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Inventec Corporation

Inventec

2017 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.

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

Taoyuan Factory
Add : No.255, Renhe Rd, Sec. 2, Daxi District, Taoyuan City, Taiwan, R.O.C.
Tel : 886(3) 390-0000

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

Letter to Shareholders

Honorable ladies and gentlemen, welcome to be present in the 2018 Shareholders' meeting of Inventec Corporation. Though major economies of the world in 2017 has gradually turned stable, the drive of recovery is apparently in slow pace. Besides, issues as increased interest rate in the US and Europe, bills of tax reform announced domestically and overseas, the unwinding of trade war around the globe, especially the foreign exchange policies among each of the major economies and the strong appreciation of New Taiwan Dollar in the early period last year have well rendered export industries confronted with risk of foreign exchange that corrodes corporate profit. However, under the joint efforts of our staffs Inventec continues to display rather a favorable operation performance last year. We will, hereby, like to express our gratefulness to the long-term support of our shareholders, and would summarize the operation performance for year 2017 as follows:

Business performance report for year 2017.

For our revenue and profit, the combined revenue for year 2017 comes to NT$467.5 billion, which has grown by 9.11% as compared to that of year 2016 (the combined revenue is NT$428.4 billion). The combined operating income before tax is about NT$7.1 billion, which grows mildly by 1.36% as compared to that of year 2016. As for the net profit after tax that goes to stock-holders of the parent company, it comes to about NT$6.7 billion, which grows by 19.83% against that of the previous year, while the surplus combined is NT$1.88 per share after tax.

As an overview, the performance growth in 2017 proves to be a successful result and it mainly comes from the diversified operation of company products. Among them, the streamline product of notebook has benefited from the shipment of commercial models so that there is slight growth against the same period of last year. As for server products, since the company has actively developed new products and expanded client distribution so that there is growth of 8.72% against the same period of last year. The aforementioned two products have, in total, made a contribution of NT$366.3 billion of revenue. In terms of smart device products, the shipments have been quite booming with the facilitation of new product lines with the clients, so that the revenue of operating income has increased by 36.12% against that of last year, bringing in contribution of about NT$86.4 billion of income. In addition, the integrated benefits from solar-energy products by the group are satisfying, and the overall revenue has increased by 8.83% against the same period of last year, bringing in a contribution of NT$14.7 billion.

Company governance and corporate social responsibility

Honesty, integrity, and sustainable operation are the cornerstone principles of Inventec, and they are regarded most highly in company governance. As such, these principles have been well echoed to the fact for Inventec has been, for three consecutive years, awarded the special honor as top best 5% companies in terms of company governance by "Company Government Assessment." We would, therefore, adhere to the spirit of "greater responsibility, greater concern" for we will strengthen the functional committees of the board established to improve company governance. In addition, we will continue to coordinate with "Inventec Charity Foundation" to serve the society, thus enhance to fulfill our corporate social responsibility.

Business plan and future prospect for year 2018

Inventec possesses strong R&D as well as high-efficiency operation team. Over a long period of time, we have built up favorable cooperation relationship with our clients; thus, though we are confronted with stringent environment of information industry Inventec should continue to adhere to unyielding spirit in order to overcome challenges domestic and oversea. Specific measures of implementation are found into following aspects:

(1) We should continue to develop high-end notebook product so as to consolidate the market-share of Inventec in business computer. Aside from server and customized service for large-scale information center, Inventec will, in coping with high-tech development trend and future business opportunity worldwide, expand investment on technology area in 2018 in sequence by setting up three major R & D centers. These centers encompass AI application research center in Taiwan, industrial 4.0 application center at Tianjin, China, and 5G application research center of Inventec Appliances under Inventec Group. It is planned that these three centers will recruit talents concurrently.

(2) We will actively invest into the business opportunity for the area of automobile electronics and medical equipment, simplify product development and module design, thus integrating research and development resources so that products designed can be marketed with no time lag.

(3) Regarding goal orientation of intelligent production by industrial 4.0, we will carry out improvement to operation efficiency, and enhance the integral production performance through arrangement of flexible production system.

(4) We will maintain favorable relationship with our client and partners, and design customized products to cope with client demands. For supply chain management, we should work to deepen the cooperation relationship with our supplies. As for the possibility actively seeking for strategic alliance at terminal-end market, we should make effort to diversify our operation.

Since technological development is changing rapidly and so as innovations with ideas, we can discover that recent hot issues of topics have, most of all, gradually moving towards the integration of hardware and software, and ABCD5 is reckoned as the hottest of all. Among them, A refers to artificial intelligence (AI), B refers to block-chain, C refers to Cloud computing as it renders calculation via hardware design quickly and safely, D refers to big data as it employs figure data to produce valuable information, and 5 refers to 5G which is the dominating market of hardware in future telecommunication. In view of the aforementioned industrial development, Inventec will, aside from talents training, also actively deploy greater amount of resources to carry out product development with anticipation of some achievements in the near future. At the approaching point of time with global economic recovery, AI, and loTs, Inventec will certainly utilize its competitive edge and master the business opportunity to enhance the core competitiveness of company, and grasp the chance to obtain profit so as to achieve greater corporate value for its entire 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.
- Inventec (Shanghai) Electronics Co.Ltd. earned ISO9001 certification.
- 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.
- Inventec Electronics (Tianjin) Co., Ltd., Inventec Electronics (Beijing) Co., Ltd., Inventec Electronics (Nanking) Co., Ltd., and Inventec Electronics (Xi'an) Co., Ltd. grated ISO 9001 Quality Certification.
- 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.
- Achieved ISO 14001 Certification for Environmental Management System by SGS.
- 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

· Taipei Second Factory and Third Factory earned ISO9002 quality system international certification from the Bureau of Commodity Inspection and Quarantine (BCIQ) and the British Standards Institution (BSI).

· Taipei Second Factory achieved ISO 14001 Certification by SGS.

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

1999

· Taipei Third Factory achieved ISO 14001 Certification by SGS.

· 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..
- Invested in Inventec (Cayman) Corp. which invested in Inventec (Pudong) Corp. Inventec (Pudong) Corp. engages in parts assembling.

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.
- Invested in Inventec (Cayman) Corp. which invested in Inventec (Pudong) Technology Corp. and Inventec (Shanghai) Service Co., Ltd. engages in parts assembling.
- The Company reduced shareholding in Inventec Tomorrow Studio Corp. and accounted for under the cost method.
- The Company sold its investment in Inventec Electronics (Nanking) Co., Ltd. to Inventec Appliances Corp..

2005

- Invested in Inventec (Cayman) Corp. for further investment in Inventec Hi-Tech Co., Ltd. whose major line of business is wireless phone production.
- Invested in Inventec Corporation Korea Branch which engages ib developing wireless phone software.
- Inventec Appliances Corp. officially listed.

2006

- Established Hong Kong branch for wireless terminal production business.
- Invested in Inventec Holding (North America) Co., Ltd. for further investment in IEC Technologies. S. de R.L. de C.V. in Mexico, which engages in server products and computer parts assembling.
- Invested in Inventec Corporation (Singapore) Ltd. which finished business and liquidation.

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..
- Inventec Besta Co., Ltd officially listed.

2008

- Invested in Win Semiconductors Corp..
- Reinvested in Inventec Huan Hsin (Zhejiang) Technology Co., Ltd..
- 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..
- Inventec Investment Co., Ltd. invested Huga Optotech Inc..
- 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, and through the joint venture company, invested in TPV-Inventa Technology (Fujian) Ltd., and TPV-Inventa Technology Co., Ltd. in Taipei.
- Reinvested in Inventec Huan Hsin (Zhejiang) Technology Co., Ltd.which became wholly owned subsidiary of Inventec Corporation.
- Reinvested in Inventec Investment Co., Ltd. for further investment in Huga Optotech Inc..
- Kohjinsha Co., Ltd. changed company name to Inventec Development Japan Corporation, moved to a new location, and reduced the capital.
- Invested in Arima Communications Corp..
- 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..
- Invested in New E Materials Co., Ltd..
- Inventec Technology (Singapore) Pte.Ltd closed down.
- Inventec Appliances Corp. became wholly owned subsidiary of Inventec Corporation.

2012

- Onkyo-Inventa (Hong Kong) Co., Limited, and Onkyo-Inventa Technologies (Tianjin) Co.,Ltd. closed down.
- 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.
- Reinvested in E-TON Solar Tech. Co., Ltd..
- 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 Energy Corporation.
- Inventec (Cayman) Corp. carried out capital reduction to withdraw paid-in capital due to the close down of Onkyo-Inventa Technologies (Tianjin) Co.,Ltd., a reinvested business in mainland China.
- Invested in Inventec Technology (Chongqing) Corp. Ltd. through its investment in IEC (Cayman) Corporation.
- The capital of E-TON Solar Tech. Co., Ltd. increased NT$3,000,000,000 by cash, and the paid-in capital of E-TON Solar Tech. Co., Ltd. was NT$7,794,498,000.

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.
- Reinvested in Inventec Solar Energy Corp..
- 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.
- Inventec Appliances Corp. subsidiary, Inventec Appliances (Nanjing) Corp.in Nanjing expanded second phase plant and purchased machines and equipment to expand production capacity.

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..
- Participated in TPV-Inventa Holding Ltd. cash capital increase through Inventec (Cayman) Corp..
- 47.68% common stock equity of Inventec Energy Corporation held by the Company was sold to Inventec Solar Energy Corporation.
- 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

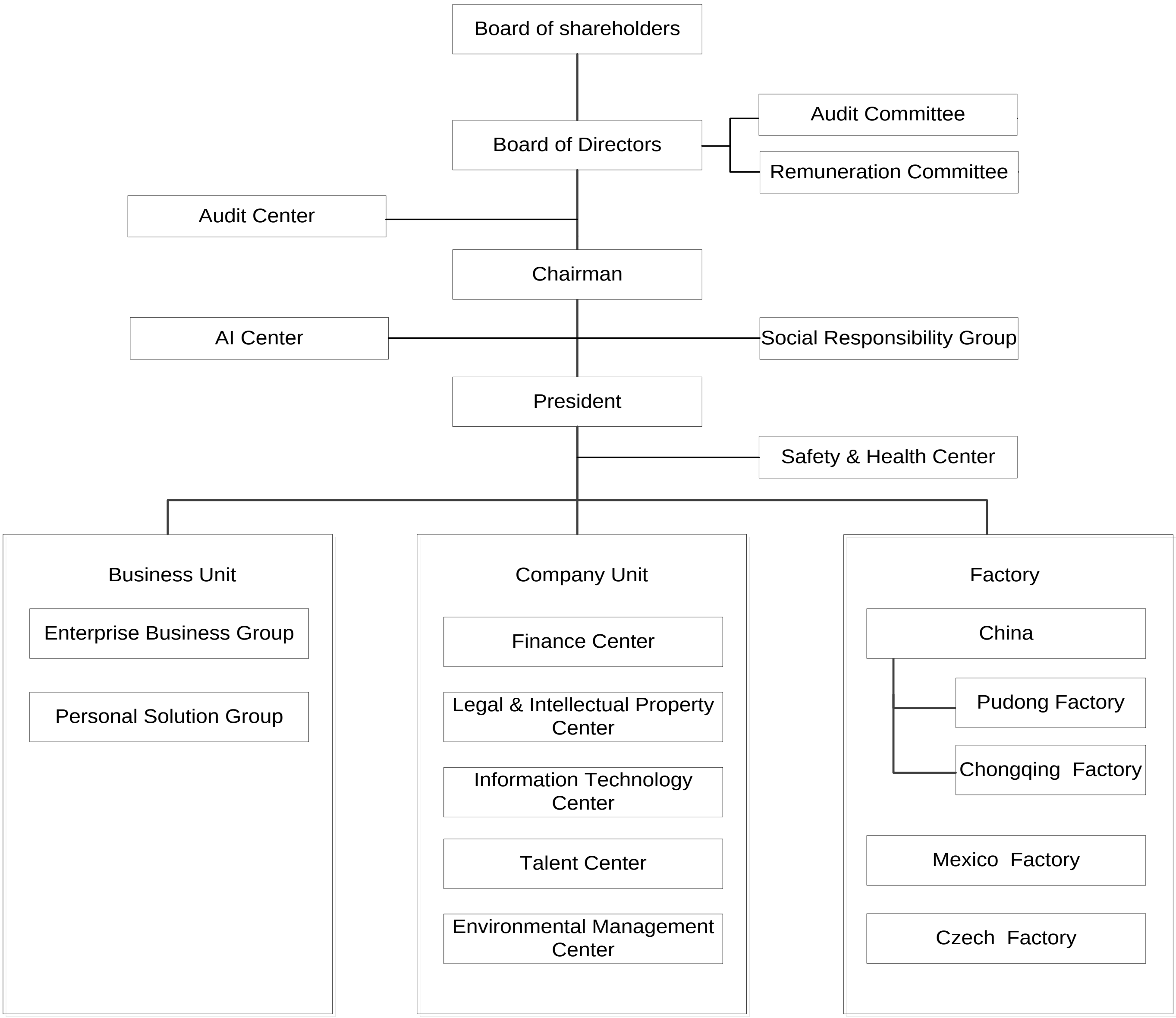
- The Company is ranked in the top five percent of companies in the third session of the corporate governance evaluation awarded by the Taiwan Stock Exchange.
- The Company was honorably awarded the "Citizen Award of Commonwealth Corporation" by the magazine, Commonwealth, in 2017.
- The Company was 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.

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	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. 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.
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 2018.04.30

Title	Nationality or Registered Address	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		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	%	Shares	%			Title	Name	Relation-ship
Chairman	R.O.C	Cho, 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 Engineering, National Taiwan University, Chairman, Inventec Solar Energy Corporation President, Inventec Corporation Director, Simplo Technology Co.Ltd Kuo Feng Corporation	None	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 Chairman, Inventec Corporation	Note 1	None	None	None
Director	R.O.C	Lee, Tsu-Chin	Male	2017.06.16	3	1980.06.08	115,833,835	3.23%	115,833,835	3.23%	–	–	–	–	Bachelor of Economics, Tunghai University Chairman, Inventec Corporation	Note 2	None	None	None
Director	R.O.C	Wen, 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 of Industry and Commerce Chairman, Shyh Shiunn Investment Corp. Senior Vice President, Inventec Corporation	Note 3	None	None	None

Title	Nationality or Registered Address	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		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	%	Shares	%			Title	Name	Relation-ship
Director	R.O.C	Chang, 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 Engineering, National Taiwan University Chairman, Inventec Appliances Corporation	Note 4	None	None	None
Director	R.O.C	Huang, 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 Engineering, National Cheng-Kung University President, Inventec Corporation Qume Electronics, Taiwan	Note 5	None	None	None
Independent Director	R.O.C	Chang, Chang-Pang	Male	2017.06.16	3	2014.06.12	—	—	—	—	—	—	—	—	Master of Laws, National Cheng-Chi University Bachelor of Law, Fujen University Chief Executive Officer, Lien Chan Foundation for Peace and Development Chairman, Fuhwa Financial Holding Co., Ltd. Deputy Minister, Ministry of Economic Affairs, Deputy Secretary General, Executive Yuan Vice Minister, Ministry of Finance, Chairman, Securities and Exchange Commission, Ministry of Finance	Note 6	None	None	None
Independent Director	R.O.C	Chen, Ruey-Long	Male	2017.06.16	3	2014.06.12	—	—	—	—	—	—	—	—	Bachelor of Economics, National Chung-Hsing University Chairman, Sinocon Industrial Standards Foundation Chairman, Institute for Information Industry Minister, Ministry of Economic Affairs	Note 7	None	None	None

Title	Nationality or Registered Address	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		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	%	Shares	%			Title	Name	Relation-ship
Independent Director	R.O.C	Shyu, Jyuo-Min	Male	2017.06.16	3	2017.06.16	–	–	–	–	–	–	–	–	Ph. D. in Computer and Engineering Science, University of California, Berkeley Bachelor and Master of Electric Engineering, National Taiwan University Minister, Ministry of Science and Technology President, Industrial Technology Research Institute Dean, National Tsing Hua University, College of Electrical Engineering and Computer Science	Note 8	None	None	None

Note 1: 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., and Royal Base Corporation；Supervisor of W.K Technology Fund Ⅶ Ltd.；Chairman of Inventec Group Charity Foundation.

Note 2: Chairman of Inventec Investments Co., Ltd. and ,I-Ssu-Tieh 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., IEC Technologies,S.de R.L.de C.V., and Inventec Group Charity Foundation；Chief executive officer of Inventec Development Japan Corporation；President of Inventec Holding (North America) Corp..

Note 3: Director of Inventec Huan Hsin (Zhejiang) Technology Co., Ltd.；Chairman of Shyh Shiunn Investment Corp.

Note 4: 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 Group Charity Foundation.

Note 5: Chairman of Inventec Huan Hsin (Zhejiang) Technology Co., Ltd., TPV-Inventa Holding Ltd., and TPV-Inventa Technology (Fujian) Ltd. ; Director of Inventec Investments Co., Ltd., 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 6: 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 7: 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., and Inventec Group Charity Foundation.

Note 8: Director of Iridium Medical Technology Co., Ltd, Geothings Inc, and Modern Classic Limited；President of Cloud Computing & IoT Assoclation 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

04/30/2018

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	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-

Note1: The independece 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

2018.04.30

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 Linco Precision	Note 1	None	None	None
Business Group President	R.O.C	Chang, Hui	Male	2014.12.23	687,059	0.02%	306,721	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 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 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 VIA Technologies Inc.	None	None	None	None
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

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	Chang Yiu-Lang	Male	2007.05.01	—	—	—	—	—	—	B.B.A. in Business Administration, Senshu University M.B.A. in Business Administration, Taiwan National University 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 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	10,068	0.00%	—	—	—	—	M.B.A., Missouri State University 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 Quanta Computer lnc.	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 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 Sanyo Electric Corp., Ltd.	None	None	None	None
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 C.T. Star Co., 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	Liu, Ta-Cheng	Male	2018.02.27	899	0.00%	—	—	—	—	M.S. in Electronic Engineering , Chung Yuan Christian University M.S. in Business Adminstration, National Chengchi University 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. RiTdisplay Corporation	Note 5	None	None	None
Vice President	R.O.C	Chao, Tsai-Hsiu	Female	2018.02.27	6,227	0.00%	10,275	0.00%	—	—	Master of Business Administration, National Central University 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 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 OCBC Bank	None	None	None	None
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 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 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., Ltd., and Inventec Manufacturing (India) Private Limited.

Note 2: Chairman of Inventec (Chongqing) Corp., and Inventec (Chongqing) Service Co., Ltd.; Dircetor of TPV-Inventa Holding Ltd., TPV-Inventa Technology (Fujian) 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., and Inventec Distribution(North America) Corp. ; 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, TPV- Inventa Holding Ltd., and AIMobile Co., Ltd.；Supervisor of Inventec Besta Co., Ltd., and Inventec Appliances Corp.; Director of TPV-Inventa Technology (Fujian) 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

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Name</th><th colspan="8">Remuneration</th><th rowspan="2" colspan="2">Ratio of total to net income</th><th colspan="8">Relevant remuneration received by directors who are also employees</th><th rowspan="2" colspan="2">Ratio of total to net income</th><th rowspan="4">Compensation paid to directors from an invested company other than the company's subsidiary</th></tr>
<tr><th colspan="2">Compensation (A)</th><th colspan="2">Retire-ment Pension (B)</th><th colspan="2">Bonus (C)</th><th colspan="2">Allowance (D)</th><th colspan="2">Salary and allowance (E)</th><th colspan="2">Severance pay (F)</th><th colspan="4">Employees bonus(G)</th></tr>
<tr><th rowspan="2">The company</th><th rowspan="2">Companies in the financial report</th><th rowspan="2">The company</th><th rowspan="2">Companies in the financial report</th><th rowspan="2">The company</th><th rowspan="2">Companies in the financial report</th><th rowspan="2">The comp-any</th><th rowspan="2">Companies in the financial report</th><th rowspan="2">The company</th><th rowspan="2">Companies in the financial report</th><th rowspan="2">The company</th><th rowspan="2">Companies in the financial report</th><th rowspan="2">The company</th><th rowspan="2">Companies in the financial report</th><th colspan="2">The company</th><th colspan="2">Companies in the financial report</th><th rowspan="2">The company</th><th rowspan="2">Companies in the financial report</th></tr>
<tr><th>cash</th><th>stock</th><th>cash</th><th>stock</th></tr>
<tr><td>Chairman</td><td>Cho, Tom-Hwar</td><td rowspan="9">5,550</td><td rowspan="9">5,550</td><td rowspan="9">436</td><td rowspan="9">436</td><td rowspan="9">109,462</td><td rowspan="9">109,462</td><td rowspan="9">2,350</td><td rowspan="9">2,480</td><td rowspan="9">1.74%</td><td rowspan="9">1.75%</td><td rowspan="9">62,040</td><td rowspan="9">92,432</td><td rowspan="9">1,202</td><td rowspan="9">1,453</td><td rowspan="9">3,500</td><td rowspan="9">-</td><td rowspan="9">3,500</td><td rowspan="9">-</td><td rowspan="9">2.73%</td><td rowspan="9">3.19%</td><td rowspan="9">-</td></tr>
<tr><td>Director</td><td>Yeh, Kuo-I</td></tr>
<tr><td>Director</td><td>Lee, Tsu-Chin</td></tr>
<tr><td>Director</td><td>Wen, Shih-Chih</td></tr>
<tr><td>Director</td><td>Chang, Ching-Sung</td></tr>
<tr><td>Director</td><td>Huang, Kuo-Chun</td></tr>
<tr><td>Independent Director</td><td>Chang, Chang-Pang</td></tr>
<tr><td>Independent Director</td><td>Chen, Ruey-Long</td></tr>
<tr><td>Independent Director</td><td>Shyu, Jyuo-Min</td></tr>
</table>

* 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	Shyu, Jyuo-Min	Shyu, Jyuo-Min	Shyu, Jyuo-Min	Shyu, Jyuo-Min
NT$2,000,000(Included) ~ $5,000,000(Excluded)	Chang, Chang-Pang, Chen, Ruey-Long	Chang, Chang-Pang, Chen, Ruey-Long	Chang, Chang-Pang, Chen, Ruey-Long	Chang, Chang-Pang, Chen, Ruey-Long
NT$5,000,000(Included) ~ $10,000,000(Excluded)				
NT$10,000,000(Included) ~ $15,000,000(Excluded)	Wen, Shih-Chih, Huang, Kuo-Chun	Wen, Shih-Chih, Huang, Kuo-Chun		
NT$15,000,000(Included) ~ $30,000,000(Excluded)	Cho, Tom-Hwar Lee, Tsu-Chin, Chang, Ching-Sung	Cho, Tom-Hwar Lee, Tsu-Chin, Chang, Ching-Sung	Cho, Tom-Hwar, Lee, Tsu-Chin, Chang, Ching-Sung, Wen, Shih-Chih,	Cho, Tom-Hwar, Lee, Tsu-Chin, Wen, Shih-Chih
NT$30,000,000(Included) ~ $50,000,000(Excluded)	Yeh, Kuo-I,	Yeh, Kuo-I,	Yeh, Kuo-I, Huang, Kuo-Chun	Yeh, Kuo-I, Huang, Kuo-Chun, Chang, Ching-Sung,
NT$50,000,000(Included) ~ $100,000,000(Excluded)				
Over NT$100,000,000				
Total	9	9	9	9

2.2.3.2 Remuneration of the Supervisors

Unit: NT$ Thousands

Title	Name	Remuneration						Ratio of total to net income		Compensation paid to directors from an invested company other than the company's subsidiary
		Compensation (A)		Bonus (B)		Allowance (C)				
		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	
Supervisor	Cheng, Hsien-Ho	4,080	4,080	8,875	8,875	300	432	0.20%	0.20%	NA
Supervisor	Wang, Ping-Hui									
Supervisor	Shyh Shiunn Investment Corp. Representative, Yang,Chiung-Nan									

Bracket	Name	
	Total of (A+B+C)	
	The company	Companies in the financial report
Below NT$ 2,000,000	Wang, Ping-Hui, Shyh Shiunn Investment Corp.	Wang, Ping-Hui, Shyh Shiunn Investment Corp.
NT$2,000,000(Included) ~ $5,000,000(Excluded)		
NT$5,000,000(Included) ~ $10,000,000(Excluded)	Cheng, Hsien-Ho	Cheng, Hsien-Ho
NT$10,000,000(Included) ~ $15,000,000(Excluded)		
NT$15,000,000(Included) ~ $30,000,000(Excluded)		
NT$30,000,000(Included) ~ $50,000,000(Excluded)		
NT$50,000,000(Included) ~ $100,000,000(Excluded)		
Over NT$100,000,000		
Total	3	3

2.2.3.3 Remunerations paid to the management team

Unit: NT$ Thousands

Title	Name	Compensation (A)		Retirement Pension (B)		Bonus (C)		Employees bonus (D)				Ratio of total to net income		Compensation paid to directors from an invested company other than the company's subsidiary
		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			
President	Wu, Yung-Tsai	58,536	58,536	3,512	3,512	103,050	103,500	39,200	-	39,200	-	3.02%	3.03%	130
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: Wu, Yung-Tsai was hired as the President on 16th June 2017, Chiu, ChuiI-Kuan as the senior vice president on 27th June 2017, and 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) ~ $5,000,000(Excluded)		
NT$5,000,000(Included) ~ $10,000,000(Excluded)	Chen, Yea-Ping , Chiu, ChuiI-Kuan, Chang, Nai-Wen, Hong, Kuo-Ching, Chang, Yiu-Lang, Chien, Kuei-Fen, Tsai, Yuh-Chen, Hsu, Ching-Wu, Chou, Shao-Hsin, Lin, Shu-Ju, Liu, Ta-Cheng, Yen ,Cheng-Lung, Chao,Tsai-Hsiu	Chen, Yea-Ping , Chiu, ChuiI-Kuan, Chang, Nai-Wen, Hong, Kuo-Ching, Chang, Yiu-Lang, Chien, Kuei-Fen, Tsai, Yuh-Chen, Hsu, Ching-Wu, Chou, Shao-Hsin, Lin, Shu-Ju, Liu, Ta-Cheng, Yen ,Cheng-Lung, Chao,Tsai-Hsiu
NT$10,000,000(Included) ~ $15,000,000(Excluded)	Lou, Jin-Pang , Yu, Chin-Pao	Lou, Jin-Pang , Yu, Chin-Pao
NT$15,000,000(Included) ~ $30,000,000(Excluded)	Wu, Yung-Tsai, Chang, Hui, Tsai, Chih-An, Yi, Fu-Ming,	Wu, Yung-Tsai, Chang, Hui, Tsai, Chih-An, Yi, Fu-Ming,
NT$30,000,000(Included) ~ $50,000,000(Excluded)		
NT$50,000,000(Included) ~ $100,000,000(Excluded)		
Over NT$100,000,000		
Total	19	19

2.2.3.4 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	-	43,500	43,500	0.64%
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				
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: Wu, Yung-Tsai was hired as the President on 16th June 2017; Chiu, ChuiI-Kuan as the senior vice president on 27th June 2017; 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

2.2.3.5 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 consol idated financial statements to net income in the past two years.

Unit: NT$ Thousands

Item	The Company		Companies in the financial report	
	2016	2017	2016	2017
Remuneration of Directors	101,682	117,798	101,837	117,928
Ratio of total to net income	1.80%	1.74%	1.81%	1.75%
Remuneration of the supervisors	20,461	13,255	20,681	13,387
Ratio of total to net income	0.36%	0.20%	0.37%	0.20%
Remuneration of the President and Vice President	182,999	204,298	183,454	204,748
Ratio of total to net income	3.25%	3.02%	3.25%	3.03%
Net income	5,637,120	6,754,912	5,637,120	6,754,912

Note: Remuneration of supervisors for year 2016 is reduced for supervisors are dismissed on 16th June, 2017; the proportion net profit after tax with the total of remuneration for board directors, supervisors, president, and vice president is relatively less than that of year 2016, and the reason is because the net profit after tax in 2017 has relatively increased against that of year 2016.

2.2.3.6 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. Before the Company's Audit Committee is established, the supervisor's reward will be apportioned based on the aforementioned condition.

