labor cases opened in 2018. | No difference                        |
| (2) If the Company established standard operational procedures and relevant information confidentiality policy for investigation of reported cases?           | ✓                     |   | (2) Pursuant to the "Employee Complaints and External Reporting Management Specification", the Company has established investigation standard operation procedures and a confidentiality mechanism to accept reporting matters and imposes punishment by referring to trial principles. In 2018, one case registered, and one case closed, total of two cases.   | No difference                        |
| (3) If the Company established any measures for protecting whistleblowers from inappropriate disciplinary actions?  | ✓                     |   | (3) In the "Employee Complaints and External Reporting Management Specifications", the Company has designated a dedicated complaint acceptor and complaint and reporting hotline: Tel.: 2881-0721 ext. 21999 / E-mail: 21999 @inventec.com, and according to the treatment principle, the Company will protect the reporter from discriminations, threats, post transfers, and other unfavorable treatments                              | No difference                        |
| 4. Information Disclosure   |                       |   |  |                                      |
| (1) If the Company disclosed ethical corporate management policy and its status of implementation via corporate   | ✓                     |   | (1) The website of the Company discloses such information as integrity operation, social responsibility, corporate culture, and operation policy. Furthermore, a dedicated department has been established to be responsible for collecting and publishing all kinds of information, and the spokesman   | No difference                        |

| Items  | Implementation Status |   |  | Non-implementation and its reason(s) |
|--|-----------------------|---|--|--------------------------------------|
|  | Y                     | N | Summary  |                                      |
| website or Market Observation Post System?   |                       |   | system has been established and Investor Conference convened pursuant to law, describing the company operation results and business conditions. The meeting video files will be uploaded to the company website and <a href="http://mops.twse.com.tw">mops.twse.com.tw</a> for review. |                                      |
| <p>5. If the Company established any guideline of ethical business conduct in accordance with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies”, please state the implementation status of the guideline and any reasons for non-implementation?</p> <p>Pursuant to the "Listed Company Code of Integrity Operations", the Company formulated the "Inventec Corporation Code of Integrity Operation", and the operation has no difference from the rules.</p>   |                       |   |  |                                      |
| <p>6. If any other information that helped to understand the operation of ethical business conduct and its implementation?</p> <p>(1).Suppliers of the Company need to pass the supplier corporate social responsibility survey appraisal form with the aim that suppliers will fulfill corporate social responsibility.</p> <p>(2).The director conflict of interest system is stipulated in the "Rules for Board of Directors' Discussion" of the Company in order to ensure that relevant resolutions have no damage to company rights and interests.</p> <p>(3).Regarding major operation policies, investment cases, asset acquisition and disposal, bank financing, capital loan to other persons, endorsements, etc. of the Company, they shall be evaluated and analyzed by the relevant responsible unit and proposed to the Board of Directors for resolution.</p> <p>(4).Every year, all departments throughout the Company will carry out self-assessment operations, coordinate with the change of organization and environment in a timely manner, and review the appropriateness of the internal control system and whether colleagues are following the relevant regulations for business execution in order to ensure effective implementation of the internal control system of the company.</p> |                       |   |  |                                      |

Note: Unless otherwise described, the listed subsidiaries of the Company Group comply with relevant regulations upon Ethical Corporate Management.

### **2.3.8 Corporate governance guideline and regulations**

Please go to the company website (<http://www.inventec.com>), and click on Investor Relations /Corporate Governance for inquiry.

### **2.3.9 Other important information regarding corporate governance: None.**

## 2.3.10 Internal control system

### 2.3.10.1 Statement of internal control system

Inventec Corporation  
Statement of Internal Control System

Mar. 26, 2019

Based on the findings of self-assessment, the company states the following with regard to its internal control system in 2018:

1. The company is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of its Board of Directors and management. The aim of the internal control system is to provide reasonable assurance to effectiveness and efficiency of operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency, and regulatory compliance of reporting and compliance with applicable laws, regulations, and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the aforementioned three objectives. Moreover, the effectiveness of an internal control system may be subject to changes of environmental or circumstances. Nevertheless, the internal control system of the company contains self-monitoring mechanism and the company takes corrective actions whenever a deficiency is identified.
3. The company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing Establishment of Internal Control Systems by Public Companies (herein below, the “Regulations”). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component further contains several items. Please refer to the Regulations for details.
4. The company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the assessment mentioned in the preceding paragraph, the company believes that, as of December 31, 2018, its internal control system (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning effectiveness and efficiency of operations, reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will be integral part of the company’s Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This Statement has been passed by the Board of Directors in their meeting held on Mar. 26, 2019 with zero of nine attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Inventec Corporation.  
Chairman : Cho, Tom-Hwar  
President : Wu, Yung-Tsai



2.3.10.2 If the Company is requested by the SEC to retain CPA's service for examining internal control system, the Independent Auditor's Report must be disclosed: None

**2.3.11 The penalties delivered to the company and the staffs of the company, or the penalties delivered by the company to the staffs for violations of internal control system, the major nonconformity, and the corrective action in the most recent years and up to the date of the annual report: None.**

### **2.3.12 Major resolutions of shareholders' meeting and board meetings**

#### 2.3.12.1 Major resolutions of shareholders' meeting

| Meeting date | Abstract of important proposals  | Execution situation  |
|--------------|--|--|
| 2018.06.14   | 1. Proposal for the acknowledgment of the 2017 Business Report and financial statement of the Company. | Approved by 2,513,575,198 voting rights (among which, 1,339,460,485 voting rights were exercised electronically), accounting for 88.95% of the total voting rights. The approved voting rights exceed the statutory amount, and this proposal is passed.   |
|              | 2. Proposal for acknowledgment of surplus dividend distribution of the Company in 2017.                | Approved by 2,522,819,271 voting rights (among which, 1,348,705,558 voting rights were exercised electronically), accounting for 89.28% of the total voting rights. The approved voting rights exceed the statutory amount, and this proposal is passed. NT\$1.65 cash dividend is allotted per share.<br>Ex-dividend base date: July 20, 2018.<br>Date of cash dividend distribution: August 10, 2018.                                    |
|              | 3. Proposal to revise some articles of the Articles of Company.  | Approved by 2,522,750,819 voting rights (among which, 1,348,637,106 voting rights were exercised electronically), accounting for 89.28% of the total voting rights. The approved voting rights exceed the statutory amount, and this proposal is passed.<br>Date of change of registration approval by the Ministry of Economic Affairs: June 26, 2018.<br>The revised Articles of Association have been published on the company website. |
|              | 4. Proposal to revise some articles of Regulations Making of Endorsements/Guarantees.                  | Approved by 2,522,448,187 voting rights (among which, 1,348,334,474 voting were exercised electronically), accounting for 89.27% of the total voting rights. The approved voting rights exceed the statutory amount, and this proposal is passed.  |

|  |   |   |
|--|---|---|
|  |   | The revised Rules have been published on the company website.   |
|  | 5. Removal of directors Chang, Ching-Sung, Chen, Ruey-Long and Shyu, Jyuo-Min's new non-competition restrictions. | Approved by 2,408,176,258 voting rights (among which, 1,234,851,189 voting were exercised electronically), accounting for 85.25% of the total voting rights. The approved voting rights exceed the statutory amount, and this proposal is passed. |

### 2.3.12.2 Major resolutions of board meetings

| Meeting date | Important resolution matters   |
|--------------|--|
| 2018.01.30   | Passed the appointment of the reinvestment company's juridical person  |
|              | Passed to increase capital loans to Inventec (Pudong) Technology Corp.   |
| 2018.02.27   | Passed the employment of manager   |
|              | Passed the continued provision of letters of support to a re-investment company by Inventec (Czech), s.r.o.                  |
| 2018.03.26   | Passed to issue the 2017 "Inventec corporation internal control system statement".   |
|              | Passed the 2017 employees', and directors' rewards distribution as deliberated by the remuneration committee of the company. |
|              | Passed the 2017 financial statement, consolidated the financial statement and business report of the Company.                |
|              | Passed the 2017 surplus distribution proposal of the Company.  |
|              | Passed the revision of some articles of the Articles of Company.   |
|              | Passed the revision of some articles of the Regulations Making of Endorsements/Guarantees of the Company.                    |
|              | Passed to remove the restriction of the newly-added competition ban with the board directors.                                |
|              | Passed to agree upon relevant matters of the 2018 general meeting of the Company.  |
|              | Passed the appointment of the certified public accountant.   |
| 2018.05.15   | Passed the revision of 2018 internal audit plan (version 2)  |
|              | Passed the 2018 Q1 consolidated financial statement of the Company.  |
|              | Passed the establishment of reinvestment company Inventec Asset-Management (Shanghai) Corporation                            |
| 2018.06.26   | Passed the base date of ex-dividend on cash dividends  |
|              | Passed the sale of the fixed asset of Taoyuan factory located in Taoxi District, Taoyuan City                                |
| 2018.08.14   | Passed the 2018 Q2 consolidated financial statement of the Company.  |

| Meeting date | Important resolution matters   |
|--------------|--|
| 2018.10.23   | Passed the extension of lending approved   |
| 2018.11.12   | Passed the 2018 Q3 consolidated financial statement of the Company.  |
|              | Passed the "2019 Internal Audit Plan".   |
|              | Passed the revision of some articles of the internal control system for Inventec Co., Ltd.   |
|              | Passed the revision of some articles of the company's performance evaluation regulation for board of directors                             |
|              | Passed the accountant's fees   |
|              | Passed the donation of TWD 10 million to Inventec Group Charity Foundation   |
| 2018.12.25   | Passed the compensation and year-end bonus planning for directors and managers and compensation allocation ratio for employee and director |
|              | Passed 2019 business plan  |
|              | Passed the bank support letter to reinvestment company Inventec Solar Energy Corporation.  |
|              | Passed the load and application of Inventec (Chongqing) Corp. and Inventec (Pudong) Technology Corp.                                       |
| 2019.01.22   | Passed the support letter for continuous operation of reinvestment company Inventec (Czech),s.r.o  |
|              | Passed the participation in the capital increase of the reinvestment company AIMobile Co., Ltd.  |
| 2019.02.26   | Passed the appointment of corporate governance chief   |
| 2019.03.26   | Passed to issue the 2018 "Inventec Corporation Internal Control System Statement".   |
|              | Passed the 2018 employees', and directors' rewards distribution as deliberated by the Remuneration Committee of the Company.               |
|              | Passed the 2018 financial statement, consolidated the financial statement and business report of the Company.                              |
|              | Passed the 2018 surplus distribution proposal of the Company.  |
|              | Passed the appointment of the certified public accountant.   |
|              | Passed to agree upon relevant matters of the 2019 general meeting of the Company.  |
|              | Passed the revision of some articles of the Articles of Company.   |
|              | Passed the revision of some articles of the Rules of Procedure for Shareholders Meetings.  |
|              | Passed the revision of some articles of the Regulations Governing Loaning of Funds.  |
|              | Passed the revision of some articles of the Regulations Making of Endorsements/Guarantees of the Company.                                  |

| Meeting date | Important resolution matters  |
|--------------|---|
|              | Passed the revision of some articles of the Procedures for Acquisition or Disposal of Assets.                       |
|              | Passed the revision of some articles of the Corporate Governance Best Practice Principles.                          |
|              | Passed to remove the restriction of the board directors, Chen, Ruey-Long and Shyu, Jyuo-Min                         |
|              | Passed the revision of some articles of the company's performance evaluation regulations for the board of directors |
|              | Passed the bank support letter of the reinvestment company Inventec (Pudong) Technology Corp.                       |
| 2019.05.15   | Passed the 2019 Q1 consolidated financial statement of the Company.   |
|              | Passed the appointment of the reinvestment company's juridical person   |

**2.3.13 Major issues of record or written statement made by any director dissenting to important resolutions passed by the board of directors in the last few years and to the date of the annual report: None.**

**2.3.14 Resignation or dismissal of personnel involved in the company: None.**

## **2.4. Information regarding the company's audit fee and independence**

### **2.4.1 Range of accountants' fee**

| CPA Firm | CPA         |                 | Auditing Period       | Remark |
|----------|-------------|-----------------|-----------------------|--------|
| KPMG     | Lin Wan-Wan | Yang, Liu-Fong, | 2018.01.01~2018.12.31 | -      |

Unit: NT\$ Thousands

| Amount Bracket \ Items |  | Auditing Fees | Non-Auditing Fees | Total |
|------------------------|--|---------------|-------------------|-------|
| 1                      | Below 2,000 thousand                                 |               | ✓                 |       |
| 2                      | 2,000 thousand (included) ~ 4,000 thousand(excluded) |               |                   |       |
| 3                      | 4,000 thousand (included) ~6,000 thousand(excluded)  |               |                   |       |
| 4                      | 6,000 thousand (included) ~ 8,000thousand(excluded)  |               |                   |       |
| 5                      | 8,000 thousand (included) ~ 10,000thousand(excluded) | ✓             |                   |       |
| 6                      | Over 10,000 thousand (included)                      |               |                   | ✓     |

Unit: NT\$ Thousands

| CPA Firm | CPA            | Auditing Fees | Non-Auditing Fees |  |    |        |       | Auditing Period       | Note  |
|----------|----------------|---------------|-------------------|--|----|--------|-------|-----------------------|---|
|          |                |               | System Design     | Industrial and Commercial Registration | HR | Others | Total |                       |   |
| KPMG     | Lin Wan-Wan    | 9,200         | 0                 | 0                                      | 0  | 980    | 980   | 2018.01.01~2018.12.31 | Non-auditing services include transfer pricing, VAT and tax consultant. |
|          | Yang, Liu-Fong |               |                   |  |    |        |       | 2018.01.01~2018.12.31 |   |

**2.4.2 The non-audit fee paid to certified CPA, certified Office of CPA and affiliated companies accounts for over 1/4 to audit fee: None**

**2.4.3 Alter the CPA firm and the audit fee in altering year is less than that in the previous year: None**

**2.4.4 The audit fee is reduced by over 15% compared with the previous year: None**

## **2.5 Information regarding the replacement of CPA**

Change of CPA in recent two years and thereafter: As of the first quarter of 2017, certified public accountants have been changed from original accountants Chen, Ying-Ju and Yang, Liu-Fong to accountants Lin, Wan-Wan and Yang, Liu-Fong, as part of the internal rotation of the accounting department, hence it is not applicable.

## **2.6 Audit independence**

If the chairman, president, and financial or accounting manager of the Company who had worked for the independent auditor or the related party in the most recent year, the name, title, and the term with the independent auditor or the related party must be disclosed: None.

## 2.7 Changes in shareholding of directors, supervisors, managers and major shareholders

Unit: Thousand shares

| Title                    | Name              | 2018                           |  | 2019/1/1~2019/05/15            |  |
|--------------------------|-------------------|--------------------------------|--|--------------------------------|--|
|                          |                   | Holding Increase<br>(Decrease) | Pledged Holding<br>Increase (Decrease) | Holding Increase<br>(Decrease) | Pledged Holding<br>Increase (Decrease) |
| Chairman                 | Cho, Tom-Hwar     | 0                              | 0                                      | 0                              | 0                                      |
| Director                 | Yeh, Kuo-I        | 0                              | 0                                      | 0                              | 0                                      |
| Director                 | Lee, Tsu-Chin     | 0                              | 0                                      | 0                              | 0                                      |
| Director                 | Wen, Shih-Chih    | 0                              | 0                                      | 0                              | 0                                      |
| Director                 | Chang, Ching-Sung | 0                              | 0                                      | 0                              | 0                                      |
| Director                 | Huang, Kuo-Chun   | 0                              | 0                                      | 0                              | 0                                      |
| Independent Director     | Chang, Chang-Pang | 0                              | 0                                      | 0                              | 0                                      |
| Independent Director     | Chen, Ruey-Long   | 0                              | 0                                      | 0                              | 0                                      |
| Independent Director     | Shyu, Jyuo-Min    | 0                              | 0                                      | 0                              | 0                                      |
| President                | Wu, Yung-Tsai     | 0                              | 0                                      | 0                              | 0                                      |
| Business Group President | Chang, Hui        | -96                            | 0                                      | 0                              | 0                                      |
| Business Group President | Tsai, Chih-An     | 0                              | 0                                      | 0                              | 0                                      |
| Senior Vice President    | Chiu, Chui-I-Kuan | 0                              | 0                                      | 0                              | 0                                      |
| Senior Vice President    | Chen, Yea-Ping    | 0                              | 0                                      | 0                              | 0                                      |
| Senior Vice President    | Yi, Fu-Ming       | 0                              | 0                                      | 0                              | 0                                      |
| Vice President           | Chang, Nai-Wen    | 0                              | 0                                      | 0                              | 0                                      |
| Vice President           | Hong, Kuo-Ching   | 0                              | 0                                      | 0                              | 0                                      |
| Vice President           | Chang Yiu-Lang    | 0                              | 0                                      | 0                              | 0                                      |
| Vice President           | Yu, Chin-Pao      | 0                              | 0                                      | 0                              | 0                                      |
| Vice President           | Chien, Kuei-Fen   | -15                            | 0                                      | -5                             | 0                                      |
| Vice President           | Lou, Jin-Pang     | 0                              | 0                                      | 0                              | 0                                      |
| Vice President           | Tsai, Yuh-Chen    | 0                              | 0                                      | 0                              | 0                                      |
| Vice President           | Hsu, Ching-Wu     | 0                              | 0                                      | 0                              | 0                                      |
| Vice President           | Chou, Shao-Hsin   | 0                              | 0                                      | 0                              | 0                                      |
| Vice President           | Lin, Shu-Ju       | 0                              | 0                                      | 0                              | 0                                      |
| Vice President           | Liu, Ta-Cheng     | 0                              | 0                                      | 0                              | 0                                      |
| Vice President           | Yen ,Cheng-Lung   | 0                              | 0                                      | 0                              | 0                                      |
| Vice President           | Chao,Tsai-Hsiu    | 0                              | 0                                      | 0                              | 0                                      |
| Senior Director          | Li, Jui-Chin      | 0                              | 0                                      | 0                              | 0                                      |

| Title                            | Name           | 2018                           |  | 2019/1/1~2019/05/15            |  |
|----------------------------------|----------------|--------------------------------|--|--------------------------------|--|
|                                  |                | Holding Increase<br>(Decrease) | Pledged Holding<br>Increase (Decrease) | Holding Increase<br>(Decrease) | Pledged Holding<br>Increase (Decrease) |
| Senior Director of Talent Center | Yu, Win-Chee   | 0                              | 0                                      | 0                              | 0                                      |
| Director of Finance Center       | Liang, Wen-Jan | 0                              | 0                                      | 0                              | 0                                      |
| Director of Talent Center        | Lin, Shih-Pin  | 0                              | 0                                      | 0                              | 0                                      |
| Director of Finance Center       | Hsaio, I-Ying  | 0                              | 0                                      | 0                              | 0                                      |

Note 1: The company has no shareholder holding more than ten percent of the total stock.

Note 2: Lin, Shu-Ju, Liu, Ta-Cheng, Yen, Cheng-Lung, Chao, Tsai-Hsiu as the vice president on 27th Feb. 2018; Li, Jui-Chin as the senior director on 27th Feb. 2018

Note 3: The date of formulating data is the date of publication.

### 2.7.1 Information of shares transferred

2019/05/15

Unit: Share

| Name       | The reason | Date       | Trading counterparties | Relation | Shares | Price |
|------------|------------|------------|------------------------|----------|--------|-------|
| Chang, Hui | Endowment  | 2018/05/31 | Chang, Tzu-Yu          | -        | 96,000 | 22.50 |

Note: The date of formulating data is the date of publication.

### 2.7.2 Information of equity pledged: None.



## 2.8 Relationship among the top ten shareholders

2019.04.16

Unit: Share

| Name   | Shareholding |       | Spouse and Minor |       | Shareholding by Nominee Arrangement |   | The Relationship  |  | Note |
|--|--------------|-------|------------------|-------|-------------------------------------|---|---|--|------|
|  | Shares       | %     | Shares           | %     | Shares                              | % | Name  | Relations  |      |
| Yeh, Kuo-I   | 226,361,330  | 6.31% | 99,314,117       | 2.77% | -                                   | - | Yeh, Li-Chuan<br>Yeh, Li-Cheng<br>Kuo Hsieh Investment Co., Ltd.<br>Fu Tai Investment Co., Ltd.<br>Wang, Fu-Tai | Relative within the second degree of kinship<br>Relative within the second degree of kinship<br>Director<br>Director<br>Spouse |      |
| Shyh Shiunn Investment Corp.                                 | 139,416,690  | 3.89% | -                | -     | -                                   | - | Wen, Shih-Chih  | Chairman   |      |
| Shyh Shiunn Investment Corp.: Representative, Wen, Shih-Chih | 35,685,590   | 0.99% | 37,399           | 0.00% | -                                   | - |   |  |      |
| Lai-Chu Investment Co., Ltd.                                 | 136,721,634  | 3.81% | -                | -     | -                                   | - | Yang, Yuan-Yuan   | Chairman   |      |
| Lai-Chu Investment Co., Ltd. Representative Yang, Yuan-Yuan  | -            | -     | -                | -     | -                                   | - | -   | -  |      |
| Kuo Hsieh Investment Co., Ltd.                               | 122,452,558  | 3.41% | -                | -     | -                                   | - | Yeh, Li- Cheng<br>Yeh, Kuo-I<br>Wang, Fu-Tai  | Chairman<br>Director<br>Director   |      |
| Kuo Hsieh Investment Co.,                                    | 67,412,472   | 1.88% | 600,000          | 0.03% | -                                   | - | Yeh, Kuo-I  | Relative within the second degree of kinship   |      |

| Name  | Shareholding |       | Spouse and Minor |       | Shareholding by Nominee Arrangement |   | The Relationship   |  | Note |
|---|--------------|-------|------------------|-------|-------------------------------------|---|--|--|------|
|   | Shares       | %     | Shares           | %     | Shares                              | % | Name   | Relations  |      |
| Ltd.<br>Representative,<br>Yeh, Li-Cheng                        |              |       |                  |       |                                     |   | Yeh, Li-Quan<br><br>Wang, Fu-Tai<br><br>Fu Tai Investment Co., Ltd.  | Relative within the second degree of kinship<br>Relative within the second degree of kinship<br>Chairman   |      |
| Fu Tai Investment Co., Ltd.                                     | 121,481,074  | 3.39% | -                | -     | -                                   | - | Yeh, Li-Cheng<br>Yeh, Kuo-I<br>Wang, Fu-Tai  | Chairman<br>Director<br>Director   |      |
| Fu Tai Investment Co., Ltd.<br>Representative,<br>Yeh, Li-Cheng | 67,412,472   | 1.88% | 600,000          | 0.03% | -                                   | - | Yeh, Kuo-I<br><br>Yeh, Li-Chuan<br><br>Wang, Fu-Tai<br><br>Kuo Hsieh Investment Co., Ltd..                             | Relative within the second degree of kinship<br>Relative within the second degree of kinship<br>Relative within the second degree of kinship<br>Chairman |      |
| Lee, Tsu-Chin   | 115,833,835  | 3.23% | -                | -     | -                                   | - | -  | -  |      |
| Wang, Fu-Tai  | 99,314,117   | 2.77% | 226,361,330      | 6.31% | -                                   | - | Yeh, Li-Chuan<br><br>Yeh, Li-Cheng<br><br>Kuo Hsieh Investment Co., Ltd..<br>Fu Tai Investment Co., Ltd.<br>Yeh, Kuo-I | Relative within the second degree of kinship<br>Relative within the second degree of kinship<br>Director<br><br>Director<br><br>Spouse                   |      |
| Fubon Life Insurance Co.,                                       | 79,929,000   | 2.23% | -                | -     | -                                   | - | Tsai, Ming-Hsing   | Chairman   |      |

| Name   | Shareholding |       | Spouse and Minor |       | Shareholding by Nominee Arrangement |   | The Relationship   |  | Note |
|--|--------------|-------|------------------|-------|-------------------------------------|---|--|--|------|
|  | Shares       | %     | Shares           | %     | Shares                              | % | Name   | Relations  |      |
| Ltd  |              |       |                  |       |                                     |   |  |  |      |
| Fubon Life Insurance Co., Ltd Representative, Tsai, Ming-Hsing | -            | -     | -                | -     | -                                   | - | -  | -  |      |
| Yeh, Li-Cheng  | 67,412,472   | 1.88% | 600,000          | 0.03% | -                                   | - | Yeh, Kuo-I<br>Yeh, Li-Chuan<br>Wang, Fu-Tai<br>Kuo Hsieh Investment Co., Ltd.<br>Fu Tai Investment Co., Ltd. | Relative within the second degree of kinship<br>Relative within the second degree of kinship<br>Relative within the second degree of kinship<br>Chairman<br>Chairman |      |
| Yeh, Li-Chuan  | 63,398,405   | 1.77% | 2,711,196        | 0.09% | -                                   | - | Yeh, Kuo-I<br>Yeh, Li-Cheng<br>Wang, Fu-Tai  | Relative within the second degree of kinship<br>Relative within the second degree of kinship<br>Relative within the second degree of kinship                         |      |

Note 1: The top ten shareholders shall all be listed; for corporate shareholders, the name and representative of the corporate shareholder shall be listed respectively.

Note 2: The calculation of shareholding ratio means the calculation of shareholding ratio in the name of oneself, spouse, minor children, or other person.

Note 3: For the corporate shareholders and natural person shareholders listed above, any relationship between and among them shall be disclosed.

Note 4: Note: The date of formulating data is the book closure date of shares

## 2.9 Ownership of shares in affiliated enterprises

2019.04.16

Unit: Thousand shares

| Long-Term Investment              | Ownership by Inventec |         | Direct/Indirect Ownership by Directors and Management |        | Total   |         |
|-----------------------------------|-----------------------|---------|---|--------|---------|---------|
|                                   | Shares                | %       | Shares  | %      | Shares  | %       |
| Inventec Appliances Corporation   | 536,857               | 100.00% | -   | -      | 536,857 | 100.00% |
| Inventec Besta Co., Ltd           | 23,405                | 37.53%  | 748   | 1.20%  | 24,153  | 38.73%  |
| Inventec Investment Corporation   | 108,800               | 100.00% | -   | -      | 108,800 | 100.00% |
| Inventec Solar Energy Corporation | 108,150               | 33.45%  | 59,220  | 18.31% | 167,370 | 51.76%  |
| E-Ton Solar Tech. Co., Ltd.       | 94,889                | 29.70%  | 19,932  | 6.24%  | 114,821 | 35.94%  |
| AIMobile Co., Ltd.                | 22,000                | 55.00%  | -   | -      | 22,000  | 55.00%  |

Note 1: It is the investment of company by adopting the Equity Method.

Note 2: The date of formulating data is the book closure date of shares

### III. Capital overview

#### 3.1 Capital and shares

##### 3.1.1 Capital and shares

05/15/2019

| Month/<br>Year | Par<br>Value<br>(NTD) | Authorized Capital |                       | Paid-in Capital   |                       | Remark   |  |                                    |
|----------------|-----------------------|--------------------|-----------------------|-------------------|-----------------------|--|--|------------------------------------|
|                |                       | Shares<br>(1,000)  | Amount<br>(NT\$1,000) | Shares<br>(1,000) | Amount<br>(NT\$1,000) | Sources of Capital<br>(NT\$10,000)   | Capital<br>Increased by<br>Assets Other<br>than Cash | Other                              |
| 1988.11        | 10                    | 22,060             | 220,600               | 22,060            | 220,600               | Capital increase NT 3,000 by Cash  | —  | November 1, 1988 (77), No. 09283   |
| 1989.08        | 10                    | 66,999             | 660,000               | 33,200            | 332,000               | Capital increase NT 4,080.80 by Cash<br>Capital increase NT 7,059.20 by Earnings             | —  | August 21, 1989 (78), No. 01724    |
| 1990.05        | 10                    | 100,000            | 1,000,000             | 76,360            | 763,600               | Capital increase NT 3,320 by Capital Surplus<br>Capital increase NT 39,840 by Earnings       | —  | May 30, 1990 (79), No. 28599       |
| 1991.07        | 10                    | 100,000            | 1,000,000             | 83,996            | 839,960               | Capital increase NT 7,636 by Capital Surplus   | —  | July 18, 1991 (80), No. 01592      |
| 1992.06        | 10                    | 100,795            | 1,007,952             | 100,795           | 1,007,952             | Capital increase NT 16,799.20 by Earnings  | —  | June 17, 1992 (81), No. 01286      |
| 1993.07        | 10                    | 120,954            | 1,209,542             | 120,954           | 1,209,542             | Capital increase NT 20,159 by Earnings   | —  | July 20, 1993 (82), No. 30624      |
| 1994.06        | 10                    | 145,145            | 1,451,451             | 145,145           | 1,451,451             | Capital increase NT 24,191 by Earnings   | —  | June 20, 1994 (83), No. 28255      |
| 1995.06        | 10                    | 174,174            | 1,741,741             | 174,174           | 1,741,741             | Capital increase NT 29,029 by Earnings   | —  | June 21, 1995 (84), No. 36512      |
| 1996.06        | 10                    | 226,426            | 2,264,263             | 226,426           | 2,264,263             | Capital increase NT 52,252 by Earnings   | —  | June 21, 1995 (84), No. 38703      |
| 1997.05        | 10                    | 600,000            | 6,000,000             | 508,560           | 5,085,604             | Capital increase NT 282,134 by Earnings  | —  | May 06, 1997 (86), No. 36918       |
| 1998.05        | 10                    | 1,000,000          | 10,000,000            | 835,407           | 8,354,069             | Capital increase NT9,663 by Capital Surplus<br>Capital increase NT 317,184 by Earnings       | —  | May 12, 1998 (87), No. 41354       |
| 1998.05        | 10                    | 1,000,000          | 10,000,000            | 855,407           | 8,554,069             | Capital increase NT 20,000 by Cash   | —  | May 20, 1998 (87), No. 41353       |
| 1999.05        | 10                    | 1,250,000          | 12,500,000            | 1,140,000         | 11,400,000            | Capital increase NT 284,593 by Earnings  | —  | May 17, 1999 (88), No. 46068       |
| 2000.05        | 10                    | 1,500,000          | 15,000,000            | 1,375,860         | 13,758,600            | Capital increase NT 22,800 by Capital Surplus<br>Capital increase NT 213,060 by Earnings     | —  | May 22, 2000 (89), No. 43743       |
| 2001.05        | 10                    | 2,000,000          | 20,000,000            | 1,660,700         | 16,607,000            | Capital increase NT 27,517.2 by Capital Surplus<br>Capital increase NT 257,322.8 by Earnings | —  | May 18, 2001 (90), No. 130976      |
| 2002.06        | 10                    | 2,000,000          | 20,000,000            | 1,835,000         | 18,350,000            | Capital increase NT 24,910.5 by Capital Surplus<br>Capital increase NT 149,389.5 by Earnings | —  | June 14, 2002 (91), No. 132472     |
| 2003.06        | 10                    | 2,500,000          | 25,000,000            | 2,026,000         | 20,260,000            | Capital increase NT 191,000 by Earnings  | —  | June 18, 2003 (92), No. 0920127026 |

| Month/<br>Year | Par<br>Value<br>(NTD) | Authorized Capital |                       | Paid-in Capital   |                       | Remark                                  |  |   |
|----------------|-----------------------|--------------------|-----------------------|-------------------|-----------------------|---|--|---|
|                |                       | Shares<br>(1,000)  | Amount<br>(NT\$1,000) | Shares<br>(1,000) | Amount<br>(NT\$1,000) | Sources of Capital<br>(NT\$10,000)      | Capital<br>Increased by<br>Assets Other<br>than Cash | Other   |
| 2004.06        | 10                    | 2,500,000          | 25,000,000            | 2,137,000         | 21,370,000            | Capital increase NT 111,000 by Earnings | —  | June 08, 2004 (93),<br>No. 0930125427   |
| 2005.06        | 10                    | 2,500,000          | 25,000,000            | 2,205,700         | 22,057,000            | Capital increase NT 68,700 by Earnings  | —  | June 24, 2005 (94),<br>No.0940125418  |
| 2006.06        | 10                    | 2,500,000          | 25,000,000            | 2,301,000         | 23,010,000            | Capital increase NT 95,300 by Earnings  | —  | June 27, 2006 (95),<br>No. 0950126555   |
| 2007.06        | 10                    | 2,500,000          | 25,000,000            | 2,427,800         | 24,278,000            | Capital increase NT 126,800 by Earnings | —  | June 25, 2007 (96),<br>No. 0960031988   |
| 2008.06        | 10                    | 3,000,000          | 30,000,000            | 2,561,000         | 25,610,000            | Capital increase NT 133,200 by Earnings | —  | June 24, 2008 (97),<br>No. 0970031477   |
| 2009.06        | 10                    | 3,000,000          | 30,000,000            | 2,821,426         | 28,214,260            | Capital increase NT 260,426 by Earnings | —  | June 25, 2009 (98),<br>No. 0980031805   |
| 2010.06        | 10                    | 3,000,000          | 30,000,000            | 2,962,497         | 29,624,973            | Capital increase NT 141,071 by Earnings | —  | June 25, 2010 (99),<br>No. 0990032858   |
| 2011.08        | 10                    | 3,500,000          | 35,000,000            | 3,468,922         | 34,689,218            | Capital increase NT 506,425 by Merging  | —  | August 19, 2011 (100),<br>No. 1000037640<br>September 01, 2011<br>(100), No. 1000041230 |
| 2011.10        | 10                    | 3,500,000          | 35,000,000            | 3,466,159         | 34,661,595            | Cancellation of Treasury Stocks NT2,762 | —  | —   |
| 2012.06        | 10                    | 3,650,000          | 36,500,000            | 3,587,475         | 35,874,751            | Capital increase NT 121,316 by Earnings | —  | June 27, 2012 (101),<br>No.1010028496   |

Unit: Share; 05/15/2019

| Shares category          | Authorized Capital     |            |               | Remarks |
|--------------------------|------------------------|------------|---------------|---------|
|                          | Issued shares (Listed) | Non-issued | Total         |         |
| Registered Common Shares | 3,587,475,066          | 62,524,934 | 3,650,000,000 |         |

Information for shelf registration: None

### 3.1.2 Composition of Shareholders

04/16/2019

| Item                   | Government Agencies | Financial Institutions | Other Juridical Person | Domestic Natural Persons | Foreign Institutions & Natural Persons | Total         |
|------------------------|---------------------|------------------------|------------------------|--------------------------|--|---------------|
| Number of Shareholders | 12                  | 72                     | 129                    | 94,526                   | 911                                    | 95,650        |
| Shareholding (shares)  | 23,140,370          | 253,399,624            | 719,436,524            | 1,387,884,382            | 1,203,614,166                          | 3,587,475,066 |
| Percentage             | 0.65%               | 7.06%                  | 20.05%                 | 38.69%                   | 33.55%                                 | 100.00%       |

### 3.1.3 Shareholding distribution status

04/16/2019

| Class of Shareholding (Unit : Share) | Number of Shareholders | Shareholding (Shares) | Percentage |
|--------------------------------------|------------------------|-----------------------|------------|
| 1 ~ 999                              | 31,949                 | 9,566,272             | 0.27%      |
| 1,000 ~ 5,000                        | 42,186                 | 96,562,996            | 2.69%      |
| 5,001 ~ 10,000                       | 11,014                 | 79,190,760            | 2.21%      |
| 10,001 ~ 15,000                      | 3,829                  | 46,842,754            | 1.31%      |
| 15,001 ~ 20,000                      | 1,792                  | 32,137,686            | 0.90%      |
| 20,001 ~ 30,000                      | 1,700                  | 42,329,972            | 1.18%      |
| 30,001 ~ 40,000                      | 749                    | 26,336,968            | 0.73%      |
| 40,001 ~ 50,000                      | 450                    | 20,480,975            | 0.57%      |
| 50,001 ~ 100,000                     | 830                    | 58,296,147            | 1.62%      |
| 100,001 ~ 200,000                    | 424                    | 60,245,101            | 1.68%      |
| 200,001 ~ 400,000                    | 243                    | 70,022,380            | 1.95%      |
| 400,001 ~ 600,000                    | 115                    | 56,082,638            | 1.56%      |
| 600,001 ~ 800,000                    | 51                     | 35,043,992            | 0.98%      |
| 800,001 ~ 1,000,000                  | 40                     | 36,388,768            | 1.01%      |
| 1,000,001 ~ 999,999,999              | 278                    | 2,917,947,657         | 81.34%     |
| Total                                | 95,650                 | 3,587,475,066         | 100.00%    |

Preferred share: The company did not issue any preferred share.

### 3.1.4 List of major shareholder

04/16/2019

| Shareholder's Name            | Shareholding |            |
|-------------------------------|--------------|------------|
|                               | Shares       | Percentage |
| Yeh, Kuo-I                    | 226,361,330  | 6.31%      |
| Shyh Shiunn Investment Corp.  | 139,416,690  | 3.89%      |
| Lai-Chu Investment Co., Ltd   | 136,721,634  | 3.81%      |
| Kuo Hsieh Investment Co., Ltd | 122,452,558  | 3.41%      |
| Fu Tai Investment Co., Ltd    | 121,481,074  | 3.39%      |
| Lee, Tsu-Chin                 | 115,833,835  | 3.23%      |
| Wang, Fu-Tai                  | 99,314,117   | 2.77%      |
| Fubon Life Insurance Co., Ltd | 79,929,000   | 2.23%      |
| Yeh, Li-Cheng                 | 67,412,472   | 1.88%      |
| Yeh, Li-Quan                  | 63,398,405   | 1.77%      |



### 3.1.5 Market price per share, net value, earnings & dividends for latest two years

Unit : NT\$ ; Thousand shares

| Item \ Year            |                                     | 2017                             | 2018      | 01/01/2019<br>~03/31/2019 |
|------------------------|-------------------------------------|----------------------------------|-----------|---------------------------|
| Market Price per Share | Highest Market Price                | 27.10                            | 28.15     | 24.60                     |
|                        | Lowest Market Price                 | 21.10                            | 21.00     | 21.65                     |
|                        | Average Market Price                | 23.39                            | 24.00     | 23.32                     |
| Net Worth Per Share    | Before Distribution                 | 15.52                            | 15.43     | 16.16                     |
|                        | After Distribution                  | 13.87                            | —         | —                         |
| Earnings Per Share     | Weighted Average Share Numbers      | 3,587,475                        | 3,587,475 | 3,587,475                 |
|                        | Earnings Per Share                  | 1.88                             | 1.81      | 0.47                      |
| Dividends Per Share    | Cash Dividends                      |                                  | 1.65      | —                         |
|                        | Stock Dividend                      | Dividends from Retained Earnings | —         | —                         |
|                        |                                     | Dividends from Capital Surplus   | —         | —                         |
|                        | Accumulated Undistributed Dividends |                                  | —         | —                         |
| Return on Investment   | Price / Earnings Ratio              |                                  | 12.44     | 13.26                     |
|                        | Price / Dividend Ratio              |                                  | 14.18     | —                         |
|                        | Cash Dividend Yield Rate            |                                  | 0.07      | —                         |

Note: Price / Earnings Ratio = Average Market Price / Earnings Per Share

Price / Dividend Ratio = Average Market Price / Cash Dividends Per Share

Cash Dividend Yield Rate = Cash Dividends Per Share / Average Market Price

### 3.1.6 Corporate dividend policy and implementation condition

#### 1. Corporate dividend policy

Pursuant to the provisions of the Articles of Incorporation, if there is a surplus in the general annual report of the Company, it shall first be used to pay taxes and offset accumulated losses, and then 10% will be withdrawn as a statutory surplus reserve, except when the statutory surplus reserve has accumulatively reached the total paid-up capital of the Company. Furthermore, the special surplus reserve shall be set or returned according to the operation demand of the company and pursuant to relevant laws and decrees. If there is still surplus and accumulated undistributed surplus, a proper amount shall be reserved according to operation demand, and a dividend of no less than 10% of the surplus in the current year shall be paid. The Board of Directors shall prepare a surplus distribution proposal and submit it to the Shareholders' Meeting for acknowledgment. The dividend policy of the Company considers the future fund demand and long-term financial planning of the Company, as well as shareholders' demand on cash inflow. If there is a surplus in the annual report, the cash dividend distributed every year shall not be less than 10% of the total cash and stock dividend distributed in the current year.

## 2. Dividend distribution situation

The dividend distribution situations of the Company for past five years are summarized in the following table; the surplus distribution in 2018 is still pending acknowledgment by the 2019 general meeting.

| Year           | 2014 | 2015 | 2016 | 2017 | 2018 |
|----------------|------|------|------|------|------|
| Cash Dividend  | 1.75 | 1.40 | 1.45 | 1.65 | 1.50 |
| Stock Dividend | -    | -    | -    | -    | -    |

**3.1.7 The impact of stock grants proposed by the shareholders' meeting at this time on company business performance and earnings per share:** This (2019) Shareholders' Meeting has not proposed any stock grants.

## 3.1.8 Remuneration of employees, and directors

1. Percentage or scope of remuneration of employees, and directors as stated in the Articles of Incorporation

According to the Articles of Incorporation of the Company, if the Company experiences overall annual profit, no less than 3% shall be allocated as employee remuneration and no more than 3% as director remuneration. However, when the Company has accumulated losses, it shall reserve the compensation amount in advance. Employee remuneration may be issued in cash or stock, the issuing object may include employees subordinated to the company and conforming to certain conditions, and the conditions and methods thereof will be stipulated by the Board of Directors.

2. Estimation base of employee, and director remuneration in this estimation, the number of shares calculation base for employee remuneration in stock distribution, and accounting treatment when the actual distribution amount differs from the estimated amount.
  - (1) Estimation base of employee, and director remuneration in this estimation: Pursuant to the Articles of Association of the Company, if the Company experiences overall annual profit, no less than 3% shall be allocated as employee remuneration and no more than 3% as director remuneration. However, when the Company has accumulated losses, it shall reserve the compensation amount in advance.
  - (2) The number of shares calculation base for employee remuneration in stock distribution: In this period, no employee remuneration is in stock distribution.
  - (3) When the actual distribution amount differs from the estimated amount, the balance thereof will be listed as cost adjustments in the actual distribution year.

### 3. Situation of the board of directors' passing remuneration distribution

- (1) The amount of employee, and director remuneration in cash or stock distribution. If it differs from the estimated amount in the recognized expense year, the balance, reason, and handling situation shall be disclosed: the Board of Directors passed a resolution, determining that the remuneration of employees in 2018 is NTD 490,802,732, and the remuneration of directors in 2018 is NTD 97,342,541, which are the same as the recognized expense amount in 2018.
- (2) The proportion of employee remuneration amount in stock distribution in the net profit after tax in individual financial statements of this period and the total employee remuneration: None

4. For the actual distribution situation of employee, and director remuneration last year (including distributed shares, amount, and stock price), if it differs from the recognized employee, and director remuneration, the balance, reason, and handling situation shall be specified.

In 2017, the relevant information on the employee and director remuneration is summarized below: Employee bonus distribution: NTD 422,632,888; director remuneration distribution: NTD 118,337,208 and the total distribution amount is NTD 540,970,096. It is the same as the recognized expense amount in 2017.

The distribution situation passed by the Shareholders' Meeting is the same as the proposed situation passed by the Board of Directors.

#### **3.1.9 Company's situation regarding buying back Company shares: None.**

#### **3.2 Bonds: None.**

#### **3.3 Preferred shares: None.**

#### **3.4 Global depository receipts: None.**

#### **3.5 Employee stock options: None.**

#### **3.6 Restricted employee shares: None.**

#### **3.7 Status of new shares issuance in connection with mergers and acquisitions: None.**

#### **3.8 Financing plans and implementation**

##### **3.8.1 Plans: None.**

##### **3.8.2 Implementation: None.**

## IV. Operational highlights

### 4.1 Business activities

#### 4.1.1. Business scope

##### 1. Major business contents

The major business items of the group include the manufacturing and sale of computer software and hardware products, and solar batteries, as well as the assembly and sale of communication and digital assistant products, etc.

##### 2. Proportion of consolidated business

| Item \ Year   | 2017    | 2018    |
|---------------|---------|---------|
|               |         |         |
| IT Product    | 96.84%  | 98.41%  |
| Solar Product | 3.16%   | 1.59%   |
| Total         | 100.00% | 100.00% |

##### 3. Commodity items and new commodities planned to be developed

- A. Personal information products include notebook computers in common sizes, tablets, portable notebook computers, and multimedia entertainment and game-type notebook computers.
- B. Business solutions: server, blade server, storage equipment products, ESMS server management software, network solutions, etc.
- C. Smart devices include smart hand-held products, portable automatic navigation devices, media players, video and imaging products, and wearable devices.
- D. Solar batteries products.

#### 4.1.2 Industry overview

##### 1. The current situation and development of the industry

###### (1) Notebook computers

The laptop market is a highly mature market. In recent years, global laptop shipments have been declining. According to the statistics of the information policy committee, in 2018, with the 301 investigation launched by the United States against China, the large brands were affected by the high uncertainty of the market in the first half of the year, while in the second half of the year, they were faced with the CPU shortage. In 2018, Taiwan shipped about 126 million laptops, a decrease of 4.7% compared with the previous year. Looking forward to 2019, in addition to inconspicuous replacement effect and inventory pressure, attention must be paid to the impact of the trade war on the international situation, as the global notebook market can only maintain the existing scale or decline slightly. The overall space for industry growth is small, and each large

manufacturer needs to focus on many key factors in order to continuously earn profits in this highly competitive environment. Although the global shipment growth rate of laptops is sluggish, to increase sales profits, the major brands will increase the shipment proportion of high-end models. Taiwanese manufacturers are at the forefront of the design and manufacture of advanced models, so they are still significantly involved partners of large laptop manufacturers.

(2) Servers and Cloud computing

In recent years, due to digital transformation the market for information applications, such as wearable devices and Internet of things, has developed rapidly. In order to meet the demand for storing a large amount of digital data, manufacturers in various industries throughout the world have successively joined the cloud computing field to drive various innovative services. With the continuous increase of the overall output value of the cloud industry, the number of companies engaged in cloud services has also continued to increase. At the same time, large manufacturers have established data centers around the world that can accommodate about 8,000 to 15,000 server racks per data center, driving the demand for servers. Although the growth momentum is still dominated by North American brand manufacturers, due to the high demand for data processing and storage of mainland China's telecom operators and Internet service providers, the shipments of mainland China's brand manufacturers have continued to grow, and the annual growth rate is expected to catch up with the leading European and American manufacturers in the future. With fierce competition from mainland China's brand manufacturers, American brand manufacturers not only maintain the inherent enterprise hardware business, but are also actively developing cloud computing solutions.

According to the estimate of DIGITIMES Research, global server shipments grow by 11% in 2018. Looking ahead to the development of data centers spurred by cloud demand in 2019, server demand is expected to continue to climb, with annual shipments expected to grow by more than 7%. As for the cloud service market, according to a report by the research company Gartner, the public cloud market will reach USD 175.8 billion USD in 2018, and it is estimated that the market size will exceed 200 billion USD by 2019. By 2022, the digitized proportion of enterprises will also increase from the current 10-20% to 90%.

(3) Smart device

The mobile phone industry has entered a mature stage. According to data from the Institute for Information Industry, the global shipments of smart phones consisted of approximately 1.472 billion sets in 2018, a decrease of 3.5% compared with 2017. This drop has been mainly affected by political uncertainty, large market satiation, longer use cycle of mobile phones, and reduction of customers' willingness to pay high prices. The global smart phone market is becoming saturated, with global penetration exceeding 100%. The 2019 sales in such mature markets as North America and Western Europe are estimated to be the same as in 2018. Europe and the United States are still the main sales regions for high-yielding flagship models, even though their sales share is lower than that

of emerging markets. In emerging markets, rising consumer incomes have led to a wave of high-end smart phone replacements in recent years. By upgrading components, sales of mid-to-high priced smart phones will also steadily increase.

With the development of Internet of things-related application services becoming increasingly mature, wearable devices are attracting more and more manufacturers to actively develop related products due to technological improvements and consumer acceptance. In particular, regarding smart wristband devices (including smart watches and smart bracelets), the Institute for Information Industry estimates that global shipments of smart wearable devices will be 134 million sets with 12% growth in 2018, with smart watches accounting for the highest proportion, 54%. Smart watches continue to grow in the market due to their function of linking home health care and medical care. For smart bracelet shipments, since the product application extensibility is slightly limited, the growth is relatively moderate. However, in general, the wearable device market looks optimistic in the future, and the sales volume of smart wearable devices is expected to reach 153 million sets worldwide, a 14% increase in 2019, stimulated by the addition of new manufacturers and the improved consumer awareness.

(4) Solar energy

According to a report by EnergyTrend, a research institution, the solar energy market was affected by China's new 531 policy in 2018, but the impact was lower than expected, and the annual market demand for strong overseas markets reached 103GW, with an annual increase of 4.9%. China is the world's largest market, followed by the United States. Furthermore, the installation rate of solar photovoltaic devices continues to rise in emerging markets. India has particularly rapid growth in installation volume, overtaking Japan to become the world's third largest market since 2017. EnergyTrend has estimated that global solar demand will continue to rise by 7.7% to 111.3GW in 2019, driven by policy incentives and supply chain price reduction.

## 2. Relevance of upstream, midstream, and downstream of the information hardware industry

| <u>Upstream component<br/>manufacturing industry</u> | <u>Midstream semi-finished<br/>products processing industry</u> | <u>Downstream product<br/>distribution industry</u> |
|--|---|---|
| (1) CPU  |   |   |
| (2) ODD  |   |   |
| (3) HDD  |   |   |
| (4) LCD panel  | Module  |   |
| (5) Battery  |   |   |
| (6) Memory   | and   | Distributor   |
| (7) Network device                                   |   |   |
| (8) Keyboard   | Assembly  |   |
| (9) Mainboard  |   |   |
| (10) Adaptor   |   |   |
| (11) Other components                                |   |   |

## 3. All kinds of product development trends and competition situations

### (1) Notebook computers

In recent years, low prices have already been a priority for consumers, and customers have been paying more attention to laptop functionality and quality. Faced with the competitive laptop market, brand manufacturers continue to launch a wide range of products. Light and thin models and e-sports models will become the main shipped consumer models in the future. For e-sports, the recent use of new GPU is expected to stimulate replacement business opportunities. As viewed, thinness, light-weight, and convenience have already become the primary development trends of notebook computer. In the past, it mostly focused on specification upgrade in the CPU and operating system, and attracted consumers by increasing the efficiency of the product. However, recently the improvement of product design is what mostly attracts customers' attention. The mainstream notebook computer combines the features of a notebook computer with touch screen, 360-degree screen rotation and slim-line look, even including the development of the two-in-one notebook computer with detachable screen and keyboard to improve the convenience of portability of the product and further add value to the product. The expansion towards niche products is also one of the key features for future notebook computer development, such as adding a touch bar or fingerprint recognition functions to the notebook computer. In the face of competition between each major leading manufacturer of this product, it is expected that there will be even more innovative design development with an optimized user interface entering the market.

(2) Server and cloud computing

As for cloud services, each of the major plants is actively developing novel technology, such as introducing edge computing to solve real-time demands, while block-chain technology has gradually been applied to commercial areas. AI, container technology, quantum computing, and other novel technology are also being developed. To get closer to the market, the importance of server computing has thus been illustrated. The computing application field is rapidly developing and to strengthen servers' computing capability as well as CPU, the key points for improving its efficiency also include the improvement of the efficiency of I/O access.

The cross-platform cooperation between manufacturers has gradually become universal, and the server will develop built-in application programs to cross the platforms of different cloud services. With the rise of the Whitebox server, relevant dealers have been actively developing new markets and customers by providing solutions with more value-added services through end product production bases. With the continuous growth of cloud demand, considering operational flexibility and information security, hybrid cloud architecture has become a trend that major manufacturers are committed to promoting. Taiwanese manufacturers that have already set up a hybrid cloud layout are feeling like ducks in water. Future market trends will connect cloud computing with Internet of Things technology for huge business opportunities. Using the reaction speed of the cloud system and system upgrades, in addition to reducing costs, it can also create more value-added cloud services and develop a cloud industry-supported service industry.

(3) Smart devices

As smartphones have entered into a price competition with low product differentiation, each manufacturer continues to focus on improving hardware specifications while maintaining a higher cost performance. Therefore, the company should resort to strategy and reduce the use of low-end devices to increase market share. Furthermore, each of the major plants is getting more conservative with their planning of product lines. With regard to software and hardware specifications, existing models have been improved so that the panel and memory specifications can continue to be upgraded. Besides displaying the research of high-speed computing with fundamental products, industrial competitiveness has also focused on bringing in all kinds of technology. In addition to 3D sensing, rapid and wireless charging, AI chips, multiple lenses, and other new technologies, many manufacturers are also actively engaged in the research and development of folded panels and 5G-related technologies, which are expected to provide consumers with a better user experience.

With regards to the development of wearable devices, product specifications have gradually been applied to devices used in different applications, such as the specifications of sport devices being applied to medical fields. These transfers of applications alongside the continuous development of the watch, wristband, glass, head-mounted camera, etc., can be connected with the Internet of Things in the future to become remote-controlled terminals of the smart family. Since wearable devices meet the diverse range of consumer demands, product design development should also be quite varied to bring out the competition of small-quantity product diversification. Taking the current high growth of



cellphones as an example, product development should not only intensify the functions of communication safety and mobile payment, but also stress profile design and product quality. Therefore, in terms of future development, manufacturers and sellers must possess great sales potential based on good product design, production support and excellent marketing strategies, etc., to really gain an advantage in such an intense market.

(4) Solar energy

In recent years, the demand for solar cells has increased due to the policy of promoting green energy common in various countries. High conversion efficiency, low manufacturing cost, and low efficiency attenuation have become the development focus of each manufacturer. Due to an increase in the sales price with conversion efficiency combined with the lower cost proportion of silicon raw material, manufacturers are pouring resources into relevant advanced technology development, such as surface passivation, hetero junction, back connection type electrodes, and multi-junction technology, in order to further increase the efficiency of the solar cell, reduce the manufacturing cost, increase profitability, and ultimately ensure industry competitiveness.

### 4.1.3 Overview of technology and research and development

Table of R&D Expenditure Investment by the Group in the Past Two Years

| Year                               | 2017      | 2018      |
|------------------------------------|-----------|-----------|
| R&D Expenses (Unit: NT\$ Thousand) | 8,828,444 | 8,805,994 |
| R&D Expenses to Revenue (%)        | 1.89      | 1.74      |
| Growth Rate (%)                    | 1.51      | -0.25     |

"Innovation" is the basic spirit of the Group foundation's operation philosophy; it is the best medium for shaping our enterprise's differentiation value, as well as our commitment to our customers and partners. Therefore, we pay special attention to innovation research and development and patents for invention in order to improve the international competitiveness and influence of our Group. Over the years, the Group has invested considerable amounts of expenditure into product research and development, with the R&D expenditure of the Group in the past two years reaching NTD8.82 billion and NTD8.81 billion, respectively. In the future, we will continue to invest large amounts of funds. We will be dedicated to the improvement and expansion of original product line function, understanding the demand of end consumers through product innovation, and participation in the research and development design of major international manufacturers in order to strengthen the market concept of original product design. We will further master, collect, and analyze the after-sales demands of consumers through a global logistics service structure. Moreover, we will actively cooperate with major component manufacturers, fully master the core design capability, and establish cross-domain technology application platforms by integrating software and hardware with integrative functions. Furthermore, we will integrate wireless communication technology and establish new platforms for communication products to expand the product lineup.

#### 4.1.4 Long-term and short-term business development plans

##### 1. Short-term business development plans

- (1) Adheres to industry regulations, strives for innovation and improvement, and meets customer and market needs in the quickest and most direct way.
- (2) Research and develop demand-oriented products and expand the depth and width of product research and development level.
- (3) Starting with "innovation", "quality", "open mind" and "execution" management ideas, the company's operation technology and management tools are integrated to improve business performance.
- (4) Actively carry out global arrangement, properly utilize each local resource advantage, and construct an optimized global supply chain and operation network.

##### 2. Long-term business development plans

- (1) The company's operation scale is expanded through product diversification. As a professional and solid original equipment manufacturer of laptop computers and servers, the company further develops artificial intelligence (AI), blockchain (Blockchain), Cloud Computing (Cloud Computing), using hardware design in the safe and fast cloud, big data (Big Data), and application data to produce information value, 5G technology, etc.
- (2) Combine software, hardware, and relevant applications to create relative advantage to maintain an international foothold. Unlike the traditional manufacturing concept of focusing on hardware only, emphasize the utilization of soft skills such as information, simulation, research and development, system integration, services, etc. and create product features and differentiation to improve added value.
- (3) Focus on research and development and core capability management and develop towards the direction of "Creating high value". Seek cooperative international opportunities worldwide and cultivate technical talents with global competitiveness to accelerate the improvement of our technical level and implement innovative concepts.
- (4) Explore new demands, and conduct research and development into products as determined by market demand through strategic alliance with customers. In addition, create a mutually-beneficial collaboration with partners to provide the best service and achieve customer satisfaction.

## 4.2 Market and sales overview

### 4.2.1 Market analysis

#### 1. Sales territory of major products

| Major product department | Name   | Major sales territory       |
|--------------------------|--|-----------------------------|
| Computer product         | Notebook computers, servers, and other electronic information products | North America, Europe, Asia |

## 2. Market share, supply and demand situation, and growth in the future market

### (1) Notebook computers

The development of Taiwan's laptop industry is closely related to global industrial development factors and deeply influenced by the outsourcing strategy of customers. Looking ahead to 2019, the global laptop market should just maintain its current size or decline slightly due to the Sino-US trade war and the global economic boom. However, as the major brands begin to focus on their product lines and emphasize the improvement of efficiency and specifications, Taiwan leads the world in design and manufacturing technology and still enjoys a considerable advantage in the OEM of middle and high-end laptops. Because of their global operation ability, rapid response, and economic scale, Taiwan's OEMs are still employed in US, Japanese, and Taiwanese brands to design and manufacture laptops and are leading in the global market share.

In addition, the Group maintains the concept of continuous innovation, with competitive advantages such as the provision of excellent global logistics services, flexible production methods upon receipt of orders, and localized and customized production methods. It has become the leading manufacturer in global notebook computer production. The group has achieved a good combination of commercial and consumer models. In the future, in addition to increasing shipments, the group will be more focused on creating profits.

### (2) Servers and Cloud computing

In response to the impact of the rapid development of cloud computing applications and mobile devices, traditional hardware manufacturers have continued expanding their business scope by means mergers and enterprise acquisitions; moves that strengthen their production abilities. The growth of large production plants is expected to drive the operation performance of Taiwanese OEM manufacturers. In addition to the original traditional server business, Taiwanese manufacturers have been actively accelerating transformation and upgrading and have been providing integrated software and hardware data center solutions, in addition to hardware OEM, in order to enhance the overall competitiveness of the cloud data center market. The group has always been deeply involved in the server industry, constantly improves its competitive advantages, and continuously enhances its business performance while focusing on both customer development and product development. The momentum of the growth of demand of servers is still going strong, hence we are continually assessing our potential in existing markets in American and European regions, and we will actively expand our market share in emerging regions, awaiting an opportunity to expand our production of the server end product and related technologies. In recent years, the Group has also been actively developing cloud services. We have been emphasizing three major aspects, namely Internet of Things, big data, and the cloud, in order to facilitate business development. Furthermore, the group has generally implemented development and should continue to increase R & D investment to further connect servers, AI and IoTs.

(3) Smart devices

Since the penetration rates in consumer markets in Europe, America and China are already high, the growth rate of global smartphone shipment volume will gradually slow down. Furthermore, the current functions of the mobile phone can meet the daily needs of consumers, so future sales are mainly driven by contract expiration or replacement for failure. Based on the estimates by III, the development of 5G in mobile communication technology should also trigger the changing machine tide for high-end smart phones after 2020. By 2023, the sales of smart phones have the potential to reach 15.97 billion, while the compound growth rate from 2019 to 2023 will be 2.6%. Generally speaking, the cooperation relationships between mobile phone brand manufacturers and OEM dealers are stable, but when facing the intensity of fierce competition, both parties need to pay closer attention to the trends in market development. The Group is dedicated to strengthening its designs, to testing, and improving its manufacturing processes through valued customer innovation. By actively integrating the design of the OEM process, we are able to occupy a strong position in the market of smartphone manufacturing through continual research, and the development of our strengths, testing the technology produced and developing the specifications of the product design.

Over the last few years, various kinds of wearable devices have been developed due to their prominent growth. Major players of the device industry are striving to design wearable devices that differ from smart phones as they actively combine data collected from those who wear them and information and suggestions from users in order to increase product segregation and practicality and enhance added value. The group will base its efforts on the advantages of existing design and manufacturing of smart phones, while the wearable devices and smart household appliances being produced are considered to be very competitive in the market and should hold steady growth for the group in the future.

(4) Solar energy

According to the EnergyTrend report, global solar supply and market development have recently stabilized, while the solar policies in some countries are gradually aimed at getting rid of subsidies. The future market demand is unlikely to grow by more than 20% annually like 2013 - 2017. In this case, manufacturers should be more cautious about the layout of capacity. In general, although Taiwanese manufacturers can benefit from the rapid increase of market demands from the newly emerging market and boost of the domestic market in Taiwan, the supply remains higher than the demand in terms of the global market. The solar energy company of the group is continuously making efforts to adjust its resource allocation strategy in pursuit of future opportunities.

### 3. Competition niche, favorable and unfavorable factors in development prospects, and solutions

#### (1) Favorable factors

##### A. Product advantages continue to improve and drive the growth of market demand

Since the functions of notebook computers are continuously improving, and the weight and modeling are becoming thinner and thinner, as well as the collocation of touch control and continuous development of all kinds of digital mobile video multimedia technologies, it has made the product line more extensive through innovation.

##### B. Cloud computing is the mainstream in future development

The cloud computing industry and big data are both growing rapidly. In the future, the cloud application business opportunities are infinite. The Group has been the industry leader in the aspect of server OEM; through existing hardware technology and application software development, we can take our place in the cloud computing industry.

##### C. Construct an all-around system product line

Based on the good foundation of an existing all-around product line, in addition to continuing to consolidate the notebook computer and server product fields, the Group is also gradually expanding to relevant fields such as peripheral software products, electronic information products, etc. with higher added value..

##### D. Establishment of a global logistics supply chain system

In addition to strengthening the status of global manufacturing, research and development, and the logistics center, the Group is also actively utilizing production advantages and research and development factors in the Greater China economic circle in order to construct a real time co-working platform with high efficiency and a market feedback mechanism, and together with the setup of a research and development innovation center, we will enhance technology and product design innovation capability.

#### (2) Unfavorable factors

##### A. The prices of important components have dropped rapidly, causing low price computers to quickly extend, and supply manufacturers and brand manufacturers are dominating the formulation of industry standards and mastering the distribution channels, thus compressing the profits of downstream manufacturers.

Solution: In addition to being dedicated to the development of high added value products and all-around products, we also actively improve operation efficiency in such aspects as production, marketing, logistics, etc. to reduce operation costs and improve overall operation efficiency through constructing Enterprise Resource Planning (ERP), Supply Chain Management (SCM), and six sigma improvement strategy.

##### B. Industrial technology is rapidly changing and constantly updating the environment of shortening product life cycle and meager profits, causing fierce industry competition.

Solution: The Group will formulate a relevant operation risk management mechanism to consider various operation strategies as relevant solutions; in addition to coordinating with customers for the research and development of relevant demanded commodities, we are also dedicated to patent and intellectual property innovation in

order to strengthen Group resource integration and expand emerging business investments and arrangements to respond to changes in the market.

- C. Since manufacturers in our country cannot sufficiently supply some important key components, and we still rely on supply from overseas manufacturers, controlling both material sources and price is not easy.

Solution: The Company has long-term cooperative and strategic ally relationships with major suppliers and has established multiple supply sources for important components to ensure sufficient component supply; we also seek all kinds of approaches to integrate the supply chain and reduce the impact.

- D. Our business is mainly export sales, so the change of exchange rate will significantly impact company revenue and profit-making.

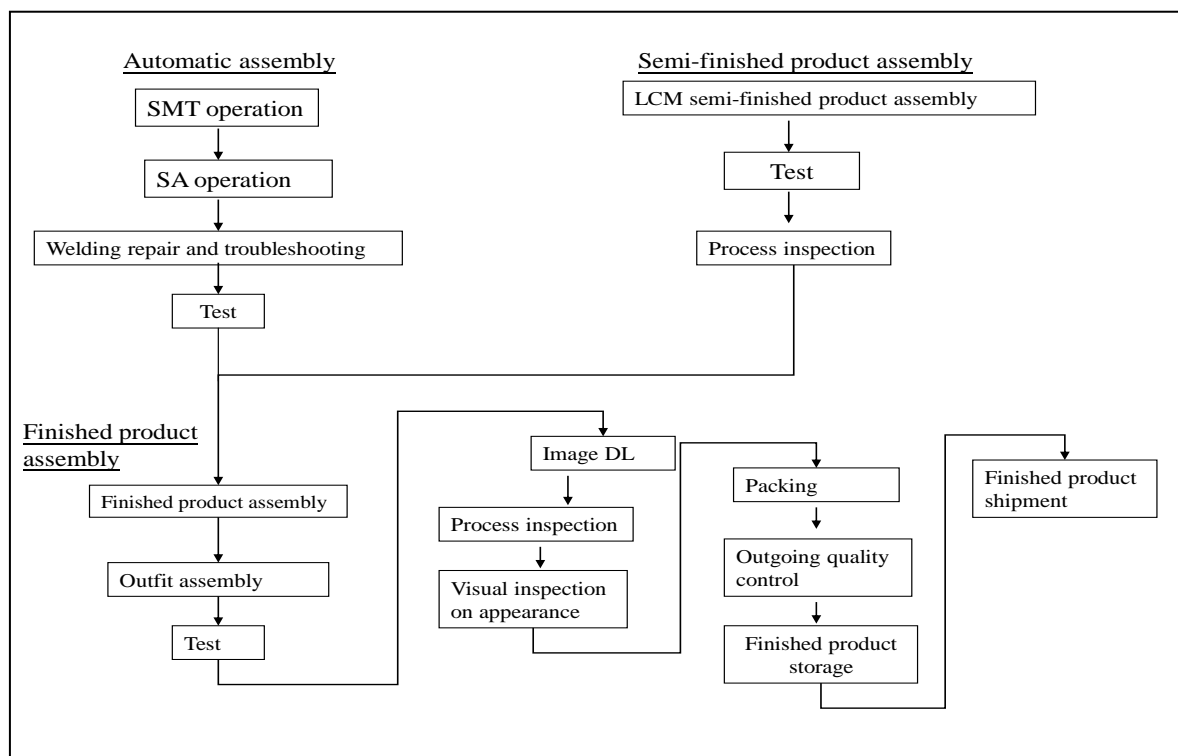
Solution: Most of the important components of the Company are purchased and imported overseas and priced with foreign currency, and the sales are mostly priced with foreign currency, which can naturally offset the impact of change of exchange rate on revenue and cost. Furthermore, taking currency hedging measures can help us reasonably avoid exchange rate risk.

## 4.2.2 Important uses and production processes of major products

### 1. Important uses of major product

| Product name      | Product type   | Important use  |
|-------------------|--|--|
| Computer products | Notebook computers, servers, and other electronic information products | Notebook computers are used for the storage, computing, and analysis of digital and character data, data transfer and receiving, etc. Through a server host machine, several computers can execute the function of computing, transfer, and data storage at the same time. |

### 2. Production process



### 4.2.3 Major raw materials' supply condition

The major raw materials of the Group include central processing units, liquid crystal displays, hard disks, etc. For the stability with regard to the quality of raw materials suppliers, both delivery accuracy and quality specifications are factors in choosing suppliers. The Group maintains a good cooperative relationship with its suppliers while adopting a decentralized procurement process. We not only aim to strengthen the collection and analysis of market conditions, but also strive for timely material supply to ensure reasonable costs and sufficient material supply.

Key Material Suppliers

| Item      | CPU      | PANEL | SSD     | HDD     |
|-----------|----------|-------|---------|---------|
| Suppliers | INTEL    | AUO   | TOSHIBA | WD      |
|           | AMD      | BOE   | SAMSUNG | TOSHIBA |
|           | TERADICI | INX   | MICRON  | SEAGATE |

### 4.2.4 Major accounts in the past two years

#### A. Major suppliers

Unit: NT\$ Thousand

|      | 2017                |             |                                   |                              | 2018                |             |                                   |                              | As of end of Q1, 2019 |             |                                   |                              |
|------|---------------------|-------------|-----------------------------------|------------------------------|---------------------|-------------|-----------------------------------|------------------------------|-----------------------|-------------|-----------------------------------|------------------------------|
| Item | Company             | Amount      | Percentage of total Net Purchases | Relationship with the issuer | Company             | Amount      | Percentage of total Net Purchases | Relationship with the issuer | Company               | Amount      | Percentage of total Net Purchases | Relationship with the issuer |
| 1    | A                   | 214,363,455 | 50                                | Nil                          | A                   | 240,535,106 | 50                                | Nil                          | A                     | 60,948,806  | 57                                | Nil                          |
| 2    | Others              | 218,644,435 | 50                                | -                            | Others              | 237,037,939 | 50                                | -                            | Others                | 46,481,603  | 43                                | -                            |
|      | Total Net Purchases | 433,007,890 | 100                               | -                            | Total Net Purchases | 477,573,045 | 100                               | -                            | Total Net Purchases   | 107,430,409 | 100                               | -                            |

#### B. Major clients

Unit: NT\$ Thousand

|      | 2017            |             |                               |                              | 2018            |             |                               |                              | As of end of Q1, 2019 |             |                               |                              |
|------|-----------------|-------------|-------------------------------|------------------------------|-----------------|-------------|-------------------------------|------------------------------|-----------------------|-------------|-------------------------------|------------------------------|
| Item | Company         | Amount      | Percentage of total Net Sales | Relationship with the issuer | Company         | Amount      | Percentage of total Net Sales | Relationship with the issuer | Company               | Amount      | Percentage of total Net Sales | Relationship with the issuer |
| 1    | A               | 289,549,082 | 62                            | Nil                          | A               | 314,828,524 | 62                            | Nil                          | A                     | 79,335,565  | 69                            | Nil                          |
| 2    | Others          | 177,963,265 | 38                            | -                            | Others          | 192,055,494 | 38                            | -                            | Others                | 35,529,316  | 31                            | -                            |
|      | Total Net Sales | 467,512,347 | 100                           | -                            | Total Net Sales | 506,884,018 | 100                           | -                            | Total Net Sales       | 114,864,881 | 100                           | -                            |

### 4.2.5 Production value in the most recent years

Unit: 1,000 pcs, NT\$ Thousand

| Quantity & Value<br>Major Product | 2017     |          |             | 2018     |          |             |
|-----------------------------------|----------|----------|-------------|----------|----------|-------------|
|                                   | Capacity | Quantity | Value       | Capacity | Quantity | Value       |
| IT Product                        | 408,198  | 368,844  | 379,339,615 | 333,114  | 327,887  | 399,964,958 |
| Solar Product                     | 503,027  | 483,583  | 15,176,173  | 497,130  | 373,904  | 6,725,067   |
| Total                             | 911,225  | 852,427  | 394,515,788 | 830,244  | 701,791  | 406,690,025 |

### 4.2.6 Sales value in the most recent years

Unit: 1,000 pcs, NT\$ Thousand

| Quantity & Value<br>Major Product | 2017     |           |          |             | 2018     |           |          |             |
|-----------------------------------|----------|-----------|----------|-------------|----------|-----------|----------|-------------|
|                                   | Domestic |           | Export   |             | Domestic |           | Export   |             |
|                                   | Quantity | Value     | Quantity | Value       | Quantity | Value     | Quantity | Value       |
| IT Product                        | 2,766    | 5,746,338 | 374,922  | 447,005,211 | 198      | 1,732,669 | 357,128  | 497,101,521 |
| Solar Product                     | 6,899    | 185,478   | 475,560  | 14,575,320  | 15,486   | 334,048   | 361,859  | 7,715,780   |
| Total                             | 9,665    | 5,931,816 | 850,482  | 461,580,531 | 15,684   | 2,066,717 | 718,987  | 504,817,301 |

## 4.3 Human resources

| Year                           |                            | 2017   | 2018   | Up to<br>Mar. 31, 2019 |
|--------------------------------|----------------------------|--------|--------|------------------------|
| Employee<br>Number             | Direct Labor               | 43,357 | 40,333 | 35,246                 |
|                                | Indirect Labor             | 12,345 | 12,472 | 12,348                 |
|                                | Total                      | 55,702 | 52,805 | 47,594                 |
| Average Age                    |                            | 28.26  | 28.65  | 28.65                  |
| Average Seniority              |                            | 3.38   | 3.69   | 3.69                   |
| Education<br>Distribution<br>% | PhD Degree                 | 0.19%  | 0.18%  | 0.18%                  |
|                                | Master Degree              | 6.41%  | 6.79%  | 7.04%                  |
|                                | College                    | 33.93% | 31.16% | 31.73%                 |
|                                | High School<br>(and below) | 59.48% | 61.87% | 61.06%                 |



## **4.4 Environmental protection expenditure**

### **4.4.1 The total amount of loss (including compensation) and punishment suffered from polluting the environment**

In recent years and as of the date of publication, the Company has not suffered loss or punishment due to polluting the environment.

### **4.4.2 Future solutions (including improvement measures) and possible expenditures**

Inventec continues to promote a series of execution schemes according to the established environment, quality policy and sustainable projects, and, in 2018, the environmental protection expenditures of Inventec Group (Inventec Corporation, Inventec Appliances, Inventec Solar Energy, and E-TON Solar Tech) were more than TWD three hundred and seventy million and included mainly waste disposal, pollution prevention equipment maintenance, environment detection, ecological landscaping, green management system authentication, environmental label product certification, environmental education, energy conservation and carbon reduction engineering, environmental conservation activities, occupational health, green supply chain management, carbon emissions trading, etc.

To ensure the enterprise's sustainable development, Inventec continuously optimizes both existing whole green management system and, based on the PDCA (Plan, Do, Check, Action) circulation of the ISO 9001 quality management system, gradually optimizes such green management systems as ISO14001 environmental management system, QC 080000 harmful material flow management system, greenhouse gases management system, ISO 50001 energy management system and TOSHMS, OHSAS 18001 safety, health, and environment management system.

In response to the demand for climate change issues of the government, customers, and international investment institutions, the company calculates greenhouse gas emissions reduction using the Sector-Based Approach of Science-based Target (SBT) and SDA (Sectoral Decarbonization Approach) Tool. Using 2015 as the base year, the greenhouse gas emissions will be reduced by 19% in 2025. The company actively follows a green energy industry layout, continues to reduce the impact of products on the environment through Green R&D, constructs green plants, and enhances energy saving, water saving, and production energy consumption reduction. The "Inventec Group's Greenhouse Gas Investigation Report" is regularly published on the company's website. The company introduced the greenhouse gas investigation system in 2008 and has completed greenhouse gas investigation operations for 12 years (2007 ~ 2019). At the same time, in response to the implementation of greenhouse gas reduction and management regulations and to enable expected users to accept the investigation results, all greenhouse gas investigation operations and documents were optimized according to the greenhouse gas investigation registration management regulations issued by the Environmental Protection Administration of the Executive Yuan, greenhouse gas inspection guidelines, national standards of mainland China, greenhouse gas investigation protocol (GHG Protocol), and international specification ISO 14064-1. After investigation, the reasonable guarantee level is verified both internally and by a third party, to ensure data integrity and credibility. In 2008, the total greenhouse gas emissions of Inventec Group's

major companies were 345,830.475 metric tons of carbon dioxide equivalent (investigation scope: Inventec's seven factories, Inventec Appliances's four factories, Inventec Solar Energy, E-TON Solar Tech and AIMobile Co., Ltd., etc.), which demonstrated a decrease of 8,830.890 metric tons of carbon dioxide equivalent when compared with 354,661.365 metric tons in 2017. In 2008, the main greenhouse gas emission source of Inventec Group was indirect greenhouse gas emissions from energy (Category 2), which accounted for 94.98% of total emissions. Furthermore, the group cooperates with the local government for carbon management, purchases carbon rights, and implements carbon neutrality in the regulated trading center platform. With regard to environmental sustainability, in addition to implementing energy saving plans and improving equipment's energy efficiency, the company is committed to breaking through the current situation and continuously setting up solar power generation and cleaning equipment in mainland China's factories. In 2018, the usable solar power generation capacity was 5,032,459 KWH. In Taiwan, solar power generation and cleaning equipment was continuously installed and in 2018, the solar power generation capacity was 285,631 KWH.

To spread Inventec's green enterprise influence, Inventec actively promotes the green supply chain by helping and integrating the suppliers and holding a sustainable supply chain presentation, as well as provides good faith management, information disclosure, conflict minerals, and other requirements to its supply partners to contribute to the sustainable development of the supply chain.