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 general manager and vice general manager 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 15 (A) meetings of the Board of Directors were held in 2017. Directors' attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) B/A	Remarks
Chairman	Cho, Tom-Hwar	10	0	100%	Newly appointed on 16th June 2017
Director	Yeh, Kuo-I	15	0	100%	Re-elected on 16th June 2017
Director	Lee, Tsu-Chin	15	0	100%	Re-elected on 16th June 2017
Director	Wen, Shih-Chih	15	0	100%	Re-elected on 16th June 2017
Director	Chang, Ching-Sung	14	1	93%	Re-elected on 16th June 2017
Director	Huang, Kuo-Chun	15	0	100%	Re-elected on 16th June 2017
Independent Director	Chang, Chang-Pang	14	1	93%	Re-elected on 16th June 2017
Independent Director	Chen, Ruey-Long	12	3	80%	Re-elected on 16th June 2017
Independent Director	Shyu, Jyuo-Min	10	0	100%	Newly appointed on 16th June 2017

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, shoud any exist, shall be specified:

(I) Matters as stipulated in Paragraph 3 of Article 14 of the Securities Exchange Act:

Board of Directors Meeting	Contents proposed	Matters stipulated in Paragraphs 14-3 of the Securities Exchange Act	Opinion of independe-nt director	The company's handling of independent director's opinion	Resolution result
2017.01.24	1. Apply to CitiBank to conduct extension with credit line to Inventec Group banks.	14-3-9	N	N	Note1
	2. Reinvested companies Inventec (Chongqing) Corp. and Inventec (Pudong) Technology Corp. plan to loan funds to Inventec Asset-Management (Shanghai) Corporation.	14-3-5	N	N	Note1
2017.02.21	1. Plan to issue 2016 "Inventec Corporation Internal Control System Statement".	14-3-9	N	N	Note1
	2. Revision of the "Procedures for Acquisition or Disposal of Assets" of the Company.	14-3-2	N	N	Note1
	3. Revision of the "Regulations Making of Endorsements/Guarantees" of the Company.	14-3-2	N	N	Note1
	4. Revision of the "Regulations Governing Loaning of Funds" of the Company.	14-3-2	N	N	Note1
	5. Revision of the "Articles of Incorporation" of the Company.	14-3-9	N	N	Note1
	6. Provide endorsements to the bank for reinvested companies of TPV-Inventa Holding Ltd., and TPV-Inventa Technology Co., Ltd.	14-3-5	N	N	Note1
2017.03.28	1. Discuss the 2016 employees, directors and supervisors' rewards distribution deliberated by the Remuneration Committee of the Company.	14-3-3	N	N	Note2

	2. Discuss the 2016 financial statement, consolidated financial statement and business report of the Company.	14-3-9	N	N	Note1
	3. Re-elect board directors	14-3-3	N	N	Note1
	4. Nominate candidates for directors of the board	14-3-3	N	N	Note1
	5. Relieve restrictions with competitive behavior on directors and their representatives.	14-3-3	N	N	Note1
	6. Appointment of certified public accountant.	14-3-7	N	N	Note1
	7. Assets disposition of re-investment of subsidiary company, Inventec Huan Hsin (Zhejiang) Technology Co., Ltd.	14-3-4	N	N	Note1
2017.04.25	1. Prepare the 2016 surplus distribution proposal of the Company.	14-3-9	N	N	Note1
	2. Examine and approve candidates' qualifications of directors.	14-3-3	N	N	Note1
2017.05.15	1. Discuss the 2017 first quarter consolidated financial statement of the Company.	14-3-9	N	N	Note1
	2. Establish of the "Audit Committee Charter" of the Company.	14-3-9	N	N	Note1
	3. Revision of the "Rules Governing the Scope of Powers of Independent Directors" of the Company.	14-3-9	N	N	Note1
	4. Revision of the "Rules of Procedure for Board of Directors Meetings" of the Company.	14-3-9	N	N	Note1
2017.06.16	1. Elect a chairman of the board	14-3-3	N	N	Note1
2017.06.16	1. Appoint the third salary and Remueration committee	14-3-3	N	N	Note3
	2. Appoint the President and relieve his competitive restrictions	14-3-9	N	N	Note1
	3. Appoint a Secretary to the board	14-3-9	N	N	Note1
2017.06.27	1. Revision of the "Corporate Governance Best Practice Principles" of the Company.	14-3-9	N	N	Note1
	2. Revision of the "Ethical Corporate Management Best Practice	14-3-9	N	N	Note1

	Principles " of the Company.				
	3. Revision of the " Ethical Corporate Management Best Practice Principles" of the Company.	14-3-9	N	N	Note1
	4. Revision of the "Procedures for Handling Material Inside Information" of the Company.	14-3-9	N	N	Note1
	5. Revision of the "Procedures of Application for Suspension and Resumption of Trading " of the Company.	14-3-9	N	N	Note1
2017.07.25	1. Plan revision of the "2017 Internal Audit Plan (Second version)".	14-3-9	N	N	Note1
	2. Apply for the contract renewal of short-term comprehensive credit lines and credit lines for derivative financial products	14-3-9	N	N	Note1
2017.08.14	1. Discuss the 2017 second quarter consolidated financial statement of the Company.	14-3-9	N	N	Note1
	2. Revision of the "Audit Committee Charter" of the Company.	14-3-9	N	N	Note1
2017.09.26	1. For re-investment subsidiaries, an agreement for capital loans and repayment of bank loans shall be drawn up, and they shall give up the mutual claim and debt to one another.	14-3-5	N	N	Note1
2017.10.31	1. Apply for credit line extension with foreign exchange and derivative transactions	14-3-9	N	N	Note1
	2. Re-investment company Inventec (Chongqing) Corp. intends to continue to provide funding loans to Inventec Huan Hsin (Zhejiang) Technology Co., Ltd.	14-3-5	N	N	Note1
2017.11.10	1. Discuss the 2017 third quarter consolidated financial statement of the Company.	14-3-9	N	N	Note1
	2. Plan to revise the "2018 Internal Audit Plan".	14-3-9	N	N	Note1
	3. Revision of the Internal Control System of the Company.	14-3-1	N	N	Note1
	4. Revision of the "Rules Governing the Scope of Powers of Independent Directors" of the Company.	14-3-9	N	N	Note1

	5. Expenses of auditing CPA	14-3-7	N	N	Note1
	6. Re-investment company, Inventec Appliances (Jiangning) Corp. in mainland China by re-investment company applies for a credit line extension, and the company will provide a letter of support	14-3-9	N	N	Note1
2017.11.21 Interim session	1. Dispose of the investment stocks held by the Company.	14-3-4	N	N	Note1
2017.12.26	1. Discuss remuneration of directors, and managers, and year-end bonus planning scheme of the Company.	14-3-3	N	N	Note1
	2. Discuss the 2018 "Annual Business Plan".	14-3-9	N	N	Note1
	3. Reinvested companies Inventec (Chongqing) Corp. and Inventec (Pudong) Technology Corp. plan to loan funds.	14-3-5	N	N	Note1
	4. Inventec (Shanghai) Corp. increased investment of Inventec Asset-Management (Shanghai) Corporation.	14-3-4	N	N	Note1
	5. Inventec (Pudong) Technology Corp. invested Inventec (Shanghai) Corp.	14-3-4	N	N	Note1

Note 1: Indicates that all directors agreed on approval.

Note 2: When a board director is also an interested party, he/she should not take part in the case discussion or voting to prevent a conflict of interest.

Note 3: When an independent board director is also an interested party, he/she should not take part in the case discussion or voting to prevent a conflict of interest.

(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
106.03.28	Lee, Tsu-Chin, Yeh, Kuo-I Wen, Shih-Chih, Chang, Ching-Sung, Huang, Kuo-Chun	Discuss the 2016 employees, directors and supervisors' rewards distribution deliberated by the Remuneration Committee of the Company.	The aforementioned board directors are interested parties and will not take part in case discussion or voting to prevent a conflict of interest. The acting chairman has inquired of the independent board directors present, and they express no objection. Thus, the case is passed.
106.06.16	Chang, Chang-Pang, Chen, Ruey-Long, Shyu, Jyuo-Min	Appoint the third salary and Remueration committee.	The aforementioned independent board directors are interested parties and will not take part in case discussion or voting to prevent a conflict of interest. The acting chairman has inquired of the board directors present, and they express no objection. Thus, the case is passed.

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), the term of office is three years (from June 16, 2017 to June 15, 2020). 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, 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 / 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	V
Chen, Ruey-Long	R.O.C	Male	-	V	V	V	V	V	V	V	V
Shyu, Jyuo-Min	R.O.C	Male	-	V	V	V	V	V	V	V	V

V.The committee is entrusted with checking and auditing (audit and review) the content and indicating the impact that the new laws and regulations will have on the company.

Board of Directors Meeting	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Seat present	2	2	1	1	2	3	3	3	3	3	3	2	3	3	2

2.3.2 Audit Committee：

A total of 3 (A) meetings of the Audit Committee were held in 2017. Attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) B/A	Remarks
Convener	Chang, Chang-Pang	3	0	100%	Newly appointed on 16th June 2017
Committee member	Chen, Ruey-Long	3	0	100%	Newly appointed on 16th June 2017
Committee member	Shyu, Jyuo-Min	3	0	100%	Newly appointed on 16th June 2017

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
2017.06.27	1. Revision of the "Corporate Governance Best Practice Principles" of the Company.	14-5-11	N	Passed by all
	2. Revision of the "Ethical Corporate Management Best Practice Principles " of the Company.	14-5-11	N	Passed by all
	3. Revision of the " Ethical Corporate Management Best Practice Principles" of the Company.	14-5-11	N	Passed by all
	4. Revision of the "Procedures for Handling Material Inside Information" of the Company.	14-5-11	N	Passed by all
	5. Revision of the "Procedures of Application for Suspension and Resumption of Trading " of the Company.	14-5-11	N	Passed by all
2017.08.14	1.Discuss the 2017 second quarter consolidated financial statement of the Company.	14-5-10	N	Passed by all
	2. Revision of the " Audit Committee Charter " of the Company.	14-5-11	N	Passed by all
2017.11.10	1. Discuss the 2017 third quarter consolidated financial statement of the Company.	14-5-10	N	Passed by all
	2. Plan to revise the "2018 Internal Audit Plan".	14-5-2	N	Passed by all
	3. Revision of the Internal Control System of the Company.	14-5-1	N	Passed by all
	4. Revision of the "Rules Governing the Scope of Powers of Independent Directors" of the Company.	14-5-4	N	Passed by all
	5. Expenses of auditing CPA	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: none.

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 "administration criteria of publicly listed companies for establishing internal control systems," 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	Results of communication
2017.03.28 Meeting of company governance	Accountant Internal auditing chief	1.The scope, method, and audit contents of the 2016 financial report 2.Briefing on crucial items of the audit 3.Financial statement and analysis briefing on important accounting item	The financial report shall be submitted to the board for resolution.
2017.05.15 Meeting of company governance	Accountant Internal auditing chief	1.The scope and audited content for the first quarter of the 2017 financial report 2.Financial statement and analysis briefing on important accounting items 3.Renewal of important laws and regulations -- revision draft of company law	The financial report shall be submitted to the board for resolution.
2017.08.14 Meeting of company governance	Accountant Internal auditing chief	1.The scope and audited content for the second quarter of the 2017 financial report 2.Financial statement and analysis briefing on important accounting items 3.Renewal of important laws and regulations -- reform key points of two taxes combined into one	The financial report shall be submitted to the board for resolution.

2017.08.14 Audit Committee	Accountant	The second quarter of the 2017 consolidated financial report	After passage by the Audit Committee, it shall be submitted to the board for resolution.
2017.11.10 Meeting of company governance	Accountant Internal auditing chief	1.The scope and audited content for the third quarter of the 2017 financial report 2.Financial statement and analysis briefing on important accounting items 3.Renewal of important laws and regulations -- national tax reform	The financial report shall be submitted to the board for resolution.
2017.11.10 Audit Committee	Accountant	The third quarter of the 2017 consolidated financial report	After passage by the Audit Committee, it shall be submitted to the board for resolution.
2017.11.10 Audit Committee	Internal auditing chief	1.Approved "internal auditing planning for 2018" 2.Approved and revised "International Control System of Inventec Corporation"	After passage by the Audit Committee, it shall be submitted to the board for resolution.

Note: The company established the Audit Committee on 16th June 2017.

2.3.3 The Supervisors

A total of 15 (A) meetings of the Board of Directors were held in 2017. Supervisors' attendance status is as follows:

Title	Name	Attendance in person (B)	Attendance rate (%) B/A
Supervisor	Cheng, Hsien-Ho	5	100%
Supervisor	Wang, Ping-Hui	5	100%
Supervisor	Shyh Shiunn Investment Corp. Representative, Yang, Chiung-Nan	5	100%

Other matters that should be recorded:

I. Supervisor composition and responsibility:

(I) The Company designates three supervisors with three-year terms of office; supervisors shall have integrity, dependability, fair judgment, professional knowledge, capability of reading financial statements, etc.

(II) Responsibilities of the Company's supervisors are as follows:

1. Investigate and supervise the business situation and financial condition of the company at all times in order to reduce the financial crisis and operation risk of the Company and maintain the rights and interests of the Company and its shareholders.
2. Be familiar with relevant laws and regulations, understand the rights and obligations and responsibilities of the company directors, as well as the responsibility division and operation content of each department, and attend the Board of Directors meetings to supervise its operation and express opinions in a timely manner in order to master or find out abnormal conditions in advance.
3. Check all kinds of forms, lists, and data documents and issue reports.
4. Other responsibilities granted pursuant to laws and decrees or regulations.

(III) Communication circumstances (e.g. communication channels, methods, etc.) between the supervisor and company employees and shareholders:

1. The Company has set up an employee opinion exchange zone, shareholder and interested party zone, and supervisor

intercommunication channel; through employee opinion investigation and the employee complaint system, the possible disadvantages of the Company can be found and resolved in a timely manner through information delivery.

2. The supervisor shall actively participate in study and continuously attend further education courses in order to strengthen professional quality and understand the trends of the latest laws and decrees; through the construction of internal and external website information of the Company, the supervisor can fully achieve the communication purpose with internal employees and external interested parties.

(IV) Communication circumstance (e.g. communication matters, methods, results, etc. regarding financial and business situations of the Company) between the supervisor and the internal audit supervisor and accountant:

1. Pursuant to Article 15 of the "Guidelines for Public Companies to Establish Internal Control Systems", the internal audit supervisor shall submit the audit report and tracking report to each supervisor for review before the end of the next month after completion of the audit project, and the supervisor shall report the lookup result to the Board of Directors in the current month. Regarding the instruction of the supervisor during review, the Audit Center will carry out subsequent improvement and tracking operations, and after completion of improvement and tracking, it shall be reported to the supervisor and proposed to the Board of Directors.
2. When the supervisor establishes an audit project according to the instruction on important issues of the internal control system of the Company, the Audit Center shall immediately establish an audit project team (or subsidiary supervision) to carry out examination operations. Upon completion of the audit (or subsidiary supervision) project, it shall report the project audit result to the supervisor and propose it to the Board of Directors.
3. The Audit Center will also regularly report audit business to each supervisor.
4. The supervisor shall keep in touch with the accountant at all times and communicate the important financial and business situations of the Company by discussing corporate governance issues every quarter.

II. If the supervisor states an opinion when attending the Board of Directors meeting, the date of the Board of Directors meeting, stage, proposal content, Board of Directors resolution result, and the company's handling of opinions stated by the supervisor shall be specified: None.

Note: The company set up the Audit Committee on 16th June 2017, and board meetings were convened five times during the supervisor’s tenure.

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?	✓		The Company has formulated the "Inventec Corporation Corporate Governance Best Practice Principles" pursuant to the "Listed Company Corporate Governance Best Practice Principles"; the second amendment was passed by the Board of Directors on Feb. 21, 2017 and was disclosed on the company website and mops.twse.com.tw. 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. Listed subsidiaries of the Company Group have not yet formulated such regulations, but they all abide by relevant regulations.	No difference.
2. Shareholding Structure & Shareholders’ Rights				

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
(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 literature are carried out regularly.	No difference.

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
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. The Company designates nine directors (including three independent directors).	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) By referring to the provisions of Article 37 of the Listed Company Governance Best Practice Principles, the board performance evaluation regulations stipulated by the board on 28th September 2016 should realize company governance and enhanced functions of the board, which shall be announced on the company website. The company’s board of directors will carry out performance evaluations every year. The 2017 performance evaluation consisted of internal evaluation of the board, while the evaluation criteria and measurement items are found in five major aspects: 1. extent of participation in company operations; 2. enhancing the	No difference.

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			decision-making quality of the board; 3. board composition and structure; 4. election and continuous learning of board directors; and 5. internal control. The results of the 2017 evaluation in 2017 were "first-rate."	
(4) If the Company assess the independence of CPA periodically?	✓		(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 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.	No difference.

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-implementation and its reason(s)</th></tr>
<tr><th>Y</th><th>N</th><th>Summary</th></tr>
<tr><td>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 responsbilities, 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 and the Shareholders' Meeting etc.)?</td><td>✓</td><td></td><td>The Company’s financial center will be responsible for the affairs related to company governance, while the governance staff will be managed concurrently by the CFO. The primary duties and operations for the year 2017 are as follows:
<table>
<tr><th>Primary duties</th><th>2017 operation</th></tr>
<tr><td>Handle company registration and changes to registration status</td><td>Approved for change in June 2017</td></tr>
<tr><td>Handle matters related to the Board of Directors Meeting and the Shareholders' Meeting pursuant to relevant laws and regulations, and assist the company in adhering to relevant laws and decrees determined at the Board of Directors Meeting and the Shareholders' Meeting</td><td>Meeting is convened according to the law</td></tr>
<tr><td>Prepare meeting minutes for the Board of Directors Meeting and the Shareholders' Meeting.</td><td>Meeting minutes are rendered according to the law</td></tr>
<tr><td>Provide directors and supervisors with the necessary materials for executing the responsibilities of the busness within their positions, and the development of latest laws and regulations related to the business operations of the Company, and in doing so, encouraging the directors and supervisors to abide by relevant laws and decrees.</td><td>Administer company governance meeting every quarter in order to hold company governance learning for board directors</td></tr>
<tr><td>Affairs related to investor relations.</td><td>Sponsor a meeting on institute briefing every quarter</td></tr>
<tr><td>Other matters stipulated in the Articles of Association or the contract</td><td>Already executed</td></tr>
</table></td><td>No difference.</td></tr>
</table>

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
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				
(1) If the Company set up a corporate website to disclose information regarding the Company's finance, business and corporate governance?	✓		(1) Through the company website (http://www.inventec.com), the Company updates and discloses financial business and corporate governance information regularly and for special matters. Furthermore, the Company utilizes Shareholders' Meetings and Investor Conferences to describe the governance situation of the Company to investors.	No difference.
(2) If the Company adopted any other information disclosure channels (e.g., maintaining an English-language website, appointing designated personnel to handle information collection	✓		(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 mops.twse.com.tw as required.	No difference.

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
and disclosure, appointing spokespersons, webcasting investors conference, etc)?				
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 supervisors)?	✓		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. 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 communication channel. 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. 4. Supplier relations: In addition to formulating "Codes of Ethical Conduct" and the "Global Employee Code of Conduct Management Measures", the	No difference

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			Company has also formulated "New Manufacturer Assessment Management Measures" to require new manufacturers to have good business reputation and conform to the ethical requirements of the Company. In its "Purchase Contract", it shall explicitly stipulate that suppliers shall abide by a special guarantee clause, and the payment of commission, proportion commission, brokerage fees, tail end fees, or other beneficial behaviors are prohibited. In 2016, the Company continuously held Inventec Group GP and CSR supplier workshops, The company has continued to sponsor the "Briefing on the Sustainable Supply Chain of Inventec Corporation.", and providing communication channels to suppliers through explanation sessions and questionnaires, hoping to set an example that will lead more supplier partners to jointly improve their environmental protection awareness in order to fulfill our corporate social responsibility. 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. 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 order to reduce adverse impacts on the Company. 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.	

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			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 insured amount, scope of insurance, and insurance fees of the liability insurance of the directors are reported to the board. 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.	
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).	✓		In the second, third and fourth session corporate governance evaluation results, the Company is listed as ranked in the top five percent of companies. Areas for improvement are as follows: Improvements already made: The Audit Committee was set up in 2017 to strengthen company governance and make the supervisory function of the company’s board of directors more comprehensive. Improvements to be made: Evaluation regarding the feasibility of establishing other functional committees shall be continued.	No difference

10. Continuing Professional Education (CPE) Hours for Directors in 2017

Title	Name	Date	Course	Hours	Institute
Chairman	Cho, Tom-Hwar	2017.08.14	Analysis of our income tax on stock dividends and two taxes combined into one	1.5	The Taiwan Corporate Governance Association
		2017.11.10	Analysis of national tax reform	1.5	The Taiwan Corporate Governance Association
		2017.11.17	Discussion of insider's trades and corporate social responsibility in 2017	3.0	Securities and Futures Institute
Director	Yeh, Kuo-I	2017.03.18	Financial statements and relevance analysis of crucial auditing items	1.5	The Taiwan Corporate Governance Association
		2017.05.15	Introduction to the revised draft of the company law	1.5	The Taiwan Corporate Governance Association
		2017.08.14	Analysis of our income tax on stock dividends and two taxes combined into one	1.5	The Taiwan Corporate Governance Association
		2017.11.10	Analysis of national tax reform	1.5	The Taiwan Corporate Governance Association
Director	Lee, Tsu-Chin	2017.03.18	Financial statements and relevance analysis of crucial auditing items	1.5	The Taiwan Corporate Governance Association
		2017.05.15	Introduction to the revised draft of the company law	1.5	The Taiwan Corporate Governance Association
		2017.08.14	Analysis of our income tax on stock dividends and two taxes combined into one	1.5	The Taiwan Corporate Governance Association
		2017.11.10	Analysis of national tax reform	1.5	The Taiwan Corporate Governance Association
Director	Wen, Shih-Chih	2017.03.18	Financial statements and relevance analysis of crucial auditing items	1.5	The Taiwan Corporate Governance Association
		2017.05.15	Introduction to the revised draft of the company law	1.5	The Taiwan Corporate Governance Association
		2017.08.14	Analysis of our income tax on stock dividends and two taxes combined into one	1.5	The Taiwan Corporate Governance Association
		2017.11.10	Analysis of national tax reform	1.5	The Taiwan Corporate Governance Association

Title	Name	Date	Course	Hours	Institute
Director	Chang, Ching-Sung	2017.03.18	Financial statements and relevance analysis of crucial auditing items	1.5	The Taiwan Corporate Governance Association
		2017.05.15	Introduction to the revised draft of the company law	1.5	The Taiwan Corporate Governance Association
		2017.08.14	Analysis of our income tax on stock dividends and two taxes combined into one	1.5	The Taiwan Corporate Governance Association
		2017.11.10	Analysis of national tax reform	1.5	The Taiwan Corporate Governance Association
Director	Huang, Kuo-Chun	2017.03.18	Financial statements and relevance analysis of crucial auditing items	1.5	The Taiwan Corporate Governance Association
		2017.05.15	Introduction to the revised draft of the company law	1.5	The Taiwan Corporate Governance Association
		2017.08.14	Analysis of our income tax on stock dividends and two taxes combined into one	1.5	The Taiwan Corporate Governance Association
		2017.11.10	Analysis of national tax reform	1.5	The Taiwan Corporate Governance Association
Independent Director	Chang, Chang-Pang	2017.03.18	Financial statements and relevance analysis of crucial auditing items	1.5	The Taiwan Corporate Governance Association
		2017.05.15	Introduction to the revised draft of the company law	1.5	The Taiwan Corporate Governance Association
		2017.08.14	Analysis of our income tax on stock dividends and two taxes combined into one	1.5	The Taiwan Corporate Governance Association
		2017.11.10	Analysis of national tax reform	1.5	The Taiwan Corporate Governance Association
Independent Director	Chen, Ruey-Long	2017.05.15	Introduction to the revised draft of the company law	1.5	The Taiwan Corporate Governance Association
		2017.07.26	Legal responsibility of the director and supervisor in enterprise mergers and acquisitions	3.0	The Taiwan Corporate Governance Association

Title	Name	Date	Course	Hours	Institute
		2017.08.04	Case sharing of knowledge management	3.0	The Taiwan Corporate Governance Association
		2017.08.09	Company governance and criminal risk management	3.0	The Taiwan Corporate Governance Association
		2017.08.14	Analysis of our income tax on stock dividends and two taxes combined into one	1.5	The Taiwan Corporate Governance Association
		2017.08.21	Anti-tax avoidance development worldwide and domestically and the enterprise’s coping measures	3.0	Securities and Futures Institute
		2017.08.21	Crisscross between theory and practice of the company secretary	3.0	Securities and Futures Institute
		2017.11.10	Analysis of national tax reform	1.5	The Taiwan Corporate Governance Association
Independent Director	Shyu, Jyuo-Min	2017.08.14	Analysis of our income tax on stock dividends and two taxes combined into one	1.5	The Taiwan Corporate Governance Association
		2017.08.24	Pre-warning and type analysis of corporate financial crises	3.0	Securities and Futures Institute
		2017.09.05	Company governance and operation practice of independent directors	3.0	Securities and Futures Institute
		2017.09.14	Investigation of embezzlement cases with corporate financial statements	3.0	Securities and Futures Institute
		2017.11.10	Analysis of national tax reform	1.5	The Taiwan Corporate Governance Association

11. Continuing Professional Education (CPE) Hours for Managers in 2017

Title	Name	Date	Course	Hours	Institute
President	Wu, Yung-Tsai	2017.09.19	Discussion of artificial intelligence	2.0	Inventec Corporation

Title	Name	Date	Course	Hours	Institute
Vice President	Lou, Jin-Pang	2017.08.29	Market-oriented thinking and development opportunities	7.0	NCCU Department of Business Administration
		2017.11.02	Future industry trends and corporate strategies	7.0	MIC
Vice President	Yu, Chin-Pao	2017.10.12	Evaluate corporate operation performance from the "company’s governance assessment" results	3.0	Accounting Research and Development Foundation
		2017.10.12	Analysis of the content, impact, and coping measures with "communication among crucial auditing items of the auditing report"	3.0	Accounting Research and Development Foundation
		2017.10.13	IFRS 15	3.0	Accounting Research and Development Foundation
		2017.10.13	Popular issue analysis and investigation of legal responsibilities regarding international hot-money laundering crimes	3.0	Accounting Research and Development Foundation
Vice President	Hsu, Ching-Wu	2017.05.10	Changes in cash flow after the Steve Jobs era (risk and auditing) (including payment by third parties and cloud cash-flow)	6.0	The Institute of Internal Auditors-Taiwan
		2017.09.29	Practice learning class on mastering embezzlement measures in financial statements	6.0	Securities and Futures Institute
Director of Finance Center	Liang, Wen-Jan	2017.10.19	IFRS 9	3.0	KPMG
Director of Finance Center	Hsiao, I-Ying	2017.04.14	Risk management seminar with corporate markets	2.0	Citibank
		2017.08.23	Impact forum of Wealth Magazine/global political and economic fluctuations/prospects	3.0	Citibank

Title	Name	Date	Course	Hours	Institute
			for Asia’s future in 2017		
		2017.08.30	IFRS 15	3.0	KPMG

12. Certificate of License

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

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

2.3.5 Status of Remueration Committee

2.3.5.1 Remueration Committee

Title (Note1)	Criteria / Name	Met one of the following professional qualification requirements with at least five years work experience			Independence（Note2）								Number of other public companies in which the individual is concurrently serving as an Remueration Committee member	Note
		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		
Independent Director	Chang, Chang-Pang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	Re-elected on 16th June 2017
Independent Director	Chen, Ruey-Long	–	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	4	Re-elected on 16th June 2017
Independent Director	Shyu, Jyuo-Min	✓	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Newly appointed on 16th June 2017

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 Remueration Committee's implementation

A. The Remueration Committee comprised of 3 members.

B. Tenure of the second session of Remueration committee is from 16th June, 2017 to 15th June, 2020. A total of 3 (A) meetings of the Remueration Committee were held in 2017, the average attendance rate is 100%, the status of attendance is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) B/A	Remarks
Chairman	Chang, Chang-Pang	3	0	100%	Independent Director Re-elected on 16th June 2017
Member	Chen, Ruey-Long	2	1	67%	Independent Director Re-elected on 16th June 2017
Member	Shyu, Jyuo-Min	2	0	100%	Independent Director Newly appointed on 16th June 2017
Member	Chuang, Chau-Sui	1	0	100%	Passed on April 20, 2017

Other information to be disclosed:

1. If Board of Directors did not adopt or revise the proposal made by the Remueration 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 Remueration Committee (If amount of the compensation approved by the Board of Directors is higher than that proposed by the Remueration Committee, please specify the reasons and differences in proposals.): None.
2. If any members of the Remueration 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.

2.3.5.3 Operation of the salary and Remuneration Committee in 2017

Date	Execution situation
2017.03.28	The suggestions on the remuneration distribution to employees, board directors, and supervisors of the company for 2016 were passed.
2017.12.22	Revisions to the discussion regarding the organization regulations of the company salary and Remuneration Committee were passed. The suggestions on allocation proportion regarding remuneration to employees, board directors, and supervisors of the company for 2017 were passed. The suggestions on the remuneration and annual bonus scheme to board directors and supervisors of the company were passed.
2017.12.22	The work objective plan for 2018 was formulated by the company's salary and Remuneration Committee.

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". 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	No difference

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			social responsibility.	
(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.	No difference
(4) If the Company adopted appropriate remuneration policies, integrated employee performance appraisal with CSR policies, and established a clear and effective incentive and discipline system？	✓		(4) The Company has established a Remuneration Committee to assist the Board of Directors in implementing and evaluating the overall remuneration and welfare policy of the company and the remuneration of directors, and managers. The Company has formulated a reasonable remuneration policy and takes the "Global Employee Code of Conduct Management Measures" as the basis regarding the conduct of all employees; those who violate relevant regulations will be punished according to the relevant rewards and punishment provisions in the "Personnel Management Measures", allowing employees' salary to jointly grow with company operations in order to fulfill our corporate social responsibility.	No difference

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
2.Fostering a Sustainable Environment				
(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 the product.	No difference
(2) If the Company established proper environment management system based on the characteristics of the industry where the Company belongs to?	✓		(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.	No difference
(3) If the Company monitored the impact of climate change on the	✓		(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	No difference

Item	Implementation Status			Non-implement-ation and its reason(s)
	Y	N	Summary	
Company’s business operations, checked greenhouse gas inventory and established corporate strategies on energy conservation and reduction on carbon and greenhouse gas emission?			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 purues 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 eleven years (from 2007 to 2017) 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 resuts 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 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 2017, the total greenhouse gas emissions of major companies under the Inventec Group was 354,661.365 tonnes of carbon dioxide (inventory scope: 9 plants of Inventec, 3 plants of Inventec Appliances, 1 plant of Inventec Solar Energy, E-TON Solar Tech, AIMobile Co., Ltd.), an increase of 10,357.553 tonnes of carbon dioxide compared to the 344,303.812 tonnes of emissions in 2016. One main objective is to increase the productivity of Inventec and Inventecsolar’s Pudong plant. The contributing sources of primary thermal gas emission by Inventec group in 2017 offal under scope 2 -- electric power purchased from external sources, amounting to 94.71% 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	

Item	Implementation Status			Non-implement-ation and its reason(s)
	Y	N	Summary	
			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 2017, the power generation amount was 3,380,561 kW-h of electricity. In Taiwan (Tainan), we have also developed clean solar power generation devices, and the power generation amount in 2017 was 284,837 of kW-h of electricity.	
3.Preserving Public Welfare (1) If the Company followed relevant labor laws, and internationally recognized human rights principal, and established appropriate management policies and procedures?	✓		(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 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.	No difference
(2）If the Company established grievance channel for employees and handled complaints appropriately?	✓		(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	No difference

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			employee complaints and understand the employee's voice through employee interviews, etc.	
(3) If the Company provided safe and healthy working envirnonment to employees and conducted relevant training on safety and health management to employees periodically?	✓		(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 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.	No difference
(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?	✓		(4) Through all the mechanisms described below, the Company provides channels for significant company information delivery, real-time employee responses, and regular communication. (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. (B) Two-way talks between grassroots employees and senior supervisors: monthly meetings and all kinds of symposium held occasionally.	No difference

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			(C) Management policy and business process communication: communication meetings for employee representatives from each department will be held regularly every month. (D) Cross-department communication and labor and capital communication: internal portal platform has set up the multi-functional "Employee Opinion Exchange Area". (E) Instant response problem and information consultation: each unit has established a service consultation window and service hot line. (F) Employee welfare policy and welfare promotion: employee welfare committee monthly meetings and special meetings. (G) Grassroots employee care group: handle employee complaints and understand the employee's voice through employee interviews, etc.	
(5) If the Company provided career planning, relevant training and skill development for employees?	✓		(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. (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. (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. (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. (D) Professional competency development: According to all kinds of demands to develop professional skills and with the Technical Committee, designedly carry out professional	No difference

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			skill training courses. (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.	
(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?	✓		(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 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.	No difference
(7) If the Company followed relevant laws and regulations and international guidelines on marketing and labeling of products and services?	✓		(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	No difference

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			environmentally friendly products and services.	
(8) Prior to engaging commercial dealings, if the Company assessed whether the supplier had track record o negative impact on the environment and society?	✓		(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.	No difference
(9) If the contracts with major suppliers stipulated a clause that 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?	✓		(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 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, EICC, 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 EICC 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	No difference

Item	Implementation Status			Non-implement-ation and its reason(s)
	Y	N	Summary	
			environment and society, the contract can be terminated or canceled pursuant to such clause.	
4. Enhancing Information Disclosure 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:

Pursuant to the "Listed Company Corporate Governance Best Practice Principles", the Company has established the "Inventec Corporation Corporate Governance Best Practice Principles", of which the Board of Directors passed the second revision on August 9, 2016, 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, 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.

Item	Implementation Status			Non-implement-ation and its reason(s)
	Y	N	Summary	

(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 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 to invite Berliner Symphoniker to visit Taiwan for the spring concert. With respect to ecological conservation, over the years the Company has been cooperating with the Wild Bird Society of Taipei to promote the

Item	Implementation Status			Non-implement -ation and its reason(s)
	Y	N	Summary	

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 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.

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 mops.twse.com.tw.

7. Please provide further description for company product or corporate social responsibility report which is certified by relevant organization:

In order to improve the transparency, completeness, and reliability of information disclosure, for the "2017 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.

Listed subsidiaries of the Company Group have not yet acquired relevant certification on corporate social responsibility report, but they all abide by relevant

Item	Implementation Status			Non-implement-ation and its reason(s)
	Y	N	Summary	
regulations and have no significant difference.				

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	✓		(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	No difference

Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
management practice including operational procedures, guiding principles, penalties and grievance channels?			procedures, behavioral guidelines, violation punishments, and a complaint system, and implements them.	
(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?	✓		(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.	No difference
2. Implementation of Ethical Corporate Management (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?	✓		(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	No difference

Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			case of violation, the Company is entitled to terminate the contract 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) In order to fulfill the supervisory responsibilities of the intergrity of operations, implement policies for preventing conflicts of interest, and to provide statements through proper channels, the Talent Center was deemed the dedicated (part-time) department responsible for honest management policies, project formulation, supervision implementation, publicity, and training against dishonest acts, and the relevant departments shall report on matters of execution to the Board of Directors 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	✓		(4) The Company has established an effective accounting system and internal control system.	No difference

Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
and internal control system to implement ethical corporate management, and if internal auditing department or CPA conducted periodic auditing?			(A)Accounting system: In order to implement integrity operations, an 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. (B) Internal control system: In order to implement integrity operations, an internal control system has been established. 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, 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: control environment, risk assessment, control activities, information and communication, and monitoring activities. The prevention (risk control) internal control system of Inventec includes: prevention (risk control) risk assessment, prevention (risk control) internal control, prevention (risk control) internal audit, and prevention (risk control) self-assessment.	

Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
(5) If the Company organized training and awareness programs on ethical corporate management to internal and external parties?	✓		(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 2016, the total number of hours spent on training amounted to 51,362, with training expenses of NT$7,865,571. The related promotion or proportion of training on honest behavior in the Taiwan area for the year 2017 has reached 100%.	No difference
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 2017.	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.	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 accepter 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	No difference

<table>
<tr><th rowspan="2">Items</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-implementation and its reason(s)</th></tr>
<tr><th>Y</th><th>N</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>transfers, and other unfavorable treatments</td><td></td></tr>
<tr><td>4. Information Disclosure
(1) If the Company disclosed ethical corporate management policy and its status of implementation via corporate website or Market Observation Post System?</td><td>✓</td><td></td><td>(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 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 mops.twse.com.tw for review.</td><td>No difference</td></tr>
<tr><td colspan="5">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?

In 2014, pursuant to the "Listed Company Code of Integrity Operations", the Company formulated the "Inventec Corporation Code of Integrity Operation". The third revision was passed at the board meeting on 27th June 2017, and the operation has no difference from the rules.</td></tr>
<tr><td colspan="5">6. If any other information that helped to understand the operation of ethical business conduct and its implementation?

(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.

(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.

(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.

(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</td></tr>
</table>

Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
relevant regulations for business execution in order to ensure effective implementation of the internal control system of the company.				

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, 2018

Based on the findings of self-assessment, the company states the following with regard to its internal control system in 2017:

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, 2017, 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, 2018 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
2017.06.16	1. Proposal for the acknowledgment of the 2016 Business Report and financial statement of the Company.	Approved by 2,564,942,302 voting rights (among which, 1,341,087,685 voting rights were exercised electronically), accounting for 87.96% 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 2016.	Approved by 2,575,424,088 voting rights (among which, 1,351,569,471 voting rights were exercised electronically), accounting for 88.32% of the total voting rights. The approved voting rights exceed the statutory amount, and this proposal is passed. NT$1.45 cash dividend is alloted per share. Ex-dividend base date: July 21, 2017. Date of cash dividend distribution: August 10, 20174.
	3. Proposal to revise some articles of the Articles of Company.	Approved by 2,571,545,634 voting rights (among which, 1,347,691,017 voting rights were exercised electronically), accounting for 88.19% of the total voting rights. The approved voting rights exceed the statutory amount, and this proposal is passed. Date of change of registration approval by the Ministry of Economic Affairs: June 22, 2017. The revised Articles of Association have been published on the company website.
	4. Proposal to revise some articles of Rules of Procedure for Shareholders Meetings.	Approved by 2,575,381,712 voting rights (among which, 1,351,527,095 voting were exercised electronically), accounting for 88.32% 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. Proposal to revise some articles of the Procedures for Acquisition or Disposal of Assets.	Approved by 2,575,223,300 voting rights (among which, 1,351,368,683 voting were exercised electronically), accounting for 88.32% 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.
	6. Proposal to revise some articles of Regulations Making of Endorsements/Guarantees.	Approved by 2,574,465,863 voting rights (among which, 1,350,611,246 voting were exercised electronically), accounting for 88.29% 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.
	7. Proposal to revise some articles of the Regulations Governing Loaning of Funds.	Approved by 2,574,454,472 voting rights (among which, 1,350,599,855 voting were exercised electronically), accounting for 88.29% 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.
	8. Proposes to elect new directors	The weight of the consent has exceeded the legitimate amount, and the case was passed. The election result: The name of the board-elect and weight are found below: Lee, Tsu-Chin：2,589,733,410 Yeh, Kuo-I：2,539,733,350 Wen,Shih-Chih：2,489,733,358 Cho,Tom-Hwar：2,439,733,375 Chang,Ching-Sung：2,389,731,007 Huang,Kuo-Chun：2,339,733,262 Chang,Chang-Pang：2,329,732,787 (Independent Director) Chen,Ruey-Long：2,299,732,265 (Independent Director) Shyu,Jyuo-Min：2,269,732,798 (Independent Director)
	9. Proposal of release the prohibition on Directors and their representatives from participation in competitive business	Approved by 2,133,939,591 voting rights (among which, 1,273,535,079 voting were exercised electronically), accounting for 84.79% 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
2017.01.24	Passed the loans of Inventec (Chongqing) Corp. and Inventec (Pudong) Technology Corp..
2017.02.21	Passed to issue the 2016 "Inventec Corporation Internal Control System Statement".
	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" of the Company.
	Passed the revision of some articles of the "Regulations Governing the Acquisition and Disposal of Assets" of the Company.
	Passed the revision of some articles of the "Endorsement Implementation Measures" of the Company.
	Passed the revision of some articles of the "Procedures of Granting of Loans" of the Company.
	Passed the revision of some articles of the "practice guidelines of company governance".
2017.03.28	Passed the 2016 employees, directors and supervisors' rewards distribution deliberated by the Remuneration Committee of the Company.
	Passed the 2016 financial statement, consolidated financial statement and business report of the Company.
	Passed to re-elect directors of the Company.
	Passed to agree upon relevant matters of the 2017 general meeting of the Company.
	Passed to nominate independent director candidates.
	Passed the appointment of the certified public accountant.
	Passed the asset disposal case for the Company's reinvestment in subsidiary Inventec Huan Hsin (Zhejiang) Technology Co., Ltd
2017.04.25	Passed the the 2016 surplus distribution proposal of the Company.
	Passed the qualification examination case of director candidates of the Company.
2017.05.15	Passed the 2017 first quarter consolidated financial statement of the Company.
	Stipulations on the organization regulations of the company’s Audit Committee were passed.
	Scope guidelines of the responsibilities of the company’s independent directors were revised and passed.
	Procedure rules of the company’s board were revised and passed.
2017.06.16	Election of the chairman
	The appointment of the third salary and Remuneration Committee was passed.
	The appointment of the Presudent and the release of competitive restrictions were passed.
	Appointment of the board Secretary.

Meeting date	Important resolution matters
2017.06.27	Passed the ex-dividend base date for cash dividends.
	The practice guidelines of company governance were revised and passed.
	The honest management guidelines were revised and passed.
	The ethical behavior guidelines were revised and passed.
	The management procedure of important internal information was revised and passed.
	The management procedure of applying for temporary suspension and resuming transactions was revised and passed.
	The change of the acting spokesperson was passed.
2017.07.25	Passed the revision of the "2017 Internal Audit Plan (Second version)".
	The agreement on the abandonment of mutual claims and debt among subsidiaries was passed.
2017.08.14	Passed the 2017 second quarter consolidated financial statement of the Company.
	The organization regulations of the company’s Audit Committee were revised and passed.
2017.09.26	The agreement of subsidiaries for capital loans, repayment of bank loans, and abandonment of mutual claims and debt among subsidiaries was passed.
2017.10.31	The capital loan among subsidiaries was passed.
2017.11.10	Passed the 2017 third quarter consolidated financial statement of the Company.
	Passed the "2018 Internal Audit Plan".
	The "Internal control system of Inventec Corporation" was revised and passed.
	The scope guidelines of responsibility of the company’s independent directors were revised and passed.
	Expenses of auditing CPA
2017.11.21	Investment stock held by the company was passed for disposition.
2017.12.26	The organization regulations of the company’s salary and Remuneration Committee were revised and passed.
	The remuneration and annual bonus of directors and managers and the allocation proportion of remuneration to employees and directors were passed.
	NT$18 million was agreed to be awarded to Inventec Charity Foundation as a donation.
	The 2018 busienss plan was passed.
	The approval of loans to Inventec (Chongqing) Corp. and Inventec (Pudong) Technology Corp. was passed.

Meeting date	Important resolution matters
	The approval of Inventec (Shanghai) Corp. to increase the investment to Inventec Asset-Management (Shanghai) Corporation was passed.
	The approval of Inventec (Pudong) Technology Corp. to increase the investment to Inventec (Shanghai) Corp. was passed.
2018.01.30	The approval to increase capital loans to Inventec (Chongqing) Corp. and Inventec (Pudong) Technology Corp. was passed.
2018.02.27	The continued provision of letters of support to a re-investment company by Inventec (Czech), s.r.o. was passed.
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.
	Passed to dispose the real estate at No. 255, Sec. 2, Renhe Rd, of Taoyuan factory.

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 2015 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,	2017.01.01~2017.12.31	-

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	8,800	0	0	0	1,950	1,950	2017.01.01~2017.12.31	Non-auditing services include transfer pricing, VAT and tax consultant.
	Yang, Liu-Fong							2017.01.01~2017.12.31	

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.

2.5.1 About the Former CPA:

<table>
<tr><td>Date of alternation</td><td colspan="4">March 28, 2017</td></tr>
<tr><td>Reason for alternation</td><td colspan="4">As part of the internal rotation of the accounting department</td></tr>
<tr><td rowspan="3">Please specify where the appointment is terminated or unaccepted by the appointer or CPA</td><td colspan="2">Related parties / Situation</td><td>CPA</td><td>Appointer</td></tr>
<tr><td colspan="2">Voluntary termination of appointment</td><td>Not Applicable</td><td>Not Applicable</td></tr>
<tr><td colspan="2">No further acceptance (continuation) of appointment</td><td>Not Applicable</td><td>Not Applicable</td></tr>
<tr><td>Opinion and reason for any audit report other than unqualified opinion in the last two years</td><td colspan="4">Not Applicable</td></tr>
<tr><td rowspan="7">Any disagreement with the issuer</td><td rowspan="5">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Discloser of financial statement</td></tr>
<tr><td></td><td colspan="2">Scope or steps of the audit</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td></td><td colspan="2"></td></tr>
<tr><td>No</td><td colspan="3"></td></tr>
<tr><td colspan="4">Remarks : Not Applicable</td></tr>
<tr><td>Other disclosures</td><td colspan="4">As part of the internal rotation of the accounting department, hence it is not applicable.</td></tr>
</table>

2.5.2 About the Successor CPAs:

Name of the firm	Not Applicable
Name of the CPAs	Not Applicable
Date of appointment	Not Applicable
Prior to the formal engagement of the successor CPA, if the Company has consulted the CPA regarding the accounting treatment of or application of accounting principles to a specified transaction, or the type of audit opinion that might be rendered on the Company's financial statement, what was the subject consulted and what was the result?	Not Applicable
The successor CPA's written opinion regarding the matters on which the Company did not agree with the former CPA	Not Applicable

2.5.3 Reply of the Previous Accountant: 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	2017		2018/1/1~2018/04/30	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Cho, Tom-Hwar	0	0	0	0
Director	Yeh, Kuo-I	-18,000	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	-104	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
Supervisor	Cheng, Hsien-Ho	0	0	NA	NA
Supervisor	Wang, Ping-Hui	0	0	NA	NA
Supervisor	Shyh Shiunn Investment Corp.	0	0	NA	NA
Representative of Shyh Shiunn	Yang, Chiung-Nan	0	0	NA	NA
President	Wu, Yung-Tsai	0	0	0	0
Business Group President	Chang, Hui	0	0	0	0
Business Group President	Tsai, Chih-An	0	0	0	0
Senior Vice President	Chiu, ChuiI-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	-10	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	Tsung, Yu-Lin	0	0	0	0

Title	Name	2017		2018/1/1~2018/04/30	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
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
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.

2.7.1 Information of Shares Transferred

Unit: Share

Name	The reason	Date	Trading counterparties	Relation	Shares	Price
Yeh, Kuo-I	endowment	2017/07/07	Kuo-Fu Cultural & Educational Foundation	-	9,000,000	-
Yeh, Kuo-I	endowment	2017/07/07	Chuan-Cheng Charity Foundation	-	9,000,000	-

2.7.2 Information of Equity Pledged: None.

2.8 Relationship among the Top Ten Shareholders

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 Yeh, Li-Cheng Kuo Hsieh Investment Co., Ltd. Fu Tai Investment Co., Ltd. Wang, Fu-Tai	Relative within the second degree of kinship Relative within the second degree of kinship Director Director 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.	118,152,558	3.29%	-	-	-	-	Yeh, Li- Cheng Yeh, Kuo-I Wang, Fu-Tai	Chairman Director 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. Representative, Yeh, Li-Cheng							Yeh, Li-Quan Wang, Fu-Tai Fu Tai Investment Co., Ltd.	Relative within the second degree of kinship Relative within the second degree of kinship Chairman	
Fu Tai Investment Co., Ltd.	116,781,074	3.26%	-	-	-	-	Yeh, Li-Cheng Yeh, Kuo-I Wang, Fu-Tai	Chairman Director Director	
Fu Tai Investment Co., Ltd. Representative, Yeh, Li-Cheng	67,412,472	1.88%	600,000	0.03%	-	-	Yeh, Kuo-I Yeh, Li-Chuan Wang, Fu-Tai Kuo Hsieh Investment Co., Ltd..	Relative within the second degree of kinship Relative within the second degree of kinship Relative within the second degree of kinship 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 Yeh, Li-Cheng Kuo Hsieh Investment Co., Ltd.. Fu Tai Investment Co., Ltd. Yeh, Kuo-I	Relative within the second degree of kinship Relative within the second degree of kinship Director Director Spouse	
Fubon Life Insurance Co.,	80,730,000	2.25%	-	-	-	-	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 Yeh, Li-Chuan Wang, Fu-Tai Kuo Hsieh Investment Co., Ltd. Fu Tai Investment Co., Ltd.	Relative within the second degree of kinship Relative within the second degree of kinship Relative within the second degree of kinship Chairman Chairman	
Yeh, Li-Chuan	63,398,405	1.77%	2,711,196	0.09%	-	-	Yeh,Kuo-I Yeh, Li-Cheng Wang, Fu-Tai	Relative within the second degree of kinship Relative within the second degree of kinship 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.

2.9 Ownership of Shares in Affiliated Enterprises

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%	751	1.20%	24,156	38.73%
Inventec Investment Corporation	108,800	100.00%	-	-	108,800	100.00%
Inventec Solar Energy Corporation	108,150	33.45%	59,290	18.34%	167,440	51.79%
E-Ton Solar Tech. Co., Ltd.	231,521	29.70%	48,633	6.24%	280,154	35.94%
AIMobile Co., Ltd.	16,500	55.00%	-	-	16,500	55.00%

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

Ⅲ. Capital Overview

3.1 Capital and Shares

3.1.1 Capital and Shares

04/30/2018

Month/ Year	Par Value (NTD)	Authorized Capital		Paid-in Capital		Remark		
		Shares (1,000)	Amount (NT$1,000)	Shares (1,000)	Amount (NT$1,000)	Sources of Capital (NT$10,000)	Capital Increased by Assets Other 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 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 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 Eapital Surplus 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 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 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 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/ Year	Par Value (NTD)	Authorized Capital		Paid-in Capital		Remark		
		Shares (1,000)	Amount (NT$1,000)	Shares (1,000)	Amount (NT$1,000)	Sources of Capital (NT$10,000)	Capital Increased by Assets Other 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), 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), 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), 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), 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), 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), 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), 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), No. 1000037640 September 01, 2011 (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), No.1010028496

Unit: Share; 04/30/2018

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

.

04/30/2018

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	12	74	142	104,952	845	106,025
Shareholding (shares)	36,640,375	225,250,944	728,459,538	1,535,258,859	1,061,865,350	3,587,475,066
Percentage	1.02%	6.28%	20.31%	42.79%	29.60%	100.00%

3.1.3 Shareholding Distribution Status

04/30/2018

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1~ 999	32,592	9,798,144	0.27%
1,000~ 5,000	47,408	111,563,148	3.11%
5,001~ 10,000	13,187	97,443,895	2.72%
10,001~ 15,000	4,488	55,339,458	1.54%
15,001~ 20,000	2,317	42,149,760	1.17%
20,001~ 30,000	2,131	53,485,998	1.49%
30,001~ 40,000	964	34,121,797	0.95%
40,001~ 50,000	599	27,653,144	0.77%
50,001~ 100,000	1,080	77,330,532	2.16%
100,001~ 200,000	508	71,533,505	1.99%
200,001~ 400,000	285	80,443,993	2.24%
400,001~ 600,000	117	56,933,961	1.59%
600,001~ 800,000	62	42,659,915	1.19%
800,001~1,000,000	37	33,913,216	0.95%
1,000,001~999,999,999	250	2,793,104,600	77.86%
Total	106,025	3,587,475,066	100.00%

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

3.1.4 List of Major Shareholder

04/30/2018

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	118,152,558	3.29%
Fu Tai Investment Co., Ltd	116,781,074	3.26%
Lee, Tsu-Chin	115,833,835	3.23%
Wang, Fu-Tai	99,314,117	2.77%
Fubon Life Insurance Co., Ltd	80,730,000	2.25%
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

<table>
<tr><th colspan="3">Year / Item</th><th>2016</th><th>2017</th><th>01/01/2018
~03/31/2018</th></tr>
<tr><td rowspan="3">Market Price per Share</td><td colspan="2">Highest Market Price</td><td>26.85</td><td>27.10</td><td>24.60</td></tr>
<tr><td colspan="2">Lowest Market Price</td><td>19.60</td><td>21.10</td><td>22.20</td></tr>
<tr><td colspan="2">Average Market Price</td><td>23.00</td><td>23.39</td><td>23.44</td></tr>
<tr><td rowspan="2">Net Worth Per Share</td><td colspan="2">Before Distribution</td><td>15.27</td><td>15.52</td><td>15.87</td></tr>
<tr><td colspan="2">After Distribution</td><td>13.82</td><td>—</td><td>—</td></tr>
<tr><td rowspan="2">Earnings Per Share</td><td colspan="2">Weighted Average Share Numbers</td><td>3,587,475</td><td>3,587,475</td><td>3,587,475</td></tr>
<tr><td colspan="2">Earnings Per Share</td><td>1.57</td><td>1.88</td><td>0.35</td></tr>
<tr><td rowspan="4">Dividends Per Share</td><td colspan="2">Cash Dividends</td><td>1.45</td><td>—</td><td>—</td></tr>
<tr><td rowspan="2">Stock Dividend</td><td>Dividends from Retained Earnings</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>Dividends from Capital Surplus</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td colspan="2">Accumulated Undistributed Dividends</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td rowspan="3">Return on Investment</td><td colspan="2">Price / Earnings Ratio</td><td>14.65</td><td>12.44</td><td>—</td></tr>
<tr><td colspan="2">Price / Dividend Ratio</td><td>15.86</td><td>—</td><td>—</td></tr>
<tr><td colspan="2">Cash Dividend Yield Rate</td><td>0.06</td><td>—</td><td>—</td></tr>
</table>

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 2017 is still pending acknowledgment by the 2018 general meeting.

Year	2013	2014	2015	2016	2017
Cash Dividend	1.60	1.75	1.40	1.45	1.65
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 (2018) Shareholders' Meeting has not proposed any stock grants.

3.1.8 Remuneration of employees, directors, and supervisors

1. Percentage or scope of remuneration of employees, directors, and supervisors 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. Before the company’s Audit Committee is established, the supervisor’s reward shall be apportioned based on the aforementioned condition.

2. Estimation base of employee, director and supervisor 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, director and supervisor 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. Before the company’s Audit Committee is established, the supervisor’s reward shall be apportioned based on the aforementioned condition.

   (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 2017 is NTD 422,632,888, and the remuneration of directors in 2017 is NTD 118,337,208, which are the same as the recognized expense amount in 2017.

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

In 2016, the relevant information on the employee, director, and supervisor remuneration is summarized below:

Employee bonus distribution: NTD348,606,659; director and supervisor remuneration distribution: NTD 97,609,865, and the total distribution amount is NTD 446,216,524. It is the same as the recognized expense amount in 2016.

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	2016	2017
IT Product	96.83%	96.84%
Solar Product	3.17%	3.16%
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 notebook computer market is a very mature market. Over the last five years, despite the decrease in the global shipment of notebook computers, demands have increased in 2017, benefited by the commercial trend of machine changes and the mainland China market in 2017. Based on statistics from the Institute for Information Industry (III), the global shipment of notebook computers in 2017 reached about 158 million, showing a growth rate of 1.7%. Regarding prospects for 2018, since the commercial trend of machine changes in Europe and the US has gradually declined, shipments should be largely driven by the Asian market. Furthermore, due to the gradual decline of the demand for commercial machine models, the buying spree for consumer models has become a major index for the shipment of notebook computers in 2018. Despite the decline in expected shipment rate, each major branded company will increase the shipment proportion of high-end technological machines with the aim of increasing their sales profit. Taiwanese manufacturers possess leading technologies with regards to the design and manufacturing of high-end machines, hence they are still the partners on which major notebook computer manufacturers heavily rely.