Inventec has devoted itself to environmental protection over the long term, adopts village parks, hosts community lectures on environmental protection, participates in the maintenance of national important wetland conservation "Guandu Nature Park", has adopted the Pitong biome North Pool of "Guandu Nature Park", and sponsors school wetland environmental education programs in remote areas so that more people and students can understand the importance and function of the wetland and properly take care of the valuable soil and maintain biodiversity.

## **4.5 Labor relations**

Attaching importance to and maintaining harmonious labor-capital relationships has always been one of the important foundations of the company's operation and management; measures that promote labor-capital relationships are summarized below:

### **4.5.1 Welfare measure and retirement system**

Provide a stable working environment with development space, make talents stable, and continue to create value! Based on government laws and decrees, the Company provides all kinds of proper basic labor conditions to employees, including two-day weekends, a flexible working hours mechanism, and a thorough ask for leave system. We also periodically hold soft incentive lectures so that employees can obtain a balance between life and work. With regard to safety and health and job security, in addition to basic welfares, such as labor insurance, health insurance, pension allocation etc., every employee enjoys regular health examinations and is insured with complete group insurance. Pursuant to the standards of the "Labor Pension Act", we have also formulated thorough employee retirement programs and actually implement them pursuant to the relevant laws and decrees. The old system part: we regularly allocate reserves for labor retirement and deposit them into a special account in the Bank of Taiwan, and the Labor Pension Supervision Committee is responsible for managing and utilizing the reserve for retirement; the new system part: for employees choosing the new system, every month, the Company will allocate 6% of pension to the employee's personal special account in the Bureau of Labor Insurance, Council of Labor Affairs, liberating employees from any worry at work. Furthermore, we have created performance-oriented promotion, dividends, and all kinds of reward mechanisms to achieve the objective of retaining talents and profit-sharing.

### **4.5.2 Work environment and employee personal safety protection measures**

Within the Company, the Industrial Safety and Health Office is responsible for planning all kinds of safety, health, and environment management matters and supervising relevant departments in implementing and executing all kinds of safety, health, and environment affairs. Furthermore, the Company has created an Occupational Safety and Health Committee pursuant to law, which works on such matters as safety and health related regulations, an occupational safety and health management system, an educational training implementation plan, preventing hazardous equipment or raw materials, operating environmental monitoring and improvements, occupational health management, health promotion, health protection, etc., which will be planned, promoted and propagated by a dedicated work, safety, and health unit in each department for implementing and executing relevant matters. Furthermore, in order to ensure employee safety and health, we have formulated the "Occupational Safety and Health Policy" to focus on occupational safety and health related matters, actively carry out occupational safety and health education, prevent the occurrence of occupational disasters, promote a healthy workplace, facilitate employee health, and establish good communication and consulting channel to effectively carry out continuous improvement in order to reduce the risk of all kinds of hazards and let all employees work peacefully in a safe professional

environment.

Regarding safety, health, and environmental management, the Company has acquired all kinds of certifications in safety, health, and environment energy systems, including "TOSHMS Taiwan Occupational Safety and Health Management System", "OHSAS-18001 International Occupational Health and Safety Assessment Series", "ISO-14001 Environmental Management System", and "ISO-50001 Energy Management System" certification. Furthermore, the Company has also won all kinds of awards issued by the government, including: The company has been decorated with such national favorable healthy job-site prizes as "Healthy Lohas Award" and "Healthy Sustainability Award," "Reduced Carbon Model Award," "Corporate Social Obligation Award," "Environment Sustainability Award," "Promotion of Disaster-free and Work-hour Favorable Unit," "Labor Safety and Hygiene - 5 Star Award," "Reduced Carbon Action Award -- Favorable Award," "Favorable Corporate Award of Blood Donation," "Energy Conservation Leadership Award -- Favorable Award," "Citizen Prize of Commonwealth Corporations," "AED Site of Mind-assured Certification," "ROC Corporate Environmental Protection Award," etc. In 2018, we were honored to be presented with the "Favorable Unit Award of Labor Safety," "Favorable Healthy Job-site Management Award," and "Favorable Autonomous Management Unit Award" from Taipei City, the "Record Award for Disaster-free Work-hours" from the Ministry of Labor, "Thankfulness Certificate from the Fire Department" from Taipei City, "Citizen Prize of Commonwealth Corporations," "Favorable Breastfeeding Room Certification" from Taipei City, "Favorable Unit Award" of Occupational Safety and Hygiene" from the country, "Quality Paradigm Award of ISO Plus Award" from SGS, "Taiwan Corporate Sustainability Award," "Taipei City Government Thankful Certificate," and "First Prize -- Favorable Breastfeeding Room" from Taoyuan County. Meanwhile, we have also actively coordinated with all kinds of government policies to promote and participate in relevant activities in order to further facilitate good and harmonious labor-capital relationships, fulfill our corporate social responsibility, and move towards the objective of corporate sustainable development.

1. Occupational safety and health policy: The Company has formulated its Occupational Safety and Health Policy according to the requirements of the Taiwan Occupational Safety and Health Management System (TOSHMS) and International Occupational Health and Safety Assessment Series (OHSAS 18001), taking them as the highest criteria for guaranteeing employees' work safety.
2. Occupational safety and health management unit and personnel allocation: In order to comply with laws and regulations to carry out risk assessment and continuous improvements, the Industrial Safety and Health Office, as a whole, plans to handle and execute all kinds of safety, health, and environment management related affairs. All members possess safety, health, and environment professional certificates.
3. Setting of Occupational Safety and Health Committee and conference convening: The Company will regularly convene the Occupational Safety and Health Committee conference; it is currently convened once every quarter, so four times a year.
4. Safety, health and environment management plan and occupational disaster prevention: Safety, health, and environment management plans are formulated pursuant to law and include occupational disaster prevention. Items that are planned to be formulated include: working environment or operation hazard identification, assessment and control,

hazardous chemicals classification and marking, general education and management, purchase management, contractor management, safety and health operational standard formulation, occupational disaster, near miss and investigation, handling and statistical analysis on events affecting physical and psychological health, safety, health, and environment management records, performance assessment measures, etc.

5. Health management plan and physical health examinations: Before reporting to the Company, new employees shall provide a physical examination report pursuant to law; moreover, better than what is required by regulations, in-service personnel will regularly receive health examinations every year.
6. Automatic safety and health inspection: Pursuant to the Occupational Safety and Health Act, the Company will automatically include each machine and piece of equipment that should be inspected in the occupational safety and health management plan and formulate automatic inspection management measures for management.
7. Operating environment monitoring and occupational disease prevention measures: Based on the operating environment hazard property of the Company, as well as monitoring purpose and relevant guidance announced by the central governing authority, the Company has formulated an operating environment monitoring plan that includes a sampling strategy and regularly carrying out operating environment monitoring accordingly. Meanwhile, we also conduct results comparisons according to test results; if the test data is relatively higher than the previous test data, we will immediately carry out a risk identification investigation in order to reduce site hazards and achieve the objective of preventing occupational disease and reducing site risk.
8. Strengthen contracting management: The Company has formulated contractor safety operation management measures and requires the engineering unit to carry out contractor safety and health educational training before starting engineering construction. Relevant units will convene contractor safety and health management conferences to carry out hazard notification and ask suppliers to sign the "Contracting Unit/Contractor Safety and Health Meeting Minutes", "Contractor Safety and Health Management Commitment", and "Contractor In-plant Work Application" of the Company. Upon engineering construction, the contractor shall follow all kinds of operation management measures of the Company, and the occupational safety and health unit will execute contractor safety appraisal and abnormal deficiency analysis, as well as execute prevention education according to the appraisal and analysis results in order to ensure reduction of risks that might be caused by contracting construction.
9. Hazard risk assessment identification: Pursuant to the Taiwan Occupational Safety and Health Management System "TOSHMS" and International Occupational Health and Safety Assessment Series "OHSAS 18001", the Company has formulated safety and health hazard risk identification and assessment management measures, regularly execute comprehensive hazard identification and risk assessment operations according to all kinds of potential factors that may cause personnel injury or accident, and further formulate occupational safety and health targets, objects, and management plans as the basis for planning the safety and health management system.
10. Occupational safety and health management plan: According to the results of the occupational safety and health hazard identification and risk assessment, the Company

will give priority to certain high risk activities as improvement targets and regularly trace the improvement effect by carrying out the management plan.

11. Safety and health educational training promotion: The Company will carry out safety, health, and environment management and educational training for new employees, and conducts environment and safety risk evaluation, management project, lab education, legal lectures, special operation, system document, internal auditing, and other educational training for safety, hygiene, environment seedling, and related personnel in order to lower the risk of occupational disasters and ensure on-site job safety.
12. The Company will regularly carry out fire lecturing and fire drills, emergency evacuation drills, and fire tour inspections, regularly check all kinds of safety facilities, and conduct task grouping and fire equipment drills to implement disaster prevention and relief work.
13. Product development and design shall emphasize environmental issues and are aimed at the advantages of low energy consumption, low pollution, recoverable, and recyclable. Furthermore, energy saving and carbon reduction matters will be carried out to reduce waste generation and the impact on the environment in order to achieve the objectives of zero public hazard, diligent waste reduction, green products, and ecological preservation, thus fulfilling our corporate responsibility and promoting sustainable environmental protection.
14. The Company respects the life of laborers and emphasizes the health of colleagues by effectively carrying out occupational health promotion activities and implementing health management; furthermore, the Company is devoted to zero disaster related prevention work to maintain zero disasters and care for its employee in order to improve its healthy corporate image and move towards a healthy and sustainable workplace.

### **4.5.3 Further education and training for employees**

The Company adheres to a "talent-oriented" cultivation philosophy, provides outstanding internal and external teachers and diversified cultivation channels to company talents, and is devoted to balancing the emphasis on educational training and learning development in order to continuously promote the Company's corporate culture and continuously improve its competitive advantage. In 2018, the expenditures related to employee training were NT\$7,689,895, and the total training hours were 59,946 hours.

"Talent cultivation" is the foundation for Inventec's sustainable operation, and the Company continuously creates a friendly environment for employee's learning and growth. The educational training system of the Company is divided into five major types of courses centered on core value courses and delivers the corporate culture and value theory of Inventec. Taking level type course and function type course as the two major axis, the Company teaches employees in accordance with their aptitude, specifically plans personal development plan for employee's career development, and assists colleagues to strengthen the capabilities required at work. The language school provides further language education opportunities to the employees to improve their personal competitive advantage; digital courses provide a diversified learning environment, which allows colleagues to learn anytime, anywhere.

Course descriptions are summarized below:

- (1) Core value course: Inventec pursues the maximization of shareholders' equity while implementing corporate responsibility to make a certain contribution to society. All the Company's colleagues, from top to bottom and from inside out, have been shaped with "Inventec" DNA through official conferences and activities, allowing employees to acknowledge the operation philosophy of the company and become "Inventec Staff". Contents include such courses and activities as monthly meetings, assistant level meetings, management forums, strategic meetings, soft/incentive lectures, team building exercises, etc.
- (2) Level type course: Management courses are planned according to the demand of colleagues at different levels; through meetings and daily communication, it improves the colleagues' management capability and establishes a common communication language and management beliefs to improve organizational performance. Contents include: Inventec EMBA advanced class, senior supervisor training, advanced supervisor training, basic supervisor training, professional training, new employee training, production personnel training, etc.
- (3) Function type course: These provide all kinds of professional knowledge and technical bases, as well as advanced courses and lectures, to satisfy the functions of employees needed in different specialties. Contents include innovation, product technology, research and development production technology, patent and intellectual property, industry intelligence, environmental safety and health, etc.
- (4) Language school: In response to international development and the competition of the Group, Inventec has been devoted to cultivating technology talents with multi-language capabilities. English and Japanese seminars are held every quarter, thus providing colleagues a learning environment for continuous language learning in the company, and foreign language skills classes are also set up to immediately satisfy colleagues' business demands. Meanwhile, internal English and Japanese tests will be held every quarter to encourage colleagues to pass the test to acquire substantial affirmation and allowance.
- (5) Digital course: These provide colleagues an e-Learning on-line learning service, constructs the Inventec networking academy, and is open as an important media for employees' independent learning in order to facilitate the improvement and innovation of technical capability, as well as further promote organizational learning and improve work value and organizational competitiveness. Its contents cover all kinds of language, management, and professional courses, thus allowing employees to learn independently without time and place limitations.

#### **4.5.4 Employee code of conduct**

The Company has formulated "Global Employee Code of Conduct Management Measures" in each plant, which stipulate the basic code of conduct for labor and capital on the basis of fairness and impartiality. As an Inventec employee, when facing all kinds of work behaviors

and ethical and legal problems, we shall aim to create shareholder and employee value and ensure social responsibility; therefore, under the precondition of following the basic requirements of laws and ethical standards of each country or district, we shall abide by all kinds of internal control systems of the company. Upon reporting for duty, every colleague must sign and abide by it, and it shall be placed on the internal portal website, so that all colleagues can read it at any time, and regularly carry out signing and promotion work; the code of conduct is hereby summarized below:

- (1) Safeguard a healthy work environment without sexual discrimination.
- (2) All company-related confidential information must be kept confidential.
- (3) Employees must protect the personal information of other persons circulated internally or acquired upon business execution.
- (4) Employees must protect intellectual property rights.
- (5) Employees must abide by copyright regulations.
- (6) Employees must not be involved in corruption or bribery of any kind.
- (7) Employees must not participate in insider trading and avoid conflicts of interest.

In case of violation of the relevant requirements above, relevant punishment will be imposed without exception.

In order to provide all employees with a healthy, safe, and highly efficient working environment, the "Global Employee Code of Conduct Management Measures" also stipulates that no employee or applicant shall be discriminated against or deprived of talent development opportunities due to gender, age, race, color, nationality, religion, disability, or other factors irrelevant to the legal interests of Inventec. Furthermore, each plant has set up an "Employee Complaint System" to guarantee a fair arbitration mechanism when employees suffer from human rights related infringements. In the plants in mainland China, a grassroots employee caring group has been especially set up to handle employee complaints and understand the employee's voice through employee interviews, etc.

#### **4.5.5 Labor and capital communication mechanism**

Through all the communication mechanisms listed below, the Company provides employees with real-time responses and regular communication channels in order to facilitate a harmonious working atmosphere and create a win-win situation for both the labor and capital.

- (1) Two-way talks between grassroots employees and senior supervisor: quarterly meetings and all kinds of symposiums occasionally held.
- (2) Management policy and business process communication: communication meetings for employee representatives from each department will be regularly held every month.
- (3) Cross-department communication and labor and capital communication: an internal portal platform sets the multi-functional "Employee Opinion Exchange Area".
- (4) Instant response problem and information consultation: each unit has established a



service consultation window and service hot line.

- (5) Employee welfare policy and welfare promotion: employee welfare committee monthly meetings and temporary meetings.
- (6) Grassroots employees care group: handle employee complaints and understand the employees' voice through employee interviews, etc.

**4.5.6 In recent years and as of the date of the annual report publication, losses suffered from labor dispute and disclosure of the estimated amount that are occurring currently and likely to occur in the future and the resolution**

In recent years and as of the date of the annual report publication, the Company has not suffered any loss from labor disputes; it is estimated that, under the circumstances that the Company continuously and actively promotes and implements all kinds of employee welfare measures, there shall be no losses suffered from labor disputes in the future.

## 4.6 Important contracts

| Contract Nature               | Counterparty                       | Contract Term   | Major Contents   | Restrictions                |
|-------------------------------|------------------------------------|---|--|-----------------------------|
| Sales Agreement               | HP Inc.                            | Three years from 1998/6/1; automatically renewable for one year terms       | Acceptance of order and production of HP branded notebook products   | The duty of confidentiality |
| Quality Agreement             |                                    | Same as above   | Production of notebook products compliant with HP quality requirements based on Sales Agreement.   | The duty of confidentiality |
| Service and Support Agreement |                                    | Same as above   | Provision of necessary components, after sales services and related technical support for HP branded notebook products made based on Sales Agreement | The duty of confidentiality |
| Sales Contract                | Hewlett Packard Enterprise Company | Four years from 2000/12/1; automatically renewable for one year terms       | Acceptance of order and production of HP branded server products   | The duty of confidentiality |
| Quality Agreement             |                                    | Same as above   | Production of server products compliant with HP quality requirements based on Sales Agreement.   | The duty of confidentiality |
| Service and Support Agreement |                                    | Same as above   | Provision of necessary components, after sales services and related technical support for HP branded server products made based on Sales Agreement   | The duty of confidentiality |
| Sales Contract                | Dell Prpducts L.P.                 | Three years from 2008/4/21; automatically renewable for one year terms      | Acceptance of order and production of Dell branded notebook and server products  | The duty of confidentiality |
| Sales Contract                | Fujitsu Limited                    | Five years from 2007/4/1; automatically renewable for one year terms        | Acceptance of order and production of Fujitsu branded computer system products   | The duty of confidentiality |
| Quality Contract              |                                    | Effective from 2007/4/1 until terminated by mutual agreement of the parties | Production of products compliant with Fujitsu quality requirements based on the contract   | The duty of confidentiality |
| Syndicated Loans Contract     | Syndicated Loans banks             | 2015/10/22~2020/10/22   | The Participant banks agree to provide agreed credit line to Inventec Corporation during the contract term   | None                        |

## V. Financial information

### 5.1 Five-year financial summary

#### 5.1.1 Five-year financial summary - Consolidated balance sheet – IFRS

Unit: NT\$ Thousands

| Item \ Year                                   |                     | Five-Year Financial Summary |             |             |             |             | 01/01/2019<br>~3/31/2019 |
|---|---------------------|-----------------------------|-------------|-------------|-------------|-------------|--------------------------|
|   |                     | 2014                        | 2015        | 2016        | 2017        | 2018        |                          |
| Current Assets                                |                     | 151,098,840                 | 133,577,659 | 136,793,121 | 168,324,564 | 167,904,434 | 159,509,078              |
| Property, Plant and Equipment                 |                     | 35,073,036                  | 34,660,330  | 38,666,219  | 33,351,252  | 30,324,516  | 30,153,942               |
| Intangible Assets                             |                     | 901,392                     | 872,905     | 890,024     | 892,416     | 885,307     | 866,918                  |
| Other Assets                                  |                     | 8,628,461                   | 6,635,579   | 6,023,853   | 6,199,595   | 6,689,665   | 7,592,914                |
| Total Assets                                  |                     | 195,701,729                 | 175,746,473 | 182,373,217 | 208,767,827 | 205,803,922 | 198,122,852              |
| Current Liabilities                           | Before Distribution | 126,668,060                 | 98,771,869  | 115,082,956 | 142,830,554 | 140,692,415 | 129,456,086              |
|   | After Distribution  | 132,946,141                 | 105,049,950 | 120,284,795 | 148,749,888 | -           | -                        |
| Non-Current Liabilities                       |                     | 4,610,879                   | 14,075,755  | 6,782,999   | 7,006,659   | 7,389,990   | 8,682,171                |
| Total Liabilities                             | Before Distribution | 131,278,939                 | 112,847,624 | 121,865,955 | 149,837,213 | 148,082,405 | 138,138,257              |
|   | After Distribution  | 137,557,020                 | 119,125,705 | 127,067,794 | 155,756,547 | -           | -                        |
| Total Equity Attributable to Owners of Parent |                     | 57,578,038                  | 56,480,704  | 54,792,873  | 55,682,837  | 55,364,481  | 57,962,579               |
| Share Capital                                 |                     | 35,874,751                  | 35,874,751  | 35,874,751  | 35,874,751  | 35,874,751  | 35,874,751               |
| Capital Surplus                               |                     | 2,920,718                   | 2,912,784   | 2,913,096   | 2,913,096   | 2,912,889   | 2,912,889                |
| Retained Earnings                             | Before Distribution | 15,773,335                  | 14,883,819  | 15,486,313  | 17,002,536  | 18,223,198  | 19,919,960               |
|   | After Distribution  | 9,495,254                   | 8,605,738   | 10,284,474  | 11,083,202  | -           | -                        |
| Other Equity Interest                         |                     | 3,009,234                   | 2,809,350   | 518,713     | -107,546    | -1,646,357  | -745,021                 |
| Treasury Stock                                |                     | -                           | -           | -           | -           | -           | -                        |
| Non-Controlling Interests                     |                     | 6,844,752                   | 6,418,145   | 5,714,389   | 3,247,777   | 2,357,036   | 2,022,016                |
| Total Equity                                  | Before Distribution | 64,422,790                  | 62,898,849  | 60,507,262  | 58,930,614  | 57,721,517  | 59,984,595               |
|   | After Distribution  | 58,144,709                  | 56,620,768  | 55,305,423  | 53,011,280  | -           | -                        |

Note 1: Above financial information has been audited (review) by CPA.

Note 2: The Company also compiles individual statements. The brief individual balance sheet of the recent five years is as follows.

## Five-year financial summary - Individual balance sheet– IFRS

Unit: NT\$ Thousands

| <div> <div>Year</div> <div>Item</div> </div>  |                     | Five-Year Financial Summary |             |             |             |             |
|---|---------------------|-----------------------------|-------------|-------------|-------------|-------------|
|   |                     | 2014                        | 2015        | 2016        | 2017        | 2018        |
| Current Assets                                |                     | 109,949,533                 | 91,631,494  | 99,131,197  | 106,190,186 | 136,725,056 |
| Property, Plant and Equipment                 |                     | 5,820,213                   | 5,739,243   | 12,310,646  | 12,407,998  | 11,531,196  |
| Intangible Assets                             |                     | 86,258                      | 56,851      | 73,653      | 80,691      | 74,619      |
| Other Assets                                  |                     | 37,385,215                  | 38,286,030  | 35,829,227  | 35,076,031  | 31,350,762  |
| Total Assets                                  |                     | 153,241,219                 | 135,713,618 | 147,344,723 | 153,754,906 | 179,681,633 |
| Current Liabilities                           | Before Distribution | 93,810,253                  | 68,203,221  | 87,388,360  | 92,865,658  | 119,029,566 |
|   | After Distribution  | 100,088,334                 | 74,481,302  | 92,590,199  | 98,784,992  | -           |
| Non-current liabilities                       |                     | 1,852,928                   | 11,029,693  | 5,163,490   | 5,206,411   | 5,287,586   |
| Total Liabilities                             | Before Distribution | 95,663,181                  | 79,232,914  | 92,551,850  | 98,072,069  | 124,317,152 |
|   | After Distribution  | 101,941,262                 | 85,510,995  | 97,753,689  | 103,991,403 | -           |
| Total Equity Attributable to Owners of Parent |                     | 57,578,038                  | 56,480,704  | 54,792,873  | 55,682,837  | 55,364,481  |
| Share Capital                                 |                     | 35,874,751                  | 35,874,751  | 35,874,751  | 35,874,751  | 35,874,751  |
| Capital Surplus                               |                     | 2,920,718                   | 2,912,784   | 2,913,096   | 2,913,096   | 2,912,889   |
| Retained Earnings                             | Before Distribution | 15,773,335                  | 14,883,819  | 15,486,313  | 17,002,536  | 18,223,198  |
|   | After Distribution  | 9,495,254                   | 8,605,738   | 10,284,474  | 11,083,202  | -           |
| Other Equity Interest                         |                     | 3,009,234                   | 2,809,350   | 518,713     | -107,546    | -1,646,357  |
| Treasury Stock                                |                     | -                           | -           | -           | -           | -           |
| Non-Controlling Interests                     |                     | -                           | -           | -           | -           | -           |
| Total Equity                                  | Before Distribution | 57,578,038                  | 56,480,704  | 54,792,873  | 55,682,837  | 55,364,481  |
|   | After Distribution  | 51,299,957                  | 50,202,623  | 49,591,034  | 49,763,503  | -           |

Note 1: Above financial information has been audited (review) by CPA.

### 5.1.2 Five-year financial summary-Consolidated statement of comprehensive income

Unit: NT\$ Thousands

| Item \ Year  | Five-Year Financial Summary |             |             |             |             | 01/01/2019<br>~<br>03/31/2019 |
|--|-----------------------------|-------------|-------------|-------------|-------------|-------------------------------|
|  | 2014                        | 2015        | 2016        | 2017        | 2018        |                               |
| Sales Revenues   | 435,599,968                 | 395,470,221 | 428,466,015 | 467,512,347 | 506,884,018 | 114,864,881                   |
| Gross Profit from Operation                                    | 23,348,338                  | 21,705,408  | 23,957,770  | 25,039,143  | 23,881,584  | 5,404,198                     |
| Operating Expenses   | 7,109,079                   | 5,407,268   | 8,184,463   | 8,729,569   | 7,490,715   | 1,268,696                     |
| Non-Operating Income and Expenses                              | 2,571,619                   | 1,776,602   | -1,094,554  | -1,543,121  | 642,547     | 625,996                       |
| Profit before Income Tax                                       | 9,680,698                   | 7,183,870   | 7,089,909   | 7,186,448   | 8,133,262   | 1,894,692                     |
| Profit for the Period  | 6,665,561                   | 4,975,735   | 4,971,373   | 4,337,038   | 5,318,996   | 1,307,901                     |
| Loss from Discontinued Operations                              | -                           | -           | -           | -           | -           | -                             |
| Profit (Loss) for the Period                                   | 6,665,561                   | 4,975,735   | 4,971,373   | 4,337,038   | 5,318,996   | 1,307,901                     |
| Other Comprehensive Income (Loss) for the Period, Net of Tax   | 1,359,826                   | -245,620    | -2,315,310  | -659,830    | -914,777    | 910,177                       |
| Total Comprehensive Income for the Period                      | 8,025,387                   | 4,730,115   | 2,656,063   | 3,677,208   | 4,404,219   | 2,218,078                     |
| Profit Attributable to Owners of Parent                        | 7,097,815                   | 5,563,633   | 5,637,120   | 6,754,912   | 6,499,856   | 1,696,762                     |
| Profit Attributable to Non-Controlling Interests               | -432,254                    | -587,898    | -665,747    | -2,417,874  | -1,180,860  | -388,861                      |
| Comprehensive Income Attributable to Owners of Parent          | 8,455,834                   | 5,315,880   | 3,334,322   | 6,091,803   | 5,599,822   | 2,598,098                     |
| Comprehensive Income Attributable to Non-Controlling Interests | -430,447                    | -585,765    | -678,259    | -2,414,595  | -1,195,603  | -380,020                      |
| Basic Earnings Per Share                                       | 1.98                        | 1.55        | 1.57        | 1.88        | 1.81        | 0.47                          |

Note 1: Above financial information has been audited (review) by CPA.

Note 2: The Company also compiles individual statements. The brief individual comprehensive income sheet of the recent five years is as follows.

Five-year financial summary-Individual statement of comprehensive income

Unit: NT\$ Thousands

| Item \ Year  | Five-Year Financial Summary |             |             |             |             |
|--|-----------------------------|-------------|-------------|-------------|-------------|
|  | 2014                        | 2015        | 2016        | 2017        | 2018        |
| Sales Revenues   | 330,784,531                 | 289,354,169 | 308,709,688 | 323,126,751 | 348,798,356 |
| Gross Profit from Operation                                    | 13,346,958                  | 12,049,443  | 12,856,696  | 14,062,611  | 14,045,103  |
| Operating Expenses   | 4,471,632                   | 3,801,715   | 5,219,930   | 5,558,554   | 5,607,826   |
| Non-Operating Income and Expenses                              | 4,293,281                   | 2,781,569   | 1,305,987   | 2,353,134   | 1,984,074   |
| Profit before Income Tax                                       | 8,764,913                   | 6,583,284   | 6,525,917   | 7,911,688   | 7,591,900   |
| Profit for the Period  | 7,097,815                   | 5,563,633   | 5,637,120   | 6,754,912   | 6,499,856   |
| Loss from Discontinued Operations                              | -                           | -           | -           | -           | -           |
| Profit (Loss) for the Period                                   | 7,097,815                   | 5,563,633   | 5,637,120   | 6,754,912   | 6,499,856   |
| Other Comprehensive Income (Loss) for the Period, Net of Tax   | 1,358,019                   | -247,753    | -2,302,798  | -663,109    | -900,034    |
| Total Comprehensive Income for the Period                      | 8,455,834                   | 5,315,880   | 3,334,322   | 6,091,803   | 5,599,822   |
| Profit Attributable to Owners of Parent                        | 7,097,815                   | 5,563,633   | 5,637,120   | 6,754,912   | 6,499,856   |
| Profit Attributable to Non-Controlling Interests               | -                           | -           | -           | -           | -           |
| Comprehensive Income Attributable to Owners of Parent          | 8,455,834                   | 5,315,880   | 3,334,322   | 6,091,803   | 5,599,822   |
| Comprehensive Income Attributable to Non-Controlling Interests | -                           | -           | -           | -           | -           |
| Basic Earnings Per Share                                       | 1.98                        | 1.55        | 1.57        | 1.88        | 1.81        |

Note 1: Above financial information has been audited (review) by CPA.

### 5.1.3 CPAs and their opinions for most recent 5-year

| Year | CPA Firm | CPA's Name                     | Auditing Opinion     | Remarks                                    |
|------|----------|--------------------------------|----------------------|--|
| 2014 | KPMG     | Chen, Ying-Ju & Yang, Liu-Fong | Modified Unqualified | Internal Adjustment in the Accounting Firm |
| 2015 | KPMG     | Chen, Ying-Ju & Yang, Liu-Fong | Unqualified          |  |
| 2016 | KPMG     | Chen, Ying-Ju & Yang, Liu-Fong | Unqualified          |  |
| 2017 | KPMG     | Lin, Wan-Wan & Yang, Liu-Fong  | Unqualified          | Internal Adjustment in the Accounting Firm |
| 2018 | KPMG     | Lin, Wan-Wan & Yang, Liu-Fong  | Unqualified          |  |

## 5.2 Five-year financial analysis

| Item \ Year           |   | Five-Year Financial Analysis |        |        |        |        | 01/01/2019~<br>03/31/2019 |
|-----------------------|---|------------------------------|--------|--------|--------|--------|---------------------------|
|                       |   | 2014                         | 2015   | 2016   | 2017   | 2018   |                           |
| Capital structure (%) | Debt ratio  | 67.08                        | 64.21  | 66.82  | 71.77  | 71.95  | 69.72                     |
|                       | Ratio of long-term capital to property, plant and equipment | 196.83                       | 222.08 | 174.03 | 197.71 | 214.72 | 227.72                    |
| Solvency (%)          | Current ratio   | 119.29                       | 135.24 | 118.86 | 117.85 | 119.34 | 123.21                    |
|                       | Quick ratio   | 92.95                        | 104.37 | 90.95  | 89.96  | 88.69  | 88.26                     |
|                       | Times interest earned (Times)                               | 8.74                         | 8.86   | 12.83  | 6.25   | 5.60   | 5.21                      |
| Operating ability     | Accounts receivable turnover (Times)                        | 6.45                         | 6.12   | 6.48   | 6.22   | 5.92   | 5.31                      |
|                       | Average collection period                                   | 57                           | 60     | 56     | 59     | 62     | 69                        |
|                       | Inventory turnover (Times)                                  | 11.10                        | 11.74  | 12.60  | 11.82  | 11.21  | 9.45                      |
|                       | Accounts payable turnover (Times)                           | 4.90                         | 5.64   | 6.34   | 6.22   | 6.45   | 5.95                      |
|                       | Average days in sales                                       | 32.88                        | 31.09  | 28.96  | 30.87  | 32.56  | 38.61                     |
|                       | Property, plant, and equipment turnover (Times)             | 12.42                        | 11.41  | 11.08  | 14.02  | 16.72  | 15.24                     |
|                       | Total assets turnover (Times)                               | 2.23                         | 2.25   | 2.35   | 2.24   | 2.46   | 2.32                      |
| Profitability         | Return on total assets (%)                                  | 3.76                         | 3.09   | 3.05   | 2.80   | 3.25   | 0.83                      |
|                       | Return on stockholders' equity (%)                          | 10.56                        | 7.82   | 8.06   | 7.26   | 9.12   | 2.22                      |
|                       | To pay-in Capital (%)                                       | Operating income             | 19.82  | 15.07  | 22.81  | 24.33  | 20.88                     |
|                       |   | PBT                          | 26.98  | 20.02  | 19.76  | 20.03  | 22.67                     |
|                       | Net profit margin (%)                                       | 1.53                         | 1.26   | 1.16   | 0.93   | 1.05   | 1.14                      |
|                       | Basic earnings per share (\$)                               | 1.98                         | 1.55   | 1.57   | 1.88   | 1.81   | 0.47                      |
| Cash flow             | Cash flow ratio (%)   | 0.64                         | 17.23  | 7.58   | 1.59   | -3.93  | 5.20                      |
|                       | Cash flow adequacy ratio (%)                                | Note3                        | Note3  | 115.45 | 73.92  | 33.25  | 47.08                     |
|                       | Cash reinvestment ratio (%)                                 | -0.05                        | 0.09   | 0.03   | -0.03  | -0.11  | 0.06                      |
| Leverage              | Operating leverage  | 5.14                         | 3.89   | 2.51   | 2.93   | 4.72   | 13.91                     |
|                       | Financial leverage  | 1.21                         | 1.20   | 1.08   | 1.19   | 1.31   | 1.55                      |



Analysis of financial ratio change in the last two years. (If the difference does not exceed 20%, the analysis is not required.)

1. Return on stockholders' equity: It has mainly been caused by the increase of non-operating income and expenditures, as well as of the net profit before tax of the continuing business department.
2. Cash flow ratio: It has mainly been caused by the decrease in cash flow resulting from smooth shipment, meeting customer demands, maintenance of strategic stock, short raw material supply, and payment of accounts payable.
3. Cash flow adequacy ratio: It has mainly been caused by the decrease in cash flow, resulting from smooth shipment, meeting customer demands, maintenance of strategic stock, short raw material supply, and payment of accounts payable.
4. Cash reinvestment ratio: It has mainly been caused by the decrease in cash flow resulting from smooth shipment, meeting customer demands, maintenance of strategic stock, short raw material supply, and payment of accounts payable.
5. Operating leverage: It has mainly been caused by the increase in fixed operating costs.

Note1: Above financial information has been audited (review) by CPA.

Note2: The Company compiles individual statements analysis of financial ratio shall be disclosed.

Note3: The International Financial Reporting Standards have been adopted for less than five years, hence they are not calculated..

Note4: Equations:

(1). Capital Structure:

Debt ratio = Total liability / Total assets

Ratio of long-term capital to property, plant and equipment = ( Net shareholders' equity + Non-current liability ) / Net property, plant and equipment

(2). Solvency:

Current ratio = Current assets / Current liability

Quick ratio = ( Current assets — Inventory — Prepaid expense ) / Current liability

Times interest earned = Net income before tax and interest expense / Interest expense of the year

(3). Operating ability:

Account receivable turnover =  $\text{Net sales} / \text{Average accounts receivable (including accounts receivable and notes receivable derived from business operation)}$

Days sales in accounts receivable =  $365 / \text{Account receivable turnover}$

Inventory turnover =  $\text{Cost of goods sold} / \text{Average inventory amount}$

Account payable turnover =  $\text{Cost of goods sold} / \text{Average accounts payable (including accounts payable and notes payable derived from business operation)}$

Average days in sales =  $365 / \text{Inventory turnover}$

Ratio of property, plant and equipment =  $\text{Net sales} / \text{Average of net property, plant and equipment}$

Total assets turnover =  $\text{Net sales} / \text{Average total assets}$

(4). Profitability:

Return on assets =  $[\text{Net income (loss)} + \text{Interest expense} \times (1 - \text{Tax rate})] / \text{Average total assets}$

Return on shareholders' equity =  $\text{Net income (loss)} / \text{Net average shareholders' equity}$

Operating income (pre-tax income) to Paid-in Capital Ratio =  $\text{Operating income (pre-tax Income)} / \text{Paid-in Capital}$

Profit ratio =  $\text{Net income (loss)} / \text{Net sales}$

Basic earnings per share =  $(\text{Profit attributable to owners of parent} - \text{Preferred stock dividend}) / \text{Weighted average stock shares issued}$

(5). Cash flow:

Cash flow ratio =  $\text{Net cash flow from operating activity} / \text{Current liability}$

Cash flow adequacy ratio =  $\text{Net cash flow from operating activity in the past 5 years} / \text{In the past 5 years (Capital expenditure} + \text{Inventory interest} + \text{Cash dividend})$

Cash reinvestment ratio =  $(\text{Net cash flow from operating activity} - \text{Cash dividend}) / (\text{property, plant and equipment} + \text{Long-term investment} + \text{Other assets} + \text{Working capital})$

(6). Leverage:

Degree of operating leverage =  $(\text{Net operating income} - \text{Variable operating cost and expense}) / \text{Operating income}$

Degree of financial leverage =  $\text{Operating income} / (\text{Operating income} - \text{Interest expense})$

Five-year individual financial analysis

| <div> <div></div> <div>Item</div> <div>Year</div> </div> |   |                  | Five-Year Financial Analysis |          |        |        |        |
|--|---|------------------|------------------------------|----------|--------|--------|--------|
|  |   |                  | 2014                         | 2015     | 2016   | 2017   | 2018   |
| Capital structure (%)                                    | Debt ratio  |                  | 62.43                        | 58.38    | 62.81  | 63.78  | 69.19  |
|  | Ratio of long-term capital to property, plant and equipment |                  | 1,021.11                     | 1,176.29 | 487.03 | 490.73 | 525.98 |
| Solvency ( % )   | Current ratio   |                  | 117.20                       | 134.35   | 113.44 | 114.35 | 114.87 |
|  | Quick ratio   |                  | 116.22                       | 133.02   | 112.59 | 111.78 | 112.98 |
|  | Times interest earned (Times)                               |                  | 32.93                        | 36.91    | 18.25  | 11.73  | 7.59   |
| Operating ability  | Accounts receivable turnover (Times)                        |                  | 6.14                         | 5.56     | 5.66   | 5.01   | 4.76   |
|  | Average collection period                                   |                  | 59                           | 66       | 64     | 73     | 77     |
|  | Inventory turnover (Times)                                  |                  | 362.84                       | 307.45   | 378.68 | 198.41 | 144.21 |
|  | Accounts payable turnover (Times)                           |                  | 3.72                         | 5.00     | 5.43   | 5.10   | 4.91   |
|  | Average days in sales                                       |                  | 1.01                         | 1.19     | 0.96   | 1.84   | 2.53   |
|  | Property, plant, and equipment turnover (Times)             |                  | 56.83                        | 50.42    | 25.08  | 26.04  | 30.25  |
|  | Total assets turnover (Times)                               |                  | 2.16                         | 2.13     | 2.10   | 2.10   | 1.94   |
| Profitability  | Return on total assets (%)                                  |                  | 4.18                         | 3.96     | 4.20   | 4.89   | 4.45   |
|  | Return on stockholders' equity (%)                          |                  | 12.63                        | 9.76     | 10.13  | 12.23  | 11.71  |
|  | To pay-in Capital (%)                                       | Operating income | 12.46                        | 10.60    | 14.55  | 15.49  | 15.63  |
|  |   | PBT              | 24.43                        | 18.35    | 18.19  | 22.05  | 21.16  |
|  | Net profit margin (%)                                       |                  | 2.15                         | 1.92     | 1.83   | 2.09   | 1.86   |
|  | Basic earnings per share (\$)                               |                  | 1.98                         | 1.55     | 1.57   | 1.88   | 1.81   |
| Cash flow  | Cash flow ratio (%)   |                  | 8.67                         | 23.40    | 19.19  | -4.91  | -5.93  |
|  | Cash flow adequacy ratio (%)                                |                  | Note3                        | Note3    | 142.21 | 83.50  | 75.93  |
|  | Cash reinvestment ratio (%)                                 |                  | 0.04                         | 0.14     | 0.19   | -0.15  | -0.20  |
| Leverage   | Operating leverage  |                  | 6.02                         | 4.01     | 2.71   | 3.09   | 4.34   |
|  | Financial leverage  |                  | 1.07                         | 1.05     | 1.08   | 1.15   | 1.26   |

Analysis of financial ratio change in the last two years. (If the difference does not exceed 20%, the analysis is not required.)

1. Times interest earned: The times interest earned has mainly been reduced by the American Federal Reserve's rising of interest rate, increase in capital costs, fund procurement, and increase in interest costs.
2. Inventory turnover and Average days in sales: It has mainly been caused by changes in the main product portfolio, inventory turnover, and the decline of average sales days.
3. Cash flow ratio: It has mainly been caused by the decrease in cash flow, resulting from smooth shipment, meeting customer demands, maintenance of strategic stock, short raw material supply, and payment of accounts payable.
4. Cash reinvestment ratio: It has mainly been caused by the decrease in cash flow, resulting from smooth shipment, meeting customer demands, maintenance of strategic stock, short raw material supply, and payment of accounts payable.
5. Operating leverage: It has mainly been caused by the increase in fixed operating costs.

Note 1: Above financial information has been audited (review) by CPA.

Note 2: Net cash flow of operating activities is not included.

Note 3: The International Financial Reporting Standards have been adopted for less than five years, hence they are not calculated.

### **5.3 Audit committee's report in the most recent year**

#### **Inventec Corporation Audit Committee's Review Report**

The Board of Directors has prepared and submitted to us the Company's 2018 Business Report, Financial Statements and proposal for profit distribution. The Financial Statements have been audited, certified and issued an audit report by Wan-Wan Lin and Liu-Fong Yang of KPMG Certified Public Accountants. The Business Report, Financial Statements and profit distribution proposal have been reviewed and determined to be correct and accurate by the Audit Committee members. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Convener of the Audit Committee: Chang, Chang-Pang  
Date: March 26, 2019

### **5.4 Individual financial statements for the years ended December 31, 2018 and 2017, and independent auditors' report**

Please refer to Appendix I .

### **5.5 Consolidated financial statements for the years ended December 31, 2018 and 2017, and independent auditors' report**

Please refer to Appendix II.

### **5.6 The effect on company or its affiliates have experienced financial difficulties: None.**

## VI. Review of financial conditions, operating results, and risk management

### 6.1 Analysis of financial status

#### 6.1.1. Consolidated

Unit: NT\$Thousand

| Item \ Year                                   | 2018        | 2017        | Difference |        |
|---|-------------|-------------|------------|--------|
|   |             |             | Amount     | %      |
| Current assets                                | 167,904,434 | 168,324,564 | -420,130   | -0.25% |
| Property, plant and equipment                 | 30,324,516  | 33,351,252  | -3,026,736 | -9.08% |
| Intangible assets                             | 885,307     | 892,416     | -7,109     | -0.80% |
| Other assets                                  | 6,689,665   | 6,199,595   | 490,070    | 7.90%  |
| Total assets                                  | 205,803,922 | 208,767,827 | -2,963,905 | -1.42% |
| Current liabilities                           | 140,692,415 | 142,830,554 | -2,138,139 | -1.50% |
| Non-current liabilities                       | 7,389,990   | 7,006,659   | 383,331    | 5.47%  |
| Total liabilities                             | 148,082,405 | 149,837,213 | -1,754,808 | -1.17% |
| Share capital                                 | 35,874,751  | 35,874,751  | -          | -      |
| Capital surplus                               | 2,912,889   | 2,913,096   | -207       | -0.01% |
| Retained earnings                             | 18,223,198  | 17,002,536  | 1,220,662  | 7.18%  |
| Total equity attributable to owners of parent | 55,364,481  | 55,682,837  | -318,356   | -0.57% |

Analysis of financial ratio changed in the last two years. (If the difference does not exceed 20%, the analysis is not required.)

### 6.1.2. Individual

Unit: NT\$Thousand

| Item \ Year                  | 2018        | 2017        | Difference |         |
|------------------------------|-------------|-------------|------------|---------|
|                              |             |             | Amount     | %       |
| Current assets               | 136,725,056 | 106,190,186 | 30,534,870 | 28.75%  |
| Property, plant and quipment | 11,531,196  | 12,407,998  | -876,802   | -7.07%  |
| Intangible assets            | 74,619      | 80,691      | -6,072     | -7.53%  |
| Other assets                 | 31,350,762  | 35,076,031  | -3,725,269 | -10.62% |
| Total assets                 | 179,681,633 | 153,754,906 | 25,926,727 | 16.86%  |
| Current liabilities          | 119,029,566 | 92,865,658  | 26,163,908 | 28.17%  |
| Non-current liabilities      | 5,287,586   | 5,206,411   | 81,175     | 1.56%   |
| Total liabilities            | 124,317,152 | 98,072,069  | 26,245,083 | 26.76%  |
| Share capital                | 35,874,751  | 35,874,751  | -          | -       |
| Capital surplus              | 2,912,889   | 2,913,096   | -207       | -0.01%  |
| Retained earnings            | 18,223,198  | 17,002,536  | 1,220,662  | 7.18%   |
| Total equity                 | 55,364,481  | 55,682,837  | -318,356   | -0.57%  |

Analysis of financial ratio changed in the last two years. (If the difference does not exceed 20%, the analysis is not required.)

1. Current assets: It is mainly to the smooth shipment, other accounts receivable have risen with the increase in materials purchased on behalf of the subsidiary.
2. Current liabilities: To meet customer demands and maintain strategic stock, the short raw material supply, short-term borrowings, and accounts payable are increased to ensure smooth shipment.

### 6.1.3. Impact on significant changes in financial conditions over the past two years and the future response plan individual

According to the analysis above, we can learn that changes in financial conditions of the Company over the past last two years have been caused by normal operating activities, hence there is no current requirement for a special future response plan.

## 6.2 Analysis of operation results

### 6.2.1 Consolidated

Unit: NT\$ Thousand

| Item \ Year   | 2018         | 2017         | Amount changed | Change percentage (%) |
|---|--------------|--------------|----------------|-----------------------|
|   | Amount       | Amount       |                |                       |
| Gross Sales Revenue                                       | 506,884,018  | 467,512,347  | 39,371,671     | 8.42%                 |
| Less : Sales Discounts and Allowances                     | -            | -            | -              | -                     |
| Net Sales Revenue   | 506,884,018  | 467,512,347  | 39,371,671     | 8.42%                 |
| Operating Costs   | -483,002,434 | -442,473,204 | -40,529,230    | 9.16%                 |
| Gross Profit from Operation                               | 23,881,584   | 25,039,143   | -1,157,559     | -4.62%                |
| Operating Expense   | -16,390,869  | -16,309,574  | -81,295        | 0.50%                 |
| Operating Profit  | 7,490,715    | 8,729,569    | -1,238,854     | -14.19%               |
| Non-operating Income and Expense                          | 642,547      | -1,543,121   | 2,185,668      | -141.64%              |
| Income from Operations of continued segments - before tax | 8,133,262    | 7,186,448    | 946,814        | 13.17%                |
| Less: Income Tax (Expense)                                | -2,814,266   | -2,849,410   | 35,144         | -1.23%                |
| Profit attributable to owners of parent                   | 6,499,856    | 6,754,912    | -255,056       | -3.78%                |
| Profit attributable to non-controlling interests          | -1,180,860   | -2,417,874   | 1,237,014      | -51.16%               |
| Income from Operations of continued segments - after tax  | 5,318,996    | 4,337,038    | 981,958        | 22.64%                |

Analysis of financial ratio changed in the last two years. (If the difference does not exceed 20%, the analysis is not required.)

1. Non-operating Income and Expense: Due to decreased asset impairment loss
2. Profit attributable to non-controlling interests: The net loss of non-controlled equity increased because asset impairment was reorganized by the investment company in the previous year.
3. Income from Operations of continued segments - after tax: Due to an increase in non-operating income and expenditures



## Individual

Unit: NT\$ Thousand

| Item \ Year   | 2018         | 2017         | Amount changed | Change percentage (%) |
|---|--------------|--------------|----------------|-----------------------|
|   | Amount       | Amount       |                |                       |
| Gross Sales Revenue                                       | 348,798,356  | 323,126,751  | 25,671,605     | 7.94%                 |
| Less : Sales Discounts and Allowances                     | -            | -            | -              | -                     |
| Net Sales Revenue   | 348,798,356  | 323,126,751  | 25,671,605     | 7.94%                 |
| Operating Costs   | -334,753,253 | -309,064,140 | -25,689,113    | 8.31%                 |
| Gross Profit from operation                               | 14,045,103   | 14,062,611   | -17,508        | -0.12%                |
| Less : Unrealized Profit(Loss) from Sales                 | -18,889      | -13,751      | -5,138         | 37.36%                |
| Plus : Realized Profit(Loss) from Sales                   | 13,751       | 15,140       | -1,389         | -9.17%                |
| Realized Gross Profit from operation                      | 14,039,965   | 14,064,000   | -24,035        | -0.17%                |
| Operating Expense   | -8,432,139   | -8,505,446   | 73,307         | -0.86%                |
| Operating Profit  | 5,607,826    | 5,558,554    | 49,272         | 0.89%                 |
| Non-operating Income and Expense                          | 1,984,074    | 2,353,134    | -369,060       | -15.68%               |
| Income from operations of continued segments - before tax | 7,591,900    | 7,911,688    | -319,788       | -4.04%                |
| Less: Income Tax Expense                                  | -1,092,044   | -1,156,776   | 64,732         | -5.60%                |
| Income from operations of continued segments - after tax  | 6,499,856    | 6,754,912    | -255,056       | -3.78%                |

Analysis of financial ratio changed in the last two years. (If the difference does not exceed 20%, the analysis is not required.)

1. Unrealized Profit(Loss) from Sales: The gross profit is not unrealized by affiliated companies at the end of the period primarily because of the delayed delivery of goods by customers at the end of the year.

### **6.2.2 Expected sales volume and its basis**

In 2018, due to the replacement of commercial computers driven by Windows 10, the increase in demand of e-sports products, and the stable demand in emerging markets, laptops showed slight growth. In 2019, the tide of commercial computer replacement continues to expand. However, with the shortage of Intel processors and the higher base period, the overall shipment of notebook computers is expected to be steady. Although the growth of notebook computer products is gradually slowing, the company will remain committed to product innovation and is expected to provide sustained growth momentum for personal computer products by Internet of things, e-sports products, and other related applications.

In terms of servers, cloud services drive the investment in data center infrastructure construction, and server shipments maintained a growth trend in 2018 due to the increased demand for data centers. In 2019, the Sino-US trade war has caused the demand of data center operators and brand manufacturers tends to be conservative in the first half of the year due to stocking for the new platform in advance and extension of base period, and global server shipment growth is expected to be steady.

As for the handheld mobile device industry, shipments will continue to grow in 2018, driven by the demand of emerging countries and the additional demand for network communication products that cater to cloud services. However, due to global economic uncertainty, extended replacement cycles, and a reduced degree of innovation, the growth in the handheld mobile device industry in 2019 is expected to be steady.

In 2018, despite the demand growth of the solar energy market, China's solar energy market is still sluggish due to dumping at low prices and the protection measures taken by the governments of various countries for the solar industry. In 2019, the market will continue to grow under the influence of national policies and supply chain price reduction. However, China's solar industry is still facing severe challenges caused by long-term oversupply pressure. To handle the industrial downturn, the company continues to carry out industrial chain integration, and make efforts to adjust its resource allocation strategy in order to reduce costs.

### **6.2.3 Possible impact on the future financial business of the company and response plan**

In the face of an increasingly fierce competitive environment, the Company will continuously carry out vertical integration and enter into strategic alliances to seek new opportunities, as well as focusing on core business operations, so as to respond to further market changes in the future. As for the demand of investment that might occur due to the growth of operations, the professional team of the Company will see that excellent financial planning in put in place through rigorous internal and external financial risk management analysis, allocation of integrated financial resources, and consideration of the costs of investments to ensure smooth

operation of the Company. The Company has no current doubts of significant impact on finances of the business.

## 6.3 Analysis of cash flow

Unit: NTD thousand

| Beginning cash balance A | Annual net cash flow from operating activities B | Annual cash outflow C | Cash surplus (insufficient) amount A+B-C | Remedial measures for cash shortfall |                           |
|--------------------------|--|-----------------------|--|--------------------------------------|---------------------------|
|                          |  |                       |  | Investment plan                      | Financial management plan |
| 25,062,511               | 4,136,959  | 6,374,432             | 22,825,038                               | —                                    | —                         |

### 1. Analysis on change of cash flow this year:

Operating activity: In 2018, since the Group continuously adjusted product proportion, improved cost structure, and was devoted to stabilizing gross profit ratio, along with proper capital movement employed by the Company's team, the operating cash flow is definitely proper this year, and the overall cash flow is sufficient for the operation expenditures of the Group.

### 2. Remedial measures for expected cash shortfall and liquidity analysis: Comprehensively influenced by all kinds of cash flow activities, there should be no circumstance causing insufficient cash this year.

### 3. Cash liquidity analysis in the coming year:

Beginning cash balance (A): NTD 25,062,511 thousand

Expected annual net cash flow from operating activity (B): NTD 4,136,959 thousand

Expected annual cash outflow (C): NTD 6,374,432 thousand

Expected cash surplus (insufficient) amount (A+B-C): NTD 22,825,038 thousand

Looking into 2019, the professional team of the company will continuously adjust its product proportion and devote itself to stabilizing the gross profit margin. Together with the significant impact of cost control, it is expected that cash flow for business activities will be abundant. As well as the expenditure for business activities due to investment activities such as assets procurement, equipment replacement, cash dividend distribution, and similar expenses, the Company also takes advantage of loans from financial institutions to invest in the business, resulting in efficient cash flow thanks to this proper arrangement and management.

## 6.4 Major capital expenditure items

### 6.4.1 Employment of significant capital expenditure and capital source:

Unit: NTD thousand

| Planned project                         | Actual or expected capital source | Actual or expected completion date | Total capital needed | Circumstance of actual or expected capital employment |           |           |           |
|---|-----------------------------------|------------------------------------|----------------------|---|-----------|-----------|-----------|
|   |                                   |                                    |                      | 2018  | 2019      | 2020      | 2021      |
| Purchase more plant space and equipment | Own capital                       | Current year                       | 15,916,305           | 1,916,305   | 6,000,000 | 4,000,000 | 4,000,000 |

Note: The actual and expected capital employment in significant capital expenditure is consolidated data.

### 6.4.2 The impact of significant capital expenditure on financial business

Purchase and update machines and R&D equipment: New product research and development lineup are increased in order to accelerate product development schedules and improve production efficiency.

## 6.5 Investment policy in last year, main causes for profits or losses, improvement plans and the investment plans for the coming year

Inventec, which started its business with laptops, servers, intelligent devices, and solar energy in their early stages and has recently been working hard towards artificial intelligence, 5G, and self-driving cars. Its diversified business strategy has made great achievements for the group. In addition to its flagship wireless intelligent terminal products, through the integration of 5G technology, the group's Yinghuada is now more actively engaged in the field of automotive edge computing and medical equipment, which will make important contributions to the group in the future. Invincible technology has the leading computer dictionary and translation software experts in the Chinese regions, and a new peak is being continuously created by introducing high-tech products, Regarding solar energy, due to the imbalance between supply and demand and tariff barriers, the group continues to focus on improving the manufacturing process and the group is continuously making efforts to adjust its resource allocation strategy in pursuit of future opportunities.

## 6.6 Analysis of risk management

### 6.6.1 The impact of interest rate, change in exchange rate, inflation on loss and profit of the company, and future resolutions:

1. Impact on loss and profit of the Company:

| 2018               | Net amount of interest income (expenditure) | Net amount of exchange (loss) profit |
|--------------------|---|--------------------------------------|
| Unit: NTD thousand | (606,381)                                   | (193,420)                            |

2. Future resolutions:

- A. Interest rate: Despite the global economic uncertainty in 2018, the US Federal Reserve still raised interest rates in accordance with the US's better economic data, which subsequently led to the rapid movement of international funds and indirectly affected the monetary policies of other countries. Taiwan's central bank is expected to maintain its loose monetary policy in 2019 to fully support the private demand for funds and help the economy grow while exports weaken and investment momentum is vulnerable due to the impact of the US-China trade conflict. The company carefully evaluates the risk of interest rate changes in operating its funds and makes the best use of its capital portfolio after considering both liquidity and security.
- B. Exchange rate: Swings in the monetary policies of major economies continue to cause money mobility and amplify volatility in foreign exchange markets. Taiwan is an export-oriented economy, and the central bank is bound to maintain the dynamic stability of the exchange rate in the face of the uncertainty of the Sino-US trade war, the slowing economic growth in mainland China, and the political and economic situation in Europe in order to assist enterprises in their export and investment decisions. Since the company is deeply rooted in the international market, its main exchange rate policy is to naturally avoid risks after debt and creditors' rights are offset, as well as to reduce the exchange rate risk through currency hedging.
- C. Inflation: Monetary policies and currency inflation are often mutually reinforcing to prevent the distortion of real interest rates and exchange rates. In general, the central bank expects China's economic growth to remain moderate, so it will maintain a relatively stable pattern in 2019. In the future, the company will continue to actively observe market conditions and effectively control costs and operating expenses to mitigate the impact of currency inflation on operations and prevent the phenomenon of false profits and real losses.

### **6.6.2 Engage in high risk and high leverage investments, lend funds to other parties, endorsement and derivatives transaction policy, main reasons for profit or loss, and future resolutions:**

Based on a steady operation philosophy, the Company mainly focuses on the operation of its original product field. Regarding investments, in addition to relevant investments in the original industry, upstream and downstream of the product field, vertical cooperation, etc., the Company does not engage in any high risk or high leverage investments. Regarding lending funds to other parties, endorsements, and derivatives related transactions, such is actually handled according to the execution policy stipulated in Procedures for Acquisition and Disposal of Assets, Procedures for Lending Funds to Other Parties, and Procedures for Endorsements and Guarantees of the Company. In the future, the Company will still rigorously execute such matters according to the handling procedures of relevant regulations in order to guarantee the maximum rights and interests of the Company and its shareholders.

### **6.6.3 Future research and development plan and research and development expenditures expected to be invested**

1. Innovation and quality: "Innovation" is the cornerstone of differentiation, which is a main factor for breaking through in a competitive environment. The group will continuously adhere to its innovative business philosophy and remain committed to customers and partners with the highest "quality" improvements in the future.
2. Future research and development plan:
  - A. Notebook computers: The shipment of laptops in 2018 was high due to the combination of commercial and consumer market demand. In the future, the application of artificial intelligence in products will be one of the development directions of high-tech. In addition to differentiation, the company will continue to focus on commercial and consumer models with new technology, break through the saturated market, and increase profits.
  - B. Servers and cloud services: With the rise of artificial intelligence, enterprises have begun to recognize the cloud concept, which has also expanded the market demand for servers and the cloud. The company has profound software and hardware, R&D capabilities, and creativity, in addition to customized complete solutions that will increase the added value of products, and the company will strengthen customer confidence by upgrading the information security environment. In 2019, the company's server and cloud business revenue and shipments are expected to have good performance due to the new data center demand.
  - C. Smart phones: The rise of 5G applications has created impossible tasks in mobile networks and devices and driven new business opportunities in both. Smart phones not only pursue speed but also have to be dizzying and beautiful in appearance and shape, such as folding and multi-lens, and being full of surprises. The company has been actively engaged in the

5G commercial use field. In addition to storage, memory, communication, multimedia applications and added value, by introducing relevant cloud technology, the company is expected to become the benchmark of the global wireless communication industry.

3. Research and development expenditure expected to be invested:

At the rapid outbreak time of information communication, the future development plan of the Company will continue to move by mastering market fluctuation and understanding customer demands. In response to new market environments, manufacturing process improvement, and technology development, the Group is expected to input more than NTD 9.5 billion in research and development this year and will control the product development and market sales schedule within six months.

4. The research and development plans in recent years, current progress of unfinished research and development plans, research and development expenses that need to be invested, expected time of completing mass production, and major factors influencing the success of research and development in the future:

| Recent annual plans                            | Current progress  | R&D expenses to be invested | Time of completing mass production (Note) | Major factors influencing the success of research and development in the future   |
|--|-------------------|-----------------------------|---|---|
| Notebook computer                              | Under development | NTD 2.2 billion             | 2020                                      | Provision of long-term accumulated software and hardware technology and customized overall solutions                        |
| Server and cloud computing                     | Under development | NTD 4.7 billion             | 2020                                      | Provision of long-term accumulated software and hardware technology and customized overall solutions                        |
| Smart phone and wireless communication devices | Under development | NTD 2.6 billion             | 2020                                      | Continuous innovation, good quality, excellent talent, design, manufacturing, marketing, and after-sales service capability |

Note: This refers to the mass production time currently expected; the actual situation is still subject to market and customer demands.

#### 6.6.4 Important policies at home and abroad, the impact of law changes on the Company's financial business, and resolutions:

The relevant units of the Company have always strictly followed important policies at home and abroad, as well as law changes, and pay close attention to any changes at all times. They also actively coordinate and adjust company financial business activities in response to such changed matters. With regard to the promotion of corporate governance by competent authorities,

successive issuing and amendment of the Company Act, Securities Exchange Act, and handling criterion for all kinds of businesses, the reformation of the tax regulations environment, etc., the Company actively coordinates to handle such matters as required.

Since 2013, listed companies have comprehensively applied IFRs, the Taiwan-IFRSs translated and issued by the Domestic Accounting Research and Development Foundation are the basis for preparing the enterprise financial report. In the face of the change of accounting principles, the Company has actively carried out training on financial and accounting personnel with relevant knowledge, smoothly matching up with the accounting system. Furthermore, the Company simultaneously maintains close communication with information personnel and coordinates with the response method of the information system according to the change to the accounting system in order to reduce the impact brought by the change of accounting principles in the future.

#### **6.6.5 The impact of technology change and industry change on company financial business and resolutions:**

Inventec aims to become a world-class plant. In order to fully promote the construction of an intelligent factory, we are developing and implementing a detailed strategy and development plan from four aspects: 4.0 (industry 4.0), TPS (Toyota production model), LSS (lean six standard deviation), and Automation (Automation). In terms of physical construction, the AI research center, industry 4.0 technology center, and 5G telecommunication technology center were successively established in 2018. The intangible, in-depth research is performed over the five core technologies vital for future product and market development: A (AI), B (Blockchain), C (Cloud Computing), D (Big Data), and 5 (5G). Through hard work, the group is expected to start harvesting results in the next two years. In the future, we will continue to carry out product innovation to implement diversified management and connect with science and technology. For the enterprise's sustainable development, we will continue to provide customers with comprehensive solutions from research and development, design, production, distribution, and service, in order to improve profitability and customer satisfaction. Furthermore, through the Internet and 5G mobile technology, the company's internal and external environment resources can be shared without boundaries. Importing an enterprise resource integration system and financial consolidation system will improve the overall operation and handling efficiency of financial affairs. Through active and effective financial and information technology application, the Company will assist in integrating upstream of vision and strategy, medium of process and indicator, and down to management information, action plans, etc. in order to take it as the best management tool in response to the change of technology and industry.



### **6.6.6 The impact of corporate image change on corporate crisis management and resolutions:**

Over the past 40 years, integrity and sustainability have consistently been the highest guiding principles of Inventec's corporate governance and its superior corporate culture. We uphold the "innovation, quality, open mind, execution" business philosophy, consider "talent" as our first priority, and "social responsibility" as the final commitment of "ten beliefs", which together constitute the core value system of Inventec. By introducing and shaping corporate culture, the identity of all colleagues of the company is enhanced to strengthen competitiveness. In the future, we need to do "one more responsibility, one more concern". Through the Internet of things, we can obtain experience and share resources to maximize social responsibility.

The Company adheres to a consistent operation philosophy and corporate culture. Through internal management mechanisms and external auditing execution, the Company vigorously examines and approves the setting and execution of objectives and strategies, actually mastering the overall organizational risk. As of the publication date of this annual report, the Company has no impact on enterprise crisis management caused by a change of corporate image.

### **6.6.7 Expected benefits of mergers, possible risks, and resolutions:**

Since 2018 and as of the publication date of this annual report, the Company has no circumstances related to conducting a merger.

### **6.6.8 Expected benefits of plant expansion, possible risks, and resolutions:**

With the start of the Sino-US trade war, the group has adjusted its production line layout outside mainland China through operational planning to eliminate customer concerns and mitigate the impact of tariffs. How to create economies of scale and production line automation to reduce the cost of production expansion in other regions will be a key factor in capacity optimization. The company carefully evaluates factory expansion needs and future economic benefits in accordance with the market conditions and, by activating assets, thus reduces the risk of idle assets and capital exposure risk. By reallocating capacity, a win-win situation can be created.

### **6.6.9 Risks faced in centralized goods purchase and sales and resolutions:**

In recent years, white label servers have begun to enter the cloud market of traditional server factories. In addition to data centers established in various regions, the company has also expanded its territory to Southeast Asia. With their own manufacturing and quality advantages, Taiwan OEM companies pay more attention to software and hardware integration solutions and thus win the favor of international manufacturers. The company seeks diversification on both the customer side and the supply side. In addition to pursuing quality and quantity improvement and cost control, the demand for different product lines can stimulate more research and development momentum. Furthermore, multi-level customer relationships can prevent sales from becoming too concentrated.

**6.6.10 The impact of massive transfer or change of stock equity between and among directors, supervisors, or major shareholders holding more than ten percent of the total share of the company and resolutions: None.**

**6.6.11 The impact of change of operation rights of the company, risks, and resolutions: None.**

**6.6.12 Litigation or non-litigation cases:**

1. Significant litigation, non-litigation or administrative litigation cases of the Company and affiliated companies in the past two years, such cases that have been sentenced or are currently pending, and the results thereof that have a significant impact on shareholders' equity or securities price:

A. Litigation case:

The relationship between E-Ton Solar Tech Co., Ltd. (E-Ton) and JI-EE Industry Co., Ltd. (JI-EE) has deteriorated due to a dispute over the lands and buildings which JI-EE leased to E-Ton. JIEE claimed that the lease expired on December 31, 2013 and decided to discontinue to lease the aforesaid lands and buildings to E-Ton. Therefore, E-Ton filed a temporary injunction to the Tainan District Court concerning this matter. Tainan District Court requests that E-Ton should provide a guarantee deposit of 0.12 billion New Taiwan Dollars for the temporary injunction mentioned above. In return, JI-EE should leave the driveways and gates of the building (which is located on No. 73 and 74 Ke Gong Section, Annan Dist., Tainan City) in its current condition until the civil action is resolved. Furthermore, JI-EE should allow E-Ton to continue using the other buildings located on No.16-1, 16-7, and 16-10 Ke Gong Section, Annan Dist., Tainan City. After E-ton provided the guarantee deposit, the Tainan District Court issued the Enforcement Order No.82 of Si-Zhi-Chuan-Jian-Zi (2014), so that JI-EE has to follow the aforementioned injunction.

E-Ton received the Civil Ruling No. 160 of Si-Sheng-Zi (2014) from the Tainan District Court requesting E-Ton to file an civil action against JI-EE in time. Accordingly E-Ton summited the indictment to the same Court on July 15, 2014, with case file No. 196 of Zhong-Su-Zi (2014) , to confirm the continuance of the lease. On May 4, 2018, the Court ruled against the continuance of the lease for the land and factory located at No. 498, Sec. 2, Bentien Rd, An-nan Distrct of Tainan City, under the condition that JI-EE has to maintain the current status of the driveways and gates of the compound located at No. 73 and 74 Ke Gong Section, Annan Dist., Tainan City. In addition, JI-EE has to continue recognizing the lease agreement it entered into with E-Ton regarding the building located at No. 16-10 in No. 73 and 74 Ke Gong Section and allow E-Ton to make use of its driveway (from the gate to the building). Also, JI-EE has to permit E-Ton to freely use the door and the staircase (from Ground floor to 4th floor) of the annex building (within the compound) located at No 16-1 Ke Gong Section. E-Ton, on the other hand, filed an appeal by requesting the Tainan District

Court to handover the case to the Taiwan High Court for another decision on May 23, 2018. Now the preparation procedure is still in progress. On November 15, 2018, Eton and JI-EE both agreed to settle this lawsuit. However, since there is a great difference between the selling price of the aforesaid lands and buildings offering by JI-EE and the buying price offering by E-ton, E-ton and JI-EE then requested the Court for continuance of this trial on February 26, 2019 and March 5, 2019, respectively. The on-site inspection is scheduled on May 17, 2019.

In accordance with the Payment Order No.6096 of Si-Cu-Zi (2014) from Tainan District Court, JI-EE advocated that Eton should pay a penalty of TWD 8,537 thousand, plus, interest payables accrued with an annual interest rate of 5% from the issuance date of the Payment Order to the payment date. E-Ton disagreed with the demand of JI-EE and filed an appeal to the Tainan District Court against JI-EE. In the appeal JI-EE expanded its claims against E-Ton asking for compensation for the damage occurred between January to March, 2014. According to Judgment No. 73 of Zhong-Su-Zi (2014), Tainan District Court granted the demand of JI-EE, which resulted to the compensation of TWD 6,098 thousand, plus, interest payables accrued with an annual interest rate of 5% from the issuance date on May 22, 2014. Therefore, E-Ton filed an appeal to the Taiwan High Court-Tainan Branch against JI-EE on December 5, 2014 and JI-EE filed another expansion of claims afterwards. On September 29, 2016, Taiwan High Court ordered E-Ton to pay the amount of TWD 48,785 thousand as compensation (including interest), as well as expenses for its appeal and expansion of claims. JI-EE may make a motion for provisional execution with a payment of TWD 16,270 thousand to the court as guarantee deposit. However, the motion will be denied if E-Ton pays TWD 48,785 thousand to the court as guarantee deposit. E-ton filed an appeal to the Supreme Court through Taiwan High Court-Tainan Branch on October 17, 2016. In accordance with the verdict handed by the Taiwan High Court, JI-EE has the right to seize parts of E-Ton's real estate properties. Therefore, on December 7, 2016, JI-EE exercised its right in the company of staff from the district court. On the same date, however, E-Ton paid the required amount stated in the verdict, to the district court as its guarantee deposit. Therefore, on December 8, 2016, the district court agreed to halt its execution in seizing E-Ton's properties.

The Supreme Court remanded the judgment to the Taiwan High Court- Tainan Branch on November 26, 2018 and ordered a retrial. JI-EE also filed an declaration to expand its claims on January 28, 2019, in which it requested E-ton to pay additional TWD 67,079 thousand, plus, interest payables accrued with an annual interest rate of 5% from the date of delivery of the declaration to the date of settlement. On January 28, 2019, the parties agreed to cease the litigation and discuss to settle this lawsuit. On April 17, 2019, JI-EE requested the Court for continuance of this trial and the next hearing is scheduled on June 3, 2019.

- B. Non-litigation cases: Not available in the past two years.
- C. Administrative litigation cases: Not available in the past two years.

2. As of the publication date of annual report, whether the directors, supervisors, President, and shareholders with shareholding ratio over ten percent of the Company are involved in any significant litigation, non-litigation or administrative litigation cases, such cases have been sentenced or are currently pending, and the results thereof have a significant impact on shareholders' equity or securities price: there is no such circumstance.

### **6.6.13 Other important risks and response measures**

#### **1. Description of information safety risk evaluation and analysis and corresponding measures**

- A. Establish information safety organization: The company attaches great importance to information safety, and the information safety response team has been established under the auspices of the general manager and includes the production line information safety response teams of both the personal computer business group (PSG) and the enterprise computer business group (EBG) to implement and strengthen the management of information safety. According to the "2018 internal audit plan", the company will audit Inventec's information safety project, monitor the information safety management system (ISMS) risk evaluation plan and implementation of the information safety system, and submit the audit results to the board of directors.
- B. Strengthen information safety management: In accordance with the "Information Safety Management Regulations", in order to carry out Inventec's information safety management, meet customers' expectations of Inventec's information safety, ensure the confidentiality, integrity, and availability of the enterprise system and network transmissions, prevent illegal use, and the company will continue to provide information safety education training for employees, actively perform risk weakness management, and ensure the safety of the physical environment, computer host, network use, system access, development and maintenance safety, and mobile devices. Violations of the safety protection regulations will be subject to the "Personnel Management Measures". The company will strengthen the information safety awareness of its employees. The "Code of Conduct for Employees" signed by the employees every year contains information safety protection matters. Information safety announcements shall be issued in a timely manner to remind employees to be careful of information safety risks. The company regularly organizes information safety education and training courses for new employees so that they understand the relevant information safety management regulations of Inventec, cultivate information safety concepts, and comply with the information safety regulations. The company further advocates information safety education and training for its employees and provides them with the latest information safety cases and trending safety information to improve employees' information safety attainment. Starting in June 2018, the company has enhanced the level of anti-virus monitoring reporting to the general manager, monitored the virus detection situation in factories around the world, carried out necessary protective measures and virus killing management, tracked the cause for computer viruses of the factories, and confirmed that any virus has been eradicated. In September 2018, the general manager presided over the information safety conference to discuss the current information safety events reported in the news and present related information safety measures to prevent the production line from stopping and affecting the

company's operations due an information safety event.

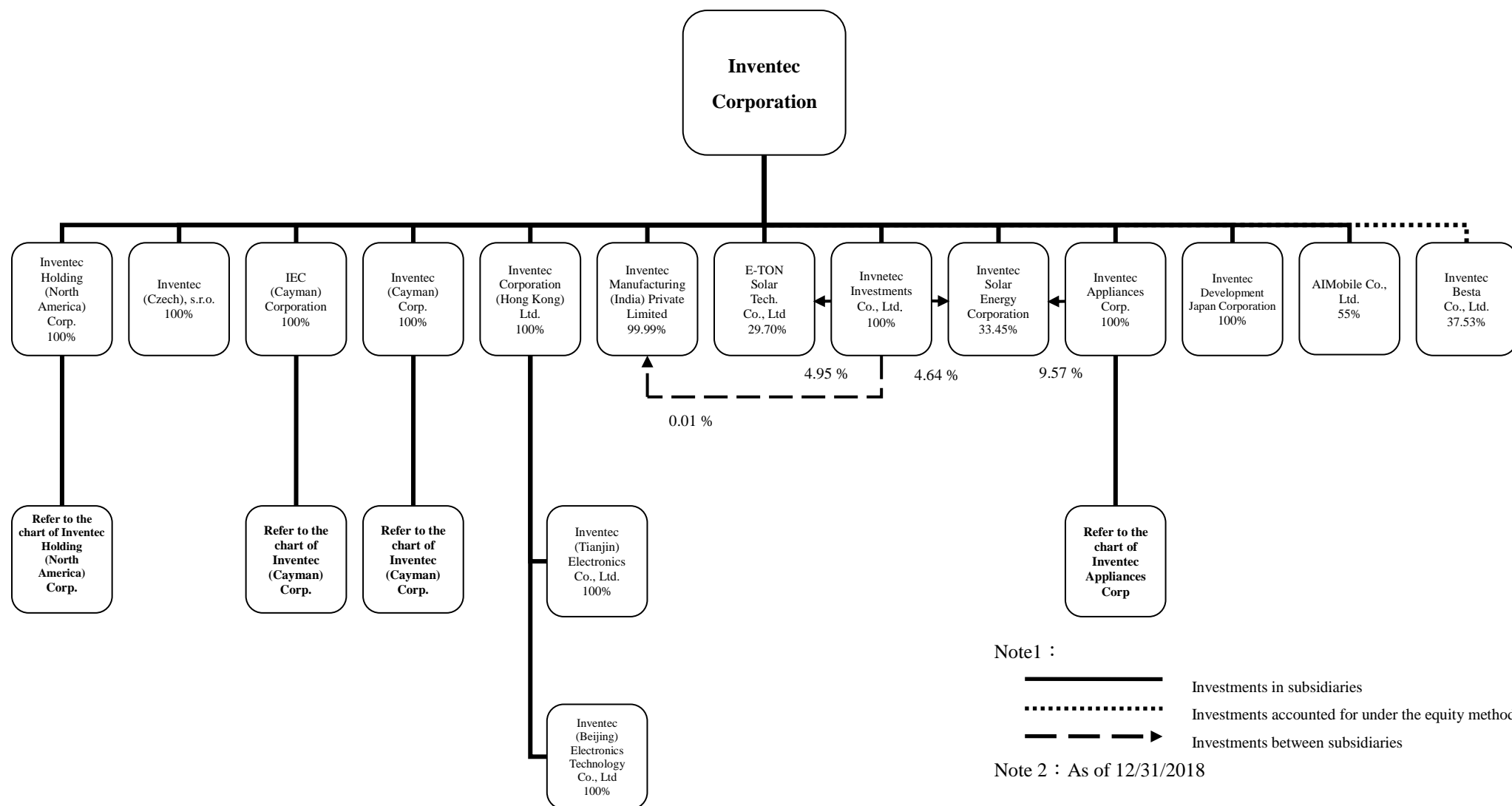
- C. International information safety certification: The three-year period of the ISO 27001 international certification of IT information solution operation office expired and was renewed in September 2018. The information machine room of Taiyuan factory obtained the ISO 27001 international information safety certification in December 2018.
- D. Review production line information safety: Every year, the company shall undergo and information safety audit of customers by an external third party, in addition to an internal self-audit, and review information safety matters according to ISO 27001 and other information safety and control regulations, including safety policies, information safety organization, human resources safety, assets management, access control, cryptography, physical and environmental safety, operations safety, communication safety, information system development and maintenance, supplier relations, information event management, operation management, and compliance checks. In October 2018, the company participated in the information safety testing and diagnosis service organized by the Software Association of the Republic of China, conducted the information safety inspection of the Taiyuan factory's production line, and carried out such testing operations as "servo host weakness scanning detection", "information equipment configuration benchmark detection", and "network packet side recording analysis" to ensure the information safety of the production line. In December 2018, a third-party information safety expert was appointed to conduct information safety inspection on the production line of the Chongqing plant and, inspect information safety at the level of on-line management, network architecture, and technology in order to understand the current information safety protection situation on the production line, as well as improve, strengthen, and establish preventive measures to create a production environment that both shareholders and customers can trust.