(2) Servers and Cloud computing

Recently, mobile communication devices have been becoming more popular by the year, and the information application market, such as wearable devices, Internet of Things, etc., has also been developing rapidly. In response to the demand of storing massive digital data, all manufacturers worldwide have successively joined the cloud computing field, which has driven all kinds of innovative services. Cloud computing has reshaped the supply chain of the information communication industry and has triggered a new wave of industry competition. With a continuous increase of output value in the entire cloud industry, companies that offer cloud services also continue to increase. In addition to large-scale Internet and virtual community dealers, many medium and small-scale companies are providing all kinds of cloud services with development potential. Meanwhile, each of the major plants has installed a global information center one after another. On average, each of the information centers can accommodate 8,000 to 15,000 server racks, which has also triggered the boost in demand for servers. In recent years, with the rapid development of cloud and mobile applications, the market scale of servers has been growing continuously. Since mainland China telecommunication dealers and Internet service providers have massive data processing and storage demand and the shipment volume of server brand manufacturers in mainland China are continuously growing, they are expected to catch up with the leading manufacturers in Europe and the United States in the coming years. With an increase in challenging brand manufacturers from mainland China, in addition to maintaining inherent corporate hardware business, brand manufacturers in the United States are also actively developing cloud computing solutions.

According to an estimation by Digital Times, the growth of servers worldwide in 2017 increased by 7.1%, reaching 12.65 million (with calculations based on motherboards). As for 2018, since each of the major plants is actively developing information centers and expanding themselves into the mainland China market, the demand for servers is expected to continue to rise, with the annual shipment increase reaching more than 8.5%.

(3) Smart devices

In 2017 the mobile phone industry entered into the maturity stage of market growth, according to the statistics of Institute for Information Industry. The shipment volume of smart phones around the globe was approximately 1.536 billion phones, an increase of 3.4% compared to the statistics of 2016. The industry is benefitting from such newly developing countries as India, as well as increased consumption power from the middle class in Southeast Asia and the enhanced willingness to change machines. Since the global smart phone market has gradually declined since the permeability rate has reached more than 100%, the shipment to the US and such mature markets in western Europe in 2018 is estimated to amount to that of 2017. Even if the market sales to Europe and the US are not as good as those to newly developing markets, they are still the primary areas of sales for high-end flagship models. In recent years, as consumer income increases in mainland China, it has triggered the machine changing trend for high-end smart phones. Along with the upgrade of components, the sales of medium-priced smart phones will also increase.

With the gradual maturity of related service development toward IoTs, technological upgrades and consumer acceptance setbacks regarding wearable device have inspired each of the major plants to actively dedicate themselves to developing related products. Intelligent wearable devices (smart watches and wristbands) are considered the main spotlight, and the Gartner research investigation institute has estimated that the sale growth for smart wearable devices should reach 16.7%, for a total of 310 million, with 41.5 million being smart watches and 44.1 million being smart wristbands. With stimulation from new participants and enhanced consumer knowledge, the smart wearable device market is viewed as having great prospects, and the sale of global wearable devices is expected to continue to grow by 12%, thus reaching 347 million.

(4) Solar energy

As indicated by the TrendForce research institute, the scale of global demand in 2017 was about 100 GW, with an annual growth rate of 26%. Of that, 52.8GW solar optoelectronic devices installed in China make it the largest market in the world, followed by 12GW in the US. Furthermore, the installation rate of solar optoelectronic devices in emerging markets is rising throughout the world, with 9.3GW installed in India, which is considered to be the fastest growing market, having surpassed Japan to become the third largest market in the world. In general, the market share of global solar power in Asia has reached as much as 72%. TrendForce has predicted that the demand for solar power should continue to grow to 105.9GW by 2018. Although the demand in mainland China will drop slightly to 46.7GW, it will continue to be the country with the greatest amount of solar power generation devices installed worldwide. As for the European market, the demand is likely to increase, while the impact of protective trade measures in the US market under Trump should be given special concern. With the US passage of clause 201, solar-powered modules and batteries exported to the US will be levied as high as 30% off the tariff over the next four years, which should affect the utilization rate and shipment amount.

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

Upstream component manufacturing industry	Midstream semi-finished products processing industry	Downstream product distribution industry
(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

Facing the highly-competitive notebook computer market, branded manufacturers still continue to launch all kinds of products. In recent years, a low price has no longer been the primary concern of consumers; instead, they would consider the function and quality of the notebook computer. Furthermore, thin and light models, as well as gaming device features, should become the mainstream shipment of future consumption. 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 reformation of software technology drives the virtualization of the data center, and the software-defined data center (SDDC) has also been upgraded along with the new generation of server specifications, and the computing capability of major servers is increased by minimizing idle hardware costs.

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, including overall server tied products of storage, software, and service, and assisting local data center hardware equipment or integration schemes. 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 3-D detection and carrying wireless charging technology that should become more prevalent in application, by the start of 2018, the trend of cellphone carrying AI chips is expected to grow prominently, and every plant should actively strive for the business opportunities of first-wave cellphones carrying AI.

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

Types of solar batteries are diversified, and different materials have different characteristics in their reaction to the solar spectrum. Except for crystalline silicon, thin-film materials, and III-V and II-VI compound semiconductor materials, organic composite materials have low costs and are easily produced, and even specific nano materials have solar energy power generation characteristics. Currently, commercialized solar batteries include crystalline silicon type, thin-film type and III-V (GaAs) solar batteries, but the crystalline silicon solar battery is the mainstream in market application. Of those, three varieties are most common, namely single crystalline silicon, polycrystalline silicon, and amorphous silicon. Under the premise that each country is vigorously promoting green energy, the demand of solar batteries has been increasing on a daily basis in recent years. Furthermore, high-shift efficiency, low manufacturing cost, and low efficiency attenuation have become the focus of all manufacturers. As sale prices increase along with the improvement of conversion efficiency and reduction of the cost of silicon material parts, each manufacturer has started successively investing in the introduction and development of the relevant advanced technologies with the aim of improving the conversion efficiency of the solar battery, reducing manufacturing costs, and slowing down efficiency attenuation, thereby improving profitability and ensuring industrial 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	2016	2017
R&D Expenses (Unit: NT$ Thousand)	8,697,105	8,828,444
R&D Expenses to Revenue (%)	2.03	1.89
Growth Rate (%)	-1.36	1.51

"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 NTD8.69 billion and NTD8.82 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) Start from the operation philosophy of “Innovation, Quality, Open Mind, and Execution” to integrate operation technology and management tools to improve operation performance.

(2) Research and develop demand-oriented products and expand the depth and width of product research and development level.

(3) Stick to knitting and strive for innovation improvement, satisfying customer and market demands in the quickest and most direct way.

(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) 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.

(2) Through product diversification and the expansion of the production scale of the corporation, enter into the markets of cloud computing, mobile computing, wireless communication, network application, smart family, application software and green energy environmental protection, etc., based on the solid foundation of the OEM professional notebook computer, and expand the operational scale of the organization by entering into the Internet of Things and associated technologies to become the top Internet enterprise in the industry.

(3) Continuously promote the five major development areas of "Rapid Innovation", "Sustainable Energy", "Cloud Solutions", "Mobile Lifestyle", and "Emerging Markets". Utilize vertical labor division, improve efficiency, provide customers with timely and complete services, carry out supply chain integrating management, and construct the production organization of an economic scale in order to strengthen long-term competitive advantages.

(4) Explore new demands, and conduct research and development into products as determined by market demand through strategic alliance with customers. In additional, create a mutually-beneficial collaboration with partners to provide the best service and achieve customer satisfaction.

(5) 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.

4.2 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

In 2017, the commercial changing trend of machines triggered the buying spree of notebook computers, stimulating the shipment of notebook computers. Based on the statistics of III published in 2017, the annual shipment of notebook computers in Taiwan was 132 million, an increase of 2.1% from 2016, reversing the decrease of notebook computers over the last five consecutive years. However, Taiwanese notebook computer OEM manufacturers are capable of managing global logistics, responding quickly, and producing on a large scale, and so major branded manufacturers from the USA, Japan and Taiwan still turn to Taiwanese OEM manufacturers for design specifications and production, resulting in Taiwan’s global market share being approximately 80%, occupying a leading position.

The development of the Taiwanese notebook computer industry has a strong connection to the development of the global industry, and is deeply influenced by customer's outsourcing strategy. Looking to 2018, as each major brand starts to see the importance of the production line and emphasizes the need for the improvement of efficiency and specifications, the design and manufacturing technology of Taiwan will be leading worldwide, and it will still have a definite advantage with regards to the production of medium and high-end OEM notebook computers. 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. Although market demand growth has declined, space for growth remains for the future trends of high-end notebook computers, work-station notebook computers, gaming notebook computers, and related products. Furthermore, the group has generally implemented development and should continue to increase investment.

(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. The Group has been steadily growing in the server industry and continuously improving its competitive advantage in response to the increase in demand of computer technology. 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. Meanwhile, we exploit global supply chain systems, in addition to the existing cloud equipment production base on the US-Mexico border and in the Czech Republic. Comply with the small quantity, diverse and localized sales type of the Internet of Things, in the future, we will also consider establishing research and development and production bases in other areas to improve company competitiveness.

(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. In the future, sales will mainly rely on the replacement of products previously purchased. 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 2022, the sales of smart phones have the potential to reach 18.89 billion, while the compound growth rate from 2017 to 2022 will be 4.1%. 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 statistics of III, the average market sale price of a solar-powered battery in 2017 was about US$0.25 per watt, with the continued impact rendered by the market recession in the second half of 2016. The entire overall value of output for solar-powered batteries in Taiwan for 2017 was US$29.65 billion, a decrease of 13% from 2016, which was mainly due to the reduced average price affecting the overall output value. In view of the prospects for 2018, since the US passed clause 201, the US will levy as high as a 30% tariff on imported solar-powered modules and batteries over the next four years, which should lower the market competitiveness of battery and module products exported from foreign countries to the US. Nevertheless, Taiwan manufacturers have resorted to a variety of coping measures to differentiate their clients, develop newly emerging markets, and build up overseas manufacturing bases following anti-dumping and anti-subsidy events by the US and anti-investigation by the EU; therefore, the estimated impact will not be so serious. Meanwhile, mainland China has increased its installation target by 2020 to 86.5GG, with an increase of 21.6GW per year. 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 Group will continuously develop high-quality and high-efficiency products through professionalism and differentiation to expand into more business opportunities.

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

(1) Favorable factors

A. 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.

B. 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.

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. Furthermore, in the solar energy photovoltaic industry, through vertical integration and Group resources sharing, the Group can take its place in the field of solar battery and module products.

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. 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.

C. 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.

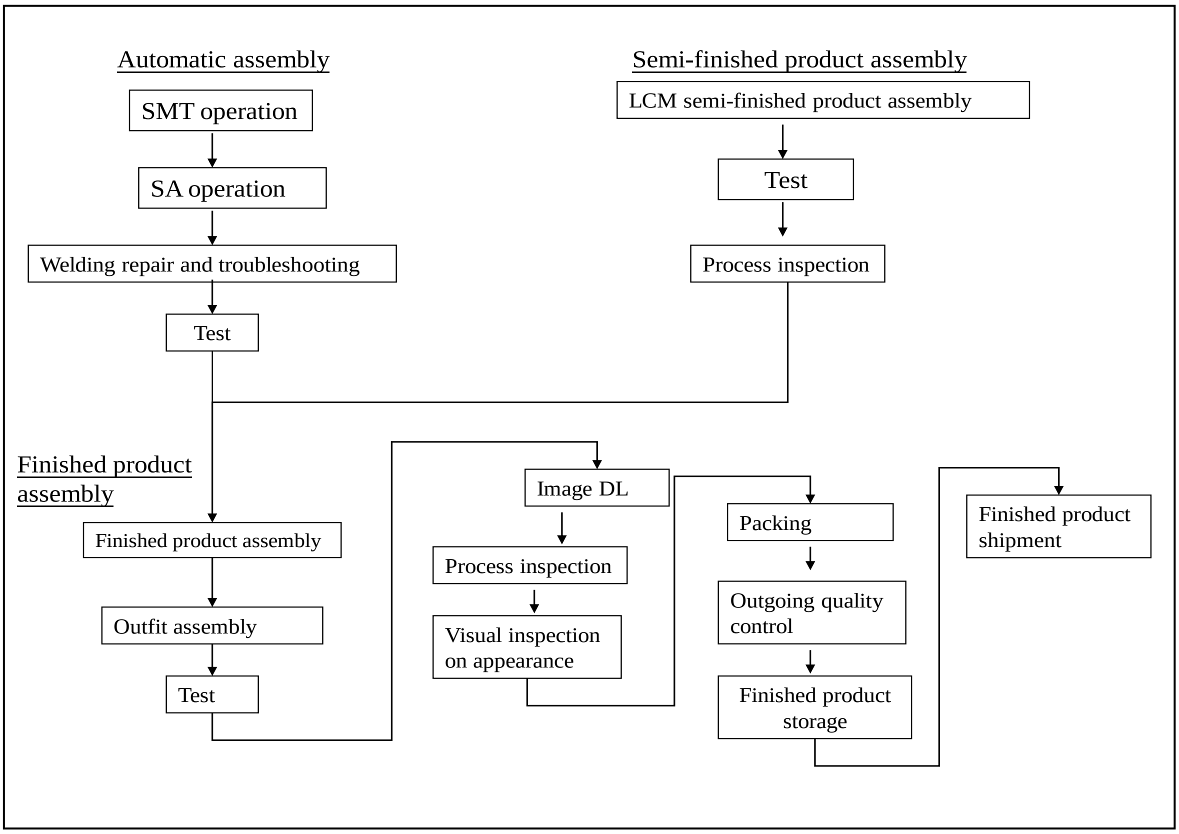
D. Our business is mainly export sales, so the change of exchange rate will significantly impact company revenue and profit-making.
Solution: Most of the important components of the Company are purchased and imported overseas and priced with foreign currency, and the sales are mostly priced with foreign 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	SANDISK	WD
	AMD	INX	SAMSUNG	TOSHIBA
	TERADICI	LG	MICRON	SEAGATE

4.2.4 Major Accounts in the Past Two Years

A. Major Suppliers

Unit: NT$ Thousand

Item	2016				2017				As of end of Q1, 2018			
	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	183,667,102	49	Nil	A	214,363,455	50	Nil	A	48,040,315	48	Nil
2	Others	191,987,710	51	-	Others	218,644,435	50	-	Others	53,079,120	52	-
	Total Net Purchases	375,654,812	100	-	Total Net Purchases	433,007,890	100	-	Total Net Purchases	101,119,435	100	-

B. Major Clients

Unit: NT$ Thousand

Item	2016				2017				As of end of Q1, 2018			
	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	256,035,155	60	Nil	A	289,549,082	62	Nil	A	63,554,821	61	Nil
2	Others	172,430,860	40	-	Others	177,963,265	38	-	Others	41,254,556	39	-
	Total Net Sales	428,466,015	100	-	Total Net Sales	467,512,347	100	-	Total Net Sales	104,809,377	100	-

4.2.5 Production Value in the Most Recent Years

Unit: 1,000 pcs, NT$ Thousand

Quantity & Value / Major Product	2016			2017		
	Capacity	Quantity	Value	Capacity	Quantity	Value
IT Product	414,668	320,146	348,714,659	408,198	368,844	379,339,615
Solar Product	360,215	342,541	14,108,167	503,027	483,583	15,176,173
Total	774,883	662,687	362,822,826	911,225	852,427	394,515,788

4.2.6 Sales Value in the Most Recent Years

Unit: 1,000 pcs, NT$ Thousand

Quantity & Value / Major Product	2016				2017			
	Domestic		Export		Domestic		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
IT Product	9	7,967,708	304,962	406,935,758	2,766	5,746,338	374,922	447,005,211
Solar Product	11,868	578,546	322,073	12,984,003	6,899	185,478	475,560	14,575,320
Others	-	-	-	-	-	-	-	-
Total	11,877	8,546,254	627,035	419,919,761	9,665	5,931,816	850,482	461,580,531

4.3 Human Resources

Year		2016	2017	Up to Mar. 31, 2018
Employee Number	Direct Labor	38,964	43,357	41,270
	Indirect Labor	12,416	12,345	12,403
	Total	51,380	55,702	53,673
Average Age		28.07	28.26	28.59
Average Seniority		3.29	3.38	3.44
Education Distribution %	PhD Degree	0.18%	0.19%	0.19%
	Master Degree	5.65%	6.41%	6.59%
	College	31.87%	33.93%	34.55%
	High School (and below)	62.30%	59.48%	58.68%

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 has continually adhered to the established environment and quality policy as well as invested in sustainable projects. In 2017, it carried out a series of execution plans, and the cost of the relevant environmental protection expenditure of the Inventec Group (Inventec, Inventec Appliances, Inventec Solar Energy, and E-TON Solar Tech) was approximately NT$498 million, mainly covering responsible waste disposal, maintenance of pollution control equipment, environment detection, ecological afforestation, green management system evaluation, product environmental protection mark certification, environmental education, energy saving and carbon reduction projects, environmental preservation activities, occupational health, green supply chain management, and transaction of carbon emission etc.

In order to adhere to the demands of corporate sustainable development, Inventec has been optimizing the existing comprehensive green management system. It takes the process of PDCA (Plan, Do, Check, Action) from the ISO 9001 quality management system as the basis, optimizing all kinds of green management systems, such as the ISO14001 environmental management system, the IECQ QC 080000 hazardous substance process management system, the greenhouse gas management system, the ISO 50001 energy management system and TOSHMS, OHSAS 18001, etc., to ensure Company encompasses a complete health, safety, environmentally-friendly and energy-saving management system.

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, ranging from green research and development, realization of green factories, deepening energy conservation and water, and lowering the energy consumption of production, among others, in order to continue pursuing the reduced impact of its products on the environment, in the hopes of contributing to a green economy and slowing down climate change. Furthermore, the company has periodically disclosed the "Greenhouse Gas Inventory Report by Inventec Corporation" on its website and began introducing a greenhouse gas inventory system in 2008, providing 11 years of greenhouse gas inventory operations (2007 to 2017). Meanwhile, as a measure for coping with the implementation of greenhouse gas reduction and management laws by the government and to receive recognition from anticipated users with its inventory results, all greenhouse gas inventory operations and documents have been optimized by referring to the inventory registration and management regulations of greenhouse gas emissions and inspection guidelines of greenhouse gas by the EPA of the Executive Yuan, national standards of mainland China, greenhouse gas inventory protocol (GHG Protocol), and international specifications ISO 14064-1 for implementation. Moreover, after an inventory check has been completed internally, an external third-party verification will be conducted for reasonable guarantee to ensure the completeness and reliability of the figures.

The total primary greenhouse gas emission of Inventec Corporation in 2017 was 354,661.365 tons of carbon dioxide (inventory scope: 9 campuses of Inventec, Inventec Appliances, Inventecsolar, E-Ton Solar, AI Mobile, and others), an increase of 10,357.533 tons of carbon dioxide compared to 344,303.812 tons in 2016. The primary reason for said increase is the output increase of the Pudong plant area of Inventec and Inventecsolar. Furthermore, the primary source of greenhouse gas contribution comes from scope 2 -- power purchased from external parties, which amounts to 94.71%. With regard to extra carbon emission, the company will work with the carbon management mechanism of the local government and head to the platform of the transaction center to buy carbon rights and carry out carbon neutralization. For environment sustainability, in addition to breaking loose from its current status, the company has carried out energy conservation and enhanced equipment’s energy efficiency. It has continued to install clean solar-power generation devices, and the amount of solar-power generation in 2017 was 3,421,321.00, kWh. The company also installs clean device of solar power generation in Taiwan, and the amount of power generation in 2017 was 284,837.40 kWh.

To expand the green corporate influence of Inventec, the company has actively promoted the green supply chain to make use of all kinds of assistance and integration with the sustainable supply chain presentation of both its suppliers and its sponsors. Furthermore, it has also requested honest management, information disclosure, and conflict coal-mines to pass on to suppliers’ partners who work with the company, in anticipation of contributing to sustainable development through its supply chain.

For a long time now, Inventec has worked to protect environmental ecology, adopt community parks, and sponsored lectures on community environment protection. It is involved with the conservation of such important wetlands of the country as "Kuandu Nature Park," has adopt the north pond of Qiantang Ecological Area of "Kuandu Nature Park,” and sponsors construction works of the naked land of "Kuandu Nature Park" to increase the habitation space of water birds. It is hoped that these efforts can help more people and students learn about the functions and importance of the wetlands, so that they can properly treasure our land and preserve its biological diversity.

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 decorate 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 2017, 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 2017, the expenditures related to employee training were NT$7,865,571, and the total training hours were 51,362 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	HP Inc.	Same as above	Production of notebook products compliant with HP quality requirements based on Sales Agreement.	The duty of confidentiality
Service and Support Agreement	HP Inc.	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	Hewlett Packard Enterprise Company	Same as above	Production of server products compliant with HP quality requirements based on Sales Agreement.	The duty of confidentiality
Service and Support Agreement	Hewlett Packard Enterprise Company	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	Fujitsu Limited	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	2015/10/22~2018/10/22	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					01/01/2018 ~3/31/2018
		2013	2014	2015	2016	2017	
Current Assets		168,811,543	151,098,840	133,577,659	136,793,121	168,324,564	155,373,089
Property, Plant and Equipment		34,032,310	35,073,036	34,660,330	38,666,219	33,351,252	32,783,266
Intangible Assets		887,259	901,392	872,905	890,024	892,416	874,935
Other Assets		10,440,024	8,628,461	6,635,579	6,023,853	6,199,595	6,264,493
Total Assets		214,171,136	195,701,729	175,746,473	182,373,217	208,767,827	195,295,783
Current Liabilities	Before Distribution	135,212,247	126,668,060	98,771,869	115,082,956	142,830,554	128,030,030
	After Distribution	140,952,207	132,946,141	105,049,950	120,284,795	-	-
Non-Current Liabilities		17,146,701	4,610,879	14,075,755	6,782,999	7,006,659	7,032,178
Total Liabilities	Before Distribution	152,358,948	131,278,939	112,847,624	121,865,955	149,837,213	135,062,208
	After Distribution	158,098,908	137,557,020	119,125,705	127,067,794	-	-
Total Equity Attributable to Owners of Parent		54,837,123	57,578,038	56,480,704	54,792,873	55,682,837	56,949,913
Share Capital		35,874,751	35,874,751	35,874,751	35,874,751	35,874,751	35,874,751
Capital Surplus		2,895,677	2,920,718	2,912,784	2,913,096	2,913,096	2,913,096
Retained Earnings	Before Distribution	14,425,431	15,773,335	14,883,819	15,486,313	17,002,536	18,921,548
	After Distribution	8,685,471	9,495,254	8,605,738	10,284,474	-	-
Other Equity Interest		1,641,264	3,009,234	2,809,350	518,713	-107,546	-759,482
Treasury Stock		-	-	-	-	-	-
Non-Controlling Interests		6,975,065	6,844,752	6,418,145	5,714,389	3,247,777	3,283,662
Total Equity	Before Distribution	61,812,188	64,422,790	62,898,849	60,507,262	58,930,614	60,233,575
	After Distribution	56,072,228	58,144,709	56,620,768	55,305,423	-	-

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

Item \ Year		Five-Year Financial Summary				
		2013	2014	2015	2016	2017
Current Assets		156,799,371	109,949,533	91,631,494	99,131,197	106,190,186
Property, Plant and Equipment		6,030,123	5,820,213	5,739,243	12,310,646	12,407,998
Intangible Assets		75,128	86,258	56,851	73,653	80,691
Other Assets		34,040,342	37,385,215	38,286,030	35,829,227	35,076,031
Total Assets		196,944,964	153,241,219	135,713,618	147,344,723	153,754,906
Current Liabilities	Before Distribution	126,500,178	93,810,253	68,203,221	87,388,360	92,865,658
	After Distribution	132,240,138	100,088,334	74,481,302	92,590,199	-
Non-current liabilities		15,607,663	1,852,928	11,029,693	5,163,490	5,206,411
Total Liabilities	Before Distribution	142,107,841	95,663,181	79,232,914	92,551,850	98,072,069
	After Distribution	147,847,801	101,941,262	85,510,995	97,753,689	-
Total Equity Attributable to Owners of Parent		54,837,123	57,578,038	56,480,704	54,792,873	55,682,837
Share Capital		35,874,751	35,874,751	35,874,751	35,874,751	35,874,751
Capital Surplus		2,895,677	2,920,718	2,912,784	2,913,096	2,913,096
Retained Earnings	Before Distribution	14,425,431	15,773,335	14,883,819	15,486,313	17,002,536
	After Distribution	8,685,471	9,495,254	8,605,738	10,284,474	-
Other Equity Interest		1,641,264	3,009,234	2,809,350	518,713	-107,546
Treasury Stock		-	-	-	-	-
Non-Controlling Interests		-	-	-	-	-
Total Equity	Before Distribution	54,837,123	57,578,038	56,480,704	54,792,873	55,682,837
	After Distribution	49,097,163	51,299,957	50,202,623	49,591,034	-

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					01/01/2018 ~ 03/31/2018
	2013	2014	2015	2016	2017	
Sales Revenues	461,091,703	435,599,968	395,470,221	428,466,015	467,512,347	104,809,377
Gross Profit from Operation	22,808,470	23,348,338	21,705,408	23,957,770	25,039,143	5,319,526
Operating Expenses	7,511,866	7,109,079	5,407,268	8,184,463	8,729,569	1,425,175
Non-Operating Income and Expenses	1,412,460	2,571,619	1,776,602	-1,094,554	-1,543,121	296,909
Profit before Income Tax	8,924,326	9,680,698	7,183,870	7,089,909	7,186,448	1,722,084
Profit for the Period	6,209,438	6,665,561	4,975,735	4,971,373	4,337,038	999,770
Loss from Discontinued Operations	-	-	-	-	-	-
Profit (Loss) for the Period	6,209,438	6,665,561	4,975,735	4,971,373	4,337,038	999,770
Other Comprehensive Income (Loss) for the Period, Net of Tax	925,163	1,359,826	-245,620	-2,315,310	-659,830	-3,188
Total Comprehensive Income for the Period	7,134,601	8,025,387	4,730,115	2,656,063	3,677,208	996,582
Profit Attributable to Owners of Parent	7,074,172	7,097,815	5,563,633	5,637,120	6,754,912	1,271,310
Profit Attributable to Non-Controlling Interests	-864,734	-432,254	-587,898	-665,747	-2,417,874	-271,540
Comprehensive Income Attributable to Owners of Parent	8,011,952	8,455,834	5,315,880	3,334,322	6,091,803	1,265,713
Comprehensive Income Attributable to Non-Controlling Interests	-877,351	-430,447	-585,765	-678,259	-2,414,595	-269,131
Basic Earnings Per Share	1.97	1.98	1.55	1.57	1.88	0.35

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				
	2013	2014	2015	2016	2017
Sales Revenues	369,228,630	330,784,531	289,354,169	308,709,688	323,126,751
Gross Profit from Operation	15,126,403	13,346,958	12,049,443	12,856,696	14,062,611
Operating Expenses	6,666,457	4,471,632	3,801,715	5,219,930	5,558,554
Non-Operating Income and Expenses	1,894,985	4,293,281	2,781,569	1,305,987	2,353,134
Profit before Income Tax	8,561,442	8,764,913	6,583,284	6,525,917	7,911,688
Profit for the Period	7,074,172	7,097,815	5,563,633	5,637,120	6,754,912
Loss from Discontinued Operations	-	-	-	-	-
Profit (Loss) for the Period	7,074,172	7,097,815	5,563,633	5,637,120	6,754,912
Other Comprehensive Income (Loss) for the Period, Net of Tax	937,780	1,358,019	-247,753	-2,302,798	-663,109
Total Comprehensive Income for the Period	8,011,952	8,455,834	5,315,880	3,334,322	6,091,803
Profit Attributable to Owners of Parent	7,074,172	7,097,815	5,563,633	5,637,120	6,754,912
Profit Attributable to Non-Controlling Interests	-	-	-	-	-
Comprehensive Income Attributable to Owners of Parent	8,011,952	8,455,834	5,315,880	3,334,322	6,091,803
Comprehensive Income Attributable to Non-Controlling Interests	-	-	-	-	-
Basic Earnings Per Share	1.97	1.98	1.55	1.57	1.88

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
2013	KPMG	Lin, Wan-Wan & Chen, Ying-Ju	Modified Unqualified	
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

5.2 Five-Year Financial Analysis

Item		Year	Five-Year Financial Analysis 2013	2014	2015	2016	2017	01/01/2018~ 03/31/2018
Capital structure (%)	Debt ratio		71.14	67.08	64.21	66.82	71.77	69.16
	Ratio of long-term capital to property, plant and equipment		232.01	196.83	222.08	174.03	197.71	205.18
Solvency (%)	Current ratio		124.85	119.29	135.24	118.86	117.85	121.36
	Quick ratio		95.08	92.95	104.37	90.95	89.96	86.98
	Times interest earned (Times)		14.48	8.74	8.86	12.83	6.25	4.69
Operating ability	Accounts receivable turnover (Times)		7.38	6.45	6.12	6.48	6.22	5.93
	Average collection period		49	57	60	56	59	62
	Inventory turnover (Times)		11.34	11.10	11.74	12.60	11.82	9.20
	Accounts payable turnover (Times)		5.17	4.90	5.64	6.34	6.22	5.67
	Average days in sales		32.19	32.88	31.09	28.96	30.87	39.69
	Property, plant, and equipment turnover (Times)		13.55	12.42	11.41	11.08	14.02	12.79
	Total assets turnover (Times)		2.15	2.23	2.25	2.35	2.24	2.15
Profitability	Return on total assets (%)		3.44	3.76	3.09	3.05	2.80	0.68
	Return on stockholders' equity (%)		10.58	10.56	7.82	8.06	7.26	1.68
	To pay-in Capital (%)	Operating income	20.94	19.82	15.07	22.81	24.33	3.97
		PBT	24.88	26.98	20.02	19.76	20.03	4.80
	Net profit margin (%)		1.35	1.53	1.26	1.16	0.93	0.95
	Basic earnings per share ($)		1.97	1.98	1.55	1.57	1.88	0.35
Cash flow	Cash flow ratio (%)		15.61	0.64	17.23	7.58	1.59	6.13
	Cash flow adequacy ratio (%)		Note3	Note3	Note3	115.45	73.92	57.14
	Cash reinvestment ratio (%)		0.16	-0.05	0.09	0.03	-0.03	0.07
Leverage	Operating leverage		4.74	5.14	3.89	2.51	2.93	4.18
	Financial leverage		1.10	1.21	1.20	1.08	1.19	1.49

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: It is mainly because Fed raised interest rate so that capital cost is increased, in addition to the maneuver of capital so that interest expense is increased and it lowers the Times interest earned.
2. Property, plant, and equipment turnover: It is mainly because the revenue this period increases, so that the Property, plant, and equipment turnover has increased.
3. Net profit margin: It is mainly because the investment company recognizes assets loss, while net profit of the operation units this period continue to lower so that net profit rate has lowered.
4. Cash flow ratio: It is mainly because that shipments have been booming, while the supply of raw materials with the market is quite tight. In order to cope with customers' demands so that there is preparation of inventory strategically as well as the payment of account payable, thus it results in the lowering of operation cash flow.
5. Cash flow adequacy ratio: It is mainly because that shipments have been booming, while the supply of raw materials with the market is quite tight. In order to cope with customers' demands so that there is preparation of inventory strategically as well as the payment of account payable, thus it results in the lowering of operation cash flow.
6. Cash reinvestment ratio: It is mainly because that shipments have been booming, while the supply of raw materials with the market is quite tight. In order to cope with customers' demands so that there is preparation of inventory strategically as well as the payment of account payable, thus it results in the lowering of operation cash flow.

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＝ Net sales／Average accounts receivable (including accounts receivable and notes receivable derived from business operation)

Days sales in accounts receivable＝365／Account receivable turnover

Inventory turnover＝Cost of goods sold／Average inventory amount

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

Average days in sales＝365／Inventory turnover

Ratio of property, plant and equipment＝Net sales／Average of net property, plant and equipment

Total assets turnover＝Net sales／Average total assets

(4). Profitability:

Return on assets＝〔Net income (loss)＋Interest expense×（１－Tax rate）〕／Average total assets

Return on shareholders’ equity＝Net income (loss)／Net average shareholders’ equity

Operating income (pre-tax income) to Paid-in Capital Ratio＝Operating income (pre-tax Income) ／ Paid-in Capital

Profit ratio＝Net income (loss) ／Net sales

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

(5). Cash flow:

Cash flow ratio＝Net cash flow from operating activity／Current liability

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

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

(6). Leverage:

Degree of operating leverage＝(Net operating income－Variable operating cost and expense) ／ Operating income

Degree of financial leverage＝Operating income ／ (Operating income－Interest expense)

Five-Year Individual Financial Analysis

Item			Five-Year Financial Analysis 2013	2014	2015	2016	2017
Capital structure (%)	Debt ratio		72.16	62.43	58.38	62.81	63.78
	Ratio of long-term capital to property, plant and equipment		1,168.21	1,021.11	1,176.29	487.03	490.73
Solvency (%)	Current ratio		123.27	117.20	134.35	113.44	114.35
	Quick ratio		123.38	116.22	133.02	112.59	111.78
	Times interest earned (Times)		40.21	32.93	36.91	18.25	11.73
Operating ability	Accounts receivable turnover (Times)		7.61	6.14	5.56	5.66	5.01
	Average collection period		48	59	66	64	73
	Inventory turnover (Times)		355.62	362.84	307.45	378.68	198.41
	Accounts payable turnover (Times)		4.09	3.72	5.00	5.43	5.10
	Average days in sales		1.03	1.01	1.19	0.96	1.84
	Property, plant, and equipment turnover (Times)		61.23	56.83	50.42	25.08	26.04
	Total assets turnover (Times)		1.87	2.16	2.13	2.10	2.10
Profitability	Return on total assets (%)		4.37	4.18	3.96	4.20	4.89
	Return on stockholders' equity (%)		13.53	12.63	9.76	10.13	12.23
	To pay-in Capital (%)	Operating income	18.58	12.46	10.60	14.55	15.49
		PBT	23.86	24.43	18.35	18.19	22.05
	Net profit margin (%)		1.92	2.15	1.92	1.83	2.09
	Basic earnings per share ($)		1.97	1.98	1.55	1.57	1.88
Cash flow	Cash flow ratio (%)		Note2	8.67	23.40	19.19	-4.91
	Cash flow adequacy ratio (%)		Note3	Note3	Note3	142.21	83.50
	Cash reinvestment ratio (%)		Note2	0.04	0.14	0.19	-0.15
Leverage	Operating leverage		4.37	6.02	4.01	2.71	3.09
	Financial leverage		1.03	1.07	1.05	1.08	1.15

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: It is mainly because Fed will raise interest rate so that capital cost is increased, in addition to the maneuver of capital so that interest expense is increased and it lowers the Times interest earned.
2. Inventory turnover and Average days in sales: It is mainly to cope with customers' demands so that there is preparation of inventory strategically as well as increased inventory, so that the inventory and average days of sales have lowered.
3. Return on stockholders' equity: It is mainly to continue net profit growth of this period with the operation unit, so that return on equity has increased.
4. PBT to pay-in capital ratio: It is mainly because there is business growth this year, and it ends up with net profit growth with increased gross profit with the trade and increased profit of non-operation income.
5. Cash flow ratio: It is mainly because that shipments have been booming, while the supply of raw materials with the market is quite tight. In order to cope with customers' demands so that there is preparation of inventory strategically as well as the payment of account payable, thus it results in the lowering of operation cash flow.
6. Cash flow adequacy ratio: It is mainly because that shipments have been booming, while the supply of raw materials with the market is quite tight. In order to cope with customers' demands so that there is preparation of inventory strategically as well as the payment of account payable, thus it results in the lowering of operation cash flow.
7. Cash reinvestment ratio: It is mainly because that shipments have been booming, while the supply of raw materials with the market is quite tight. In order to cope with customers' demands so that there is preparation of inventory strategically as well as the payment of account payable, thus it results in the lowering of operation cash flow.

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

Note 2: Net cash flow of operating activities are 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 2017 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, 2018

5.4 Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016, and Independent Auditors' Report

Please refer to Appendix Ⅰ, page 180.

5.5 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	2017	2016	Difference	
			Amount	%
Current assets	168,324,564	136,793,121	31,531,443	23.05%
Property, plant and equipment	33,351,252	38,666,219	-5,314,967	-13.75%
Intangible assets	892,416	890,024	2,392	0.27%
Other assets	6,199,595	6,023,853	175,742	2.92%
Total assets	208,767,827	182,373,217	26,394,610	14.47%
Current liabilities	142,830,554	115,082,956	27,747,598	24.11%
Non-current liabilities	7,006,659	6,782,999	223,660	3.30%
Total liabilities	149,837,213	121,865,955	27,971,258	22.95%
Share capital	35,874,751	35,874,751	-	-
Capital surplus	2,913,096	2,913,096	-	-
Retained earnings	17,002,536	15,486,313	1,516,223	9.79%
Total equity attributable to owners of parent	55,682,837	54,792,873	889,964	1.62%

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: Since shipment orders are booming, accounts receivable have increased. In addition to a critical supply of raw materials, inventory has increased as a form of strategic preparation for materials in order to respond to customers' needs.
2. Current liabilities: Since shipment orders are booming and the supply of raw materials is critical, inventory has increased as a form of strategic preparation for materials in order to respond to customers' needs. Therefore, short-term loans and accounts receivable have increased.

6.1.2. Individual

Unit: NT$Thousand

Item \ Year	2017	2016	Difference	
			Amount	%
Current assets	2017,190,186	99,131,197	7,058,989	7.12%
Property, plant and quipment	12,407,998	12,310,646	97,352	0.79%
Intangible assets	80,691	73,653	7,038	9.56%
Other assets	35,076,031	35,829,227	-753,196	-2.10%
Total assets	153,754,906	147,344,723	6,410,183	4.35%
Current liabilities	92,865,658	87,388,360	5,477,298	6.27%
Non-current liabilities	5,206,411	5,163,490	42,921	0.83%
Total liabilities	98,072,069	92,551,850	5,520,219	5.96%
Share capital	35,874,751	35,874,751	-	-
Capital surplus	2,913,096	2,913,096	-	-
Retained earnings	17,002,536	15,486,313	1,516,223	9.79%
Total equity	55,682,837	54,792,873	889,964	1.62%

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

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	2017 Amount	2016 Amount	Amount changed	Change percentage (%)
Gross Sales Revenue	467,512,347	428,466,015	39,046,332	9.11%
Less：Sales Discounts and Allowances	-	-	-	-
Net Sales Revenue	467,512,347	428,466,015	39,046,332	9.11%
Operating Costs	-442,473,204	-404,508,245	-37,964,959	9.39%
Gross Profit from Operation	25,039,143	23,957,770	1,081,373	4.51%
Operating Expense	-16,309,574	-15,773,307	-536,267	3.40%
Operating Profit	8,729,569	8,184,463	545,106	6.66%
Non-operating Income and Expense	-1,543,121	-1,094,554	-448,567	40.98%
Income from Operations of continued segments - before tax	7,186,448	7,089,909	96,539	1.36%
Less: Income Tax (Expense)	-2,849,410	-2,118,536	-730,874	34.50%
Profit attributable to owners of parent	6,754,912	5,637,120	1,117,792	19.83%
Profit attributable to non-controlling interests	-2,417,874	-665,747	-1,752,127	263.18%
Income from Operations of continued segments - after tax	4,337,038	4,971,373	-634,335	-12.76%

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: Such income and expenses are mainly due to the increase of the interest rate of the U.S. Fed, leading to an increase in loan interest rates, thus augmenting the financial aspect.

2. Income Tax Expense: This is mainly due to the boost of net profits before taxation; furthermore, since a loss comes along with an invested company, such a loss is unlikely to be turned into a profit within a short period of time; thus, the income tax assets are not booked for deferral, explaining the increased income tax fee.

3. Profit attributable to non-controlling interests: Since the invested company accrues asset impairment, the net loss of the non-controlling interest has increased.

Individual

Unit: NT$Thousand

Item \ Year	2017 Amount	2016 Amount	Amount changed	Change percentage (%)
Gross Sales Revenue	323,126,751	308,709,688	14,417,063	4.67%
Less：Sales Discounts and Allowances	-	-	-	-
Net Sales Revenue	323,126,751	308,709,688	14,417,063	4.67%
Operating Costs	-309,064,140	-295,852,992	-13,211,148	4.47%
Gross Profit from operation	14,062,611	12,856,696	1,205,915	9.38%
Less：Unrealized Profit(Loss) from Sales	-13,751	-15,140	1,389	-9.17%
Plus：Realized Profit(Loss) from Sales	15,140	15,615	-475	-3.04%
Realized Gross Profit from operation	14,064,000	12,857,171	1,206,829	9.39%
Operating Expense	-8,505,446	-7,637,241	-868,205	11.37%
Operating Profit	5,558,554	5,219,930	338,624	6.49%
Non-operating Income and Expense	2,353,134	1,305,987	1,047,147	80.18%
Income from operations of continued segments - before tax	7,911,688	6,525,917	1,385,771	21.23%
Less: Income Tax Expense	-1,156,776	-888,797	-267,979	30.15%
Income from operations of continued segments - after tax	6,754,912	5,637,120	1,117,792	19.83%

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: Since the session has adopted the equity method, and accrued subsidiary, affiliates, and the share of joint venture interest have increased, thus non-operating income has also increased.
2. Income from operations of continued segments - before tax: This is mainly from the increase of operating profit and non-operating income; therefore, net profit before tax from continuing operations has increased from that of the previous session.
3. Income Tax Expense: Because of the net profit increase before tax, the income tax fee has increased.

6.2.2 Expected sales volume and its basis

In 2017, the demand for commercial-type computers has increased under the pretext of profit earning by enterprises. In addition to the stimulation of demands for gaming products and a steady need from emerging markets, notebook computers also experienced mild growth. In 2018, the changing tide of commercial machines has remained steady. Nevertheless, since the base period has been lifted, the overall shipment of notebook computers should continue to display the same mild growth. Given the gradual decline of the growth of notebook computers, the company should strive to innovate products, integrated with recent IoTs, gaming products, and others. It is hoped that by doing so, they should continue to spur the growth momentum of personal computers.

Servers have benefited from the increased demand for information, thus stimulating the shipment growth of servers in 2017. Regarding the prospects for 2018, with the increase of capital expenditure, artificial intelligence (AI), and IoT development, they should continue leading shipment growth for servers worldwide.

Regarding the hand-held mobile device industry, the market was gradually saturated in 2017, and the smart phone industry has marched into maturity. However, given the needs of emerging countries and the stimulation of network communication products for handling cloud services, the hand-held mobile device industry is expected to experience mild growth in 2018.

In 2017, the solar market remained low as the pressure of supply exceeds the demand considerably. In 2018, although the solar energy market displayed a growing trend, under low-price dumping and protective measures for the solar energy industry set by each country, our solar energy industry continues to face rather severe and critical challenges. In handling the industry downturn, the company shall persist with integrating the industrial chain, as well as optimization of manufacturing, in order to reduce costs. In the long run, it is hoped that economic scale benefits can be rendered from the productivity in order to master market trends for the future.

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
26,949,180	11,221,884	8,155,979	30,015,085	—	—

1. Analysis on change of cash flow this year:

   Operating activity: In 2017, 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 26,949,180 thousand

   Expected annual net cash flow from operating activity (B): NTD 11,221,884 thousand

   Expected annual cash outflow (C): NTD 8,155,979 thousand

   Expected cash surplus (insufficient) amount (A+B-C): NTD 30,015,085 thousand

   Looking into 2018, 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			
				2017	2018	2019	2020
Purchase more plant space and equipment	Own capital	Current year	14,653,868	2,653,868	4,000,000	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

From notebook computers and servers in its early period, Inventec has now stepped into the domain of smart devices and solar power and is now further striving toward becoming an IoT company. With diverse re-investments, it is hoped to increase profit for the group. Inventecsolar has resorted to wireless and smart end products as its main line of merchandise, and by combining IoTs and smart applications, it will then develop brand-new high-tech products. It is hoped that the shipments in 2018 can make a certain contribution to the company with the addition of 5G. Besta Company Limited is currently the leading brand name of computer dictionaries and translation software in Chinese areas, and so it would continue to be based on related cloud products. Regarding solar energy, since market competition is becoming fierce and trade protectionism of every country tends to intensify, then it would primarily adhere to improving its manufacturing, yield rate, and vertical integration.

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:

2017	Net amount of interest income (expenditure)	Net amount of exchange (loss) profit
Unit: NTD thousand	123,578	(572,187)

2. Future resolutions:

A. Interest rate: In 2017, while global political and economic situations remained in flux, the Fed has made various moves to increase interest as the U.S. economy started to stabilize, which has affected the monetary policy of other countries. Like in Taiwan, since the labor market is filled with ups and downs, the investment momentum and employment has fallen short of expectations. Therefore, in 2018, the central bank will follow the trends in terms of interest rate manipulation in order to pursue stability. By focusing on the impact of the changes in interest rates on capital operations, the Company will still make the best of its portfolio by giving due consideration to liquidity and safety.

B. Exchange rate: Foreign exchange policies are absolutely not the primary reason affecting economic development, but economic development can be worked out when handling effective monetary, financial, and economic policy. Since the foreign exchange policy and trade war between China and the U.S. would inevitably affect the performance of the foreign exchange positioning of electronic OEM plants in Taiwan, the surging of hot money has to be conducted with suitable adjustments with force from the central bank. Therefore, if international major currencies are highly uncertain, the central bank would have to resort to being hawkish in the short run and a dove in the long run. As for the company, even though China and the U.S. differ in exchange rates, which could possibly undermine the natural hedging effect after balancing the claim against debt, we will deepen our relationships with international vendors and employ hedging manipulation via foreign exchange to reduce the risk of exchange rates and prevent the central bank from making use of appreciation instead of augmenting the interest rate.

C. Inflation: Monetary policies often need to consider inflation in order to prevent the actual interest rate from being distorted. Viewed holistically, the monetary policies of the U.S. remain the key issue of the global economy and financial risk. It is expected that the Central Bank will adopt an appropriate monetary policy in 2018. It must consider the consequences of real interest rates on the domestic economy to keep the economy in a relatively stable structure. In the future, the Company will still actively carry out cost and operation expenditure control, process reengineering and asset activation to mitigate the impact of inflation on business operations.

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. Rapid Innovation: "Innovation" has been the fundamental spirit of the Company since our establishment and is not only the best catalyst for shaping up corporate differentiation values, but also represents our commitment to our clients and working partners. Therefore, whether we can win over others within this fiercely competitive market relies on whether the value we create can accommodate clients' expectations. The company would also make use of the innovative value chain to bravely explore novel domains. Furthermore, we would also benefit from integration with AI plants in order to further the operation scale and profit-making margin of the group and carry out our unique breakthroughs.

2. Sustainable Energy: Climate and environment are interconnected and indirectly render issues of nuclear power and air pollution; only a green enterprise can effectively trigger green life. To realize environmental protection protocols, the group has made use of the management platform from input to output with cross-departmental green product for operation and would also utilize the deployment of green energy enterprises to move towards a full-scale green enterprise. Therefore, the company can do well for itself and for the earth's sustainability.

3. Cloud Solutions: In recent years, the rise of applications with AI and IoTs has stimulated the need for large-sized information centers, and the diverse orientations of network enterprises have rendered cloud computing services to be carried differently. Therefore, the cloud

computing market is developing prosperously, and the company will strive to develop software application services (Saas), platform services (Paas), and infrastructure services (Iaas) for Cloud computing and head towards three-in-one software, hardware, and service integration in order to provide a holistic solution. Furthermore, it will work closely with IoTs to enhance the level and value of its cloud services.

4. Mobile Lifestyle: Zero distance of intelligent life has spurred the further development of telecommunication technology. The rise of 5G has sped up the development of both chips and network deployment. As viewed, the application of IoTs has cast the network out from the core and transformed service into the hub of value creation. Therefore, telecom suppliers have started to seek cloud hosting as they dedicate more efforts to platform (PaaS) and software (SaaS) services. The company will then concentrate on the development of wireless and smart end-products by connecting cloud technology and services by providing multi-aspect smart hand-held devices and network application products.

5. Emerging Markets: The rise of the cloud market, 5G, and AI has driven up the booming development of the server market, and the prospect is bright whether the market is the U.S. or China. Therefore, making use of low-end products to penetrate into undeveloped countries and high-end products to continue expanding the width and depth of developed markets should properly found the market share for the future. On the other hand, while the solar energy market stands still, research statistics have indicated that rapid growth will emerge in 2017, while the most prominent growth can be found in India and China, showing the unstoppable trend of the solar energy revolution. The anti-dumping and anti-subsidy trade measures that started in 2013 by the EU against Chinese solar-energy panels and batteries are about to expire, and if the trade barrier can be abolished, the development of the EU's solar power industry would benefit.

6. Future research and development plan:

A. Notebook computers: The shipment of notebook computers in 2017 has benefited from the changing machine trend of the commercial market and the rising need of the consumer market. Viewed from the current development trend, light and thin models, as well as gaming products, continue to be the mainstream. The company should continue to focus on commercial- and consumer-type models. In addition to seeking differentiation, the renovation of carrying other new operating systems and research technology are conducted in order to respond to market trends and boost profits.

B. Servers: Because of the needs of AI and the application of IoTs, the traditional operation model has stimulated a brand-new server market, while reducing hardware costs and enhancing the operation efficiency of software will present a challenge to the acceptance of new server products. The company was founded with profound research and development capabilities and creativity; therefore, in addition to customized development, it can also provide comprehensive solutions to clients in order to enhance the added value of products. Furthermore, since Intel launched its new server CPU platform, Purley, in the third quarter of 2017, the revenue and shipment of our server business are expected to create bright new record highs with the new server products integrating operation platforms and AI.

C. Cloud services: Along with the popularization of network devices and the booming development of IoTs, the related needs of edge computing have gradually increased, and reducing time reaction and loading while enhancing information should help open up other possibilities for cloud development. As viewed, novel technological services would become a new battlefield for vendor suppliers in the future, while the company has long strengthened its efforts in hardware capability and software development and should work on subsequent back-up technology to ensure comprehensive customer satisfaction. In 2018, the company is expected to expand its deployment in order to bring in further revenue.

D. Solar energy: With the rising awareness of environmental protection in every country, low-price strategies with devices that consist of solar-power modules and batteries and render efficiency, stability, and quality have become the primary factors of competition. Since the current market situation is moving towards the development of smart applications and comprehensive solutions, combining with industries has become the key of future research and development. In this scenario, the company will focus on the design and manufacturing of a crucial supply chain with monocrystalline and multicrystalline solar-power batteries and modules. The introduction of industrial 4.0 automation, the breakthrough of the manufacturing conversion rate, and the optimization of staff quality have all helped boost the conversion rate and yield rate of the solar-power chip. As for solar-power components, the company has also provided high-efficiency chips and power converters, stable system operations, and beautiful customized installations to accommodate clients' terminal needs.

E. Smartphones: The rise of AR/VR has turned the existing groups and ecology of smart phones to have different experiences, while the integrated application in a single device will definitely trigger a changing device trend that should largely enhance the function of cell phones. The company has anticipated becoming a benchmark of the global wireless communication industry as it adheres to innovation, favorable quality, excellent talent, design, manufacturing, and marketing and after-sale service, among others.

7. Research and development expenditure expected to be invested:

The future development plan of the Company will continue to move in five major directions, namely Rapid Innovation, Sustainable Energy, Cloud Solutions, Mobile Lifestyle, and Emerging Markets 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.

8. 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 2.3 billion	2019	Provision of long-term accumulated software and hardware technology and customized overall solutions
Server and cloud computing	Under development	NTD 3.3 billion	2019	Provision of long-term accumulated software and hardware technology and customized overall solutions
Solar energy	Under development	NTD 200 million	2019	Group resource integration and combination of automation import, manufacturing process conversion rate improvement, and optimization of personnel quality
Smart phone and wireless communication devices	Under development	NTD 1.8 billion	2019	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:

IoTs have triggered the rapid development of information and telecommunication technology, and what we are now familiar with as AI, block chain, cloud computing, big data, and 5G. To welcome the challenges of fluctuating technology, Inventec has actively invested in the application and research of industry 4.0, AI, and 5G communication. Through considerable efforts and hard work, in 2017, we have harvested significant results in these three fields for the group. In the future, we should continue to invest in novel products, such as auto electronics and health care in order to bring forward more diversified products that track concurrently with technology. In the short term, we will accelerate assets activation, and encourage research and development through combining innovations with the Internet. In the long term, in addition to product diversity, the Company will optimize Group resources through cross-industry alliance and supply chain integration. Furthermore, throughout research and development, design, production, distribution and service, the Company will provide customers with all-around solutions to improve profit making and further maintain corporate sustainable development. Mobile technologies such as joint Internet, wireless communication transmission, etc. shorten the space barrier, allowing for the smooth sharing of internal and external environmental resources of the company organization. Importing an enterprise resource integration system and financial consolidation system will improve the overall operation and handling efficiency of financial affairs. In terms of the solar optoelectronic industry, though we are constrained by the environment so that no major breakthrough is obtained, we should continue to improve manufacturing and optimize products in order to accumulate sufficient capabilities and break loose from market limitations in the future. 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:

Inventec celebrates it 40th anniversary. For a long time, the Company has adhered to the operation philosophy of “Innovation, Quality, Open Mind, and Execution”. From professional OEM at the early stage to current high technology product fields, such as Industry 4.0, green energy, Internet, etc., Inventec has expanded its operation scale and developed a long-term competition advantage.

With the whole world as its target, the company cannot merely look back on the brilliant records of the last four decades regarding the scale of profit, and through product diversification, strategic alliance, and supply chain resource integration. The so-called “Top ten beliefs” take “talent-oriented” as its first priority and “social responsibility” as its ultimate commitment. The combination of operation philosophy and top ten beliefs constitutes the core value system of Inventec and has formed the corporate culture of Inventec in its pursuit of sustainable development. The baptism and shaping of corporate culture has also facilitated the understanding and recognition of all colleagues in the company. Within a rigorous business environment, it can improve work intention and attitude and then strengthen the company competition system to create the maximum value of corporate culture. In the spirit of “Talent-oriented, increase gross profit, and invest in the future”. Instead, it needs a bit more concern and responsibility in order to pass on experience, resource sharing, and social concerns. In the future, Inventec will continue to demonstrate the spirit of charity, and will jointly discuss how to strengthen the function of social enterprises, thus effectively improving the social responsibility of Internet enterprises.

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 2017 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:

The market demand and supply will affect the strategy of expanding production so that a scale economy can be created to lower manufacturing costs and improve the yield rate to optimize productivity, both of which are key for maximizing profits. The Company will rely on the market situation to carefully evaluate the needs for plant expansion and future economic benefits. Furthermore, the company should resort to asset revitalization to reduce the risk of idle assets and that of capital exposure.

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

The rise of white-box servers and fierce competition of trade markets around the world have rendered the design and service of products one of the primary reasons for increased revenue. In addition to developing white-box clients, the company will also bring along its excellent research and development technology to vie for manufacturers' favor. In addition to pursuing further improvement of quality and quantity and cost control, OEM dealers should go deep into establishing diversified customer relationships in order to avoid the awkward situation brought by excessive concentration of sales. The purchases and sales of the Company are mostly from and to suppliers or international brand manufacturers with considerable scale in the industry. In addition to seeking alternative materials and properly managing inventory levels to reduce the risk of material shortage by actively dispersing supplier sources, the Company also continuously and actively opens channels and exploits overseas markets; by reducing sales risk through product quality optimization, it is expected to harvest potential global markets and grow against trends.