## **6.7 Other important matters: None.**

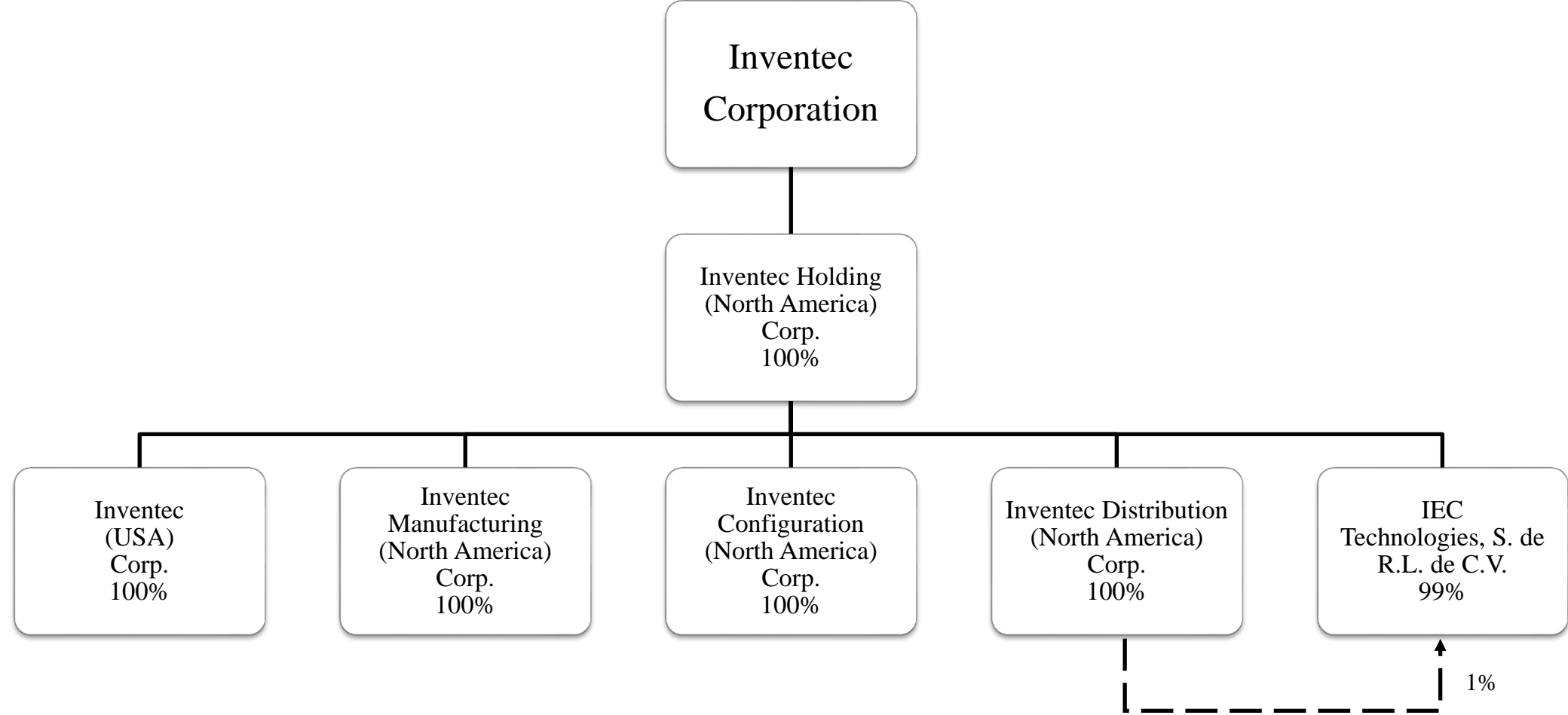
## VII. Special disclosure

### 7.1 Summary of affiliated companies

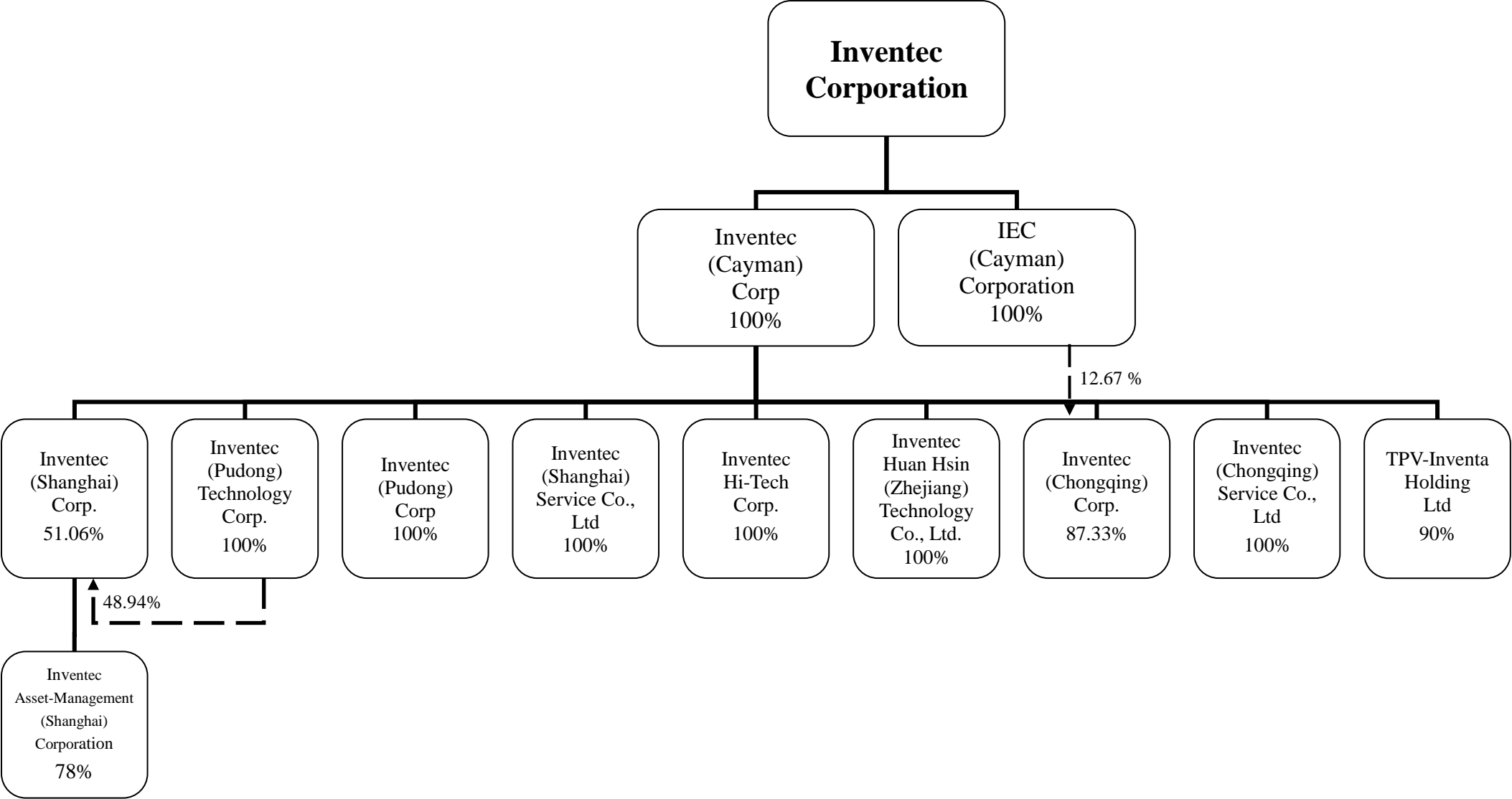
#### 7.1.1 The chart of Inventec corporation



The chart of Inventec Holding (North America) Corp.

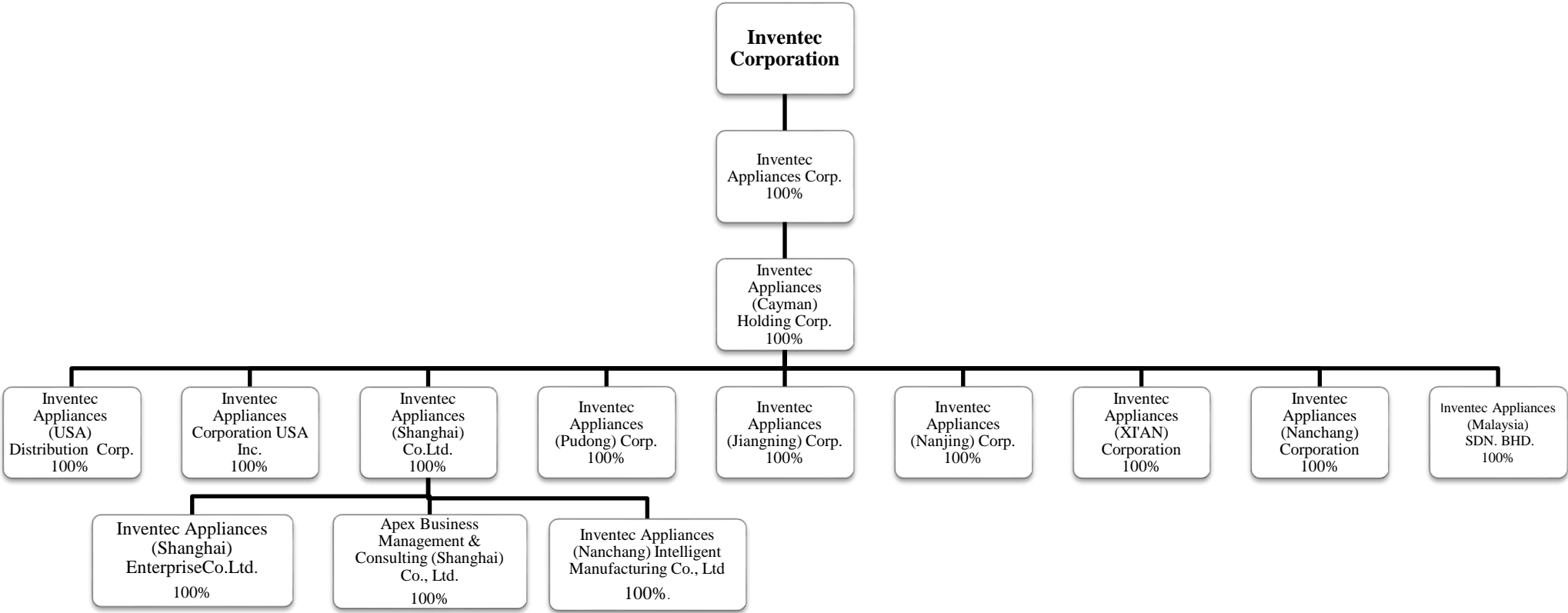


The chart of Inventec (Cayman) Corp.





The Chart of Inventec Appliances Corp.



## 7.1.2 Inventec corporation subsidiaries

Unit: NT\$ Thousands, As of 12/31/2018

| Company   | Date of Incorporation | Place of Registration  | Capital Stock    | Business Activities  |
|---|-----------------------|--|------------------|--|
| <b>Inventec Corporation (Hong Kong) Ltd.</b>        | <b>1990.08</b>        | <b>Level 54 Hopewell Centre 183 Queen's Road East, Hong Kong</b>   | <b>8,705</b>     | <b>Investing in Mainland China and import and export business</b>  |
| Inventec (Tianjin) Electronics Co., Ltd.            | 1993.11               | Room 401-410, Wanzhao Smart Valley Building, No. 218 Hongqi Road, Nankai District, Tianjin, China                                    | 153,350          | Electronic products hardware and software development and manufacturing.   |
| Inventec (Beijing) Electronics Technology Co., Ltd. | 1994.07               | A-206, No.1 Building (Information Center), Zhongguancun Software Park, No.8 Dongbeiwang West Road, Haidian District, Beijing, China. | 44,472           | Production of computer-related products and after-sale services; sale of self-produced products; business information consultation |
| <b>Inventec (Cayman) Corp.</b>                      | <b>2000.06</b>        | <b>Floor 4, Willow House, Cricket Square, P.O.Box 2804, Grand Cayman KY1-1112, Cayman Islands</b>                                    | <b>9,812,963</b> | <b>Holding Company</b>   |
| Inventec (Shanghai) Corp                            | 2000.10               | No.1295, Yi Shan Road Shanghai, China  | 2,136,857        | Computer product assembly and sale of accessories  |
| Inventec Asset-Management (Shanghai) Corporation    | 2014.06               | The first floor 08 business of No.7 building , No.1528 Gumei road, , Xuhui district, Shanghai ,China                                 | 1,913,563        | Real estate development and management   |
| Inventec (Pudong) Corp.                             | 2003.01               | No.699 Puxing Road, Minhang District, Shanghai, China  | 1,533,500        | Computer product assembly and sale   |
| Inventec (Pudong) Technology Corp.                  | 2004.04               | No.789 Puxing Road, Minhang District, Shanghai, China  | 1,533,500        | Computer products and accessories production and marketing   |
| Inventec (Shanghai) Service Co., Ltd                | 2004.03               | 2F Building, No.1295, Yi Shan Road Shanghai, China   | 88,943           | Software product development services and sales  |
| Inventec Hi-Tech Corp.                              | 2004.09               | No.789 Puxing Road, Minhang District, Shanghai, China  | 1,533,500        | Computer products assembly operations and sale   |
| Inventec Huan Hsin (Zhejiang) Technology Co., Ltd.  | 2007.03               | No.8, XinDa Road, Huimin Avenue ,Jiashan County, Zhejiang Province, China  | 880,229          | Production and sale of electronic calculators and external equipment   |
| Inventec (Chongqing) Corp.                          | 2010.05               | No.66, Xiqu Sceond Road, Shapingba District, ChongQing, China  | 2,300,250        | Computer products assembly operations and sale   |
| Inventec (Chongqing) Service Co., Ltd.              | 2010.05               | 3F Building No.98, Xiqu Sceond Road, Shapingba District, ChongQing, China  | 30,670           | Computer products assembly operations and sale   |
| TPV-Inventa Holding Ltd.                            | 2010.05               | 20th Floor, Euro Trade Centre, 21-23 Des Voeux Road Central, Hong Kong   | 1,714,762        | Holding Company  |
| <b>IEC (Cayman) Corporation</b>                     | <b>2013.11</b>        | <b>Floor 4, Willow House, Cricket Square, P.O.Box 2804, Grand Cayman KY1-1112, Cayman Islands</b>                                    | <b>739,500</b>   | <b>Holding Company</b>   |

| Company  | Date of Incorporation | Place of Registration   | Capital Stock    | Business Activities   |
|--|-----------------------|---|------------------|---|
| <b>Inventec Holding (North America) Corp.</b>              | <b>1997.09</b>        | <b>11450 Compaq Center Dr. West Suite 200, Houston, TX 77070</b>  | <b>159,003</b>   | <b>Holding company in America</b>   |
| Inventec (USA) Corp.                                       | 1997.02               | 11450 Compaq Center Dr. West Suite 200, Houston, TX 77070   | 15,335           | Computer product assembles and warranty services                              |
| Inventec Manufacturing (North America) Corp.               | 1997.09               | 11450 Compaq Center Dr. West Suite 200, Houston, TX 77070   | 61,340           | Technical and Marketing support service                                       |
| Inventec Distribution (North America) Corp.                | 1998.08               | 11450 Compaq Center Dr. West Suite 200, Houston, TX 77070   | 15,335           | Sale of computer products   |
| Inventec Configuration (North America) Corp.               | 1998.08               | 11450 Compaq Center Dr. West Suite 200, Houston, TX 77070   | 61,340           | Assembly of computer products   |
| IEC Technologies, S. de R.L. de C.V.                       | 2006.09               | Blvd.Independencia #10150,Centro Industrial del Norte #1, CD Juarez, Chihuahua, Mexico 32575                                  | 61,517           | Assembly of computer and related.   |
| <b>Inventec (Czech), s.r.o.</b>                            | <b>2004.02</b>        | <b>Modrice, Central Trade Park Evropska 863 664 42 Modrice, Czech Republic</b>  | <b>85,921</b>    | <b>Assembly of computer products and after-sale services</b>                  |
| <b>Inventec Development Japan Corporation</b>              | <b>2004.12</b>        | <b>7F, No.1 Shinbashi-Ekimae BL.,2-20-15 Shinbashi, Minakotu-ku, Tokyo, Japan</b>   | <b>18,317</b>    | <b>Development, design, and sale of computer accessories</b>                  |
| <b>Inventec Manufacturing (India) Private Limited</b>      | <b>2015.04</b>        | <b>Old No. 3, New No.5 Vanitha 3rd Avenue, Besant Nagar, Chennai Chennai TN 600090 INDIA</b>                                  | <b>281,720</b>   | <b>Computer product assembly and after-sale services</b>                      |
| <b>Invnetec Investments Co., Ltd.</b>                      | <b>2009.08</b>        | <b>3F-1, No.166, Sec. 4, Chengde Rd., Shilin Dist., Taipei City, Taiwan</b>   | <b>1,088,000</b> | <b>Investment activities</b>  |
| <b>Inventec Solar Energy Corporation</b>                   | <b>2010.10</b>        | <b>No.349, Sec 2, Renhe Rd., Daxi Township, Taoyuan City, Taiwan.</b>   | <b>3,233,548</b> | <b>Research and development, production, and sale of solar cells</b>          |
| <b>E-TON Solar Tech. Co., Ltd.</b>                         | <b>2001.12</b>        | <b>NO.498,Sec.2, Bentian St., Tainan, Taiwan</b>  | <b>3,194,577</b> | <b>Manufacturing and sale of solar cells</b>                                  |
| <b>Inventec Appliances Corp.</b>                           | <b>2000.05</b>        | <b>No.37, Wugong 5th Road, Wugu District, New Taipei City, Taiwan</b>   | <b>5,368,573</b> | <b>Wireless terminal products</b>   |
| Inventec Appliances (Cayman) Holding Corp.                 | 2000.06               | The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands. | 6,120,954        | Holding Company   |
| Inventec Appliances (USA) Distribution Corp.               | 2000.07               | 555 Republic Drive, Suite 200, Plano, Texas 75074 , USA   | 123              | Sale of electronics products and accessories                                  |
| Inventec Appliances Corporation USA Inc.                   | 2006.04               | 2880 Lakeside Drive, Suite 247, Santa Clara, California 95054   | 31               | Sales activities  |
| Inventec Appliances (Shanghai) Co.Ltd.                     | 1991.07               | No.7, Gui Qing Rd., Shanghai, China.  | 1,582,572        | Development, design, and sale of electronics products and leasing             |
| Inventec Appliances (Shanghai) Enterprise Co.Ltd.          | 2015.04               | Room B506, Building 3, No.7 Gui Qing Road, Xuhui District, Shanghai, China.   | 1,385            | Hardware and software development and consulting and electronic product sales |
| Apex Business Management & Consulting (Shanghai) Co., Ltd. | 2009.07               | Room 701, Building 3, No.7 Gui Qing Road, Shanghai, China.  | 2,243            | Business Administration   |

| Company  | Date of Incorporation | Place of Registration  | Capital Stock | Business Activities  |
|--|-----------------------|--|---------------|--|
| Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd. | 2018.06               | No.189, Torch 3rd Road, Nanchang High-tech Industrial Development , Nanchang City, Jiangxi Province, China | 268,126       | Wearable intelligent equipment manufacturing, and the research and development, design, processing, manufacturing, and sale of electronic products and communication equipment |
| Inventec Appliances (Pudong) Corp.                                 | 2004.03               | No.789, Puxing Rd., Shanghai, China.   | 2,361,590     | Development, design, and manufacturing of wireless communication products and mobile communication equipment   |
| Inventec Appliances (Nanjing) Corp.                                | 1993.10               | No.100 Xian He Street, Nanjing, China  | 153,350       | Real Estate Rental and Leasing   |
| Inventec Appliances (Jiangning) Corp.                              | 2004.02               | No.133, Jiang-Jun Road ,Jiangning Economic and Technological Development Zone, Nanjing, China.             | 2,085,560     | Development, design, and manufacturing of mobile communication devices (mobile phones), telephone sets (excluding multimedia advanced functions), etc                          |
| Inventec Appliances (XI'AN) Corporation                            | 2007.12               | No.50 Jin-Ye 1st Road High-tech Industrial Development Zone, Xi' an China                                  | 122,680       | Development and design of related communication and electronic products and software, related technical services, and house rentals  |
| Inventec Appliances (Nanchang) Corporation                         | 2008.12               | C401-417, No. 698 Jingdong Boulevard, High-Tech Zone of Nanchang, Jiangxi, China.                          | 64,407        | Development, design, and sale of communication and electronic-related products and software  |
| Inventec Appliances (Malaysia) SDN. BHD                            | 2018.09               | 253G-4-3A, Premier Centre, Jalan Burma, 10350 Penang, Malaysia   | 7,077         | Sale of related electronic materials and products  |
| AIMobile Co., Ltd.   | 2016.05               | 6F, No.166 Chengde Rd Sec 4, Shilin District, Taipei City, Taiwan, R.O.C                                   | 300,000       | <b>Research and development, production, and sale of intelligent mobile devices</b>  |

### 7.1.3 Shareholders in common of Inventec corporation and Its subsidiaries with deemed control and subordination: None.

### 7.1.4 Industrial classification in Inventec corporation subsidiaries

| Industrial Classification              | Company   | Relationships to Related Party  |
|--|---|---|
| <b>Holding company</b>                 | <b>Inventec Corporation (HongKong) Ltd.</b>           | <b>Direct investment in Inventec (Beijing) Electronics Technology Co., Ltd. and Inventec (Tianjin) Electronics Co., Ltd.</b>                    |
| Electric Product Manufacturing         | Inventec (Tianjin) Electronics Co., Ltd.              | Research, manufacture, sale and warranty services of electronic products and related.   |
| Electric Product Manufacturing         | Inventec (Beijing) Electronics Technology Co., Ltd.   | Manufacture, and warranty services of computers and related, sales of self-manufactured products; as well as business information consultation. |
| <b>Holding company</b>                 | <b>Inventec (Cayman) Corp.</b>                        | <b>Direct investment in Inventec (Shanghai) Corp. etc.</b>  |
| Electric Product Manufacturing         | Inventec (Shanghai) Corp.                             | Computer product assembly and sale of accessories   |
| Electric Product Manufacturing         | Inventec Asset-Management (Shanghai) Corporation      | Real estate development and management  |
| Electric Product Manufacturing         | Inventec (Pudong) Corp.                               | Computer product assembly and sale  |
| Electric Product Manufacturing         | Inventec (Pudong) Technology Corp                     | Computer products and accessories production and marketing  |
| Electric Product Manufacturing         | Inventec (Shanghai) Service Co., Ltd                  | Research and sale of software products  |
| Electric Product Manufacturing         | Inventec Hi-Tech Corp.                                | Computer products assembly operations and sale  |
| Electric Product Manufacturing         | Inventec Huan Hsin (Zhejiang) Technology Co., Ltd.    | Computer products assembly operations and sale  |
| Electric Product Manufacturing         | Inventec (Chongqing) Corp.                            | Computer products assembly operations and sale  |
| Electric Product Manufacturing         | Inventec (Chongqing) Service Co., Ltd.                | Assembly and sale of computer products  |
| Holding company                        | TPV-Inventa Holding Ltd.                              | Reinvestment business   |
| <b>Holding company</b>                 | <b>IEC (Cayman) Corporation</b>                       | <b>Direct investment in Inventec Technology (Chongqing) Corp.</b>   |
| <b>Holding company</b>                 | <b>InventecHolding (NorthAmerica) Corp.</b>           | <b>Direct investment in Inventec (USA) Corp. etc.</b>   |
| Electric Products Manufacturing        | Inventec (USA) Corp.                                  | Computer product assembles and warranty services  |
| Electric Product Manufacturing         | Inventec Manufacturing (North America) Corp.          | Technical and Marketing support service   |
| Electric Product Manufacturing         | Inventec Distribution (North America) Corp.           | Computer product assembles and sales  |
| Electric Products Manufacturing        | Inventec Configuration (North America) Corp.          | Computer product assembles  |
| Electric Products Manufacturing        | IEC Technologies, S. de R.L. de C.V.                  | Assembly of servers and related..   |
| <b>Electric Products Manufacturing</b> | <b>Inventec (Czech), s.r.o.</b>                       | <b>Computer product assembles and warranty services</b>   |
| <b>Electric Product Manufacturing</b>  | <b>Inventec Development Japan Corporation</b>         | <b>Developing, designing and selling computer peripherals</b>   |
| <b>Electric Product Manufacturing</b>  | <b>Inventec Manufacturing (India) Private Limited</b> | <b>Computer product assembles and warranty services</b>   |
| <b>Investment</b>                      | <b>Invnetec Investments Co., Ltd.</b>                 | <b>Investment activities</b>  |
| <b>Energy Technical Services</b>       | <b>Inventec Solar Energy Corporation</b>              | <b>Developing, production and selling of solar cells.</b>   |
| <b>Energy Technical Services</b>       | <b>E-TON Solar Tech. Co., Ltd.</b>                    | <b>Manufacturing and selling of solar cells</b>   |

| Industrial Classification             | Company   | Relationships to Related Party  |
|---------------------------------------|---|---|
| <b>Electric Product Manufacturing</b> | <b>Inventec Appliances Corp.</b>                                      | <b>Communication and digital accessory product<br/>assembles and sales</b>      |
| Holding company                       | Inventec Appliances (Cayman)<br>Holding Corp.                         | Investment in Inventec Electronics (Shanghai) Co.,<br>Ltd. etc.                 |
| Electric Product Manufacturing        | Inventec Appliances (USA)<br>Distribution Corp.                       | Communication and digital accessory product<br>assembles and sales              |
| Electric Product Manufacturing        | Inventec Appliances Corporation USA<br>Inc.                           | Communication and digital accessory product<br>assembles and sales              |
| Electric Product Manufacturing        | Inventec Appliances (Shanghai) Co.Ltd.                                | Communication and digital accessory product<br>assembles and sales              |
| Electric Product Manufacturing        | Inventec Appliances (Shanghai)<br>Enterprise Co.Ltd.                  | Communication and digital accessory product<br>assembles and sales              |
| Electric Product Manufacturing        | Apex Business Management &<br>Consulting (Shanghai) Co., Ltd.         | Business Administration   |
| Electric Product Manufacturing        | Inventec Appliances (Nanchang)<br>Intelligent Manufacturing Co., Ltd. | Communication and digital accessory product<br>assembles and sales              |
| Electric Product Manufacturing        | Inventec Appliances (Pudong) Corp.                                    | Communication and digital accessory product<br>assembles and sales              |
| Electric Product Manufacturing        | Inventec Appliances (Nanjing) Corp.                                   | Communication and digital accessory product<br>assembles and sales              |
| Electric Product Manufacturing        | Inventec Appliances (Jiangning) Corp.                                 | Communication and digital accessory product<br>assembles and sales              |
| Electric Product Manufacturing        | Inventec Appliances (XI'AN)<br>Corporation                            | Communication and digital accessory product<br>assembles and sales              |
| Electric Product Manufacturing        | Inventec Appliances (Nanchang)<br>Corporation                         | Communication and digital accessory product<br>assembles and sales              |
| Electric Product Manufacturing        | Inventec Appliances (Malaysia) SDN.<br>BHD                            | Communication and digital accessory product<br>assembles and sales              |
| Electric Product Manufacturing        | AIMobile Co., Ltd.  | Research and development, production, and sale of<br>intelligent mobile devices |

## 7.1.5 Rosters of directors, supervisors, and presidents of Inventec corporation's subsidiaries

Unit: Shares ; % As of 12/31/2018

| Company   | Title  | Name  | Shareholding       |                        |
|---|--|---|--------------------|------------------------|
|   |  |   | Shares             | Investment Holding (%) |
| <b>Inventec Corporation (Hong Kong) Ltd.</b>        | <b>Director</b><br><b>Director</b>                                 | <b>Representative of Inventec Corporation :</b><br><b>Yeh, Kuo-I</b><br><b>Lee, Tsu-Chin</b>  | <b>2,500,000</b>   | <b>100%</b>            |
| Inventec (Tianjin) Electronics Co., Ltd.            | Chairman<br>Director<br>Director<br>Supervisor<br>*General manager | Representative of Inventec Corporation (Hong Kong) Ltd. :<br>Tsai, Chih-An<br>Yen, Cheng-Lung<br>Fan, Kang<br>Chen, Pei-Chia<br>Fan, Kang   | N/A                | 100%                   |
| Inventec (Beijing) Electronics Technology Co., Ltd. | Chairman<br>Director<br>Director<br>Supervisor<br>*General manager | Representative of Inventec Corporation (HongKong) Ltd. :<br>Wu, Yung-Tsai<br>Chien, Chin-Yen<br>Chiu, Chuan-Cheng<br>Chen, Pei-Chia<br>Chiu, Chuan-Cheng  | N/A                | 100%                   |
| <b>Inventec (Cayman) Corp.</b>                      | <b>Director</b>  | <b>Representative of Inventec Corporation :</b><br><b>Lee, Tsu-Chin</b>   | <b>301,768,161</b> | <b>100%</b>            |
| Inventec (Shanghai) Corp.                           | Chairman<br>Director<br>Director<br>Supervisor<br>*General manager | Representative of Inventec (Cayman) Corp. :<br>Wu, Yung-Tsai<br>Chien, Chin-Yen<br>Chang, Chung-Ming<br>Chen, Pei-Chia<br>Wu, Yung-Tsai   | N/A                | 51.06%                 |
| Inventec Asset-Management (Shanghai) Corporation.   | Chairman<br>Director<br>Supervisor<br>Director<br>*General manager | Representative of Inventec (Shanghai) Corp. :<br>Wu, Yung-Tsai<br>Chien, Chin-Yen<br>Chen, Pei-Chia<br>Representative of Shanghai Caohejing Hi-Tech Park Development Corp. : Hsueh, Han<br>Wang, Tien-Hui | N/A                | 78%<br>22%             |
| Inventec (Pudong) Corp.                             | Chairman<br>Director<br>Director<br>Supervisor<br>*General manager | Representative of Inventec (Cayman) Corp. :<br>Wu, Yung-Tsai<br>Chien, Chin-Yen<br>Chang, Chung-Ming<br>Chen, Pei-Chia<br>Chien, Chin-Yen   | N/A                | 100%                   |
| Inventec (Pudong) Technology Corp.                  | Chairman<br>Director<br>Director<br>Supervisor<br>*General manager | Representative of Inventec (Cayman) Corp. :<br>Tsai, Chih-An<br>Yen, Cheng-Lung<br>Liao, Meng-Chieh<br>Chen, Pei-Chia<br>Yen, Cheng-Lung  | N/A                | 100%                   |

| Company  | Title  | Name   | Shareholding |                        |
|--|--|--|--------------|------------------------|
|  |  |  | Shares       | Investment Holding (%) |
| Inventec (Shanghai) Service Co., Ltd               | Chairman<br>Director<br>Director<br>Supervisor<br>*General manager     | Representative of Inventec (Cayman) Corp. :<br>Wu, Yung-Tsai<br>Chien, Chin-Yen<br>Chang, Chung-Ming<br>Chen, Pei-Chia<br>Wu, Yung-Tsai                                      | N/A          | 100%                   |
| Inventec Hi-Tech Corp.                             | Chairman<br>Director<br>Director<br>Supervisor<br>*General manager     | Representative of Inventec (Cayman) Corp. :<br>Tsai, Chih-An<br>Yen, Cheng-Lung<br>Liao, Meng-Chieh<br>Chen, Pei-Chia<br>Yen, Cheng-Lung                                     | N/A          | 100%                   |
| Inventec Huan Hsin (Zhejiang) Technology Co., Ltd. | Chairman<br>Director<br>Director<br>Supervisor<br>*General manager     | Representative of Inventec (Cayman) Corp. :<br>Huang, Kuo-Chun<br>Wen, Shih-Chih<br>Wu, Yung-Tsai<br>Chen, Pei-Chia<br>Chien, Chin-Yen                                       | N/A          | 100%                   |
| Inventec (Chongqing) Corp.                         | Chairman<br>Director<br>Supervisor<br><br>Director<br>*General manager | Representative of Inventec (Cayman) Corp. :<br>Chang, Hui<br>Chang, Chung-Ming<br>Chen, Pei-Chia<br>Representative of IEC (Cayman) Corporation :<br>Yu, Sa-Hua<br>Yu, Sa-Hua | N/A          | 87.33%<br><br>12.67%   |
| Inventec (Chongqing) Service Co., Ltd.             | Chairman<br>Director<br>Director<br>Supervisor<br>*General manager     | Representative of Inventec (Cayman) Corp. :<br>Chang, Hui<br>Chang, Chung-Ming<br>Yu, Sa-Hua<br>Chen, Pei-Chia<br>Yu, Sa-Hua   | N/A          | 100%                   |
| TPV-Inventa Holding Ltd.                           | Chairman<br>Director<br>Director<br>Director<br>Director               | Representative of Inventec (Cayman) Corp. :<br>Huang, Kuo-Chun<br>Wu, Yung-Tsai<br>Chang, Hui<br>Chen, Wan-Chien<br>Yu, Chin-Pao   | 302,421,330  | 90%                    |
| IEC (Cayman) Corporation                           | Director   | Representative of Inventec Corporation :<br>Lee, Tsu-Chin  | 25,000,000   | 100%                   |
| Inventec Holding (North America) Corp.             | Director<br>Director<br>Director<br>*General manager                   | Representative of Inventec Corporation :<br>Lee, Tsu-Chin<br>Huang, Kuo-Chun<br>Tsai, Chih-An<br>Lee, Tsu-Chin   | 5,000,000    | 100%                   |



| Company  | Title  | Name   | Shareholding         |                        |
|--|--|--|----------------------|------------------------|
|  |  |  | Shares               | Investment Holding (%) |
| Inventec (USA) Corp.                           | Director<br>Director<br>Director<br>*General manager               | Representative of Inventec Holding (North America) Corp. :<br>Lee, Tsu-Chin<br>Huang, Kuo-Chun<br>Tsai, Chih-An<br>Tsai, Chih-An | 500,000              | 100%                   |
| Inventec Manufacturing (North America) Corp.   | Director<br>Director<br>Director<br>*General manager               | Representative of Inventec Holding (North America) Corp. :<br>Lee, Tsu-Chin<br>Huang, Kuo-Chun<br>Tsai, Chih-An<br>Tsai, Chih-An | 2,000,000            | 100%                   |
| Inventec Distribution (North America) Corp.    | Director<br>Director<br>Director<br>*General manager               | Representative of Inventec Holding (North America) Corp. :<br>Lee, Tsu-Chin<br>Huang, Kuo-Chun<br>Tsai, Chih-An<br>Tsai, Chih-An | 500,000              | 100%                   |
| Inventec Configuration (North America) Corp.   | Director<br>Director<br>Director<br>*General manager               | Representative of Inventec Holding (North America) Corp. :<br>Lee, Tsu-Chin<br>Huang, Kuo-Chun<br>Tsai, Chih-An<br>Tsai, Chih-An | 2,000,000            | 100%                   |
| IEC Technologies, S. de R.L. de C.V.           | Director<br>Director<br>*General manager                           | Representative of Inventec Holding (North America) Corp. :<br>Lee, Tsu-Chin<br>Huang, Kuo-Chun<br>Tsai, Chih-An                  | 2                    | 100%                   |
| Inventec (Czech), s.r.o.                       | Representative<br>Representative<br>Representative                 | Representative of Inventec Corporation :<br>Tsai, Chih-An<br>John William Busby<br>Tseng, Kuang-Chao                             | 68,000,000           | 100%                   |
| Inventec Development Japan Corporation         | Representative Supervisor  | Representative of Inventec Corporation :<br>Ryu Kazuyoshi<br>Yu, Chin-Pao  | 45,100               | 100%                   |
| Inventec Manufacturing (India) Private Limited | Director<br>Director<br>Director                                   | Representative of Inventec Corporation :<br>Wu, Yung-Tsai<br>Chang, Hui<br>Wu, Hsiang-Chin                                       | 55,994,400<br><br>NA | 99.99%<br><br>NA       |
| Inventec Investments Co., Ltd.                 | Chairman<br>Director<br>Director<br>Supervisor<br>*General manager | Representative of Inventec Corporation :<br>Lee, Tsu-Chin<br>Huang, Kuo-Chun<br>Yu, Chin-Pao<br>Cheng, Hsien-Ho<br>Yu, Chin-Pao  | 108,800,000          | 100%                   |

| Company  | Title  | Name   | Shareholding       |                        |
|--|--|--|--------------------|------------------------|
|  |  |  | Shares             | Investment Holding (%) |
| <b>Inventec Solar Energy Corporation</b>         | <b>Director</b>  | <b>Inventec Corporation</b>  | <b>108,150,000</b> | <b>33.45%</b>          |
|  | <b>Chairman</b>  | <b>Hsieh, Jui-Hai</b>  | <b>7,291,760</b>   | <b>2.26%</b>           |
|  |  | <b>Representative of Invnetec Investments Co., Ltd. :</b>  |                    |                        |
|  | <b>Director</b>  | <b>Yu, Chin-Pao</b>  | <b>15,000,000</b>  | <b>4.64%</b>           |
|  | <b>Director</b>  | <b>Yeh, Li-Cheng</b>   | <b>1,060,000</b>   | <b>0.33%</b>           |
|  | <b>Supervisor</b>  | <b>Cheng, Hsien-Ho</b>   | <b>530,000</b>     | <b>0.16%</b>           |
|  | <b>Supervisor</b>  | <b>Chen, Chin-Tsai</b>   | <b>110,000</b>     | <b>0.03%</b>           |
|  | <b>General manager</b>   | <b>Yen, Hao</b>  | <b>2,378,000</b>   | <b>0.74%</b>           |
| <b>E-TON Solar Tech. Co., Ltd.</b>               | <b>Director</b>  | <b>Representative of Inventec Corporation :</b>  |                    |                        |
|  |  | <b>Hsu, Shen-Chun</b>  | <b>94,888,759</b>  | <b>29.70%</b>          |
|  | <b>Director</b>  | <b>Yang, Hsin-Hua</b>  |                    |                        |
|  | <b>Chairman</b>  | <b>Wen, Ching-Chang</b>  | <b>172,137</b>     | <b>0.05%</b>           |
|  |  | <b>Representative of Fu-Tai investment Corporation :</b>   |                    |                        |
|  | <b>Director</b>  | <b>Yeh, Li-Cheng</b>   | <b>17,418,638</b>  | <b>5.45%</b>           |
|  | <b>Independent Director</b>  | <b>Lai, Ming-Chang</b>   | <b>0</b>           | <b>0.00%</b>           |
|  | <b>Independent Director</b>  | <b>Tsai, Yang-Tsung</b>  | <b>0</b>           | <b>0.00%</b>           |
|  | <b>Independent Director</b>  | <b>Liu, Kuo-Chao</b>   | <b>0</b>           | <b>0.00%</b>           |
|  | <b>General manager</b>   | <b>Yang, Hsin-Hua</b>  | <b>0</b>           | <b>0.00%</b>           |
| <b>Inventec Appliances Corp.</b>                 | <b>Chairman</b>  | <b>Representative of Inventec Corporation :</b>  |                    |                        |
|  |  | <b>Chang, Ching-Sung</b>   |                    |                        |
|  | <b>Director</b>  | <b>Ho, Tai-Shui</b>  |                    |                        |
|  | <b>Director</b>  | <b>Yeh, Li-Cheng</b>   | <b>536,857,254</b> | <b>100%</b>            |
|  | <b>Director</b>  | <b>Chang, Hui</b>  |                    |                        |
|  | <b>Director</b>  | <b>Tsai, Chih-An</b>   |                    |                        |
|  | <b>Supervisor</b>  | <b>Yu, Chin-Pao</b>  |                    |                        |
|  | <b>*General manager</b>  | <b>Ho, Tai-Shui</b>  |                    |                        |
| Inventec Appliances (Cayman) Holding Corp.       | Director   | Representative of Inventec Appliances Corporation :<br>Chang, Ching-Sung   | 199,574,638        | 100%                   |
| Inventec Appliances (USA) Distribution Corp.     | Director<br>*General manager                                       | Representative of Inventec Appliances (Cayman) Holding Corp. :<br>Chang, Ching-Sung<br>Wang, Po-Hung   | 400,000            | 100%                   |
| Inventec Appliances Corporation USA Inc.         | Director<br>*General manager                                       | Representative of Inventec Appliances (Cayman) Holding Corp. :<br>Chang, Ching-Sung<br>Wang, Po-Hung   | 10,000             | 100%                   |
| Inventec Appliances (Shanghai) Co.Ltd.           | Chairman<br>Director<br>Director<br>Supervisor<br>*General manager | Representative of Inventec Appliances (Cayman) Holding Corp. :<br>Chang, Ching-Sung<br>Tsai, Shih-Kuang<br>Ho, Tai-Shui<br>Tseng, Ching-An<br>Tsai, Shih-Kuang | N/A                | 100%                   |
| Inventec Appliances (Shanghai) EnterpriseCo.Ltd. | Chairman<br>Supervisor<br>*General manager                         | Representative of Inventec Electronics (Shanghai) Co., Ltd. :<br>Chang, Ching-Sung<br>Tseng, Ching-An<br>Tsai, Shih-Kuang                                      | N/A                | 100%                   |

| Company  | Title  | Name  | Shareholding |                        |
|--|--|---|--------------|------------------------|
|  |  |   | Shares       | Investment Holding (%) |
| Apex Business Management & Consulting (Shanghai) Co., Ltd.         | Chairman<br>Supervisor<br>*General manager   | Representative of Inventec Electronics (Shanghai) Co., Ltd. :<br>Chang, Ching-Sung<br>Chang, Shu-Ching<br>Tsai, Shih-Kuang  | N/A          | 100%                   |
| Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd. | Chairman<br>Director<br>Director<br>Supervisor<br>*General manager                         | Representative of Inventec Electronics (Shanghai) Co., Ltd. :<br>Ho, Tai-Shui<br>Chang, Ching-Sung<br>Chang, Ju-Nan<br>Chang, Shu-Ching<br>Chang, Ju-Nan                                      | N/A          | 100%                   |
| Inventec Appliances (Pudong) Corp.                                 | Chairman<br>Director<br>Director<br>Director<br>Director<br>Supervisor<br>*General manager | Representative of Inventec Appliances (Cayman) Holding Corp. :<br>Chang, Ching-Sung<br>Lin, Wen-Yao<br>Chen, Kun-Hui<br>Ho, Tai-Shui<br>Wang, Hung-Hsiang<br>Tseng, Ching-An<br>Chen, Kun-Hui | N/A          | 100%                   |
| Inventec Appliances (Nanjing) Corp.                                | Chairman<br>Director<br>Director<br>Supervisor<br>*General manager                         | Representative of Inventec Appliances (Cayman) Holding Corp. :<br>Chang, Ching-Sung<br>Kao, Chao-Yang<br>Chen, Po-Cheng<br>Chang, Shu-Ching<br>Kao, Chao-Yang                                 | N/A          | 100%                   |
| Inventec Appliances (Jiangning) Corp.                              | Chairman<br>Director<br>Director<br>Supervisor<br>*General manager                         | Representative of Inventec Appliances (Cayman) Holding Corp. :<br>Chang, Ching-Sung<br>Kao, Chao-Yang<br>Chen, Po-Cheng<br>Chang, Shu-Ching<br>Kao, Chao-Yang                                 | N/A          | 100%                   |
| Inventec Appliances (XI'AN) Corporation                            | Chairman<br>Director<br>Director<br>Supervisor<br>*General manager                         | Representative of Inventec Appliances (Cayman) Holding Corp. :<br>Chang, Ching-Sung<br>Kao, Chao-Yang<br>Pien, Yung-Tsai<br>Chang, Shu-Ching<br>Pien, Yung-Tsai                               | N/A          | 100%                   |
| Inventec Appliances (Nanchang) Corporation                         | Chairman<br>Director<br>Director<br>Supervisor<br>*General manager                         | Representative of Inventec Appliances (Cayman) Holding Corp. :<br>Chang, Ching-Sung<br>Chen, Kun-Hui<br>Chang, Ju-Nan<br>Chang, Shu-Ching<br>Chang, Ju-Nan                                    | N/A          | 100%                   |
| Inventec Appliances (Malaysia) SDN. BHD                            | Representative<br>Director   | Representative of Inventec Appliances (Cayman) Holding Corp. :<br>Chang, Ching-Sung<br>Li, Huai-En  | 1,000,000    | 100%                   |

| Company            | Title           | Name  | Shareholding      |                        |
|--------------------|-----------------|---|-------------------|------------------------|
|                    |                 |   | Shares            | Investment Holding (%) |
| AIMobile Co., Ltd. |                 | <b>Representative of Inventec Corporation :</b> |                   |                        |
|                    | Director        | <b>Wu, Yung-Tsai</b>                            |                   |                        |
|                    | Director        | <b>Chang, Yu-Lien</b>                           | <b>16,500,000</b> | <b>55.00%</b>          |
|                    | Director        | <b>Yu, Chin-Pao</b>                             |                   |                        |
|                    |                 | <b>Representative of Advantech Co., Ltd. :</b>  |                   |                        |
|                    | Chairman        | <b>Liu, Ke-Chen</b>                             | <b>13,500,000</b> | <b>45.00%</b>          |
|                    | Director        | <b>Wang, Ming-Chih</b>                          |                   |                        |
|                    | Supervisor      | <b>Cheng, Hsien-Ho</b>                          | <b>0</b>          | <b>0.00%</b>           |
|                    | Supervisor      | <b>Tsai, Shu-Mei</b>                            | <b>0</b>          | <b>0.00%</b>           |
|                    | General manager | <b>Chang, Kuo-Pin</b>                           | <b>0</b>          | <b>0.00%</b>           |

Note: General managers marked with \* are assigned and are not individual shareholders.

## 7.1.6 Operational highlights of Inventec company subsidiaries

Unit: NT\$ Thousands (Except EPS) ; As of 12/31/2018

| Company   | Capital          | Total Assets      | Total Liabilities | Total Stockholders' Equity | Sales Revenue      | Operating Income | Income after Tax | EPS after Tax |
|---|------------------|-------------------|-------------------|----------------------------|--------------------|------------------|------------------|---------------|
| <b>Inventec Corporation (Hong Kong) Ltd.</b>          | <b>8,705</b>     | <b>96,437,908</b> | <b>95,775,990</b> | <b>661,918</b>             | <b>258,482,130</b> | <b>6,797</b>     | <b>75,651</b>    | —             |
| Inventec (Tianjin) Electronics Co., Ltd.              | 153,350          | 277,592           | 61,190            | 216,402                    | 181,012            | 522              | 13,590           | —             |
| Inventec (Beijing) Electronics Technology Co., Ltd.   | 44,472           | 85,464            | 7,968             | 77,496                     | 25,245             | (1,959)          | 210              | —             |
| <b>Inventec (Cayman) Corp.</b>                        | <b>9,812,963</b> | <b>14,020,459</b> | <b>0</b>          | <b>14,020,459</b>          | <b>0</b>           | <b>(172)</b>     | <b>461,980</b>   | —             |
| Inventec (Shanghai) Corp.                             | 2,136,857        | 9,516,326         | 7,764,806         | 1,751,520                  | 42,331,652         | 120,360          | 33,557           | —             |
| Inventec Asset-Management (Shanghai) Corporation      | 1,913,563        | 2,668,927         | 825,259           | 1,843,668                  | 0                  | (29,263)         | (31,677)         | —             |
| Inventec (Pudong) Corp.                               | 1,533,500        | 1,667,392         | 1,024,170         | 643,222                    | 0                  | (273,931)        | (214,631)        | —             |
| Inventec (Pudong) Technology Corp.                    | 1,533,500        | 40,133,872        | 35,569,843        | 4,564,029                  | 86,036,269         | (73,620)         | (524,495)        | —             |
| Inventec (Shanghai) Service Co., Ltd                  | 88,943           | 41,854            | 3,809             | 38,045                     | 0                  | (3,172)          | (2,167)          | —             |
| Inventec Hi-Tech Corp.                                | 1,533,500        | 3,648,106         | 2,317,255         | 1,330,851                  | 2,632,159          | 805              | 9,228            | —             |
| Inventec Huan Hsin (Zhejiang) Technology Co., Ltd.    | 880,229          | 77,915            | 183,230           | (105,315)                  | 0                  | (7,696)          | (4,383)          | —             |
| Inventec (Chongqing) Corp.                            | 2,300,250        | 51,715,275        | 44,152,640        | 7,562,635                  | 221,306,769        | 812,958          | 1,358,707        | —             |
| Inventec (Chongqing) Service Co., Ltd.                | 30,670           | 225,815           | 180,252           | 45,563                     | 167,063            | (162)            | 475              | —             |
| TPV-Inventa Holding Ltd.                              | 1,714,762        | 237               | 56                | 180                        | 0                  | (1,476)          | (1,446)          | —             |
| <b>IEC (Cayman) Corporation</b>                       | <b>739,500</b>   | <b>958,186</b>    | <b>0</b>          | <b>958,186</b>             | <b>0</b>           | <b>0</b>         | <b>172,148</b>   | —             |
| <b>Inventec Holding (North America) Corp.</b>         | <b>159,003</b>   | <b>1,305,624</b>  | <b>34,505</b>     | <b>1,271,119</b>           | <b>0</b>           | <b>0</b>         | <b>38,451</b>    | —             |
| Inventec (USA) Corp.                                  | 15,335           | 267,259           | 37,605            | 229,654                    | 0                  | 0                | 4                | —             |
| Inventec Manufacturing (North America) Corp.          | 61,340           | 320,570           | 70,169            | 250,400                    | 369,795            | 20,932           | 14,793           | —             |
| Inventec Distribution (North America) Corp.           | 15,335           | 16,233,113        | 15,837,451        | 395,663                    | 75,965,539         | 11,996           | 11,703           | —             |
| Inventec Configuration (North America) Corp.          | 61,340           | 229,681           | 28,393            | 201,288                    | 633,455            | 2,203            | 1,588            | —             |
| IEC Technologies, S. de R.L. de C.V.                  | 61,517           | 349,724           | 67,133            | 282,591                    | 591,101            | 29,417           | 12,804           | —             |
| <b>Inventec (Czech), s.r.o.</b>                       | <b>85,921</b>    | <b>13,724,707</b> | <b>13,868,248</b> | <b>(143,541)</b>           | <b>35,949,216</b>  | <b>127,652</b>   | <b>(185,241)</b> | —             |
| <b>Inventec Development Japan Corporation</b>         | <b>18,317</b>    | <b>24,323</b>     | <b>79</b>         | <b>24,244</b>              | <b>0</b>           | <b>(1,424)</b>   | <b>31</b>        | —             |
| <b>Inventec Manufacturing (India) Private Limited</b> | <b>281,720</b>   | <b>27,999</b>     | <b>43,679</b>     | <b>(15,680)</b>            | <b>0</b>           | <b>(7,078)</b>   | <b>(18,180)</b>  | —             |

| Company  | Capital          | Total Assets      | Total Liabilities | Total Stockholders' Equity | Sales Revenue     | Operating Income | Income after Tax   | EPS after Tax |
|--|------------------|-------------------|-------------------|----------------------------|-------------------|------------------|--------------------|---------------|
| <b>Inventec Investments Co., Ltd.</b>                              | <b>1,088,000</b> | <b>212,829</b>    | <b>170</b>        | <b>212,659</b>             | <b>0</b>          | <b>(207)</b>     | <b>(125,562)</b>   | <b>(1.15)</b> |
| <b>Inventec Solar Energy Corporation</b>                           | <b>3,233,548</b> | <b>4,274,933</b>  | <b>3,273,920</b>  | <b>1,001,013</b>           | <b>6,261,115</b>  | <b>(794,507)</b> | <b>(823,428)</b>   | <b>(2.55)</b> |
| <b>E-TON Solar Tech. Co., Ltd.</b>                                 | <b>3,194,577</b> | <b>2,404,322</b>  | <b>308,649</b>    | <b>2,095,673</b>           | <b>1,788,712</b>  | <b>(941,976)</b> | <b>(1,094,606)</b> | <b>(3.43)</b> |
| <b>Inventec Appliances Corp.</b>                                   | <b>5,368,573</b> | <b>34,997,762</b> | <b>24,688,401</b> | <b>10,309,361</b>          | <b>80,740,004</b> | <b>854,323</b>   | <b>2,194,194</b>   | <b>4.09</b>   |
| Inventec Appliances (Cayman) Holding Corp.                         | 6,120,954        | 15,899,690        | 0                 | 15,899,690                 | 0                 | 0                | 1,793,244          | —             |
| Inventec Appliances (USA) Distribution Corp.                       | 123              | 2,699,569         | 2,603,062         | 96,507                     | 6,221,878         | 1,798            | 1,487              | —             |
| Inventec Appliances Corporation USA Inc.                           | 31               | 12,710            | 563               | 12,147                     | 20,904            | 1,183            | 701                | —             |
| Inventec Appliances (Shanghai) Co.Ltd.                             | 1,582,572        | 2,064,639         | 168,549           | 1,896,090                  | 7,247             | (176,633)        | 19,684             | —             |
| Inventec Appliances (Shanghai) EnterpriseCo.Ltd.                   | 1,385            | 31                | 0                 | 31                         | 0                 | (3)              | (3)                | —             |
| Apex Business Management & Consulting (Shanghai) Co., Ltd.         | 2,243            | 47,184            | 8,761             | 38,423                     | 83,835            | 19,489           | 15,508             | —             |
| Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd. | 268,126          | 268,762           | 7,048             | 261,714                    | 0                 | (7,286)          | (6,530)            | —             |
| Inventec Appliances (Pudong) Corp.                                 | 2,361,590        | 28,892,859        | 20,244,818        | 8,648,041                  | 76,909,546        | 1,415,615        | 1,248,858          | —             |
| Inventec Appliances (Nanjing) Corp.                                | 153,350          | 330,799           | 6,378             | 324,421                    | 0                 | (3,663)          | 13,947             | —             |
| Inventec Appliances (Jiangning) Corp.                              | 2,085,560        | 6,333,919         | 1,640,044         | 4,693,875                  | 8,226,112         | 464,231          | 472,483            | —             |
| Inventec Appliances (XI'AN) Corporation                            | 122,680          | 145,923           | 112,231           | 33,692                     | 0                 | (15,772)         | 7,385              | —             |
| Inventec Appliances (Nanchang) Corporation                         | 64,407           | 162,309           | 13,354            | 148,955                    | 87,336            | 6,418            | 10,948             | —             |
| Inventec Appliances (Malaysia) SDN. BHD                            | 7,077            | 7,269             | 276               | 6,993                      | 807               | (75)             | (84)               | —             |
| <b>AIMobile Co., Ltd.</b>  | <b>300,000</b>   | <b>365,506</b>    | <b>221,036</b>    | <b>144,470</b>             | <b>209,077</b>    | <b>(46,875)</b>  | <b>(42,550)</b>    | <b>(1.42)</b> |

### **7.1.7 Consolidated financial statements of affiliates**

#### **Representation Letter**

The entities that are required to be included in the combined financial statements of Inventec Corporation as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Inventec Corporation and its Subsidiaries do not prepare a separate set of combined financial statements.

Company Name: Inventec Corporation  
Chairman: Cho, Tom-Hwar  
Date: March 26, 2019

**7.2 Private placement securities in the most recent years: None**

**7.3 The shares in the Company held or disposed of by subsidiaries in the most recent years: None**

**7.4 The matters listed in article 36, paragraph 3, subparagraph 2 of the Securities and exchange Act, which might materially affect shareholders' equity or the price of the Company's securities: None**

**7.5 Other matters that require additional description: None**

## **Appendix I : Individual financial statements audited by CPA of 2018**



## **Independent Auditors’ Report**

To the Board of Directors of Inventec Corporation:

### **Opinion**

We have audited the financial statements of Inventec Corporation( “the Company” ), which comprise the balance sheet as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the 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 Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ( “the Code” ), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### **Key Audit Matters**

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

#### **1. Inventory Valuation**

Please refer to Note 4(g), and Note 6(e) for accounting policies, and related disclosure information for inventory, respectively.

Description of the key audit matter:

The Company’ s materials may be obsolescence or slow-moving due to the risk of price decline in inventory, the material prepared for designing products and forecast orders may be canceled or changed, or changed on components and quantities. Therefore, the valuation of inventories has been identified as a key audit matter.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included assessing the appropriateness of inventories valuation policies; ensuring the process of inventory valuation is in conformity with the accounting policies; inspecting the inventory aging report; recalculating estimation of inventory valuation based on the Company's policies.

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

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

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 the 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 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 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

### **Notes to Readers**

The accompanying parent company only financial statements are intended only to present the 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 jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent company only 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 parent company only financial statements, the Chinese version shall prevail.

effectiveness of the Company's internal control.

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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors' report are Wan-Wan Lin and Liu-Fong Yang.

KPMG

Taipei, Taiwan (Republic of China)

March 26, 2019

#### Notes to Readers

The accompanying parent company only financial statements are intended only to present the 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 jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent company only 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 parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**INVENTEC CORPORATION**  
**BALANCE SHEETS**  
**December 31, 2018 and 2017**  
(Expressed in Thousands of New Taiwan Dollars)

| ASSETS                      |  | 2018.12.31            |            | 2017.12.31         |            | LIABILITIES AND EQUITY              |   | 2018.12.31            |            | 2017.12.31         |            |
|-----------------------------|--|-----------------------|------------|--------------------|------------|-------------------------------------|---|-----------------------|------------|--------------------|------------|
|                             |  | Amount                | %          | Amount             | %          |                                     |   | Amount                | %          | Amount             | %          |
| <b>Current Assets :</b>     |  |                       |            |                    |            | <b>Current Liabilities :</b>        |   |                       |            |                    |            |
| 1100                        | Cash and cash equivalents (Notes (4) and (6)(a))   | \$ 2,373,511          | 1          | 5,205,101          | 3          | 2100                                | Short-term borrowings (Note (6)(j))   | \$ 25,244,660         | 14         | 14,167,878         | 9          |
| 1110                        | Current financial assets at fair value through profit or loss (Notes (4) and (6)(b))             | 71,557                | -          | 23,286             | -          | 2120                                | Current financial liabilities at fair value through profit or loss (Notes (4) and (6)(b)) | 4,958                 | -          | 21,669             | -          |
| 1120                        | Current financial assets at fair value through other comprehensive income (Notes (4) and (6)(b)) | 479,397               | -          | -                  | -          | 2130                                | Current contract liabilities (Note (6)(p))  | 5,850,432             | 3          | -                  | -          |
| 1125                        | Current available-for-sale financial assets, net (Notes (4) and (6)(b))                          | -                     | -          | 1,149,740          | 1          | 2170                                | Accounts payable  | 32,507,121            | 18         | 30,096,212         | 20         |
| 1170                        | Accounts receivable, net (Note (4) and (6)(c))   | 48,804,422            | 27         | 28,112,409         | 18         | 2180                                | Accounts payable due to related parties net (Note (7))                                    | 42,944,150            | 24         | 30,844,738         | 20         |
| 1180                        | Accounts receivable due from related parties, net (Notes (4), (6)(c) and (7))                    | 28,667,039            | 16         | 40,524,564         | 26         | 2230                                | Current tax liabilities   | 954,793               | 1          | 318,516            | -          |
| 1200                        | Other receivables, net (Notes (4), (6)(d) and (7))   | 52,978,971            | 30         | 28,735,991         | 19         | 2200                                | Other payables (Note (7))   | 5,767,304             | 3          | 5,265,263          | 3          |
| 1310                        | Inventories, manufacturing business, net (Notes (4) and (6)(e))                                  | 2,183,875             | 1          | 2,337,142          | 2          | 2322                                | Long-term borrowings, current portion (Note (6)(j))                                       | 250,000               | -          | -                  | -          |
| 1479                        | Other current assets, others (Notes (4) and (6)(i))  | 1,166,284             | 1          | 101,953            | -          | 2399                                | Other current liabilities   | 5,506,148             | 3          | 8,523,323          | 6          |
|                             |  | 136,725,056           | 76         | 106,190,186        | 69         | 2313                                | Deferred income   | -                     | -          | 3,628,059          | 2          |
| <b>Non-current assets :</b> |  |                       |            |                    |            |                                     |   | 119,029,566           | 66         | 92,865,658         | 60         |
| 1517                        | Non-current financial assets at fair value through other comprehensive income (Notes 4 and 6(b)) | 312,865               | -          | -                  | -          | <b>Non-current Liabilities :</b>    |   |                       |            |                    |            |
| 1523                        | Non-current available-for-sale financial assets, net (Notes (4) and (6)(b))                      | -                     | -          | 171,327            | -          | 2540                                | Long-term borrowings (Note (6)(j))  | 3,350,000             | 2          | 3,600,000          | 2          |
| 1543                        | Non-current financial assets at cost, net (Notes (4) and (6)(b))                                 | -                     | -          | 370,916            | -          | 2640                                | Net defined benefit liability, non-current (Notes (4) and (6)(l))                         | 633,815               | -          | 657,784            | 1          |
| 1550                        | Investments accounted for using equity method, net (Notes (4) and (6)(f))                        | 29,375,472            | 16         | 33,309,968         | 22         | 2670                                | Other non-current liabilities, others (Notes (4) and (6)(m))                              | 1,303,771             | 1          | 948,627            | 1          |
| 1600                        | Property, plant and equipment (Notes (4) and (6)(g))   | 11,531,196            | 7          | 12,407,998         | 8          |                                     |   | 5,287,586             | 3          | 5,206,411          | 4          |
| 1780                        | Intangible assets (Notes (4) and (6)(h))   | 74,619                | -          | 80,691             | -          |                                     | <b>Total Liabilities</b>  | 124,317,152           | 69         | 98,072,069         | 64         |
| 1900                        | Other non-current assets (Notes (4), (6)(i), (6)(m), (7) and (8))                                | 1,662,425             | 1          | 1,223,820          | 1          |                                     |   |                       |            |                    |            |
|                             |  | 42,956,577            | 24         | 47,564,720         | 31         |                                     | <b>Equity:</b>  |                       |            |                    |            |
|                             |  |                       |            |                    |            | 3110                                | Ordinary share (Note (6)(n))  | 35,874,751            | 20         | 35,874,751         | 23         |
|                             |  |                       |            |                    |            | 3200                                | Capital surplus (Note (6)(n))   | 2,912,889             | 2          | 2,913,096          | 2          |
|                             |  |                       |            |                    |            |                                     | Retained earnings (Note (6)(n)):  |                       |            |                    |            |
|                             |  |                       |            |                    |            | 3310                                | Legal reserve   | 10,149,619            | 6          | 9,474,128          | 6          |
|                             |  |                       |            |                    |            | 3320                                | Special reserve   | 107,546               | -          | -                  | -          |
|                             |  |                       |            |                    |            | 3350                                | Unappropriated retained earnings (deficit to be offset)                                   | 7,966,033             | 4          | 7,528,408          | 5          |
|                             |  |                       |            |                    |            | 3400                                | Other equity interest (Note (6)(n))   | (1,646,357)           | (1)        | (107,546)          | -          |
|                             |  |                       |            |                    |            |                                     | <b>Total Equity</b>   | 55,364,481            | 31         | 55,682,837         | 36         |
| <b>TOTAL ASSETS</b>         |  | <b>\$ 179,681,633</b> | <b>100</b> | <b>153,754,906</b> | <b>100</b> | <b>TOTAL LIABILITIES AND EQUITY</b> |   | <b>\$ 179,681,633</b> | <b>100</b> | <b>153,754,906</b> | <b>100</b> |

The accompanying notes are an integral part of the financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

**INVENTEC CORPORATION**

**STATEMENTS OF COMPREHENSIVE INCOME**

**For the Years Ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars)**

|      |  | <b>2018</b>    |          | <b>2017</b>   |          |
|------|--|----------------|----------|---------------|----------|
|      |  | <b>Amount</b>  | <b>%</b> | <b>Amount</b> | <b>%</b> |
| 4110 | <b>Total sales revenue (Notes (4), (6)(p), (6)(q) and (7))</b>   | \$ 348,798,356 | 100      | 323,126,751   | 100      |
| 5000 | <b>Total operating costs (Notes (4), (6)(e) and (7))</b>   | 334,753,253    | 96       | 309,064,140   | 96       |
|      | <b>Gross profit from operations</b>  | 14,045,103     | 4        | 14,062,611    | 4        |
| 5910 | Less: Unrealized profit (loss) from sales (Note (7))   | 18,889         | -        | 13,751        | -        |
| 5920 | Add: Realized profit (loss) from sales (Note (7))  | 13,751         | -        | 15,140        | -        |
|      | <b>Gross profit from operations</b>  | 14,039,965     | 4        | 14,064,000    | 4        |
|      | <b>Operating expenses (Notes (4)(r)):</b>  |                |          |               |          |
| 6100 | Selling expenses   | 1,595,103      | -        | 1,764,145     | -        |
| 6200 | Administrative expenses  | 1,794,062      | 1        | 1,970,354     | 1        |
| 6300 | Research and development expenses  | 5,036,707      | 1        | 4,770,947     | 1        |
| 6450 | Expected credit loss (gain)  | 6,267          | -        | -             | -        |
|      | <b>Total operating expenses</b>  | 8,432,139      | 2        | 8,505,446     | 2        |
|      | <b>Net operating income</b>  | 5,607,826      | 2        | 5,558,554     | 2        |
|      | <b>Non-operating income and expenses (Notes (4), (6)(f) and (6)(s)):</b>   |                |          |               |          |
| 7010 | Other income   | 63,464         | -        | 44,445        | -        |
| 7020 | Other gains and losses, net  | 1,093,732      | -        | (7,797)       | -        |
| 7050 | Finance costs, net   | (1,151,655)    | -        | (737,112)     | -        |
| 7775 | Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method  | 1,978,533      | -        | 3,053,598     | -        |
|      | <b>Total non-operating income and expenses</b>   | 1,984,074      | -        | 2,353,134     | -        |
| 7900 | <b>Profit from continuing operations before tax</b>  | 7,591,900      | 2        | 7,911,688     | 2        |
| 7950 | <b>Less: Tax expense (Notes (4) and (6)(m))</b>  | 1,092,044      | -        | 1,156,776     | -        |
|      | <b>Profit for the period</b>   | 6,499,856      | 2        | 6,754,912     | 2        |
|      | <b>Other comprehensive income (loss):</b>  |                |          |               |          |
| 8310 | <b>Items that will not be reclassified subsequently to profit and loss</b>   |                |          |               |          |
| 8311 | Remeasurements of defined benefit plans  | (15,243)       | -        | (23,969)      | -        |
| 8316 | Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income   | (844,849)      | -        | -             | -        |
| 8330 | Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss | (25,100)       | -        | (16,956)      | -        |
| 8349 | Less: Income tax benefit (expense) related to items that will not be reclassified subsequently   | 3,049          | -        | 4,075         | -        |
|      | <b>Total items that will not be reclassified subsequently to profit and loss</b>   | (882,143)      | -        | (36,850)      | -        |
| 8360 | <b>Items that will be reclassified to profit or loss</b>   |                |          |               |          |
| 8361 | Exchange differences on translation  | 47,215         | -        | (111,394)     | -        |
| 8362 | Unrealized gains (losses) on valuation of available-for-sale financial assets  | -              | -        | 486,121       | -        |
| 8380 | Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss     | (65,106)       | -        | (1,000,986)   | -        |
| 8399 | Income tax related to components of other comprehensive income that will be reclassified to profit or loss   | -              | -        | -             | -        |
|      | <b>Total items that will be reclassified subsequently to profit and loss</b>   | (17,891)       | -        | (626,259)     | -        |
|      | <b>Other comprehensive income (net of tax)</b>   | (900,034)      | -        | (663,109)     | -        |
| 8500 | <b>Total comprehensive income</b>  | \$ 5,599,822   | 2        | 6,091,803     | 2        |
|      | <b>Earnings per share attributable to stockholders of parent (Notes (4) and (6)(o))</b>  |                |          |               |          |
| 9750 | <b>Basic earnings per share (NT dollars)</b>   | \$ 1.81        |          | 1.88          |          |
| 9850 | <b>Diluted earnings per share (NT dollars)</b>   | \$ 1.80        |          | 1.87          |          |

**The accompanying notes are an integral part of the financial statements.**

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

**INVENTEC CORPORATION**

**STATEMENTS OF CHANGES IN EQUITY**

**For the Years Ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars)**

|   | Capital Stock        |                  | Retained Earnings |                 |                                  | Other Equity Interest   |   |  | Total Equity      |
|---|----------------------|------------------|-------------------|-----------------|----------------------------------|---|---|--|-------------------|
|   | Share Capital        | Capital Surplus  | Legal Reserve     | Special reserve | Unappropriated Retained Earnings | Exchange Differences on Translation of Foreign Financial Statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Unrealized Gains (Losses) on Available for Sale Financial Assets |                   |
| <b>Balance at January 1, 2017</b>   | \$ 35,874,751        | 2,913,096        | 8,910,416         | -               | 6,575,897                        | 222,227   | -   | 296,486  | 54,792,873        |
| Net income (loss) for the period  | -                    | -                | -                 | -               | 6,754,912                        | -   | -   | -  | 6,754,912         |
| Other comprehensive income (loss) for the period                                    | -                    | -                | -                 | -               | (36,850)                         | (1,194,586)   | -   | 568,327  | (663,109)         |
| Total comprehensive income (loss) for the period                                    | -                    | -                | -                 | -               | 6,718,062                        | (1,194,586)   | -   | 568,327  | 6,091,803         |
| Appropriation and distribution of retained earnings:                                |                      |                  |                   |                 |                                  |   |   |  |                   |
| Legal reserve appropriated  | -                    | -                | 563,712           | -               | (563,712)                        | -   | -   | -  | -                 |
| Cash dividends of ordinary shares   | -                    | -                | -                 | -               | (5,201,839)                      | -   | -   | -  | (5,201,839)       |
| <b>Balance at December 31, 2017</b>   | 35,874,751           | 2,913,096        | 9,474,128         | -               | 7,528,408                        | (972,359)   | -   | 864,813  | 55,682,837        |
| Effects of retrospective application  | -                    | -                | -                 | -               | 647,702                          | -   | 218,474   | (864,813)  | 1,363             |
| <b>Equity at beginning of period after adjustments</b>                              | 35,874,751           | 2,913,096        | 9,474,128         | -               | 8,176,110                        | (972,359)   | 218,474   | -  | 55,684,200        |
| Net income (loss) for the period  | -                    | -                | -                 | -               | 6,499,856                        | -   | -   | -  | 6,499,856         |
| Other comprehensive income (loss) for the period                                    | -                    | -                | -                 | -               | (7,562)                          | (17,891)  | (874,581)   | -  | (900,034)         |
| Total comprehensive income (loss) for the period                                    | -                    | -                | -                 | -               | 6,492,294                        | (17,891)  | (874,581)   | -  | 5,599,822         |
| Appropriation and distribution of retained earnings:                                |                      |                  |                   |                 |                                  |   |   |  |                   |
| Legal reserve appropriated  | -                    | -                | 675,491           | -               | (675,491)                        | -   | -   | -  | -                 |
| Special reserve appropriated  | -                    | -                | -                 | 107,546         | (107,546)                        | -   | -   | -  | -                 |
| Cash dividends of ordinary shares   | -                    | -                | -                 | -               | (5,919,334)                      | -   | -   | -  | (5,919,334)       |
| Changes in share of associates and joint ventures accounted for using equity method | -                    | (207)            | -                 | -               | -                                | -   | -   | -  | (207)             |
| <b>Balance at December 31, 2018</b>   | <u>\$ 35,874,751</u> | <u>2,912,889</u> | <u>10,149,619</u> | <u>107,546</u>  | <u>7,966,033</u>                 | <u>(990,250)</u>  | <u>(656,107)</u>  | <u>-</u>   | <u>55,364,481</u> |

The accompanying notes are an integral part of the financial statements.

## INVENTEC CORPORATION

## STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

|   | 2018                | 2017                |
|---|---------------------|---------------------|
| <b>Cash flows from operating activities:</b>  |                     |                     |
| Profit before income tax  | \$ 7,591,900        | 7,911,688           |
| <b>Adjustments:</b>   |                     |                     |
| Adjustments to reconcile profit before income tax to net cash provided by operating activities        |                     |                     |
| Depreciation expense  | 347,395             | 297,436             |
| Amortization expense  | 542,980             | 540,161             |
| Expected credit loss (gain) / provisions for bad debt expenses  | 6,267               | 331,955             |
| Interest expense  | 1,151,655           | 737,112             |
| Interest income   | (63,464)            | (44,445)            |
| Dividend income   | (28,866)            | (36,502)            |
| Share of profit of subsidiaries, associates and joint ventures accounted for using equity method      | (1,978,533)         | (3,053,598)         |
| Loss on disposal of property, plant and equipment   | 7,218               | 11,748              |
| Gain on disposal of investments   | (64)                | (1,094,768)         |
| Unrealized foreign exchange (gain) loss   | (253,809)           | 413,931             |
| <b>Total adjustments to reconcile profit</b>  | <b>(269,221)</b>    | <b>(1,896,970)</b>  |
| <b>Changes in operating assets and liabilities:</b>   |                     |                     |
| <b>Changes in operating assets:</b>   |                     |                     |
| Decrease in financial assets held for trading   | -                   | 68,130              |
| Decrease in financial assets at fair value through profit or loss, mandatorily measured at fair value | 40,555              | -                   |
| Increase in accounts receivable   | (9,178,676)         | (9,933,366)         |
| Increase in other receivables   | (24,117,175)        | (1,588,814)         |
| Decrease (increase) in inventories  | 153,267             | (1,673,331)         |
| (Increase) decrease in other current assets   | (60,079)            | 23,695              |
| <b>Total changes in operating assets</b>  | <b>(33,162,108)</b> | <b>(13,103,686)</b> |
| <b>Changes in operating liabilities:</b>  |                     |                     |
| (Decrease) increase in financial liabilities held for trading   | (16,711)            | 21,669              |
| Increase in contract liabilities  | 547,683             | -                   |
| Decrease in notes payable   | -                   | (12,132)            |
| Increase in accounts payable  | 14,829,831          | 1,402,495           |
| Increase in other payables  | 444,183             | 86,358              |
| Decrease in other current liabilities   | (1,619,093)         | (172,927)           |
| Decrease in net defined benefit liabilities   | (39,212)            | (75,350)            |
| Increase in deferred income   | -                   | 660,388             |
| <b>Total changes in operating liabilities</b>   | <b>14,146,681</b>   | <b>1,910,501</b>    |
| <b>Total changes in operating assets and liabilities</b>  | <b>(19,015,427)</b> | <b>(11,193,185)</b> |
| <b>Total adjustments</b>  | <b>(19,284,648)</b> | <b>(13,090,155)</b> |
| Cash outflow generated from operations  | (11,692,748)        | (5,178,467)         |
| Interest received   | 63,445              | 44,700              |
| Dividends received  | 5,849,682           | 2,512,095           |
| Interest paid   | (1,068,934)         | (724,523)           |
| Income taxes paid   | (207,354)           | (1,211,682)         |
| <b>Net cash flows used in operating activities</b>  | <b>(7,055,909)</b>  | <b>(4,557,877)</b>  |

The accompanying notes are an integral part of the financial statements.

**INVENTEC CORPORATION****STATEMENTS OF CASH FLOWS (CONT'D)****For the Years Ended December 31, 2018 and 2017****(Expressed in Thousands of New Taiwan Dollars)**

|  | <u>2018</u>                | <u>2017</u>             |
|--|----------------------------|-------------------------|
| <b>Cash flows from investing activities:</b>   |                            |                         |
| Proceeds from capital reduction of financial assets at fair value through other comprehensive income | 2,765                      | -                       |
| Proceeds from disposal of available-for-sale financial assets  | -                          | 1,206,773               |
| Proceeds from capital reduction of available-for-sale financial assets                               | -                          | 11,264                  |
| Acquisition of financial assets at cost  | -                          | (15,425)                |
| Proceeds from disposal of investments accounted for using equity method                              | 64                         | -                       |
| Proceeds from liquidation of investments accounted for using equity method                           | 13,660                     | 116                     |
| Acquisition of property, plant and equipment   | (241,683)                  | (422,222)               |
| Proceeds from disposal of property, plant and equipment  | 2,554                      | 1,441                   |
| Acquisition of intangible assets   | (252,421)                  | (284,870)               |
| Proceeds from disposal of intangible assets  | 127                        | -                       |
| Increase in other non-current assets   | (619,095)                  | (192,509)               |
| <b>Net cash flows (used in) from investing activities</b>  | <u>(1,094,029)</u>         | <u>304,568</u>          |
| <b>Cash flows from financing activities:</b>   |                            |                         |
| Increase in short-term borrowings  | 11,233,940                 | 4,491,382               |
| Proceeds from long-term borrowings   | 12,145,000                 | 8,481,600               |
| Repayments of long-term borrowings   | (12,145,000)               | (8,481,600)             |
| Increase in other non-current liabilities  | 3,742                      | (7,185)                 |
| Cash dividends paid  | (5,919,334)                | (5,201,839)             |
| <b>Net cash flows from (used in) financing activities</b>  | <u>5,318,348</u>           | <u>(717,642)</u>        |
| <b>Net decrease in cash and cash equivalents</b>   | <u>(2,831,590)</u>         | <u>(4,970,951)</u>      |
| <b>Cash and cash equivalents at beginning of period</b>  | <u>5,205,101</u>           | <u>10,176,052</u>       |
| <b>Cash and cash equivalents at end of period</b>  | <u><b>\$ 2,373,511</b></u> | <u><b>5,205,101</b></u> |

The accompanying notes are an integral part of the financial statements.



(English Translation of Financial Statements and Report Originally Issued in Chinese)

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Overview**

Inventec Co., Ltd. (the "Company") was organized in 1975. The Company engages primarily in the developing, manufacturing, processing and trading of computers and related products. The Company's registered office address is located at No.66 Hougang Street, Shilin District, Taipei City, Taiwan, R.O.C. The shares of the Company became officially listed and traded on the Taiwan Stock Exchange in November 1996.

**(2) Financial Statements Authorization Date and Authorization Process**

The financial statements were authorized for issuance by the Board of Directors on March 26, 2019.

**(3) New Standards, Amendments and Interpretations not yet Adopted:**

- (a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

| <b>New, Revised or Amended Standards and Interpretations</b>                                 | <b>Effective date per IASB</b> |
|--|--------------------------------|
| Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"     | January 1, 2018                |
| Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" | January 1, 2018                |
| IFRS 9 "Financial Instruments"   | January 1, 2018                |
| IFRS 15 "Revenue from Contracts with Customers"  | January 1, 2018                |
| Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"                          | January 1, 2017                |
| Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses" | January 1, 2017                |
| Amendments to IAS 40 "Transfers of Investment Property"                                      | January 1, 2018                |
| Annual Improvements to IFRS Standards 2014–2016 Cycle:                                       |                                |
| Amendments to IFRS 12  | January 1, 2017                |
| Amendments to IFRS 1 and Amendments to IAS 28  | January 1, 2018                |
| IFRIC 22 "Foreign Currency Transactions and Advance Consideration"                           | January 1, 2018                |

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its parent company only financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Company applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Company recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sale of products, revenue was recognized depending on the individual terms of sales agreement, at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue was recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

For certain contracts that permit a customer to return an item, revenue was recognized when a reasonable estimate of the returns could be made, provided that all other criteria for revenue recognition were met. Otherwise, a revenue recognition was deferred until the return period lapses or a reasonable estimate of returns could be made.

Under IFRS 15, revenue is currently recognized for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

A refund liability and an asset for recovery will be recognized for these contracts and presented separately in the statement of financial position.

2) Rending of services

Under IFRS 15, the total consideration in the service contracts is allocated to all services based on their stand-alone selling prices. The stand-alone selling prices is determined based on the list prices at which the Company sells the services in separate transactions.

## INVENTEC CORPORATION

## NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

## 3) Impacts on financial statements

The following tables summarize the impacts of adopting IFRS15 on the Company's financial statements:

| Impacted line items<br>on the balance<br>sheet | December 31, 2018                                  |   |   | January 1, 2018                                    |   |   |
|--|--|---|---|--|---|---|
|  | Balances<br>prior to the<br>adoption of<br>IFRS 15 | Impact of<br>changes in<br>accounting<br>policies | Balance<br>upon<br>adoption of<br>IFRS 15 | Balances<br>prior to the<br>adoption of<br>IFRS 15 | Impact of<br>changes in<br>accounting<br>policies | Balance<br>upon<br>adoption of<br>IFRS 15 |
| Accounts receivable                            | \$ 77,460,403                                      | 11,058  | 77,471,461                                | 68,636,973   | 11,065  | 68,648,038                                |
| Other current assets                           | 900,872  | 265,412   | 1,166,284                                 | 101,953  | 265,543   | 367,496                                   |
| <b>Impact on assets</b>                        |  | <b>276,470</b>                                    |   |  | <b>276,608</b>                                    |   |
| Other current liabilities                      | \$ 6,814,969                                       | (1,308,821)                                       | 5,506,148                                 | 8,523,323  | (1,398,082)                                       | 7,125,241                                 |
| Deferred income                                | 4,265,141  | (4,265,141)                                       | -   | 3,628,059  | (3,628,059)                                       | -   |
| Current contract liabilities                   | -  | 5,850,432   | 5,850,432                                 | -  | 5,302,749   | 5,302,749                                 |
| <b>Impact on liabilities</b>                   |  | <b>276,470</b>                                    |   |  | <b>276,608</b>                                    |   |

## (ii) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company's approach was to include the impairment of trade receivables in operating expenses. Additionally, the Company adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

## 1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(f).

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(f).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and other equity as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Company assumed that the credit risk on its asset will not increase significantly since its initial recognition.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as of January 1, 2018.

(English Translation of Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

|  | IAS39                                     |                 | IFRS9                  |                 |
|--|---|-----------------|------------------------|-----------------|
|  | Measurement categories                    | Carrying Amount | Measurement categories | Carrying Amount |
| <b>Financial Assets</b>                            |   |                 |                        |                 |
| Cash and equivalents                               | Loans and receivables                     | 5,205,101       | Amortized cost         | 5,205,101       |
| Derivative instruments                             | Held-for-trading                          | 23,286          | Mandatorily at FVTPL   | 23,286          |
| Debt securities and equity instruments             | Available-for-sale (note 1)               | 1,321,067       | FVOCI                  | 1,321,067       |
|  | Financial assets carried at cost (note 1) | 370,916         | FVOCI                  | 407,635         |
| Trade and other receivables                        | Loans and receivables (note 2)            | 97,372,964      | Amortized cost / FVOCI | 97,372,964      |
| Other financial assets and guarantee deposits paid | Loans and receivables                     | 21,470          | Amortized cost         | 21,470          |

Note1: These debt and equity securities (including Available-for-sale and financial assets carried at cost) represent investments that the Company intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as measured at FVOCI, resulting in an increase of \$36,719 in those assets recognized, and a decrease of \$193,157 in other equity, as well as an increase of \$229,876 in retained earnings; also a decrease of \$453,182 in other equity and an increase of \$417,826 in retained earnings, due to the use of equity method that took effect on January 1, 2018.

Note2: Trade, lease and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost and FVOCI.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

|   | 2017.12.31<br>IAS 39<br>Carrying<br>Amount | Reclassifications | Remeasurements | 2018.1.1<br>IFRS 9<br>Carrying<br>Amount | 2018.1.1<br>Retained<br>earnings | 2018.1.1<br>Other<br>equity |
|---|--|-------------------|----------------|--|----------------------------------|-----------------------------|
| Fair value through profit or loss   |  |                   |                |  |                                  |                             |
| Beginning balance of FVTPL (IAS 39)   | \$ 23,286                                  | -                 | -              | -  | -                                | -                           |
| Additions – financial instruments:  |  |                   |                |  |                                  |                             |
| From available for sale   | -  | 88,826            | -              | -  | -                                | -                           |
| Total   | <u>\$ 23,286</u>                           | <u>88,826</u>     | <u>-</u>       | <u>112,112</u>                           | <u>-</u>                         | <u>-</u>                    |
| Fair value through other comprehensive income                                 |  |                   |                |  |                                  |                             |
| Beginning balance of available for sale (including measured at cost) (IAS 39) | \$ 1,691,983                               | -                 | -              | -  | -                                | -                           |
| Available for sale to FVOCI   | -  | -                 | 36,719         | -  | 229,876                          | (193,157)                   |
| Subtraction – financial instruments:  |  |                   |                |  |                                  |                             |
| To FVTPL – required reclassification  | -  | (88,826)          | -              | -  | -                                | -                           |
| Total   | <u>\$ 1,691,983</u>                        | <u>(88,826)</u>   | <u>36,719</u>  | <u>1,639,876</u>                         | <u>229,876</u>                   | <u>(193,157)</u>            |

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Company present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(x).

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

| <b>New, Revised or Amended Standards and Interpretations</b>                | <b>Effective date per IASB</b> |
|---|--------------------------------|
| IFRS 16 "Leases"  | January 1, 2019                |
| IFRIC 23 "Uncertainty over Income Tax Treatments"                           | January 1, 2019                |
| Amendments to IFRS 9 "Prepayment features with negative compensation"       | January 1, 2019                |
| Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"            | January 1, 2019                |
| Amendments to IAS 28 "Long-term interests in associates and joint ventures" | January 1, 2019                |
| Annual Improvements to IFRS Standards 2015–2017 Cycle                       | January 1, 2019                |

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 "Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Company plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Company can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Company plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized in profit or loss in 2019 and going on years, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(English Translation of Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

- 3) So far, the most significant impact identified is that the Company will have to recognize the new assets and liabilities for the operating leases of its land and equipments. The Company estimated that both of the right-of-use assets and the lease liabilities to increase by 10,596 on January 1, 2019. No significant impact is expected for the Company's finance leases. Besides, The Company does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant. Also, the Company is not required to make any adjustments for leases where the Company is the intermediate lessor in a sub-lease.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs have been issued by the IASB, but have yet to be endorsed by the FSC:

| <b>New, Revised or Amended Standards and Interpretations</b>   | <b>Effective date per IASB</b>          |
|--|---|
| Amendments to IFRS 3 "Definition of a Business"  | January 1, 2020                         |
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture" | Effective date to be determined by IASB |
| IFRS 17 "Insurance Contracts"  | January 1, 2021                         |
| Amendments to IAS 1 and IAS 8 "Definition of Material"   | January 1, 2020                         |

The Company assessed that the above IFRSs may not be relevant to The Company.

**(4) Significant Accounting Policies**

The accompanying parent company only 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 parent company only financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the financial statements are summarized below. Except for the explanation of Note3, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

- (a) Statement of compliance

These annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.



**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

(b) Basis of preparation

1. Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- 2) Fair value through other comprehensive income (Available-for-sale financial assets) are measured at fair value;
- 3) The defined benefit liability (asset) is recognized as the fair value of the plan assets less the present value of the defined benefit obligation, with a limit based on a defined benefit assets as disclosed in Note 4(s).

2. Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Foreign currencies

1. Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Company at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for Fair value through other comprehensive income (Available for sale) equity investment, which are recognized in other comprehensive income.

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated at the average exchange rate. Translation differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

**(d) Classification of current and non-current assets and liabilities**

An asset is classified as current under one of the following criteria, and all other assets are classified as non current.

1. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is expected to be realized within twelve months after the reporting period; or
4. The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

1. It is expected to be settled in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is due to be settled within twelve months after the reporting period; or
4. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

**(e) Cash and cash equivalents**

Cash and cash equivalents comprise cash, cash in bank, and short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

(f) Financial instruments

1. Financial assets (policy applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI )

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Company, therefore, those receivables are measured at FVOCI and presented as accounts receivable.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment' s fair value in other comprehensive income. This election is made on an investment-by-investment basis.

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, derived from debt investments are recognized in profit or loss; whereas dividends derived from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

**3) Fair value through profit or loss (FVTPL)**

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which otherwise meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

**4) Impairment of financial assets**

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI, accounts receivable measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available (without undue cost or effort). This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 1 year past due or the borrower is unlikely to pay its credit obligations to the Company in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. The difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 1 year past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

**5) Derecognition of financial assets**

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

**2. Financial assets (policy applicable before January 1, 2018)**

Financial assets are classified into following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

**1) Financial assets at fair value through profit or loss**

A financial asset is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term. The Company designates financial assets, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations :

- Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- Performance of the financial asset is evaluated on a fair value basis;
- A hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and included in statement of comprehensive income. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**2) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and included in non-operating income and expense. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in non-operating income and expenses.

**3) Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, other receivables, and investment in debt security with no active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Interest income is recognized in profit or loss, under non-operating income and expenses.

**4) Impairment of financial assets**

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount, except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before the impairment was recognized at the reversal date.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Impairment losses and recoveries of accounts receivable are recognized in selling expense; impairment losses and recoveries of other financial assets are recognized in profit or loss under non-operating income and expenses.

**5) Derecognition of financial assets**

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.



**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in “other equity – unrealized gains or losses on available-for-sale financial assets” in profit or loss is under non-operating income and expenses.

**3. Financial liabilities and equity instruments**

**1) Financial liabilities at fair value through profit or loss**

A financial liability is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition.

Financial liabilities are classified as held-for-trading if it is acquired principally for the purpose of selling in the short term. The Company designates financial liabilities, other than those classified as held-for-trading, as at fair value through profit or loss at initial recognition under one of the following situations :

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis;
- Performance of the financial liabilities is evaluated on a fair value basis; or
- A hybrid instrument contains one or more embedded derivatives.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, under non-operating income and expenses.

The Company issues financial guarantee contracts and loan commitments and designates them as at fair value through profit or loss. Any gains and losses are recognized in profit or loss, under non-operating income and expenses.

**2) Other financial liabilities**

Financial liabilities not classified as held-for-trading, or designated as at fair value through profit or loss, which comprise of loans and borrowings, and trade and other payables, are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in non-operating income and expenses.

**3) Derecognition of financial liabilities**

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

4) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

4. Derivative financial instruments (policy applicable from January 1, 2018)

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Any attributable transaction costs thereof are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and are included in the line item of non-operating income and expenses in the statement of comprehensive income. When the fair value of a derivative instrument is positive, it is classified as a financial asset, whereas when the fair value is negative, it is classified as a financial liability.

5. Derivative financial instruments (policy applicable before January 1, 2018)

Except for the following items, the Group applies the same accounting policies as applicable from January 1, 2018.

For derivatives that are linked to investments in equity instruments that do not have a quoted market price in an active market and must be settled by delivery of such an unquoted equity instrument, such derivatives that are classified as financial assets are measured at cost; and derivatives that are classified as financial liabilities are measured at cost.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale or distribution rather than through continuing use, are reclassified as held for sale or held for distribution to owners. Immediately before classification as held for sale or held for distribution to owners, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies. Thereafter, generally, the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group will first be allocated to goodwill, and then to remaining assets and liabilities will be apportioned on a pro rata basis, except that no loss is allocated to assets not within the scope of IAS 36 – Impairment of Assets. Such assets will continue to be measured in accordance with the Company's accounting policies.

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Impairment losses on assets initially classified as held for sale or held for distribution to owners and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

When the assets classified as held for sale or held for distribution to owners are intangible assets or property, plant and equipment, they are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(i) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or jointly control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The financial statements include the Company's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. The Company recognizes any changes, proportionately with shareholding ratio under additional-paid-in capital, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual controlling power.

Unrealized profits resulting from the transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Company's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent the Company has an obligation or has made payments on behalf of the investee.

The Company shall discontinue the use of equity method from the date when its investment ceases to be an associate or a joint venture. The Company shall measure the retained interest at fair value. The difference between the fair value of retained interest and proceeds from disposals, and the carrying amount of the investment at the date the equity method that was discontinued is recognized in profit or loss. The Company shall account for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss (or retained earnings) on the disposal of the related assets or liabilities, the entity shall reclassify the gain or loss from equity to profit or loss (or retained earnings) (as a reclassification adjustment) when the equity method is discontinued. If an entity's ownership interest in an associate or a joint venture is reduced, while the entity continues to apply the equity method, the entity shall reclassify the proportion of the gain or loss, that had previously been recognized in other comprehensive income relating to that reduction in ownership interest, to profit or loss.

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under additional paid-in capital. If the additional paid-in capital resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

The Company ceases to have a significant influence over an associate and shall account for the investment in accordance with IAS 9 and IAS 39 from that date, provided the associate does not become a subsidiary or a joint venture as defined in IAS 31. On the loss of significant influence, the investor shall measure at fair value any investment the investor retains in the former associate. The investor shall recognize in profit or loss any difference between:

1. The fair value of any retained investment and any proceeds from disposing of the part interest in the associate; and
2. The carrying amount of the investment at the date when significant influence is lost.

**(j) Investment in subsidiaries**

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the parent company only financial statements. Under equity method, the net income, other comprehensive income and equity in the parent company only financial statement are the same as those attributable to the owners of parent in the consolidated financial statements.

The changes in ownership of the subsidiaries are recognized as equity transaction.

**(k) Joint Arrangements**

A joint arrangement is an arrangement of which two or more parties have joint control. The IFRS classifies joint arrangements into two types-joint operations and joint ventures, and have the following characteristics: (a) The participants are bound by a contractual arrangement; (b) The contractual arrangement gives two or more of those parties joint control of the arrangement. IFRS 11 "Joint Arrangements" defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (i.e. activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. A joint venturer shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures", unless, the entity is exempted from applying the equity method as specified in that Standard.

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

When assessing the classification of a joint arrangement, the Company shall consider the structure and legal form of the arrangement, the terms in the contractual arrangement and other facts and circumstances. The Company had previously reviewed the contractual structure of the joint arrangement, and has now decided to reclassify the investments in 「Jointly Controlled Entities」 to 「Joint Venturers」. Although the investments have been reclassified, they are still recorded under the equity method. Thus, there is no effect in the recognized assets, liabilities and other comprehensive income.

(l) Property, plant, and equipment

1. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

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 shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under other gains and losses.

2. Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance is expensed as incurred.

3. Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated.

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

|                                       |              |
|---------------------------------------|--------------|
| Buildings                             | 10 ~ 50years |
| Machinery                             | 2 ~ 11years  |
| Transportation equipment              | 3 ~ 6years   |
| Furniture and office facilities       | 2 ~ 14years  |
| Power equipment                       | 2 ~ 16years  |
| Renovation and leasehold improvements | 2 ~ 20years  |
| Miscellaneous equipment               | 2 ~ 16years  |

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

(m) Leases

1. Lessor

Lease income from an operating lease is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

2. Lessee

Operating leases are not recognized in the Company's statement of financial position.

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

(n) Intangible assets

1. Research and development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

- 1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- 2) Its intention to complete the intangible asset and use or sell it.
- 3) Its ability to use or sell the intangible asset.
- 4) How the intangible asset will generate probable future economic benefits.
- 5) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- 6) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

2. Other intangible assets

Other intangible assets that are acquired by the Company are measured at cost less accumulated amortization and any accumulated impairment losses.

3. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, are recognized in profit or loss as incurred.

Depreciable amount of intangible asset is calculated based on the cost of an asset less its residual values.

4. Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with all indefinite useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

|                        |            |
|------------------------|------------|
| Computer software cost | 1 ~ 6years |
|------------------------|------------|

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates.

(o) Impairment of non-financial assets

The Company assesses non-financial assets, other than the following assets for impairment and estimates the recoverable amounts for any impaired assets at the end of each reporting period:

- Inventories
- Deferred tax assets
- Assets arising from employee benefit

If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for an individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use are required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units.

If the carrying amount of the cash-generating units exceeds the recoverable amount of the unit, the entity shall recognize the impairment loss, and the impairment loss shall be allocated to reduce the carrying amount of each asset in the unit.

Reversal of an impairment loss for goodwill is prohibited.

The Company assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount, as a reversal of a previously recognized impairment loss.



**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(p) Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

**(q) Treasury stock**

Repurchased shares are recognized under treasury shares (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax. Gains on disposal of treasury shares should be recognized under Capital Reserve – Treasury Shares Transactions; Losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average of different types of repurchase.

During the cancellation of treasury shares, Capital Reserve – Share Premiums and Share Capital should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital reserves arising from similar types of treasury shares; Losses on cancellation of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

**(r) Revenue**

**1. Revenue from contracts with customers (policy applicable from January 1, 2018)**

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**1) Sale of goods**

The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

**2) Consulting services and Management services**

The Company provides advisory and management services. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the costs incurred to date as a proportion of the total estimated costs of the transaction.

**3) Financing components**

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

**2.Revenue (policy applicable before January 1, 2018)**

**1) Goods sold**

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

2) Service

Revenue from services rendered including consulting and management is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

3) Commissions

When the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission made by the Company.

(s) Employee benefits

1. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

2. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company reclassified the amounts recognized in other comprehensive income to retained earnings.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, and any change in the present value of the defined benefit obligation.

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**3.Terminated benefits**

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. The Company is required to recognize the termination benefits at the earlier of when the Company can no longer withdraw the offer of those benefits and when it recognizes any related restructuring costs. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

**4.Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

**(t) Income taxes**

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or these recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, they also include tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes recognized except for the following:

- 1.Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- 2.Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- 3.Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

1. The entity has the legal right to settle tax assets and liabilities on a net basis; and
2. the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:
  - 1) levied by the same taxing authority; or
  - 2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences, to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that the future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

**(u) Business combination**

For those business acquisitions occurring goodwill is measured as the aggregation of the consideration transferred (which generally is measured at fair value at the acquisition date) and the amount of any non-controlling interest in the acquiree, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the residual balance is negative, the Company shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain on the bargain purchase thereafter.

All the transaction costs incurred for the business combination are recognized immediately as the Company's expenses when incurred, except for the issuance of debt or equity instruments.

The Company shall measure any non-controlling equity interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the shareholder of non-controlling equity interest has the right to claim ownership of the acquiree's net assets when the acquiree is liquidated.

Other non-controlling interest is evaluated by its fair value or by other basis permitted by IFRSs endorsed by F.S.C..

**(v) Earnings per share**

The Company disclose the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as employee bonus and employee compensation.

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

(w) Operating segments

Please refer to the consolidated financial report of Inventec Corporation for the years ended December 31, 2018 and 2017 for operating segments information.

**(5) Significant Accounting Judgments, Estimation, Assumptions, and Sources of Estimation Uncertainty**

The preparation of the financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

The Company does not have any accounting policies which involve significant judgment which have significant influence to the annual financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(e) for further description of the valuation of inventories.

**(6) Explanation to Significant Accounts**

(a) Cash and cash equivalents

|  | <b>2018.12.31</b>   | <b>2017.12.31</b> |
|--|---------------------|-------------------|
| Cash   | \$ 1,065            | 1,120             |
| Demand deposits and checking accounts                | 1,645,592           | 4,477,144         |
| Time deposits  | 726,854             | 726,837           |
| Cash and cash equivalents in statement of cash flows | <b>\$ 2,373,511</b> | <b>5,205,101</b>  |

Refer to Note 6(u) for the currency risk of the financial assets of the Company.

INVENTEC CORPORATION

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

- (b) Financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income

On December 31, 2017, the financial assets which were classified as measured at fair value through profit or loss, held for trading, available-for-sale financial assets and financial assets carried at cost under IAS 39 "Financial Instruments: Recognition and Measurement" were reclassified as mandatorily measured at fair value through profit or loss and at fair value through other comprehensive income under IFRS 9. Please refer to Note 3(a) for the impact of changes and details of conversation.

1. Financial assets and liabilities at fair value through profit or loss

|  | 2018.12.31       | 2017.12.31    |
|--|------------------|---------------|
| Financial assets at fair value through profit or loss      |                  |               |
| Mandatorily measured at fair value through profit or loss: |                  |               |
| Derivative instruments not used for hedging                |                  |               |
| Forward exchange contracts                                 | \$ 3,997         | -             |
| Foreign exchange swap                                      | 3,007            |               |
| Non-derivative financial assets                            |                  |               |
| Unsecured convertible bonds                                | 64,553           |               |
| Financial assets held-for-trading                          |                  |               |
| Derivative instruments not used for hedging                |                  |               |
| Foreign exchange swap                                      | -                | 23,286        |
| Total  | <u>\$ 71,557</u> | <u>23,286</u> |
| Financial liabilities at fair value through profit or loss |                  |               |
| Held-for-trading financial liabilities                     |                  |               |
| Forward exchange contracts                                 | \$ 3,398         | 18,613        |
| Foreign exchange swap                                      | 1,560            | 3,056         |
| Total  | <u>\$ 4,958</u>  | <u>21,669</u> |

(English Translation of Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

The Company holds derivative financial instruments to hedge certain foreign exchange and interest risk the Company is exposed to, arising from its operating, financing and investing activities. The following derivative instruments not applied hedge accounting were classified as held-for-trading financial instruments on December 31, 2018 and 2017:

1) Financial assets:

| <b>2018.12.31</b>     |                            |  |                 |                            |
|-----------------------|----------------------------|--|-----------------|----------------------------|
|                       | <b>Contract<br/>Amount</b> |  | <b>Currency</b> | <b>Maturity<br/>Period</b> |
| Forward               | USD 20,000                 |  | USD to RMB      | 2019.02.15                 |
| Forward               | USD 40,000                 |  | USD to TWD      | 2019.01.07-2019.01.09      |
| Foreign exchange swap | USD 40,000                 |  | USD to TWD      | 2019.01.18-2019.02.01      |
| <b>2017.12.31</b>     |                            |  |                 |                            |
|                       | <b>Contract<br/>Amount</b> |  | <b>Currency</b> | <b>Maturity<br/>Period</b> |
| Foreign exchange swap | USD 100,000                |  | USD to TWD      | 2018.01.12-2018.02.07      |

2) Financial liabilities:

| <b>2018.12.31</b>     |                            |  |                 |                            |
|-----------------------|----------------------------|--|-----------------|----------------------------|
|                       | <b>Contract<br/>Amount</b> |  | <b>Currency</b> | <b>Maturity<br/>Period</b> |
| Foreign exchange swap | USD 40,000                 |  | USD to TWD      | 2019.01.07-2019.01.09      |
| Forward               | USD 40,000                 |  | USD to TWD      | 2019.01.18-2019.02.01      |
| <b>2017.12.31</b>     |                            |  |                 |                            |
|                       | <b>Contract<br/>Amount</b> |  | <b>Currency</b> | <b>Maturity<br/>Period</b> |
| Forward               | USD 100,000                |  | USD to TWD      | 2018.01.12-2018.02.07      |
| Foreign exchange swap | USD 20,000                 |  | USD to TWD      | 2018.02.26                 |

2. Financial assets at fair value through other comprehensive income

|   | <b>2018.12.31</b> |
|---|-------------------|
| Equity investments at fair value through other comprehensive income |                   |
| Stocks listed on domestic markets                                   | \$ 574,327        |
| Stocks not listed on domestic markets                               | 217,935           |
| Total   | <b>\$ 792,262</b> |

As of December 31, 2018, the aforesaid financial assets were not pledged as collateral.



(English Translation of Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

3. Available-for-sale financial assets and financial assets carried at cost

|                                     | <u><b>2017.12.31</b></u>   |
|-------------------------------------|----------------------------|
| Financial assets:                   |                            |
| Available-for-sale financial assets | \$ 1,321,067               |
| Financial assets carried at cost    | <u>370,916</u>             |
| Total                               | <u><b>\$ 1,691,983</b></u> |
| Current                             | \$ 1,149,740               |
| Non-current                         | <u>542,243</u>             |
| Total                               | <u><b>\$ 1,691,983</b></u> |

All of the abovementioned investments in common stock and preferred stock which do not have quoted market prices in an active market and whose fair value cannot be reliably measured were reflected as non-current financial assets carried at cost on initial recognition and subsequently at cost less accumulated impairment losses. There were objective evidences indicating that some financial assets were impaired, and the Company recognized impairment loss for the asset whose carrying value is higher than the recoverable amount.

As of December 31, 2017, the aforesaid financial assets were not pledged as collateral.

(c) Trade receivables

|   | <u><b>2018.12.31</b></u>    | <u><b>2017.12.31</b></u> |
|---|-----------------------------|--------------------------|
| Accounts receivable due from related parties      | \$ 28,667,039               | 40,862,216               |
| Accounts receivables due from non-related parties | 48,827,590                  | 28,140,375               |
| Less: Allowance for impairment                    | (23,168)                    | (354,553)                |
| Allowance for sales returns and discounts         | <u>-</u>                    | <u>(11,065)</u>          |
|   | <u><b>\$ 77,471,461</b></u> | <u><b>68,636,973</b></u> |

The Company has assessed a portion of its trade receivables that was held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; therefore, such trade receivables were measured at fair value through other comprehensive income on January 1, 2018, with the amount of \$8,592,912 disclosed on December 31, 2018.

(English Translation of Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision as of December 31, 2018 was determined as follows:

|                         | <b>Gross carrying<br/>amount</b> | <b>Weighted-average<br/>loss rate</b> | <b>Loss<br/>allowance<br/>provision</b> |
|-------------------------|----------------------------------|---------------------------------------|---|
| Not past due            | \$ 71,259,806                    | 0.00%~0.50%                           | 22,688                                  |
| Past due up to 180 days | 6,131,309                        | 0.04%~0.5%                            | 438                                     |
| Past due over 180 days  | 103,514                          | 0.04%~0.5%                            | 42                                      |
|                         | <b><u>\$ 77,494,629</u></b>      |                                       | <b><u>23,168</u></b>                    |

As of the end of February 28, 2019, the amount that received by the Company is \$59,688,767.

As of December 31, 2017, the Company applies the incurred loss model to consider the loss allowance provision of trade receivables, and the aging analysis of trade receivables were as follows:

|                         | <b>2017.12.31</b>           |                       |
|-------------------------|-----------------------------|-----------------------|
|                         | <b>Total<br/>amount</b>     | <b>Impairment</b>     |
| Not past due            | \$ 55,873,357               | 15,218                |
| Past due up to 180 days | 12,714,456                  | 300                   |
| Past due over 180 days  | 414,778                     | 339,035               |
|                         | <b><u>\$ 69,002,591</u></b> | <b><u>354,553</u></b> |

The movement in the allowance for notes and trade receivables were as follows:

|  | <b>2018</b>             | <b>For the years ended December 31, 2017</b>    |   |
|--|-------------------------|---|---|
|  |                         | <b>Individually<br/>assessed<br/>impairment</b> | <b>Collectively<br/>assessed<br/>impairment</b> |
| Balance on January 1, 2018 and 2017 per IAS 39 | \$ 354,553              | 6,694   | 15,904  |
| Adjustment on initial application of IFRS 9    | -                       |   |   |
| Balance on January 1, 2018 per IFRS 9          | 354,553                 |   |   |
| Impairment losses recognized                   | 6,267                   | 330,961   | 994   |
| Amount written off                             | (337,652)               | -   | -   |
| Balance on December 31, 2018 and 2017          | <b><u>\$ 23,168</u></b> | <b><u>337,655</u></b>                           | <b><u>16,898</u></b>                            |

The allowance for impairment account is used to record bad debt expenses. If the Company believes that it may not be able to collect the receivables. The accumulated impairment was used to offset the receivables when it is certain they are unrecoverable, after related legal actions were taken by the Company.

As of December 31, 2018 and 2017, none of the receivables above are pledged as collateral for loans and borrowings.

(English Translation of Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

As of December 31, 2018 and 2017, the Company sold its accounts receivable without recourse as follows:

(Unit: Foreign currency/TWD in Thousands)

| 2018.12.31          |                      |                |                    |                        |            |  |                      |
|---------------------|----------------------|----------------|--------------------|------------------------|------------|--|----------------------|
| Purchaser           | Assignment Facility  | Factoring Line | Advanced Amount    | Range of Interest Rate | Collateral | Significant Transferring Terms   | Derecognition Amount |
| Non-related parties | <u>\$ 15,836,237</u> | Note           | <u>USD 516,343</u> | 3.2200%~<br>3.3900%    | None       | The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency. | <u>15,836,237</u>    |
| 2017.12.31          |                      |                |                    |                        |            |  |                      |
| Purchaser           | Assignment Facility  | Factoring Line | Advanced Amount    | Range of Interest Rate | Collateral | Significant Transferring Terms   | Derecognition Amount |
| Non-related parties | <u>\$ 29,517,623</u> | Note           | <u>USD 992,856</u> | 2.0855%~<br>2.5175%    | None       | The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency. | <u>29,517,623</u>    |

Note: The purchaser has the right to make factoring transactions with the company based on the amount allocated by the client under factoring agreement.

(d) Other receivables

|   | 2018.12.31           | 2017.12.31        |
|---|----------------------|-------------------|
| Other receivables — related parties     | \$ 52,909,391        | 28,629,853        |
| Other receivables — non-related parties | 69,580               | 106,138           |
|   | <u>\$ 52,978,971</u> | <u>28,735,991</u> |

As of December 31, 2017, the aging analysis of other receivables was as follows:

|                         | 2017.12.31           |            |
|-------------------------|----------------------|------------|
|                         | Total amount         | Impairment |
| Not past due            | \$ 18,712,504        | -          |
| Past due up to 180 days | 9,517,594            | -          |
| Past due over 180 days  | 505,893              | -          |
|                         | <u>\$ 28,735,991</u> | <u>-</u>   |

(e) Inventories

|                               | 2018.12.31          | 2017.12.31       |
|-------------------------------|---------------------|------------------|
| Raw materials and consumables | \$ 491,780          | 472,535          |
| Work in process               | 577,460             | 984,637          |
| Finished goods                | 1,114,635           | 879,970          |
|                               | <u>\$ 2,183,875</u> | <u>2,337,142</u> |

INVENTEC CORPORATION

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

For the years ended December 31, 2018 and 2017, the write-down (write-up) of inventories amounted to \$26,563 and \$(33,722), respectively. Loss on inventory valuation and obsolescence is due to obsolescence or out of use, which causes the net realizable value to be lower than the cost. Loss on inventory valuation and obsolescence is recognized in operating cost. In addition, when the factor causing the net realizable value to be lower than the cost is disappeared due to obsolescence or disposal, increase of the net realizable value is recognized in deduction of operating cost. For the years ended December 31, 2018 and 2017, expenses of idle capacity amounted to \$15,535 and \$1,900, respectively.

As of December 31, 2018 and 2017, the aforesaid inventories were not pledged as collateral.

(f) Investments accounted for using equity method

The investment using equity method was as follows:

|              | <b>2018.12.31</b>           | <b>2017.12.31</b>        |
|--------------|-----------------------------|--------------------------|
| Subsidiaries | \$ 29,103,814               | 32,984,288               |
| Associates   | 271,658                     | 325,680                  |
|              | <b><u>\$ 29,375,472</u></b> | <b><u>33,309,968</u></b> |

1.Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2018.

2.Associates

The Company's financial information for investments in individually insignificant associates accounted for using equity method at the reporting date was as follows. These financial information are included in the financial statements.

|                                       | <b>2018.12.31</b>        | <b>2017.12.31</b>     |
|---------------------------------------|--------------------------|-----------------------|
| Individually insignificant associates | <b><u>\$ 271,658</u></b> | <b><u>325,680</u></b> |

|  | <b>For the years ended December 31,</b> |                        |
|--|---|------------------------|
|  | <b>2018</b>                             | <b>2017</b>            |
| The Company's share of profit (loss) of the associates |   |                        |
| Profit (loss) from continuing operations               | \$ (11,000)                             | (36,666)               |
| Other comprehensive income                             | (30,595)                                | (299)                  |
| Total comprehensive income                             | <b><u>\$ (41,595)</u></b>               | <b><u>(36,965)</u></b> |

As of December 31, 2018 and 2017, the Company's investments under equity method has not been pledged as collaterals.

(English Translation of Financial Statements Originally Issued in Chinese)

INVENTEC CORPORATION

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(g) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2018 and 2017 were as follows:

|                                     | Land                | Building and construction | Machinery and equipment | Transportation equipment | Office equipment | Other facilities | Others         | Total             |
|-------------------------------------|---------------------|---------------------------|-------------------------|--------------------------|------------------|------------------|----------------|-------------------|
| Cost or deemed cost:                |                     |                           |                         |                          |                  |                  |                |                   |
| Balance at January 1, 2018          | \$ 7,140,268        | 5,372,060                 | 233,886                 | 22,278                   | 2,021,218        | 894,455          | 112,902        | 15,797,067        |
| Additions                           | -                   | -                         | 4,907                   | 8,850                    | 46,103           | 8,908            | 148,051        | 216,819           |
| Disposals                           | -                   | (10,029)                  | (652)                   | (5,105)                  | (66,483)         | (104,974)        | -              | (187,243)         |
| Other                               | (660,224)           | (249,581)                 | -                       | -                        | 48,922           | 111,154          | (244,536)      | (994,265)         |
| Balance at December 31, 2018        | <u>\$ 6,480,044</u> | <u>5,112,450</u>          | <u>238,141</u>          | <u>26,023</u>            | <u>2,049,760</u> | <u>909,543</u>   | <u>16,417</u>  | <u>14,832,378</u> |
| Balance at January 1, 2017          | \$ 7,140,268        | 5,023,477                 | 232,956                 | 24,917                   | 1,972,459        | 605,106          | 540,162        | 15,539,345        |
| Additions                           | -                   | 59,243                    | 3,530                   | 4,600                    | 102,698          | 231,562          | 6,344          | 407,977           |
| Disposals                           | -                   | -                         | (2,600)                 | (7,239)                  | (53,939)         | (86,477)         | -              | (150,255)         |
| Other                               | -                   | 289,340                   | -                       | -                        | -                | 144,264          | (433,604)      | -                 |
| Balance at December 31, 2017        | <u>\$ 7,140,268</u> | <u>5,372,060</u>          | <u>233,886</u>          | <u>22,278</u>            | <u>2,021,218</u> | <u>894,455</u>   | <u>112,902</u> | <u>15,797,067</u> |
| Depreciation and impairment losses: |                     |                           |                         |                          |                  |                  |                |                   |
| Balance at January 1, 2018          | \$ -                | 854,776                   | 228,299                 | 15,650                   | 1,860,823        | 429,521          | -              | 3,389,069         |
| Depreciation for the period         | -                   | 118,519                   | 2,210                   | 4,176                    | 101,078          | 121,412          | -              | 347,395           |
| Disposals                           | -                   | (10,029)                  | (653)                   | (5,105)                  | (66,422)         | (97,175)         | -              | (179,384)         |
| Other                               | -                   | (246,062)                 | -                       | -                        | -                | (9,836)          | -              | (255,898)         |
| Balance at December 31, 2018        | <u>\$ -</u>         | <u>717,204</u>            | <u>229,856</u>          | <u>14,721</u>            | <u>1,895,479</u> | <u>443,922</u>   | <u>-</u>       | <u>3,301,182</u>  |
| Balance at January 1, 2017          | \$ -                | 733,671                   | 228,669                 | 21,326                   | 1,824,671        | 420,362          | -              | 3,228,699         |
| Depreciation for the period         | -                   | 121,105                   | 1,864                   | 1,563                    | 89,943           | 82,961           | -              | 297,436           |
| Disposals                           | -                   | -                         | (2,234)                 | (7,239)                  | (53,791)         | (73,802)         | -              | (137,066)         |
| Balance at December 31, 2017        | <u>\$ -</u>         | <u>854,776</u>            | <u>228,299</u>          | <u>15,650</u>            | <u>1,860,823</u> | <u>429,521</u>   | <u>-</u>       | <u>3,389,069</u>  |
| Carrying amounts:                   |                     |                           |                         |                          |                  |                  |                |                   |
| Balance at December 31, 2018        | <u>\$ 6,480,044</u> | <u>4,395,246</u>          | <u>8,285</u>            | <u>11,302</u>            | <u>154,281</u>   | <u>465,621</u>   | <u>16,417</u>  | <u>11,531,196</u> |
| Balance at December 31, 2017        | <u>\$ 7,140,268</u> | <u>4,517,284</u>          | <u>5,587</u>            | <u>6,628</u>             | <u>160,395</u>   | <u>464,934</u>   | <u>112,902</u> | <u>12,407,998</u> |
| Balance at January 1, 2017          | <u>\$ 7,140,268</u> | <u>4,289,806</u>          | <u>4,287</u>            | <u>3,591</u>             | <u>147,788</u>   | <u>184,744</u>   | <u>540,162</u> | <u>12,310,646</u> |

As of December 31, 2018 and 2017, the property, plant and equipment were pledged as collateral, please refer to Note 8.

(English Translation of Financial Statements Originally Issued in Chinese)

INVENTEC CORPORATION

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(h) Intangible assets

The costs of intangible assets and amortization of the Company for the years ended December 31, 2018 and 2017 were as follows:

|                                     | <u>Software cost</u>     |
|-------------------------------------|--------------------------|
| Cost:                               |                          |
| Balance at January 1, 2018          | \$ 922,718               |
| Additions                           | 252,421                  |
| Disposals                           | <u>(175,357)</u>         |
| Balance at December 31, 2018        | <u><b>\$ 999,782</b></u> |
| Balance at January 1, 2017          | \$ 883,720               |
| Additions                           | 284,870                  |
| Disposals                           | <u>(245,872)</u>         |
| Balance at December 31, 2017        | <u><b>\$ 922,718</b></u> |
| Amortization and impairment losses: |                          |
| Balance at January 1, 2018          | \$ 842,027               |
| Amortization for the period         | 258,366                  |
| Disposals                           | <u>(175,230)</u>         |
| Balance at December 31, 2018        | <u><b>\$ 925,163</b></u> |
| Balance at January 1, 2017          | \$ 810,067               |
| Amortization for the period         | 277,832                  |
| Disposals                           | <u>(245,872)</u>         |
| Balance at December 31, 2017        | <u><b>\$ 842,027</b></u> |
| Carrying amounts:                   |                          |
| Balance at December 31, 2018        | <u><b>\$ 74,619</b></u>  |
| Balance at December 31, 2017        | <u><b>\$ 80,691</b></u>  |
| Balance at January 1, 2017          | <u><b>\$ 73,653</b></u>  |

(English Translation of Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

The amortization of intangible assets is respectively included in the statement of comprehensive income:

|                    | <b>For the years ended December 31,</b> |                |
|--------------------|---|----------------|
|                    | <b>2018</b>                             | <b>2017</b>    |
| Operating costs    | \$ 152,448                              | 172,318        |
| Operating expenses | 105,918                                 | 105,514        |
| Total              | <b>\$ 258,366</b>                       | <b>277,832</b> |

As of December 31, 2018 and 2017, the aforesaid intangible assets were not pledged as collateral.

(i) Other current assets and other non-current assets

The other current assets-others and other non-current assets of the Company were as follows:

|                                 | <b>2018.12.31</b>   | <b>2017.12.31</b> |
|---------------------------------|---------------------|-------------------|
| Refundable deposits             | \$ 33,747           | 21,470            |
| Non-current asset held-for-sale | 738,367             | -                 |
| Asset for recovery              | 265,412             | -                 |
| Deferred Tax Assets             | 1,211,850           | 1,107,725         |
| Others                          | 579,333             | 196,578           |
|                                 | <b>\$ 2,828,709</b> | <b>1,325,773</b>  |

On June 26, 2018, in pursuant to the resolution approved by the Board of the Directors, the Company decided to sell its land and plant, and signed the contract. The related legal transferring process of land and plant, which has yet to be completed on December 31, 2018, was classified as non-current assets held-for-sale, with the selling price of \$1,380,000.

As of December 31, 2018 and 2017, the other non-current assets were pledged as collateral, please refer to Note 8.

(English Translation of Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

(j) Long-term and short-term borrowings

The significant terms and conditions of long-term and short-term borrowings were as follows:

| <b>2018.12.31</b>    |                      |                 |                       |                      |
|----------------------|----------------------|-----------------|-----------------------|----------------------|
|                      | <b>Interest Rate</b> | <b>Currency</b> | <b>Maturity Date</b>  | <b>Amount</b>        |
|                      |                      | <b>y</b>        |                       |                      |
| Unsecured bank loans | 0.74%~3.38%          | TWD             | 2019.03.27            | \$ 400,000           |
|                      | % %                  | USD             | 2019.01.01~2019.01.23 | 24,844,660           |
| Secured bank loans   | 1.44% %              | TWD             | 2031.02.26            | 3,600,000            |
| Total                |                      |                 |                       | <b>\$ 28,844,660</b> |
| Current              |                      |                 |                       | \$ 25,494,660        |
| Non-current          |                      |                 |                       | 3,350,000            |
| Total                |                      |                 |                       | <b>\$ 28,844,660</b> |
| Unused credit line   |                      |                 |                       | <b>\$ 29,069,110</b> |

| <b>2017.12.31</b>    |                      |                 |                       |                      |
|----------------------|----------------------|-----------------|-----------------------|----------------------|
|                      | <b>Interest Rate</b> | <b>Currency</b> | <b>Maturity Date</b>  | <b>Amount</b>        |
|                      |                      | <b>y</b>        |                       |                      |
| Unsecured bank loans | 0.60%~2.00%          | TWD             | 2018.01.05~2018.01.15 | \$ 2,500,000         |
|                      | % %                  | USD             | 2018.01.05~2018.02.14 | 11,667,878           |
| Secured bank loans   | 1.44% %              | TWD             | 2031.02.26            | 3,600,000            |
| Total                |                      |                 |                       | <b>\$ 17,767,878</b> |
| Current              |                      |                 |                       | \$ 14,167,878        |
| Non-current          |                      |                 |                       | 3,600,000            |
| Total                |                      |                 |                       | <b>\$ 17,767,878</b> |
| Unused credit line   |                      |                 |                       | <b>\$ 34,946,672</b> |

Please refer to Note 8 for details of the related assets pledged as collateral.

(k) Operating Leases

1. Leases as lessee

Non-cancellable operating lease payable were as follows:

|                           | <b>2018.12.31</b> | <b>2017.12.31</b> |
|---------------------------|-------------------|-------------------|
| Within 1 year             | \$ 1,300          | 1,263             |
| Period after 1 to 5 years | 4,983             | -                 |
|                           | <b>\$ 6,283</b>   | <b>1,263</b>      |



INVENTEC CORPORATION

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

The Company lease land, warehouse under operating leases. The leases typically run for a period of 1 to 10 years, with an option to renew the lease after that date.

For the years ended December 31, 2018 and 2017, expenses recognized in profit or loss in respect of operating leases were \$1,265 and \$1,268.

2. Leases as Lessor

The future minimum lease payments under non-cancellable leases were as follows:

|                           | <u>2018.12.31</u> | <u>2017.12.31</u> |
|---------------------------|-------------------|-------------------|
| Within 1 year             | \$ 84,325         | 104,159           |
| Period after 1 to 5 years | 76,645            | 155,565           |
|                           | <u>\$ 160,970</u> | <u>259,724</u>    |

The rental revenues incurred by leasing land, offices and plants were \$100,037 and \$108,392 for the years ended December 31, 2018 and 2017, respectively.

(l) Employee benefits

1. Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

|  | <u>2018.12.31</u> | <u>2017.12.31</u> |
|--|-------------------|-------------------|
| Present value of the defined benefit obligations | \$ 1,289,116      | 1,259,244         |
| Fair value of plan assets                        | (655,301)         | (601,460)         |
| Net defined benefit liabilities                  | <u>\$ 633,815</u> | <u>657,784</u>    |

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued two-year time deposits with interest rates offered by local banks.

The Company's pension reserve account in Bank of Taiwan amounted to \$651,258 at the end of December 31, 2018. For information on the utilization of the labor pension fund assets including the assets allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

INVENTEC CORPORATION

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company were as follows:

|  | <b>For the years ended December 31,</b> |                  |
|--|---|------------------|
|  | <b>2018</b>                             | <b>2017</b>      |
| Defined benefit obligation at January 1                                | \$ 1,259,244                            | 1,252,905        |
| Current service costs and interest                                     | 28,214                                  | 23,470           |
| Remeasurement on the net defined benefit liability                     |   |                  |
| — Experience adjustments arising on the actuarial gain or loss         | (4,374)                                 | (65,833)         |
| — Actuarial loss (gain) arising from changes in financial assumptions  | 35,385                                  | 70,449           |
| — Actuarial loss (gain) arising from changes in demography assumptions | -                                       | 17,888           |
| Benefits paid by the plan assets                                       | (29,353)                                | (39,635)         |
| Defined benefit obligation at December 31                              | <b>\$ 1,289,116</b>                     | <b>1,259,244</b> |

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

|  | <b>For the years ended December 31,</b> |                |
|--|---|----------------|
|  | <b>2018</b>                             | <b>2017</b>    |
| Fair value of plan assets at January 1               | \$ 601,460                              | 543,740        |
| Interest income                                      | 7,890                                   | 6,797          |
| Remeasurement on the net defined benefit liability   |   |                |
| — Return on plan assets (excluding current interest) | 15,768                                  | (1,465)        |
| Contributions made                                   | 59,536                                  | 92,023         |
| Benefits paid by the plan assets                     | (29,353)                                | (39,635)       |
| Fair value of plan assets at December 31             | <b>\$ 655,301</b>                       | <b>601,460</b> |

(English Translation of Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

|   | <b>For the years ended December 31,</b> |               |
|---|---|---------------|
|   | <b>2018</b>                             | <b>2017</b>   |
| Current service costs   | \$ 12,473                               | 7,808         |
| Net interest of net liabilities for defined benefit obligations | 7,851                                   | 8,865         |
|   | <b>\$ 20,324</b>                        | <b>16,673</b> |
| Operating cost  | \$ 1,963                                | 1,402         |
| Selling expenses  | 2,198                                   | 1,876         |
| Administration expenses   | 5,227                                   | 4,588         |
| Research and development expenses                               | 10,936                                  | 8,807         |
|   | <b>\$ 20,324</b>                        | <b>16,673</b> |

5) Remeasurement on the net defined benefit liability recognized in other comprehensive income

The Company's remeasurement on the net defined benefit liability recognized in other comprehensive income were as follows:

|                                  | <b>For the years ended December 31,</b> |                  |
|----------------------------------|---|------------------|
|                                  | <b>2018</b>                             | <b>2017</b>      |
| Cumulative amount at January 1   | \$ (137,591)                            | (113,622)        |
| Recognized during the period     | (15,243)                                | (23,969)         |
| Cumulative amount at December 31 | <b>\$ (152,834)</b>                     | <b>(137,591)</b> |

6) Actuarial assumptions

The following are the Company's principal actuarial assumptions:

Present Value of defined benefit obligations:

|                              | <b>2018.12.31</b> | <b>2017.12.31</b> |
|------------------------------|-------------------|-------------------|
| Discount rate                | 1.125% %          | 1.25% %           |
| Future salary increases rate | 1.625% %          | 1.50% %           |

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date was \$61,652.

The weighted-average duration of the defined benefit obligation is 11.40.0 years.

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

|                   | <b>Influences of defined benefit obligations</b> |                            |
|-------------------|--|----------------------------|
|                   | <b>Increased<br/>0.25%</b>                       | <b>Decreased<br/>0.25%</b> |
| December 31, 2018 |  |                            |
| Discount rate     | \$ (35,699)                                      | 37,152                     |
| December 31, 2017 |  |                            |
| Discount rate     | (36,575)   | 38,113                     |

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2018 and 2017.

2. Defined contribution plans

In accordance with the provisions of the Labor Pension Act, the Company contribute an amount equal to 6% of the employee's monthly wages to the Labor Pension personal account with the Bureau of the Labor Insurance.

The pension costs incurred from the contributions to the Bureau of the Labour Insurance amounted to \$176,514 and \$162,646 for the years ended December 31, 2018 and 2017, respectively. Except for the accounts payable of \$51,003 and \$48,144 respectively, the Company have been contributed to the Bureau of the Labour Insurance.

(m) Income taxes

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018.

(English Translation of Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

1. The components of income tax expense (gain) in the years 2018 and 2017 were as follows:

|   | <b>For the years ended December 31,</b> |                         |
|---|---|-------------------------|
|   | <b>2018</b>                             | <b>2017</b>             |
| Current tax expense                               |   |                         |
| Current period                                    | \$ 314,187                              | 954,567                 |
| Adjustment for prior periods                      | 529,444                                 | 3,283                   |
|   | <u>843,631</u>                          | <u>957,850</u>          |
| Deferred tax expense                              |   |                         |
| Origination and reversal of temporary differences | 283,417                                 | 198,926                 |
| Adjustment in tax rate                            | (35,004)                                | -                       |
|   | <u>248,413</u>                          | <u>198,926</u>          |
| Income tax expense from continuing operations     | <b><u>\$ 1,092,044</u></b>              | <b><u>1,156,776</u></b> |

The amount of income tax recognized in other comprehensive income for 2018 and 2017 was as follows:

|   | <b>For the years ended December 31,</b> |                     |
|---|---|---------------------|
|   | <b>2018</b>                             | <b>2017</b>         |
| Items that will not be reclassified subsequently to profit or loss: |   |                     |
| Remeasurement from defined benefit plans                            | <b><u>\$ 3,049</u></b>                  | <b><u>4,075</u></b> |

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

|  | <b>For the years ended December 31,</b> |                         |
|--|---|-------------------------|
|  | <b>2018</b>                             | <b>2017</b>             |
| Income before tax                            | <b><u>\$ 7,591,900</u></b>              | <b><u>7,911,688</u></b> |
| Income tax using the statutory tax rate      | 1,518,380                               | 1,344,987               |
| Permanent differences                        | (360,212)                               | (335,688)               |
| Tax credits                                  | (60,000)                                | (60,000)                |
| Foreign tax credit                           | -                                       | (104,286)               |
| Change in unrecognized temporary differences | (533,951)                               | 338,274                 |
| Under provision in prior periods             | 529,444                                 | 3,283                   |

(English Translation of Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

|   |                            |                         |
|---|----------------------------|-------------------------|
| Under (over) provision of temporary differences | 31,818                     | (29,794)                |
| Adjustment in tax rate                          | (35,004)                   | -                       |
| 10% surtax on undistributed earnings            | 1,569                      | -                       |
| Income tax expense                              | <u><b>\$ 1,092,044</b></u> | <u><b>1,156,776</b></u> |

(English Translation of Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Under provision in prior periods is estimation of the difference between approved amounts by Tax Authority and the declared amounts.

**2. Deferred Tax Assets and Liabilities**

**1) Unrecognized Deferred Tax Assets**

Deferred tax assets that have not been recognized in respect of the following items:

|  | <b>2018.12.31</b> | <b>2017.12.31</b> |
|--|-------------------|-------------------|
| Tax effect of deductible Temporary Differences | <b>\$ 855,015</b> | <b>1,180,621</b>  |

**2) Recognized Deferred Tax Assets and Liabilities**

The movements in deferred tax assets and liabilities for the years ended December 31, 2018 and 2017 were as follows:

|  | Gain (loss) on<br>investment | Other                            | Total            |                  |
|--|------------------------------|----------------------------------|------------------|------------------|
| <b>Deferred Tax Liabilities:</b>         |                              |                                  |                  |                  |
| Balance at January 1, 2018               | \$ 909,370                   | -                                | 909,370          |                  |
| Recognized in profit or loss             | 301,264                      | 48,225                           | 349,489          |                  |
| Balance at December 31, 2018             | <b>\$ 1,210,634</b>          | <b>48,225</b>                    | <b>1,258,859</b> |                  |
| Balance at January 1, 2017               | \$ 746,208                   | 61,674                           | 807,882          |                  |
| Recognized in profit or loss             | 163,162                      | (61,674)                         | 101,488          |                  |
| Balance at December 31, 2017             | <b>\$ 909,370</b>            | <b>-</b>                         | <b>909,370</b>   |                  |
|  | <b>Deferred<br/>Income</b>   | <b>Defined<br/>Benefit Plans</b> | <b>Others</b>    | <b>Total</b>     |
| <b>Deferred Tax Assets:</b>              |                              |                                  |                  |                  |
| Balance at January 1, 2018               | \$ 616,770                   | 63,932                           | 427,023          | 1,107,725        |
| Recognized in profit or loss             | 236,258                      | 3,438                            | (138,620)        | 101,076          |
| Recognized in other comprehensive income | -                            | 3,049                            | -                | 3,049            |
| Balance at December 31, 2018             | <b>\$ 853,028</b>            | <b>70,419</b>                    | <b>288,403</b>   | <b>1,211,850</b> |
| Balance at January 1, 2017               | \$ 504,504                   | 72,666                           | 623,918          | 1,201,088        |
| Recognized in profit or loss             | 112,266                      | (12,809)                         | (196,895)        | (97,438)         |
| Recognized in other comprehensive income | -                            | 4,075                            | -                | 4,075            |
| Balance at December 31, 2017             | <b>\$ 616,770</b>            | <b>63,932</b>                    | <b>427,023</b>   | <b>1,107,725</b> |

3. The Company's income tax returns through 2016 have been examined and approved by the Tax Authority. The Company's income tax for 2015 is still being examined by the Tax Authority.

INVENTEC CORPORATION

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(n) Capital and reserves

As of December 31, 2018 and 2017, the authorized capital of the Company both consisted of 3,650,000 thousand shares and both issued worth \$36,500,000, with par value of \$10 per share, and its outstanding capital both consisted of 3,587,475 thousand shares of stock. All issued shares were paid up upon issuance.

1.Capital surplus

The components of the capital surplus were as follows:

|               | <u>2018.12.31</u>          | <u>2017.12.31</u>       |
|---------------|----------------------------|-------------------------|
| Share capital | \$ 2,891,959               | 2,891,959               |
| Other         | 20,930                     | 21,137                  |
|               | <u><u>\$ 2,912,889</u></u> | <u><u>2,913,096</u></u> |

In accordance with the ROC company Act, realized capital reserves can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the securities offering and Issuance Guidelines, the amount of capital reserve to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

2.Retained earnings

The Company' s articles of incorporation require that after-tax earnings shall first be offset against any deficit, and 10% of the rest be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital. Special reserve may be appropriated for operations or to meet regulations. The remaining earnings, if any, may be appropriated for operations according to the proposal, and the distributed dividends may not be lower than 10% of the earnings which are presented in the annual stockholders' meeting by the Board of Directors. In consideration of the Company' s long-term operating plan, funding needs, and satisfying shareholder demand for cash flow, the Company distributes cash dividends of at least 10% of the aggregate of cash dividends and stock dividends if the distributions include cash dividend.

1) Legal reserve

In accordance with the ROC Company Act, 10 percent of net income should be set aside as legal reserve, until it is equal to share capital. If the Company experienced profit for the year, the meeting of shareholders shall decide on the distribution of the statutory earnings reserve either by new shares or by cash, of up to 25 percent of the actual share capital.



(English Translation of Financial Statements Originally Issued in Chinese)

INVENTEC CORPORATION

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

2) Special reserve

In accordance with Permit No.1010012865 as issued by the Financial Supervisory Commission on 6 April 2012, a special reserve equal to the contra account of other shareholders' equity is appropriated from the current and prior period earnings. When the debit balance of any of the contra accounts in the shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of the contra accounts in shareholders' equity shall qualify for additional distributions.

3) Earnings Distribution

During the meeting of shareholders on June 14, 2018 and June 16, 2017, the shareholders approved to distribute the 2017 and 2016 earnings, respectively, as follows:

|  | 2017                    |                  | 2016                    |                  |
|--|-------------------------|------------------|-------------------------|------------------|
|  | Dividend per share (\$) | Amount           | Dividend per share (\$) | Amount           |
| Dividends distributed to common shareholders |                         |                  |                         |                  |
| Cash   | \$ 1.65                 | <u>5,919,334</u> | 1.45                    | <u>5,201,839</u> |

The information on prior year's distribution of the Company's earnings were announced through the Market Observation Post System on the internet.

3.Other equity (net of taxes)

|  | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Unrealized gains (losses) on available-for-sale financial assets | Total              |
|--|---|---|--|--------------------|
| Balance, January 1, 2018   | \$ (972,359)  | -   | 864,813  | (107,546)          |
| Effects of retrospective application   | -   | 218,474   | (864,813)  | (646,339)          |
| Balance at January 1, 2018 after adjustments   | (972,359)   | 218,474   | -  | (753,885)          |
| Exchange differences on foreign operations   | 47,215  | -   | -  | 47,215             |
| Exchange differences on subsidiaries accounted for using equity method   | (65,106)  | -   | -  | (65,106)           |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income  | -   | (844,849)   | -  | (844,849)          |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, associates and joint ventures accounted for using equity method | -   | (29,732)  | -  | (29,732)           |
| Balance, December 31, 2018   | <u>\$ (990,250)</u>   | <u>(656,107)</u>  | <u>-</u>   | <u>(1,646,357)</u> |

(English Translation of Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

|   | Exchange differences<br>on translation of<br>foreign financial<br>statements | Unrealized gains<br>(losses) on<br>available-for-sale<br>financial assets | Total            |
|---|--|---|------------------|
| Balance, January 1, 2017  | \$ 222,227   | 296,486   | 518,713          |
| Exchange differences on foreign operations  | (111,394)  | -   | (111,394)        |
| Exchange differences on subsidiaries accounted for using equity method  | (1,083,192)  | -   | (1,083,192)      |
| Unrealized gains (losses) on available-for-sale financial assets  | -  | 486,121   | 486,121          |
| Unrealized gains (losses) on available-for-sale financial assets of associates<br>accounted for using equity method | -  | 82,206  | 82,206           |
| Balance, December 31, 2017  | <u>\$ (972,359)</u>  | <u>864,813</u>  | <u>(107,546)</u> |

(o) Earnings per share

The following are the calculation of basic earnings per share and diluted earnings per share:

|  | <b>For the years ended December<br/>31,</b> |                         |
|--|---|-------------------------|
|  | <b>2018</b>                                 | <b>2017</b>             |
| <b>Basic earnings per share:</b>   |   |                         |
| Profit attributable to ordinary shareholders   | <u><b>\$ 6,499,856</b></u>                  | <u><b>6,754,912</b></u> |
| Weighted average number of ordinary shares<br>(thousand shares)  | <u>3,587,475</u>                            | <u>3,587,475</u>        |
| Basic earnings per share (NT dollars)  | <u><b>\$ 1.81</b></u>                       | <u><b>1.88</b></u>      |
| <b>Diluted earnings per share:</b>   |   |                         |
| Profit attributable to ordinary shareholders of the<br>Company (adjusted for the effects of all dilutive<br>potential ordinary shares) | <u><b>\$ 6,499,856</b></u>                  | <u><b>6,754,912</b></u> |
| Weighted average number of ordinary shares<br>(thousand shares)  | <u>3,587,475</u>                            | <u>3,587,475</u>        |
| Effect of dilutive potential common shares<br>(thousand shares)  |   |                         |
| profit sharing to employees  | <u>26,691</u>                               | <u>21,135</u>           |
| Weighted average number of ordinary shares (adjusted<br>for the effects of all dilutive potential ordinary shares)                     | <u>3,614,166</u>                            | <u>3,608,610</u>        |
| Diluted earnings per share (NT dollars)  | <u><b>\$ 1.80</b></u>                       | <u><b>1.87</b></u>      |

(English Translation of Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

(p) Revenue from contracts with customers

1. Disaggregation of revenue

|                                     | <b>For the years<br/>ended December<br/>31, 2018</b> |
|-------------------------------------|--|
| Primary geographical markets        |  |
| Taiwan                              | \$ 1,151,999   |
| USA                                 | 284,349,970  |
| Japan                               | 9,867,553  |
| Hong Kong, Macao and Mainland China | 10,360,256   |
| Other countries                     | <u>43,068,578</u>                                    |
|                                     | <b><u>\$ 348,798,356</u></b>                         |
| Major products                      |  |
| Computer product                    | \$ 348,207,598                                       |
| Rendering of services               | <u>590,758</u>                                       |
|                                     | <b><u>\$ 348,798,356</u></b>                         |

For details on revenue for the year ended December 31, 2017, please refer to Note 6(q).

2. Contract balances

|                      | <b>2018.12.31</b>          | <b>2018.1.1</b>         |
|----------------------|----------------------------|-------------------------|
| Contract liabilities | <b><u>\$ 5,850,432</u></b> | <b><u>5,302,749</u></b> |

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

The amount of revenue recognized for the year ended December 31, 2018 that was included in the contract liability balance at the beginning of the period was \$1,600,517.

The contract liabilities primarily relate to deferred recognition of warranty revenue, for which revenue is recognized when the warranties are redeemed or when they expire.

(q) Revenue

The details of revenue for the year ended December 31, 2017 was as follows:

|                       | <b>For the year ended<br/>December 31, 2017</b> |
|-----------------------|---|
| Sale of goods         | \$ 322,521,196                                  |
| Rendering of services | <u>605,555</u>                                  |
|                       | <b><u>\$ 323,126,751</u></b>                    |

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

For details on revenue for the year ended December 31, 2018, please refer to Note 6(p).

(r) Remuneration of employees and directors

The Company's articles of incorporation require that earnings shall first be offset against any deficit. A minimum of 3% will be distributed as employee remuneration and a maximum of 3% will be allocated as directors' remuneration.

If the employee remuneration is distributed in the form of stock or cash, the employees qualifying for such distribution shall include the employees of the subsidiaries of the Company who meet certain specific requirements. Such qualified employees and the distribution ratio shall be decided by the Board of Directors.

The remuneration of employees amounted to \$490,803 and \$422,633 and the remuneration of directors amounted to \$97,342 and \$118,337 for the years ended December 31, 2018 and 2017, respectively. These amounts are calculated using the Company's profit before tax for each period described above, and are determined using the earnings allocation method which stated under the Company's article. These remuneration were expensed under operating cost or expenses in 2018 and 2017. Related information would be available at the Market Observation Post System after the meeting of the shareholders has been convened.

There were no differences between the amounts to be distributed as remuneration to employees and directors in 2018 and 2017 and the amounts stated in the individual reports.

(s) Non-operating income and expenses

1. Other income

The details of other income for the years ended December 31, 2018 and 2017, were as follows:

|                 | <b>For the years ended December 31,</b> |               |
|-----------------|---|---------------|
|                 | <b>2018</b>                             | <b>2017</b>   |
| Interest income |   |               |
| Bank deposits   | <b>\$ 63,464</b>                        | <b>44,445</b> |

2. Other income and losses

The details of other income and losses for the years ended December 31, 2018 and 2017, were as follows:

|   | <b>For the years ended December 31,</b> |                |
|---|---|----------------|
|   | <b>2018</b>                             | <b>2017</b>    |
| Gains on disposal of investments  | \$ 64                                   | 1,094,768      |
| Foreign exchange gains (losses)   | 821,241                                 | (1,405,437)    |
| Net gains (losses) on financial assets (liabilities)<br>measured at fair value through profit or loss | (46,259)                                | (25,502)       |
| Other income and losses   | 318,686                                 | 328,374        |
| Net other income and losses   | <b>\$ 1,093,732</b>                     | <b>(7,797)</b> |

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

3. Finance costs

The details of finance expenses for the years ended December 31, 2018 and 2017, were as follows:

|                   | <b>For the years ended December 31,</b> |                |
|-------------------|---|----------------|
|                   | <b>2018</b>                             | <b>2017</b>    |
| Interest expenses |   |                |
| Bank borrowings   | \$ 623,708                              | 327,091        |
| Others            | 527,947                                 | 410,021        |
|                   | <b>\$ 1,151,655</b>                     | <b>737,112</b> |

(t) Reclassification adjustments of components of other comprehensive income

For the year ended December 31, 2017, the reclassification adjustments of components of other comprehensive income amounted for \$1,100,201.

(u) Financial instruments

1. Credit risks

1) Credit risks exposure

The carrying amounts of financial assets represented the maximum credit risk exposure of the Company.

2) Condition of credit risk concentration

Implicit credit risk of the Company is inherent in its cash and accounts receivable. The cash is deposited in different financial institutions. The Company manages the credit risk exposure with each of these financial institutions and believes that cash do not have a significant credit risk concentration.

The major customers of the Company are centralized in the high-tech computer industry. To minimize credit risk, the Company periodically evaluates the Company's financial positions and the possibility of collecting trade receivables.

Besides, the Company monitors and reviews the recoverable amount of the trade receivables to ensure the uncollectible amount are recognized appropriately as impairment loss.

As of December 31, 2018 and 2017, 71% and 61% of accounts receivable were attributable to two major customers. Thus, credit risk is significantly centralized.

(English Translation of Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**2. Liquidity risks**

The following are the contractual maturities of financial liabilities of the Company, including estimation of interest, but excluding the impact of netting arrangements:

|   | Carrying<br>amount    | Contractual<br>cash flows | Less than<br>6 months | 6 to 12<br>months | 1 to 2 years   | 2 to 5 years     | More than<br>5 years |
|---|-----------------------|---------------------------|-----------------------|-------------------|----------------|------------------|----------------------|
| <b>December 31, 2018</b>                                  |                       |                           |                       |                   |                |                  |                      |
| <b>Non-derivative financial liabilities</b>               |                       |                           |                       |                   |                |                  |                      |
| Unsecured bank loans                                      | \$ 25,244,660         | 25,271,898                | 25,271,898            | -                 | -              | -                | -                    |
| Secured bank loans  | 3,600,000             | 3,917,520                 | 125,620               | 174,570           | 345,900        | 1,011,780        | 2,259,650            |
| Accounts payable  | 75,451,271            | 75,451,271                | 75,451,271            | -                 | -              | -                | -                    |
| Other payables  | 2,874,183             | 2,874,183                 | 2,874,183             | -                 | -              | -                | -                    |
| Forward exchange contracts not<br>used for hedging:       |                       |                           |                       |                   |                |                  |                      |
| Outflow   | 3,398                 | (1,228,820)               | (1,228,820)           | -                 | -              | -                | -                    |
| Inflow  | -                     | 1,225,422                 | 1,225,422             | -                 | -              | -                | -                    |
| Foreign exchange swap contracts<br>not used for hedging : |                       |                           |                       |                   |                |                  |                      |
| Outflow   | 1,560                 | (1,226,840)               | (1,226,840)           | -                 | -              | -                | -                    |
| Inflow  | -                     | 1,225,280                 | 1,225,280             | -                 | -              | -                | -                    |
|   | <b>\$ 107,175,072</b> | <b>107,509,914</b>        | <b>103,718,014</b>    | <b>174,570</b>    | <b>345,900</b> | <b>1,011,780</b> | <b>2,259,650</b>     |
| <b>December 31, 2017</b>                                  |                       |                           |                       |                   |                |                  |                      |
| <b>Non-derivative financial liabilities</b>               |                       |                           |                       |                   |                |                  |                      |
| Unsecured bank loans                                      | \$ 14,167,878         | 14,181,937                | 14,181,937            | -                 | -              | -                | -                    |
| Secured bank loans  | 3,600,000             | 3,972,240                 | 25,920                | 25,920            | 300,390        | 1,025,460        | 2,594,550            |
| Accounts payable  | 60,940,950            | 60,940,950                | 60,940,950            | -                 | -              | -                | -                    |
| Other payables  | 2,798,792             | 2,798,792                 | 2,798,792             | -                 | -              | -                | -                    |
| Forward exchange swap contracts<br>not used for hedging : |                       |                           |                       |                   |                |                  |                      |
| Outflow   | 18,613                | (2,983,860)               | (2,983,860)           | -                 | -              | -                | -                    |
| Inflow  | -                     | 2,965,247                 | 2,965,247             | -                 | -              | -                | -                    |
| Foreign exchange contracts<br>not used for hedging:       |                       |                           |                       |                   |                |                  |                      |
| Outflow   | 3,056                 | (597,400)                 | (597,400)             | -                 | -              | -                | -                    |
| Inflow  | -                     | 594,344                   | 594,344               | -                 | -              | -                | -                    |
|   | <b>\$ 81,529,289</b>  | <b>81,872,250</b>         | <b>77,925,930</b>     | <b>25,920</b>     | <b>300,390</b> | <b>1,025,460</b> | <b>2,594,550</b>     |

The Company are not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(English Translation of Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

3.Currency risks

1) Exposure to currency risks

The Company's exposures to significant currency risk were those from its foreign currency denominated financial assets and liabilities as follows:

| <b>2018.12.31</b>            |   |                      |             |
|------------------------------|---|----------------------|-------------|
|                              | <b>Foreign<br/>currency (In<br/>thousand)</b> | <b>Exchange rate</b> | <b>TWD</b>  |
| <u>Financial assets</u>      |   |                      |             |
| <u>Monetary items</u>        |   |                      |             |
| USD                          | \$ 4,301,987                                  | USD : TWD 30.67      | 131,941,941 |
| <u>Non-monetary items</u>    |   |                      |             |
| USD                          | 63,027  | USD : TWD 30.67      | 1,933,037   |
|                              | 136,932                                       | USD : CNY 4.47       | 611,919     |
| <u>Financial Liabilities</u> |   |                      |             |
| <u>Monetary items</u>        |   |                      |             |
| USD                          | 3,320,293                                     | USD : TWD 30.67      | 101,833,386 |
| <b>2017.12.31</b>            |   |                      |             |
|                              | <b>Foreign<br/>currency (In<br/>thousand)</b> | <b>Exchange rate</b> | <b>TWD</b>  |
| <u>Financial assets</u>      |   |                      |             |
| <u>Monetary items</u>        |   |                      |             |
| USD                          | \$ 3,405,081                                  | USD : TWD 29.73      | 101,233,058 |
| <u>Non-monetary items</u>    |   |                      |             |
| USD                          | 59,763  | USD : TWD 29.73      | 1,776,754   |
| <u>Financial Liabilities</u> |   |                      |             |
| <u>Monetary items</u>        |   |                      |             |
| USD                          | 2,489,029                                     | USD : TWD 29.73      | 73,998,832  |

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, loans and borrowings, accounts payable and other payables that are denominated in foreign currency. A 0.5% depreciation or appreciation of the functional currency against all the non-functional currency as of December 31, 2018 and 2017 would have increased or decreased the net profit after tax by \$120,434 and \$113,022, respectively. The analysis is performed on the same basis for both periods.

3) Gains or losses on foreign exchange

For the years ended December 31, 2018 and 2017, the foreign exchange gain (loss), including realized and unrealized, amounted to \$821,241 and \$(1,405,437), respectively. As Company deals with diverse foreign currencies, therefore, the gains or losses on foreign exchange can not be fully disclosed by its materiality.

4. Interest rate analysis

The Company's financial assets and financial liabilities with interest rate exposure risk were noted in the liquidity risk section.

The following sensitivity analysis in interest rates is based on the risk exposure to interest rates on the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date.

If the interest rate increases or decreases by 0.5%, the Company's profit will decrease or increase by \$14,400 and \$14,940 for the years ended December 31, 2018 and 2017, respectively, assuming all other variable factors remain constant. This is mainly due to the Company's variable rate in borrowings.

5. Fair value of financial instruments

1) Fair value hierarchy

The Company uses the observable market data to evaluate its assets and liabilities. The different inputs of levels of fair value hierarchy in determination of fair value are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).



(English Translation of Financial Statements Originally Issued in Chinese)

INVENTEC CORPORATION

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income (available-for-sale financial assets) is measured on a recurring basis. However, for financial instruments not measured at fair value whose carrying amount is estimated reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, the disclosure of their fair value information is not required :

|   | 2018.12.31            |                |               |                |                |
|---|-----------------------|----------------|---------------|----------------|----------------|
|   | Book Value            | Fair Value     |               |                | Total          |
|   |                       | Level 1        | Level 2       | Level 3        |                |
| <b>Financial assets at fair value through profit or loss</b>                              |                       |                |               |                |                |
| Derivative financial assets   | \$ 7,004              | -              | 7,004         | -              | 7,004          |
| Non derivative financial assets mandatorily measured at fair value through profit or loss | 64,553                | -              | -             | 64,553         | 64,553         |
| Subtotal  | 71,557                | -              | 7,004         | 64,553         | 71,557         |
| <b>Financial assets at fair value through other comprehensive income</b>                  |                       |                |               |                |                |
| Stocks of listed companies  | 513,897               | 513,897        | -             | -              | 513,897        |
| Unquoted equity instruments measured at fair value  | 278,365               | -              | 60,430        | 217,935        | 278,365        |
| Subtotal  | 792,262               | 513,897        | 60,430        | 217,935        | 792,262        |
| <b>Financial assets at amortized cost</b>   |                       |                |               |                |                |
| Cash and cash equivalents   | 2,373,511             | -              | -             | -              | -              |
| Accounts receivable and other receivables   | 130,450,432           | -              | -             | -              | -              |
| Refundable deposit  | 33,747                | -              | -             | -              | -              |
| Subtotal  | 132,857,690           | -              | -             | -              | -              |
| <b>Total</b>  | <b>\$ 133,721,509</b> | <b>513,897</b> | <b>67,434</b> | <b>282,488</b> | <b>863,819</b> |
| <b>Financial liabilities at fair value through profit or loss</b>                         |                       |                |               |                |                |
| Derivative financial liabilities  | \$ 4,958              | -              | 4,958         | -              | 4,958          |
| <b>Financial liabilities at amortized cost</b>  |                       |                |               |                |                |
| Bank loans  | 28,844,660            | -              | -             | -              | -              |
| Notes payable and accounts payable  | 75,451,271            | -              | -             | -              | -              |
| Other payables  | 5,767,304             | -              | -             | -              | -              |
| Subtotal  | 110,063,235           | -              | -             | -              | -              |
| <b>Total</b>  | <b>\$ 110,068,193</b> | <b>-</b>       | <b>4,958</b>  | <b>-</b>       | <b>4,958</b>   |

(English Translation of Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

|   | 2017.12.31            |                  |                |               |                  |
|---|-----------------------|------------------|----------------|---------------|------------------|
|   | Book Value            | Fair Value       |                |               | Total            |
|   |                       | Level 1          | Level 2        | Level 3       |                  |
| <b>Financial assets at fair value through profit or loss</b>      |                       |                  |                |               |                  |
| Derivative financial assets                                       | \$ 23,286             | -                | 23,286         | -             | 23,286           |
| <b>Available-for-sale financial assets</b>                        |                       |                  |                |               |                  |
| Stocks of listed companies  | 1,149,740             | 1,149,740        | -              | -             | 1,149,740        |
| Unquoted equity instruments                                       | 171,327               | -                | 148,604        | 22,723        | 171,327          |
| Subtotal  | 1,321,067             | 1,149,740        | 148,604        | 22,723        | 1,321,067        |
| <b>Financial assets at cost</b>                                   | 370,916               | -                | -              | -             | -                |
| <b>Loans and receivables</b>                                      |                       |                  |                |               |                  |
| Cash and cash equivalents   | 5,205,101             | -                | -              | -             | -                |
| Accounts receivable and other receivables                         | 97,372,964            | -                | -              | -             | -                |
| Refundable deposits   | 21,470                | -                | -              | -             | -                |
| Subtotal  | 102,599,535           | -                | -              | -             | -                |
| <b>Total</b>  | <b>\$ 104,314,804</b> | <b>1,149,740</b> | <b>171,890</b> | <b>22,723</b> | <b>1,344,353</b> |
| <b>Financial liabilities at fair value through profit or loss</b> |                       |                  |                |               |                  |
| Derivative financial liabilities                                  | \$ 21,669             | -                | 21,669         | -             | 21,669           |
| <b>Financial liabilities at amortized cost</b>                    |                       |                  |                |               |                  |
| Bank loans  | 17,767,878            | -                | -              | -             | -                |
| Notes payable and accounts payable                                | 60,940,950            | -                | -              | -             | -                |
| Other payables  | 5,265,263             | -                | -              | -             | -                |
| <b>Total</b>  | <b>\$ 83,995,760</b>  | <b>-</b>         | <b>21,669</b>  | <b>-</b>      | <b>21,669</b>    |

2) Valuation techniques and assumption for financial instruments measured at fair value:

The fair value of financial assets and liabilities were decided in accordance with the solutions as follows:

(2.1) Non-derivative financial instruments

- A. The stocks of listed companies are financial assets with standard terms which are traded in the active markets. Their fair values are based on the quoted market prices.
- B. The fair value of private equity is based on standard terms and quoted market prices.
- C. The fair value of unquoted instruments were estimated using either the discounted cash flow model in which future cash flow were estimated and discounted or the fair value of the recognized assets and liabilities of the consolidated subsidiaries on the measurement day.