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. and Ji-Ee Industry Co., Ltd. has deteriorated due to a dispute regarding the lands and buildings which Ji-Ee Industry Co., Ltd. leased to E-TON Solar Tech. Co., Ltd. Ji-Ee Industry Co., Ltd. claimed that the lease expired on December 31, 2013 and decided not to continue to lease to E-TON Solar Tech. Co., Ltd. On July 15, 2014, E-TON Solar Tech. Co., Ltd. initiated a civil action by submitting the complaint to Tainan District Court for declaratory judgment confirming the lease of the said lands and buildings. The case was filed as 2014 Chong-Su-Zi No. 196 and is still in progress. In the oral-argument session held on November 17, 2016, both parties notified the court of the consent of both parties to stay the proceeding in order to seek to reach a settlement.

   Furthermore, Ji-Ee Industry Co., Ltd. applied to the court for payment order on the grounds of failure to pay by E-TON Solar Tech. Co., Ltd. the default penalty of NT$8.537 million incurred in January 2014, and Tainan District Court issued the 2014 Si-Tsu-Zi No. 6096 Payment Order. A civil action was initiated by and due to the objection filed by E-TON Solar Tech. Co., Ltd., and Ji-Ee Industry Co., Ltd. raised an alternative claim for unjust enrichment equivalent to the rent from January to March 2014. Tainan District Court gave its judgment via 2014 Chong-Su-Zi No. 73 Judgment that E-TON Solar Tech. Co., Ltd should pay Ji-Ee Industry Co., Ltd. NTD 6,098,000 and the interest calculated based on a five percent annual rate from May 22, 2014 until the date of discharge. E-TON Solar Tech. Co., Ltd filed an appeal to the Tainan Branch of Taiwan High Court on December 5, 2014. On September 29, 2016, the Tainan Branch of Taiwan High Court gave its judgment via 2015 Chong-Shang-Zi No. 5 Judgment that E-TON Solar Tech. Co., Ltd should pay Ji-Ee Industry Co., Ltd. NTD 48,785,000 and the interest calculated based on a five percent annual rate from May 7, 2016 until the date of discharge, and should pay the court costs. On October 17, 2016, E-TON Solar Tech. Co., Ltd filed an appeal to the Taiwan Supreme Court and the case is still in progress.

Based on the sentence with the high court on 7th December 2016 along with related personnel of district court, Ji-Ee Industry Co., Ltd headed for E-TON Solar Tech. Co., Ltd and carried out seal-up to its partial real estate. At the same date, E-TON Solar Tech. Co., Ltd had, also, followed the sentence of high court and surrendered security deposit to the district court to claim from provision execution. In addition, it had, on 28th May of 2016, obtained consent from the district court to write off seal-up registration.

E-Ton Solar had, on the 15th of July 2014, followed the Tainan District Court of Law’s 2014 ruling that it would, within the prescribed deadline, secure the execution of or request a civil suit ruling, through the jurisdiction of the Tainan District Court of Law of Taiwan, to confirm the existence of a leasing relationship and other civil action.

Thus, it has, on the 4th May of 2018, been requested, through the Tainan District Court of Law, that the 2014 civil judgement regarding No. 196 be rejected as it confirms the litigation for the existence of a leasing relationship for the compound and land at the factory site at No. 498, Sec. 2, Ben-tien Road of An-nan district of Tainan City.

Ji-Ee Industry Co., Ltd must provide E-Ton with a right of passage to the sidewalk, driveway, and gate on section 73, 74 of An-nan District of Tainan City, with no alteration to the status quo, establishment of a barrier or other similar behavior that could block the right of passage by E-Ton.

It is confirmed that there is a leasing relationship between E-Ton and Ji-Ee Industry Co., Ltd regarding structures No. 16-10 with E-Ton taking up the same space as the section used by Ji-Ee Industry Co., Ltd on the site of land at No. 73 and 74.

Ji-Ee Industry Co., Ltd should put up E-Ton for all the structures at the same section No. 16-10 in continuum that take up all the land owned by Ji-Ee Industry Co., Ltd at No. 73, and 74.

In addition, Ji-Ee Industry Co., Ltd should allow E-Ton right of passage by allowing access to all of the stairways from the first to the third floor, and the gate of the structures at No.

16-10 of the same section that takes up all the area of land at No. 73 and 74 of the same section owned by Ji-Ee Industry Co., Ltd, and there should not be any alteration to the status quo, erection of barriers, or any similar structures that could hinder passage by E-Ton.

The cost of the lawsuit will be shared equally by Ji-Ee Industry Co., Ltd and E-Ton.

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.

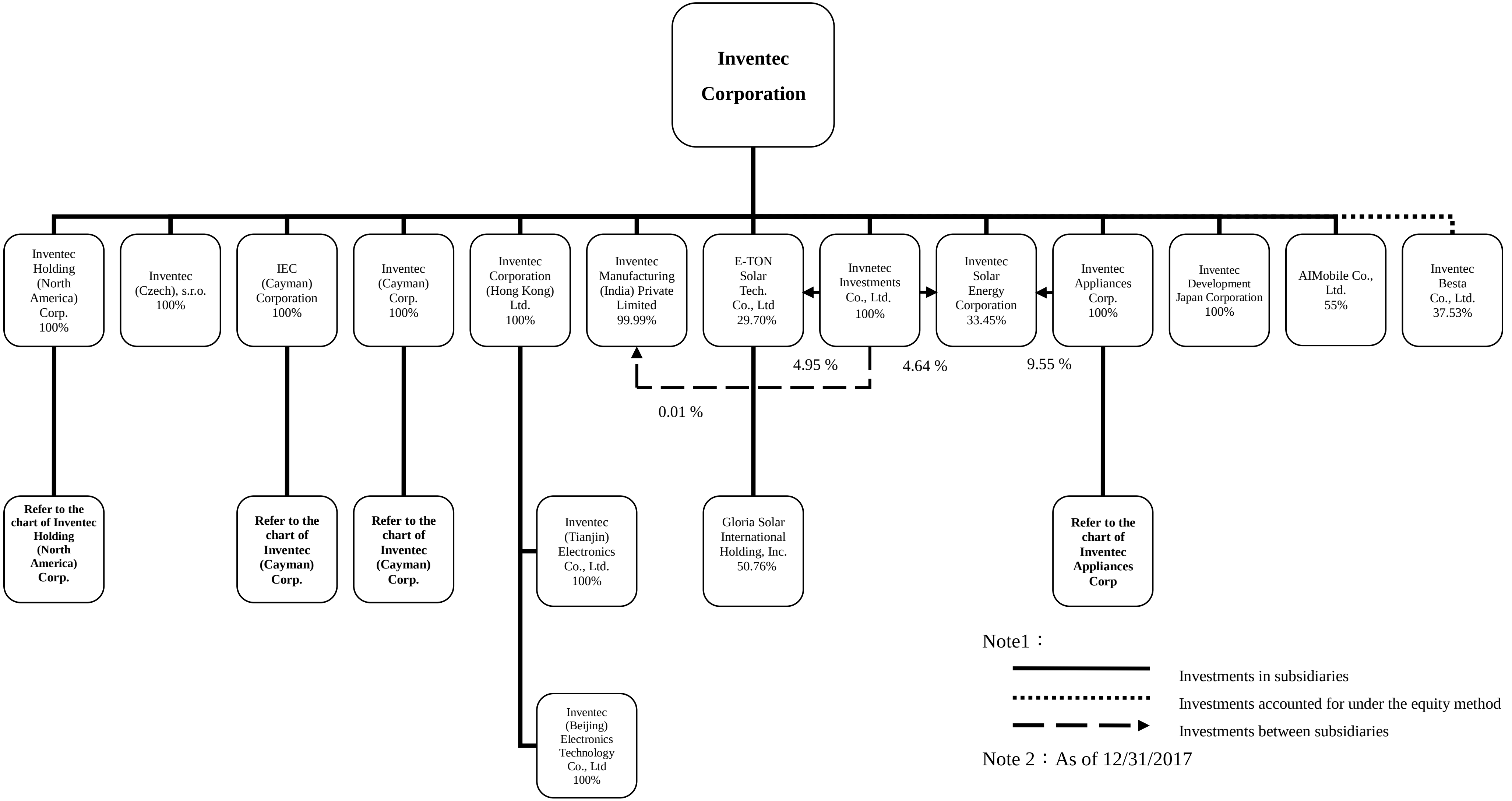
6.6.14 Other important risks and response measures: None.

6.7 Other Important Matters: None.

VII. Special Disclosure

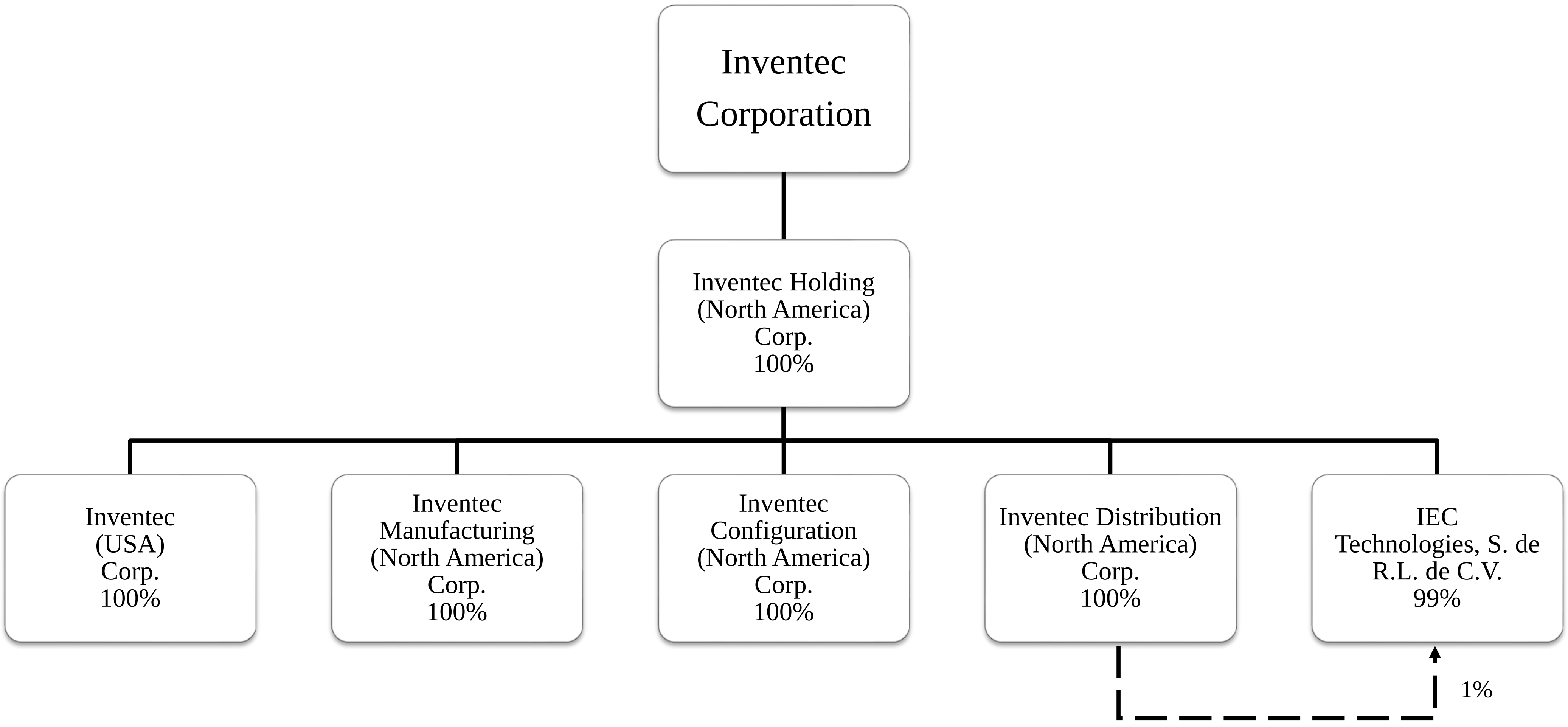
7.1 Summary of Affiliated Companies

7.1.1 The chart of Inventec Corporation

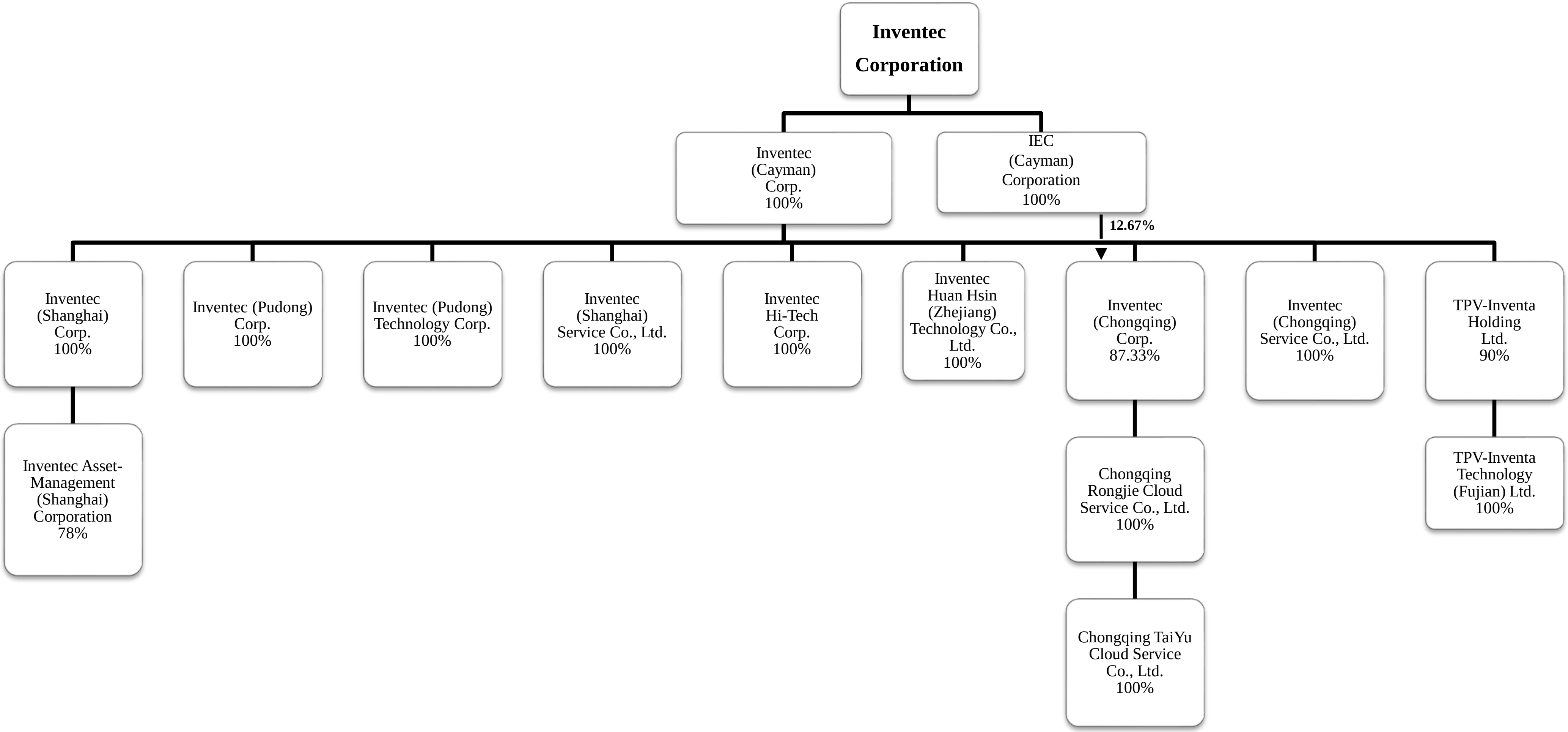


Note 2：As of 12/31/2017

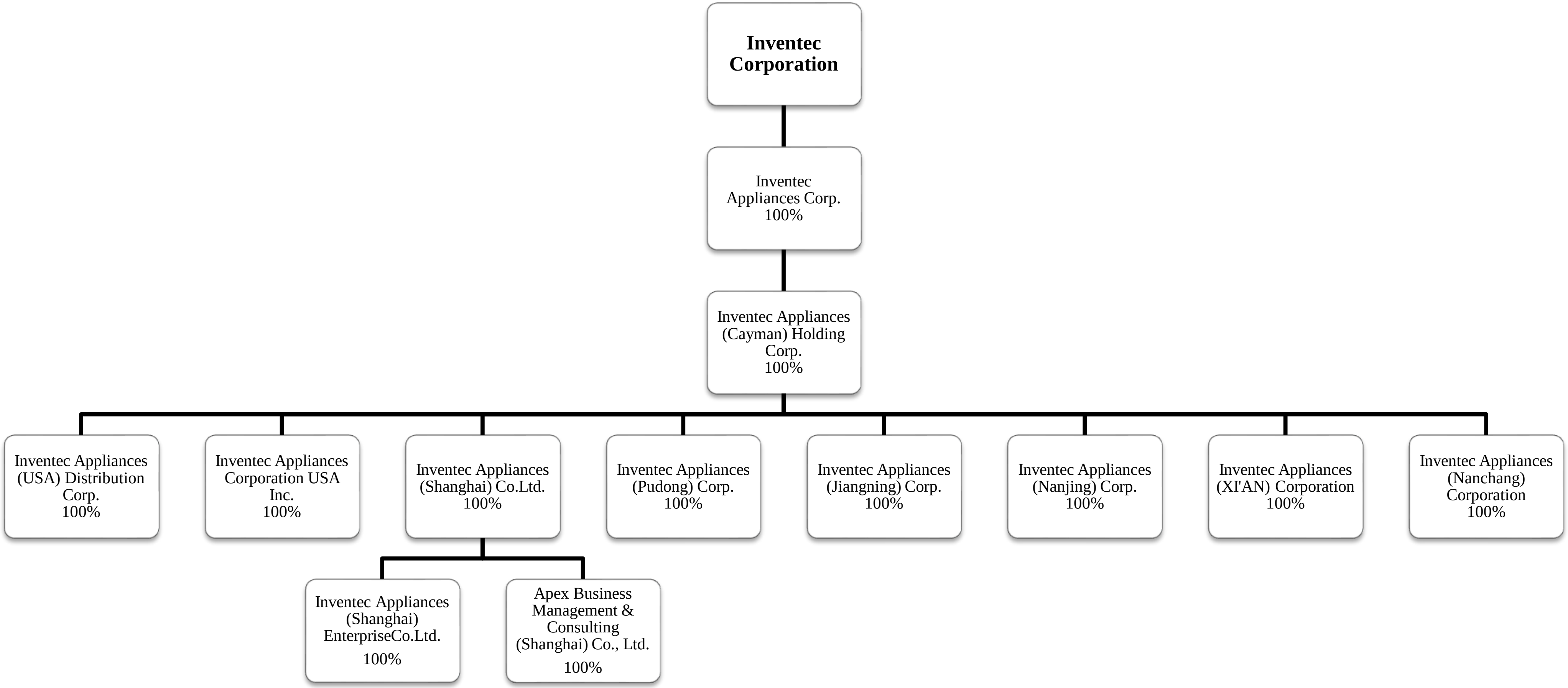
The chart of Inventec Holding (North America) Corp.



The chart of Inventec (Cayman) Corp.



The Chart of Inventec Apliances Corp.



7.1.2 Inventec Corporation Subsidiaries

Unit: NT$ Thousands, As of 12/31/2017

Company	Date of Incorpo--ration	Place of Registration	Capital Stock	Business Activities
Inventec Corporation (Hong Kong) Ltd.	**1990.08**	**Level 54 Hopewell Centre 183 Queen's Road East, Hong Kong**	**8,705**	**Investing in Mainland China and import and export business**
Inventec (Tianjin) Electronics Co., Ltd.	1993.11	Room 401-410, Wanzhao Smart Valley Building, No. 218 Hongqi Road, Nankai District, Tianjin, China	148,650	Research, manufacture, sale and warranty services of electronic production and related.
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.	43,109	Manufacture, and warranty services of computers and related; Sales of self-manufactured products , as well as business information consultation.
Inventec (Cayman) Corp.	**2000.06**	**Floor 4,Willow House,Cricket Square, P.O.Box 2804, Grand Cayman KY1-1112, Cayman Islands**	**9,812,963**	**Holding Company**
Inventec (Shanghai) Corp	2000.10	No.1295, Yi Shan Road Shanghai, China	877,035	Sale of computer productions and related.
Inventec Asset-Management (Shanghai) Corporation	2014.06	The first floor 08 business of No.7 building , No.1528 Gumei road, , Xuhui district, Shanghai ,China	583,321	Real estate development and management
Inventec (Pudong) Corp.	2003.01	No.699 Puxing Road, Minhang District,Shanghai, China	1,486,500	Computer products assembly operations and sale of computer
Inventec (Pudong) Technology Corp.	2004.04	No.789 Puxing Road, Minhang District, Shanghai, China	1,486,500	Manufacture and sale of Servers and related
Inventec (Shanghai) Service Co., Ltd	2004.03	2F Building, No.1295, Yi Shan Road Shanghai, China	86,217	Research, and sale of software products
Inventec Hi-Tech Corp.	2004.09	No.789 Puxing Road, Minhang District, Shanghai, China	1,486,500	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	853,251	Complete of the electronic computer and product and sale of external equipment
Inventec (Chongqing) Corp.	2010.05	No.66, Xiqu Sceond Road, Shapingba District, ChongQing, China	2,229,750	Assembly and sale of computer products
Chongqing Rongjie Cloud Service Co., Ltd.	2015.03	No.1, 8F, B Building, No.24 Honghu West Road, Yubei District, Chongqing, China	90,998	Computer software system integration service
Chongqing TaiYu Cloud Service Co., Ltd.	2015.03	No.2, 8F, B Building, No.24 Honghu West Road, Yubei District, Chongqing, China	90,998	Computer software system integration service
Inventec (Chongqing) Service Co., Ltd.	2010.05	3F Building No.98, Xiqu Sceond Road, Shapingba District, ChongQing, China	29,730	Assembly and sale of computer products
TPV-Inventa Holding Ltd.	2010.05	20th Floor, Euro Trade Centre, 21-23 Des Voeux Road Central, Hong Kong	1,662,206	Holding Company
TPV-Inventa Technology	2010.06	Rongqiao Economic and	1,337,850	Assembly and sale of AIO

Company	Date of Incorpo--ration	Place of Registration	Capital Stock	Business Activities
(Fujian) Ltd.		Technological Development Zone, Fuqing City, Fujian Province, China.		PC
IEC (Cayman) Corporation	**2013.11**	**Floor 4,Willow House,Cricket Square, P.O.Box 2804, Grand Cayman KY1-1112, Cayman Islands**	**739,500**	**Holding Company**
Inventec Holding (North America) Corp.	**1997.09**	**11450 Compaq Center Dr. West Suite 200, Houston, TX 77070**	**159,003**	**Holding company in America**
Inventec (USA) Corp.	1997.02	11450 Compaq Center Dr. West Suite 200, Houston, TX 77070	14,865	Computer product assembles and warranty services
Inventec Manufacturing (North America) Corp.	1997.09	11450 Compaq Center Dr. West Suite 200, Houston, TX 77070	59,460	Technical and Marketing support service
Inventec Distribution (North America) Corp.	1998.08	11450 Compaq Center Dr. West Suite 200, Houston, TX 77070	14,865	Sale of computer products
Inventec Configuration (North America) Corp.	1998.08	11450 Compaq Center Dr. West Suite 200, Houston, TX 77070	59,460	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	59,631	Assembly of servers and related.
Inventec (Czech), s.r.o.	**2004.02**	**Modrice, Central Trade Park Evropska 863 664 42 Modrice, Czech Republic**	**85,921**	**Computer products assembly operations**
Inventec Development Japan Corporation	**2004.12**	**7F, No.1 Shinbashi-Ekimae BL.,2-20-15 Shinbashi, Minakotu-ku, Tokyo, Japan**	**32,048**	**Developing, designing and selling computer peripherals**
Inventec Manufacturing (India) Private Limited	**2015.04**	**8/30 Perumal Mudali Street, Anna salai, Chennai - 600002, Tamil Nadu, INDIA**	**281,720**	**Computer product assembles and warranty services**
Invnetec Investments Co., Ltd.	**2009.08**	**3F-1, No.166, Sec. 4, Chengde Rd., Shilin Dist., Taipei City, Taiwan**	**1,088,000**	**Investment activities**
Inventec Solar Energy Corporation	**2010.10**	**No.349, Sec 2, Renhe Rd., Daxi Township, Taoyuan City, Taiwan.**	**3,233,548**	**Developing, production and selling of solar cells.**
E-TON Solar Tech. Co., Ltd.	**2001.12**	**NO.498,Sec.2, Bentian St., Tainan, Taiwan**	**7,794,498**	**Manufacturing and selling of solar cells**
Gloria Solar International Holding, Inc.	2007.12	The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052 Grand Cayman, KY1-1208 Cayman Islands	1,166,345	Investment activities
Inventec Appliances Corp.	**2000.05**	**No.37, Wugong 5th Road, Wugu District, New Taipei City, Taiwan**	**5,368,573**	**Wireless terminal products**
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.	6,412,233	Holding Company
Inventec Appliances (USA) Distribution Corp.	2000.07	555 Republic Drive, Suite 200, Plano, Texas 75074 , USA	119	Sale of MP3 Play, and consumer electronics etc.
Inventec Appliances Corporation USA Inc.	2006.04	2880 Lakeside Drive, Suite 247, Santa Clara, California 95054	30	Sales activities
Inventec Appliances (Shanghai) Co.Ltd.	1991.07	No.7, Gui Qing Rd., Shanghai, China.	1,534,068	Manufacture and sale of Consumer electronics and IT products.
Inventec Appliances	2015.04	Room B506, Building 3, No.7 Gui	1,410	Development and

Company	Date of Incorpo--ration	Place of Registration	Capital Stock	Business Activities
(Shanghai) Enterprise Co.Ltd.		Qing Road, Xuhui District, Shanghai, China.		consultation on software and hardware; as well as selling of electronic products
Apex Business Management & Consulting (Shanghai) Co., Ltd.	2007.07	Room 701, Building 3, No.7 Gui Qing Road, Shanghai, China.	2,283	Business Administration
Inventec Appliances (Pudong) Corp.	2004.03	No.789, Puxing Rd., Shanghai, China.	2,289,210	Research, design and manufacture of wireless and mobile communication products
Inventec Appliances (Nanjing) Corp.	1993.10	No.100 Xian He Street, Nanjing, China	148,650	Real Estate Rental and Leasing
Inventec Appliances (Jiangning) Corp.	2004.02	No.133, Jiang-Jun Road ,Jiangning Economic and Technological Development Zone, Nanjing, China.	2,021,640	Research, design and manufacture of telecommunication
Inventec Appliances (XI’AN) Corporation	2007.12	No.50 Jin-Ye 1st Road High-tech Industrial Development Zone, Xi' an China	118,920	Research, design and sale of electronic and software products, and real estate rental and leasing
Inventec Appliances (Na nchang) Corporation	2008.12	C401-417, No. 698 Jingdong Boulevard, High-Tech Zone of Nanchang,Jiangxi,China.	62,433	Research, design and sale of electronic and software products
AIMobile Co., Ltd.	2016.05	6F, No.166 Chengde Rd Sec 4, Shilin District, Taipei City, Taiwan, R.O.C	300,000	Research and development, and production and sales of smart mobile devices

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
Holding company	**Inventec Corporation (HongKong) Ltd.**	**Direct investment in Inventec (Beijing) Electronics Technology Co., Ltd. and Inventec (Tianjin) Electronics Co., Ltd.**
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.
Holding company	**Inventec (Cayman) Corp.**	**Direct investment in Inventec (Shanghai) Corp. etc.**
Electric Product Manufacturing	Inventec (Shanghai) Corp.	Sale of computer products and related.
Electric Product Manufacturing	Inventec Asset-Management (Shanghai) Corporation	Real estate development and management
Electric Product Manufacturing	Inventec (Pudong) Corp.	Computer products assembly operations and sale of computer
Electric Product Manufacturing	Inventec (Pudong) Technology Corp	Manufacture and sale of computer products and related
Electric Product Manufacturing	Inventec (Shanghai) Service Co., Ltd	Research and sale of sofeware 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	Chongqing Rongjie Cloud Service Co.	Computer software system integration service
Electric Product Manufacturing	Chongqing TaiYu Cloud Service Co.	Computer software system integration service
Electric Product Manufacturing	Inventec (Chongqing) Service Co., Ltd.	Assembly and sale of computer products
Holding company	TPV-Inventa Holding Ltd.	Direct investment in TPV-Inventa Technology (Fujian) Ltd.
Electric Product Manufacturing	TPV-Inventa Technology (Fujian) Ltd.	Assembly and sale of AIO PC
Holding company	**IEC (Cayman) Corporation**	**Direct investment in Inventec Technology (Chongqing) Corp.**
Holding company	**InventecHolding (NorthAmerica) Corp.**	**Direct investment in Inventec (USA) Corp. etc.**
Electric Producs 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..
Electric Products Manufacturing	**Inventec (Czech), s.r.o.**	**Computer product assembles and warranty services**
Electric Product Manufacturing	**Inventec Development Japan Corporation**	**Developing, designing and selling computer peripherals**
Electric Product Manufacturing	**Inventec Manufacturing (India)**	**Computer product assembles and warranty**

Industrial Classification	Company	Relationships to Related Party
	Private Limited	**services**
Investment	**Invnetec Investments Co., Ltd.**	**Investment activities**
Energy Technical Services	**Inventec Solar Energy Corporation**	**Developing, production and selling of solar cells.**
Energy Technical Services	**E-TON Solar Tech. Co., Ltd.**	**Manufacturing and selling of solar cells**
Investment	Gloria Solar International Holding, Inc.	Investment in Adema Technologies, Inc. etc.
Electric Product Manufacturing	**Inventec Appliances Corp.**	**Communication and digital accessory product assembles and sales**
Holding company	Inventec Appliances (Cayman) Holding Corp.	Investment in Inventec Electronics (Shanghai) Co., Ltd. etc.
Electric Product Manufacturing	Inventec Appliances (USA) Distribution Corp.	Communication and digital accessory product assembles and sales
Electric Product Manufacturing	Inventec Appliances Corporation USA Inc.	Communication and digital accessory product assembles and sales
Electric Product Manufacturing	Inventec Appliances (Shanghai) Co.Ltd.	Communication and digital accessory product assembles and sales
Electric Product Manufacturing	Inventec Appliances (Shanghai) Enterprise Co.Ltd.	Communication and digital accessory product assembles and sales
Electric Product Manufacturing	Apex Business Management & Consulting (Shanghai) Co., Ltd.	Business Administration
Electric Product Manufacturing	Inventec Appliances (Pudong) Corp.	Communication and digital accessory product assembles and sales
Electric Product Manufacturing	Inventec Appliances (Nanjing) Corp.	Communication and digital accessory product assembles and sales
Electric Product Manufacturing	Inventec Appliances (Jiangning) Corp.	Communication and digital accessory product assembles and sales
Electric Product Manufacturing	Inventec Appliances (XI'AN) Corporation	Communication and digital accessory product assembles and sales
Electric Product Manufacturing	Inventec Appliances (Nanchang) Corporation	Communication and digital accessory product assembles and sales
Electric Product Manufacturing	AIMobile Co., Ltd.	Research and development, and production and sales of smart mobile devices

7.1.5 Rosters of Directors, Supervisors, and Presidents of Inventec Corporation's Subsidiaries

Unit: Shares；% As of 12/31/2017

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

<table>
<tr><th rowspan="2">Company</th><th rowspan="2">Title</th><th rowspan="2">Name</th><th colspan="2">Shareholding</th></tr>
<tr><th>Shares</th><th>Investment Holding (%)</th></tr>
<tr><td>Inventec (Shanghai) Service Co., Ltd</td><td>
Chairman
Director
Director
Supervisor
*General manager</td><td>Representative of Inventec (Cayman) Corp.：
Wu,Yung-Tsai
Chien, Chin-Yen
Chang, Chung-Ming
Chen,Pei-Chia
Wu,Yung-Tsai</td><td>N/A</td><td>100%</td></tr>
<tr><td>Inventec Hi-Tech Corp.</td><td>
Chairman
Director
Director
Supervisor
*General manager</td><td>Representative of Inventec (Cayman) Corp.：
Tsai, Chih-An
Yen, Cheng-Lung
Hu, Chih-Kuan
Chen, Pei-Chia
Yen, Cheng-Lung</td><td>N/A</td><td>100%</td></tr>
<tr><td>Inventec Huan Hsin (Zhejiang) Technology Co., Ltd.</td><td>
Chairman
Director
Director
Supervisor
*General manager</td><td>Representative of Inventec (Cayman) Corp.：
Huang, Kuo-Chun
Wen, Shih-Chih
Wu, Yung-Tsai
Chen, Pei-Chia
Chien, Chin-Yen</td><td>N/A</td><td>100%</td></tr>
<tr><td>Inventec (Chongqing) Corp.</td><td>
Chairman
Director
Supervisor

Director
*General manager</td><td>Representative of Inventec (Cayman) Corp.：
Chang, Hui
Yu, Sa-Hua
Chen, Pei-Chia
Representative of IEC (Cayman) Corporation：
Chang, Chung-Ming
Yu, Sa-Hua</td><td>N/A</td><td>87.33%
12.67%</td></tr>
<tr><td>Chongqing Rongjie Cloud Service Co.</td><td>
Chairman
Supervisor
*General manager</td><td>Representative of Inventec (Chongqing) Corp.：
Yu, Sa-Hua
Lo, Kuo-Lun
Yu, Sa-Hua</td><td>N/A</td><td>100%</td></tr>
<tr><td>Chongqing TaiYu Cloud Service Co.</td><td>
Chairman
Supervisor
*General manager</td><td>Representative of Chongqing Rongjie Cloud Service Co.：
Yu, Sa-Hua
Lo, Kuo-Lun
Yu, Sa-Hua</td><td>N/A</td><td>100%</td></tr>
<tr><td>Inventec (Chongqing) Service Co., Ltd.</td><td>
Chairman
Director
Director
Supervisor
*General manager</td><td>Representative of Inventec (Cayman) Corp.：
Chang, Hui
Chang, Chung-Ming
Yu, Sa-Hua
Chen, Pei-Chia
Yu, Sa-Hua</td><td>N/A</td><td>100%</td></tr>
<tr><td>TPV-Inventa Holding Ltd.</td><td>
Chairman
Director
Director
Director
Director
*General manager</td><td>Representative of Inventec (Cayman) Corp.：
Huang, Kuo-Chun
Wu,Yung-Tsai
Chang, Hui
Chen, Wan-Chien
Yu, Chin-Pao
Chen, Wan-Chien</td><td>302,421,330</td><td>90%</td></tr>
</table>

Company	Title	Name	Shareholding	
			Shares	Investment Holding (%)
TPV-Inventa Technology (Fujian) Ltd.	 Chairman Director Director Supervisor *General manager	Representative TPV-Inventa Holding Ltd.： Huang, Kuo-Chun Chang, Hui Chen, Wan-Chien Yu, Chin-Pao Chen, Wan-Chien	N/A	100%
IEC (Cayman) Corporation	 Director	Representative of Inventec Corporation： Lee, Tsu-Chin	**25,000,000**	**100%**
Inventec Holding (North America) Corp.	 **Director** **Director** **Director** ***General manager**	**Representative of Inventec Corporation：** **Lee, Tsu-Chin** **Huang, Kuo-Chun** **Tsai, Chih-An** **Lee, Tsu-Chin**	**5,000,000**	**100%**
Inventec (USA) Corp.	 Director Director Director *General manager	Representative of Inventec Holding (North America) Corp.： Lee, Tsu-Chin Huang, Kuo-Chun Tsai, Chih-An Tsai, Chih-An	500,000	100%
Inventec Manufacturing (North America) Corp.	 Director Director Director *General manager	Representative of Inventec Holding (North America) Corp.： Lee, Tsu-Chin Huang, Kuo-Chun Tsai, Chih-An Tsai, Chih-An	2,000,000	100%
Inventec Distribution (North America) Corp.	 Director Director Director *General manager	Representative of Inventec Holding (North America) Corp.： Lee, Tsu-Chin Huang, Kuo-Chun Tsai, Chih-An Tsai, Chih-An	500,000	100%
Inventec Configuration (North America) Corp.	 Director Director Director *General manager	Representative of Inventec Holding (North America) Corp.： Lee, Tsu-Chin Huang, Kuo-Chun Tsai, Chih-An Tsai, Chih-An	2,000,000	100%
IEC Technologies, S. de R.L. de C.V.	 Director Director *General manager	Representative of Inventec Holding (North America) Corp.： Lee, Tsu-Chin Huang, Kuo-Chun Tsai, Chih-An	2	100%
Inventec (Czech), s.r.o.	 **Representative** **Representative** **Representative**	**Representative of Inventec Corporation：** **Tsai, Chih-An** **John William Busby** **Tseng, Kuang-Chao**	**68,000,000**	**100%**
Inventec Development Japan Corporation	 **Representative** **Representative** **Director** **Supervisor**	**Representative of Inventec Corporation：** **Lee, Tsu-Chin** **Ryu Kazuyoshi** **Yang, Hsin-Hua** **Yu, Chin-Pao**	**45,100**	**100%**

Company	Title	Name	Shareholding	
			Shares	Investment Holding (%)
Inventec Manufacturing (India) Private Limited	 **Director** **Director** **Director** ***General manager**	**Representative of Inventec Corporation：** **Wu, Yung-Tsai** **Chang, Hui** **N. Ramalingam** **Hsu, Yu-Kuang**	 **55,994,400** **NA**	 **99.99%** **NA**
Invnetec Investments Co., Ltd.	 **Chairman** **Director** **Director** **Supervisor** ***General manager**	**Representative of Inventec Corporation：** **Lee, Tsu-Chin** **Huang, Kuo-Chun** **Yu, Chin-Pao** **Cheng, Hsien-Ho** **Yu, Chin-Pao**	**108,800,000**	**100%**
Inventec Solar Energy Corporation	**Director** **Chairman** **Director** **Director** **Supervisor** **Supervisor** **General manager**	**Inventec Corporation** **Hsieh, Jui-Hai** **Representative of Invnetec Investments Co., Ltd.：** **Yu, Chin-Pao** **Yeh, Li-Cheng** **Cheng, Hsien-Ho** **Chen, Chin-Tsai** **Yen, Hao**	**108,150,000** **7,291,760** **15,000,000** **1,060,000** **530,000** **110,000** **2,378,000**	**33.45%** **2.26%** **4.64%** **0.33%** **0.16%** **0.03%** **0.74%**
E-TON Solar Tech. Co., Ltd.	 **Director** **Director** **Chairman** **Director** **Independent Director** **Independent Director** **Independent Director** **General manager**	**Representative of Inventec Corporation：** **Hsu, Shen-Chun** **Yang, Hsin-Hua** **Wen, Ching-Chang** **Representative of Fu-Tai investment Corporation：** **Yeh, Li-Cheng** **Lai, Ming-Chang** **Tsai, Yang-Tsung** **Liu, Kuo-Chao** **Yang, Hsin-Hua**	 **231,520,528** **420,000** **42,500,000** **0** **0** **0** **0**	 **29.70%** **0.05%** **5.45%** **0.00%** **0.00%** **0.00%** **0.00%**
Gloria Solar International Holding, Inc.	 Chairman Director Director Director Director	Representative of E-TON Solar Tech. Co., Ltd.： Hsu, Shen-Chun Wen, Ching-Chang Yang, Hsin-Hua Chen, Chao-Chuan Su, Yao-Chuan	59,200,000	50.76%
Inventec Appliances Corp.	 **Chairman** **Director** **Director** **Director** **Director** **Supervisor** ***General manager**	**Representative of Inventec Corporation：** **Chang, Ching-Sung** **Ho, Tai-Shui** **Yeh, Li-Cheng** **Chang, Hui** **Tsai, Chih-An** **Yu, Chin-Pao** **Ho, Tai-Shui**	**536,857,254**	**100%**
Inventec Appliances (Cayman) Holding Corp.	Director	Representative of Inventec Appliances Corporation： Chang, Ching-Sung	**199,385,369**	**100%**

Company	Title	Name	Shareholding	
			Shares	Investment Holding (%)
Inventec Appliances (USA) Distribution Corp.	Director *General manager	Representative of Inventec Appliances (Cayman) Holding Corp.： Chang, Ching-Sung Wang, Po-Hung	400,000	100%
Inventec Appliances Corporation USA Inc.	Director *General manager	Representative of Inventec Appliances (Cayman) Holding Corp.： Chang, Ching-Sung Wang, Po-Hung	10,000	100%
Inventec Appliances (Shanghai) Co.Ltd.	Chairman Director Director Supervisor *General manager	Representative of Inventec Appliances (Cayman) Holding Corp.： Chang, Ching-Sung Tsai, Shih-Kuang Ho, Tai-Shui Tseng, Ching-An Tsai, Shih-Kuang	N/A	100%
Inventec Appliances (Shanghai) EnterpriseCo.Ltd.	Chairman Supervisor *General manager	Representative of Inventec Electronics (Shanghai) Co., Ltd.： Chang, Ching-Sung Tseng, Ching-An Tsai, Shih-Kuang	N/A	100%
Apex Business Management & Consulting (Shanghai) Co., Ltd.	Chairman Supervisor *General manager	Representative of Inventec Electronics (Shanghai) Co., Ltd.： Chang, Ching-Sung Chang, Shu-Ching Tsai, Shih-Kuang	N/A	100%
Inventec Appliances (Pudong) Corp.	Chairman Director Director Director Director Supervisor *General manager	Representative of Inventec Appliances (Cayman) Holding Corp.： Chang,Ching-Sung Lin,Wen-Yao Chen, Kun-Hui Ho, Tai-Shui Wang, Hung-Hsiang Tseng, Ching-An Chen, Kun-Hui	N/A	100%
Inventec Appliances (Nanjing) Corp.	Chairman Director Director Supervisor *General manager	Representative of Inventec Appliances (Cayman) Holding Corp.： Chang, Ching-Sung Kao, Chao-Yang Chen, Po-Cheng Chang, Shu-Ching Kao, Chao-Yang	N/A	100%
Inventec Appliances (Jiangning) Corp.	Chairman Director Director Supervisor *General manager	Representative of Inventec Appliances (Cayman) Holding Corp.： Chang, Ching-Sung Kao, Chao-Yang Chen, Po-Cheng Chang, Shu-Ching Kao, Chao-Yang	N/A	100%
Inventec Appliances (XI'AN) Corporation	Chairman Director Director Supervisor *General manager	Representative of Inventec Appliances (Cayman) Holding Corp.： Chang, Ching-Sung Kao, Chao-Yang Pien, Yung-Tsai Chang, Shu-Ching Pien, Yung-Tsai	N/A	100%

Company	Title	Name	Shareholding	
			Shares	Investment Holding (%)
Inventec Appliances (Nanchang) Corporation	 Chairman Director Director Supervisor *General manager	Representative of Inventec Appliances (Cayman) Holding Corp.： Chang, Ching-Sung Chen, Kun-Hui Chang, Ju-Nan Chang, Shu-Ching Chang, Ju-Nan	N/A	100%
AIMobile Co., Ltd.	 Director Director Director	**Representative of Inventec Corporation：** **Wu, Yung-Tsai** **Chang, Yu-Lien** **Yu, Chin-Pao**	**16,500,000**	**55.00%**
	 Chairman Director	**Representative of Advantech Co., Ltd.：** **Liu, Ke-Chen** **Li, Fang-Ting**	**13,500,000**	**45.00%**
	Supervisor	**Cheng, Hsien-Ho**	**0**	**0.00%**
	Supervisor	**Tsai, Shu-Mei**	**0**	**0.00%**
	General manager	**Chang, Kuo-Pin**	**0**	**0.00%**

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 12/31/2017

Company	Capital	Total Assets	Total Liabilities	Total Stockholders' Equity	Sales Revenue	Operating Income	Income after Tax	EPS after Tax
Inventec Corporation (Hong Kong) Ltd.	**8,705**	**62,488,461**	**61,907,312**	**581,149**	**220,173,569**	**7,407**	**225,690**	**—**
Inventec (Tianjin) Electronics Co., Ltd.	148,650	265,260	58,515	206,745	163,307	(1,612)	7,502	—
Inventec (Beijing) Electronics Technology Co., Ltd.	43,109	86,898	8,204	78,694	34,341	(1,790)	76	—
Inventec (Cayman) Corp.	**9,812,963**	**13,366,924**	**0**	**13,366,924**	**0**	**(184)**	**2,092,146**	**—**
Inventec (Shanghai) Corp.	877,035	6,411,223	5,726,126	685,097	24,278,759	45,094	(42,888)	—
Inventec Asset-Management (Shanghai) Corporation	583,321	2,217,243	1,673,417	543,827	0	(31,867)	(94,504)	—
Inventec (Pudong) Corp.	1,486,500	1,964,356	1,094,874	869,482	(153)	(231,764)	(231,175)	—
Inventec (Pudong) Technology Corp.	1,486,500	36,081,663	30,842,950	5,238,713	60,551,095	576,922	843,039	—
Inventec (Shanghai) Service Co., Ltd	86,217	44,834	3,931	40,903	3,499	1,444	(326)	—
Inventec Hi-Tech Corp.	1,486,500	4,525,601	3,179,810	1,345,791	4,075,413	2,512	77,207	—
Inventec Huan Hsin (Zhejiang) Technology Co., Ltd.	853,251	564,593	667,438	(102,846)	0	(52,770)	(194,369)	—
Inventec (Chongqing) Corp.	2,229,750	38,651,076	32,655,992	5,995,084	190,470,731	953,250	1,479,774	—
Chongqing Rongjie Cloud Service Co.	90,998	84,010	2	84,008	0	(1)	(973)	—
Chongqing TaiYu Cloud Service Co.	90,998	84,011	2	84,009	0	(0)	(972)	—
Inventec (Chongqing) Service Co., Ltd.	29,730	167,169	121,254	45,915	358,634	966	859	—
TPV-Inventa Holding Ltd.	1,662,206	1,777	176	1,601	5,055	4,485	402,199	—
TPV-Inventa Technology (Fujian) Ltd.	1,337,850	1,889	1,348	541	1,215	(120,108)	(43,493)	—
IEC (Cayman) Corporation	**739,500**	**759,577**	**0**	**759,577**	**0**	**0**	**122,435**	**—**
Inventec Holding (North America) Corp.	**159,003**	**1,195,608**	**0**	**1,195,608**	**0**	**0**	**42,560**	**—**
Inventec (USA) Corp.	14,865	222,612	0	222,612	0	0	5	—
Inventec Manufacturing (North America) Corp.	59,460	239,272	11,143	228,129	384,500	21,764	11,656	—
Inventec Distribution (North America) Corp.	14,865	26,544,014	26,172,025	371,989	81,583,559	18,385	(21,104)	—
Inventec Configuration (North America) Corp.	59,460	326,795	133,244	193,552	667,440	2,038	1,421	—
IEC Technologies, S. de R.L. de C.V.	59,631	320,224	57,540	262,684	629,233	81,807	50,501	—

Company	Capital	Total Assets	Total Liabilities	Total Stockholders' Equity	Sales Revenue	Operating Income	Income after Tax	EPS after Tax
Inventec (Czech), s.r.o.	**85,921**	**16,047,532**	**16,007,889**	**39,643**	**38,587,914**	**(365,870)**	**(116,011)**	**—**
Inventec Development Japan Corporation	**32,048**	**29,856**	**105**	**29,751**	**4,861**	**(1,392)**	**(1,446)**	**—**
Inventec Manufacturing (India) Private Limited	**281,720**	**72,826**	**70,242**	**2,584**	**0**	**(50,323)**	**(162,432)**	**—**
Inventec Investments Co., Ltd.	**1,088,000**	**355,298**	**170**	**355,128**	**0**	**(268)**	**(155,665)**	**(1.43)**
Inventec Solar Energy Corporation	**3,233,548**	**5,466,327**	**3,641,887**	**1,824,440**	**10,512,440**	**(395,246)**	**(1,204,844)**	**(3.73)**
E-TON Solar Tech. Co., Ltd.	**7,794,498**	**3,947,465**	**752,888**	**3,194,577**	**4,178,477**	**(868,978)**	**(2,799,276)**	**(3.59)**
Gloria Solar International Holding	1,166,345	0	0	0	0	(1,335)	366,694	—
Inventec Appliances Corp.	**5,368,573**	**34,736,703**	**20,513,083**	**14,223,620**	**81,424,186**	**1,241,865**	**2,310,534**	**4.30**
Inventec Appliances (Cayman) Holding Corp.	6,412,233	14,368,306	0	14,368,306	0	0	1,924,144	—
Inventec Appliances (USA) Distribution Corp.	119	339,317	247,235	92,082	1,915,734	1,637	1,087	—
Inventec Appliances Corporation USA Inc.	30	11,971	888	11,083	30,462	1,724	948	—
Inventec Appliances (Shanghai) Co.Ltd.	1,534,068	2,074,053	163,212	1,910,841	89,933	(64,579)	69,914	—
Inventec Appliances (Shanghai) EnterpriseCo.Ltd.	1,410	34	0	34	0	(2)	(2)	—
Apex Business Management & Consulting (Shanghai) Co., Ltd.	2,283	27,549	3,933	23,616	60,093	13,086	9,805	—
Inventec Appliances (Pudong) Corp.	2,289,210	30,046,109	22,489,587	7,556,522	76,516,476	1,238,642	1,268,876	—
Inventec Appliances (Nanjing) Corp.	148,650	321,590	5,222	316,368	0	(3,680)	12,069	—
Inventec Appliances (Jiangning) Corp.	2,021,640	6,187,011	1,880,271	4,306,740	6,637,023	604,453	499,700	—
Inventec Appliances (XI'AN) Corporation	118,920	159,901	132,980	26,921	0	(14,603)	6,544	—
Inventec Appliances (Nanchang) Corporation	62,433	152,343	11,628	140,715	70,162	2,243	5,645	—
AIMobile Co., Ltd.	**300,000**	**234,535**	**47,514**	**187,021**	**91,504**	**(57,416)**	**(55,736)**	**(1.86)**

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, 2017 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, 2018

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: Consolidated Financial Statements with Subsidiaries Audited by CPA of 2017

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, 2017 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: Tom-Hwar Cho
Date: March 26, 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 statement of financial position as of December 31, 2017 and 2016, and the consolidated statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, 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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended 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"), interpretation as well as related guidance endorsed 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. **Allowance for Inventory Valuation and Obsolescence Losses**

   Please refer to Note 4(i), and Note 6(d) 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 allowance for 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(w) 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 balance sheet 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, 2017 and 2016, on which we have issued an unqualified 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, interpretation as well as related guidance endorsed 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 members of Audit Committee) 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, 2018

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its 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 auditor's 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 auditor's report and consolidated financial statements, the Chinese version shall prevail.

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

INVENTEC CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		2017.12.31		2016.12.31	
	ASSETS	**Amount**	**%**	**Amount**	**%**
	Current Assets：				
1100	Cash and cash equivalents (Notes (4) and (6)(a))	$ 26,949,180	13	25,972,444	14
1110	Current financial assets at fair value through profit or loss (Notes (4) and (6)(b))	125,376	-	190,544	-
1125	Current available-for-sale financial assets, net (Notes (4) and (6)(b))	9,224,122	4	2,693,920	1
1170	Accounts receivable, net (Notes (4) and (6)(c))	78,596,479	38	71,269,249	39
1180	Accounts receivable due from related parties, net (Notes (4), (6)(c) and (7))	1,085	-	1,085	-
1200	Other receivables, net (Notes (4), (6)(c) and (7))	1,048,952	1	980,596	1
1310	Inventories net (Notes (4) and (6)(d))	39,548,087	19	31,935,038	18
1479	Other current assets (Notes (4), (6)(e), (6)(k), (6)(n) and (8))	12,831,283	6	3,750,245	2
		168,324,564	81	136,793,121	75
	Non-current assets：				
1523	Non-current available-for-sale financial assets, net (Notes (4) and (6)(b))	171,327	-	225,248	-
1543	Non-current financial assets at cost, net (Notes (4) and (6)(b))	432,441	-	434,143	-
1550	Investments accounted for using equity method, net (Notes (4) and (6)(f))	326,957	-	380,091	-
1600	Property, plant and equipment (Notes (4) and (6)(h))	33,351,252	16	38,666,219	21
1760	Investment property, net (Notes (4) and (6)(i))	295,290	-	520,221	-
1780	Intangible assets (Notes (4) and (6)(j))	892,416	-	890,024	1
1900	Other non-current assets (Notes (4), (6)(k) and (6)(o))	4,973,580	3	4,464,150	3
		40,443,263	19	45,580,096	25
	TOTAL ASSETS	**$ 208,767,827**	**100**	**182,373,217**	**100**

		2017.12.31		2016.12.31	
	LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**
	Current Liabilities：				
2100	Short-term borrowings (Note (6)(l))	$ 36,605,498	18	14,580,403	8
2120	Current financial liabilities at fair value through profit or loss (Notes (4) and (6)(b))	21,669	-	106	-
2160	Notes payable to related parties (Note (7))	-	-	12,132	-
2170	Accounts payable	73,213,841	35	69,024,369	38
2180	Accounts payable to related parties (Note (7))	-	-	8,167	-
2230	Current tax liabilities	1,683,273	1	2,025,353	1
2200	Other payables (Note (7))	12,890,156	6	12,249,690	7
2322	Long-term borrowings, current portion (Note (6)(1))	387,609	-	411,211	-
2399	Other current liabilities	13,648,540	7	13,219,521	8
2313	Unearned revenue	4,379,968	2	3,552,004	2
		142,830,554	69	115,082,956	64
	Non-current Liabilities：				
2540	Long-term borrowings (Note (6)(l))	3,965,731	2	4,063,889	2
2640	Net defined benefit liability, non-current (Notes (4) and (6)(n))	672,265	-	747,274	-
2670	Other non-current liabilities (Notes (4) and (6)(o))	2,368,663	1	1,971,836	1
		7,006,659	3	6,782,999	3
	Total Liabilities	149,837,213	72	121,865,955	67
	Equity attributable to owners of parent：				
3110	Share capital (Note (6)(p))	35,874,751	17	35,874,751	20
3200	Capital surplus (Note (6)(p))	2,913,096	1	2,913,096	2
3300	Retained earnings (Note (6)(p))	17,002,536	8	15,486,313	8
3400	Other equity (Note (6)(p))	(107,546)	-	518,713	-
	Total equity attributable to owners of parent	55,682,837	26	54,792,873	30
36XX	Non-controlling interests	3,247,777	2	5,714,389	3
	Total Equity	58,930,614	28	60,507,262	33
	TOTAL LIABILITIES AND EQUITY	**$ 208,767,827**	**100**	**182,373,217**	**100**

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

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

INVENTEC CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		For the year ended December 31,			
		2017		2016	
		Amount	%	Amount	%
4110	**Sales revenue (Notes (4), (6)(s) and (7))**	$ 467,512,347	100	428,466,015	100
5000	**Operating costs (Notes (4) and (7))**	442,473,204	94	404,508,245	94
	Gross profit from operations	25,039,143	6	23,957,770	6
	Operating expenses (Note (6)(t)):				
6100	Selling expenses	2,616,051	1	2,450,780	1
6200	Administrative expenses	4,865,079	1	4,625,422	1
6300	Research and development expenses	8,828,444	2	8,697,105	2
6400	**Total operating expenses**	16,309,574	4	15,773,307	4
	Net operating income	8,729,569	2	8,184,463	2
	Non-operating income and expenses:				
7010	Other income (Note (6)(u))	1,492,666	-	938,703	-
7020	Other gains and losses, net (Note (6)(u))	(1,628,771)	-	(1,407,751)	-
7050	Finance costs, net (Note (6)(u))	(1,369,088)	-	(599,371)	-
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method, net (Notes (4) and (6)(f))	(37,928)	-	(26,135)	-
	Total non-operating income and expenses	(1,543,121)	-	(1,094,554)	-
7900	**Profit from continuing operations before tax**	7,186,448	2	7,089,909	2
7950	**Less: Tax expense (Notes (4) and (6)(o))**	2,849,410	1	2,118,536	1
	Profit for the period	4,337,038	1	4,971,373	1
	Other comprehensive income (loss):				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans	(43,111)	-	(10,240)	-
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	177	-	(3,650)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6,729	-	1,747	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(36,205)	-	(12,143)	-
8360	**Components of other comprehensive income that will be reclassified to profit or loss**				
8361	Exchange differences on translation	(1,191,478)	-	(2,388,221)	-
8362	Unrealised gains (losses) on valuation of available-for-sale financial assets	568,327	-	106,707	-
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	(474)	-	(21,653)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	(623,625)	-	(2,303,167)	-
	Other comprehensive income, net	(659,830)	-	(2,315,310)	-
8500	**Total comprehensive income**	**$ 3,677,208**	**1**	**2,656,063**	**1**
	Profit (loss), attributable to:				
8610	Profit (loss), attributable to owners of parent	$ 6,754,912	2	5,637,120	1
8620	Profit (loss), attributable to non-controlling interests	(2,417,874)	(1)	(665,747)	-
		$ 4,337,038	**1**	**4,971,373**	**1**
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent	$ 6,091,803	1	3,334,322	1
8720	Comprehensive income, attributable to non-controlling interests	(2,414,595)	-	(678,259)	-
		$ 3,677,208	**1**	**2,656,063**	**1**
	Earning per share attributable to stockholders of parent (Notes (4) and (6)(r))				
9750	**Basic earnings per share (NT dollars)**	**$**	**1.88**		**1.57**
9850	**Diluted earnings per share (NT dollars)**	**$**	**1.87**		**1.56**