(English Translation of Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

(2.2) Derivative financial instruments

Foreign exchange swap and forward exchange were usually evaluated in the latest forward rate.

3) Transfers between level 1 and level 2

There were no transfers between level 1 and level 2 of the fair value for the years ended December 31, 2018 and 2017.

4) The following table shows the movements in fair value measurements under level 3 of the fair value hierarchy:

|  | <b>At fair value<br/>through profit or<br/>loss</b> | <b>Fair value<br/>through other<br/>comprehensive<br/>income<br/>(Available-for-sale<br/>financial assets)</b> |
|--|---|--|
| <b>Balance as of January 1, 2018</b>   | \$ 88,826   | 291,632  |
| Total gains and losses recognized in   |   |  |
| Profit or loss                         | (27,477)  | -  |
| Other comprehensive income             | -   | (70,932)   |
| Purchase                               | 3,204   | -  |
| Proceeds from capital reduction        | -   | (2,765)  |
| <b>Balance as of December 31, 2018</b> | <b><u>\$ 64,553</u></b>                             | <b><u>217,935</u></b>  |
| <b>Balance as of January 1, 2017</b>   | \$ -  | 29,517   |
| Total gains and losses recognized in   |   |  |
| Other comprehensive income             | -   | 4,470  |
| Proceeds from capital reduction        | -   | (11,264)   |
| <b>Balance as of December 31, 2017</b> | <b><u>\$ -</u></b>                                  | <b><u>22,723</u></b>   |

The amount reclassified under IFRS 9 has been included in the balance as of January 1, 2018.

(English Translation of Financial Statements Originally Issued in Chinese)

INVENTEC CORPORATION

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

For the years ended December 31, 2018 and 2017, total gains and losses included in “unrealized gains and losses from available-for-sale financial assets” and “unrealized gains and losses from financial assets at fair value through other comprehensive income” were as follows:

|  | For the years ended December 31, |       |
|--|----------------------------------|-------|
|  | 2018                             | 2017  |
| Total gains and losses recognized in:  |                                  |       |
| In profit or loss, and included “other gains and losses”   | \$ (27,477)                      | -     |
| In other comprehensive income, and presented in “unrealized gains and losses from available-for-sale financial assets”                                 | -                                | 4,470 |
| In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income” ) | (70,932)                         | -     |

5) Quantified information for significant unobservable inputs (Level 3) used in fair value measurement

The Company uses level 3 inputs to measure fair value through profit or loss, and fair value through other comprehensive income (available-for-sale) financial assets.

Quantified information of significant unobservable inputs was as follows:

| Item  | Valuation Technique                | Significant Non-observable Input                 | The Relationship between Significant Non-observable Input and Fair Value                             |
|---|------------------------------------|--|--|
| Financial assets at fair value through other comprehensive income—equity instruments investments without an active market                                       | Comparable Listed Companies Method | • Discount due to Lack of Market liquidity (30%) | • The estimated fair value would increase (decrease) if the marketability discount is lower (higher) |
| Financial assets at fair value through other comprehensive income (Available-for-sale financial assets)—equity instruments investments without an active market | Net Asset Value Method             | • Net Asset Value                                | • No applicable  |

6) Sensitivity analysis for fair values of financial instruments using Level 3 Inputs

The Company's fair value measurement on financial instruments is reasonable. However, the measurement would differ if different valuation models or valuation parameters are used. For financial instruments using level 3 inputs, if the valuation parameters are changed, the impact on net income or loss and other comprehensive income or loss will be as follows:

|   | Input           | Variation | Impact on Fair Value Change on Net income or loss |                    | Impact on Fair Value Change on Other Comprehensive income or loss |                    |
|---|-----------------|-----------|---|--------------------|---|--------------------|
|   |                 |           | Favorable Change                                  | Unfavorable Change | Favorable Change  | Unfavorable Change |
| <b>December 31, 2018</b>  |                 |           |   |                    |   |                    |
| Financial assets at fair value through other comprehensive income |                 |           | \$  |                    |   |                    |
| Equity instruments without an active market                       | Market Multiple | 0.5%      | -   | -                  | 507   | (507)              |

(English Translation of Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

The favorable change and unfavorable change refer to the fluctuation of fair value. The fair value is calculated based on the different levels of unobservable inputs. The table above shows the impact on single input. Therefore, the relations and variations between inputs are not considered.

**6. Offsetting financial assets and financial liabilities**

The Company has financial instruments transactions applicable to the International Financial Reporting Standards Sections 42 NO. 32 approved by the FSC which required for offsetting. Financial assets and liabilities relating those transactions are recognized in the net amount of the balance sheets.

The Company also performs transactions not applicable to the International Financial Reporting Standards Sections 42 NO. 32, but the Company has an exercisable master netting arrangement or similar agreement in place with its counterparties, and both parties reach a consensus regarding net settlement. The aforesaid exercisable master netting arrangement or similar agreement can be net settled after offsetting the financial assets and financial liabilities. Otherwise, the transaction can be settled at the total amount. In the event of default involving one of the parties, the other party can have the transaction net settled.

The following tables present the aforesaid offsetting financial assets and financial liabilities.

| 2018.12.31  |   |   |  |                          |                           |       |
|---|---|---|--|--------------------------|---------------------------|-------|
| Financial assets that are offset which have an exercisable master netting arrangement or similar agreement      |   |   |  |                          |                           |       |
| Gross amounts of recognized financial assets<br>(a)   | Gross amounts of financial liabilities offset in the balance sheet<br>(b) | Net amount of financial assets presented in the balance sheet<br>(c)=(a)-(b)      | Amounts not off set in the balance sheet (d) |                          | Net amount<br>(e)=(c)-(d) |       |
|   |   |   | Financial instruments<br>(Note)              | Cash collateral received |                           |       |
| Derivative financial instruments  | \$ 4,238  | -   | 4,238  | -                        | -                         | 4,238 |
|   |   |   |  |                          |                           |       |
| 2018.12.31  |   |   |  |                          |                           |       |
| Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement |   |   |  |                          |                           |       |
| Gross amounts of recognized financial liabilities<br>(a)  | Gross amounts of financial assets offset in the balance sheet<br>(b)      | Net amount of financial liabilities presented in the balance sheet<br>(c)=(a)-(b) | Amounts not off set in the balance sheet (d) |                          | Net amount<br>(e)=(c)-(d) |       |
|   |   |   | Financial instruments<br>(Note)              | Cash collateral received |                           |       |
| Derivative financial instruments  | \$ 3,704  | -   | 3,704  | -                        | -                         | 3,704 |

(English Translation of Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

| 2017.12.31   |   |  |  |                          |                           |
|--|---|--|--|--------------------------|---------------------------|
| Financial assets that are offset which have an exercisable master netting arrangement or similar agreement |   |  |  |                          |                           |
| Gross amounts of recognized financial assets<br>(a)  | Gross amounts of financial liabilities offset in the balance sheet<br>(b) | Net amount of financial assets presented in the balance sheet<br>(c)=(a)-(b) | Amounts not off set in the balance sheet (d) |                          | Net amount<br>(e)=(c)-(d) |
|  |   |  | Financial instruments<br>(Note)              | Cash collateral received |                           |
| Derivative financial instruments   | \$ 21,669   | -  | 21,669                                       | -                        | 21,669                    |

Note: Master netting arrangements and non-cash financial collaterals are included.

(v) Financial risk management

1. Overview

The Company have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Company' s objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying parent company only financial statements.

2. Risk management framework

The Company are exposed to credit risk, market risk, operating risk and liquidity risk due to its operating activities. To lower the latent unfavorable effects of changing market to the Company' s financial performance, the Company have made efforts in identifying and evaluating the risks and avoiding the uncertainty of the market through derivative financial instruments.

The Board of Directors has the overall responsibility for the establishment and oversight of the Company' s risk management framework. The financial units follows the risk management policies, and report the operating status to the Board of Directors regularly. The internal auditors perform regular reviews by taking risk management control procedures and report to the Board of Directors.

3. Credit risk

Please refer to Note 6(u) for the analysis of credit risk of cash, cash equivalent and accounts receivable.

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**4. Liquidity risk**

Liquidity risk is a risk that the Company is unable to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as much as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company use actual cost to estimate the cost of its products and services to better assist the Company's monitoring on the cash flow and optimizing the return on investment. As of December 31, 2018, the capital and working funds of the Company are sufficient to meet its entire contractual obligation; therefore, the management is not expecting any significant issue on liquidity risk. As of December 31, 2018 and 2017, the Company's unused credit line were amounted to \$29,069,110 and \$34,946,672, respectively.

**5. Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate, and equity prices which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Company.

**1) Currency risk**

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Company primarily the New Taiwan Dollars (TWD). The currencies used in these transactions are denominated in TWD and USD.

The Company often uses the principle of natural hedging as its basis, and proceed supplemented by derivative instruments for hedging exchange rate risk.

The interest is denominated in the same currency as borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Company. This provides an economic hedge without derivatives being entered into, and therefore, hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

2) Interest rate risk

The Company's interest rate risk arises from long-term borrowings bearing floating interest rates. The fluctuation of the market interest rate changes the floating interest rates of the long-term borrowings, and thus affect the future cash flow. In order to decrease the effect of the market interest rate fluctuation on to the future cash flow, the Company periodically evaluates bank and currency borrowing rate to hedge the cash flow risk caused by the market interest rate fluctuation.

(z) Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, additional paid-in capital, retained earnings of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Company's objective for managing capitals is to maintain investor, creditor and market confidence, and to sustain future development of the business by making debts and capital the most suitable capital structure and optimizing the best of it based on industrial scales, future growth development, and capital expenditures needed for plants and equipment. Thus, the Company calculates the operating funds based on the life cycle of the products, plans for the development in the long run, and then decides the most suitable capital structure considering the business cycle.

The Company ensures the financial resources and the operating plan are sufficient to support the future needs of operating funds, capital expenditures, debt refunding and dividend distribution.

The Company's debt to equity ratio at the reporting date was as follows:

|                                 | <b>2018.12.31</b>    | <b>2017.12.31</b> |
|---------------------------------|----------------------|-------------------|
| Total Liabilities               | \$ 124,317,152       | 98,072,069        |
| Less: cash and cash equivalents | (2,373,511)          | (5,205,101)       |
| Net debt                        | 121,943,641          | 92,866,968        |
| Total Equity                    | <b>\$ 55,364,481</b> | <b>55,682,837</b> |
| Debt to equity ratio            | <b>220.26%</b>       | <b>166.78%</b>    |

According to the Company's management, there were no changes in the Company's approach to capital management as of December 31, 2018.



(English Translation of Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

- (x) Investing and financing activities not affecting current cash flow

The Company has no investing and financing activities which did not affect the current cash flow for the year ended December 31, 2018.

Reconciliation of liabilities arising from financing activities was as follows:

|  |                        |                   | <b>Non-cash changes</b> |                                  |                          |
|--|------------------------|-------------------|-------------------------|----------------------------------|--------------------------|
|  | <b>January 1, 2018</b> | <b>Cash flows</b> | <b>Reclassification</b> | <b>Foreign exchange movement</b> | <b>December 31, 2018</b> |
| Long-term borrowings   | \$ 3,600,000           | -                 | (250,000)               | -                                | 3,350,000                |
| Short-term borrowings(including current portion of long-term borrowings) | 14,167,878             | 11,233,940        | 250,000                 | (157,158)                        | 25,494,660               |
| Total liabilities from financing activities                              | <b>\$ 17,767,878</b>   | <b>11,233,940</b> | <b>-</b>                | <b>(157,158)</b>                 | <b>28,844,660</b>        |

**(7) Related Party Transactions**

- (a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the parent company only financial statements.

| <b>Name of related party</b>                   | <b>Relationship with the Company</b>                          |
|--|---|
| Inventec Besta Co., Ltd.                       | Associates  |
| Inventec Group Charity Foundation              | Over one-third of total amount of fund donated by the Company |
| Inventec Corporation (Hong Kong) Ltd.          | Subsidiary  |
| Inventec Holding (North America) Corp.         | Subsidiary  |
| Inventec (Czech), s.r.o                        | Subsidiary  |
| Inventec Development Japan Corporation         | Subsidiary  |
| Inventec Investment Co., Ltd.                  | Subsidiary  |
| AIMobile Co., Ltd.                             | Joint venture   |
| Inventec Solar Energy Corporation              | Subsidiary  |
| E-TON Solar Tech Co., Ltd.                     | Subsidiary  |
| Inventec Energy Corporation                    | Subsidiary  |
| Inventec Appliances Corp.                      | Subsidiary  |
| Inventec Manufacturing (India) Private Limited | Subsidiary  |
| Inventec Appliances (Jiangning) Corp.          | Indirect holding subsidiary                                   |
| TPV-Inventa Technology Co., Ltd.               | Indirect holding subsidiary                                   |

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

(b) Significant transactions with related parties

1. Sale revenue

The amounts of significant sales transactions and outstanding balances between the Group and related parties were as follows:

|  | <b>For the years ended December 31,</b> |                           |
|--|---|---------------------------|
|  | <b>2018</b>                             | <b>2017</b>               |
| Subsidiaries                           |   |                           |
| Inventec Holding (North America) Corp. | \$ 65,414,426                           | 74,029,552                |
| Inventec (Czech), s.r.o                | 32,901,012                              | 37,386,652                |
| Other subsidiaries                     | 164,565                                 | 29,867                    |
| Associates                             | 8                                       | 1,139                     |
|  | <b><u>\$ 98,480,011</u></b>             | <b><u>111,447,210</u></b> |

After the Company receives the orders from all regions, the production and marketing department arranges to sell semi-finished products to the subsidiaries. The price is determined in accordance with mutual agreements. Since the subsidiaries are the overseas offices providing after-sales and assembling service, there is no other comparable objects, and the average collection terms are 90 days for sales.

For associates and other related parties, the price and terms were determined in accordance with mutual agreements with its collection terms of OA 90 days for sales. Receivables from related parties were not secured with collaterals.

Unrealized profit (loss) from sales to the subsidiaries of the Company for the years ended December 31, 2018 and 2017 were \$18,889 and \$13,751 respectively.

2. Purchase

The amounts of significant purchase transactions between the Company and related parties were as follows:

|                                       | <b>For the years ended December 31,</b> |                           |
|---------------------------------------|---|---------------------------|
|                                       | <b>2018</b>                             | <b>2017</b>               |
| Subsidiaries                          |   |                           |
| Inventec Corporation (Hong Kong) Ltd. | 258,340,144                             | 219,962,592               |
| Other subsidiaries                    | 755,812                                 | 871,864                   |
| Associates                            | -                                       | 184                       |
|                                       | <b><u>\$ 259,095,956</u></b>            | <b><u>220,834,640</u></b> |

(English Translation of Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

For the Company's purchase of materials used for after-sales service from subsidiaries, the price and terms were determined in accordance with mutual agreements with payment terms of 60~90 days. In addition, there is no other vendor as comparison for the Company's purchases to the associates, and the purchase prices are based on the settling price agreed by both sides. The payment term is 30~75 days.

**3.Accounts receivable from related parties**

The amounts of accounts receivable between the Company and related parties were as follows:

| <b>Financial Statement<br/>Account</b> | <b>Related Party<br/>Categories</b>    | <b>2018.12.31</b>    | <b>2017.12.31</b> |
|--|--|----------------------|-------------------|
| Accounts receivable                    | Subsidiaries                           |                      |                   |
|  | Inventec Holding (North America) Corp. | \$ 15,381,248        | 25,309,516        |
|  | Inventec (Czech), s.r.o                | 13,173,039           | 15,210,478        |
|  | Other subsidiaries                     | 112,752              | 341,137           |
| Accounts receivable                    | Associates                             | -                    | 1,085             |
| Other receivables                      | Subsidiaries                           |                      |                   |
|  | Inventec Corporation (Hong Kong) Ltd.  | 52,836,155           | 28,548,055        |
|  | Other subsidiaries                     | 70,459               | 74,193            |
|  | Associates                             | 2,776                | 7,605             |
|  |  | <b>\$ 81,576,429</b> | <b>69,492,069</b> |

Note: Other receivables from subsidiaries are mainly generated from purchasing material for subsidiaries.

**4.Accounts payable to Related Parties**

The amounts of accounts payables between the Company and related parties were as follows:

| <b>Financial Statement<br/>Account</b> | <b>Related Party<br/>Categories</b>   | <b>2018.12.31</b>    | <b>2017.12.31</b> |
|--|---------------------------------------|----------------------|-------------------|
| Accounts payable                       | Subsidiaries                          |                      |                   |
|  | Inventec Corporation (Hong Kong) Ltd. | \$ 42,694,889        | 30,031,417        |
|  | Other subsidiaries                    | 249,261              | 813,321           |
| Other payables                         | Subsidiary                            | 230,087              | 222,850           |
| Other payables                         | Associates                            | 881                  | 109               |
|  |                                       | <b>\$ 43,175,118</b> | <b>31,067,697</b> |

Note: Other payables are mainly the payments of computer software, toolings, payment on behalf of others and software development.

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**5. Property transactions**

**1) Acquisition of property, plant, equipment**

For the years ended December 31, 2018 and 2017, the Company purchased property, plant, equipment from subsidiaries, and associates and paid the amount \$6,177 and \$4,258, respectively.

**2) Disposal of property, plant and equipment**

For the years ended December 31, 2018 and 2017, the Company sold machinery, office equipment and software to subsidiaries. The total prices were \$2,100 and \$1,912, respectively, and gain on property disposal were \$755 and \$388, respectively.

**3) For the years ended December 31, 2018 and 2017, the Company purchased software for products from Inventec Corporation (Hong Kong) Ltd., amounted to \$152,320 and \$171,863, respectively. The price and term were determined in accordance with mutual agreements with payment term within three months.**

**4) In 2000, the Company paid property, deferred assets, assets stated under expense to investment Inventec Appliances Corp. resulting in gain on disposal of \$103,713 and other revenue of \$31,693. In addition, selling of property, plant and equipment, deferred assets and assets stated under expense has generated gain on disposal of \$5,829 and other revenue of \$6,427. As of December 31, 2018 and 2017, the unrealized gain on property disposal were \$20,412 and \$21,174, respectively.**

**5) In 1999, the Company sold property, deferred assets, assets stated under expense and trademarks to Inventec Besta Co., Ltd., resulting in a gain on property disposal of \$51,712 and other revenue of \$40,453. As of December 31, 2018 and 2017, the unrealized other revenues are both \$1,211.**

**6. After-sale service and product maintenance**

The payments of after-sale service and product maintenance to related parties were as follows:

|  | <b>For the years ended December 31,</b> |                |
|--|---|----------------|
|  | <b>2018</b>                             | <b>2017</b>    |
| Subsidiaries                           |   |                |
| Inventec Holding (North America) Corp. | \$ 436,168                              | 464,401        |
| Inventec Corporation (Hong Kong) Ltd.  | 379,411                                 | 203,516        |
| Other subsidiaries                     | 55,500                                  | 60,449         |
|  | <b>\$ 871,079</b>                       | <b>728,366</b> |

(English Translation of Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

7. Others

1) Rental and building management fee collected from and related parties were as follows:

|              | <b>For the years ended December 31,</b> |                |
|--------------|---|----------------|
|              | <b>2018</b>                             | <b>2017</b>    |
| Subsidiaries | \$ 95,983                               | 101,687        |
| Associates   | 9,669                                   | 13,304         |
|              | <b>\$ 105,652</b>                       | <b>114,991</b> |

2) For the years ended December 31, 2018 and 2017, the amount of donation for other related parties were \$14,000 and \$12,000, respectively.

(c) Key management personnel compensation

Key management personnel compensation includes:

|                              | <b>For the years ended December 31,</b> |                |
|------------------------------|---|----------------|
|                              | <b>2018</b>                             | <b>2017</b>    |
| Short-term employee benefits | \$ 388,067                              | 417,445        |
| Post-employment benefit      | 1,894                                   | 4,966          |
|                              | <b>\$ 389,961</b>                       | <b>422,411</b> |

**(8) Pledged Assets**

The carrying values of pledged assets were as follows:

| <b>Pledged assets</b>   | <b>Object</b>                              | <b>2018.12.31</b>   | <b>2017.12.31</b> |
|---|--|---------------------|-------------------|
| Refundable deposits (Other non-current assets)  | Customs duty guarantee and membership card | \$ 33,747           | 21,470            |
| Land, buildings, structures, machinery and equipment, net (Property, plant and equipment) | Long-term borrowings                       | 5,947,052           | 6,000,413         |
| Total   |  | <b>\$ 5,980,799</b> | <b>6,021,883</b>  |

**(9) Significant Commitments and Contingencies**

(a) Major Commitments:

1. Unused standby letters of credit were as follows: None.

2. Promissory notes issued for the bank credit were as follows:

|     | <b>2018.12.31</b> | <b>2017.12.31</b> |
|-----|-------------------|-------------------|
| TWD | \$ 15,375,000     | 14,075,000        |
| USD | 1,281,000         | 1,185,000         |

(b) Contingencies: None.

(English Translation of Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION**

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

(10) **Losses Due to Major Disasters : None.**

(11) **Subsequent Events : None.**

(12) **Other**

(a) The employee benefits, depreciation, depletion and amortization expenses categorized by function were as follows:

| By function<br>By item     | For the years ended December 31, 2018 |                                     |           | For the years ended December 31, 2017 |                                     |           |
|----------------------------|---------------------------------------|-------------------------------------|-----------|---------------------------------------|-------------------------------------|-----------|
|                            | Operating costs                       | Operating and non-operating expense | Total     | Operating costs                       | Operating and non-operating expense | Total     |
| Employee benefits          |                                       |                                     |           |                                       |                                     |           |
| Salary                     | 482,976                               | 4,204,510                           | 4,687,486 | 396,673                               | 4,128,549                           | 4,525,222 |
| Labor and health insurance | 37,847                                | 293,131                             | 330,978   | 27,753                                | 275,912                             | 303,665   |
| Pension                    | 19,125                                | 177,713                             | 196,838   | 15,560                                | 163,759                             | 179,319   |
| Remuneration of directors  | -                                     | 122,183                             | 122,183   | -                                     | 141,388                             | 141,388   |
| Others                     | 14,414                                | 96,805                              | 111,219   | 13,756                                | 88,754                              | 102,510   |
| Depreciation               | 42,348                                | 305,047                             | 347,395   | 23,480                                | 273,956                             | 297,436   |
| Amortization               | 179,137                               | 363,843                             | 542,980   | 177,514                               | 362,647                             | 540,161   |

In 2018 and 2017, the number of employees was 4,301 and 3,897, respectively, of which 4 directors were both not in concurrent employment.

(13) **Other disclosures**

(a) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 2018:

1. Loans to other parties:

(In Thousands of New Taiwan Dollars)

| Number | Name of lender                     | Name of borrower                                   | Account name         | Related party | Highest balance of financing to other parties during the period | Ending balance | Actual usage amount during the period | Range of interest rates during the period | Purposes of fund financing for the borrower | Transaction amount for business between two parties | Reasons for short-term financing | Allowance for bad debt | Collateral |       | Individual funding loan limits | Maximum limit of fund financing |
|--------|------------------------------------|--|----------------------|---------------|---|----------------|---------------------------------------|---|---|---|----------------------------------|------------------------|------------|-------|--------------------------------|---------------------------------|
|        |                                    |  |                      |               |   |                |                                       |   |   |   |                                  |                        | Item       | Value |                                |                                 |
| 1      | Inventec (Chongqing) Corp.(Note 2) | Inventec Huan Hsin (Zhejiang) Technology Co., Ltd. | Other current assets | Y             | 153,945   | 147,477        | 147,477                               | 3%  | 2   | -   | Working Capital                  | -                      | None       | -     | 6,125,735                      | 6,806,372                       |
| 1      | "                                  | Inventec Asset-Management (Shanghai) Corporation   | Other receivables    | Y             | 1,841,600   | 536,280        | 536,280                               | 4.6%                                      | 2   | -   | "                                | -                      | "          | -     | 2,722,549                      | 3,025,054                       |

## (English Translation of Financial Statements Originally Issued in Chinese)

## INVENTEC CORPORATION

## NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

| Number | Name of lender                                   | Name of borrower                                 | Account name      | Related party | Highest balance of financing to other parties during the period | Ending balance | Actual usage amount during the period | Range of interest rates during the period | Purposes of fund financing for the borrower | Transaction amount for business between two parties | Reasons for short-term financing | Allowance for bad debt | Collateral |       | Individual funding loan limits | Maximum limit of fund financing |
|--------|--|--|-------------------|---------------|---|----------------|---------------------------------------|---|---|---|----------------------------------|------------------------|------------|-------|--------------------------------|---------------------------------|
|        |  |  |                   |               |   |                |                                       |   |   |   |                                  |                        | Item       | Value |                                |                                 |
| 2      | Inventec (Pudong) Technology Corp.(Note 3)       | Inventec Asset-Management (Shanghai) Corporation | Other receivables | Y             | 1,443,354   | 580,970        | 265,906                               | 5.225%                                    | 2   | -   | Working Capital                  | -                      | "          | -     | 1,460,490                      | 1,825,612                       |
| 3      | Inventec Appliances (Nanjing) Corp.(Note 4)      | Inventec Appliances (XTAN) Corporation           | "                 | Y             | 142,290   | 116,194        | 98,318                                | 3.045%                                    | 2   | -   | "                                | -                      | "          | -     | 324,421                        | 324,421                         |
| 4      | Inventec Appliances (Shanghai) Co., Ltd.(Note 4) | Inventec Appliances (Jiangning) Corp.            | "                 | Y             | 835,380   | -              | -                                     | -   | 2   | -   | Pay Bank Loans                   | -                      | None       | -     | 1,896,091                      | 1,896,091                       |

Note 1: (1)Those with business contact, please fill in 1.

(2)Those necessary for short term financing, please fill in 2.

Note 2: Where an inter-company or inter-firm short-term financing facility is necessary, total financing amount shall not exceed 40 percent of the company's net worth as stated in its latest financial report. Each financing amount shall not exceed 90 percent of the permitted aggregate amount of loans of the company; Among Subsidiaries which the parent company holds 100% voting power, aggregate amount of loans shall not exceed 90 percent of the company's net worth as stated in its latest financial report and each amount of loans shall not exceed 90 percent of the permitted aggregate amount of loans of the company.

Note 3: Where an inter-company or inter-firm short-term financing facility is necessary, provided as below:

(1)Total financing amount shall not exceed 40 percent of the company's net worth as stated in its latest financial report.

(2)Each financing amount shall not exceed 80 percent of the permitted aggregate amount of loans of the company.

Note 4: Among Subsidiaries which the parent company holds 100% voting power, aggregate amount of loans shall not exceed the company's net worth as stated in its latest financial report, and each amount of loans shall not exceed 100 percent of the permitted aggregate amount of loans of the company.

Note 5: The transactions in foreign currencies were exchanged to New Taiwan Dollars in spot rate at the date of the audited entity's financial reports.

2. Guarantees and endorsements for other parties: None.

3. Securities held as balance sheet date (excluding investment subsidiaries, associates and joint ventures) :

(In Thousands of New Taiwan Dollars)

| Name of holder | Category and name of security               | Relationship with company | Account title   | Ending balance           |                |                             |                    | Note |
|----------------|---|---------------------------|---|--------------------------|----------------|-----------------------------|--------------------|------|
|                |   |                           |   | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | Fair value (Note1) |      |
| The Company    | WK Technology Fund IV Corp.                 | -                         | Non-current financial assets at fair value through other comprehensive income | 645                      | 4,128          | 1.52%                       | 4,128              |      |
| "              | Global Strategy Venture Capital Corporation | -                         | "   | 2,835                    | 15,819         | 6.45%                       | 15,819             |      |
| "              | Arima Communications Corp.                  | -                         | "   | 21,114                   | 60,430         | 10.15%                      | 60,430             |      |
| "              | WIN Semiconductors Corp.                    | -                         | Current financial assets at fair value through other comprehensive income     | 4,063                    | 479,397        | 0.96%                       | 479,397            |      |
| "              | Asia Pacific Telecom Co., Ltd.              | -                         | Non-current financial assets at fair value through other comprehensive income | 5,000                    | 34,500         | 0.12%                       | 34,500             |      |

(English Translation of Financial Statements Originally Issued in Chinese)

INVENTEC CORPORATION

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

| Name of holder                                      | Category and name of security                                    | Relationship with company | Account title   | Ending balance           |                |                             |                    | Note   |
|---|--|---------------------------|---|--------------------------|----------------|-----------------------------|--------------------|--------|
|   |  |                           |   | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | Fair value (Note1) |        |
| The Company   | Tomorrow Studio Co., Ltd.  | -                         | Non-current financial assets at fair value through other comprehensive income | 129                      | 238            | 0.61%                       | 238                |        |
| "   | Tai Yi Precision Corporation                                     | -                         | "   | 2,540                    | -              | 6.67%                       | -                  |        |
| "   | New E Materials Co., Ltd.  | -                         | "   | 4,400                    | 36,652         | 16.00%                      | 36,652             |        |
| "   | Rasilient Systems, Inc. preference share                         | -                         | "   | 3,632                    | -              | 6.20%                       | -                  |        |
| "   | SKSpruce Holding Limited preferred stock                         | -                         | "   | 3,070                    | 61,340         | 3.49%                       | 61,340             |        |
| "   | CloudMosa Technologies, Inc. preferred stock                     | -                         | "   | 235                      | 17,959         | 2.95%                       | 17,959             |        |
| "   | QEEXO, Co. preferred stock                                       | -                         | "   | 568                      | 9,134          | 3.11%                       | 9,134              |        |
| "   | Planetary Network Technologies, Inc. preferred stock             | -                         | "   | 915                      | 30,670         | 2.97%                       | 30,670             |        |
| "   | Rescale, Inc. preferred stock                                    | -                         | "   | 355                      | 17,589         | 1.53%                       | 17,589             |        |
| "   | Sensel, Inc. preferred stock                                     | -                         | "   | 532                      | 24,406         | 4.23%                       | 24,406             |        |
| "   | SKSpruce Holding Limited convertible short-term note             | -                         | Current financial assets at fair value through profit or loss                 | -                        | 61,340         | -                           | %                  | 61,340 |
| "   | Planetary Network Technologies, Inc. convertible short-term note | -                         | "   | -                        | 3,213          | -                           | %                  | 3,213  |
| Inventec (Beijing) Electronics Technology Co., Ltd. | Bank of Communications Pension CNY Financial products            | -                         | "   | -                        | 52,055         | -                           | %                  | 52,055 |
| Inventec Development Japan Corporation              | Famm Co., Ltd.   | -                         | Non-current financial assets at fair value through other comprehensive income | 100                      | 13,252         | 14.30%                      | 13,252             |        |
| Inventec Investments Co., Ltd.                      | EPISTAR Corporation  | -                         | Current financial assets at fair value through profit or loss                 | 1,761                    | 45,085         | 0.16%                       | 45,085             |        |
| "   | UCFUNNEL CO LTD  | -                         | Non-current financial assets at fair value through other comprehensive income | 83                       | 3,899          | 5.00%                       | 3,899              |        |
| "   | DIITU GLOBAL INC.  | -                         | "   | 1                        | 10             | 10.00%                      | 10                 |        |
| "   | Sagacity Tech. Co., Ltd.   | -                         | "   | 79                       | 168            | 15.00%                      | 168                |        |
| "   | Living Pattern Technology Inc.                                   | -                         | "   | 4                        | 756            | 13.70%                      | 756                |        |
| E-TON Solar Tech. Co., Ltd                          | Hua-chuang Automobile Information Technical Center Co., Ltd.     | -                         | Non-current financial assets at fair value through other comprehensive income | 2,830                    | 28,866         | 0.86%                       | 28,866             |        |



(English Translation of Financial Statements Originally Issued in Chinese)

INVENTEC CORPORATION

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

| Name of holder   | Category and name of security                            | Relationship with company | Account title   | Ending balance           |                |                             |                    | Note |
|--|--|---------------------------|---|--------------------------|----------------|-----------------------------|--------------------|------|
|  |  |                           |   | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | Fair value (Note1) |      |
| Inventec Appliances Corp.  | EPISTAR Corporation                                      | -                         | Current financial assets at fair value through profit or loss                 | 500                      | 12,800         | 0.05%                       | 12,800             |      |
| "  | Rong Cheng Tech. Co., Ltd.                               | -                         | Non-current financial assets at fair value through other comprehensive income | 1,950                    | -              | 9.38%                       | -                  |      |
| "  | Tai Yi Precision Corporation                             | -                         | "   | 635                      | -              | 1.67%                       | -                  |      |
| "  | Siano Mobile Silicon Inc.                                | -                         | "   | 461                      | -              | 0.15%                       | -                  |      |
| "  | GCT Semiconductor, Inc.                                  | -                         | "   | 93                       | -              | 0.12%                       | -                  |      |
| "  | Pandigital Worldwide, Ltd.                               | -                         | "   | 939                      | -              | 4.80%                       | -                  |      |
| "  | 3GTMobile Corporation                                    | -                         | "   | 314                      | -              | 2.88%                       | -                  |      |
| "  | Linc Global Inc. (Proximiant, Inc.)                      | -                         | "   | 594                      | -              | 5.30%                       | -                  |      |
| Inventec Appliances (Cayman) Holding Corp.                         | Siano Mobile Silicon Inc.                                | -                         | "   | 99                       | -              | 0.03%                       | -                  |      |
| "  | Leadtone Limited(Class B preferred stock)                | -                         | "   | 1,250                    | -              | 2.36%                       | -                  |      |
| "  | Digital Chaotex Holdings Ltd.( Class A2 preferred stock) | -                         | "   | 446                      | -              | 2.08%                       | -                  |      |
| Inventec Appliances (Shanghai) Co., Ltd.                           | BOC Guaranteed CNY On Schedule Financial Product         | -                         | Current financial assets at fair value through profit or loss                 | -                        | 292,229        | - %                         | 292,229            |      |
| "  | SCSB Winners CNY Financial Product                       | -                         | "   | -                        | 326,882        | - %                         | 326,882            |      |
| Inventec Appliances (Nanjing) Co. Ltd.                             | "  | -                         | "   | -                        | 139,842        | - %                         | 139,842            |      |
| Inventec Appliances (Jiangning) Corp.                              | "  | -                         | "   | -                        | 1,343,201      | - %                         | 1,343,201          |      |
| Inventec Appliances (Nanchang) Corporation                         | "  | -                         | "   | -                        | 94,394         | - %                         | 94,394             |      |
| Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd. | "  | -                         | "   | -                        | 89,434         | - %                         | 89,434             |      |

Note 1: The value of publicly traded company is market value, and the value of private entity is net asset value. The net asset value was calculated based on audited financial statements or non audited financial statements.

Note 2: The transactions in foreign currencies were exchanged to New Taiwan Dollars in spot rate at the date of the audited entity's financial reports.

## (English Translation of Financial Statements Originally Issued in Chinese)

## INVENTEC CORPORATION

## NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

4. Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million or 20% of the capital stock:

(Amounts Expressed in Thousands of New Taiwan Dollars)

| Name of company                            | Category and name of security (Note 1)   | Account name (Note 1)   | Name of counter-party | Relationship with the company | Beginning Balance |           | Purchases |           | Sales  |           |           |                         | Ending Balance |           |
|--|--|---|-----------------------|-------------------------------|-------------------|-----------|-----------|-----------|--------|-----------|-----------|-------------------------|----------------|-----------|
|  |  |   |                       |                               | Shares            | Amount    | Shares    | Amount    | Shares | Price     | Cost      | Gain (loss) on disposal | Shares         | Amount    |
| Inventec (Chongqing) Corp.                 | CMBC Wealth Management Services  | Current financial assets at fair value through profit or loss | CMBC                  | -                             | -                 | 983,711   | -         | 1,047,230 | -      | 2,098,505 | 2,030,941 | 67,564                  | -              | -         |
| "  | Win-Win Financial product  | "   | CTBC                  | -                             | -                 | -         | -         | 455,100   | -      | 460,390   | 455,100   | 5,290                   | -              | -         |
| Inventec (Pudong) Technology Corp.         | Win-Win No.3 (Shanghai)-2017 Special Account For Legal Person Account For Legal Person | "   | ICBC                  | -                             | -                 | 5,556,736 | -         | 2,797     | -      | 5,724,100 | 5,559,532 | 164,567                 | -              | -         |
| Inventec Appliances (Shanghai) Corp.       | SCSB Winners CNY Financial Product   | "   | Bank of Shanghai      | -                             | -                 | -         | -         | 1,610,268 | -      | 1,295,685 | 1,283,386 | 12,299                  | -              | 326,882   |
| "  | BOC Guaranteed CNY On Schedule Financial Product                                       | "   | Bank of China         | -                             | -                 | 364,926   | -         | 1,019,547 | -      | 1,106,445 | 1,092,244 | 14,201                  | -              | 292,229   |
| "  | BOC Guaranteed CNY Financial Product   | "   | "                     | -                             | -                 | 320,648   | -         | -         | -      | 321,510   | 320,648   | 862                     | -              | -         |
| Inventec Appliances (Nanjing) Co. Ltd.     | SCSB Winners CNY Financial Product   | "   | Bank of Shanghai      | -                             | -                 | 100,365   | -         | 408,109   | -      | 371,878   | 368,632   | 3,246                   | -              | 139,842   |
| Inventec Appliances (Jiangning) Corp.      | "  | "   | "                     | -                             | -                 | 665,489   | -         | 5,702,033 | -      | 5,050,685 | 5,024,321 | 26,364                  | -              | 1,343,201 |
| Inventec Appliances (Nanchang) Corporation | "  | "   | "                     | -                             | -                 | 31,922    | -         | 381,044   | -      | 321,960   | 318,571   | 3,389                   | -              | 94,394    |

Note 1: The amounts above are valued at exchange rate.

Note 2: The transactions in foreign currencies were exchanged to New Taiwan Dollars in spot rate at the date of the audited entity's financial reports.

5. Acquisition of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None.
6. Disposal of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock:

(Amounts Expressed in Thousands of New Taiwan Dollars)

| Name of company      | Types of property | Transaction Date | Original Acquisition Date | Book value | Transaction amount | Receipt Terms                         | Gain (loss) on disposal | Counter-party          | Relationship        | Purpose of disposal | Price reference  | Other terms |
|----------------------|-------------------|------------------|---------------------------|------------|--------------------|---------------------------------------|-------------------------|------------------------|---------------------|---------------------|--|-------------|
| Inventec Corporation | Land and Building | 2018.06.26       | 1998.09.15~2015.11.16     | 732,133    | 1,380,000          | 32% received by the end of 2018.12.31 | Note 1                  | Pegavision Corporation | Non-related parties | Optimize assets     | Negotiated based on the valuation report with the amounts of 1,334,816 and 1,363,088 | None        |

Note 1: The legal transferring process has not yet been completed/

Note 2: As of January, 2019, the price has been charged 100%, and the transfer has been completed.

## (English Translation of Financial Statements Originally Issued in Chinese)

## INVENTEC CORPORATION

## NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

## 7. Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

| Name of company                        | Related party                          | Nature of relationship | Transaction details |             |                                    |               | Transactions with terms different from others |   | Notes/Accounts receivable (payable) |   | Note |
|--|--|------------------------|---------------------|-------------|------------------------------------|---------------|---|---|-------------------------------------|---|------|
|  |  |                        | Purchase/Sale       | Amount      | Percentage of total purchases/sale | Payment terms | Unit price                                    | Payment terms                               | Ending balance                      | Percentage of total notes/accounts receivable (payable) |      |
| The Company                            | Inventec Holding (North America) Corp. | Subsidiary             | Sales               | 65,414,426  | 18.75%                             | 90 days       | -   | No general trading partner can be compared. | 15,381,248                          | 19.85%  |      |
| "                                      | Inventec (Czech), s.r.o.               | "                      | Sales               | 32,901,012  | 9.43%                              | 90 days       | -   | "   | 13,173,039                          | 17.00%  |      |
| "                                      | AIMobile Co., Ltd.                     | "                      | Sales               | 158,155     | 0.05%                              | 60 days       | -   | "   | 112,752                             | 0.15%   |      |
| "                                      | Inventec Corporation (Hong Kong) Ltd.  | "                      | Purchases           | 258,340,144 | 76.34%                             | 90 days       | -   | "   | (42,694,889)                        | 56.59%  |      |
| "                                      | Inventec Appliances (Jiangning) Corp.  | "                      | Purchases           | 426,624     | 0.13%                              | 60 days       | -   | "   | (115,649)                           | 0.15%   |      |
| "                                      | Inventec (Czech), s.r.o.               | "                      | Purchases           | 254,634     | 0.08%                              | 90 days       | -   | "   | (23,545)                            | 0.03%   |      |
| Inventec Holding (North America) Corp. | The Company                            | Parent                 | Purchases           | 65,414,426  | 90.41%                             | 90 days       | -   | "   | (15,381,248)                        | 96.69%  |      |
| "                                      | Inventec (Pudong) Technology Corp.     | Associates             | Sales               | 122,974     | 0.16%                              | 90 days       | -   | "   | 38,028                              | 0.56%   |      |
| "                                      | Inventec (Czech), s.r.o.               | "                      | Sales               | 211,550     | 0.28%                              | 90 days       | -   | "   | 17,927                              | 0.26%   |      |
| Inventec (Czech), s.r.o.               | The Company                            | Parent                 | Purchases           | 32,901,012  | 94.58%                             | 90 days       | -   | "   | (13,173,039)                        | 98.83%  |      |
| "                                      | "                                      | "                      | Sales               | 254,634     | 0.71%                              | 90 days       | -   | "   | 23,545                              | 0.21%   |      |
| "                                      | Inventec Holding (North America) Corp. | Associates             | Purchases           | 211,550     | 0.61%                              | 90 days       | -   | "   | (17,927)                            | 0.13%   |      |
| Inventec Corporation (Hong Kong) Ltd.  | The Company                            | Parent                 | Sales               | 258,340,144 | 100.00%                            | 90 days       | -   | "   | 42,694,889                          | 44.59%  |      |
| "                                      | Inventec (Pudong) Technology Corp.     | Associates             | Purchases           | 42,311,756  | 16.38%                             | 90 days       | -   | "   | (10,729,982)                        | 11.21%  |      |
| "                                      | Inventec Hi-Tech Corp.                 | "                      | Purchases           | 2,527,976   | 0.98%                              | 90 days       | -   | "   | (1,456,292)                         | 1.52%   |      |
| "                                      | Inventec (Chongqing) Corp.             | "                      | Purchases           | 213,500,411 | 82.64%                             | 90 days       | -   | "   | (30,508,614)                        | 31.86%  |      |
| Inventec (Pudong) Technology Corp.     | Inventec Corporation (Hong Kong) Ltd.  | "                      | Sales               | 42,311,756  | 49.18%                             | 90 days       | -   | "   | 10,729,982                          | 57.67%  |      |
| "                                      | Inventec (Shanghai) Corp.              | "                      | Sales               | 42,090,474  | 48.92%                             | 90 days       | -   | "   | 7,328,218                           | 39.39%  |      |
| "                                      | Inventec Holding (North America) Corp. | "                      | Purchases           | 122,974     | 0.14%                              | 90 days       | -   | "   | (38,028)                            | 0.00%   |      |
| Inventec Hi-Tech Corp.                 | Inventec Corporation (Hong Kong) Ltd.  | "                      | Sales               | 2,527,976   | 96.04%                             | 90 days       | -   | "   | 1,456,292                           | 96.68%  |      |
| "                                      | AIMobile Co., Ltd.                     | "                      | Sales               | 109,956     | 4.18%                              | 60 days       | -   | "   | 49,296                              | 3.27%   |      |

(English Translation of Financial Statements Originally Issued in Chinese)

# INVENTEC CORPORATION

## NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

| Name of company                              | Related party                                | Nature of relationship | Transaction details |             |                                    |               | Transactions with terms different from others |   | Notes/Accounts receivable (payable) |   | Note |
|--|--|------------------------|---------------------|-------------|------------------------------------|---------------|---|---|-------------------------------------|---|------|
|  |  |                        | Purchase/Sale       | Amount      | Percentage of total purchases/sale | Payment terms | Unit price                                    | Payment terms                               | Ending balance                      | Percentage of total notes/accounts receivable (payable) |      |
| Inventec (Shanghai) Corp.                    | Inventec (Pudong) Technology Corp.           | Associates             | Purchases           | 42,090,474  | 100.00%                            | 90 days       | -   | No general trading partner can be compared. | (7,328,218)                         | 99.03%  |      |
| Inventec (Chongqing) Corp.                   | Inventec Corporation (Hong Kong) Ltd.        | "                      | Sales               | 213,500,411 | 96.47%                             | 90 days       | -   | "   | 30,508,614                          | 91.21%  |      |
| Inventec Appliances Corp.                    | Inventec Appliances (Pudong) Corp.           | "                      | Purchases           | 76,507,135  | 97.95%                             | 1-2 months    | -   | "   | (15,106,216)                        | 98.69%  |      |
| "  | Inventec Appliances (Jiangning) Corp.        | "                      | Purchases           | 1,541,701   | 1.97%                              | 1-2 months    | -   | "   | (196,685)                           | 1.28%   |      |
| "  | Inventec Appliances (USA) Distribution Corp. | "                      | Sales               | 7,753,330   | 9.66%                              | 1-2 months    | -   | "   | 2,602,945                           | 17.68%  |      |
| Inventec Appliances (USA) Distribution Corp. | Inventec Appliances Corp.                    | "                      | Purchases           | 7,753,330   | 100.00%                            | 1-2 months    | -   | "   | (2,602,945)                         | 100.00%   |      |
| Inventec Appliances (Pudong) Corp.           | "  | "                      | Sales               | 76,507,135  | 99.56%                             | 1-2 months    | -   | "   | 15,106,216                          | 100.00%   |      |
| Inventec Appliances (Jiangning) Corp.        | The Company                                  | Parent                 | Sales               | 426,624     | 5.19%                              | 1-2 months    | -   | "   | 115,649                             | 8.10%   |      |
| "  | Inventec Appliances Corp.                    | Associates             | Sales               | 1,541,701   | 18.67%                             | 1-2 months    | -   | "   | 196,985                             | 13.78%  |      |
| AlMobile Co., Ltd.                           | The Company                                  | Parent                 | Purchases           | 158,155     | 58.99%                             | 60 days       | -   | "   | (112,752)                           | 68.94%  |      |
| "  | Inventec Hi-Tech Corp.                       | Associates             | Purchases           | 109,956     | 41.01%                             | 60 days       | -   | "   | (49,296)                            | 30.14%  |      |

Note 1: Based on the negotiated price while trading.

8. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock:

(Expressed in Thousands of New Taiwan Dollars)

| Name of company                       | Counter party                                | Relationship | Ending balance | Turnover balance | Overdue    |                                   | Amounts received in subsequent period | Allowance for bad debts |
|---------------------------------------|--|--------------|----------------|------------------|------------|-----------------------------------|---------------------------------------|-------------------------|
|                                       |  |              |                |                  | Amount     | Action taken                      |                                       |                         |
| The Company                           | Inventec Holding (North America) Corp.       | Subsidiary   | 15,381,248     | 3.22             | 1,412,917  | Received in the subsequent period | 9,913,902                             | -                       |
| "                                     | Inventec (Czech), s.r.o.                     | Subsidiary   | 13,173,039     | 2.32             | 4,221,667  | Received in the subsequent period | 5,929,951                             | -                       |
| "                                     | Inventec Corporation (Hong Kong) Ltd. (Note) | Subsidiary   | 52,836,155     | -                | 20,635,145 | Received in the subsequent period | 30,851,804                            | -                       |
| Inventec Corporation (Hong Kong) Ltd. | The Company                                  | Parent       | 42,694,889     | 7.10             | 914,569    | Received in the subsequent period | 35,020,164                            | -                       |
| "                                     | Inventec (Pudong) Technology Corp. (Note)    | Associates   | 25,850,397     | -                | 19,334,903 | Received in the subsequent period | 5,419,378                             | -                       |
| "                                     | Inventec Hi-Tech Corp. (Note)                | Associates   | 1,552,404      | -                | 1,300,242  | Intensive follow-up on collection | -                                     | -                       |
| "                                     | Inventec (Chongqing) Corp. (Note)            | Associates   | 25,432,426     | -                | -          |                                   | 25,432,426                            | -                       |

(English Translation of Financial Statements Originally Issued in Chinese)

# INVENTEC CORPORATION

## NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

| Name of company                       | Counter party                                | Relationship | Ending balance | Turnover balance | Overdue |                                   | Amounts received in subsequent period | Allowance for bad debts |
|---------------------------------------|--|--------------|----------------|------------------|---------|-----------------------------------|---------------------------------------|-------------------------|
|                                       |  |              |                |                  | Amount  | Action taken                      |                                       |                         |
| Inventec (Pudong) Technology Corp.    | Inventec Corporation (Hong Kong) Ltd.        | Associates   | 10,729,982     | 4.38             | -       |                                   | 4,515,316                             | -                       |
| "                                     | Inventec (Shanghai) Corp.                    | Associates   | 7,328,218      | 6.46             | 86,456  |                                   | 6,161,083                             | -                       |
| Inventec Hi-Tech Corp.                | Inventec Corporation (Hong Kong) Ltd.        | Associates   | 1,456,292      | 1.51             | 914,569 | Intensive follow-up on collection | 67,539                                | -                       |
| Inventec (Chongqing) Corp.            | Inventec Corporation (Hong Kong) Ltd.        | Associates   | 30,508,614     | 8.57             | -       |                                   | 30,437,308                            | -                       |
| Inventec Appliances Corp.             | Inventec Appliances (USA) Distribution Corp. | Subsidiary   | 2,602,945      | 5.44             | -       |                                   | 980,773                               | -                       |
| Inventec Appliances (Pudong) Corp.    | Inventec Appliances Corp.                    | Associates   | 15,106,216     | 5.91             | -       |                                   | 14,011,049                            | -                       |
| Inventec Appliances (Jiangning) Corp. | Inventec Appliances Corp.                    | Associates   | 196,685        | 4.81             | -       |                                   | 196,225                               | -                       |
| Inventec Appliances (Jiangning) Corp. | The Company                                  | Parent       | 115,649        | 3.35             | -       |                                   | 88,607                                | -                       |

Note 1: The receivables were not yielded by sales or purchases; therefore there is no turnover rate.

9. Trading in derivative instruments: Please refer to notes (6)(b) and (6)(r).

(b) Information on investment:

The following is the information on investees for the year ended December 31, 2018 (excluding investees in Mainland China):

(In Thousands of New Taiwan Dollars, Except for Share Data)

| Investor company | Investee company                       | Location        | Main businesses and products                                       | Original investment amount |                   | Balance as of December 31, 2018 |                         |                | Net income (loss) of the investee | Share of profits/losses of investee | Note                          |
|------------------|--|-----------------|--|----------------------------|-------------------|---------------------------------|-------------------------|----------------|-----------------------------------|-------------------------------------|-------------------------------|
|                  |  |                 |  | December 31, 2018          | December 31, 2017 | Shares/Units (In thousands)     | Percentage of ownership | Carrying value |                                   |                                     |                               |
| The Company      | Inventec Besta Co., Ltd.               | Taipei          | Electronic dictionary  | 420,347                    | 420,347           | 23,405                          | 37.53%                  | 271,658        | (29,313)                          | (11,001)                            | Associate under equity method |
| "                | Inventec Corporation (Hong Kong) Ltd.  | Hong Kong       | Investing in Mainland China and import and export business         | 167,162                    | 167,162           | 2,500                           | 100.00%                 | 661,918        | 75,651                            | 75,651                              | Subsidiary                    |
| "                | Inventec Holding (North America) Corp. | USA             | Investment of holding company in America                           | 159,003                    | 159,003           | 5,000                           | 100.00%                 | 1,271,119      | 38,451                            | 38,451                              | "                             |
| "                | Inventec Appliances Corp.              | New Taipei City | Wireless terminal products   | 9,656,877                  | 9,656,877         | 536,857                         | 100.00%                 | 11,078,816     | 2,194,194                         | 2,194,194                           | "                             |
| "                | Inventec (Cayman) Corp.                | Cayman          | Holding Company  | 9,812,963                  | 9,812,963         | 301,768                         | 100.00%                 | 14,020,459     | 461,980                           | 461,980                             | "                             |
| "                | IEC (Cayman) Corporation               | Cayman          | Holding Company  | 739,500                    | 739,500           | 25,000                          | 100.00%                 | 958,186        | 172,148                           | 172,148                             | "                             |
| "                | Inventec (Czech), S.R.O.               | Czech           | Computer products assembly operations                              | 85,921                     | 85,921            | -                               | 100.00%                 | (143,541)      | (185,241)                         | (185,241)                           | "                             |
| "                | Inventec Investment Co., Ltd.          | Taipei          | Investment Company   | 1,000,000                  | 1,000,000         | 108,800                         | 100.00%                 | 212,659        | (125,562)                         | (125,562)                           | "                             |
| "                | Inventec Solar Energy Corporation      | Taoyuan         | Developing, production and selling of multicrystalline solar cells | 1,087,800                  | 1,087,800         | 108,150                         | 33.45%                  | 334,211        | (823,428)                         | (275,406)                           | "                             |

(English Translation of Financial Statements Originally Issued in Chinese)

# INVENTEC CORPORATION

## NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

| Investor company                           | Investee company                               | Location  | Main businesses and products                                       | Original investment amount |                   | Balance as of December 31, 2018 |                         |                | Net income (loss) of the investee | Share of profits/losses of investee | Note                          |
|--|--|-----------|--|----------------------------|-------------------|---------------------------------|-------------------------|----------------|-----------------------------------|-------------------------------------|-------------------------------|
|  |  |           |  | December 31, 2018          | December 31, 2017 | Shares/Units (In thousands)     | Percentage of ownership | Carrying value |                                   |                                     |                               |
| The Company                                | Inventec Development Japan Corporation         | Japan     | Developing, designing and selling computer peripherals             | 630,845                    | 644,505           | 45                              | 100.00%                 | 24,244         | 31                                | 31                                  | Subsidiary                    |
| "  | E-TON Solar Tech. Co., Ltd.                    | Tainan    | Manufacturing and Selling of solar cells                           | 4,193,723                  | 4,193,723         | 94,889                          | 29.70%                  | 621,962        | (1,094,606)                       | (325,132)                           | "                             |
| "  | AIMobile Co., Ltd.                             | Taipei    | Developing, production and selling of intelligent mobile device    | 165,000                    | 165,000           | 16,500                          | 55.00%                  | 79,459         | (42,550)                          | (23,403)                            | "                             |
| "  | Inventec Manufacturing (India) Private Limited | India     | Computer products assembly operations                              | 281,691                    | 281,691           | 55,994                          | 99.99%                  | (15,678)       | (18,180)                          | (18,178)                            | "                             |
| Inventec (Cayman) Corp.                    | TPV-Inventa Holding Ltd.                       | Hong Kong | Holding Company  | 1,043,052                  | 1,043,052         | 302,421                         | 90.00%                  | 162            | (1,446)                           | -                                   | Associate Company             |
| Inventec Investment Co., Ltd.              | Inventec Solar Energy Corporation              | Taoyuan   | Developing, production and selling of multicrystalline solar cells | 150,000                    | 150,000           | 15,000                          | 4.64%                   | 46,436         | (823,428)                         | -                                   | "                             |
| "  | E-TON Solar Tech. Co., Ltd.                    | Tainan    | Manufacturing and Selling of solar cells                           | 615,050                    | 615,050           | 15,813                          | 4.95%                   | 103,842        | (1,094,606)                       | -                                   | "                             |
| "  | Inventec Manufacturing (India) Private Limited | India     | Computer products assembly operations                              | 28                         | 28                | 6                               | 0.01%                   | (2)            | (18,180)                          | -                                   | "                             |
| Inventec Appliances Corp.                  | Inventec Appliances (Cayman) Holding Corp.     | Cayman    | Holding Company  | 6,120,954                  | 6,115,149         | 199,575                         | 100.00%                 | 15,884,014     | 1,793,244                         | -                                   | Associate Company             |
| "  | Gainia Intellectual Asset Services, Inc.       | Taipei    | Intellectual property rights integrative services                  | 6,400                      | 6,400             | 205                             | 38.90%                  | 1,698          | 1,094                             | -                                   | Associate under equity method |
| "  | Inventec Solar Energy Corporation              | Taoyuan   | Developing, production and selling of multicrystalline solar cells | 311,160                    | 310,800           | 30,930                          | 9.57%                   | 95,750         | (823,428)                         | -                                   | Associate Company             |
| Inventec Appliances (Cayman) Holding Corp. | Inventec Appliances (USA) Distribution Corp.   | USA       | Selling of MP3 Player, PDA and science plotter                     | 24,536                     | 24,536            | 400                             | 100.00%                 | 96,507         | 1,487                             | -                                   | "                             |
| "  | Inventec Appliances Corporation USA, Inc.      | "         | Selling services   | 1,534                      | 1,534             | 10                              | 100.00%                 | 12,147         | 701                               | -                                   | "                             |
| "  | Inventec Appliances (Malaysia) SDN. BHD.       | Malaysia  | Manufacture and sale of electronic materials and products          | 7,077                      | -                 | 1,000                           | 100.00%                 | 6,993          | (84)                              | -                                   | "                             |

Note 1: The transactions in foreign currencies were exchanged to New Taiwan Dollars in spot rate at the date of the audited entity's financial reports.

Note 2: According to the regulations, the company are required to disclose the share of income/loss of investee .

(English Translation of Financial Statements Originally Issued in Chinese)

INVENTEC CORPORATION

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(c) Information on investment in Mainland China:

1. The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

| Name of investee  | Main businesses and products   | Total amount of paid-in capital | Method of investment (Note 1) | Accumulated outflow of investment from Taiwan as of January 1, 2018 | Investment flows |        | Accumulated outflow of investment from Taiwan as of December 31, 2018 | Net income (losses) of the investee | Percentage of ownership | Investment income (losses) (Note 2) | Book value | Accumulated remittance of earnings in current period (Note 10) |
|---|--|---------------------------------|-------------------------------|---|------------------|--------|---|-------------------------------------|-------------------------|-------------------------------------|------------|--|
|   |  |                                 |                               |   | Out-flow         | Inflow |   |                                     |                         |                                     |            |  |
| Inventec (Shanghai) Service Co., Ltd (Note 6)             | Multimedia computer and system parts assembling                                | 88,943                          | (2)                           | 61,340  | -                | -      | 61,340  | (2,167)                             | 100.00%                 | (2,167)                             | 38,045     | 30,234   |
| Inventec (ChongQing) Service Co., Ltd                     | Multimedia computer and system parts assembling                                | 30,670                          | (2)                           | 30,670  | -                | -      | 30,670  | 475                                 | 100.00%                 | 475                                 | 45,563     | -  |
| Inventec (Pudong) Co., Ltd.                               | Multimedia computer and system parts assembling                                | 1,533,500                       | (2)                           | 1,533,500   | -                | -      | 1,533,500   | (214,631)                           | 100.00%                 | (214,631)                           | 643,222    | -  |
| Inventec (Shanghai) Co., Ltd. (Note 8)                    | Multimedia computer and system parts assembling                                | 2,136,857                       | (2)                           | 904,765   | -                | -      | 904,765   | 33,557                              | 100.00%                 | 33,557                              | 1,751,520  | -  |
| Inventec (ChongQing) Corporation                          | Multimedia computer and system parts assembling                                | 2,300,250                       | (2)                           | 2,300,250   | -                | -      | 2,300,250   | 1,358,707                           | 100.00%                 | 1,358,707                           | 7,562,635  | 819,076  |
| Inventec (Pudong) Technology Corp.                        | Multimedia computer and system parts assembling                                | 1,533,500                       | (2)                           | 1,533,500   | -                | -      | 1,533,500   | (524,495)                           | 100.00%                 | (524,495)                           | 4,564,029  | 321,599  |
| Inventec Electronics (Tianjin) Co., Ltd. (Note 5)         | Software production  | 153,350                         | (2)                           | 130,348   | -                | -      | 130,348   | 13,590                              | 100.00%                 | 13,590                              | 216,402    | 149,517  |
| Inventec (Beijing) Electronics Technology Co., Ltd.       | Software production  | 44,472                          | (2)                           | 44,472  | -                | -      | 44,472  | 210                                 | 100.00%                 | 210                                 | 77,496     | -  |
| Inventec Hi-Tech Corporation                              | Multimedia computer and system parts assembling                                | 1,533,500                       | (2)                           | 1,533,500   | -                | -      | 1,533,500   | 9,228                               | 100.00%                 | 9,228                               | 1,330,851  | -  |
| Inventec Huan Hsin (Zhejiang) Technology Co., Ltd.        | Complete of the electronic computer and product and sale of external equipment | 880,229                         | (2)                           | 885,719   | -                | -      | 885,719   | (4,383)                             | 100.00%                 | (4,383)                             | (105,315)  | -  |
| Inventec Asset-Management (Shanghai) Corporation (Note 7) | Equipment leasing, storage, technological development and sale of computer     | 1,913,563                       | (3)                           | -   | -                | -      | -   | (31,677)                            | 78.00%                  | (24,708)                            | 1,438,049  | -  |
| Inventec Appliances (Shanghai) Co., Ltd.                  | Electronic communication and products assemble                                 | 1,582,572                       | (2)                           | 1,475,780   | -                | -      | 1,475,780   | 19,684                              | 100.00%                 | 19,684                              | 1,896,090  | 1,535,981  |
| Inventec Appliances (Pudong) Corp.                        | Electronic communication and products assemble                                 | 2,361,590                       | (2)                           | 2,361,590   | -                | -      | 2,361,590   | 1,248,858                           | 100.00%                 | 1,263,779                           | 8,634,267  | 2,297,117  |
| Inventec Appliances (Jiangning) Corp.                     | Electronic communication and products assemble                                 | 2,085,560                       | (2)                           | 1,288,140   | -                | -      | 1,288,140   | 472,483                             | 100.00%                 | 475,336                             | 4,691,973  | 1,636,736  |
| Inventec Appliances (Nanjing) Corp.                       | House leasing  | 153,350                         | (2)                           | 275,462   | -                | -      | 275,462   | 13,947                              | 100.00%                 | 13,947                              | 363,386    | 85,353   |
| Inventec Appliances (XI'AN) Corporation                   | Electronic communication and products assemble                                 | 122,680                         | (2)                           | 122,680   | -                | -      | 122,680   | 7,385                               | 100.00%                 | 7,385                               | 33,692     | -  |

(English Translation of Financial Statements Originally Issued in Chinese)

# INVENTEC CORPORATION

## NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

| Name of investee   | Main businesses and products   | Total amount of paid-in capital | Method of investment (Note 1) | Accumulated outflow of investment from Taiwan as of January 1, 2018 | Investment flows |        | Accumulated outflow of investment from Taiwan as of December 31, 2018 | Net income (losses) of the investee | Percentage of ownership | Investment income (losses) (Note 2) | Book value | Accumulated remittance of earnings in current period (Note 10) |
|--|--|---------------------------------|-------------------------------|---|------------------|--------|---|-------------------------------------|-------------------------|-------------------------------------|------------|--|
|  |  |                                 |                               |   | Out-flow         | Inflow |   |                                     |                         |                                     |            |  |
| Inventec Appliances (Nanchang) Corp.                               | Electronic communication and products assemble   | 64,407                          | (2)                           | 64,407  | -                | -      | 64,407  | 10,948                              | 100.00%                 | 10,948                              | 148,955    | -  |
| APEX Business Management & Consulting (Shanghai) Co., Ltd.         | Business Management  | 2,243                           | (3)                           | -   | -                | -      | -   | 15,508                              | 100.00%                 | 15,508                              | 38,423     | -  |
| Inventec Appliances (Shanghai) Enterprise                          | Development and consultation on software and hardware; as well as selling of electronic products | 1,385                           | (3)                           | -   | -                | -      | -   | (3)                                 | 100.00%                 | (3)                                 | 31         | -  |
| Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd. | Electronic communication and products assemble   | 268,126                         | (3)                           | -   | -                | -      | -   | (6,530)                             | 100.00%                 | (6,530)                             | 261,714    | -  |

### 2. Limitation on investment in Mainland China:

| Name of Company           | Accumulated Investment in Mainland China as of December 31, 2018 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment (Note 3,4) |
|---------------------------|--|--|--------------------------------------|
| The Company               | 9,022,466  | 9,022,466  | -                                    |
| Inventec Appliances Corp. | 5,656,407  | 5,656,407  | 6,185,617                            |

Note 1: There are three ways of investments as following:

- (a) Direct investment in Mainland China.
- (b) Indirect investment in Mainland china through a subsidiary in a third place.
- (c) Others

Note 2: The base of recognition of investment income (loss) is the financial statement audited by CPA of the investee company.

Note 3: In accordance with the regulation of amended limitation calculation of Investment Commission in 29 August, 2008, MOEA (IDB) committed the Company were in the scope of operating headquarter; therefore there is no need to calculate the limitation.

Note 4: The upper limit on investment of Inventec Appliances Corp. is the higher of 60% of net value or 60% of consolidated net value.

Note 5: Inventec (Tianjin) Electronics Co., Ltd. increased capital USD 750 thousand dollars by retained earnings in 1996.

Note 6: Inventec (Shanghai) Service Co., Ltd. increased capital USD 900 thousand dollars by retained earnings in 1998.

Note 7: Inventec Asset-Management (Shanghai) Corporation increased its capital by CNY 300,000 thousand by cash.

Note 8: Inventec (Shanghai) Co., Ltd. increased its capital by CNY 234,000 thousand by cash.

Note 9: The transactions in foreign currencies were exchanged to New Taiwan Dollars in spot rate at the date of the audited entity's financial reports.

Note 10: The amount of foreign currencies were exchanged to New Taiwan Dollars in historical exchange rates.

### 3. Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China for the year ended December 31, 2018, are disclosed in "Information on significant transactions" .

### (14) Segment Information

Please refer to consolidated financial report of Inventec Corporation for the year ended December 31, 2018.



**INVENTEC CORPORATION**  
**Statement of Cash and Cash Equivalents**  
**December 31, 2018**  
(In Thousands of New Taiwan Dollars)

| <b>Item</b>  | <b>Description</b>          | <b>Amount</b>       |
|--------------|-----------------------------|---------------------|
| Cash         | Petty cash                  | \$ 350              |
|              | Foriegn cash                | 715                 |
|              | Subtotal                    | 1,065               |
| Cash in bank | Checking accounts           | 535                 |
|              | Demand deposits             | 24,645              |
|              | Foriegn deposits USD 52,788 | 1,620,412           |
|              | JPY 2,330                   |                     |
|              | EUR 22                      |                     |
|              | CNY 1                       |                     |
|              | Time deposits               | 726,854             |
|              | Subtotal                    | 2,372,446           |
|              |                             | <b>\$ 2,373,511</b> |

**INVENTEC CORPORATION**

**Statement of Changes in Financial Assets Measured at Fair Value**  
**through Other Comprehensive Income - Current**

**For the year ended December 31, 2018**

**(In Thousands of New Taiwan Dollars)**

| Name of<br>financial<br>instrument | Description | Share<br>or units | Par value | Total<br>amount | Interest<br>rate | Acquisition<br>cost | Accumulate<br>d<br>impairment | Fair value    |                 | Note |
|------------------------------------|-------------|-------------------|-----------|-----------------|------------------|---------------------|-------------------------------|---------------|-----------------|------|
|                                    |             |                   |           |                 |                  |                     |                               | Unit<br>price | Total<br>amount |      |
| WIN<br>Semiconductors<br>Corp.     | Stock       | 4,063             | \$ 40,630 | <u>479,397</u>  | - %              | <u>113,690</u>      | <u>-</u>                      | 118.00        | <u>479,397</u>  |      |

# INVENTEC CORPORATION

## Statement of Trade Receivables

December 31, 2018

(In Thousands of New Taiwan Dollars)

| Client Name                            | Description | Amount                      | Note  |
|--|-------------|-----------------------------|---|
| <u>Non-related parties:</u>            |             |                             |   |
| HP                                     |             | \$ 40,006,150               |   |
| Dell                                   |             | 2,371,000                   |   |
| Other                                  |             |                             | The year-end balance of each client doesn't exceed 5% of the account balance. |
|  |             | <u>6,450,440</u>            |   |
| Subtotal                               |             | 48,827,590                  |   |
| Less: Allowance for impairment         |             | <u>(23,168)</u>             |   |
| Net amount                             |             | <u>48,804,422</u>           |   |
| <u>Related parties:</u>                |             |                             |   |
| Inventec Holding (North America) Corp. |             | 15,381,248                  |   |
| Inventec (Czech), S.R.O.               |             | 13,173,039                  |   |
| Other                                  |             |                             | The year-end balance of each client doesn't exceed 5% of the account balance. |
|  |             | <u>112,752</u>              |   |
| Subtotal                               |             | <u>28,667,039</u>           |   |
| Less: Allowance for impairment         |             | -                           |   |
| Net amount                             |             | <u>28,667,039</u>           |   |
| Total                                  |             | <u><u>\$ 77,471,461</u></u> |   |

# INVENTEC CORPORATION

## Statement of Other Receivables

December 31, 2018

(In Thousands of New Taiwan Dollars)

| Item                      | Description                              | Amount               | Note |
|---------------------------|--|----------------------|------|
| Non-related parties       | Payment on behalf of others              | \$ 67,571            |      |
| Related parties           | Payment of materials on behalf of others | 52,909,390           |      |
| Earned revenue receivable | Interest receivable from bank            | 2,010                |      |
| Total                     |  | <u>\$ 52,978,971</u> |      |

## Statement of Inventory

| Item  | Amount              |                    | Note |
|---|---------------------|--------------------|------|
|   | Cost                | Net realized value |      |
| Raw materials   | \$ 529,276          | 502,533            |      |
| Work in process   | 584,044             | 568,760            |      |
| Finished goods  | 1,118,068           | 1,106,776          |      |
| Subtotal  | 2,231,388           | <u>2,178,069</u>   |      |
| Less: Allowance for inventory market decline and obsolescence | <u>(47,513)</u>     |                    |      |
| Total   | <u>\$ 2,183,875</u> |                    |      |

**INVENTEC CORPORATION**  
**Statement of Other Current Assets**  
**December 31, 2018**  
(In Thousands of New Taiwan Dollars)

| <b>Item</b>                 | <b>Description</b> | <b>Amount</b>              | <b>Note</b> |
|-----------------------------|--------------------|----------------------------|-------------|
| Prepayments                 | Premium            | \$ 4,106                   |             |
|                             | Other              | <u>55,818</u>              |             |
|                             | Subtotal           | 59,924                     |             |
| Temporary payments          | Other              | 49,015                     |             |
| Payment on behalf of others | Other              | 35,896                     |             |
| Hold-for-sale asset         |                    | 738,367                    |             |
| Asset for recovery          |                    | 265,412                    |             |
| Other                       | Other              | <u>17,670</u>              |             |
|                             |                    | <u><b>\$ 1,166,284</b></u> |             |

# INVENTEC CORPORATION

## Statement of Changes in Financial Assets Measured at fair Value through Other Comprehensive Income—Non-current

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

| Name of financial instrument                | Beginning Balance    |                          | Addition             |                      | Decrease             |                       | Ending balance       |                       | Collateral | Note |
|---|----------------------|--------------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|-----------------------|------------|------|
|   | Shares (in thousand) | Fair value               | Shares (in thousand) | Amount               | Shares (in thousand) | Amount                | Shares (in thousand) | Fair value            |            |      |
| <u>Common Stock</u>                         |                      |                          |                      |                      |                      |                       |                      |                       |            |      |
| WK Technology Fund IV Corp.                 | 922                  | \$ 7,953                 | -                    | -                    | 277                  | 3,825                 | 645                  | 4,128                 | None       |      |
| Global Strategy Venture Capital Corporation | 2,835                | 14,770                   | -                    | 1,049                | -                    | -                     | 2,835                | 15,819                | "          |      |
| Arima Communications Corp.                  | 42,229               | 148,604                  | -                    | -                    | 21,115               | 88,174                | 21,114               | 60,430                | "          |      |
| Tomorrow Studio Co., Ltd.                   | 129                  | 347                      | -                    | -                    | -                    | 109                   | 129                  | 238                   | "          |      |
| Tai Yi Precision Corporation                | 2,540                | -                        | -                    | -                    | -                    | -                     | 2,540                | -                     | "          |      |
| Asia Pacific Telecom Co., Ltd.              | 5,000                | 49,900                   | -                    | -                    | -                    | 15,400                | 5,000                | 34,500                | "          |      |
| New E Materials Co., Ltd.                   | 4,400                | 45,146                   | -                    | -                    | -                    | 8,494                 | 4,400                | 36,652                | "          |      |
| Subtotal                                    |                      | <u>266,720</u>           |                      | <u>1,049</u>         |                      | <u>116,002</u>        |                      | <u>151,767</u>        |            |      |
| <u>Preferred Stock</u>                      |                      |                          |                      |                      |                      |                       |                      |                       |            |      |
| CloudMosa Technologies, Inc.                | 235                  | 59,294                   | -                    | -                    | -                    | 41,335                | 235                  | 17,959                | "          |      |
| Rasiliant Systems, Inc.                     | 3,632                | -                        | -                    | -                    | -                    | -                     | 3,632                | -                     | "          |      |
| SKSpruce Holding Limited                    | 3,070                | 85,846                   | -                    | -                    | -                    | 24,506                | 3,070                | 61,340                | "          |      |
| QEEXO Co.                                   | 568                  | 16,222                   | -                    | -                    | -                    | 7,088                 | 568                  | 9,134                 | "          |      |
| Planetary Network Technologies Inc.         | 915                  | 380                      | -                    | 30,290               | -                    | -                     | 915                  | 30,670                | "          |      |
| Rescale Inc.                                | 355                  | 31,943                   | -                    | -                    | -                    | 14,354                | 355                  | 17,589                | "          |      |
| Sensel Inc.                                 | 532                  | 29,730                   | -                    | -                    | -                    | 5,324                 | 532                  | 24,406                | "          |      |
| Subtotal                                    |                      | <u>223,415</u>           |                      | <u>30,290</u>        |                      | <u>92,607</u>         |                      | <u>161,098</u>        |            |      |
| Total                                       |                      | <u><u>\$ 490,135</u></u> |                      | <u><u>31,339</u></u> |                      | <u><u>208,609</u></u> |                      | <u><u>312,865</u></u> |            |      |

**INVENTEC CORPORATION**  
**Statement of Changes in Investments Accounted for Using the**  
**Equity Method**

**For the Year Ended December 31, 2018**

**(In Thousands of New Taiwan Dollars)**

| Name of investee                                | Beginning Balance    |                      | Addition             |                  | Decrease             |                  | Ending balance       |                         |                   | Market Value or Net Assets Value |                   | Collateral | Note |
|---|----------------------|----------------------|----------------------|------------------|----------------------|------------------|----------------------|-------------------------|-------------------|----------------------------------|-------------------|------------|------|
|   | Shares (in thousand) | Amount               | Shares (in thousand) | Amount           | Shares (in thousand) | Amount           | Shares (in thousand) | Percentage of ownership | Amount            | Unit price                       | Total amount      |            |      |
| Inventec Besta Co., Ltd. (Note 1)               | 23,405               | \$ 313,253           | -                    | -                | -                    | 41,595           | 23,405               | 37.53%                  | 271,658           | 12.75                            | 298,414           | None       | Note |
| Inventec Corporation (Hong Kong) Ltd.           | 2,500                | 581,149              | -                    | 80,769           | -                    | -                | 2,500                | 100.00%                 | 661,918           | -                                | 661,918           | "          | "    |
| Inventec Holding (North America) Corp.          | 5,000                | 1,195,608            | -                    | 75,511           | -                    | -                | 5,000                | 100.00%                 | 1,271,119         | -                                | 1,271,119         | "          | "    |
| Inventec Appliances Corp. (Note 1)              | 536,857              | 14,982,546           | -                    | 1,917,087        | -                    | 5,820,817        | 536,857              | 100.00%                 | 11,078,816        | -                                | 11,078,816        | "          | "    |
| Inventec (Cayman) Corp.                         | 301,768              | 13,366,924           | -                    | 653,535          | -                    | -                | 301,768              | 100.00%                 | 14,020,459        | -                                | 14,020,459        | "          | "    |
| IEC (Cayman) Corporation                        | 25,000               | 759,577              | -                    | 198,609          | -                    | -                | 25,000               | 100.00%                 | 958,186           | -                                | 958,186           | "          | "    |
| Inventec (Czech), S.R.O.                        | -                    | 39,643               | -                    | -                | -                    | 183,184          | -                    | 100.00%                 | (143,541)         | -                                | (143,541)         | "          | "    |
| Inventec Development Japan Corporation (Note 1) | 45                   | 34,465               | -                    | 3,439            | -                    | 13,660           | 45                   | 100.00%                 | 24,244            | -                                | 24,244            | "          | "    |
| Inventec Investment Co., Ltd. (Note 1)          | 108,800              | 338,014              | -                    | -                | -                    | 125,355          | 108,800              | 100.00%                 | 212,659           | -                                | 212,659           | "          | "    |
| Inventec Solar Energy Corporation               | 108,150              | 609,617              | -                    | -                | -                    | 275,406          | 108,150              | 33.45%                  | 334,211           | -                                | 334,211           | "          | "    |
| E-Ton Solar Tech. Co., Ltd.                     | 231,521              | 948,371              | -                    | -                | 136,632              | 326,409          | 94,889               | 29.70%                  | 621,962           | 4.20                             | 398,533           | "          | "    |
| Manufacturing (India) Private Limited           | 55,994               | 2,584                | -                    | -                | -                    | 18,262           | 55,994               | 99.99%                  | (15,678)          | -                                | (15,678)          | "          | "    |
| AI Mobile Co., Ltd.                             | 16,500               | 102,861              | -                    | -                | -                    | 23,402           | 16,500               | 55.00%                  | 79,459            | -                                | 79,459            | "          | "    |
|   |                      | <u>\$ 33,274,612</u> |                      | <u>2,928,950</u> |                      | <u>6,828,090</u> |                      |                         | <u>29,375,472</u> |                                  | <u>29,178,799</u> |            |      |

Note : The value of listed company is market value, and the value of private entity is net equity.

Note1: The beginning balances include the adjustments of IFRS 9 in retained earnings and other equity. The adjustments are (12,427), (10,529), 4,714, and (17,114), respectively.

**INVENTEC CORPORATION**  
**Statement of Other Non-current Assets**  
**December 31, 2018**  
(In Thousands of New Taiwan Dollars)

| <b>Item</b>                     | <b>Description</b>                         | <b>Amount</b>              | <b>Note</b> |
|---------------------------------|--|----------------------------|-------------|
| Deferred expense                | Toolings                                   | \$ 2,259,869               |             |
| Less: Accumulated, depreciation |  | (1,937,836)                |             |
| Deferred tax assets             |  | 1,211,849                  |             |
| Refundable deposits             | Membership card and customs duty guarantee | 33,747                     |             |
| Other assets                    |  | <u>94,796</u>              |             |
|                                 |  | <u><b>\$ 1,662,425</b></u> |             |



**INVENTEC CORPORATION**  
**Statement of Short-term Borrowings**  
**December 31, 2018**  
(In Thousands of New Taiwan Dollars)

| <b>Type</b>           | <b>Description</b> | <b>Ending balance</b>       | <b>Contract Period</b> | <b>Range of interest rate</b> | <b>Loan commitment</b> | <b>Collateral</b> | <b>Note</b> |
|-----------------------|--------------------|-----------------------------|------------------------|-------------------------------|------------------------|-------------------|-------------|
| Short-term borrowings | Fubon Bank         | \$ 400,000                  | 2018.09.28~2019.03.27  | 0.74%                         | USD 80,000             | None              |             |
|                       | HSBC               | 1,993,550                   | 2018.11.20~2019.01.18  | 3.14%                         | USD 65,000             | "                 |             |
|                       | Citi Bank          | 5,091,220                   | 2018.11.16~2019.01.23  | 2.94%~2.99%                   | USD 190,000            | "                 |             |
|                       | DBS Bank           | 4,597,974                   | 2018.10.12~2019.01.18  | 2.86%                         | USD 150,000            | "                 |             |
|                       | Mega Bank          | 2,453,600                   | 2018.11.23~2019.01.23  | 3.14%                         | USD 80,000             | "                 |             |
|                       | E, Sun Bank        | 1,472,160                   | 2018.11.05~2019.01.04  | 2.81%                         | TWD 1,500,000          | "                 |             |
|                       | First Bank         | 2,300,250                   | 2018.11.02~2019.01.02  | 2.91%                         | TWD 2,500,000          | "                 |             |
|                       | Hua Nan Bank       | 2,230,928                   | 2018.11.15~2019.01.14  | 3.15%                         | TWD 2,325,000          | "                 |             |
|                       | Land Bank          | 1,226,800                   | 2018.11.15~2019.01.15  | 3.12%                         | TWD 1,800,000          | "                 |             |
|                       | Bank of Taiwan     | 3,478,178                   | 2018.12.06~2019.01.04  | 3.38%                         | USD 150,000            | "                 |             |
|                       |                    | <u><b>\$ 25,244,660</b></u> |                        |                               |                        |                   |             |

# INVENTEC CORPORATION

## Statement of Accounts Payable

December 31, 2018

(In Thousands of New Taiwan Dollars)

| Vendor name                                  | Description | Amount                      | Note  |
|--|-------------|-----------------------------|---|
| <u>Non-related parties:</u>                  |             |                             |   |
| HEWLETT PACKARD<br>INTERNATIONAL PTE LTD.    |             | \$ 17,719,284               |   |
| HEWLETT PACKARD<br>CARIBE Y ANDINA BV<br>LLC |             | 2,250,321                   |   |
| HEWLETT PACKARD<br>ENTERPRISE CRL            |             | 2,248,498                   |   |
| Other  |             |                             | The year-end balance of each client doesn't exceed 5% of the account balance. |
|  |             | <u>10,289,018</u>           |   |
| Subtotal                                     |             | <u>32,507,121</u>           |   |
| <u>Related parties:</u>                      |             |                             |   |
| Inventec Corporation (Hong Kong) Ltd.        |             | 42,694,889                  |   |
| Other  |             |                             | The year-end balance of each client doesn't exceed 5% of the account balance. |
|  |             | <u>249,261</u>              |   |
| Subtotal                                     |             | <u>42,944,150</u>           |   |
| Total  |             | <u><u>\$ 75,451,271</u></u> |   |

# INVENTEC CORPORATION

## Statement of Other Payables

December 31, 2018

(In Thousands of New Taiwan Dollars)

| Item           | Description                       | Amount                     |
|----------------|-----------------------------------|----------------------------|
| Other payables | Payables for purchasing softwares | \$ 10,392                  |
|                | Payables for salary and bonus     | 2,782,275                  |
|                | Inventory processing fee          | 870,584                    |
|                | Subtotal                          | <u>2,104,053</u>           |
| Total          |                                   | <u><u>\$ 5,767,304</u></u> |

## Statement of Other Current Liabilities

| Item                      | Description            | Amount                     | Note |
|---------------------------|------------------------|----------------------------|------|
| Other current liabilities | Advance receipts       | \$ 805                     |      |
|                           | Receipts under custody | 59,534                     |      |
|                           | Temporary credits      | 1,536,707                  |      |
|                           | Other                  | <u>3,909,102</u>           |      |
|                           |                        | <u><u>\$ 5,506,148</u></u> |      |

**INVENTEC CORPORATION**  
**Statement of Long-term Borrowings**  
**December 31, 2018**  
(In Thousands of New Taiwan Dollars)

| <b>Creditor</b> | <b>Description</b> | <b>Amount</b>              | <b>Term of contract</b> | <b>Interest rate</b> | <b>Collateral</b> | <b>Note</b>           |
|-----------------|--------------------|----------------------------|-------------------------|----------------------|-------------------|-----------------------|
| Hua Nan Bank    | Secured borrowings | \$ 2,233,333               | 2016.02.26~2031.02.26   | 1.44%                | Land and building | No financial covenant |
| Bank of Taiwan  | "                  | <u>1,116,667</u>           | 2016.02.26~2031.02.26   | 1.44%                | "                 | "                     |
| Total           |                    | <u><u>\$ 3,350,000</u></u> |                         |                      |                   |                       |

**INVENTEC CORPORATION**  
**Statement of Other Non-current Liabilities**  
**December 31, 2018**  
(In Thousands of New Taiwan Dollars)

| <b>Item</b>                   | <b>Description</b>          | <b>Amount</b>              | <b>Note</b> |
|-------------------------------|-----------------------------|----------------------------|-------------|
| Other non-current liabilities | Deferred tax liabilities    | \$ 1,258,859               |             |
|                               | Unearned revenue            | 41,791                     |             |
|                               | Gaurantee deposits received | 3,121                      |             |
|                               |                             | <u><u>\$ 1,303,771</u></u> |             |

**INVENTEC CORPORATION**  
**Statement of Operating Costs**  
**For the year ended December 31, 2018**  
(In Thousands of New Taiwan Dollars)

| Item                                      | Amount      |                           |
|---|-------------|---------------------------|
|   | Subtotal    | Total                     |
| Cost of goods sold from manufacturing     | \$          | 5,897,650                 |
| Direct material                           | 521,613     |                           |
| Add: Raw material, January 1              | 535,492     |                           |
| Purchase                                  | 1,261,466   |                           |
| Gain on physical inventory                | 3           |                           |
| Less: Raw material, December 31           | (529,276)   |                           |
| Transferred to expense                    | (116,597)   |                           |
| Sale                                      | (629,475)   |                           |
| Direct labor                              | 113,381     |                           |
| Manufacturing expenses                    | 369,125     |                           |
| Cost of manufacturing                     | 1,004,119   |                           |
| Add: Work in process, January 1           | 993,680     |                           |
| Purchase                                  | 5,079,534   |                           |
| Less: Work in process, December 31        | (584,044)   |                           |
| Transferred to expense                    | (69,257)    |                           |
| Transferred to warranty                   | (3,977)     |                           |
| Cost of finished goods                    | 6,420,055   |                           |
| Add: Finished goods, January 1            | 882,045     |                           |
| Less: Finished goods, December 31         | (1,118,068) |                           |
| Transferred to expense                    | (269,121)   |                           |
| Transferred to warranty                   | (17,261)    |                           |
| Cost of material sold                     |             | 629,475                   |
| Cost of merchandise sold (triangle trade) |             | 327,754,148               |
| Gain from price recovery of inventory     |             | (26,563)                  |
| Cost of warranty                          |             | 748,423                   |
| Expense of idle capacity                  |             | 15,535                    |
| Gain on physical inventory                |             | (3)                       |
| Cost of provision of sales return         |             | (265,412)                 |
| Total operating costs                     | \$          | <u><u>334,753,253</u></u> |

**INVENTEC CORPORATION**  
**Statement of Selling Expenses**  
**For the year ended December 31, 2018**  
(In Thousands of New Taiwan Dollars)

| <b>Item</b>              | <b>Description</b> | <b>Amount</b>              | <b>Note</b> |
|--------------------------|--------------------|----------------------------|-------------|
| Salary and wages expense |                    | \$ 427,230                 |             |
| Amortization expense     |                    | 258,037                    |             |
| Freight                  |                    | 374,044                    |             |
| Miscellaneous expense    |                    | 249,586                    |             |
| Other expense            |                    | <u>286,206</u>             |             |
|                          |                    | <u><b>\$ 1,595,103</b></u> |             |

**Statement of Administrative Expenses**

| <b>Item</b>              | <b>Description</b> | <b>Amount</b>              | <b>Note</b> |
|--------------------------|--------------------|----------------------------|-------------|
| Salary and wages expense |                    | \$ 879,512                 |             |
| Depreciation expense     |                    | 149,324                    |             |
| Miscellaneous expense    |                    | 191,398                    |             |
| Other expense            |                    | <u>573,828</u>             |             |
|                          |                    | <u><b>\$ 1,794,062</b></u> |             |

**INVENTEC CORPORATION**  
**Statement of Research and Development Expenses**  
**December 31, 2018**  
(In Thousands of New Taiwan Dollars)

| <b>Item</b>              | <b>Description</b> | <b>Amount</b>              | <b>Note</b> |
|--------------------------|--------------------|----------------------------|-------------|
| Salary and wages expense |                    | \$ 3,188,144               |             |
| Supplies                 |                    | 471,027                    |             |
| Examination expense      |                    | 240,357                    |             |
| Other expense            |                    | <u>1,137,179</u>           |             |
|                          |                    | <u><b>\$ 5,036,707</b></u> |             |



**Appendix II: Consolidated financial statements with subsidiaries  
audited by CPA of 2018**

## **Independent Auditors' Report**

To the Board of Directors of Inventec Corporation:

### **Opinion**

We have audited the consolidated financial statements of Inventec Corporation and its subsidiaries ( "the Group" ), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ( "IFRSs" ), International Accounting Standards ( "IASs" ), Interpretations developed by the International Financial Reporting Interpretations Committee ( "IFRIC" ) or the former Standing Interpretations Committee ( "SIC" ) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the 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 the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ( "the Code" ), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### **Key Audit Matters**

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

#### **1. Inventory Valuation**

Please refer to Note 4(i), and Note 6(e) for accounting policies, and related disclosure information for inventory, respectively.

Description of the key audit matter:

The Group' s materials may be obsolescence or slow-moving due to the risk of price decline in inventory, the material prepared for designing products and forecast orders may be canceled or changed, or changed on components and quantities. Therefore, the valuation of inventories has been identified as a key audit matter.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included assessing the appropriateness of inventories valuation policies; ensuring the process of inventory valuation is in conformity with the accounting policies; inspecting the inventory aging report; recalculating estimation of inventory valuation based on the Group's policies.

## **2. The offsetting agreements of financial assets and liabilities**

Please refer to Note 4(g), 6(b) and 6(x) for accounting policy and detailed information on the agreements of financial assets and liabilities offsetting.

Description of the key audit matter:

In order to use fund flexibly, the Group handled multiple kinds of financial instruments which IAS was endorsed by FSC to offset financial assets and liabilities and be reported in the balance sheet. The disclosure of financial instruments which are not expired on the reporting date would influence the judgment of report reader.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included examining whether the amount of the signed contract were within the scope authorized by the Board of Directors; sampling transactions in 2017 to examine whether contracts were signed with banks; review the contracts to check if the regulation of offsetting criteria was met; and assessing whether the disclosure of financial assets and liabilities offsetting is appropriate.

## **Other Matter**

Inventec Corporation has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee or supervisors) are responsible for overseeing the Group's financial reporting process.

## **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 the 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 Group’ s internal control.
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 Group’ s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ 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 Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group 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 audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors' report are Wan-Wan Lin and Liu-Fong Yang.

KPMG

Taipei, Taiwan (Republic of China)  
March 26, 2019

#### **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 jurisdictions. 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.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**INVENTEC CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**December 31, 2018 and 2017**  
(Expressed in Thousands of New Taiwan Dollars)

| ASSETS               |  | 2018.12.31 |             | 2017.12.31 |             | LIABILITIES AND EQUITY    |   | 2018.12.31  |            | 2017.12.31  |            |             |     |
|----------------------|--|------------|-------------|------------|-------------|---------------------------|---|---|------------|-------------|------------|-------------|-----|
|                      |  | Amount     | %           | Amount     | %           |                           |   | Amount  | %          | Amount      | %          |             |     |
| Current Assets :     |  |            |             |            |             | Current Liabilities :     |   |   |            |             |            |             |     |
| 1100                 | Cash and cash equivalents (Notes (4) and (6)(a))   | \$         | 25,062,511  | 12         | 26,949,180  | 13                        | 2100  | Short-term borrowings (Note (6)(l))   | \$         | 31,301,280  | 15         | 36,605,498  | 18  |
| 1110                 | Current financial assets at fair value through profit or loss (Notes (4) and (6)(b))                 |            | 2,467,479   | 1          | 125,376     | -                         | 2120  | Current financial liabilities at fair value through profit or loss (Notes (4) and (6)(b)) |            | 4,958       | -          | 21,669      | -   |
| 1120                 | Current financial assets at fair value through other comprehensive income (Notes (4) and (6)(b))     |            | 479,397     | -          | -           | -                         | 2130  | Current contract liabilities (Note (6)(s))  |            | 6,717,641   | 4          | -           | -   |
| 1125                 | Current available-for-sale financial assets, net (Notes (4) and (6)(b))                              |            | -           | -          | 9,224,122   | 4                         | 2170  | Accounts payable  |            | 76,453,829  | 37         | 73,213,841  | 35  |
| 1170                 | Accounts receivable, net (Notes (4) and (6)(c))  |            | 92,234,720  | 45         | 78,596,479  | 38                        | 2230  | Current tax liabilities   |            | 2,389,874   | 1          | 1,683,273   | 1   |
| 1180                 | Accounts receivable due from related parties, net (Notes (4), (6)(c) and (7))                        |            | -           | -          | 1,085       | -                         | 2200  | Other payables (Note (7))   |            | 12,638,279  | 6          | 12,890,156  | 6   |
| 1200                 | Other receivables, net (Notes (4), (6)(d) and (7))   |            | 2,534,539   | 2          | 1,048,952   | 1                         | 2322  | Long-term borrowings, current portion (Note (6)(l))                                       |            | 556,670     | -          | 387,609     | -   |
| 1310                 | Inventories, manufacturing business, net (Notes (4) and (6)(c))                                      |            | 42,938,996  | 21         | 39,548,087  | 19                        | 2399  | Other current liabilities, others   |            | 10,629,884  | 5          | 13,648,540  | 7   |
| 1479                 | Other current assets, others (Notes (6)(k))  |            | 2,186,792   | 1          | 12,831,283  | 6                         | 2313  | Deferred income   |            | -           | -          | 4,379,968   | 2   |
|                      |  |            | 167,904,434 | 82         | 168,324,564 | 81                        |   |   |            | 140,692,415 | 68         | 142,830,554 | 69  |
| Non-current assets : |  |            |             |            |             | Non-current Liabilities : |   |   |            |             |            |             |     |
| 1517                 | Non-current financial assets at fair value through other comprehensive income (Notes (4) and (6)(b)) |            | 359,816     | -          | -           | -                         | 2540  | Long-term borrowings (Note (6)(l))  |            | 3,409,061   | 2          | 3,965,731   | 2   |
| 1523                 | Non-current available-for-sale financial assets, net (Notes (4) and (6)(b))                          |            | -           | -          | 171,327     | -                         | 2640  | Net defined benefit liability, non-current (Notes (4) and (6)(n))                         |            | 633,815     | -          | 672,265     | -   |
| 1543                 | Non-current financial assets at cost, net (Notes (4) and (6)(b))                                     |            | -           | -          | 432,441     | -                         | 2670  | Other non-current liabilities, others (Notes (4) and (6)(o))                              |            | 3,347,114   | 2          | 2,368,663   | 1   |
| 1550                 | Investments accounted for using equity method, net (Notes (4) and (6)(f))                            |            | 273,356     | -          | 326,957     | -                         |   |   |            | 7,389,990   | 4          | 7,006,659   | 3   |
| 1600                 | Property, plant and equipment (Notes (4) and (6)(h))   |            | 30,324,516  | 15         | 33,351,252  | 16                        | Total Liabilities                             |   |            | 148,082,405 | 72         | 149,837,213 | 72  |
| 1760                 | Investment property, net (Notes (4) and (6)(i))  |            | 740,269     | -          | 295,290     | -                         |   |   |            |             |            |             |     |
| 1780                 | Intangible assets (Notes (4) and (6)(j))   |            | 885,307     | -          | 892,416     | -                         | Equity attributable to owners of parent :     |   |            |             |            |             |     |
| 1900                 | Other non-current assets (Notes (4), (6)(k) and (6)(o))  |            | 5,316,224   | 3          | 4,973,580   | 3                         | 3110  | Ordinary share (Note (6)(p))  |            | 35,874,751  | 18         | 35,874,751  | 17  |
|                      |  |            | 37,899,488  | 18         | 40,443,263  | 19                        | 3200  | Capital surplus (Note (6)(p))   |            | 2,912,889   | 1          | 2,913,096   | 1   |
|                      |  |            |             |            |             |                           | 3300  | Retained earnings (Note (6)(p))   |            | 18,223,198  | 9          | 17,002,536  | 8   |
|                      |  |            |             |            |             |                           | 3400  | Other equity interest (Note (6)(p))   |            | (1,646,357) | (1)        | (107,546)   | -   |
|                      |  |            |             |            |             |                           | Total equity attributable to owners of parent |   |            | 55,364,481  | 27         | 55,682,837  | 26  |
|                      |  |            |             |            |             | 36XX                      | Non-controlling interests                     |   | 2,357,036  | 1           | 3,247,777  | 2           |     |
|                      |  |            |             |            |             | Total Equity              |   |   | 57,721,517 | 28          | 58,930,614 | 28          |     |
| TOTAL ASSETS         |  | \$         | 205,803,922 | 100        | 208,767,827 | 100                       | TOTAL LIABILITIES AND EQUITY                  |   | \$         | 205,803,922 | 100        | 208,767,827 | 100 |

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**INVENTEC CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars)**

|      |  | For the years ended December 31, |     |             |     |
|------|--|----------------------------------|-----|-------------|-----|
|      |  | 2018                             |     | 2017        |     |
|      |  | Amount                           | %   | Amount      | %   |
| 4110 | Total sales revenue (Notes (4), (6)(s), (6)(t) and (7))  | \$ 506,884,018                   | 100 | 467,512,347 | 100 |
| 5000 | Total operating costs (Notes (4) and (7))  | 483,002,434                      | 95  | 442,473,204 | 94  |
|      | Gross profit from operations   | 23,881,584                       | 5   | 25,039,143  | 6   |
|      | Operating expenses (Notes (6)(c), (6)(d) and (6)(u)):  |                                  |     |             |     |
| 6100 | Selling expenses   | 2,712,807                        | -   | 2,616,051   | 1   |
| 6200 | Administrative expenses  | 4,887,598                        | 1   | 4,865,079   | 1   |
| 6300 | Research and development expenses  | 8,805,994                        | 2   | 8,828,444   | 2   |
| 6450 | Expected credit loss (gain)  | (15,530)                         | -   | -           | -   |
| 6400 | Total operating expenses   | 16,390,869                       | 3   | 16,309,574  | 4   |
|      | Net operating income   | 7,490,715                        | 2   | 8,729,569   | 2   |
|      | Non-operating income and expenses:   |                                  |     |             |     |
| 7010 | Other income (Note (6)(v))   | 1,161,902                        | -   | 1,492,666   | -   |
| 7020 | Other gains and losses, net (Note (6)(v))  | 1,259,503                        | -   | (1,628,771) | -   |
| 7050 | Finance costs, net (Note (6)(v))   | (1,768,283)                      | -   | (1,369,088) | -   |
| 7060 | Share of profit (loss) of associates and joint ventures accounted for using equity method, net (Notes (4) and (6)(f))  | (10,575)                         | -   | (37,928)    | -   |
|      | Total non-operating income and expenses  | 642,547                          | -   | (1,543,121) | -   |
| 7900 | Profit from continuing operations before tax   | 8,133,262                        | 2   | 7,186,448   | 2   |
| 7950 | Less: Tax expense (Notes (4) and (6)(o))   | 2,814,266                        | 1   | 2,849,410   | 1   |
|      | Profit for the period  | 5,318,996                        | 1   | 4,337,038   | 1   |
|      | Other comprehensive income (loss):   |                                  |     |             |     |
| 8310 | Items that will not be reclassified subsequently to profit and loss  |                                  |     |             |     |
| 8311 | Remeasurements of defined benefit plans  | (10,279)                         | -   | (43,111)    | -   |
| 8316 | Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income   | (847,613)                        | -   | -           | -   |
| 8320 | Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss | (30,865)                         | -   | 177         | -   |
| 8349 | Less: Income tax benefit (expense) related to items that will not be reclassified subsequently   | 3,804                            | -   | 6,729       | -   |
|      | Total items that will not be reclassified subsequently to profit and loss  | (884,953)                        | -   | (36,205)    | -   |
| 8360 | Items that will be reclassified to profit or loss  |                                  |     |             |     |
| 8361 | Exchange differences on translation  | (30,094)                         | -   | (1,191,478) | -   |
| 8362 | Unrealized gains (losses) on valuation of available-for-sale financial assets  | -                                | -   | 568,327     | -   |
| 8370 | Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss     | 270                              | -   | (474)       | -   |
| 8399 | Income tax related to components of other comprehensive income that will be reclassified to profit or loss   | -                                | -   | -           | -   |
|      | Total items that will be reclassified subsequently to profit and loss  | (29,824)                         | -   | (623,625)   | -   |
|      | Other comprehensive income (net of tax)  | (914,777)                        | -   | (659,830)   | -   |
| 8500 | Total comprehensive income   | \$ 4,404,219                     | 1   | 3,677,208   | 1   |
|      | Profit (loss), attributable to:  |                                  |     |             |     |
| 8610 | Profit (loss), attributable to owners of parent  | \$ 6,499,856                     | 1   | 6,754,912   | 2   |
| 8620 | Profit (loss), attributable to non-controlling interests   | (1,180,860)                      | -   | (2,417,874) | (1) |
|      |  | \$ 5,318,996                     | 1   | 4,337,038   | 1   |
|      | Comprehensive income attributable to:  |                                  |     |             |     |
| 8710 | Comprehensive income, attributable to owners of parent   | \$ 5,599,822                     | 1   | 6,091,803   | 1   |
| 8720 | Comprehensive income, attributable to non-controlling interests  | (1,195,603)                      | -   | (2,414,595) | -   |
|      |  | \$ 4,404,219                     | 1   | 3,677,208   | 1   |
|      | Earning per share attributable to stockholders of parent (Notes (4) and (6)(r))  |                                  |     |             |     |
| 9750 | Basic earnings per share (NT dollars)  | \$ 1.81                          |     | 1.88        |     |
| 9850 | Diluted earnings per share (NT dollars)  | \$ 1.80                          |     | 1.87        |     |

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS

**INVENTEC CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**For the Years Ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars)**

|  | Equity attributable to owners of parent |                 |               |                 |                                  |   |   |  |   |                            |              |
|--|---|-----------------|---------------|-----------------|----------------------------------|---|---|--|---|----------------------------|--------------|
|  |   |                 |               |                 |                                  | Other Equity Interest   |   |  |   |                            |              |
|  |   |                 |               |                 |                                  | Exchange Differences on Translation of Foreign Financial Statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Unrealized Gains (Losses) on Available for Sale Financial Assets | Equity attributable to owners of parent | Non - controllig interests | Total Equity |
|  |   |                 |               |                 |                                  |   |   |  |   |                            |              |
| Capital Stock  | Retained Earnings                       |                 |               |                 | Unappropriated Retained Earnings |   |   |  |   |                            |              |
|  | Share Capital                           | Capital Surplus | Legal Reserve | Special reserve |                                  |   |   |  |   |                            |              |
| Balance at January 1, 2017                           | \$ 35,874,751                           | 2,913,096       | 8,910,416     | -               | 6,575,897                        | 222,227   | -   | 296,486  | 54,792,873                              | 5,714,389                  | 60,507,262   |
| Net income (loss) for the period                     | -                                       | -               | -             | -               | 6,754,912                        | -   | -   | -  | 6,754,912                               | (2,417,874)                | 4,337,038    |
| Other comprehensive income (loss) for the period     | -                                       | -               | -             | -               | (36,850)                         | (1,194,586)   | -   | 568,327  | (663,109)                               | 3,279                      | (659,830)    |
| Total comprehensive income (loss) for the period     | -                                       | -               | -             | -               | 6,718,062                        | (1,194,586)   | -   | 568,327  | 6,091,803                               | (2,414,595)                | 3,677,208    |
| Appropriation and distribution of retained earnings: |   |                 |               |                 |                                  |   |   |  |   |                            |              |
| Legal reserve appropriated                           | -                                       | -               | 563,712       | -               | (563,712)                        | -   | -   | -  | -                                       | -                          | -            |
| Cash dividends of ordinary shares                    | -                                       | -               | -             | -               | (5,201,839)                      | -   | -   | -  | (5,201,839)                             | -                          | (5,201,839)  |
| Changes in non-controlling interests                 | -                                       | -               | -             | -               | -                                | -   | -   | -  | -                                       | (52,017)                   | (52,017)     |
| Balance at December 31, 2017                         | 35,874,751                              | 2,913,096       | 9,474,128     | -               | 7,528,408                        | (972,359)   | -   | 864,813  | 55,682,837                              | 3,247,777                  | 58,930,614   |
| Effects of retrospective application                 | -                                       | -               | -             | -               | 647,702                          | -   | 218,474   | (864,813)  | 1,363                                   | -                          | 1,363        |
| Equity at beginning of period after adjustments      | 35,874,751                              | 2,913,096       | 9,474,128     | -               | 8,176,110                        | (972,359)   | 218,474   | -  | 55,684,200                              | 3,247,777                  | 58,931,977   |
| Net income (loss) for the period                     | -                                       | -               | -             | -               | 6,499,856                        | -   | -   | -  | 6,499,856                               | (1,180,860)                | 5,318,996    |
| Other comprehensive income (loss) for the period     | -                                       | -               | -             | -               | (7,562)                          | (17,891)  | (874,581)   | -  | (900,034)                               | (14,743)                   | (914,777)    |
| Total comprehensive income (loss) for the period     | -                                       | -               | -             | -               | 6,492,294                        | (17,891)  | (874,581)   | -  | 5,599,822                               | (1,195,603)                | 4,404,219    |
| Appropriation and distribution of retained earnings: |   |                 |               |                 |                                  |   |   |  |   |                            |              |
| Legal reserve appropriated                           | -                                       | -               | 675,491       | -               | (675,491)                        | -   | -   | -  | -                                       | -                          | -            |
| Special reserve appropriated                         | -                                       | -               | -             | 107,546         | (107,546)                        | -   | -   | -  | -                                       | -                          | -            |
| Cash dividends of ordinary shares                    | -                                       | -               | -             | -               | (5,919,334)                      | -   | -   | -  | (5,919,334)                             | -                          | (5,919,334)  |
| Changes in non-controlling interests                 | -                                       | -               | -             | -               | -                                | -   | -   | -  | -                                       | 304,655                    | 304,655      |
| Others   | -                                       | (207)           | -             | -               | -                                | -   | -   | -  | (207)                                   | 207                        | -            |
| Balance at December 31, 2018                         | \$ 35,874,751                           | 2,912,889       | 10,149,619    | 107,546         | 7,966,033                        | (990,250)   | (656,107)   | -  | 55,364,481                              | 2,357,036                  | 57,721,517   |

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



## INVENTEC CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

|   | 2018                | 2017                |
|---|---------------------|---------------------|
| <b>Cash flows from operating activities:</b>  |                     |                     |
| Profit before income tax  | \$ 8,133,262        | 7,186,448           |
| <b>Adjustments:</b>   |                     |                     |
| Adjustments to reconcile profit before income tax to net cash provided by operating activities        |                     |                     |
| Depreciation expense  | 3,474,042           | 3,938,810           |
| Amortization expense  | 1,006,415           | 882,316             |
| Expected credit loss (gain) / provisions for bad debt expenses  | (15,530)            | 23,323              |
| Interest expense  | 1,768,283           | 1,369,088           |
| Interest income   | (1,161,902)         | (1,492,666)         |
| Dividend income   | (30,675)            | (36,502)            |
| Share of losses of associates and joint ventures accounted for using equity method                    | 10,575              | 37,928              |
| (Gain) loss on disposal of property, plant and equipment  | (57,338)            | 197,801             |
| Gain on disposal of investments   | (37,428)            | (1,182,665)         |
| Impairment loss on financial assets   | -                   | 19,200              |
| Impairment loss on non-financial assets   | 155,168             | 3,050,636           |
| Unrealized foreign exchange gain  | (59,944)            | (87,558)            |
| Others  | 11,045              | 290                 |
| <b>Total adjustments to reconcile profit</b>  | <b>5,062,711</b>    | <b>6,720,001</b>    |
| <b>Changes in operating assets and liabilities:</b>   |                     |                     |
| <b>Changes in operating assets:</b>   |                     |                     |
| Decrease in financial assets held for trading   | -                   | 63,584              |
| Increase in financial assets at fair value through profit or loss, mandatorily measured at fair value | (404,343)           | -                   |
| Increase in accounts receivable   | (15,075,146)        | (6,034,197)         |
| (Increase) decrease in other receivables  | (1,740,079)         | 303,180             |
| Increase in inventories   | (2,642,456)         | (9,130,624)         |
| Decrease (increase) in other current assets   | 525,278             | (98,294)            |
| <b>Total changes in operating assets</b>  | <b>(19,336,746)</b> | <b>(14,896,351)</b> |
| <b>Changes in operating liabilities:</b>  |                     |                     |
| (Decrease) increase in financial liabilities held for trading   | (16,710)            | 21,563              |
| Increase in contract liabilities  | 479,640             | -                   |
| Decrease in notes payable to related parties  | -                   | (12,132)            |
| Increase in accounts payable  | 3,728,140           | 4,236,702           |
| (Decrease) increase in other payables   | (292,519)           | 337,731             |
| (Decrease) increase in other current liabilities  | (1,512,461)         | 442,245             |
| Decrease in net defined benefit liabilities, non-current  | (47,958)            | (114,589)           |
| Increase in deferred income   | -                   | 807,847             |
| <b>Total changes in operating liabilities</b>   | <b>2,338,132</b>    | <b>5,719,367</b>    |
| <b>Total changes in operating assets and liabilities</b>  | <b>(16,998,614)</b> | <b>(9,176,984)</b>  |
| <b>Total adjustments</b>  | <b>(11,935,903)</b> | <b>(2,456,983)</b>  |
| Cash (outflow) inflow generated from operations   | (3,802,641)         | 4,729,465           |
| Interest received   | 1,490,071           | 1,046,193           |
| Dividends received  | 30,675              | 36,913              |
| Interest paid   | (1,804,736)         | (990,179)           |
| Income taxes paid   | (1,448,917)         | (2,556,526)         |
| <b>Net cash flows (used in) from operating activities</b>   | <b>(5,535,548)</b>  | <b>2,265,866</b>    |

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**INVENTEC CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)**  
**For the Years Ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars)**

|  | <u>2018</u>                 | <u>2017</u>              |
|--|-----------------------------|--------------------------|
| <b>Cash flows from investing activities:</b>   |                             |                          |
| Proceeds from capital reduction of financial assets at fair value through other comprehensive income | 2,765                       | -                        |
| Acquisition of financial assets at fair value through profit or loss                                 | (11,108,576)                | -                        |
| Proceeds from disposal of financial assets at fair value through profit or loss                      | 17,379,361                  | -                        |
| Acquisition of available-for-sale financial assets   | -                           | (18,409,063)             |
| Proceeds from disposal of available-for-sale financial assets  | -                           | 13,515,870               |
| Proceeds from capital reduction of available-for-sale financial assets                               | -                           | 11,264                   |
| Acquisition of financial assets at cost  | -                           | (17,798)                 |
| Disposal of financial assets at cost   | -                           | 53,742                   |
| Proceeds from liquidation of investments accounted for using equity method                           | 30,822                      | -                        |
| Acquisition of property, plant and equipment   | (1,916,305)                 | (2,653,868)              |
| Proceeds from disposal of property, plant and equipment  | 69,311                      | 257,527                  |
| Acquisition of intangible assets   | (255,741)                   | (286,912)                |
| Net cash inflows from business combination   | -                           | 17,236                   |
| Effect on lost of control over subsidiary's cash   | -                           | (92,707)                 |
| Decrease (increase) in other financial assets  | 11,192,526                  | (8,915,024)              |
| Increase in other non-current assets   | (1,264,816)                 | (1,778,813)              |
| <b>Net cash flows from (used in) investing activities</b>  | <u>14,129,347</u>           | <u>(18,298,546)</u>      |
| <b>Cash flows from financing activities:</b>   |                             |                          |
| (Decrease) increase in short-term borrowings   | (4,567,702)                 | 22,553,371               |
| Proceeds from long-term borrowings   | 12,145,000                  | 8,789,940                |
| Repayments of long-term borrowings   | (12,532,609)                | (8,911,700)              |
| Increase (decrease) in other non-current liabilities   | 51,139                      | (5,888)                  |
| Cash dividends paid  | (5,919,334)                 | (5,201,839)              |
| Change in non-controlling interests  | 288,072                     | (19,914)                 |
| <b>Net cash flows (used in) from financing activities</b>  | <u>(10,535,434)</u>         | <u>17,203,970</u>        |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>                                  | 54,966                      | (194,554)                |
| <b>Net (decrease) increase in cash and cash equivalents</b>  | (1,886,669)                 | 976,736                  |
| <b>Cash and cash equivalents at beginning of period</b>  | <u>26,949,180</u>           | <u>25,972,444</u>        |
| <b>Cash and cash equivalents at end of period</b>  | <u><b>\$ 25,062,511</b></u> | <u><b>26,949,180</b></u> |

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Overview**

Inventec Co., Ltd. (the "Company") was organized in 1975. The Company engages primarily in the developing, manufacturing, processing and trading of computers and related products. The Company's registered office address is located at No.66 Hougang Street, Shilin District, Taipei City, Taiwan, R.O.C. The shares of the Company became officially listed and traded on the Taiwan Stock Exchange in November 1996.

The consolidated financial statements of the Company as of and for the year ended December 31, 2018 comprised the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group primarily is involved in the developing, computer hardware and software products, manufacturing, processing and trading of computers and related products, and sale of wired and wireless communication and digital accessory products. Please refer to Note 4(c) for details.

**(2) Financial Statements Authorization Date and Authorization Process**

The consolidated financial statements were authorized for issuance by the Board of Directors on March 26, 2019.

**(3) New Standards, Amendments and Interpretations not yet Adopted:**

- (a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

| <b>New, Revised or Amended Standards and Interpretations</b>                                 | <b>Effective date<br/>per IASB</b> |
|--|------------------------------------|
| Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"     | January 1, 2018                    |
| Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" | January 1, 2018                    |
| IFRS 9 "Financial Instruments"   | January 1, 2018                    |
| IFRS 15 "Revenue from Contracts with Customers"  | January 1, 2018                    |
| Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"                          | January 1, 2017                    |
| Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses" | January 1, 2017                    |
| Amendments to IAS 40 "Transfers of Investment Property"                                      | January 1, 2018                    |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

| <u>New, Revised or Amended Standards and Interpretations</u>       | <u>Effective date per IASB</u> |
|--|--------------------------------|
| Annual Improvements to IFRS Standards 2014–2016 Cycle:             |                                |
| Amendments to IFRS 12  | January 1, 2017                |
| Amendments to IFRS 1 and Amendments to IAS 28                      | January 1, 2018                |
| IFRIC 22 "Foreign Currency Transactions and Advance Consideration" | January 1, 2018                |

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Group applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Group recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sale of products, revenue was recognized depending on the individual terms of sales agreement, at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue was recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

For certain contracts that permit a customer to return an item, revenue was recognized when a reasonable estimate of the returns could be made, provided that all other criteria for revenue recognition were met. Otherwise, a revenue recognition was deferred until the return period lapses or a reasonable estimate of returns could be made.

Under IFRS 15, revenue is currently recognized for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

A refund liability and an asset for recovery will be recognized for these contracts and presented separately in the statement of financial position.

2) Rending of services

Under IFRS 15, the total consideration in the service contracts is allocated to all services based on their stand-alone selling prices. The stand-alone selling prices is determined based on the list prices at which the Group sells the services in separate transactions.

3) Impacts on financial statements

The following tables summarize the impacts of adopting IFRS15 on the Group's consolidated financial statements:

| Impacted line items<br>on the consolidated<br>balance sheet | December 31, 2018                                  |   |   | January 1, 2018                                    |   |   |
|---|--|---|---|--|---|---|
|   | Balances<br>prior to the<br>adoption of<br>IFRS 15 | Impact of<br>changes in<br>accounting<br>policies | Balance<br>upon<br>adoption of<br>IFRS 15 | Balances<br>prior to the<br>adoption of<br>IFRS 15 | Impact of<br>changes in<br>accounting<br>policies | Balance<br>upon<br>adoption of<br>IFRS 15 |
| Accounts receivable   | \$ 92,223,662                                      | 11,058  | 92,234,720                                | 78,597,564   | 11,065  | 78,608,629                                |
| Other current assets  | 1,921,380  | 265,412   | 2,186,792                                 | 12,831,283   | 265,543   | 13,096,826                                |
| <b>Impact on assets</b>                                     |  | <b>276,470</b>                                    |   |  | <b>276,608</b>                                    |   |
| Other current liabilities                                   | \$ 12,363,227                                      | (1,733,343)                                       | 10,629,884                                | 13,648,540   | (1,398,082)                                       | 12,250,458                                |
| Deferred income   | 4,707,828  | (4,707,828)                                       | -   | 4,379,968  | (4,379,968)                                       | -   |
| Current contract liabilities                                | -  | 6,717,641   | 6,717,641                                 | -  | 6,054,658   | 6,054,658                                 |
| <b>Impact on liabilities</b>                                |  | <b>276,470</b>                                    |   |  | <b>276,608</b>                                    |   |

(ii) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in operating expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**INVENTEC CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(g).

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(g).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and other equity as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group assumed that the credit risk on its asset will not increase significantly since its initial recognition.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018.

|  | IAS39                                     |                 | IFRS9                  |                 |
|--|---|-----------------|------------------------|-----------------|
|  | Measurement categories                    | Carrying Amount | Measurement categories | Carrying Amount |
| <b>Financial Assets</b>                            |   |                 |                        |                 |
| Cash and equivalents                               | Loans and receivables                     | 26,949,180      | Amortized cost         | 26,949,180      |
| Derivative instruments                             | Held-for-trading                          | 23,286          | Mandatorily at FVTPL   | 23,286          |
| Debt securities and equity instruments             | Designated as at FVTPL (note 2)           | 102,090         | Mandatorily at FVTPL   | 102,090         |
|  | Available-for-sale (note 1)               | 1,321,067       | FVOCI                  | 1,321,067       |
|  | Available-for-sale (note 2)               | 8,074,382       | FVTPL                  | 8,074,382       |
|  | Financial assets carried at cost (note 1) | 432,441         | FVOCI                  | 456,760         |
| Trade and other receivables                        | Loans and receivables (note 3)            | 79,646,516      | Amortized cost / FVOCI | 79,646,516      |
| Other financial assets and guarantee deposits paid | Loans and receivables                     | 11,437,038      | Amortized cost         | 11,437,038      |

Note1: These debt and equity securities (including Available-for-sale and financial assets carried at cost) represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI, resulting in an increase of \$24,319 in those assets recognized, and a decrease of \$633,912 in other equity, as well as an increase of \$658,231 in retained earnings; also, the decrease of \$12,427 and \$10,529 in other equity and retained earnings, respectively, due to the use of equity method and the tax impact of IFRS 9 that took effect on January 1, 2018.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Note2: Under IAS 39, these equity securities were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured at FVTPL under IFRS 9.

Note3: Trade, lease and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost and FVOCI.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

|   | 2017.12.31<br>IAS 39<br>Carrying<br>Amount | Reclassifications  | Remeasurements | 2018.1.1<br>IFRS 9<br>Carrying<br>Amount | 2018.1.1<br>Retained<br>earnings | 2018.1.1<br>Other<br>equity | Non-controll<br>ing interests |
|---|--|--------------------|----------------|--|----------------------------------|-----------------------------|-------------------------------|
| Fair value through profit or loss   |  |                    |                |  |                                  |                             |                               |
| Beginning balance of FVTPL (IAS 39)   | \$ 125,376                                 | -                  | -              | -  | -                                | -                           | -                             |
| Additions – financial instruments:  |  |                    |                |  |                                  |                             |                               |
| From available for sale   | -  | 8,163,208          | -              | -  | 104,899                          | (104,899)                   | -                             |
| Total   | <b>\$ 125,376</b>                          | <b>8,163,208</b>   | <b>-</b>       | <b>8,288,584</b>                         | <b>104,899</b>                   | <b>(104,899)</b>            | <b>-</b>                      |
| Fair value through other comprehensive income                                 |  |                    |                |  |                                  |                             |                               |
| Beginning balance of available for sale (including measured at cost) (IAS 39) | \$ 9,827,890                               | (1,753,508)        | -              | -  | -                                | -                           | -                             |
| Available for sale to FVOCI   | -  | 1,753,508          | 24,319         | -  | 553,332                          | (529,013)                   | -                             |
| Subtraction – financial instruments:  |  |                    |                |  |                                  |                             |                               |
| To FVTPL – required reclassification  | -  | (8,163,208)        | -              | -  | -                                | -                           | -                             |
| Total   | <b>\$ 9,827,890</b>                        | <b>(8,163,208)</b> | <b>24,319</b>  | <b>1,689,001</b>                         | <b>553,332</b>                   | <b>(529,013)</b>            | <b>-</b>                      |

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(aa).



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

- (b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

| <u>New, Revised or Amended Standards and Interpretations</u>                | <u>Effective date per IASB</u> |
|---|--------------------------------|
| IFRS 16 “Leases”  | January 1, 2019                |
| IFRIC 23 “Uncertainty over Income Tax Treatments”                           | January 1, 2019                |
| Amendments to IFRS 9 “Prepayment features with negative compensation”       | January 1, 2019                |
| Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”            | January 1, 2019                |
| Amendments to IAS 28 “Long-term interests in associates and joint ventures” | January 1, 2019                |
| Annual Improvements to IFRS Standards 2015–2017 Cycle                       | January 1, 2019                |

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

- (i) IFRS 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

- 1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**INVENTEC CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

2) Transition

As a lessee, the Group can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized in profit or loss in 2019 and going on years, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

- 3) So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for the operating leases of its land, equipments, offices, and factory facilities. The Group estimated that the right-of-use assets and the lease liabilities to increase by 2,062,362 and 1,057,756 respectively on January 1, 2019. No significant impact is expected for the Group's finance leases. Besides, The Group does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs have been issued by the IASB, but have yet to be endorsed by the FSC:

| <b>New, Revised or Amended Standards and Interpretations</b>   | <b>Effective date per IASB</b>          |
|--|---|
| Amendments to IFRS 3 “Definition of a Business”  | January 1, 2020                         |
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture” | Effective date to be determined by IASB |
| IFRS 17 “Insurance Contracts”  | January 1, 2021                         |
| Amendments to IAS 1 and IAS 8 “Definition of Material”   | January 1, 2020                         |

The Group assessed that the above IFRSs may not be relevant to The Group.

**(4) Significant Accounting Policies**

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 consolidated financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for the explanation of Note3, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

- (a) Statement of compliance

These consolidated annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations” ) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by FSC (hereinafter referred to as the IFRSs endorsed by FSC).

- (b) Basis of preparation

1. Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- 2) Fair value through other comprehensive income (Available-for-sale financial assets) are measured at fair value;
- 3) Liabilities for cash-settled share-based payment arrangements are measured at fair value;

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

- 4) The defined benefit liability (asset) is recognized as the fair value of the plan assets less the present value of the defined benefit obligation, with a limit based on a defined benefit assets as disclosed in Note 4(u).

**2. Functional and presentation currency**

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

**(c) Basis of consolidation**

**1. Principle of preparation of the consolidated financial statements**

The consolidated financial statements comprise the Company and subsidiaries. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Income (losses) applicable to non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the Group's share of net assets before and after the change, and any considerations received or paid, are adjusted to or against the Group reserves.

If the Consolidated Company loses control over its subsidiary, the Consolidated Company derecognized the assets (including any goodwill) and liabilities of the former subsidiary from the consolidated statements of financial position, and recognizes any investment retained in the former subsidiary at its fair value when control is lost. The gain or loss associated with the loss of control is the difference between: (a) the sum of the fair value of the consideration received and investment retained in the former subsidiary at its fair value when control is lost, and (b) the sum of the assets (including any goodwill) and liabilities of the former subsidiary and the carrying value of the non-controlling interests when control is lost. The Consolidated Company shall account for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Consolidated Company had directly disposed of its related assets and liabilities.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

2. List of subsidiaries in the consolidated financial statements

| Investor   | Name of Subsidiary                                  | Principal activity   | Shareholding Ratio |            | Note   |
|--|---|--|--------------------|------------|--|
|  |   |  | 2018.12.31         | 2017.12.31 |  |
| The Company  | Inventec Corporation (Hong Kong) Ltd.               | Investing in Mainland China and import and export business                     | 100.00%            | 100.00%    |  |
| "  | Inventec Holding (North America) Corp.              | Investment of holding company in America                                       | 100.00%            | 100.00%    |  |
| "  | Inventec (Cayman) Corp.                             | Holding Company  | 100.00%            | 100.00%    |  |
| "  | IEC (Cayman) Corporation                            | Holding Company  | 100.00%            | 100.00%    |  |
| "  | Inventec (Czech), s.r.o.                            | Computer products assembly operations  | 100.00%            | 100.00%    |  |
| "  | Inventec Development Japan Corporation              | Developing, designing and selling computer peripherals                         | 100.00%            | 100.00%    |  |
| "  | Inventec Investments Co., Ltd.                      | Investment company   | 100.00%            | 100.00%    |  |
| "  | AIMobile Co., Ltd.                                  | Developing, production and selling of intelligent mobile devices               | 55.00%             | 55.00%     |  |
| The Company 、 Inventec Investments Co., Ltd. and Inventec Appliances Corp.     | Inventec Solar Energy Corporation                   | Developing, production and selling of multi-crystalline solar cells            | 47.65%             | 47.64%     |  |
| The Company and Inventec Investments Co., Ltd.                                 | E-TON Solar Tech. Co., Ltd.                         | Manufacturing and selling of solar cells                                       | 34.65%             | 34.65%     |  |
| The Company, Inventec Solar Energy Corporation and E-TON Solar Tech. Co., Ltd. | Inventec Energy Corporation                         | Manufacturing and selling of photovoltaic systems integration                  | - %                | - %        | Inventec Energy Corporation decided to dismiss the Company in 2017, and was liquidated in January, 2019                  |
| The Company  | Inventec Appliances Corp.                           | Wireless terminal products   | 100.00%            | 100.00%    |  |
| The Company and Inventec Investments Co., Ltd.                                 | Inventec Manufacturing (India) Private Limited      | Computer product assembles and warranty services                               | 100.00%            | 100.00%    |  |
| Inventec Corporation (Hong Kong) Ltd.  | Inventec Electronics (Tianjin) Co., Ltd.            | Electronic product software and hardware development manufacturing             | 100.00%            | 100.00%    |  |
| "  | Inventec (Beijing) Electronics Technology Co., Ltd. | "  | 100.00%            | 100.00%    |  |
| Inventec (Cayman) Corp. and Inventec (Pudong) Technology Corp.                 | Inventec (Shanghai) Corp.                           | Electronic product software and hardware development manufacturing             | 100.00%            | 100.00%    | Inventec (Pudong) Technology Corp. participated in the cash capital increase of Inventec (Shanghai) Corp. in March, 2018 |
| Inventec (Cayman) Corp.  | Inventec (Pudong) Corp.                             | Electronic product software and hardware development manufacturing             | 100.00%            | 100.00%    |  |
| "  | Inventec (Pudong) Technology Corp.                  | "  | 100.00%            | 100.00%    |  |
| "  | Inventec (Shanghai) Service Co., Ltd.               | "  | 100.00%            | 100.00%    |  |
| "  | Inventec Hi-Tech Corp.                              | "  | 100.00%            | 100.00%    |  |
| "  | Inventec Huan Hsin (Zhejiang) Technology Co., Ltd.  | Complete of the electronic computer and product and sale of external equipment | 100.00%            | 100.00%    |  |
| "  | Inventec (Chongqing) Service Co., Ltd.              | Electronic product software and hardware development manufacturing             | 100.00%            | 100.00%    |  |
| "  | TPV-Inventa Holding Ltd.                            | Holding Company  | 90.00%             | 90.00%     |  |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

| Investor   | Name of Subsidiary   | Principal activity   | Shareholding Ratio |            | Note   |
|--|--|--|--------------------|------------|--|
|  |  |  | 2018.12.31         | 2017.12.31 |  |
| Inventec (Cayman) Corp. and IEC (Cayman) Corporation | Inventec (Chongqing) Corp.                                 | Assembly and sale of computer products   | 100.00%            | 100.00%    |  |
| Inventec (Shanghai) Corp.                            | Inventec Asset-Management (Shanghai) Corporation           | Equipment leasing, Storage, technological development and sale of computer                       | 78.00%             | 78.00%     |  |
| Inventec (Chongqing) Corp.                           | Chongqing Rongjie Cloud Service Co., Ltd.                  | Software production  | - %                | 100.00%    | The cancellation of registration process was completed in May 2018.  |
| Chongqing Rongjie Cloud Service Co., Ltd.            | Chongqing TaiYu Cloud Service Co., Ltd.                    | "  | - %                | 100.00%    | The cancellation of registration process was completed in March 2018.  |
| TPV-Inventa Holding Ltd.                             | TPV-Inventa Technology (Fujian) Ltd.                       | AIO PC   | - %                | 100.00%    | The cancellation of registration process was completed in December 2018.   |
| Inventec Holding (North America) Corp.               | Inventec (USA) Corporation                                 | Computer product assemblies  | 100.00%            | 100.00%    |  |
| "  | Inventec Manufacturing (North America) Corporation         | "  | 100.00%            | 100.00%    |  |
| "  | Inventec Configuration (North America) Corporation         | "  | 100.00%            | 100.00%    |  |
| "  | Inventec Distribution (North America) Corporation          | "  | 100.00%            | 100.00%    |  |
| "  | IEC Technologies, S. de R.L. de C.V.                       | "  | 100.00%            | 100.00%    |  |
| E-TON Solar Tech. Co., Ltd                           | Gloria Solar International Holding, Inc.                   | Investment company   | - %                | 50.76%     | The Board of Directors of Gloria Solar International Holding Inc. decided to dismiss the Company on March 22, 2018, and this decision was made by the meeting of shareholders on April 25, 2018. It is currently in liquidation process. |
| Gloria Solar International Holding, Inc.             | Gloria Solar Co., Ltd.                                     | Manufacture and sale of photovoltaic modules   | - %                | - %        | The liquidation process was completed in August 2018.  |
| Inventec Appliances Corp.                            | Inventec Appliances (Cayman) Holding Corp.                 | Holding Company  | 100.00%            | 100.00%    |  |
| Inventec Appliances (Cayman) Holding Corp.           | Inventec Appliances (USA) Distribution Corp.               | Marketing promotion  | 100.00%            | 100.00%    |  |
| "  | Inventec Appliances Corporation USA, Inc.                  | Customer information service   | 100.00%            | 100.00%    |  |
| "  | Inventec Appliances (Shanghai) Co., Ltd.                   | Telecommunication research   | 100.00%            | 100.00%    |  |
| "  | Inventec Appliances (Pudong) Corp.                         | Electronic communication and products manufacturing  | 100.00%            | 100.00%    |  |
| "  | Inventec Appliances (Jiangning) Corp.                      | "  | 100.00%            | 100.00%    |  |
| "  | Inventec Appliances (Nanjing) Corp.                        | House leasing  | 100.00%            | 100.00%    |  |
| "  | Inventec Appliances (XI'AN) Corporation                    | Telecommunication research and service   | 100.00%            | 100.00%    |  |
| "  | Inventec Appliances (Nanchang) Corporation                 | "  | 100.00%            | 100.00%    |  |
| "  | Inventec Appliances (Malaysia) SDN. BHD.                   | Manufacture and sale of electronic materials and products  | 100.00%            | - %        | The subsidiary was established on September 27, 2018.  |
| Inventec Appliances (Shanghai) Co., Ltd.             | Inventec Appliances (Shanghai) Enterprise Co., Ltd.        | Development and consultation on software and hardware; as well as selling of electronic products | 100.00%            | 100.00%    |  |
| "  | APEX Business Management & Consulting (Shanghai) Co., Ltd. | Business management  | 100.00%            | 100.00%    |  |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

| Investor                                 | Name of Subsidiary   | Principal activity                           | Shareholding Ratio |            | Note   |
|--|--|--|--------------------|------------|--|
|  |  |  | 2018.12.31         | 2017.12.31 |  |
| Inventec Appliances (Shanghai) Co., Ltd. | Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd. | Telecommunication research and manufacturing | 100.00%            | - %        | The subsidiary was established on June 21, 2018. |

3.Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign currencies

1.Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for Fair value through other comprehensive income (Available for sale) equity investment, which are recognized in other comprehensive income.

2.Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated at the average exchange rate. Translation differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**INVENTEC CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non current.

1. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is expected to be realized within twelve months after the reporting period; or
4. The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

1. It is expected to be settled in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is due to be settled within twelve months after the reporting period; or
4. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in bank, and short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

1. Financial assets (policy applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**INVENTEC CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI )

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Group, therefore, those receivables are measured at FVOCI and presented as accounts receivable.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, derived from debt investments are recognized in profit or loss; whereas dividends derived from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which otherwise meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI, accounts receivable measured at FVOCI and contract assets.

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available (without undue cost or effort). This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and forward-looking information.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 1 year past due or the borrower is unlikely to pay its credit obligations to the Group in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. The difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 1 year past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

**5) Derecognition of financial assets**

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**INVENTEC CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

2. Financial assets (policy applicable before January 1, 2018)

Financial assets are classified into following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term. The Group designates financial assets, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations :

- Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- Performance of the financial asset is evaluated on a fair value basis;
- A hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and included in statement of comprehensive income. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

2) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and included in non-operating income and expense. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in non-operating income and expenses.

Interest income from investment in bond security is recognized in profit or loss, under other income of non-operating income and expenses.

**3) Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, other receivables, and investment in debt security with no active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Interest income is recognized in profit or loss, under non-operating income and expenses.

**4) Impairment of financial assets**

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

An impairment loss in respect of a financial asset is deducted from the carrying amount, except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before the impairment was recognized at the reversal date.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Impairment losses and recoveries of accounts receivable are recognized in selling expense; impairment losses and recoveries of other financial assets are recognized in profit or loss under non-operating income and expense.

**5) Derecognition of financial assets**

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses on available-for-sale financial assets" in profit or loss is under non-operating income and expense.

**3. Financial liabilities and equity instruments**

**1) Financial liabilities at fair value through profit or loss**

A financial liability is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition.

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Financial liabilities are classified as held-for-trading if it is acquired principally for the purpose of selling in the short term. The Group designates financial liabilities, other than those classified as held-for-trading, as at fair value through profit or loss at initial recognition under one of the following situations :

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis;
- Performance of the financial liabilities is evaluated on a fair value basis; or
- A hybrid instrument contains one or more embedded derivatives.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, under non-operating income and expenses.

The Group issues financial guarantee contracts and loan commitments and designates them as at fair value through profit or loss. Any gains and losses are recognized in profit or loss, under non-operating income and expenses.

**2) Other financial liabilities**

Financial liabilities not classified as held-for-trading, or designated as at fair value through profit or loss, which comprise of loans and borrowings, and trade and other payables, are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in non-operating income and expenses.

**3) Derecognition of financial liabilities**

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

**4) Offsetting of financial assets and liabilities**

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**INVENTEC CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

4. Derivative financial instruments (policy applicable from January 1, 2018)

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Any attributable transaction costs thereof are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and are included in the line item of non-operating income and expenses in the statement of comprehensive income. When a derivative is designated as, and effective for, a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, whereas when the fair value is negative, it is classified as a financial liability.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the non-financial asset's host contract are not closely related to the embedded derivatives and the host contract is not measured at FVTPL.

5. Derivative financial instruments (policy applicable before January 1, 2018)

Except for the following items, the Group applies the same accounting policies as applicable from January 1, 2018.

For derivatives that are linked to investments in equity instruments that do not have a quoted market price in an active market and must be settled by delivery of such an unquoted equity instrument, such derivatives that are classified as financial assets are measured at cost; and derivatives that are classified as financial liabilities are measured at cost.

(h) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale or distribution rather than through continuing use, are reclassified as held for sale or held for distribution to owners. Immediately before classification as held for sale or held for distribution to owners, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, generally, the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group will first be allocated to goodwill, and then to remaining assets and liabilities will be apportioned on a pro rata basis, except that no loss is allocated to assets not within the scope of IAS 36 – Impairment of Assets. Such assets will continue to be measured in accordance with the Group's accounting policies.

Impairment losses on assets initially classified as held for sale or held for distribution to owners and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

When the assets classified as held for sale or held for distribution to owners are intangible assets or property, plant and equipment, they are no longer amortized or depreciated.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**INVENTEC CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

(i) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(j) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or jointly control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. The Group recognizes any changes, proportionately with shareholding ratio under additional-paid-in capital, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual controlling power.

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent the Group has an obligation or has made payments on behalf of the investee.

The Group shall discontinue the use of equity method from the date when its investment ceases to be an associate or a joint venture. The Group shall measure the retained interest at fair value. The difference between the fair value of retained interest and proceeds from disposals, and the carrying amount of the investment at the date the equity method that was discontinued is recognized in profit or loss. The Group shall account for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss (or retained earnings) on the disposal of the related assets or liabilities, the entity shall reclassify the gain or loss from equity to profit or loss (or retained earnings) (as a reclassification adjustment) when the equity method is discontinued. If an entity's ownership interest in an associate or a joint venture is reduced, while the entity continues to apply the equity method, the entity shall reclassify the proportion of the gain or loss, that had previously been recognized in other comprehensive income relating to that reduction in ownership interest, to profit or loss.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group shall continue to apply the equity method without remeasuring the retained interest.

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under additional paid-in capital. If the additional paid-in capital resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Group's ownership interest is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

The Group ceases to have a significant influence over an associate and shall account for the investment in accordance with IAS 9 and IAS 39 from that date, provided the associate does not become a subsidiary or a joint venture as defined in IAS 31. On the loss of significant influence, the investor shall measure at fair value any investment the investor retains in the former associate. The investor shall recognize in profit or loss any difference between:

1. The fair value of any retained investment and any proceeds from disposing of the part interest in the associate; and
2. The carrying amount of the investment at the date when significant influence is lost.

**(k) Joint Arrangements**

A joint arrangement is an arrangement of which two or more parties have joint control. The IFRS classifies joint arrangements into two types-joint operations and joint ventures, and have the following characteristics: (a) The participants are bound by a contractual arrangement; (b) The contractual arrangement gives two or more of those parties joint control of the arrangement. IFRS 11 "Joint Arrangements" defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (i.e. activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. A joint venturer shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures", unless, the entity is exempted from applying the equity method as specified in that Standard.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

When assessing the classification of a joint arrangement, the Group shall consider the structure and legal form of the arrangement, the terms in the contractual arrangement and other facts and circumstances. The Group had previously reviewed the contractual structure of the joint arrangement, and has now decided to reclassify the investments in 「Jointly Controlled Entities」 to 「Joint Venturers」. Although the investments have been reclassified, they are still recorded under the equity method. Thus, there is no effect in the recognized assets, liabilities and other comprehensive income.

(l) Investment property

Investment property is a property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and accumulated impairment losses. Depreciation method, useful lives, and residual values shall be treated in accordance with IAS 16.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of raw materials and direct labor, and any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and its carrying amount) is recognized in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its book value at the date of reclassification becomes its cost for subsequent accounting.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

|           |              |
|-----------|--------------|
| Buildings | 10 ~ 25years |
|-----------|--------------|

(m) Property, plant, and equipment

1. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

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 shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under other gains and losses.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**INVENTEC CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

2. Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance is expensed as incurred.

3. Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

|                                       |              |
|---------------------------------------|--------------|
| Buildings                             | 10 ~ 50years |
| Machinery                             | 2 ~ 11years  |
| Transportation equipment              | 3 ~ 6years   |
| Furniture and office facilities       | 2 ~ 14years  |
| Power equipment                       | 2 ~ 16years  |
| Renovation and leasehold improvements | 2 ~ 20years  |
| Miscellaneous equipment               | 2 ~ 16years  |

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

(n) Leases

1. Lessor

Lease income from an operating lease is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**INVENTEC CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

2. Lessee

Other leases are operating leases and are not recognized in the Group' s statement of financial position.

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(o) Intangible assets

1. Goodwill

1) Recognition

Goodwill arising from the acquisition of subsidiaries is recognized as intangible assets. For the measurement of initial recognition of goodwill, please refer to Note 4(x).

2) Measurement

Goodwill is measured at its cost less impairment losses. Investments in associates are accounted for using the equity method. The carrying amount of the investment in associates includes goodwill, in which the kind of investment of impairment losses are recognized as a part of the carrying amount of the investment, not associated to goodwill and any other assets.

2. Research and development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

- 1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- 2) Its intention to complete the intangible asset and use or sell it.
- 3) Its ability to use or sell the intangible asset.
- 4) How the intangible asset will generate probable future economic benefits.
- 5) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- 6) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

3. Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses.

4. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, are recognized in profit or loss as incurred.

Depreciable amount of intangible asset is calculated based on the cost of an asset less its residual values.

5. Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with all indefinite useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

|                        |            |
|------------------------|------------|
| Trademark rights       | 10years    |
| Computer software cost | 1 ~ 6years |

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates.

(p) Impairment of non-financial assets

The Group assesses non-financial assets, other than the following assets for impairment and estimates the recoverable amounts for any impaired assets at the end of each reporting period:

- Inventories
- Deferred tax assets
- Assets arising from employee benefit

If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for an individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use are required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units.

If the carrying amount of the cash-generating units exceeds the recoverable amount of the unit, the entity shall recognize the impairment loss, and the impairment loss shall be allocated to reduce the carrying amount of each asset in the unit.

Reversal of an impairment loss for goodwill is prohibited.

The Group assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount, as a reversal of a previously recognized impairment loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(q) Provisions**

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

**1. Warranties**

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

**2. Onerous contracts**

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

(r) Treasury stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax. Gains on disposal of treasury shares should be recognized under Capital Reserve – Treasury Shares Transactions; Losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average of different types of repurchase.

During the cancellation of treasury shares, Capital Reserve – Share Premiums and Share Capital should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital reserves arising from similar types of treasury shares; Losses on cancellation of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

(s) Revenue from contracts with customers (policy applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

1. Sale of goods

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

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

2. Consulting services and Management services

The Group provides advisory and management services. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the costs incurred to date as a proportion of the total estimated costs of the transaction.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**INVENTEC CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

3. Financing components

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

(t) Revenue (policy applicable before January 1, 2018)

1. Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

2. Service

Revenue from services rendered including consulting and management is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

3. Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission made by the Group.

4. Transfer of goods and or services

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction which generates revenue. This is often the case with commodities like oil or milk where suppliers exchange or swap inventories in various locations to fulfill demand on a timely basis in a particular location. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction which generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**INVENTEC CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

(u) Employee benefits

1. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

2. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group reclassified the amounts recognized in other comprehensive income to retained earnings.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, and any change in the present value of the defined benefit obligation.

3. Terminated benefits

Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. The Group is required to recognize the termination benefits at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes any related restructuring costs. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**4.Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

**(v) Share-based payment**

The grant-date fair value of share-based payment awards granted to employee is recognized as employee salary expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

The Company shall reserve a certain portion of the shares of its capital increase, which is issued on the grant-date, to its employees. The subscription price and the number of shares should be confirmed at the grant-date.

**(w) Income taxes**

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or these recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, they also include tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes recognized except for the following:

- 1.Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- 2.Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- 3.Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**INVENTEC CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

1. The entity has the legal right to settle tax assets and liabilities on a net basis; and
2. the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:
  - 1) levied by the same taxing authority; or
  - 2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences, to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that the future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(x) Business combination

For those business acquisitions occurring goodwill is measured as the aggregation of the consideration transferred (which generally is measured at fair value at the acquisition date) and the amount of any non-controlling interest in the acquiree, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the residual balance is negative, the Group shall reassess whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain on the bargain purchase thereafter.

All the transaction costs incurred for the business combination are recognized immediately as the Group's expenses when incurred, except for the issuance of debt or equity instruments.

The Group shall measure any non-controlling equity interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the shareholder of non-controlling equity interest has the right to claim ownership of the acquiree's net assets when the acquiree is liquidated.

Other non-controlling interest is evaluated by its fair value or by other basis permitted by IFRSs endorsed by F.S.C..

(y) Earnings per share

The Group disclose the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as employee bonus and employee compensation.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**INVENTEC CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

(z) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

**(5) Significant Accounting Judgments, Estimation, Assumptions, and Sources of Estimation Uncertainty**

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(a) Offsetting financial instruments

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(e) for further description of the valuation of inventories.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(6) Explanation to Significant Accounts**

(a) Cash and cash equivalents

|   | <u>2018.12.31</u>           | <u>2017.12.31</u>        |
|---|-----------------------------|--------------------------|
| Cash  | \$ 11,059                   | 9,362                    |
| Demand deposits and checking accounts                             | 19,719,122                  | 18,695,786               |
| Time deposits   | <u>5,332,330</u>            | <u>8,244,032</u>         |
| Cash and cash equivalents in consolidated statement of cash flows | <u><b>\$ 25,062,511</b></u> | <u><b>26,949,180</b></u> |

Refer to Note 6(x) for the sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

(b) Financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income

On December 31, 2017, the financial assets which were classified as measured at fair value through profit or loss, held for trading, available-for-sale financial assets and financial assets carried at cost under IAS 39 "Financial Instruments: Recognition and Measurement" were reclassified as mandatorily measured at fair value through profit or loss and at fair value through other comprehensive income under IFRS 9. Please refer to Note 3(a) for the impact of changes and details of conversation.

1. Financial assets and liabilities at fair value through profit or loss

|  | <u>2018.12.31</u>          | <u>2017.12.31</u>     |
|--|----------------------------|-----------------------|
| Financial assets at fair value through profit or loss      |                            |                       |
| Mandatorily measured at fair value through profit or loss: |                            |                       |
| Derivative instruments not used for hedging                |                            |                       |
| Forward exchange contracts                                 | \$ 3,997                   | -                     |
| Foreign exchange swap                                      | 3,007                      |                       |
| Non-derivative financial assets                            |                            |                       |
| Stocks listed on domestic markets                          | 57,885                     | -                     |
| Unquoted financial instruments                             | 2,338,037                  |                       |
| Unsecured convertible bonds                                | 64,553                     |                       |
| Financial assets held-for-trading                          |                            |                       |
| Derivative instruments not used for hedging                |                            |                       |
| Foreign exchange swap                                      | -                          | 23,286                |
| Non-derivative financial assets                            |                            |                       |
| Stocks listed on domestic markets                          | <u>-</u>                   | <u>102,090</u>        |
| Total  | <u><b>\$ 2,467,479</b></u> | <u><b>125,376</b></u> |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

|  | <b>2018.12.31</b> | <b>2017.12.31</b> |
|--|-------------------|-------------------|
| Financial liabilities at fair value through profit or loss |                   |                   |
| Held-for-trading financial liabilities                     |                   |                   |
| Forward exchange contracts                                 | \$ 3,398          | 18,613            |
| Foreign exchange swap                                      | 1,560             | 3,056             |
| Total  | <b>\$ 4,958</b>   | <b>21,669</b>     |

The Group holds derivative financial instruments to hedge certain foreign exchange and interest risk the Group is exposed to, arising from its operating, financing and investing activities. The following derivative instruments not applied hedge accounting were classified as held-for-trading financial instruments on December 31, 2018 and 2017:

1) Financial assets:

|                       | <b>2018.12.31</b>      |  |                 |                        |
|-----------------------|------------------------|--|-----------------|------------------------|
|                       | <b>Contract Amount</b> |  | <b>Currency</b> | <b>Maturity Period</b> |
| Forward               | USD 20,000             |  | USD to RMB      | 2019.02.15             |
| Forward               | USD 40,000             |  | USD to TWD      | 2019.01.07-2019.01.09  |
| Foreign exchange swap | USD 40,000             |  | USD to TWD      | 2019.01.18-2019.02.01  |
|                       | <b>2017.12.31</b>      |  |                 |                        |
|                       | <b>Contract Amount</b> |  | <b>Currency</b> | <b>Maturity Period</b> |
| Foreign exchange swap | USD 100,000            |  | USD to TWD      | 2018.01.12-2018.02.07  |

2) Financial liabilities:

|                       | <b>2018.12.31</b>      |  |                 |                        |
|-----------------------|------------------------|--|-----------------|------------------------|
|                       | <b>Contract Amount</b> |  | <b>Currency</b> | <b>Maturity Period</b> |
| Foreign exchange swap | USD 40,000             |  | USD to TWD      | 2019.01.07-2019.01.09  |
| Forward               | USD 40,000             |  | USD to TWD      | 2019.01.18-2019.02.01  |
|                       | <b>2017.12.31</b>      |  |                 |                        |
|                       | <b>Contract Amount</b> |  | <b>Currency</b> | <b>Maturity Period</b> |
| Forward               | USD 100,000            |  | USD to TWD      | 2018.01.12-2018.02.07  |
| Foreign exchange swap | USD 20,000             |  | USD to TWD      | 2018.02.26             |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**INVENTEC CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

2. Financial assets at fair value through other comprehensive income

|   | <u><b>2018.12.31</b></u> |
|---|--------------------------|
| Equity investments at fair value through other comprehensive income |                          |
| Stocks listed on domestic markets                                   | \$ 574,327               |
| Stocks not listed on domestic markets                               | <u>264,886</u>           |
| Total   | <u><b>\$ 839,213</b></u> |

As of December 31, 2018, the aforesaid financial assets were not pledged as collateral.

3. Available-for-sale financial assets and financial assets carried at cost

|                                     | <u><b>2017.12.31</b></u>   |
|-------------------------------------|----------------------------|
| Financial assets:                   |                            |
| Available-for-sale financial assets | \$ 9,395,449               |
| Financial assets carried at cost    | <u>432,441</u>             |
| Total                               | <u><b>\$ 9,827,890</b></u> |
| Current                             | \$ 9,224,122               |
| Non-current                         | <u>603,768</u>             |
| Total                               | <u><b>\$ 9,827,890</b></u> |

All of the abovementioned investments in common stock and preferred stock which do not have quoted market prices in an active market and whose fair value cannot be reliably measured were reflected as non-current financial assets carried at cost on initial recognition and subsequently at cost less accumulated impairment losses. There were objective evidences indicating that some financial assets were impaired, and the Group recognized impairment loss for the asset whose carrying value is higher than the recoverable amount. The Group recognized an impairment loss of \$19,200 in 2017.

As of December 31, 2017, the aforesaid financial assets were not pledged as collateral.

(c) Note and trade receivables

|   | <u><b>2018.12.31</b></u>    | <u><b>2017.12.31</b></u> |
|---|-----------------------------|--------------------------|
| Accounts receivables                      | \$ 92,354,729               | 78,808,650               |
| Less: Allowance for impairment            | (120,009)                   | (200,021)                |
| Allowance for sales returns and discounts | <u>-</u>                    | <u>(11,065)</u>          |
|   | <u><b>\$ 92,234,720</b></u> | <u><b>78,597,564</b></u> |

The Group has assessed a portion of its trade receivables that was held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; therefore, such trade receivables were measured at fair value through other comprehensive income on January 1, 2018, with the amount of \$12,267,301 disclosed on December 31, 2018.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, notes and trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision as of December 31, 2018 was determined as follows:

|                         | <b>Gross carrying<br/>amount</b> | <b>Weighted-ave<br/>rage<br/>loss rate</b> | <b>Loss<br/>allowance<br/>provision</b> |
|-------------------------|----------------------------------|--|---|
| Not past due            | \$ 90,085,860                    | 0%~1%                                      | 107,278                                 |
| Past due up to 180 days | 2,104,983                        | 0.04%~10%                                  | 1,539                                   |
| Past due over 180 days  | 163,886                          | 0.04%~100%                                 | 11,192                                  |
|                         | <b>\$ 92,354,729</b>             |  | <b>120,009</b>                          |

As of the end of February 28, 2019, the amount that received by the Group is \$79,491,773.

As of December 31, 2017, the Group applies the incurred loss model to consider the loss allowance provision of notes and trade receivable, and the aging analysis of notes and trade receivable was as follows:

|                         | <b>2017.12.31</b>       |                   |
|-------------------------|-------------------------|-------------------|
|                         | <b>Total<br/>amount</b> | <b>Impairment</b> |
| Not past due            | \$ 75,456,234           | 84,309            |
| Past due up to 180 days | 3,200,470               | 37,927            |
| Past due over 180 days  | 151,946                 | 77,785            |
|                         | <b>\$ 78,808,650</b>    | <b>200,021</b>    |

The movement in the allowance for notes and trade receivable was as follows:

|  | <b>2018</b>       | <b>For the years ended December 31, 2017</b>    |   |
|--|-------------------|---|---|
|  |                   | <b>Individually<br/>assessed<br/>impairment</b> | <b>Collectively<br/>assessed<br/>impairment</b> |
| Balance on January 1, 2018 and 2017 per IAS 39 | \$ 200,021        | 56,165  | 141,059   |
| Adjustment on initial application of IFRS 9    | -                 |   |   |
| Balance on January 1, 2018 per IFRS 9          | 200,021           |   |   |
| Impairment losses recognized                   | (15,530)          | (6,691)   | 33,465  |
| Amount written off                             | (64,593)          | (15,301)  | (8,589)   |
| Foreign exchange gain (loss)                   | 111               | 207   | (294)   |
| Balance on December 31, 2018 and 2017          | <b>\$ 120,009</b> | <b>34,380</b>                                   | <b>165,641</b>                                  |

The allowance for impairment account is used to record bad debt expenses. If the Group believes that it may not be able to collect the receivables. The accumulated impairment was used to offset the receivables when it is certain they are unrecoverable, after related legal actions were taken by the Group.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

As of December 31, 2018 and 2017, none of the receivables above are pledged as collateral for loans and borrowings.

As of December 31, 2018 and 2017, the Group sold its accounts receivable without recourse as follows:

(Unit: Foreign currency/TWD in Thousands)

| 2018.12.31          |                      |                |                      |                        |            |  |                      |
|---------------------|----------------------|----------------|----------------------|------------------------|------------|--|----------------------|
| Purchaser           | Assignment Facility  | Factoring Line | Advanced Amount      | Range of Interest Rate | Collateral | Significant Transferring Terms   | Derecognition Amount |
| Non-related parties | <u>\$ 23,739,573</u> | Note 1         | <u>USD 774,032</u>   | 3.1000%~<br>3.5000%    | None       | The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency. | <u>23,739,573</u>    |
| 2017.12.31          |                      |                |                      |                        |            |  |                      |
| Purchaser           | Assignment Facility  | Factoring Line | Advanced Amount      | Range of Interest Rate | Collateral | Significant Transferring Terms   | Derecognition Amount |
| Non-related parties | <u>\$ 36,190,848</u> | Note 1         | <u>USD 1,217,317</u> | 2.0855%~<br>2.5175%    | None       | The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency. | <u>36,190,848</u>    |

Note1: The purchaser has the right to make factoring transactions with the company based on the amount allocated by the client under factoring agreement.

(d) Other receivables

|   | 2018.12.31          | 2017.12.31       |
|---|---------------------|------------------|
| Other accounts receivable—related parties     | \$ 2,776            | 7,605            |
| Other accounts receivable—non-related parties | 2,531,763           | 1,041,347        |
|   | <u>\$ 2,534,539</u> | <u>1,048,952</u> |

As of December 31, 2017, the aging analysis of other receivables was as follows:

|                         | 2017.12.31          |            |
|-------------------------|---------------------|------------|
|                         | Total amount        | Impairment |
| Not past due            | \$ 1,034,026        | -          |
| Past due up to 180 days | 7,903               | -          |
| Past due over 180 days  | 7,023               | -          |
|                         | <u>\$ 1,048,952</u> | <u>-</u>   |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

The movement in the allowance for other receivables was as follows:

|                              | <b>Individually<br/>assessed<br/>impairment</b> |
|------------------------------|---|
| Balance at January 1, 2017   | \$ 3,451  |
| Impairment loss reversed     | (3,451)   |
| Balance at December 31, 2017 | <u><u>\$ -</u></u>                              |

(e) Inventories

|                                   | <b>2018.12.31</b>           | <b>2017.12.31</b>        |
|-----------------------------------|-----------------------------|--------------------------|
| Raw materials and consumables     | \$ 27,406,883               | 23,594,750               |
| Work in process                   | 8,587,820                   | 10,174,438               |
| Finished goods                    | 6,895,663                   | 5,690,817                |
| Materials and supplies in transit | 48,630                      | 88,082                   |
|                                   | <u><u>\$ 42,938,996</u></u> | <u><u>39,548,087</u></u> |

For the years ended December 31, 2018 and 2017, the write-down (write-up) of inventories amounted to \$(731,093) and \$330,795, respectively. Loss on inventory valuation and obsolescence is due to obsolescence or out of use, which causes the net realizable value to be lower than the cost. Loss on inventory valuation and obsolescence is recognized in operating cost. In addition, when the factor causing the net realizable value to be lower than the cost is disappeared due to obsolescence or disposal, increase of the net realizable value is recognized in deduction of operating cost. For the years ended December 31, 2018 and 2017, expenses of idle capacity amounted to \$189,686, and \$170,808, respectively.

As of December 31, 2018 and 2017, the aforesaid inventories were not pledged as collateral.

(f) Investments accounted for using equity method

The investment using equity method was as follows:

|           | <b>2018.12.31</b>        | <b>2017.12.31</b>     |
|-----------|--------------------------|-----------------------|
| Associate | <u><u>\$ 273,356</u></u> | <u><u>326,957</u></u> |

1. Associate

The Group's financial information for investments in individually insignificant associates accounted for using equity method at the reporting date was as follows. These financial information are included in the consolidated financial statements.

|                                       | <b>2018.12.31</b>        | <b>2017.12.31</b>     |
|---------------------------------------|--------------------------|-----------------------|
| Individually insignificant associates | <u><u>\$ 273,356</u></u> | <u><u>326,957</u></u> |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**INVENTEC CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

|  | <b>For the years ended December 31,</b> |                        |
|--|---|------------------------|
|  | <b>2018</b>                             | <b>2017</b>            |
| The Group's share of profit (loss) of the associates |   |                        |
| Profit (loss) from continuing operations             | \$ (10,575)                             | (37,928)               |
| Other comprehensive income                           | (30,595)                                | (297)                  |
| Total comprehensive income                           | <u><u>\$ (41,170)</u></u>               | <u><u>(38,225)</u></u> |

As of December 31, 2018 and 2017, the Group's investments under equity method has not been pledged as collaterals.

(g) Loss control of subsidiaries

1. Loss control of subsidiaries

The Board of Directors of some certain subsidiaries decided to dismissed their respective companies in 2017. As a result, The Group lose control of these subsidiaries.

The details of assets and liabilities of the aforesaid subsidiaries were as follows:

|   |                            |
|---|----------------------------|
| Cash and cash equivalents                             | \$ 92,707                  |
| Inventories   | 4,070                      |
| Other receivables                                     | 3,761                      |
| Non-current asset held-for-sale                       | 1,863                      |
| Other assets  | 38,795                     |
| Accounts payable                                      | (358,520)                  |
| Other payables  | (10,969)                   |
| Other liabilities                                     | (2,158)                    |
| Carrying amount of net asset of the former subsidiary | <u><u>\$ (230,451)</u></u> |

(h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2018 and 2017 were as follows:

|                                      | Land                       | Building and construction | Machinery and equipment  | Transportation equipment | Office equipment        | Other facilities         | Leasehold improvements  | Others                | Total                    |
|--------------------------------------|----------------------------|---------------------------|--------------------------|--------------------------|-------------------------|--------------------------|-------------------------|-----------------------|--------------------------|
| Cost or deemed cost:                 |                            |                           |                          |                          |                         |                          |                         |                       |                          |
| Balance at January 1, 2018           | \$ 7,383,543               | 22,122,167                | 28,314,781               | 97,927                   | 5,063,002               | 10,618,755               | 1,439,720               | 655,382               | 75,695,277               |
| Additions                            | -                          | 15,736                    | 824,863                  | 15,166                   | 324,452                 | 46,610                   | 30,168                  | 531,286               | 1,788,281                |
| Disposals                            | -                          | (10,029)                  | (2,408,366)              | (5,433)                  | (177,499)               | (153,058)                | (16,490)                | -                     | (2,770,875)              |
| Other                                | (660,224)                  | (825,033)                 | 64,486                   | 370                      | 49,185                  | 131,705                  | (6,455)                 | (276,184)             | (1,522,150)              |
| Effect of movements in exchange rate | -                          | (78,971)                  | 28,317                   | (434)                    | 42,317                  | (36,262)                 | 1,467                   | (14,613)              | (58,179)                 |
| Balance at December 31, 2018         | <u><u>\$ 6,723,319</u></u> | <u><u>21,223,870</u></u>  | <u><u>26,824,081</u></u> | <u><u>107,596</u></u>    | <u><u>5,301,457</u></u> | <u><u>10,607,750</u></u> | <u><u>1,448,410</u></u> | <u><u>895,871</u></u> | <u><u>73,132,354</u></u> |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

|                                      | Land                | Building and construction | Machinery and equipment | Transportation equipment | Office equipment | Other facilities  | Leasehold improvements | Others           | Total             |
|--------------------------------------|---------------------|---------------------------|-------------------------|--------------------------|------------------|-------------------|------------------------|------------------|-------------------|
| Balance at January 1, 2017           | \$ 7,383,543        | 22,608,481                | 28,576,464              | 110,125                  | 5,638,027        | 10,504,598        | 1,565,108              | 2,967,260        | 79,353,606        |
| Additions                            | -                   | 91,149                    | 1,702,348               | 18,837                   | 321,860          | 313,395           | 36,033                 | 206,835          | 2,690,457         |
| Disposals                            | -                   | (1,997)                   | (2,430,892)             | (28,662)                 | (714,399)        | (942,291)         | (249,655)              | -                | (4,367,896)       |
| Other                                | -                   | (55,915)                  | 1,040,702               | -                        | (99)             | 1,024,401         | 88,410                 | (2,502,688)      | (405,189)         |
| Effect of movements in exchange rate | -                   | (519,551)                 | (573,841)               | (2,373)                  | (182,387)        | (281,348)         | (176)                  | (16,025)         | (1,575,701)       |
| Balance at December 31, 2017         | <u>\$ 7,383,543</u> | <u>22,122,167</u>         | <u>28,314,781</u>       | <u>97,927</u>            | <u>5,063,002</u> | <u>10,618,755</u> | <u>1,439,720</u>       | <u>655,382</u>   | <u>75,695,277</u> |
| Depreciation and impairment losses:  |                     |                           |                         |                          |                  |                   |                        |                  |                   |
| Balance at January 1, 2018           | \$ -                | 6,237,622                 | 22,828,327              | 57,388                   | 4,351,762        | 7,591,361         | 1,277,565              | -                | 42,344,025        |
| Depreciation for the period          | -                   | 494,111                   | 1,630,610               | 15,717                   | 431,224          | 847,572           | 38,126                 | -                | 3,457,360         |
| Disposals                            | -                   | (10,029)                  | (2,399,051)             | (5,433)                  | (184,023)        | (141,366)         | (16,484)               | -                | (2,756,386)       |
| Impairment loss                      | 9,183               | 40,699                    | 70,732                  | -                        | 1,561            | 27,268            | 5,725                  | -                | 155,168           |
| Other                                | -                   | (359,853)                 | -                       | -                        | -                | (9,837)           | -                      | -                | (369,690)         |
| Effect of movements in exchange rate | -                   | (43,745)                  | 26,889                  | (343)                    | 31,976           | (38,867)          | 1,449                  | -                | (22,641)          |
| Balance at December 31, 2018         | <u>\$ 9,183</u>     | <u>6,358,805</u>          | <u>22,157,507</u>       | <u>67,329</u>            | <u>4,632,500</u> | <u>8,276,131</u>  | <u>1,306,381</u>       | <u>-</u>         | <u>42,807,836</u> |
| Balance at January 1, 2017           | \$ -                | 5,435,736                 | 21,915,919              | 72,534                   | 4,734,193        | 7,659,133         | 869,872                | -                | 40,687,387        |
| Depreciation for the period          | -                   | 553,776                   | 2,101,109               | 13,306                   | 380,200          | 731,002           | 131,567                | -                | 3,910,960         |
| Impairment loss                      | -                   | 430,612                   | 1,497,950               | -                        | 18,004           | 278,832           | 510,121                | -                | 2,735,519         |
| Disposals                            | -                   | (879)                     | (2,244,303)             | (26,293)                 | (667,314)        | (781,200)         | (234,082)              | -                | (3,954,071)       |
| Other                                | -                   | (69,056)                  | (16,321)                | -                        | (11,903)         | (70,051)          | -                      | -                | (167,331)         |
| Effect of movements in exchange rate | -                   | (112,567)                 | (426,027)               | (2,159)                  | (101,418)        | (226,355)         | 87                     | -                | (868,439)         |
| Balance at December 31, 2017         | <u>\$ -</u>         | <u>6,237,622</u>          | <u>22,828,327</u>       | <u>57,388</u>            | <u>4,351,762</u> | <u>7,591,361</u>  | <u>1,277,565</u>       | <u>-</u>         | <u>42,344,025</u> |
| Carrying amounts:                    |                     |                           |                         |                          |                  |                   |                        |                  |                   |
| Balance at December 31, 2018         | <u>\$ 6,714,136</u> | <u>14,865,065</u>         | <u>4,666,574</u>        | <u>40,267</u>            | <u>668,957</u>   | <u>2,331,619</u>  | <u>142,029</u>         | <u>895,871</u>   | <u>30,324,518</u> |
| Balance at January 1, 2017           | <u>\$ 7,383,543</u> | <u>17,172,745</u>         | <u>6,660,545</u>        | <u>37,591</u>            | <u>903,834</u>   | <u>2,845,465</u>  | <u>695,236</u>         | <u>2,967,260</u> | <u>38,666,219</u> |
| Balance at December 31, 2017         | <u>\$ 7,383,543</u> | <u>15,884,545</u>         | <u>5,486,454</u>        | <u>40,539</u>            | <u>711,240</u>   | <u>3,027,394</u>  | <u>162,155</u>         | <u>655,382</u>   | <u>33,351,252</u> |

The Group performed an impairment test on the property, plant and equipment. Based on the experience of the past and the actual operating result, the discounted rate used in 2018 was between 9.36% and 11.36%. Thus, the Group adopted the value in use as its recoverable amount, and recognized the impairment losses based on the differences between the book values and the recoverable amounts of the property, plant and equipment. For the years ended December 31, 2018 and 2017, the impairment losses were \$155,168 and \$2,735,519, respectively.

As of December 31, 2018 and 2017, the details of some property are subject to a registered debenture to secure bank loans (see Note 8).

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

(i) Investment property

|                                     | <u><b>Building and<br/>construction</b></u> |
|-------------------------------------|---|
| Cost or deemed cost:                |   |
| Balance at January 1, 2018          | \$ 992,490                                  |
| Reclassification                    | <u>575,452</u>                              |
| Balance at December 31, 2018        | <u><b>\$ 1,567,942</b></u>                  |
| Balance at January 1, 2017          | \$ 992,490                                  |
| Disposals for the period            | <u>-</u>                                    |
| Balance at December 31, 2017        | <u><b>\$ 992,490</b></u>                    |
| Depreciation and impairment losses: |   |
| Balance at January 1, 2018          | \$ 697,200                                  |
| Depreciation for the period         | 16,682                                      |
| Reclassification                    | <u>113,791</u>                              |
| Balance at December 31, 2018        | <u><b>\$ 827,673</b></u>                    |
| Balance at January 1, 2017          | \$ 472,269                                  |
| Depreciation for the period         | 27,850                                      |
| Impairment loss                     | <u>197,081</u>                              |
| Balance at December 31, 2017        | <u><b>\$ 697,200</b></u>                    |
| Carrying amounts:                   |   |
| Balance at December 31, 2018        | <u><b>\$ 740,269</b></u>                    |
| Balance at January 1, 2017          | <u><b>\$ 520,221</b></u>                    |
| Balance at December 31, 2017        | <u><b>\$ 295,290</b></u>                    |
| Fair value:                         |   |
| Balance at December 31, 2018        | <u><b>\$ 1,198,009</b></u>                  |
| Balance at December 31, 2017        | <u><b>\$ 295,290</b></u>                    |

Based on the purposes of earning rental income or for capital appreciation income or both, the Group reclassified buildings to investment property.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

The fair value of investment property as disclosed in the financial statements is based on the valuation of the independent valuator. The inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3. It is measure at cost, and value of an objects is estimated by the cost of reacquisition or reconstruction deducting the accumulated depreciaion and other deductibles, with a consideration of current situation, economy, and function of the object.

The Group assessed the recoverable amount for investment property and recognized the accumulative impairment loss of both \$502,250 as of December 31, 2018 and 2017.

Please refer to Note 8 for the information of the Group' s investment property pledged as collateral as of December 31, 2018 and 2017.

(j) Intangible assets

The costs of intangible assets, amortization, and impairment loss of the Group for the years ended December 31, 2018 and 2017 were as follows:

|   | <u>Goodwill</u>          | <u>Patent and<br/>trademark<br/>right</u> | <u>Software<br/>cost</u> | <u>Total</u>            |
|---|--------------------------|---|--------------------------|-------------------------|
| Cost:                                   |                          |   |                          |                         |
| Balance at January 1, 2018              | \$ 980,719               | 754                                       | 939,302                  | 1,920,775               |
| Additions                               | -                        | -   | 255,741                  | 255,741                 |
| Disposals                               | -                        | (298)                                     | (177,470)                | (177,768)               |
| Effect of movements in exchange<br>rate | -                        | -   | (100)                    | (100)                   |
| Balance at December 31, 2018            | <u><b>\$ 980,719</b></u> | <u><b>456</b></u>                         | <u><b>1,017,473</b></u>  | <u><b>1,998,648</b></u> |
| Balance at January 1, 2017              | \$ 1,083,429             | 122,348                                   | 938,738                  | 2,144,515               |
| Additions                               | -                        | -   | 287,309                  | 287,309                 |
| Disposals                               | (102,710)                | (121,594)                                 | (284,840)                | (509,144)               |
| Effect of movements in exchange<br>rate | -                        | -   | (1,905)                  | (1,905)                 |
| Balance at December 31, 2017            | <u><b>\$ 980,719</b></u> | <u><b>754</b></u>                         | <u><b>939,302</b></u>    | <u><b>1,920,775</b></u> |
| Amortization and impairment losses:     |                          |   |                          |                         |
| Balance at January 1, 2018              | \$ 172,299               | 740                                       | 855,320                  | 1,028,359               |
| Amortization for the period             | -                        | 14  | 262,828                  | 262,842                 |
| Disposals                               | -                        | (298)                                     | (177,470)                | (177,768)               |
| Effect of movements in exchange<br>rate | -                        | -   | (92)                     | (92)                    |
| Balance at December 31, 2018            | <u><b>\$ 172,299</b></u> | <u><b>456</b></u>                         | <u><b>940,586</b></u>    | <u><b>1,113,341</b></u> |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

|                                      | <b>Goodwill</b>   | <b>Patent and<br/>trademark<br/>right</b> | <b>Software<br/>cost</b> | <b>Total</b>     |
|--------------------------------------|-------------------|---|--------------------------|------------------|
| Balance at January 1, 2017           | \$ 275,009        | 122,304                                   | 857,178                  | 1,254,491        |
| Amortization for the period          | -                 | 30  | 282,108                  | 282,138          |
| Disposals                            | (102,710)         | (121,594)                                 | (282,248)                | (506,552)        |
| Effect of movements in exchange rate | -                 | -   | (1,718)                  | (1,718)          |
| Balance at December 31, 2017         | <u>\$ 172,299</u> | <u>740</u>                                | <u>855,320</u>           | <u>1,028,359</u> |
| Carrying amounts:                    |                   |   |                          |                  |
| Balance at December 31, 2018         | <u>\$ 808,420</u> | <u>-</u>                                  | <u>76,887</u>            | <u>885,307</u>   |
| Balance at January 1, 2017           | <u>\$ 808,420</u> | <u>44</u>                                 | <u>81,560</u>            | <u>890,024</u>   |
| Balance at December 31, 2017         | <u>\$ 808,420</u> | <u>14</u>                                 | <u>83,982</u>            | <u>892,416</u>   |

The amortization of intangible assets and impairment losses are respectively included in the statement of comprehensive income:

|                    | <b>For the years ended December 31,</b> |                |
|--------------------|---|----------------|
|                    | <b>2018</b>                             | <b>2017</b>    |
| Operating costs    | \$ 153,238                              | 174,140        |
| Operating expenses | 109,604                                 | 107,998        |
| Total              | <u>\$ 262,842</u>                       | <u>282,138</u> |

As of December 31, 2018 and 2017, the aforesaid intangible assets were not pledged as collateral.

(k) Other current assets and other non-current assets

The other current assets-others and other non-current assets of the Group were as follows:

|                                 | <b>2018.12.31</b>   | <b>2017.12.31</b> |
|---------------------------------|---------------------|-------------------|
| Refundable deposits             | \$ 251,272          | 240,335           |
| Prepayments to suppliers        | 12,930              | 30,188            |
| Long-term prepaid rents         | 1,039,047           | 1,077,267         |
| Restricted assets               | 137,806             | 11,196,703        |
| Non-current asset held-for-sale | 774,672             | 491,956           |
| Deferred Tax assets             | 1,611,026           | 1,517,064         |
| Others                          | 3,676,263           | 3,251,350         |
|                                 | <u>\$ 7,503,016</u> | <u>17,804,863</u> |



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

On June 26, 2018, in pursuant to the resolution approved by the Board of the Directors, the Company decided to sell its land and plant, and signed the contract. The related legal transferring process of land and plant, which has yet to be completed on December 31, 2018, was classified as non-current assets held-for-sale, with the selling price of \$1,380,000.

On March 28, 2017, in pursuant to the resolution approved by the Board of the Directors, the Group decided to sell its land-use right, plant and equipment; therefore, entered into an agreement on April 19, 2017. The related legal transferring process of land-use right, plant and equipment, which has yet to be completed on December 31, 2018, was classified as non-current assets held-for-sale, with the selling price of \$500,503, and its difference between the book values amounting to \$118,036 was recognized as impairment loss in 2017.

As of December 31, 2018 and 2017, the details of other non-current assets were pledged as collateral, please refer to Note 8.

(l) Long-term and short-term borrowings

The significant terms and conditions of long-term and short-term borrowings were as follows:

| <b>2018.12.31</b>    |                      |                 |                       |                      |
|----------------------|----------------------|-----------------|-----------------------|----------------------|
|                      | <b>Interest Rate</b> | <b>Currency</b> | <b>Maturity Date</b>  | <b>Amount</b>        |
| Secured bank loans   | 1.44%~2.13%          | TWD             | 2019.07.28~2031.02.26 | \$ 3,795,000         |
| Unsecured bank loans | 0.74%~4.80%          | TWD             | 2019.01.04~2020.07.25 | 2,172,420            |
|                      | %                    | USD             | 2019.01.02~2019.12.04 | 28,871,043           |
|                      | %                    | CNY             | 2019.01.03~2019.01.28 | 428,548              |
| Total                |                      |                 |                       | <b>\$ 35,267,011</b> |
| Current              |                      |                 |                       | \$ 31,857,950        |
| Non-current          |                      |                 |                       | 3,409,061            |
| Total                |                      |                 |                       | <b>\$ 35,267,011</b> |
| Unused credit line   |                      |                 |                       | <b>\$ 57,330,499</b> |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

| <b>2017.12.31</b>    |                      |                 |                       |                             |
|----------------------|----------------------|-----------------|-----------------------|-----------------------------|
|                      | <b>Interest Rate</b> | <b>Currency</b> | <b>Maturity Date</b>  | <b>Amount</b>               |
| Secured bank loans   | 1.44%~3.30%          | TWD             | 2019.07.28~2031.02.26 | \$ 4,055,000                |
|                      |                      | USD             | 2018.02.08~2018.08.08 | 9,848,230                   |
|                      |                      | CNY             | 2018.04.20            | 1,259,023                   |
| Unsecured bank loans | 0.60%~4.35%          | TWD             | 2018.01.05~2020.01.25 | 3,671,541                   |
|                      |                      | USD             | 2018.01.04~2018.12.04 | 16,211,747                  |
|                      |                      | CNY             | 2018.01.11~2018.09.26 | 5,913,297                   |
| Total                |                      |                 |                       | <b><u>\$ 40,958,838</u></b> |
| Current              |                      |                 |                       | \$ 36,993,107               |
| Non-current          |                      |                 |                       | 3,965,731                   |
| Total                |                      |                 |                       | <b><u>\$ 40,958,838</u></b> |
| Unused credit line   |                      |                 |                       | <b><u>\$ 46,365,637</u></b> |

1. Collateral of bank loans

Please refer to Note 8 for details of the related assets pledged as collateral.

2. Contract of bank loans

According to the credit loan facility agreement with the banks in 2018 and 2017, Inventec Solar Energy Corporation must comply with certain financial covenants based on its audited annual financial statements.

Due to the market's decreasing demand of the product of Inventec Solar Energy Corporation, the Company could not meet the requirement of the above financial covenants. Therefore, the Company must compensate by paying an annual rate of 0.15% based on the unpaid monthly principal from May 1, 2019 to the date when the Company meets all the requirements regarding its financial covenants.

(m) Operating Leases

1. Leases as lessee

Non-cancellable operating lease payable were as follows:

|                           | <b>2018.12.31</b>        | <b>2017.12.31</b>     |
|---------------------------|--------------------------|-----------------------|
| Within 1 year             | \$ 158,022               | 146,748               |
| Period after 1 to 5 years | 522,682                  | 530,648               |
| Period after 5 years      | 177,025                  | 147,322               |
|                           | <b><u>\$ 857,729</u></b> | <b><u>824,718</u></b> |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

The Group lease a number of land, office, warehouse, factory facilities and staff dormitories under operating leases. The leases typically run for a period of 1 to 20 years, with an option to renew the lease after that date. The Group lease the land which is located on Ke Gong Section, Annan Dist., Tainan City, the first two years of the leasing period is rent free; in the third and forth year the rent accounts for 60% of the agreed rent in the contract; the fifth and sixth year the rent accounts for 80% of the agreed rent in the contract, and the full amount of the agreed rent is applied for the rest of the period.

For the years ended December 31, 2018 and 2017, expenses recognized in profit or loss in respect of operating leases were \$204,677 and \$210,222.

**2. Leases as Lessor**

The future minimum lease payments under non-cancellable leases are as follows:

|                           | <b>2018.12.31</b> | <b>2017.12.31</b> |
|---------------------------|-------------------|-------------------|
| Within 1 year             | \$ 205,074        | 180,491           |
| Period after 1 to 5 years | 441,245           | 400,441           |
| Period after 5 years      | 80,587            | 126,778           |
|                           | <b>\$ 726,906</b> | <b>707,710</b>    |

The rental revenues incurred by leasing plants were \$214,616 and \$157,321 for the years ended December 31, 2018 and 2017, respectively.

**(n) Employee benefits**

**1. Defined benefit plans**

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

|  | <b>2018.12.31</b> | <b>2017.12.31</b> |
|--|-------------------|-------------------|
| Present value of the defined benefit obligations | \$ 1,698,756      | 1,666,682         |
| Fair value of plan assets                        | (1,083,799)       | (1,000,117)       |
| Net defined benefit liabilities                  | <b>\$ 614,957</b> | <b>666,565</b>    |

The Group makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement. As of December 31, 2018 and 2017, the defined benefit plans amounted to \$18,858 and \$5,700, respectively, which were accounted as other current assets.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued two-year time deposits with interest rates offered by local banks.

The Group's pension reserve account in Bank of Taiwan amounted to \$1,077,132 at the end of December 31, 2018. For information on the utilization of the labor pension fund assets including the assets allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Group were as follows:

|   | <b>For the years ended December 31,</b> |                  |
|---|---|------------------|
|   | <b>2018</b>                             | <b>2017</b>      |
| Defined benefit obligation at January 1                               | \$ 1,666,682                            | 1,670,426        |
| Current service costs and interest                                    | 36,599                                  | 29,878           |
| Remeasurement on the net defined benefit liability                    |   |                  |
| — Actuarial loss (gain) arising from changes in demography assumption | 4                                       | 27,305           |
| — Experience adjustments arising on the actuarial gain or loss        | (9,825)                                 | (100,847)        |
| — Actuarial loss (gain) arising from changes in financial assumptions | 45,322                                  | 109,630          |
| Benefits paid by the plan assets                                      | (40,026)                                | (69,182)         |
| Payment   | -                                       | (528)            |
| Defined benefit obligation at December 31                             | <b>\$ 1,698,756</b>                     | <b>1,666,682</b> |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

|  | <b>For the years ended December 31,</b> |                  |
|--|---|------------------|
|  | <b>2018</b>                             | <b>2017</b>      |
| Fair value of plan assets at January 1               | \$ 1,000,117                            | 928,336          |
| Interest income                                      | 13,048                                  | 11,649           |
| Remeasurement on the net defined benefit liability   |   |                  |
| — Return on plan assets (excluding current interest) | 26,629                                  | (2,505)          |
| Contributions made                                   | 84,031                                  | 117,636          |
| Benefits paid by the plan assets                     | (40,026)                                | (54,295)         |
| Payment  | -                                       | (134)            |
| Other  | -                                       | (570)            |
| Fair value of plan assets at December 31             | <b>\$ 1,083,799</b>                     | <b>1,000,117</b> |

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

|   | <b>For the years ended December 31,</b> |               |
|---|---|---------------|
|   | <b>2018</b>                             | <b>2017</b>   |
| Current service costs   | \$ 15,760                               | 8,983         |
| Net interest of net liabilities for defined benefit obligations | 7,791                                   | 9,246         |
|   | <b>\$ 23,551</b>                        | <b>18,229</b> |
| Operating cost  | \$ 2,085                                | 1,430         |
| Selling expenses  | 2,508                                   | 2,092         |
| Administration expenses   | 7,002                                   | 5,225         |
| Research and development expenses                               | 11,956                                  | 9,482         |
|   | <b>\$ 23,551</b>                        | <b>18,229</b> |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

5) Remeasurement on the net defined benefit liability recognized in other comprehensive income

The Group's remeasurement on the net defined benefit liability recognized in other comprehensive income were as follows:

|                                  | <b>For the years ended December 31,</b> |                         |
|----------------------------------|---|-------------------------|
|                                  | <b>2018</b>                             | <b>2017</b>             |
| Cumulative amount at January 1   | \$ (202,177)                            | (159,066)               |
| Recognized during the period     | (10,279)                                | (43,111)                |
| Cumulative amount at December 31 | <b><u>\$ (212,456)</u></b>              | <b><u>(202,177)</u></b> |

6) Actuarial assumptions

The following are the Group's principal actuarial assumptions:

Present Value of defined benefit obligations:

|                              | <b>2018.12.31</b> | <b>2017.12.31</b> |
|------------------------------|-------------------|-------------------|
| Discount rate                | 1.00%~1.20%       | 1.25%~1.50%       |
| Future salary increases rate | 1.63%~2.50%       | 1.50%~2.50%       |

The expected allocation payment made by the Group to the defined benefit plans for the one year period after the reporting date was \$86,140.

The weighted-average duration of the defined benefit obligation is 9.8~20.2 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

|                               | <b>Influences of defined benefit obligations</b> |                            |
|-------------------------------|--|----------------------------|
|                               | <b>Increased<br/>0.25%</b>                       | <b>Decreased<br/>0.25%</b> |
| December 31, 2018             |  |                            |
| Discount rate                 | (45,613)   | 47,437                     |
| Future salary increasing rate | 46,307   | (44,761)                   |
| December 31, 2017             |  |                            |
| Discount rate                 | (47,180)   | 49,136                     |
| Future salary increasing rate | 48,093   | (47,047)                   |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2018 and 2017.

**2. Defined contribution plans**

In accordance with the provisions of the Labor Pension Act, the Group contribute an amount equal to 6% of the employee's monthly wages to the Labor Pension personal account with the Bureau of the Labor Insurance.

The pension costs incurred from the contributions to the to the Bureau of the Labour Insurance amounted to \$253,041 and \$245,484 for the years ended December 31, 2018 and 2017, respectively.

The pension expenses contributed by the foreign entities following the local regulations amounted to \$1,742,434 and \$1,437,873 for the years ended December 31, 2018 and 2017, respectively.

**(o) Income taxes**

The corporate income tax rate of the Company increased from 17% to 20% commencing FY 2018.

1. The components of income tax expense (gain) in the years 2018 and 2017 were as follows:

|   | <b>For the years ended December 31,</b> |                         |
|---|---|-------------------------|
|   | <b>2018</b>                             | <b>2017</b>             |
| Current tax expense                                     |   |                         |
| Current period  | \$ 1,386,775                            | 2,063,947               |
| Tax returned  | -                                       | (3,671)                 |
| Adjustment for prior periods                            | 596,271                                 | 182,708                 |
|   | <u>1,983,046</u>                        | <u>2,242,984</u>        |
| Deferred tax expense                                    |   |                         |
| Origination and reversal of temporary differences       | 687,445                                 | 626,290                 |
| Change in unrecognized deductible temporary differences | -                                       | 51,344                  |
| Recognition of previously unrecognized tax losses       | 7,050                                   | (61,030)                |
| Adjustment in tax rate                                  | 136,725                                 | -                       |
| Other   | -                                       | (10,178)                |
|   | <u>831,220</u>                          | <u>606,426</u>          |
| Income tax expense from continuing operations           | <u><b>\$ 2,814,266</b></u>              | <u><b>2,849,410</b></u> |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

The amount of income tax recognized in other comprehensive income for 2018 and 2017 was as follows:

|   | <b>For the years ended December 31,</b> |              |
|---|---|--------------|
|   | <b>2018</b>                             | <b>2017</b>  |
| Items that will not be reclassified subsequently to profit or loss: |   |              |
| Remeasurement from defined benefit plans                            | <b>\$ 3,804</b>                         | <b>6,729</b> |

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

|  | <b>For the years ended December 31,</b> |                  |
|--|---|------------------|
|  | <b>2018</b>                             | <b>2017</b>      |
| Income before tax  | <b>\$ 8,133,262</b>                     | <b>7,186,448</b> |
| Income tax using the Company's domestic tax rate                   | 2,266,316                               | 2,142,780        |
| Permanent differences  | (498,115)                               | (277,164)        |
| Tax-exempt income  | (3,321)                                 | -                |
| Tax credits and use of tax losses                                  | (60,000)                                | (279,466)        |
| Recognition of previously recognized tax losses                    | 30,619                                  | 50,251           |
| Current-year losses for which no deferred tax asset was recognized | 838,908                                 | 491,088          |
| Tax returned   | -                                       | (3,671)          |
| Change in unrecognized temporary differences                       | (505,273)                               | 615,639          |
| Under (over) provision in prior periods                            | 596,271                                 | 182,709          |
| Under (over) provision of temporary differences                    | (15,182)                                | (29,854)         |
| Adjustment in tax rate   | 136,725                                 | -                |
| 10% surtax on undistributed earnings                               | 1,573                                   | -                |
| Other  | 25,745                                  | (42,902)         |
| Income tax expense   | <b>\$ 2,814,266</b>                     | <b>2,849,410</b> |

Under provision in prior periods is estimation of the difference between approved amounts by Tax Authority and the declared amounts.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

2. Deferred Tax Assets and Liabilities

1) Unrecognized Deferred Tax Assets

Deferred tax assets that have not been recognized in respect of the following items:

|  | <b>2018.12.31</b>          | <b>2017.12.31</b>       |
|--|----------------------------|-------------------------|
| Tax effect of deductible Temporary Differences | \$ 3,138,116               | 3,244,708               |
| The carryforward of unused tax losses          | 3,924,964                  | 2,952,658               |
|  | <b><u>\$ 7,063,080</u></b> | <b><u>6,197,366</u></b> |

The carryforward of unused tax credits were determined in accordance with the rules established by each taxation authorities, and can be applied to offset against profit and income tax in the future respectively. The deferred tax assets have not been recognized in respect of the aforementioned items because they are not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

The Subsidiaries located in China, where the income tax rate is 25%, in accordance with the rules for the implementation of the Income Tax Law of the People's Republic of China for enterprises with Foreign Investment and Foreign Enterprises, was entitled to the preferential treatment for advanced technology industries with respect to reduction of or exemption from income tax.

Under such tax law, commencing with the first profit-making year is exempted from income tax in the first and second profitable year and is entitled to a 50% reduction from the third to fifth year.

The Group invested in the companies which were incorporated in the Cayman Islands. The earnings of these entities are not taxable by the local government in their respective jurisdictions. Other foreign subsidiaries are taxed in accordance with the Income Tax Law of their respective jurisdiction.

As of December 31, 2018 and 2017, the Group estimated that the part of the temporary differences do not have more than 50% possibility to realize in the visible future, so they were not recognized as deferred tax assets.

The profits attributable to the expansion and construction projects of Photovoltaic ( "PV" ) cells were exempted from income tax for a five-year period. Additionally, according to the Statue for Upgrading Industries "Regulations for Encouraging Manufacturing Enterprises and Technical Service Enterprises in the Newly Emerging, Important and Strategic Industries" , the Company was granted certain investment tax credits. These credits may be applied over a period of five years and may be deducted in any year.

Each company is taxed in accordance with the income tax law of their respective jurisdiction. Unused operating loss carry-forwards can be applied to offset against profit in the future after being examined by the Tax Authority. As of December 31, 2018, the company that have loss carry forwards which can be used to offset profit were as follow. Among the taxable losses, \$14,932 were recognized as deferred tax assets.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

As of December 31, 2018, the Group did not recognized its prior years' loss carry-forwards as deferred tax assets, whose expiry years were as follows:

|                                   | <b>Unused loss</b>   | <b>Expiry year</b> |
|-----------------------------------|----------------------|--------------------|
| The carryforward of unused losses | <b>\$ 12,189,131</b> | 2021~2028          |

Due to the unstable economic environment recovery, the realizability of tax assets of the tax losses, which amounted to \$12,189,131, is doubtful. Therefore, the Group has recognized the partial tax losses as deferred tax assets. If the sales grow continuously, the Group would recognize the aforementioned tax losses in the future and generate the additional tax benefits.

**2) Recognized Deferred Tax Assets and Liabilities**

The movements in deferred tax assets and liabilities for the years ended December 31, 2018 and 2017 were as follows:

|                                  |           | <b>Gain (loss) on investment</b> | <b>Other</b>  | <b>Total</b>     |
|----------------------------------|-----------|----------------------------------|---------------|------------------|
| <b>Deferred Tax Liabilities:</b> |           |                                  |               |                  |
| Balance at January 1, 2018       | \$        | 2,137,695                        | -             | 2,137,695        |
| Recognized in profit or loss     |           | 876,676                          | 50,824        | 927,500          |
| Balance at December 31, 2018     | <b>\$</b> | <b>3,014,371</b>                 | <b>50,824</b> | <b>3,065,195</b> |
| Balance at January 1, 2017       | \$        | 1,647,428                        | 61,761        | 1,709,189        |
| Recognized in profit or loss     |           | 490,267                          | (61,761)      | 428,506          |
| Balance at December 31, 2017     | <b>\$</b> | <b>2,137,695</b>                 | <b>-</b>      | <b>2,137,695</b> |

|  | <b>Warranty expense</b> | <b>Loss of market decline on financial assets</b> | <b>Defined Benefit Plans</b> | <b>Others</b>  | <b>Total</b>     |
|--|-------------------------|---|------------------------------|----------------|------------------|
| <b>Deferred Tax Assets:</b>              |                         |   |                              |                |                  |
| Balance at January 1, 2018               | \$ 739,866              | 42,610  | 76,565                       | 658,023        | 1,517,064        |
| Recognized in profit or loss             | 195,855                 | (32,082)  | (470)                        | (67,023)       | 96,280           |
| Recognized in other comprehensive income | -                       | -   | 3,804                        | -              | 3,804            |
| Recognized directly in equity            | -                       | (10,528)  | -                            | -              | (10,528)         |
| Effect of movements in exchange rate     | -                       | -   | -                            | 4,406          | 4,406            |
| Balance at December 31, 2018             | <b>\$ 935,721</b>       |   | <b>79,899</b>                | <b>595,406</b> | <b>1,611,026</b> |
| Balance at January 1, 2017               | \$ 580,617              | 105,038   | 86,718                       | 921,282        | 1,693,655        |
| Recognized in profit or loss             | 159,249                 | (62,428)  | (16,882)                     | (257,859)      | (177,920)        |
| Recognized in other comprehensive income | -                       | -   | 6,729                        | -              | 6,729            |
| Effect of movements in exchange rate     | -                       | -   | -                            | (5,400)        | (5,400)          |
| Balance at December 31, 2017             | <b>\$ 739,866</b>       | <b>42,610</b>                                     | <b>76,565</b>                | <b>658,023</b> | <b>1,517,064</b> |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

3.The Company' s income tax returns through 2016 have been examined and approved by the Tax Authority. The Company's income tax for 2015 is still being examined by the Tax Authority.

(p) Capital and reserves

As of December 31, 2018 and 2017, the authorized capital of the Company both consisted of 3,650,000 thousand shares and both issued worth \$36,500,000, with par value of \$10 per share, and its outstanding capital both consisted of 3,587,475 thousand shares of stock. All issued shares were paid up upon issuance.

1.Capital surplus

The components of the capital surplus were as follows:

|               | <u>2018.12.31</u>          | <u>2017.12.31</u>       |
|---------------|----------------------------|-------------------------|
| Share capital | \$ 2,891,959               | 2,891,959               |
| Other         | 20,930                     | 21,137                  |
|               | <u><u>\$ 2,912,889</u></u> | <u><u>2,913,096</u></u> |

In accordance with the ROC company Act, realized capital reserves can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the securities offering and Issuance Guidelines, the amount of capital reserve to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

2.Retained earnings

The Company' s articles of incorporation require that after-tax earnings shall first be offset against any deficit, and 10% of the rest be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital. Special reserve may be appropriated for operations or to meet regulations. The remaining earnings, if any, may be appropriated for operations according to the proposal, and the distributed dividends may not be lower than 10% of the earnings which are presented in the annual stockholders' meeting by the Board of Directors. In consideration of the Company' s long-term operating plan, funding needs, and satisfying shareholder demand for cash flow, the Company distributes cash dividends of at least 10% of the aggregate of cash dividends and stock dividends if the distributions include cash dividend.

1) Legal reserve

In accordance with the ROC Company Act, 10 percent of net income should be set aside as legal reserve, until it is equal to share capital. If the Company experienced profit for the year, the meeting of shareholders shall decide on the distribution of the statutory earnings reserve either by new shares or by cash, of up to 25 percent of the actual share capital.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

2) Special reserve

In accordance with Permit No.1010012865 as issued by the Financial Supervisory Commission on 6 April 2012, a special reserve equal to the contra account of other shareholders' equity is appropriated from the current and prior period earnings. When the debit balance of any of the contra accounts in the shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of the contra accounts in shareholders' equity shall qualify for additional distributions.

3) Earnings Distribution

During the meeting of shareholders on June 14, 2018 and June 16, 2017, the shareholders approved to distribute the 2017 and 2016 earnings, respectively, as follows:

|  | 2017                    |                  | 2016                    |                  |
|--|-------------------------|------------------|-------------------------|------------------|
|  | Dividend per share (\$) | Amount           | Dividend per share (\$) | Amount           |
| Dividends distributed to common shareholders |                         |                  |                         |                  |
| Cash   | \$ 1.65                 | <u>5,919,334</u> | 1.45                    | <u>5,201,839</u> |

The information on prior year's distribution of the Company's earnings were announced through the Market Observation Post System on the internet.

3.Other equity (net of taxes) and non-controlling interests

|  | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Unrealized gains (losses) on available-for-sale financial assets | Non-controlling interests | Total          |
|--|---|---|--|---------------------------|----------------|
| Balance, January 1, 2018   | \$ (972,359)  | -   | 864,813  | 3,247,777                 | 3,140,231      |
| Effects of retrospective application   | -   | 218,474   | (864,813)  | -                         | (646,339)      |
| Balance at January 1, 2018 after adjustments   | (972,359)   | 218,474   | -  | 3,247,777                 | 2,493,892      |
| Exchange differences on foreign operations   | (18,161)  | -   | -  | (11,933)                  | (30,094)       |
| Exchange differences on subsidiaries accounted for using equity method   | 270   | -   | -  | -                         | 270            |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income  | -   | (844,388)   | -  | (3,225)                   | (847,613)      |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, associates and joint ventures accounted for using equity method | -   | (30,193)  | -  | -                         | (30,193)       |
| Profit attributable to non-controlling interest  | -   | -   | -  | (1,180,806)               | (1,180,806)    |
| Others   | -   | -   | -  | 305,223                   | 305,223        |
| Balance, December 31, 2018   | <u>\$ (990,250)</u>   | <u>(656,107)</u>  | <u>-</u>   | <u>2,357,036</u>          | <u>710,679</u> |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

|   | Exchange<br>differences on<br>translation of<br>foreign financial<br>statements | Unrealized<br>gains (losses) on<br>available-for-sale<br>financial assets | Non-controlling<br>interests | Total            |
|---|---|---|------------------------------|------------------|
| Balance, January 1, 2017  | \$ 222,227  | 296,486   | 5,714,389                    | 6,233,102        |
| Exchange differences on foreign operations  | (1,194,112)   | -   | 2,634                        | (1,191,478)      |
| Exchange differences on subsidiaries accounted for using equity method  | (474)   | -   | -                            | (474)            |
| Unrealized gains (losses) on available-for-sale financial assets  | -   | 568,327   | -                            | 568,327          |
| Proceeds from capital reduction of subsidiaries, organization of a joint adventure subsidiary, and profit attributable to non-controlling interests, ect. | -   | -   | (2,469,246)                  | (2,469,246)      |
| Balance, December 31, 2017  | <u>\$ (972,359)</u>   | <u>864,813</u>  | <u>3,247,777</u>             | <u>3,140,231</u> |

(q) Share-Based payments

1.E-ton Solar Tech Co. Ltd. and its subsidiaries

As of August 31, 2017, share-based payments of E-ton Solar Tech Co., Ltd. and its subsidiaries were as follows:

|                          | <b>Equity transaction</b>                                 |  |
|--------------------------|---|--|
|                          | <b>E-Ton Solar Tech. Co., Ltd.</b>                        |  |
|                          | <b>Employee Stock Option Plan<br/>Second plan in 2010</b> | <b>Employee Stock Option Plan<br/>First plan in 2010</b> |
| Grant date               | August 1, 2011  | September 3, 2010  |
| Number of shares granted | 1,567 thousand units                                      | 3,433 thousand units                                     |
| Contractual life         | 6years  | 6years   |
| Grant target             | Employees of E-Ton Solar Tech. Co., Ltd.                  | Employees of E-Ton Solar Tech. Co., Ltd.                 |
| Vesting period           | Subsequent 2~4 years service                              | Subsequent 2~4 years service                             |

1) Determining the fair value of equity instruments granted

E-Ton Solar Tech. Co., Ltd. and its subsidiaries adopted the Black-Scholes Model to calculate the fair value of the stock option at grant date, and the assumptions adopted in this valuation model were as follows:

|                                    | <b>E-Ton Solar Tech. Co., Ltd.</b>                        |  |
|------------------------------------|---|--|
|                                    | <b>Employee Stock Option Plan<br/>Second plan in 2010</b> | <b>Employee Stock Option Plan<br/>First plan in 2010</b> |
| Fair value at grant date           | \$ 9.60   | \$ 13.22   |
| Share price at grant date          | 26.10   | 35.55  |
| Exercise price                     | 26.10   | 35.55  |
| Expected volatility(%)             | 44%   | 45%  |
| Expected life of the option (year) | 6   | 6  |
| Expected dividend yield rate       | -   | %  |
| Risk-free interest rate (%)        | 1.20%   | 1.00%  |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

E-ton Solar Tech Co. Ltd. and its subsidiaries use the historical volatility as base to estimate the expected volatility; the duration of stock options is in accordance with the regulations. The expected dividends were set at 0, and the risk free rate was set considering the rate of the short-term government bonds. The definition of fair value did not cover the service fee of the trade or the non-market achievement conditions.

2) Employee stock options

Information on aforesaid employee stock options was as follows:

(Unit: Thousands)

|   | <b>E-Ton Solar Tech. Co., Ltd.</b>         |                               |
|---|--|-------------------------------|
|   | <b>For the years ended December 31,</b>    |                               |
|   | <b>2017</b>                                |                               |
|   | <b>Weighted-average<br/>Exercise Price</b> | <b>Numbers of<br/>Options</b> |
| Balance, beginning of January 1         | \$ 19.70                                   | 578                           |
| Options granted                         | -  | -                             |
| Options forfeited                       | 19.70                                      | (25)                          |
| Options exercised                       | -  | -                             |
| Options expired                         | 19.70                                      | (553)                         |
| Balance, end of December 31             | \$ -                                       | -                             |
| Options exercisable, end of December 31 | \$ -                                       | -                             |

All employee stock options of E-Ton Company have matured in August 2017.

3) Expenses and liabilities resulted from share-based payments

The E-TON company and its subsidiaries did not incur any expense and liability from share-based payments transactions for the years ended December 31, 2017.

(r) Earnings per share

The following are the calculation of basic earnings per share and diluted earnings per share:

|   | <b>For the years ended December 31,</b> |                  |
|---|---|------------------|
|   | <b>2018</b>                             | <b>2017</b>      |
| <b>Basic earnings per share:</b>                                |   |                  |
| Profit attributable to ordinary shareholders                    | <u>\$ 6,499,856</u>                     | <u>6,754,912</u> |
| Weighted average number of ordinary shares<br>(thousand shares) | <u>3,587,475</u>                        | <u>3,587,475</u> |
| Basic earnings per share (NT dollars)                           | <u>\$ 1.81</u>                          | <u>1.88</u>      |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

|  | <b>For the years ended December 31,</b> |                  |
|--|---|------------------|
|  | <b>2018</b>                             | <b>2017</b>      |
| <b>Diluted earnings per share:</b>   |   |                  |
| Profit attributable to ordinary shareholders of the Company (adjusted for the effects of all dilutive potential ordinary shares) | <b>\$ 6,499,856</b>                     | <b>6,754,912</b> |
| Weighted average number of ordinary shares (thousand shares)   | 3,587,475                               | 3,587,475        |
| Effect of dilutive potential common shares (thousand shares)   |   |                  |
| profit sharing to employees  | 26,691                                  | 21,135           |
| Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)                  | 3,614,166                               | 3,608,610        |
| Diluted earnings per share (NT dollars)  | <b>\$ 1.80</b>                          | <b>1.87</b>      |

(s) Revenue from contracts with customers

1. Disaggregation of revenue

|                                     | <b>For the years ended December 31, 2018</b> |                     |                    |
|-------------------------------------|--|---------------------|--------------------|
|                                     | <b>Core</b>                                  | <b>Solar Energy</b> | <b>Total</b>       |
| Primary geographical markets        |  |                     |                    |
| Taiwan                              | \$ 1,570,094                                 | 496,623             | 2,066,717          |
| USA                                 | 339,739,366                                  | 5,844               | 339,745,210        |
| Japan                               | 14,012,032                                   | -                   | 14,012,032         |
| Hong Kong, Macao and Mainland China | 69,019,938                                   | 4,923,778           | 73,943,716         |
| Other countries                     | 74,492,760                                   | 2,623,583           | 77,116,343         |
|                                     | <b>\$ 498,834,190</b>                        | <b>8,049,828</b>    | <b>506,884,018</b> |
| Major products                      |  |                     |                    |
| Computer product                    | \$ 497,761,557                               | -                   | 497,761,557        |
| Solar energy                        | -  | 8,049,828           | 8,049,828          |
| Rendering of services               | 1,072,633                                    | -                   | 1,072,633          |
|                                     | <b>\$ 498,834,190</b>                        | <b>8,049,828</b>    | <b>506,884,018</b> |

For details on revenue for the year ended December 31, 2017, please refer to Note 6(t).

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

2.Contract balances

|                                | <u>2018.12.31</u>           | <u>2018.1.1</u>          |
|--------------------------------|-----------------------------|--------------------------|
| Accounts receivable            | \$ 92,354,729               | 78,808,650               |
| Less: allowance for impairment | (120,009)                   | (200,021)                |
| Total                          | <u><u>\$ 92,234,720</u></u> | <u><u>78,608,629</u></u> |
|                                | <u>2018.12.31</u>           | <u>2018.1.1</u>          |
| Contract liabilities           | <u><u>\$ 6,717,641</u></u>  | <u><u>6,054,658</u></u>  |

For details on accounts receivable and allowance for impairment, please refer to note 6(c).

The amount of revenue recognized for the year ended December 31, 2018 that was included in the contract liability balance at the beginning of the period was \$2,009,261.

The contract liabilities primarily relate to deferred recognition of warranty revenue, for which revenue is recognized when the warranties are redeemed or when they expire.

(t) Revenue

The details of revenue for the year ended December 31, 2017 was as follows:

|                       | <u>For the year ended<br/>December 31,<br/>2017</u> |
|-----------------------|---|
| Sale of goods         | \$ 466,576,507                                      |
| Rendering of services | 935,840   |
|                       | <u><u>\$ 467,512,347</u></u>                        |

For details on revenue for the year ended December 31, 2018, please refer to note 6(s).

(u) Remuneration of employees and directors

The Company's articles of incorporation require that earnings shall first be offset against any deficit. A minimum of 3% will be distributed as employee remuneration and a maximum of 3% will be allocated as directors' remuneration.

If the employee remuneration is distributed in the form of stock or cash, the employees qualifying for such distribution shall include the employees of the subsidiaries of the Company who meet certain specific requirements. Such qualified employees and the distribution ratio shall be decided by the Board of Directors.

The remuneration of employees amounted to \$490,803 and \$422,633 and the remuneration of directors amounted to \$97,342 and \$118,337 for the years ended December 31, 2018 and 2017, respectively. These amounts are calculated using the Company's profit before tax for each period described above, and are determined using the earnings allocation method which stated under the Company's article. These remunerations were expensed under operating cost or expenses in 2018 and 2017. Related information would be available at the Market Observation Post System after the meeting of the shareholders has been convened.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

There were no differences between the amounts to be distributed as remuneration to employees and directors in 2018 and 2017 and the amounts stated in the individual reports.

(v) Non-operating income and expenses

1. Other income

The details of other income for the years ended December 31, 2018 and 2017 were as follows:

|                 | <b>For the years ended December 31,</b> |                  |
|-----------------|---|------------------|
|                 | <b>2018</b>                             | <b>2017</b>      |
| Interest income | <b>\$ 1,161,902</b>                     | <b>1,492,666</b> |

2. Other income and losses

The details of other income and losses for the years ended December 31, 2018 and 2017 were as follows:

|  | <b>For the years ended December 31,</b> |                    |
|--|---|--------------------|
|  | <b>2018</b>                             | <b>2017</b>        |
| Foreign exchange gains (losses)  | (193,420)                               | (572,187)          |
| Gains (losses) on disposal of investments  | 37,428                                  | 1,182,665          |
| Net gains (losses) on financial assets (liabilities) measured at fair value through profit or loss | 427,187                                 | (278,002)          |
| Impairment loss on financial assets  | -                                       | (19,200)           |
| Impairment loss on property plant and equipment  | (155,168)                               | (2,735,519)        |
| Impairment loss on investment property   | -                                       | (197,081)          |
| Impairment loss on non-current asset held-for-sell   | -                                       | (118,036)          |
| Gains (losses) on disposal of property, plant and equipment  | 57,338                                  | (176,691)          |
| Other  | 1,086,138                               | 1,285,280          |
|  | <b>\$ 1,259,503</b>                     | <b>(1,628,771)</b> |

3. Finance costs

The details of finance expenses for the years ended December 31, 2018 and 2017 were as follows:

|                   | <b>For the years ended December 31,</b> |                  |
|-------------------|---|------------------|
|                   | <b>2018</b>                             | <b>2017</b>      |
| Interest expenses |   |                  |
| Bank borrowings   | \$ 967,122                              | 956,389          |
| Others            | 801,161                                 | 412,699          |
|                   | <b>\$ 1,768,283</b>                     | <b>1,369,088</b> |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

(w) Reclassification adjustments of components of other comprehensive income

For the year ended December 31, 2017, the reclassification adjustments of components of other comprehensive income amounted for \$1,213,259.

(x) Financial instruments

1. Credit risks

1) Credit risks exposure

The carrying amounts of financial assets and contract assets represented the maximum credit risk exposure of the Group.

2) Condition of credit risk concentration

Implicit credit risk of the Group is inherent in its cash and accounts receivable. The cash is deposited in different financial institutions. The Company manages the credit risk exposure with each of these financial institutions and believes that cash do not have a significant credit risk concentration.

The major customers of the Group are centralized in the high-tech computer industry. To minimize credit risk, the Company periodically evaluates the Company's financial positions and the possibility of collecting trade receivables.

Besides, the Consolidated Company monitors and reviews the recoverable amount of the trade receivables to ensure the uncollectible amount are recognized appropriately as impairment loss.

As of December 31, 2018 and 2017, 62% and 63% of accounts receivable were attributable to two major customers. Thus, credit risk is significantly centralized.

2. Liquidity risks

The following are the contractual maturities of financial liabilities of the Group, including estimation of interest, but excluding the impact of netting arrangements:

|  | Carrying<br>amount    | Contractual<br>cash flows | Less than<br>6 months | 6 to 12<br>months | 1 to 2 years   | 2 to 5 years     | More than<br>5 years |
|--|-----------------------|---------------------------|-----------------------|-------------------|----------------|------------------|----------------------|
| <b><u>December 31, 2018</u></b>                        |                       |                           |                       |                   |                |                  |                      |
| <b>Non-derivative financial liabilities</b>            |                       |                           |                       |                   |                |                  |                      |
| Secured bank loans                                     | \$ 3,795,000          | 4,113,867                 | 256,857               | 239,680           | 345,900        | 1,011,780        | 2,259,650            |
| Unsecured bank loans                                   | 31,472,011            | 31,521,635                | 31,386,104            | 76,470            | 59,061         | -                | -                    |
| Accounts payable                                       | 76,453,829            | 76,453,829                | 76,453,829            | -                 | -              | -                | -                    |
| Other payables   | 6,910,513             | 6,910,513                 | 6,910,513             | -                 | -              | -                | -                    |
| <b>Derivative financial liabilities</b>                |                       |                           |                       |                   |                |                  |                      |
| Forward exchange contracts not used for hedging:       |                       |                           |                       |                   |                |                  |                      |
| Outflow  | 3,398                 | (1,228,820)               | (1,228,820)           | -                 | -              | -                | -                    |
| Inflow   | -                     | 1,225,422                 | 1,225,422             | -                 | -              | -                | -                    |
| Foreign exchange swap contracts not used for hedging : |                       |                           |                       |                   |                |                  |                      |
| Outflow  | 1,560                 | (1,226,840)               | (1,226,840)           | -                 | -              | -                | -                    |
| Inflow   | -                     | 1,225,280                 | 1,225,280             | -                 | -              | -                | -                    |
|  | <b>\$ 118,636,311</b> | <b>118,994,886</b>        | <b>115,002,345</b>    | <b>316,150</b>    | <b>404,961</b> | <b>1,011,780</b> | <b>2,259,650</b>     |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

|  | Carrying<br>amount    | Contractual<br>cash flows | Less than<br>6 months | 6 to 12<br>months | 1 to 2 years   | 2 to 5 years     | More than<br>5 years |
|--|-----------------------|---------------------------|-----------------------|-------------------|----------------|------------------|----------------------|
| <b>December 31, 2017</b>                                 |                       |                           |                       |                   |                |                  |                      |
| <b>Non-derivative financial liabilities</b>              |                       |                           |                       |                   |                |                  |                      |
| Secured bank loans                                       | \$ 15,162,253         | 15,607,208                | 10,735,721            | 754,740           | 496,737        | 1,025,460        | 2,594,550            |
| Unsecured bank loans                                     | 25,796,585            | 26,001,868                | 20,894,597            | 4,933,904         | 114,031        | 59,336           | -                    |
| Accounts payable   | 73,213,841            | 73,213,841                | 73,213,841            | -                 | -              | -                | -                    |
| Other payables   | 7,086,093             | 7,086,093                 | 7,086,093             | -                 | -              | -                | -                    |
| <b>Derivative financial liabilities</b>                  |                       |                           |                       |                   |                |                  |                      |
| Forward exchange contracts not<br>used for hedging :     | -                     | -                         | -                     | -                 | -              | -                | -                    |
| Outflow  | 18,613                | (2,983,860)               | (2,983,860)           | -                 | -              | -                | -                    |
| Inflow   | -                     | 2,965,247                 | 2,965,247             | -                 | -              | -                | -                    |
| Foreign exchange swap contracts<br>not used for hedging: |                       |                           |                       |                   |                |                  |                      |
| Outflow  | 3,056                 | (597,400)                 | (597,400)             | -                 | -              | -                | -                    |
| Inflow   | -                     | 594,344                   | 594,344               | -                 | -              | -                | -                    |
|  | <b>\$ 121,280,441</b> | <b>121,887,341</b>        | <b>111,908,583</b>    | <b>5,688,644</b>  | <b>610,768</b> | <b>1,084,796</b> | <b>2,594,550</b>     |

The Group are not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

### 3.Currency risks

#### 1) Exposure to currency risks

The Group's exposures to significant currency risk were those from its foreign currency denominated financial assets and liabilities as follows:

| <b>2018.12.31</b>         |   |                       |             |
|---------------------------|---|-----------------------|-------------|
|                           | <b>Foreign<br/>currency (In<br/>thousand)</b> | <b>Exchange rate</b>  | <b>TWD</b>  |
| <b>Financial assets</b>   |   |                       |             |
| <u>Monetary items</u>     |   |                       |             |
| USD                       | \$ 4,770,256                                  | USD : TWD 30.67       | 146,303,375 |
|                           | 719,605                                       | USD : CNY 6.86        | 22,070,285  |
|                           | 377,586                                       | USD : CZK 22.47       | 11,580,563  |
| CNY                       | 4,094,673                                     | CNY : USD 0.15        | 18,298,274  |
| JPY                       | 5,874   | JPY : TWD 0.28        | 1,645       |
| <u>Non-monetary items</u> |   |                       |             |
| USD                       | 67,615  | USD : TWD 30.44~32.19 | 2,074,391   |
| CNY                       | 136,932                                       | CNY : TWD 4.47        | 611,919     |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

| 2018.12.31            |                                      |               |             |             |
|-----------------------|--------------------------------------|---------------|-------------|-------------|
|                       | Foreign<br>currency (In<br>thousand) | Exchange rate |             | TWD         |
| Financial Liabilities |                                      |               |             |             |
| Monetary items        |                                      |               |             |             |
| USD                   | 3,901,653                            | USD : TWD     | 30.67       | 119,663,698 |
|                       | 635,811                              | USD : CNY     | 6.86        | 19,500,323  |
|                       | 434,596                              | USD : CZK     | 22.47       | 13,329,059  |
| CNY                   | 293,499                              | CNY : USD     | 0.15        | 1,311,941   |
| 2017.12.31            |                                      |               |             |             |
|                       | Foreign<br>currency (In<br>thousand) | Exchange rate |             | TWD         |
| Financial assets      |                                      |               |             |             |
| Monetary items        |                                      |               |             |             |
| USD                   | \$ 3,865,226                         | USD : TWD     | 29.73       | 114,913,169 |
|                       | 796,839                              | USD : CNY     | 6.53        | 23,690,023  |
|                       | 439,097                              | USD : CZK     | 21.29       | 13,054,354  |
| JPY                   | 6,027                                | JPY : TWD     | 0.26        | 1,567       |
| CNY                   | 3,593                                | CNY : TWD     | 4.55        | 16,348      |
|                       | 4,090,023                            | CNY : USD     | 0.15        | 18,609,605  |
| Non-monetary items    |                                      |               |             |             |
| USD                   | 5,228                                | USD : TWD     | 30.44~32.19 | 160,580     |
| Financial Liabilities |                                      |               |             |             |
| Monetary items        |                                      |               |             |             |
| USD                   | 2,993,845                            | USD : TWD     | 29.73       | 89,007,012  |
|                       | 781,573                              | USD : CNY     | 6.53        | 23,236,165  |
|                       | 520,826                              | USD : CZK     | 21.29       | 15,484,157  |
| CNY                   | 1,856,386                            | CNY : USD     | 0.15        | 8,446,556   |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**INVENTEC CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, loans and borrowings, accounts payable and other payables that are denominated in foreign currency. A 0.5% depreciation or appreciation of the functional currency against all the non-functional currency as of December 31, 2018 and 2017 would have increased or decreased the net profit after tax by \$120,441 and \$137,671, respectively. The analysis is performed on the same basis for both periods.

3) Gains or losses on foreign exchange

As Group deals with diverse foreign currencies, therefore, the gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2018 and 2017, the foreign exchange gain (loss), including realized and unrealized, amounted to \$(193,420) and \$(572,187), respectively.

4. Interest rate analysis

The Group's financial assets and financial liabilities with interest rate exposure risk were noted in the liquidity risk section.

The following sensitivity analysis in interest rates is based on the risk exposure to interest rates on the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date.

If the interest rate increases or decreases by 0.5%, the Group's profit will decrease or increase by \$15,035 and \$16,417 for the years ended December 31, 2018 and 2017, respectively, assuming all other variable factors remain constant. This is mainly due to the Group's variable rate in borrowings and time deposits.

5. Fair value of financial instruments

1) Fair value hierarchy

The Group uses the observable market data to evaluate its assets and liabilities. The different inputs of levels of fair value hierarchy in determination of fair value are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income (available-for-sale financial assets) is measured on a recurring basis. However, for financial instruments not measured at fair value whose carrying amount is estimated reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, the disclosure of their fair value information is not required :

|   | 2018.12.31            |                |               |                  |                  |
|---|-----------------------|----------------|---------------|------------------|------------------|
|   | Book Value            | Fair Value     |               |                  | Total            |
|   |                       | Level 1        | Level 2       | Level 3          |                  |
| <b>Financial assets at fair value through profit or loss</b>                              |                       |                |               |                  |                  |
| Derivative financial assets   | \$ 7,004              | -              | 7,004         | -                | 7,004            |
| Non derivative financial assets mandatorily measured at fair value through profit or loss | 2,460,475             | 57,885         | -             | 2,402,590        | 2,460,475        |
| Subtotal  | 2,467,479             | 57,885         | 7,004         | 2,402,590        | 2,467,479        |
| <b>Financial assets at fair value through other comprehensive income</b>                  |                       |                |               |                  |                  |
| Stocks of listed companies  | 513,897               | 513,897        | -             | -                | 513,897          |
| Unquoted equity instruments   | 325,316               | -              | 60,430        | 264,886          | 325,316          |
| Subtotal  | 839,213               | 513,897        | 60,430        | 264,886          | 839,213          |
| <b>Financial assets at amortized cost</b>   |                       |                |               |                  |                  |
| Cash and cash equivalents   | 25,062,511            | -              | -             | -                | -                |
| Accounts receivable and other receivables   | 94,769,259            | -              | -             | -                | -                |
| Other financial assets and refundable deposit   | 389,078               | -              | -             | -                | -                |
| Subtotal  | 120,220,848           | -              | -             | -                | -                |
| Total   | <u>\$ 123,527,540</u> | <u>571,782</u> | <u>67,434</u> | <u>2,667,476</u> | <u>3,306,692</u> |
| <b>Financial liabilities at fair value through profit or loss</b>                         |                       |                |               |                  |                  |
| Derivative financial liabilities  | \$ 4,958              | -              | 4,958         | -                | 4,958            |
| <b>Financial liabilities at amortized cost</b>  |                       |                |               |                  |                  |
| Bank loans  | 35,267,011            | -              | -             | -                | -                |
| Notes payable and accounts payable  | 76,453,829            | -              | -             | -                | -                |
| Other payables  | 12,638,279            | -              | -             | -                | -                |
| Subtotal  | 124,359,119           | -              | -             | -                | -                |
| Total   | <u>\$ 124,364,077</u> | <u>-</u>       | <u>4,958</u>  | <u>-</u>         | <u>4,958</u>     |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

|   | 2017.12.31            |                  |                |                  |                  |
|---|-----------------------|------------------|----------------|------------------|------------------|
|   | Book Value            | Fair Value       |                |                  | Total            |
|   |                       | Level 1          | Level 2        | Level 3          |                  |
| <b>Financial assets at fair value through profit or loss</b>      |                       |                  |                |                  |                  |
| Derivative financial assets                                       | \$ 23,286             | -                | 23,286         | -                | 23,286           |
| Non derivative held-for-trading financial assets                  | 102,090               | 102,090          | -              | -                | 102,090          |
| Subtotal  | 125,376               | 102,090          | 23,286         | -                | 125,376          |
| <b>Available-for-sale financial assets</b>                        |                       |                  |                |                  |                  |
| Stocks of listed companies  | 1,149,740             | 1,149,740        | -              | -                | 1,149,740        |
| Unquoted equity instruments                                       | 171,327               | -                | 148,604        | 22,723           | 171,327          |
| Unquoted financial instruments                                    | 8,074,382             | -                | -              | 8,074,382        | 8,074,382        |
| Subtotal  | 9,395,449             | 1,149,740        | 148,604        | 8,097,105        | 9,395,449        |
| <b>Financial assets at cost</b>                                   | 432,441               | -                | -              | -                | -                |
| <b>Loans and receivables</b>                                      |                       |                  |                |                  |                  |
| Cash and cash equivalents   | 26,949,180            | -                | -              | -                | -                |
| Accounts receivable and other receivables                         | 79,646,516            | -                | -              | -                | -                |
| Other financial assets and refundable deposits                    | 11,437,038            | -                | -              | -                | -                |
| Subtotal  | 118,032,734           | -                | -              | -                | -                |
| <b>Total</b>  | <b>\$ 127,986,000</b> | <b>1,251,830</b> | <b>171,890</b> | <b>8,097,105</b> | <b>9,520,825</b> |
| <b>Financial liabilities at fair value through profit or loss</b> |                       |                  |                |                  |                  |
| Derivative financial liabilities                                  | \$ 21,669             | -                | 21,669         | -                | 21,669           |
| <b>Financial liabilities at amortized cost</b>                    |                       |                  |                |                  |                  |
| Bank loans  | 40,958,838            | -                | -              | -                | -                |
| Notes payable and accounts payable                                | 73,213,841            | -                | -              | -                | -                |
| Other payables  | 12,890,156            | -                | -              | -                | -                |
| Subtotal  | 127,062,835           | -                | -              | -                | -                |
| <b>Total</b>  | <b>\$ 127,084,504</b> | <b>-</b>         | <b>21,669</b>  | <b>-</b>         | <b>21,669</b>    |

2) Valuation techniques and assumption for financial instruments measured at fair value:

The fair value of financial assets and liabilities were decided in accordance with the solutions as follows:

(2.1) Non-derivative financial instruments

- A. The stocks of listed companies are financial assets with standard terms which are traded in the active markets. Their fair values are based on the quoted market prices.
- B. The fair value of private equity is based on standard terms and quoted market prices.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

C. The fair value of unquoted equity instruments were estimated using the market comparable price or net asset value method. The assumption of market comparable price method was based on a comparison between the market prices of each listed company, multiplied by using the estimated price. The discount effect is adjusted due to lack of market liquidity in equity securities.

D. The fair value of unquoted instruments were estimated using either the discounted cash flow model in which future cash flow were estimated and discounted or the fair value of the recognized assets and liabilities of the consolidated subsidiaries on the measurement day.

(2.2) Derivative financial instruments

Foreign exchange swap and forward exchange were usually evaluated in the latest forward rate.

3) Transfers between level 1 and level 2

There were no transfers between level 1 and level 2 of the fair value for the years ended December 31, 2018 and 2017.

4) The following table shows the movements in fair value measurements under level 3 of the fair value hierarchy:

|  | <b>At fair value<br/>through profit or<br/>loss</b> | <b>Fair value<br/>through other<br/>comprehensive<br/>income<br/>(Available-for-sale<br/>financial assets)</b> |
|--|---|--|
| <b>Balance as of January 1, 2018</b>   | \$ 8,163,208  | 340,757  |
| Total gains and losses recognized in   |   |  |
| Profit or loss                         | 445,062   | -  |
| Other comprehensive income             | -   | (73,695)   |
| Purchase                               | 11,111,780  | -  |
| Disposals                              | (16,817,264)  | -  |
| Proceeds from capital reduction        | -   | (2,765)  |
| Effect of movements in exchange rate   | (500,196)   | 589  |
| <b>Balance as of December 31, 2018</b> | <b>\$ 2,402,590</b>                                 | <b>264,886</b>   |



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

|  | <b>At fair value<br/>through profit or<br/>loss</b> | <b>Fair value<br/>through other<br/>comprehensive<br/>income<br/>(Available-for-sale<br/>financial assets)</b> |
|--|---|--|
| <b>Balance as of January 1, 2017</b>   | \$ -  | 1,990,539  |
| Total gains and losses recognized in   |   |  |
| Profit or loss                         | -   | 113,058  |
| Other comprehensive income             | -   | 86,676   |
| Purchase                               | -   | 18,409,063   |
| Disposals                              | -   | (12,196,268)   |
| Effect of movements in exchange rate   | -   | (11,264)   |
| Proceeds from capital reduction        | -   | (294,699)  |
| <b>Balance as of December 31, 2017</b> | <b>\$ -</b>   | <b>8,097,105</b>   |

The amount reclassified under IFRS 9 has been included in the balance as of January 1, 2018.

For the years ended December 31, 2018 and 2017, total gains and losses included in “other gains and losses”, “unrealized gains and losses from available-for-sale financial assets” and “unrealized gains and losses from financial assets at fair value through other comprehensive income” were as follows:

|  | <b>For the years ended December 31,</b> |             |
|--|---|-------------|
|  | <b>2018</b>                             | <b>2017</b> |
| Total gains and losses recognized in:  |   |             |
| In profit or loss, and included “other gains and losses”   | \$ (25,996)                             | -           |
| In other comprehensive income, and presented in<br>“unrealized gains and losses from available-for-sale<br>financial assets ”                                | -                                       | 86,676      |
| In other comprehensive income, and presented in<br>“unrealized gains and losses from financial assets at<br>fair value through other comprehensive income” ) | (73,695)                                | -           |

**5) Quantified information for significant unobservable inputs (Level 3) used in fair value measurement**

The Company uses level 3 inputs to measure fair value through profit or loss, and fair value through other comprehensive income (available-for-sale) financial assets.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Quantified information of significant unobservable inputs was as follows:

| Item  | Valuation Technique                | Significant Non-observable Input  | The Relationship between Significant Non-observable Input and Fair Value  |
|---|------------------------------------|---|---|
| Financial assets at fair value through other comprehensive income—equity instruments investments without an active market                                       | Comparable Listed Companies Method | <ul style="list-style-type: none"> <li>Market Multiple (0.85~1.92)</li> <li>Discount due to Lack of Market liquidity (20%~30%)</li> </ul> | <ul style="list-style-type: none"> <li>The estimated fair value would increase (decrease) if the price of earnings ratio multiple is higher (lower) and the marketability discount is lower (higher)</li> </ul> |
| Financial assets at fair value through profit or loss (Available-for-sale financial assets)—financial instruments without an active market                      | Discounted Cash Flow Method        | <ul style="list-style-type: none"> <li>Discounted Rate (3.30%~4.45% on December 31, 2018 3.80%~5.00% on December 31, 2017)</li> </ul>     | <ul style="list-style-type: none"> <li>The higher the discount rate, the lower the fair value</li> </ul>  |
| Financial assets at fair value through other comprehensive income (Available-for-sale financial assets)—equity instruments investments without an active market | Net Asset Value Method             | <ul style="list-style-type: none"> <li>Net Asset Value</li> </ul>   | <ul style="list-style-type: none"> <li>No applicable</li> </ul>   |

6) Sensitivity analysis for fair values of financial instruments using Level 3 Inputs

The Company's fair value measurement on financial instruments is reasonable. However, the measurement would differ if different valuation models or valuation parameters are used. For financial instruments using level 3 inputs, if the valuation parameters are changed, the impact on net income or loss and other comprehensive income or loss will be as follows:

|   | Input           | Variation | Impact on Fair Value Change on Net income or loss |                    | Impact on Fair Value Change on Other Comprehensive income or loss |                    |
|---|-----------------|-----------|---|--------------------|---|--------------------|
|   |                 |           | Favorable Change                                  | Unfavorable Change | Favorable Change  | Unfavorable Change |
| December 31, 2018   |                 |           |   |                    |   |                    |
| Financial assets at fair value through profit or loss             |                 |           |   |                    |   |                    |
| Financial instruments without an active market                    | Discount Rate   | 0.5%      | \$ 1,016  | (1,016)            | -   | -                  |
| Financial assets at fair value through other comprehensive income |                 |           |   |                    |   |                    |
| Equity instruments without an active market                       | Market Multiple | 0.5%      | -   | -                  | 676   | (676)              |
| December 31, 2017   |                 |           |   |                    |   |                    |
| Available-for-sale financial assets                               |                 |           |   |                    |   |                    |
| financial instruments without an active market                    | Discounted Rate | 0.5%      | -   | -                  | 10,949  | (10,949)           |

The favorable change and unfavorable change refer to the fluctuation of fair value. The fair value is calculated based on the different levels of unobservable inputs. The table above shows the impact on single input. Therefore, the relations and variations between inputs are not considered.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**6. Offsetting financial assets and financial liabilities**

The Group has financial instruments transactions applicable to the International Financial Reporting Standards Sections 42 NO. 32 approved by the FSC which required for offsetting. Financial assets and liabilities relating those transactions are recognized in the net amount of the balance sheets.

The Group also performs transactions not applicable to the International Financial Reporting Standards Sections 42 NO. 32, but the Group has an exercisable master netting arrangement or similar agreement in place with its counterparties, and both parties reach a consensus regarding net settlement. The aforesaid exercisable master netting arrangement or similar agreement can be net settled after offsetting the financial assets and financial liabilities. Otherwise, the transaction can be settled at the total amount. In the event of default involving one of the parties, the other party can have the transaction net settled.

The following tables present the aforesaid offsetting financial assets and financial liabilities.

| <b>2018.12.31</b>   |   |   |  |   |                                 |                    |
|---|---|---|--|---|---------------------------------|--------------------|
| <b>Financial assets that are offset which have an exercisable master netting arrangement or similar agreement</b> |   |   |  |   |                                 |                    |
|   | <b>Gross amounts of recognized financial assets</b> | <b>Gross amounts of financial liabilities offset in the balance sheet</b> | <b>Net amount of financial assets presented in the balance sheet</b> | <b>Amounts not off set in the balance sheet (d)</b> |                                 | <b>Net amount</b>  |
|   | <b>(a)</b>  | <b>(b)</b>  | <b>(c)=(a)-(b)</b>   | <b>Financial instruments (Note)</b>                 | <b>Cash collateral received</b> | <b>(e)=(c)-(d)</b> |
| Offsetting agreement  | \$ 345,419,300                                      | 345,029,979   | 389,321  | -   | -                               | 389,321            |
| Derivative financial instruments  | 4,238   | -   | 4,238  | -   | -                               | 4,238              |
| <b>Total</b>  | <b>\$ 345,423,538</b>                               | <b>345,029,979</b>  | <b>393,559</b>   | <b>-</b>  | <b>-</b>                        | <b>393,559</b>     |

| <b>2018.12.31</b>  |  |  |   |   |                                 |                    |
|--|--|--|---|---|---------------------------------|--------------------|
| <b>Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement</b> |  |  |   |   |                                 |                    |
|  | <b>Gross amounts of recognized financial liabilities</b> | <b>Gross amounts of financial assets offset in the balance sheet</b> | <b>Net amount of financial liabilities presented in the balance sheet</b> | <b>Amounts not off set in the balance sheet (d)</b> |                                 | <b>Net amount</b>  |
|  | <b>(a)</b>   | <b>(b)</b>   | <b>(c)=(a)-(b)</b>  | <b>Financial instruments (Note)</b>                 | <b>Cash collateral received</b> | <b>(e)=(c)-(d)</b> |
| Derivative financial instruments   | \$ 3,704   | -  | 3,704   | -   | -                               | 3,704              |

| <b>2017.12.31</b>   |   |   |  |   |                                 |                    |
|---|---|---|--|---|---------------------------------|--------------------|
| <b>Financial assets that are offset which have an exercisable master netting arrangement or similar agreement</b> |   |   |  |   |                                 |                    |
|   | <b>Gross amounts of recognized financial assets</b> | <b>Gross amounts of financial liabilities offset in the balance sheet</b> | <b>Net amount of financial assets presented in the balance sheet</b> | <b>Amounts not off set in the balance sheet (d)</b> |                                 | <b>Net amount</b>  |
|   | <b>(a)</b>  | <b>(b)</b>  | <b>(c)=(a)-(b)</b>   | <b>Financial instruments (Note)</b>                 | <b>Cash collateral received</b> | <b>(e)=(c)-(d)</b> |
| Offsetting agreement  | \$ 334,519,576                                      | 334,118,499   | 401,077  | -   | -                               | 401,077            |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

| 2017.12.31  |   |   |  |  |                          |
|---|---|---|--|--|--------------------------|
| Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement |   |   |  |  |                          |
|   | Gross amounts of recognized financial liabilities (a) | Gross amounts of financial assets offset in the balance sheet (b) | Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b) | Amounts not off set in the balance sheet (d) |                          |
|   |   |   |  | Financial instruments (Note)                 | Cash collateral received |
|   |   |   |  |  | Net amount (e)=(c)-(d)   |
| Derivative financial instruments  | \$ 21,669   | -   | 21,669   | -  | -                        |
|   |   |   |  |  | 21,669                   |

Note: Master netting arrangements and non-cash financial collaterals are included.

(y) Financial risk management

1. Overview

The Group have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Group' s objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

2. Risk management framework

The group are exposed to credit risk, market risk, operating risk and liquidity risk due to its operating activities. To lower the latent unfavorable effects of changing market to the Group's financial performance, the Group have made efforts in identifying and evaluating the risks and avoiding the uncertainty of the market through derivative financial instruments.

The board of directors has the overall responsibility for the establishment and oversight of the Group' s risk management framework. The financial units follows the risk management policies, and report the operating status to the Board of Directors regularly. The internal auditors perform regular reviews by taking risk management control procedures and report to the Board of Directors.

3. Credit risk

Please refer to Note 6(x) for the analysis of credit risk of cash, cash equivalent and accounts receivable.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**INVENTEC CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**4. Liquidity risk**

Liquidity risk is a risk that the Group is unable to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as much as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group use actual cost to estimate the cost of its products and services to better assist the Group's monitoring on the cash flow and optimizing the return on investment. As of December 31, 2018, the capital and working funds of the Group are sufficient to meet its entire contractual obligation; therefore, the management is not expecting any significant issue on liquidity risk. As of December 31, 2018 and 2017, the Group's unused credit line were amounted to \$57,330,499 and \$46,365,637, respectively.

**5. Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate, and equity prices which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Group.

**1) Currency risk**

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan Dollars (TWD), US Dollars (USD), Czech Koruna (CZK), Japanese Yen (JPY) and China Yuan (CNY). The currencies used in these transactions are denominated in TWD, USD, JPY and CNY.

The Group often uses the principle of natural hedging as its basis, and proceed supplemented by derivative instruments for hedging exchange rate risk.

The interest is denominated in the same currency as borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group. This provides an economic hedge without derivatives being entered into, and therefore, hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

2) Interest rate risk

The Group's interest rate risk arises from long-term borrowings bearing floating interest rates. The fluctuation of the market interest rate changes the floating interest rates of the long-term borrowings, and thus affect the future cash flow. In order to decrease the effect of the market interest rate fluctuation on to the future cash flow, the Group periodically evaluates bank and currency borrowing rate to hedge the cash flow risk caused by the market interest rate fluctuation.

(z) Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, additional paid-in capital, retained earnings, other equity interest and non-controlling interests of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The group's objective for managing capitals is to maintain investor, creditor and market confidence, and to sustain future development of the business by making debts and capital the most suitable capital structure and optimizing the best of it based on industrial scales, future growth development, and capital expenditures needed for plants and equipment. Thus, the Group calculates the operating funds based on the life cycle of the products, plans for the development in the long run, and then decides the most suitable capital structure considering the business cycle.

The Group ensures the financial resources and the operating plan are sufficient to support the future needs of operating funds, capital expenditures, debt refunding and dividend distribution.

The Group's debt to equity ratio at the reporting date was as follows:

|                                 | <b>2018.12.31</b>     | <b>2017.12.31</b>  |
|---------------------------------|-----------------------|--------------------|
| Total Liabilities               | \$ 148,082,405        | 149,837,213        |
| Less: cash and cash equivalents | (25,062,511)          | (26,949,180)       |
| Net debt                        | <b>\$ 123,019,894</b> | <b>122,888,033</b> |
| Total Equity                    | \$ 57,721,517         | 58,930,614         |
| Adjusted Capital                | <b>\$ 57,721,517</b>  | <b>58,930,614</b>  |
| Debt to capital ratio           | <b>213.13%</b>        | <b>208.53%</b>     |

According to the Company's management, there were no changes in the Group's approach to capital management as of December 31, 2018.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

(aa) Investing and financing activities not affecting current cash flow

The Group has no investing and financing activities which did not affect the current cash flow for the year ended December 31, 2018.

Reconciliation of liabilities arising from financing activities was as follows:

|  |                      |                    |                  | Non-cash changes                |                      |
|--|----------------------|--------------------|------------------|---------------------------------|----------------------|
|  | January 1, 2018      | Cash flows         | Reclassification | Foreign<br>exchange<br>movement | December 31,<br>2018 |
| Long-term borrowings   | \$ 3,965,731         | (387,609)          | (169,061)        | -                               | 3,409,061            |
| Short-term borrowings(including current portion of long-term borrowings) | 36,993,107           | (4,567,702)        | 169,061          | (736,516)                       | 31,857,950           |
| Total liabilities from financing activities                              | <u>\$ 40,958,838</u> | <u>(4,955,311)</u> | <u>-</u>         | <u>(736,516)</u>                | <u>35,267,011</u>    |

**(7) Related Party Transactions**

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

| Name of related party                    | Relationship with the Group                                   |
|--|---|
| Inventec Besta Co., Ltd.                 | Associates  |
| Besta (Kunshan) Co., Ltd.                | Subsidiary of associates                                      |
| Inventec Besta (XiAn) Co., Ltd.          | Subsidiary of associates                                      |
| Gainia Intellectual Asset Services, Inc. | Associates  |
| Hsu Shin Chun                            | Substantial relationship of the Group                         |
| Inventec Group Charity Foundation        | Over one-third of total amount of fund donated by the Company |
| Inventec Welfare Committee               | The same chairman as the Group                                |

(b) Significant transactions with related parties

1. Sale revenue

The amounts of significant sales transactions and outstanding balances between the Group and related parties were as follows:

|                       | For the years ended December 31, |
|-----------------------|----------------------------------|
|                       | 2018      2017                   |
| Associates            | \$ 8      1,138                  |
| Other related parties | 3,580      -                     |
|                       | <u>\$ 3,588      1,138</u>       |

For associates and other related parties, the price and terms were determined in accordance with mutual agreements with its collection terms of OA 30~90 days for sales. Receivables from related parties were not secured with collaterals, and did not require provisions for impairment.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

2. Purchase

The amounts of significant purchase transactions between the Group and related parties were as follows:

|            | <b>For the years ended December 31,</b> |             |
|------------|---|-------------|
|            | <b>2018</b>                             | <b>2017</b> |
| Associates | <b>\$ 8,177</b>                         | <b>104</b>  |

There is no other vendor as comparison for the above purchases, and the purchase prices are based on the settling price agreed by both sides. The payment term is 30~75 days °

3. Accounts receivable from related parties

The amounts of accounts receivable between the Group and related parties were as follows:

| <b>Financial Statement Account</b> | <b>Related Party Categories</b> | <b>2018.12.31</b> | <b>2017.12.31</b> |
|------------------------------------|---------------------------------|-------------------|-------------------|
| Accounts receivable                | Associates                      | \$ -              | 1,085             |
| Other receivables                  | Associates                      | 2,776             | 7,605             |
|                                    |                                 | <b>\$ 2,776</b>   | <b>8,690</b>      |

4. Accounts payable to Related Parties

The amounts of accounts payables between the Group and related parties were as follows:

| <b>Financial Statement Account</b> | <b>Related Party Categories</b> | <b>2018.12.31</b> | <b>2017.12.31</b> |
|------------------------------------|---------------------------------|-------------------|-------------------|
| Other payables                     | Associates                      | <b>\$ 1,256</b>   | <b>2,121</b>      |

5. Property transactions

1) Acquisition of property, plant, equipment, intangible assets and other assets

For the years ended December 31, 2018 and 2017, the Group purchased property, plant, equipment, intangible assets and other assets from Inventec Besta Co., Ltd. and paid the amount \$8,343 and \$3,323, respectively.

2) In 1999, the Group sold property, deferred assets, assets stated under expense, and trademarks to Inventec Besta Co., Ltd., resulting in a gain on property disposal of \$51,712 and other revenue of \$40,453. As of December 31, 2018 and 2017, the unrealized other revenues are both \$1,211.

6. Others

1) On December 31, 2016, the related parties pledged their certificate deposits as collateral to assist the Company to access bank credits. The Group had already repaid the loans and cancelled the collateral in June 2017. For the year ended December 31, 2017, the expense of certificate deposits pledged were \$515.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

2) Rental and other revenue collected from related parties were as follows:

|            | <b>For the years ended December 31,</b> |               |
|------------|---|---------------|
|            | <b>2018</b>                             | <b>2017</b>   |
| Associates | <b>\$ 10,556</b>                        | <b>14,325</b> |

3) Donation for other related parties were as follows:

|                       | <b>For the years ended December 31,</b> |               |
|-----------------------|---|---------------|
|                       | <b>2018</b>                             | <b>2017</b>   |
| Other related parties | <b>\$ 14,000</b>                        | <b>12,000</b> |

4) Payments for system development expenses, maintenance expenses and service expenses to associates were as follows:

|            | <b>For the years ended December 31,</b> |               |
|------------|---|---------------|
|            | <b>2018</b>                             | <b>2017</b>   |
| Associates | <b>\$ 6,889</b>                         | <b>20,756</b> |

(c) Key management personnel compensation

Key management personnel compensation includes:

|                              | <b>For the years ended December 31,</b> |                |
|------------------------------|---|----------------|
|                              | <b>2018</b>                             | <b>2017</b>    |
| Short-term employee benefits | \$ 582,406                              | 644,386        |
| Post-employment benefit      | 3,756                                   | 7,399          |
|                              | <b>\$ 586,162</b>                       | <b>651,785</b> |

Please refer to Note 6(q) for further explanations related to share-based payment transactions.

**(8) Pledged Assets**

The carrying values of pledged assets were as follows:

| <b>Pledged assets</b>   | <b>Object</b>   | <b>2018.12.31</b>   | <b>2017.12.31</b> |
|---|---|---------------------|-------------------|
| Refundable deposits (Other non-current assets)  | Customs duty guarantee and rental deposit   | \$ 251,272          | 240,335           |
| Restricted cash in banks (Other current assets and Other non-current assets)                                      | Customs duty guarantee, warranty guarantee and borrowings                             | 137,806             | 11,196,703        |
| Land, buildings, structures, machinery and equipment, net (Property, plant and equipment and investment property) | Current portion long-term borrowings, as well as long-term borrowings and credit line | 6,929,232           | 7,099,001         |
| Total   |   | <b>\$ 7,318,310</b> | <b>18,536,039</b> |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(9) Significant Commitments and Contingencies**

(a) Major Commitments:

1.Unused standby letters of credit were as follows:

|     | <u>2018.12.31</u> | <u>2017.12.31</u> |
|-----|-------------------|-------------------|
| EUR | \$ 99             | 484               |
| USD | 5,796             | 19,361            |
| TWD | 38,509            | -                 |

2.Promissory notes issued for bank credit, forward contracts, and Secured deposits for executing technology agreements with the government and property deposits were as follows:

|     | <u>2018.12.31</u> | <u>2017.12.31</u> |
|-----|-------------------|-------------------|
| TWD | \$ 22,866,027     | 22,311,027        |
| USD | 1,400,400         | 1,307,450         |

(b) Contingencies

The relationship between E-Ton Solar Tech Co., Ltd. (E-Ton) and JI-EE Industry Co., Ltd. (JI-EE) has deteriorated due to a dispute over the lands and buildings which JI-EE leased to E-Ton. JI-EE claimed that the lease expired on December 31, 2013 and decided to discontinue to lease the aforesaid lands and buildings to E-Ton. Therefore, E-Ton filed a temporary injunction to the Tainan District Court concerning this matter.

Tainan District Court requests that E-Ton should provide a guarantee deposit of 0.12 billion New Taiwan Dollars for the temporary injunction mentioned above. In return, JI-EE should leave the driveways and gates of the building (which is located on No. 73 and 74 Ke Gong Section, Annan Dist., Tainan City) in its current condition until the civil action is resolved. Furthermore, JI-EE should allow E-Ton to continue using the other buildings located on No.16-1, 16-7, and 16-10 Ke Gong Section, Annan Dist., Tainan City. After E-ton provided the guarantee deposit, the Tainan District Court issued the Enforcement Order No.82 of Si-Zhi-Chuan-Jian-Zi (2014), so that JI-EE has to follow the aforementioned injunction.

E-Ton received the Civil Ruling No. 160 of Si-Sheng-Zi (2014) from the Tainan District Court requesting E-Ton to file an civil action against JI-EE in time.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Accordingly E-Ton submitted the indictment to the same Court on July 15, 2014, with case file No. 196 of Zhong-Su-Zi (2014), to confirm the continuance of the lease. On May 4, 2018, the Court ruled against the continuance of the lease for the land and factory located at No. 498, Sec. 2, Bentien Rd, An-nan District of Tainan City, under the condition that JI-EE has to maintain the current status of the driveways and gates of the compound located at No. 73 and 74 Ke Gong Section, Annan Dist., Tainan City. In addition, JI-EE has to continue recognizing the lease agreement it entered into with E-Ton regarding the building located at No. 16-10 in No. 73 and 74 Ke Gong Section and allow E-Ton to make use of its driveway (from the gate to the building). Also, JI-EE has to permit E-Ton to freely use the door and the staircase (from Ground floor to 4th floor) of the annex building (within the compound) located at No 16-1 Ke Gong Section. E-Ton, on the other hand, filed an appeal by requesting the Tainan District Court to handover the case to the Taiwan High Court for another decision on May 23, 2018. Now the preparation procedure is still in progress. On November 15, 2018, E-ton and JI-EE both agreed to settle this lawsuit. However, since there is a great difference between the selling price of the aforesaid lands and buildings offering by JI-EE and the buying price offering by E-ton, E-ton and JI-EE then requested the Court for continuance of this trial on February 26, 2019 and March 5, 2019, respectively.

In accordance with the Payment Order No.6096 of Si-Cu-Zi (2014) from Tainan District Court, JI-EE advocated that E-Ton should pay a penalty of \$8,537, plus, interest payables accrued with an annual interest rate of 5% from the issuance date of the Payment Order to the payment date.

E-Ton disagreed with the demand of JI-EE and filed an appeal to the Tainan District Court against JI-EE. In the appeal JI-EE expanded its claims against E-Ton asking for compensation for the damage occurred between January to March, 2014. According to Judgment No. 73 of Zhong-Su-Zi(2014), Tainan District Court granted the demand of JI-EE, which resulted to the compensation of \$6,098, plus, interest payables accrued with an annual interest rate of 5% from the issuance date on May 22, 2014. Therefore, E-Ton filed an appeal to the Taiwan High Court-Tainan Branch against JI-EE on December 5, 2014 and JI-EE filed another expansion of claims afterwards.

On September 29, 2016, Taiwan High Court ordered E-Ton to pay the amount of \$48,785 as compensation (including interest), as well as expenses for its appeal and expansion of claims. JI-EE may make a motion for provisional execution with a payment of \$16,270 to the court as guarantee deposit. However, the motion will be denied if E-Ton pays \$48,785 to the court as guarantee deposit.

E-ton filed an appeal to the Supreme Court through Taiwan High Court-Tainan Branch on October 17, 2016.

In accordance with the verdict handed by the Taiwan High Court, JI-EE has the right to seize parts of E-Ton's real estate properties. Therefore, on December 7, 2016, JI-EE exercised its right in the company of staff from the district court. On the same date, however, E-Ton paid the required amount stated in the verdict, to the district court as its guarantee deposit. Therefore, on December 8, 2016, the district court agreed to halt its execution in seizing E-Ton's properties.

**(10) Losses Due to Major Disasters : None.**

**(11) Subsequent Events : None.**

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(12) Other**

- (a) The employee benefits, depreciation, depletion and amortization expenses categorized by function were as follows:

| By item                    | By function | For the years ended December 31, 2018 |                                     |            | For the years ended December 31, 2017 |                                     |            |
|----------------------------|-------------|---------------------------------------|-------------------------------------|------------|---------------------------------------|-------------------------------------|------------|
|                            |             | Operating costs                       | Operating and non-operating expense | Total      | Operating costs                       | Operating and non-operating expense | Total      |
| Employee benefits          |             |                                       |                                     |            |                                       |                                     |            |
| Salary                     |             | 15,242,544                            | 8,533,478                           | 23,776,022 | 13,248,177                            | 8,447,125                           | 21,695,302 |
| Labor and health insurance |             | 1,234,991                             | 686,090                             | 1,921,081  | 1,048,825                             | 659,318                             | 1,708,143  |
| Pension                    |             | 1,524,674                             | 494,352                             | 2,019,026  | 1,230,000                             | 471,586                             | 1,701,586  |
| Others                     |             | 807,165                               | 269,167                             | 1,076,332  | 990,818                               | 277,351                             | 1,268,169  |
| Depreciation               |             | 2,283,324                             | 1,190,718                           | 3,474,042  | 2,856,299                             | 1,082,511                           | 3,938,810  |
| Amortization               |             | 520,249                               | 486,166                             | 1,006,415  | 391,522                               | 490,794                             | 882,316    |

**(13) Other disclosures**

- (a) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 2018:

1. Loans to other parties:

(In Thousands of New Taiwan Dollars)

| Number | Name of lender                                     | Name of borrower                                   | Account name         | Related party | Highest balance of financing to other parties during the period | Ending balance | Actual usage amount during the period | Range of interest rates during the period | Purposes of fund financing for the borrower | Transaction amount for business between two parties | Reasons for short-term financing | Allowance for bad debt | Collateral |       | Individual funding loan limits | Maximum limit of fund financing |
|--------|--|--|----------------------|---------------|---|----------------|---------------------------------------|---|---|---|----------------------------------|------------------------|------------|-------|--------------------------------|---------------------------------|
|        |  |  |                      |               |   |                |                                       |   |   |   |                                  |                        | Item       | Value |                                |                                 |
| 1      | Inventec (Chongqing) Corp.(Note 2)                 | Inventec Huan Hsin (Zhejiang) Technology Co., Ltd. | Other current assets | Y             | 153,945   | 147,477        | 147,477                               | 3%  | 2   | -   | Working Capital                  | -                      | None       | -     | 6,125,735                      | 6,806,372                       |
| 1      | "  | Inventec Asset-Management (Shanghai) Corporation   | Other receivables    | Y             | 1,841,600   | 536,280        | 536,280                               | 4.6%                                      | 2   | -   | "                                | -                      | "          | -     | 2,722,549                      | 3,025,054                       |
| 2      | Inventec (Pudong) Technology Corp.(Note 3)         | Inventec Asset-Management (Shanghai) Corporation   | "                    | Y             | 1,443,354   | 580,970        | 265,906                               | 5.225%                                    | 2   | -   | "                                | -                      | "          | -     | 1,460,490                      | 1,825,612                       |
| 3      | Inventec Appliances (Nanjing) Corporation (Note 4) | Inventec Appliances (XTAN) Corporation             | "                    | Y             | 142,290   | 116,194        | 98,318                                | 3.045%                                    | 2   | -   | "                                | -                      | "          | -     | 324,421                        | 324,421                         |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

| Number | Name of lender                                   | Name of borrower                      | Account name      | Related party | Highest balance of financing to other parties during the period | Ending balance | Actual usage amount during the period | Range of interest rates during the period | Purposes of fund financing for the borrower | Transaction amount for business between two parties | Reasons for short-term financing | Allowance for bad debt | Collateral |       | Individual funding loan limits | Maximum limit of fund financing |
|--------|--|---------------------------------------|-------------------|---------------|---|----------------|---------------------------------------|---|---|---|----------------------------------|------------------------|------------|-------|--------------------------------|---------------------------------|
|        |  |                                       |                   |               |   |                |                                       |   |   |   |                                  |                        | Item       | Value |                                |                                 |
| 4      | Inventec Appliances (Shanghai) Co., Ltd.(Note 4) | Inventec Appliances (Jiangning) Corp. | Other receivables | Y             | 835,380   | -              | -                                     | -   | 2   | -   | Pay Bank Loans                   | -                      | None       | -     | 1,896,091                      | 1,896,091                       |

Note 1: (1)Those with business contact, please fill in 1.

(2)Those necessary for short term financing, please fill in 2.

Note 2: Where an inter-company or inter-firm short-term financing facility is necessary, total financing amount shall not exceed 40 percent of the company's net worth as stated in its latest financial report. Each financing amount shall not exceed 90 percent of the permitted aggregate amount of loans of the company; Among Subsidiaries which the parent company holds 100% voting power, aggregate amount of loans shall not exceed 90 percent of the company's net worth as stated in its latest financial report and each amount of loans shall not exceed 90 percent of the permitted aggregate amount of loans of the company.

Note 3: Where an inter-company or inter-firm short-term financing facility is necessary, provided as below:

(1)Total financing amount shall not exceed 40 percent of the company's net worth as stated in its latest financial report.

(2)Each financing amount shall not exceed 80 percent of the permitted aggregate amount of loans of the company.

Note 4: Among Subsidiaries which the parent company holds 100% voting power, aggregate amount of loans shall not exceed the company's net worth as stated in its latest financial report, and each amount of loans shall not exceed 100 percent of the permitted aggregate amount of loans of the company.

Note 5: The transactions with the Group were eliminated in the consolidated financial statements.

Note 6: The transactions in foreign currencies were exchanged to New Taiwan Dollars in spot rate at the date of the audited entity's financial reports.

2. Guarantees and endorsements for other parties: None.
3. Securities held as balance sheet date (excluding investment subsidiaries, associates and joint ventures) :

(In Thousands of New Taiwan Dollars)

| Name of holder | Category and name of security               | Relationship with company | Account title   | Ending balance           |                |                             |                    | Highest percentage of ownership (%) during the year | Note |
|----------------|---|---------------------------|---|--------------------------|----------------|-----------------------------|--------------------|---|------|
|                |   |                           |   | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | Fair value (Note1) |   |      |
| The Company    | WK Technology Fund IV Corp.                 | -                         | Non-current financial assets at fair value through other comprehensive income | 645                      | 4,128          | 1.52%                       | 4,128              | 1.52%   |      |
| "              | Global Strategy Venture Capital Corporation | -                         | "   | 2,835                    | 15,819         | 6.45%                       | 15,819             | 6.45%   |      |
| "              | Arima Communications Corp.                  | -                         | "   | 21,114                   | 60,430         | 10.15%                      | 60,430             | 10.15%  |      |
| "              | WIN Semiconductors Corp.                    | -                         | Current financial assets at fair value through other comprehensive income     | 4,063                    | 479,397        | 0.96%                       | 479,397            | 0.96%   |      |
| "              | Asia Pacific Telecom Co., Ltd.              | -                         | Non-current financial assets at fair value through other comprehensive income | 5,000                    | 34,500         | 0.12%                       | 34,500             | 0.12%   |      |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

| Name of holder                                      | Category and name of security                                    | Relationship with company | Account title   | Ending balance           |                |                             |                    | Highest percentage of ownership (%) during the year | Note |
|---|--|---------------------------|---|--------------------------|----------------|-----------------------------|--------------------|---|------|
|   |  |                           |   | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | Fair value (Note1) |   |      |
| The Company   | Tomorrow Studio Co., Ltd.  | -                         | Non-current financial assets at fair value through other comprehensive income | 129                      | 238            | 0.61%                       | 238                | 0.71%   |      |
| "   | Tai Yi Precision Corporation                                     | -                         | "   | 2,540                    | -              | 6.67%                       | -                  | 6.67%   |      |
| "   | New E Materials Co., Ltd.  | -                         | "   | 4,400                    | 36,652         | 16.00%                      | 36,652             | 16.00%  |      |
| "   | Rasiliant Systems, Inc. preference share                         | -                         | "   | 3,632                    | -              | 6.20%                       | -                  | 12.46%  |      |
| "   | SKSpruce Holding Limited preferred stock                         | -                         | "   | 3,070                    | 61,340         | 3.49%                       | 61,340             | 3.49%   |      |
| "   | CloudMosa Technologies, Inc. preferred stock                     | -                         | "   | 235                      | 17,959         | 2.95%                       | 17,959             | 2.95%   |      |
| "   | QEEXO, Co. preferred stock                                       | -                         | "   | 568                      | 9,134          | 3.11%                       | 9,134              | 3.11%   |      |
| "   | Planetary Network Technologies, Inc. preferred stock             | -                         | "   | 915                      | 30,670         | 2.97%                       | 30,670             | 3.09%   |      |
| "   | Rescale, Inc. preferred stock                                    | -                         | "   | 355                      | 17,589         | 1.53%                       | 17,589             | 1.53%   |      |
| "   | Sensel, Inc. preferred stock                                     | -                         | "   | 532                      | 24,406         | 4.23%                       | 24,406             | 5.36%   |      |
| "   | SKSpruce Holding Limited convertible short-term note             | -                         | Current financial assets at fair value through profit or loss                 | -                        | 61,340         | - %                         | 61,340             | - %   |      |
| "   | Planetary Network Technologies, Inc. convertible short-term note | -                         | "   | -                        | 3,213          | - %                         | 3,213              | - %   |      |
| Inventec (Beijing) Electronics Technology Co., Ltd. | Bank of Communications Pension CNY Financial products            | -                         | "   | -                        | 52,055         | - %                         | 52,055             | - %   |      |
| Inventec Development Japan Corporation              | Famm Co., Ltd.   | -                         | Non-current financial assets at fair value through other comprehensive income | 100                      | 13,252         | 14.30%                      | 13,252             | 14.30%  |      |
| Inventec Investments Co., Ltd.                      | EPISTAR Corporation  | -                         | Current financial assets at fair value through profit or loss                 | 1,761                    | 45,085         | 0.16%                       | 45,085             | 0.16%   |      |
| "   | UCFUNNEL CO LTD  | -                         | Non-current financial assets at fair value through other comprehensive income | 83                       | 3,899          | 5.00%                       | 3,899              | 5.00%   |      |
| "   | DIITU GLOBAL INC.  | -                         | "   | 1                        | 10             | 10.00%                      | 10                 | 10.00%  |      |
| "   | Sagacity Tech. Co., Ltd.   | -                         | "   | 79                       | 168            | 15.00%                      | 168                | 15.00%  |      |
| "   | Living Pattern Technology Inc.                                   | -                         | "   | 4                        | 756            | 13.70%                      | 756                | 13.70%  |      |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

| Name of holder   | Category and name of security                                | Relationship with company | Account title   | Ending balance           |                |                             |                    | Highest percentage of ownership (%) during the year | Note |
|--|--|---------------------------|---|--------------------------|----------------|-----------------------------|--------------------|---|------|
|  |  |                           |   | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | Fair value (Note1) |   |      |
| E-TON Solar Tech. Co., Ltd   | Hua-chuang Automobile Information Technical Center Co., Ltd. | -                         | Non-current financial assets at fair value through other comprehensive income | 2,830                    | 28,866         | 0.86%                       | 28,866             | 1.00%   |      |
| Inventec Appliances Corp.  | EPSTAR Corporation   | -                         | Current financial assets at fair value through profit or loss                 | 500                      | 12,800         | 0.05%                       | 12,800             | 0.05%   |      |
| "  | Rong Cheng Tech. Co., Ltd.                                   | -                         | Non-current financial assets at fair value through other comprehensive income | 1,950                    | -              | 9.38%                       | -                  | 9.38%   |      |
| "  | Tai Yi Precision Corporation                                 | -                         | "   | 635                      | -              | 1.67%                       | -                  | 1.67%   |      |
| "  | Siano Mobile Silicon Inc.                                    | -                         | "   | 461                      | -              | 0.15%                       | -                  | 0.15%   |      |
| "  | GCT Semiconductor, Inc.                                      | -                         | "   | 93                       | -              | 0.12%                       | -                  | 0.12%   |      |
| "  | Pandigital Worldwide, Ltd.                                   | -                         | "   | 939                      | -              | 4.80%                       | -                  | 4.80%   |      |
| "  | 3GTMobile Corporation  | -                         | "   | 314                      | -              | 2.88%                       | -                  | 2.88%   |      |
| "  | Linc Global Inc. (Proximiant, Inc.)                          | -                         | "   | 594                      | -              | 5.30%                       | -                  | 5.30%   |      |
| Inventec Appliances (Cayman) Holding Corp.                         | Siano Mobile Silicon Inc.                                    | -                         | "   | 99                       | -              | 0.03%                       | -                  | 0.03%   |      |
| "  | Leadtone Limited(Class B preferred stock)                    | -                         | "   | 1,250                    | -              | 2.36%                       | -                  | 2.36%   |      |
| "  | Digital Chaotex Holdings Ltd.( Class A2 preferred stock)     | -                         | "   | 446                      | -              | 2.08%                       | -                  | 2.08%   |      |
| Inventec Appliances (Shanghai) Co., Ltd.                           | BOC Guaranteed CNY On Schedule Financial Product             | -                         | Current financial assets at fair value through profit or loss                 | -                        | 292,229        | - %                         | 292,229            | - %   |      |
| "  | SCSB Winners CNY Financial Product                           | -                         | "   | -                        | 326,882        | - %                         | 326,882            | - %   |      |
| Inventec Appliances (Nanjing) Co. Ltd.                             | "  | -                         | "   | -                        | 139,842        | - %                         | 139,842            | - %   |      |
| Inventec Appliances (Jiangning) Corp.                              | "  | -                         | "   | -                        | 1,343,201      | - %                         | 1,343,201          | - %   |      |
| Inventec Appliances (Nanchang) Corporation                         | "  | -                         | "   | -                        | 94,394         | - %                         | 94,394             | - %   |      |
| Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd. | "  | -                         | "   | -                        | 89,434         | - %                         | 89,434             | - %   |      |

Note 1: The value of publicly traded company is market value, and the value of private entity is the company's net worth as stated in its latest financial report.

Note 2: The transactions with the Group were eliminated in the consolidated financial statements.

Note 3: The transactions in foreign currencies were exchanged to New Taiwan Dollars in spot rate at the date of the audited entity's financial reports.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

4. Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million or 20% of the capital stock:

(Amounts Expressed in Thousands of New Taiwan Dollars)

| Name of company                            | Category and name of security (Note 1)  | Account name (Note 1)   | Name of counter-party | Relationship with the company | Beginning Balance |           | Purchases |           | Sales  |           |           |                         | Ending Balance |           |
|--|---|---|-----------------------|-------------------------------|-------------------|-----------|-----------|-----------|--------|-----------|-----------|-------------------------|----------------|-----------|
|  |   |   |                       |                               | Shares            | Amount    | Shares    | Amount    | Shares | Price     | Cost      | Gain (loss) on disposal | Shares         | Amount    |
| Inventec (Chongqing) Corp.                 | CMBC Wealth Management Services   | Current financial assets at fair value through profit or loss | CMBC                  | -                             | -                 | 983,711   | -         | 1,047,230 | -      | 2,098,505 | 2,030,941 | 67,564                  | -              | -         |
| "  | Win-Win Financial product   | "   | CTBC                  | -                             | -                 | -         | -         | 455,100   | -      | 460,390   | 455,100   | 5,290                   | -              | -         |
| Inventec (Pudong) Technology Corp.         | Win-Win No.3 (Shanghai), 2017 Special Account For Legal Person Account For Legal Person | "   | ICBC                  | -                             | -                 | 5,556,736 | -         | 2,797     | -      | 5,724,100 | 5,559,532 | 164,567                 | -              | -         |
| Inventec Appliances (Shanghai) Corp.       | SCSB Winners CNY Financial Product  | "   | Bank of Shanghai      | -                             | -                 | -         | -         | 1,610,268 | -      | 1,295,685 | 1,283,386 | 12,299                  | -              | 326,882   |
| "  | BOC Guaranteed CNY On Schedule Financial Product  | "   | Bank of China         | -                             | -                 | 364,926   | -         | 1,019,547 | -      | 1,106,445 | 1,092,244 | 14,201                  | -              | 292,229   |
| "  | BOC Guaranteed CNY Financial Product  | "   | "                     | -                             | -                 | 320,648   | -         | -         | -      | 321,510   | 320,648   | 862                     | -              | -         |
| Inventec Appliances (Nanjing) Co. Ltd.     | SCSB Winners CNY Financial Product  | "   | Bank of Shanghai      | -                             | -                 | 100,365   | -         | 408,109   | -      | 371,878   | 368,632   | 3,246                   | -              | 139,842   |
| Inventec Appliances (Jiangning) Corp.      | "   | "   | "                     | -                             | -                 | 665,489   | -         | 5,702,033 | -      | 5,050,685 | 5,024,321 | 26,364                  | -              | 1,343,201 |
| Inventec Appliances (Nanchang) Corporation | "   | "   | "                     | -                             | -                 | 31,922    | -         | 381,044   | -      | 321,960   | 318,571   | 3,389                   | -              | 94,394    |

Note 1: The amounts above are valued at exchange rate.

Note 2: The transactions in foreign currencies were exchanged to New Taiwan Dollars in spot rate at the date of the audited entity's financial reports.

5. Acquisition of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

| Name of company                                  | Name of property                    | Transaction date | Transaction amount                     | Status of payment                             | Counter-party                               | Relationship with the Company | If the counter-party is a related party, disclose the previous transfer information |                               |                  |        | References for determining price | Purpose of acquisition and current condition | Others |
|--|-------------------------------------|------------------|--|---|---|-------------------------------|---|-------------------------------|------------------|--------|----------------------------------|--|--------|
|  |                                     |                  |  |   |   |                               | Owner   | Relationship with the Company | Date of transfer | Amount |                                  |  |        |
| Inventec Asset-Management (Shanghai) Corporation | Building (construction in progress) | 2018.05.15       | Commission of construction \$2,561,034 | 10% paid by the end of 2018.12.31 (\$268,599) | Jiangsu 5-star construction Group Co., Ltd. | N/A                           | N/A   | N/A                           | N/A              | -      | -                                | Construction on land owned by itself         | None   |

Note 1: If the assets obtained are subject to appraisal, the valuation result should be indicated in the field of references for determining price.

Note 2: Transaction date includes contract date, payment date, entrusted transaction date, transfer date, board resolution date or other date on which the transaction object and transaction amount are determined, which is the earliest.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

6. Disposal of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock:

(Amounts Expressed in Thousands of New Taiwan Dollars)

| Name of company      | Types of property | Transaction Date | Original Acquisition Date | Book value | Transaction amount | Receipt Terms                         | Gain (loss) on disposal | Counter-party          | Relationship        | Purpose of disposal | Price reference  | Other terms |
|----------------------|-------------------|------------------|---------------------------|------------|--------------------|---------------------------------------|-------------------------|------------------------|---------------------|---------------------|--|-------------|
| Inventec Corporation | Land and Building | 2018.06.26       | 1998.09.15~2015.11.16     | 732,133    | 1,380,000          | 32% received by the end of 2018.12.31 | Note 1                  | Pegavision Corporation | Non-related parties | Optimize assets     | Negotiated based on the valuation report with the amounts of 1,334,816 and 1,363,088 | None        |

Note 1: The legal process has yet to be completed.

Note 2: As of January, 2019, the price has been charged 100%, and the transfer has been completed.

7. Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

| Name of company                        | Related party                          | Nature of relationship | Transaction details |             |                                    |               | Transactions with terms different from others |   | Notes/Accounts receivable (payable) |   | Note |
|--|--|------------------------|---------------------|-------------|------------------------------------|---------------|---|---|-------------------------------------|---|------|
|  |  |                        | Purchase/Sale       | Amount      | Percentage of total purchases/sale | Payment terms | Unit price                                    | Payment terms                               | Ending balance                      | Percentage of total notes/accounts receivable (payable) |      |
| The Company                            | Inventec Holding (North America) Corp. | Subsidiary             | Sales               | 65,414,426  | 18.75%                             | 90 days       | -   | No general trading partner can be compared. | 15,381,248                          | 19.85%  |      |
| "                                      | Inventec (Czech), s.r.o.               | "                      | Sales               | 32,901,012  | 9.43%                              | 90 days       | -   | "   | 13,173,039                          | 17.00%  |      |
| "                                      | AIMobile Co., Ltd.                     | "                      | Sales               | 158,155     | 0.05%                              | 60 days       | -   | "   | 112,752                             | 0.15%   |      |
| "                                      | Inventec Corporation (Hong Kong) Ltd.  | "                      | Purchases           | 258,340,144 | 76.34%                             | 90 days       | -   | "   | (42,694,889)                        | 56.59%  |      |
| "                                      | Inventec Appliances (Jiangning) Corp.  | "                      | Purchases           | 426,624     | 0.13%                              | 60 days       | -   | "   | (115,649)                           | 0.15%   |      |
| "                                      | Inventec (Czech), s.r.o.               | "                      | Purchases           | 254,634     | 0.08%                              | 90 days       | -   | "   | (23,545)                            | 0.03%   |      |
| Inventec Holding (North America) Corp. | The Company                            | Parent                 | Purchases           | 65,414,426  | 90.41%                             | 90 days       | -   | "   | (15,381,248)                        | 96.69%  |      |
| "                                      | Inventec (Pudong) Technology Corp.     | Associates             | Sales               | 122,974     | 0.16%                              | 90 days       | -   | "   | 38,028                              | 0.56%   |      |
| "                                      | Inventec (Czech), s.r.o.               | "                      | Sales               | 211,550     | 0.28%                              | 90 days       | -   | "   | 17,927                              | 0.26%   |      |
| Inventec (Czech), s.r.o.               | The Company                            | Parent                 | Purchases           | 32,901,012  | 94.58%                             | 90 days       | -   | "   | (13,173,039)                        | 98.83%  |      |
| "                                      | "                                      | "                      | Sales               | 254,634     | 0.71%                              | 90 days       | -   | "   | 23,545                              | 0.21%   |      |
| "                                      | Inventec Holding (North America) Corp. | Associates             | Purchases           | 211,550     | 0.61%                              | 90 days       | -   | "   | (17,927)                            | 0.13%   |      |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

| Name of company                              | Related party                                | Nature of relationship | Transaction details |             |                                    |               | Transactions with terms different from others |   | Notes/Accounts receivable (payable) |   | Note |
|--|--|------------------------|---------------------|-------------|------------------------------------|---------------|---|---|-------------------------------------|---|------|
|  |  |                        | Purchase/Sale       | Amount      | Percentage of total purchases/sale | Payment terms | Unit price                                    | Payment terms                               | Ending balance                      | Percentage of total notes/accounts receivable (payable) |      |
| Inventec Corporation (Hong Kong) Ltd.        | The Company                                  | Parent                 | Sales               | 258,340,144 | 100.00%                            | 90 days       | -   | No general trading partner can be compared. | 42,694,889                          | 44.59%  |      |
| "  | Inventec (Pudong) Technology Corp.           | Associates             | Purchases           | 42,311,756  | 16.38%                             | 90 days       | -   | "   | (10,729,982)                        | 11.21%  |      |
| "  | Inventec Hi-Tech Corp.                       | "                      | Purchases           | 2,527,976   | 0.98%                              | 90 days       | -   | "   | (1,456,292)                         | 1.52%   |      |
| "  | Inventec (Chongqing) Corp.                   | "                      | Purchases           | 213,500,411 | 82.64%                             | 90 days       | -   | "   | (30,508,614)                        | 31.86%  |      |
| Inventec (Pudong) Technology Corp.           | Inventec Corporation (Hong Kong) Ltd.        | "                      | Sales               | 42,311,756  | 49.18%                             | 90 days       | -   | "   | 10,729,982                          | 57.67%  |      |
| "  | Inventec (Shanghai) Corp.                    | "                      | Sales               | 42,090,474  | 48.92%                             | 90 days       | -   | "   | 7,328,218                           | 39.39%  |      |
| "  | Inventec Holding (North America) Corp.       | "                      | Purchases           | 122,974     | 0.14%                              | 90 days       | -   | "   | (38,028)                            | 0.00%   |      |
| Inventec Hi-Tech Corp.                       | Inventec Corporation (Hong Kong) Ltd.        | "                      | Sales               | 2,527,976   | 96.04%                             | 90 days       | -   | "   | 1,456,292                           | 96.68%  |      |
| "  | AIMobile Co., Ltd.                           | "                      | Sales               | 109,956     | 4.18%                              | 60 days       | -   | "   | 49,296                              | 3.27%   |      |
| Inventec (Shanghai) Corp.                    | Inventec (Pudong) Technology Corp.           | "                      | Purchases           | 42,090,474  | 100.00%                            | 90 days       | -   | "   | (7,328,218)                         | 99.03%  |      |
| Inventec (Chongqing) Corp.                   | Inventec Corporation (Hong Kong) Ltd.        | "                      | Sales               | 213,500,411 | 96.47%                             | 90 days       | -   | "   | 30,508,614                          | 91.21%  |      |
| Inventec Appliances Corp.                    | Inventec Appliances (Pudong) Corp.           | "                      | Purchases           | 76,507,135  | 97.95%                             | 1-2 months    | -   | "   | (15,106,216)                        | 98.69%  |      |
| "  | Inventec Appliances (Jiangning) Corp.        | "                      | Purchases           | 1,541,701   | 1.97%                              | 1-2 months    | -   | "   | (196,685)                           | 1.28%   |      |
| "  | Inventec Appliances (USA) Distribution Corp. | "                      | Sales               | 7,753,330   | 9.66%                              | 1-2 months    | -   | "   | 2,602,945                           | 17.68%  |      |
| Inventec Appliances (USA) Distribution Corp. | Inventec Appliances Corp.                    | "                      | Purchases           | 7,753,330   | 100.00%                            | 1-2 months    | -   | "   | (2,602,945)                         | 100.00%   |      |
| Inventec Appliances (Pudong) Corp.           | "  | "                      | Sales               | 76,507,135  | 99.56%                             | 1-2 months    | -   | "   | 15,106,216                          | 100.00%   |      |
| Inventec Appliances (Jiangning) Corp.        | The Company                                  | Parent                 | Sales               | 426,624     | 5.19%                              | 1-2 months    | -   | "   | 115,649                             | 8.10%   |      |
| "  | Inventec Appliances Corp.                    | Associates             | Sales               | 1,541,701   | 18.67%                             | 1-2 months    | -   | "   | 196,985                             | 13.78%  |      |
| AIMobile Co., Ltd.                           | The Company                                  | Parent                 | Purchases           | 158,155     | 58.99%                             | 60 days       | -   | "   | (112,752)                           | 68.94%  |      |
| "  | Inventec Hi-Tech Corp.                       | Associates             | Purchases           | 109,956     | 41.01%                             | 60 days       | -   | "   | (49,296)                            | 30.14%  |      |

Note 1: Based on the negotiated price while trading.

Note 2: The transactions with the Group were eliminated in the consolidated financial statement.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

8. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock:

(Expressed in Thousands of New Taiwan Dollars)

| Name of company                       | Counter party                                | Relationship | Ending balance | Turnover balance | Overdue    |                                   | Amounts received in subsequent period | Allowance for bad debts |
|---------------------------------------|--|--------------|----------------|------------------|------------|-----------------------------------|---------------------------------------|-------------------------|
|                                       |  |              |                |                  | Amount     | Action taken                      |                                       |                         |
| The Company                           | Inventec Holding (North America) Corp.       | Subsidiary   | 15,381,248     | 3.22             | 1,412,917  | Received in the subsequent period | 9,913,902                             | -                       |
| "                                     | Inventec (Czech), s.r.o.                     | Subsidiary   | 13,173,039     | 2.32             | 4,221,667  | Received in the subsequent period | 5,929,951                             | -                       |
| "                                     | Inventec Corporation (Hong Kong) Ltd. (Note) | Subsidiary   | 52,836,155     | -                | 20,635,145 | Received in the subsequent period | 30,851,804                            | -                       |
| Inventec Corporation (Hong Kong) Ltd. | The Company                                  | Parent       | 42,694,889     | 7.10             | 914,569    | Received in the subsequent period | 35,020,164                            | -                       |
| "                                     | Inventec (Pudong) Technology Corp. (Note)    | Associates   | 25,850,397     | -                | 19,334,903 | Received in the subsequent period | 5,419,378                             | -                       |
| "                                     | Inventec Hi-Tech Corp. (Note)                | Associates   | 1,552,404      | -                | 1,300,242  | Intensive follow-up on collection | -                                     | -                       |
| "                                     | Inventec (Chongqing) Corp. (Note)            | Associates   | 25,432,426     | -                | -          |                                   | 25,432,426                            | -                       |
| Inventec (Pudong) Technology Corp.    | Inventec Corporation (Hong Kong) Ltd.        | Associates   | 10,729,982     | 4.38             | -          |                                   | 4,515,316                             | -                       |
| "                                     | Inventec (Shanghai) Corp.                    | Associates   | 7,328,218      | 6.46             | 86,456     |                                   | 6,161,083                             | -                       |
| Inventec Hi-Tech Corp.                | Inventec Corporation (Hong Kong) Ltd.        | Associates   | 1,456,292      | 1.51             | 914,569    | Intensive follow-up on collection | 67,539                                | -                       |
| Inventec (Chongqing) Corp.            | Inventec Corporation (Hong Kong) Ltd.        | Associates   | 30,508,614     | 8.57             | -          |                                   | 30,437,308                            | -                       |
| Inventec Appliances Corp.             | Inventec Appliances (USA) Distribution Corp. | Subsidiary   | 2,602,945      | 5.44             | -          |                                   | 980,773                               | -                       |
| Inventec Appliances (Pudong) Corp.    | Inventec Appliances Corp.                    | Associates   | 15,106,216     | 5.91             | -          |                                   | 14,011,049                            | -                       |
| Inventec Appliances (Jiangning) Corp. | Inventec Appliances Corp.                    | Associates   | 196,685        | 4.81             | -          |                                   | 196,225                               | -                       |
| Inventec Appliances (Jiangning) Corp. | The Company                                  | Parent       | 115,649        | 3.35             | -          |                                   | 88,607                                | -                       |

Note 1: The receivables were not yielded by sales or purchases; therefore there is no turnover rate.

Note 2: The aforementioned inter-company transactions were eliminated in the consolidated financial statements.

9. Trading in derivative instruments: Please refer to notes (6)(b) and (6)(x).

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

10. Business relationships and significant inter-company transactions:

| No. | Name of company                       | Name of counter party                  | Existing relationship with the counter-party | Transactions       |             |                  |  |
|-----|---------------------------------------|--|--|--------------------|-------------|------------------|--|
|     |                                       |  |  | Account name       | Amount      | Terms of trading | Percentage of the consolidated total revenue or total assets |
| 0   | Inventec Corporation                  | Inventec Holding (North America) Corp. | 1  | Sales              | 65,414,426  | Negotiated price | 13%  |
|     |                                       |  | 1  | Account Receivable | 15,381,248  | 90 days          | 7%   |
|     |                                       | Inventec (Czech), s.r.o.               | 1  | Sales              | 32,901,012  | Negotiated price | 6%   |
|     |                                       |  | 1  | Account Receivable | 13,173,039  | 90 days          | 6%   |
|     |                                       | Inventec Corporation (Hong Kong) Ltd.  | 1  | Purchases          | 258,340,144 | Negotiated price | 51%  |
|     |                                       |  | 1  | Other Receivable   | 52,836,155  | 90 days          | 26%  |
|     |                                       |  | 1  | Account Payable    | 42,694,889  | "                | 21%  |
| 1   | Inventec Corporation (Hong Kong) Ltd. | Inventec (Pudong) Technology Corp.     | 3  | Purchases          | 42,311,756  | Negotiated price | 8%   |
|     |                                       |  | 3  | Account Payable    | 10,729,982  | 90 days          | 5%   |
|     |                                       |  | 3  | Account Receivable | 25,850,397  | "                | 13%  |
| 1   | Inventec Corporation (Hong Kong) Ltd. | Inventec Hi-Tech Corp.                 | 3  | Purchases          | 2,527,976   | Negotiated price | 0%   |
|     |                                       |  | 3  | Account Payable    | 1,456,292   | 90 days          | 1%   |
|     |                                       |  | 3  | Account Receivable | 1,552,404   | 90 days          | 1%   |
|     |                                       | Inventec (Chongqing) Corp.             | 3  | Purchases          | 213,500,411 | Negotiated price | 42%  |
|     |                                       |  | 3  | Account Payable    | 30,508,614  | 90 days          | 15%  |
|     |                                       |  | 3  | Account Receivable | 25,432,426  | "                | 12%  |

Note 1: The labeling method is as follows:

1. Parent company labeled 0.
2. Subsidiaries labeled in number sequence from 1.

Note 2: Relationship is classified into three types:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note 3: The transaction amount is calculated as a proportion of the consolidated revenue or assets. If categorized as an asset or liability, the calculation is compared with the consolidated asset; if categorized as income or loss, the calculation is compared with the consolidated income or loss.

(b) Information on investment:

The following is the information on investees for the year ended December 31, 2018 (excluding investees in Mainland China):

(In Thousands of New Taiwan Dollars, Except for Share Data)

| Investor company | Investee company                      | Location  | Main businesses and products                               | Original investment amount |                   | Balance as of December 31, 2018 |                         |                | Highest percentage of ownership during the year | Net income (loss) of the investee | Share of profits/losses of investee | Note                          |
|------------------|---------------------------------------|-----------|--|----------------------------|-------------------|---------------------------------|-------------------------|----------------|---|-----------------------------------|-------------------------------------|-------------------------------|
|                  |                                       |           |  | December 31, 2018          | December 31, 2017 | Shares/Units (In thousands)     | Percentage of ownership | Carrying value |   |                                   |                                     |                               |
| The Company      | Inventec Besta Co., Ltd.              | Taipei    | Electronic dictionary                                      | 420,347                    | 420,347           | 23,405                          | 37.53%                  | 271,658        | 37.53%  | (29,313)                          | (11,001)                            | Associate under equity method |
| "                | Inventec Corporation (Hong Kong) Ltd. | Hong Kong | Investing in Mainland China and import and export business | 167,162                    | 167,162           | 2,500                           | 100.00%                 | 661,918        | 100.00%   | 75,651                            | 75,651                              | Subsidiary                    |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

| Investor company              | Investee company                               | Location        | Main businesses and products                                       | Original investment amount |                   | Balance as of December 31, 2018 |                         |                | Highest percentage of ownership during the year | Net income (loss) of the investee | Share of profits/losses of investee | Note              |
|-------------------------------|--|-----------------|--|----------------------------|-------------------|---------------------------------|-------------------------|----------------|---|-----------------------------------|-------------------------------------|-------------------|
|                               |  |                 |  | December 31, 2018          | December 31, 2017 | Shares/Units (In thousands)     | Percentage of ownership | Carrying value |   |                                   |                                     |                   |
| The Company                   | Inventec Holding (North America) Corp.         | USA             | Investment of holding company in America                           | 159,003                    | 159,003           | 5,000                           | 100.00%                 | 1,271,119      | 100.00%   | 38,451                            | 38,451                              | Subsidiary        |
| "                             | Inventec Appliances Corp.                      | New Taipei City | Wireless terminal products   | 9,656,877                  | 9,656,877         | 536,857                         | 100.00%                 | 11,078,816     | 100.00%   | 2,194,194                         | 2,194,194                           | "                 |
| "                             | Inventec (Cayman) Corp.                        | Cayman          | Holding Company  | 9,812,963                  | 9,812,963         | 301,768                         | 100.00%                 | 14,020,459     | 100.00%   | 461,980                           | 461,980                             | "                 |
| "                             | IEC (Cayman) Corporation                       | Cayman          | Holding Company  | 739,500                    | 739,500           | 25,000                          | 100.00%                 | 958,186        | 100.00%   | 172,148                           | 172,148                             | "                 |
| "                             | Inventec (Czech), S.R.O.                       | Czech           | Computer products assembly operations                              | 85,921                     | 85,921            | -                               | 100.00%                 | (143,541)      | 100.00%   | (185,241)                         | (185,241)                           | "                 |
| "                             | Inventec Investment Co., Ltd.                  | Taipei          | Investment Company   | 1,000,000                  | 1,000,000         | 108,800                         | 100.00%                 | 212,659        | 100.00%   | (125,562)                         | (125,562)                           | "                 |
| "                             | Inventec Solar Energy Corporation              | Taoyuan         | Developing, production and selling of multicrystalline solar cells | 1,087,800                  | 1,087,800         | 108,150                         | 33.45%                  | 334,211        | 33.45%  | (823,428)                         | (275,406)                           | "                 |
| "                             | Inventec Development Japan Corporation         | Japan           | Developing, designing and selling computer peripherals             | 630,845                    | 644,505           | 45                              | 100.00%                 | 24,244         | 100.00%   | 31                                | 31                                  | "                 |
| "                             | E-TON Solar Tech. Co., Ltd.                    | Tainan          | Manufacturing and Selling of solar cells                           | 4,193,723                  | 4,193,723         | 94,889                          | 29.70%                  | 621,962        | 29.70%  | (1,094,606)                       | (325,132)                           | "                 |
| "                             | AIMobile Co., Ltd.                             | Taipei          | Developing, production and selling of intelligent mobile device    | 165,000                    | 165,000           | 16,500                          | 55.00%                  | 79,459         | 55.00%  | (42,550)                          | (23,403)                            | "                 |
| "                             | Inventec Manufacturing (India) Private Limited | India           | Computer products assembly operations                              | 281,691                    | 281,691           | 55,994                          | 99.99%                  | (15,678)       | 99.99%  | (18,180)                          | (18,178)                            | "                 |
| Inventec (Cayman) Corp.       | TPV-Inventa Holding Ltd.                       | Hong Kong       | Holding Company  | 1,043,052                  | 1,043,052         | 302,421                         | 90.00%                  | 162            | 90.00%  | (1,446)                           | -                                   | Associate Company |
| Inventec Investment Co., Ltd. | Inventec Solar Energy Corporation              | Taoyuan         | Developing, production and selling of multicrystalline solar cells | 150,000                    | 150,000           | 15,000                          | 4.64%                   | 46,436         | 4.64%   | (823,428)                         | -                                   | "                 |
| "                             | E-TON Solar Tech. Co., Ltd.                    | Tainan          | Manufacturing and Selling of solar cells                           | 615,050                    | 615,050           | 15,813                          | 4.95%                   | 103,842        | 4.95%   | (1,094,606)                       | -                                   | "                 |
| "                             | Inventec Manufacturing (India) Private Limited | India           | Computer products assembly operations                              | 28                         | 28                | 6                               | 0.01%                   | (2)            | 0.01%   | (18,180)                          | -                                   | "                 |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

| Investor company                           | Investee company                             | Location | Main businesses and products                                       | Original investment amount |                   | Balance as of December 31, 2018 |                         |                | Highest percentage of ownership during the year | Net income (loss) of the investee | Share of profits/losses of investee | Note                          |
|--|--|----------|--|----------------------------|-------------------|---------------------------------|-------------------------|----------------|---|-----------------------------------|-------------------------------------|-------------------------------|
|  |  |          |  | December 31, 2018          | December 31, 2017 | Shares/Units (In thousands)     | Percentage of ownership | Carrying value |   |                                   |                                     |                               |
| Inventec Appliances Corp.                  | Inventec Appliances (Cayman) Holding Corp.   | Cayman   | Holding Company  | 6,120,954                  | 6,115,149         | 199,575                         | 100.00%                 | 15,884,014     | 100.00%   | 1,793,244                         | -                                   | Associate Company             |
| "  | Gainia Intellectual Asset Services, Inc.     | Taipei   | Intellectual property rights integrative services                  | 6,400                      | 6,400             | 205                             | 38.90%                  | 1,698          | 38.90%  | 1,094                             | -                                   | Associate under equity method |
| "  | Inventec Solar Energy Corporation            | Taoyuan  | Developing, production and selling of multicrystalline solar cells | 311,160                    | 310,800           | 30,930                          | 9.57%                   | 95,750         | 9.57%   | (823,428)                         | -                                   | Associate Company             |
| Inventec Appliances (Cayman) Holding Corp. | Inventec Appliances (USA) Distribution Corp. | USA      | Selling of MP3 Player, PDA and science plotter                     | 24,536                     | 24,536            | 400                             | 100.00%                 | 96,507         | 100.00%   | 1,487                             | -                                   | "                             |
| "  | Inventec Appliances Corporation USA, Inc.    | "        | Selling services   | 1,534                      | 1,534             | 10                              | 100.00%                 | 12,147         | 100.00%   | 701                               | -                                   | "                             |
| "  | Inventec Appliances (Malaysia) SDN. BHD.     | Malaysia | Manufacture and sale of electronic materials and products          | 7,077                      | -                 | 1,000                           | 100.00%                 | 6,993          | 100.00%   | (84)                              | -                                   | "                             |

Note 1: The transaction with the Group were eliminated in the consolidated financial statements.

Note 2: The transactions in foreign currencies were exchanged to New Taiwan Dollars in spot rate at the date of the audited entity's financial reports.

Note 3: According to the regulations, the company are required to disclose the share of income/loss of investee .

(c) Information on investment in Mainland China:

1. The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

| Name of investee                              | Main businesses and products                    | Total amount of paid-in capital | Method of investment (Note 1) | Accumulated outflow of investment from Taiwan as of January 1, 2018 | Investment flows |        | Accumulated outflow of investment from Taiwan as of December 31, 2018 | Net income (losses) of the investee | Percentage of ownership | Highest percentage of ownership during the year | Investment income (losses) (Note 2) | Book value | Accumulated remittance of earnings in current period (Note 10) |
|---|---|---------------------------------|-------------------------------|---|------------------|--------|---|-------------------------------------|-------------------------|---|-------------------------------------|------------|--|
|   |   |                                 |                               |   | Out-flow         | Inflow |   |                                     |                         |   |                                     |            |  |
| Inventec (Shanghai) Service Co., Ltd (Note 6) | Multimedia computer and system parts assembling | 88,943                          | (2)                           | 61,340  | -                | -      | 61,340  | (2,167)                             | 100.00%                 | 100.00%   | (2,167)                             | 38,045     | 30,234   |
| Inventec (ChongQing) Service Co., Ltd         | Multimedia computer and system parts assembling | 30,670                          | (2)                           | 30,670  | -                | -      | 30,670  | 475                                 | 100.00%                 | 100.00%   | 475                                 | 45,563     | -  |
| Inventec (Pudong) Co., Ltd.                   | Multimedia computer and system parts assembling | 1,533,500                       | (2)                           | 1,533,500   | -                | -      | 1,533,500   | (214,631)                           | 100.00%                 | 100.00%   | (214,631)                           | 643,222    | -  |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

| Name of investee   | Main businesses and products   | Total amount of paid-in capital | Method of investment (Note 1) | Accumulated outflow of investment from Taiwan as of January 1, 2018 | Investment flows |        | Accumulated outflow of investment from Taiwan as of December 31, 2018 | Net income (losses) of the investee | Percentage of ownership | Highest percentage of ownership during the year | Investment income (losses) (Note 2) | Book value | Accumulated remittance of earnings in current period (Note 10) |
|--|--|---------------------------------|-------------------------------|---|------------------|--------|---|-------------------------------------|-------------------------|---|-------------------------------------|------------|--|
|  |  |                                 |                               |   | Out-flow         | Inflow |   |                                     |                         |   |                                     |            |  |
| Inventec (Shanghai) Co., Ltd. (Note 8)                     | Multimedia computer and system parts assembling                                | 2,136,857                       | (2)                           | 904,765   | -                | -      | 904,765   | 33,557                              | 100.00%                 | 100.00%   | 33,557                              | 1,751,520  | -  |
| Inventec (ChongQing) Corporation                           | Multimedia computer and system parts assembling                                | 2,300,250                       | (2)                           | 2,300,250   | -                | -      | 2,300,250   | 1,358,707                           | 100.00%                 | 100.00%   | 1,358,707                           | 7,562,635  | 819,076  |
| Inventec (Pudong) Technology Corp.                         | Multimedia computer and system parts assembling                                | 1,533,500                       | (2)                           | 1,533,500   | -                | -      | 1,533,500   | (524,495)                           | 100.00%                 | 100.00%   | (524,495)                           | 4,564,029  | 321,599  |
| Inventec Electronics (Tianjin) Co., Ltd. (Note 5)          | Software production  | 153,350                         | (2)                           | 130,348   | -                | -      | 130,348   | 13,590                              | 100.00%                 | 100.00%   | 13,590                              | 216,402    | 149,517  |
| Inventec (Beijing) Electronics Technology Co., Ltd.        | Software production  | 44,472                          | (2)                           | 44,472  | -                | -      | 44,472  | 210                                 | 100.00%                 | 100.00%   | 210                                 | 77,496     | -  |
| Inventec Hi-Tech Corporation                               | Multimedia computer and system parts assembling                                | 1,533,500                       | (2)                           | 1,533,500   | -                | -      | 1,533,500   | 9,228                               | 100.00%                 | 100.00%   | 9,228                               | 1,330,851  | -  |
| Inventec Huan Hsin (Zhejiang) Technology Co., Ltd.         | Complete of the electronic computer and product and sale of external equipment | 880,229                         | (2)                           | 885,719   | -                | -      | 885,719   | (4,383)                             | 100.00%                 | 100.00%   | (4,383)                             | (105,315)  | -  |
| Inventec Asset-Management (Shanghai) Corporation (Note 7)  | Equipment leasing, storage, technological development and sale of computer     | 1,913,563                       | (3)                           | -   | -                | -      | -   | (31,677)                            | 78.00%                  | 78.00%  | (24,708)                            | 1,438,049  | -  |
| Inventec Appliances (Shanghai) Co., Ltd.                   | Electronic communication and products assemble                                 | 1,582,572                       | (2)                           | 1,475,780   | -                | -      | 1,475,780   | 19,684                              | 100.00%                 | 100.00%   | 19,684                              | 1,896,090  | 1,535,981  |
| Inventec Appliances (Pudong) Corp.                         | Electronic communication and products assemble                                 | 2,361,590                       | (2)                           | 2,361,590   | -                | -      | 2,361,590   | 1,248,858                           | 100.00%                 | 100.00%   | 1,263,779                           | 8,634,267  | 2,297,117  |
| Inventec Appliances (Jiangning) Corp.                      | Electronic communication and products assemble                                 | 2,085,560                       | (2)                           | 1,288,140   | -                | -      | 1,288,140   | 472,483                             | 100.00%                 | 100.00%   | 475,336                             | 4,691,973  | 1,636,736  |
| Inventec Appliances (Nanjing) Corp.                        | House leasing  | 153,350                         | (2)                           | 275,462   | -                | -      | 275,462   | 13,947                              | 100.00%                 | 100.00%   | 13,947                              | 363,386    | 85,353   |
| Inventec Appliances (XT'AN) Corporation                    | Electronic communication and products assemble                                 | 122,680                         | (2)                           | 122,680   | -                | -      | 122,680   | 7,385                               | 100.00%                 | 100.00%   | 7,385                               | 33,692     | -  |
| Inventec Appliances (Nanchang) Corp.                       | Electronic communication and products assemble                                 | 64,407                          | (2)                           | 64,407  | -                | -      | 64,407  | 10,948                              | 100.00%                 | 100.00%   | 10,948                              | 148,955    | -  |
| APEX Business Management & Consulting (Shanghai) Co., Ltd. | Business Management  | 2,243                           | (3)                           | -   | -                | -      | -   | 15,508                              | 100.00%                 | 100.00%   | 15,508                              | 38,423     | -  |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

| Name of investee   | Main businesses and products   | Total amount of paid-in capital | Method of investment (Note 1) | Accumulated outflow of investment from Taiwan as of January 1, 2018 | Investment flows |        | Accumulated outflow of investment from Taiwan as of December 31, 2018 | Net income (losses) of the investee | Percentage of ownership | Highest percentage of ownership during the year | Investment income (losses) (Note 2) | Book value | Accumulated remittance of earnings in current period (Note 10) |
|--|--|---------------------------------|-------------------------------|---|------------------|--------|---|-------------------------------------|-------------------------|---|-------------------------------------|------------|--|
|  |  |                                 |                               |   | Out-flow         | Inflow |   |                                     |                         |   |                                     |            |  |
| Inventec Appliances (Shanghai) Enterprise                          | Development and consultation on software and hardware; as well as selling of electronic products | 1,385                           | (3)                           | -   | -                | -      | -   | (3)                                 | 100.00%                 | 100.00%   | (3)                                 | 31         | -  |
| Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd. | Electronic communication and products assemble   | 268,126                         | (3)                           | -   | -                | -      | -   | (6,530)                             | 100.00%                 | 100.00%   | (6,530)                             | 261,714    | -  |

**2. Limitation on investment in Mainland China:**

| Name of Company           | Accumulated Investment in Mainland China as of December 31, 2018 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment (Note 3,4) |
|---------------------------|--|--|--------------------------------------|
| The Company               | 9,022,466  | 9,022,466  | -                                    |
| Inventec Appliances Corp. | 5,656,407  | 5,656,407  | 6,185,617                            |

Note 1: There are three ways of investments as following:

- (a) Direct investment in Mainland China.
- (b) Indirect investment in Mainland china through a subsidiary in a third place.
- (c) Others

Note 2: The base of recognition of investment income (loss) is the financial statement audited by CPA of the investee company.

Note 3: In accordance with the regulation of amended limitation calculation of Investment Commission in 29 August, 2008, MOEA (IDB) committed the Company were in the scope of operating headquarter; therefore there is no need to calculate the limitation.

Note 4: The upper limit on investment of Inventec Appliances Corp. is the higher of 60% of net value or 60% of consolidated net value.

Note 5: Inventec (Tianjin) Electronics Co., Ltd. increased capital USD 750 thousand dollars by retained earnings in 1996.

Note 6: Inventec (Shanghai) Service Co., Ltd. increased capital USD 900 thousand dollars by retained earnings in 1998.

Note 7: Inventec Asset-Management (Shanghai) Corporation increased its capital by CNY 300,000 thousand by cash.

Note 8: Inventec (Shanghai) Co., Ltd. increased its capital by CNY 234,000 thousand by cash.

Note 9: The transactions in foreign currencies were exchanged to New Taiwan Dollars in spot rate at the date of the audited entity's financial reports.

Note 10: The amount of foreign currencies were exchanged to New Taiwan Dollars in historical exchange rates.

Note 11: The inter-company transactions with the Group were eliminated in the consolidated financial statements.

**3. Significant transactions:**

The significant inter-company transactions with the subsidiary in Mainland China for the year ended December 31, 2018, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions" .



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(14) Segment Information**

(a) General information

The Group reportable segments: core department and solar energy department. Core department manufactures computer products and sells to customers. Solar energy department develops and manufactures emerging environmental energy.

The reportable segments are the Group's strategic divisions. They offer different products and services, and are managed separately because they require different technological and marketing strategies.

(b) Information about reportable segments and their measurement and reconciliations

|   | For the year ended December 31, 2018 |                    |                            |                    |
|---|--------------------------------------|--------------------|----------------------------|--------------------|
|   | Core                                 | Solar energy       | Adjustment and Elimination | Total              |
| <b>Revenue</b>  |                                      |                    |                            |                    |
| Revenue from external customers                       | \$ 498,834,190                       | 8,049,828          | -                          | 506,884,018        |
| Intersegment revenues                                 | 102                                  | -                  | (102)                      | -                  |
| <b>Total revenue</b>                                  | <b>\$ 498,834,292</b>                | <b>8,049,828</b>   | <b>(102)</b>               | <b>506,884,018</b> |
| Interest expenses                                     | \$ 1,686,265                         | 82,018             | -                          | 1,768,283          |
| Depreciation and amortization                         | 3,817,746                            | 662,711            | -                          | 4,480,457          |
| <b>Other material non-cash item</b>                   |                                      |                    |                            |                    |
| Asset Impairment                                      | -                                    | 155,168            | -                          | 155,168            |
| <b>Reportable segment net operating income (loss)</b> | <b>\$ 10,037,789</b>                 | <b>(1,904,527)</b> | <b>-</b>                   | <b>8,133,262</b>   |
| <b>Reportable segment assets</b>                      | <b>\$ -</b>                          | <b>-</b>           | <b>-</b>                   | <b>-</b>           |
| <b>For the year ended December 31, 2017</b>           |                                      |                    |                            |                    |
|   | Core                                 | Solar energy       | Adjustment and Elimination | Total              |
| <b>Revenue</b>  |                                      |                    |                            |                    |
| Revenue from external customers                       | \$ 452,751,549                       | 14,760,798         | -                          | 467,512,347        |
| Intersegment revenues                                 | -                                    | -                  | -                          | -                  |
| <b>Total revenue</b>                                  | <b>\$ 452,751,549</b>                | <b>14,760,798</b>  | <b>-</b>                   | <b>467,512,347</b> |
| Interest expenses                                     | \$ 1,302,172                         | 66,916             | -                          | 1,369,088          |
| Depreciation and amortization                         | 3,427,079                            | 1,394,047          | -                          | 4,821,126          |
| <b>Other material non-cash item</b>                   |                                      |                    |                            |                    |
| Asset Impairment                                      | 347,590                              | 2,722,246          | -                          | 3,069,836          |
| <b>Reportable segment net operating income (loss)</b> | <b>\$ 11,110,093</b>                 | <b>(3,923,645)</b> | <b>-</b>                   | <b>7,186,448</b>   |
| <b>Reportable segment assets</b>                      | <b>\$ -</b>                          | <b>-</b>           | <b>-</b>                   | <b>-</b>           |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Taxation or extraordinary activity is not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is the same as the report used by the chief operating decision maker.

The operating segment accounting policies are similar to those described in Note (2) "Significant accounting policies". Reportable segment profit or loss is based on operating profit or loss before taxation, and as the base of performance evaluation.

Since the evaluated amount of the Group's asset was not provided to the chief operating decision maker, the evaluated amount of the assets which should be disclosed was 0.

Segment information was disclosed in consolidated financial statement; therefore it was not disclosed in individual financial statement.

(c) Product and service information

Revenue from the external customers of the Group was as follows:

| <b>Products and Services</b> | <b>For the years ended December 31,</b> |                    |
|------------------------------|---|--------------------|
|                              | <b>2018</b>                             | <b>2017</b>        |
| Computer product             | \$ 497,761,557                          | 451,815,709        |
| Solar energy                 | 8,049,828                               | 14,760,798         |
| Rendering of services        | 1,072,633                               | 935,840            |
| Total                        | <b>\$ 506,884,018</b>                   | <b>467,512,347</b> |

(d) Geographical information

In presenting information on the basis of geography, the revenue is based on the geographical location of customers and non-current assets are based on the geographical location of the assets.

| <b>By region</b>                    | <b>For the years ended December 31,</b> |                    |
|-------------------------------------|---|--------------------|
|                                     | <b>2018</b>                             | <b>2017</b>        |
| Revenue from external customers:    |   |                    |
| Taiwan                              | \$ 2,066,717                            | 5,931,816          |
| USA                                 | 339,745,210                             | 302,535,321        |
| Japan                               | 14,012,032                              | 18,686,567         |
| Hong Kong, Macao and Mainland China | 73,943,716                              | 59,782,660         |
| Other countries                     | 77,116,343                              | 80,575,983         |
| Total                               | <b>\$ 506,884,018</b>                   | <b>467,512,347</b> |

| <b>By region</b>   | <b>2018.12.31</b>    | <b>2017.12.31</b> |
|--------------------|----------------------|-------------------|
| Non-current assets |                      |                   |
| Taiwan             | \$ 16,735,906        | 18,015,780        |
| Mainland China     | 17,656,686           | 18,688,011        |
| USA                | 113,718              | 111,844           |
| Other countries    | 89,288               | 131,085           |
| Total              | <b>\$ 34,595,598</b> | <b>36,946,720</b> |

Non-current assets include property, plant and equipment, investment property, intangible assets and other assets, not including financial instruments, deferred tax assets, pension fund assets and rights arising from an insurance contract (non-current).

(e) Major customers: Revenue

|   | <b>For the years ended December 31,</b> |                    |
|---|---|--------------------|
|   | <b>2018</b>                             | <b>2017</b>        |
| A | \$ 314,828,524                          | 289,549,082        |
| B | 40,148,535                              | 25,499,336         |
|   | <b>\$ 354,977,059</b>                   | <b>315,048,418</b> |

Inventec Corporation

Chairman: Cho, Tom-Hwar



Inventec Building, No. 66, Hou-Gang Street  
11170, Shih-Lin District, Taipei, Taiwan