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

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

INVENTEC CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent								
	Capital Stock		Retained Earnings		Other Equity Interest				
	Share Capital	Capital Surplus	Legal Reserve	Unappropriated Retained Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available for Sale Financial Assets	Equity attributable to owners of parent	Non controlling interests	Total Equity
Balance as of January 1, 2016	$ 35,874,751	2,912,784	8,354,052	6,529,767	2,604,172	205,178	56,480,704	6,418,145	62,898,849
Net income (loss) for the period	-	-	-	5,637,120	-	-	5,637,120	(665,747)	4,971,373
Other comprehensive income (loss) for the period	-	-	-	(12,161)	(2,381,945)	91,308	(2,302,798)	(12,512)	(2,315,310)
Total comprehensive income (loss) for the period	-	-	-	5,624,959	(2,381,945)	91,308	3,334,322	(678,259)	2,656,063
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	556,364	(556,364)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(5,022,465)	-	-	(5,022,465)	-	(5,022,465)
Changes in non-controlling interests	-	-	-	-	-	-	-	(25,497)	(25,497)
Others	-	312	-	-	-	-	312	-	312
Balance as of December 31, 2016	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 share	-	-	-	(5,201,839)	-	-	(5,201,839)	-	(5,201,839)
Changes in non-controlling interests	-	-	-	-	-	-	-	(52,017)	(52,017)
Balance as of 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

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

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

INVENTEC CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2017	2016
Cash flows from operating activities：		
Profit before income tax	$ 7,186,448	7,089,909
Adjustments:		
Adjustments to reconcile profit before income tax to net cash provided by operating activities		
Depreciation expenses	3,938,810	3,979,496
Amortization expenses	882,316	826,049
Provisions for bad debt expenses	23,323	78,294
Interest expenses	1,369,088	599,371
Interest income	(1,492,666)	(938,703)
Dividends income	(36,502)	(5,900)
Share of losses of associates and joint ventures accounted for using equity method	37,928	26,135
Losses on disposal of property, plant and equipment	197,801	107,408
Gain on disposal of investments	(1,182,665)	(39,338)
Impairment loss on non-financial assets	3,050,636	560,738
Impairment loss on financial assets	19,200	236,893
Unrealized foreign exchange loss	(87,558)	190,484
Others	290	143,582
Total adjustments to reconcile profit	6,720,001	5,764,509
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in financial assets helding for trading	63,584	26,560
Increase in accounts receivable	(6,034,197)	(11,122,111)
Decrease (increase) in other receivables	303,180	(361,890)
Increase in inventories	(9,130,624)	(4,779,063)
(Increase) decrease in other current assets	(98,294)	1,540,085
Total changes in operating assets	(14,896,351)	(14,696,419)
Changes in operating liabilities:		
Increase (decrease) in financial liabilities held for trading	21,563	(85,212)
Decrease in notes payable	(12,132)	-
Increase in accounts payable	4,236,702	12,491,782
Increase (decrease) in other payables	337,731	(4,260,195)
Increase in other current liabilities	442,245	4,310,556
Decrease in net defined benefit liabilities, non-current	(114,589)	(289,065)
Increase in unearned revenue	807,847	402,776
Total changes in operating liabilities	5,719,367	12,570,642
Total changes in operating assets and liabilities	(9,176,984)	(2,125,777)
Total adjustments	(2,456,983)	3,638,732
Cash inflow generated from operations	4,729,465	10,728,641
Interests received	1,046,193	1,119,429
Dividends received	36,913	5,900
Interests paid	(990,179)	(865,301)
Income taxes paid	(2,556,526)	(2,263,349)
Net cash flows from operating activities	2,265,866	8,725,320

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

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

INVENTEC CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)

For the Years Ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2017	2016
Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	(18,409,063)	(5,882,296)
Proceeds from disposal of available-for-sale financial assets	13,515,870	6,495,338
Proceeds from capital reduction of available-for-sale financial assets	11,264	40,522
Acquisition of financial assets at cost	(17,798)	(168,762)
Proceeds disposal of financial assets at cost	53,742	-
Proceeds from capital reduction of investments accounted for using equity method	-	100,307
Acquisition of property, plant and equipment	(2,653,868)	(10,692,904)
Proceeds from disposal of property, plant, and equipment	257,527	396,107
Acquisition of intangible assets	(286,912)	(291,583)
Net cash inflows from business combination	17,236	-
Effect on lost of control over subsidiary's cash	(92,707)	-
Increase in other financial assets control	(8,915,024)	(2,713,421)
(Increase) decrease in other non-current assets	(1,778,813)	(932,370)
Net cash flows used in investing activities	(18,298,546)	(13,649,062)
Cash flows from financing activities:		
Increase in short-term borrowings	22,553,371	7,379,913
Proceeds from long-term debt	8,789,940	5,500,000
Repayments of long-term borrowings	(8,911,700)	(12,506,543)
(Decrease) increase in other non-current liabilities	(5,888)	45,808
Cash dividends paid	(5,201,839)	(5,022,465)
Change in non-controlling interests	(19,914)	(25,497)
Net cash flows used in financing activities	17,203,970	(4,628,784)
Effect of exchange rate changes on cash and cash equivalents	(194,554)	(1,598,661)
Net decrease in cash and cash equivalents	976,736	(11,151,187)
Cash and cash equivalents at beginning of period	25,972,444	37,123,631
Cash and cash equivalents at end of period	$ 26,949,180	25,972,444

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

INVENTEC CORPORATION AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

(Thousands of New Taiwan Dollars)

(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 Hou-gang Street, Shin-Lin District, Taipei, 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, 2017 comprised the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group primarily is involed 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, 2018.

(3) New Standards 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, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 " Presentation of Financial Statements-Disclosure Initiative	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 " Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non Financial Assets"	January 1, 2014
Amendments to IAS 39 " Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010–2012 Cycle and 2011–2013 Cycle	July 1, 2014

(Thousands of New Taiwan Dollars)

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Annual Improvements to IFRSs 2012–2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

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:

1. Amendments to IAS 36 "Recoverable Amount Disclosures for Non Financial Assets"

   Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. In such cases, the amendments also require that the following be disclosed if the recoverable amount is based on fair value, less costs of disposal:

   1) the level of the fair value hierarchy within which the fair value measurement is categorized; and

   2) the valuation technique(s) used for fair value measurements categorized within Levels 2 and 3 of the fair value hierarchy, and the key valuation assumptions made.

   The Group will include the required disclosures.

(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, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of 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

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:

1. 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.

1) Classification- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. 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 standard eliminates the existing 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 assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis. At December 31, 2017, the Group had equity investments classified as available-for-sale with a fair value of 1,321,067 thousand and financial assets measured at cost of 432,441 thousand that are held for long-term strategic purposes. At initial application of IFRS 9, the Group has designated these investments as measured at FVOCI. Consequently, all fair value gains and losses will be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal. The Group had available-for-sale financial asset classified as financial asset at fair value through profit or loss with a value of 8,074,382 thousand. The Group estimated the application of IFRS 9’ s classification requirements on January 1, 2018 resulting in a decrease of 631,627 thousand in the reserves, as well as the increase of 655,946 thousand and in other equity and retained earnings, respectively.

2) Impairment-Financial assets and contact assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset’s credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Group believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. The Group does not believe that impairment losses will have a material impact in the scope of the IFRS 9 impairment model.

3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group’s assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at January 1, 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist 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.

2. 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 existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

The Group has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements.

1) Sales of goods

For the sale of products, revenue is currently 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 is 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. Based on the Group's assessment, the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer is broadly similar to the point in time when a customer obtains controls over the goods. Therefore, the Group does not expect any significant differences in the timing of revenue recognition for sales of goods.

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

Under IFRS 15, revenue will be 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. As a consequence, for those contracts for which the Group is unable to make a reasonable estimate of return, revenue is expected to be recognized sooner than when the return period lapses or a reasonable estimate can be made. 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 will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Group sells the services in separate transactions.
Based on the Group’s assessment, the Group does not expect significant differences in the timing of revenue recognition for these services.

3) Transition

The Group plans to adopt IFRS 15 using the cumulative effect method. Therefore, the comparative information will not be restated. The cumulative effect of initially applying IFRS 15 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2018.

3. 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.

(Thousands of New Taiwan Dollars)

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

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 that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
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 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019

Those which may be relevant to The Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: • For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

(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 statemets, 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

The consolidated financial statements have been prepared on historical cost basis except for the following material items in the statement of financial position:

1) Financial instruments measured at fair value through profit or loss are measured at fair value;

2) Available-for-sale financial assets are measured at fair value;

3) Liabilities for cash-settled share-based payment arrangements are measured at fair value;and

4) The net defined benefit liability (or asset) is recognized as the fair value of plan assets, net of aggregation of the present value of the defined benefit obligation, with a limit based on a defined benefit asset as disclosed in Note 4(t).

2.Functional and presentation currency

The functional currency of each entity of the Group is determined based on the primary economic environment in which the entity operates. The Group 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.

(Thousands of New Taiwan Dollars)

(c) Basis of consolidation

1.Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its 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.

2.List of subsidiaries in the consolidated financial statements

Investor	Name of Subsidiary	Principal activity	Shareholding Ratio 2017.12.31	Shareholding Ratio 2016.12.31	Note
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 devies	55.00%	55.00%	The board of Directors decided to organize a joint venture company with Advantech Co., Ltd. in 2016.

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INVENTEC CORPORATION AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

December 31, 2017 and 2016

(Thousands of New Taiwan Dollars)

Investor	Name of Subsidiary	Principal activity	Shareholding Ratio 2017.12.31	Shareholding Ratio 2016.12.31	Note
The Company、Inventec Investments Co., Ltd. and Inventec Appliances Corp.	Inventec Solar Energy Corporation	Developing, production and selling of multi-crystalline solar cells	47.64%	49.23%	Inventec Energy Corporation decided to sell out the shares of Inventec Solar Energy Corporation in 2017.
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	- %	49.36%	Inventec Energy Corporation decided to dismiss the Company in 2017, and is currently in liquidation process.
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.	Inventec (Shanghai) Corp.	Electronic product software and hardware development manufacturing	100.00%	100.00%	
〃	Inventec (Pudong) Corp.	〃	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%	
Inventec (Cayman) Corp. and IEC (Cayman) Corporation	Inventec (Chongqing) Corp.	Assembly and sale of computer products	100.00%	100.00%	Inventec Technology (Chongqing) Corp. was merged by Inventec (Chongqing) Corp. in June,2017.
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%	100.00%	
Chongqing Rongjie Cloud Service Co., Ltd.	Chongqing TaiYu Cloud Service Co., Ltd.	〃	100.00%	100.00%	
Chongqing TaiYu Cloud Service Co., Ltd.	Chongqing YuYa Cloud Service Co., Ltd.	〃	- %	100.00%	The liquidation process was completed in 2017.
TPV-Inventa Holding Ltd.	TPV-Inventa Technology Co., Ltd.	AIO PC	- %	100.00%	TPV-Inventa Technology Co., Ltd. decided to dismiss the Company in 2017, and currently in liquidation process.
〃	TPV-Inventa Technology (Fujian) Ltd.	〃	100.00%	100.00%	
IEC (Cayman) Corporation	Inventec Technology (Chongqing) Corp. Ltd.	Computer software design and computer system integration service	- %	100.00%	Inventec Technology (Chongqing) Corp. was merged by Inventec (Chongqing) Corp. in June, 2017.
Inventec Holding (North America) Corp.	Inventec (USA) Corporation	Computer product assembles and warranty services	100.00%	100.00%	
〃	Inventec Manufacturing (North America) Corporation	〃	100.00%	100.00%	
〃	Inventec Configuration (North America) Corporation	〃	100.00%	100.00%	

(Thousands of New Taiwan Dollars)

Investor	Name of Subsidiary	Principal activity	Shareholding Ratio 2017.12.31	Shareholding Ratio 2016.12.31	Note
Inventec Holding (North America) Corp.	Inventec Distribution (North America) Corporation	Computer product assembles and warranty services	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%	50.76%	The board of Directors of Gloria Solar International Holding, Inc. decided to dismiss the Company on March, 2018, and is currently in liquidation process.
Gloria Solar International Holding, Inc.	Adema Technologies, Inc.	Design and consulting service of photovoltaic systems	- %	100.00%	The liquidation process was completed in 2017.
〃	Gloria Solar Co., Ltd.	Manufacture and sale of photovoltaic modules	- %	100.00%	Gloria Solar Co., Ltd. decided to dismiss the Company in 2017, and is currently in liquidation process.
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 (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%	49.00%	A subsidiary of the Group since 2017.

3.Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign Currency

1.Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at 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 the 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 translation.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for those differences relating to 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 are translated at 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 dispose of any 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 interest. When the Group dispose of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising form such items are considered to form parts of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(e) Classification of current and non-curent 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 comprise cash balances and call deposits. Cash equivalents with maturities of twelve months or less from the acquisition date are subject to an insingnificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Time deposits which are held for the purpose of meeting short-term cash commitments, rather than for investment or other purposes, are reported as cash equivalents.

(g) Financial instruments

Financial assets and financial liabilities are initially recognized when the Group become a party to the contractual provisions of the instruments.

1.Financial assets

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

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

A financial asset is classified in this category if they are 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 designate financial assets, other than ones classified as held-for-trading, as at fair value through profit or loss at initial recognition under one of the following situations:

A.Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

B.Performance of the financial asset is evaluated on a fair value basis.

C.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 takes into account any dividend and interest income, are recognized in profit or loss, under non-operating income and expense. A regular way purchase or sale of financial assets shall be 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 amortised 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 cost. 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, under non-operating income and expense. A regular way purchase or sale of financial assets shall be 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 amortised cost, and are included in financial assets measured at cost.

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 other income of 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 are measured at amortised cost using the effective interest method, less any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting.

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

4) Impairment of financial assets

Except for financial assets at fair value through profit or loss, other 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 assets 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 use 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 lesser 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 trade receivables, 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 accounts 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 of financial assets 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 impairment was recognized at the reversal date.

Impairment losses recognized on 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.

Provision for doubtful accounts is recorded as general and administrative expenses. The impairment loss on financial assets other than accounts receivable is recorded as other gains and losses 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 asset are terminated, or when the Group transfer substantially all the risks and rewards of ownership of financial assets.

On derecognition of a financial asset in its entity, 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 from available for sale financial assets are recognized in profit or loss, under non-operating income and expenses.

2.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.

A financial liability is 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 the ones classified as held-for-trading, as at fair value through profit or loss at initial recognition under one of the following situations:

A.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;

B.Performance of the financial liabilities is evaluated on a fair value basis;

C.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 provides and designates financial guarantee contracts and loan commitments 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 cost 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, under non-operating income and expenses.

3) Derecognition of financial liabilities

A financial liability is derecognized when its contractual obligation has been discharged or cancelled, or expires. 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 under non-operating income and 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 rights 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.

3. Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate fluctuation exposures. Derivatives are recognized initially at fair value and attributable transaction costs 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, under “non-operating income and expenses”. When the fair value of derivative instrument is positive, it is classified as a financial asset; otherwise, it is classified as a financial liability.

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 unquoted equity instruments, such derivating that are classified as financial assets are measured at amortized cost, and are included in financial assets measured at cost, and are included in financial liabilities measured at cost.

Embedded derivatives are separated from the host contract and are accounted for separately when the economic characteristics and risk of the host contract and the embedded derivatives are not closely related, and the host contract is measured as at fair value through profit or loss.

(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.

(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 on the disposal of the related assets or liabilities, the entity shall reclassify the gain or loss from equity to profit or loss (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.

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 (ie 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 (ie 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.

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 hesidual 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 (caculated 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

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.

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.

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.

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(w).

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 amortisation and any accumulated impairment losses.

3.Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortisation 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-Non-derivative-financial assets

The Group assesses 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.

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 carring amount of the cash-generating units exceeds the recoverable amount of the unit, the enity 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.

(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 recognition policies for the various businesses activities

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.

(t) 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.

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.

(u) 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.

(v) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or these recognised 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 recognised except for the following:

1.Assets and liabilities that are initially recognised 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 realised or the liability is settled based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

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 recognised 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.

(w) 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 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 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-controning 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 valne or by other basis permitted by IFRSs endorsed by F.S.C..

(x) 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.

(y) 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.

(Thousands of New Taiwan Dollars)

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(d) for further description of the valuation of inventories.

(6) Explanation to Significant Accounts

(a) Cash and cash equivalents

	2017.12.31	2016.12.31
Cash	$ 9,362	11,170
Demand deposits and checking accounts	18,695,786	18,198,522
Time deposits	8,244,032	7,762,752
Cash and cash equivalents in consolidated statement of cash flows	**$ 26,949,180**	**25,972,444**

Refer to Note 6(w) for the sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

(Thousands of New Taiwan Dollars)

(b) Financial assets and liabilities at fair value through profit or loss、available-for-sale financial assets and financial assets carried at cost

1.Details of financial assets are as follows：

		2017.12.31	2016.12.31
Financial assets:			
Financial assets at fair value through profit or loss			
Held for trading	$	125,376	190,544
Available-for-sale financial assets		9,395,449	2,919,168
Financial assets carried at cost		432,441	434,143
Total	**$**	**9,953,266**	**3,543,855**
Current	$	9,349,498	2,884,464
Non-current		603,768	659,391
Total	**$**	**9,953,266**	**3,543,855**
Financial liabilities:			
Financial liabilities at fair value through profit or loss			
Held for trading	**$**	**21,669**	**106**
Current	$	21,669	106
Non-current		-	-
Total	**$**	**21,669**	**106**

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 and $236,893 in 2017 and 2016, respectively.

As of December 31, 2017 and 2016, the aforesaid financial assets were not pledged as collateral.

(Thousands of New Taiwan Dollars)

2.Sensitivity analysis：

If the equity price changes, the sensitivity analysis shall be based on the same variables except for the price index for both year, the impact to other comprehensive income will be as follows:

	For the years ended December 31,			
	2017		2016	
Equity price at reporting day	After-tax other comprehensive income	After-tax profit (loss)	After-tax other comprehensive income	After-tax profit (loss)
Increase3%	$ 39,632	3,063	28,744	1,570
Decrease3%	$ (39,632)	(3,063)	(28,744)	(1,570)

3.Foreign equity investments

Significant foreign equity investments at the end of the each period were as follows:

	2017.12.31		
	Foreign Currency	Exchange Rate	TWD
CNY	$ 1,774,589	CNY／TWD＝4.55	8,074,382

	2016.12.31		
	Foreign Currency	Exchange Rate	TWD
CNY	$ 422,634	CNY／TWD＝4.64	1,961,022

4.Derivative financail instruments not used for hedging:

The Group uses derivative financial instruments to hedge certain foreign exchange and interest risk arising from its operating, financing and investing activities. The following are the transactions that do not qualify for hedge accounting which are presented as held-for-trading financial assets and liabilities as of December 31, 2017 and 2016:

1) Financial assets:

	2017.12.31			
	Contract Amount		Currency	Contract Period
Foreign exchange Swap	USD	100,000	USD:TWD	2018.01.12-2018.02.07

	2016.12.31			
	Contract Amount		Currency	Contract Period
Forward	USD	570,000	USD:CNY	2017.01.13-2017.05.15
Forward	EUR	2,600	EUR:TWD	2017.02.02-2017.02.14
Forward	EUR	356	EUR:USD	2017.01.09

(Thousands of New Taiwan Dollars)

2) Financial liabilities:

	2017.12.31			
	Contract Amount		Currency	Contract Period
Forward	USD	100,000	USD:TWD	2018.01.12-2018.02.07
Foreign exchange Swap	USD	20,000	USD:TWD	2018.02.26

	2016.12.31			
	Contract Amount		Currency	Contract Period
Forward	EUR	1,500	EUR:TWD	2017.02.06

(c) Accounts receivable and other receivables

	2017.12.31	2016.12.31
Accounts receivable due from related parties	$ 1,085	1,085
Accounts receivable due from non-related parties	78,807,565	71,484,168
Other receivables due from related parties	7,605	101
Other receivables due from non-related parties	1,041,347	983,946
Less: Allowance for impairment	(200,021)	(200,675)
Allowance for sales returns and discounts	(11,065)	(17,695)
	$ 79,646,516	72,250,930

	2017.12.31		2016.12.31	
	Total amount	Impairment	Total amount	Impairment
Not past due	$ 76,490,260	84,309	68,750,262	81,594
Past due up to 180 days	3,208,373	37,927	3,603,126	10,503
Past due over 180 days	158,969	77,785	115,912	108,578
	$ 79,857,602	200,021	72,469,300	200,675

As of February 28, 2018, the amount that received by the Group is $65,649,824.

The movement in the allowance for impairment with respect to accounts receivable and other receivables during the period were as follow:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance on January 1, 2017	$ 56,165	144,510	200,675
(Reversal of) impairment loss	(10,142)	33,465	23,323
Written off unrecoverable amount	(15,301)	(8,589)	(23,890)
Foreign exchange gain (loss)	207	(294)	(87)
Balance on December 31, 2017	$ 30,929	169,092	200,021

	Individually assessed impairment	Collectively assessed impairment	Total
Balance on January 1, 2016	$ 40,700	108,021	148,721
Impairment loss	40,639	37,655	78,294
Written off unrecoverable amount	(25,174)	-	(25,174)
Foreign exchange gain (loss)	-	(1,166)	(1,166)
Balance on December 31, 2016	$ 56,165	144,510	200,675

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.

As of December 31, 2017 and 2016, none of the receivables above are pledged as collateral for loans and borrowings.

As of December 31, 2017 and 2016, the Group sold its accounts receivable without recourse as follows:

(Unit: Foreign currency/TWD in Thousands)

2017.12.31

Purchaser	Assignment Facility	Factoring Line	Advanced Amount	Range of Interest Rate	Collateral	Significant Transferring Terms	Derecognition Amount
Non-related parties	$ 36,190,848	Note 1	USD 1,217,317	2.0855%~ 2.5175%	None	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.	36,190,848

2016.12.31

Purchaser	Assignment Facility	Factoring Line	Advanced Amount	Range of Interest Rate	Collateral	Significant Transferring Terms	Derecognition Amount
Non-related parties	$ 30,766,863	Note 1	USD 956,681	1.51%~1.74%	None	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.	30,766,863

Note1: The purchaser has the right to make factoring transactions with the company based on the amount allocated by the client under factoring agreement.

(Thousands of New Taiwan Dollars)

(d) Inventories

	2017.12.31	2016.12.31
Raw materials and consumables	$ 23,594,750	19,030,914
Work in process	10,174,438	8,501,111
Finished goods	5,690,817	4,330,268
Materials and supplies in transit	88,082	72,745
	$ 39,548,087	**31,935,038**

For the years ended December 31, 2017, the reversal of write-down of inventories amounted to $330,795; For the year ended December 31, 2016, the write-down of inventories amounted to 588,220; For the years ended December 31, 2017 and 2016, expenses of idle capacity amounted to $170,808 and $178,957, respectively.

As of December 31, 2017 and 2016, the aforesaid inventories were not pledged as collateral.

(e) Non-current assets held-for-sale

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, and signed the contract 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, 2017, was classified as non-current assets held-for-sale, with the selling price of $550,793, and its difference between the book value amounting to $118,036 was recognized as impairment loss.

(f) Investments accounted for under the equity method

The investment under equity method is as follows:

	2017.12.31	2016.12.31
Associate	**$ 326,957**	**380,091**

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.

	2017.12.31	2016.12.31
Individually insignificant associates	**$ 326,957**	**380,091**

	For the years ended December 31,	
	2017	2016
The Group's share of profit (loss) of the associates		
Losses for the year	$ (37,928)	(26,135)
Other comprehensive income	(297)	(25,303)
Total comprehensive income	**$ (38,225)**	**(51,438)**

(Thousands of New Taiwan Dollars)

As of December 31, 2017 and 2016, the Group’s investments under equity method has not been pledged as collaterals or restricted in any way.

(g) Acquisition and loss control of subsidiaries

1.Acquisition of subsidiary

In March, 2016, in pursuant to the resolutions of the Board of Directors, the Group decided to organize a joint venture company with Advantech Co., Ltd.. The Group obtained up to half of the numbers of the board of directors of the joint venture company and owned 55% of its shares. As a result, the Group obtained control over the joint venture company, which was included in its consolidated financial statments.

2.Loss of control of subsidiaries

The board of Directors of certain subsidiaries decided to dismissed their respective companies in 2017. As a result, the Group lose control over these subsidiaries.

The details of assets and liabilities of the aforesaid subsidiaries are as follows:

Cash and cash equivalents	$	92,707
Inventories		4,070
Other receivalbes		3,761
Non-current asset held for sale		1,863
Other asssets		38,795
Accounts payable		(358,520)
Other payable		(10,969)
Other liabilities		(2,158)
Carrying amount of net asset of the former subsidiary	$	(230,451)

(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, 2017 and 2016 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, 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	$	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

(Thousands of New Taiwan Dollars)

	Land	Building and construction	Machinery and equipment	Transportation equipment	Office equipment	Other facilities	Leasehold improvements	Others	Total
Balance at January 1, 2016	$ 3,739,892	20,910,289	31,145,362	121,217	6,622,096	11,576,547	1,433,113	1,437,240	76,985,756
Additions	3,280,051	2,257,201	1,169,786	11,614	281,054	135,995	120,828	3,242,578	10,499,107
Disposals	-	(58,778)	(3,083,354)	(16,402)	(1,006,084)	(36,546)	(916)	-	(4,202,080)
Other	363,600	873,333	746,964	-	81,111	(440,952)	20,081	(1,638,575)	5,562
Effect of movements in exchange rate	-	(1,373,564)	(1,402,294)	(6,304)	(340,150)	(730,446)	(7,998)	(73,983)	(3,934,739)
Balance at December 31, 2016	$ 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
Depreciation and impairment losses:									
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	$ -	6,237,622	22,828,327	57,388	4,351,762	7,591,361	1,277,565	-	42,344,025
Balance at January 1, 2016	$ -	4,994,325	22,962,571	79,231	5,277,511	8,256,602	755,186	-	42,325,426
Depreciation for the period	-	560,870	2,301,071	11,665	413,291	547,973	116,775	-	3,951,645
Impairment loss	-	27,343	318,981	281	111,021	58,210	-	-	515,836
Disposals	-	(22,848)	(2,569,376)	(14,991)	(914,677)	(34,396)	(563)	-	(3,556,851)
Other	-	218,922	-	-	-	(608,590)	-	-	(389,668)
Effect of movements in exchange rate	-	(342,876)	(1,097,328)	(3,652)	(152,953)	(560,666)	(1,526)	-	(2,159,001)
Balance at December 31, 2016	$ -	5,435,736	21,915,919	72,534	4,734,193	7,659,133	869,872	-	40,687,387
Carrying amounts:									
Balance at December 31, 2017	$ 7,383,543	15,884,545	5,486,454	40,539	711,240	3,027,394	162,155	655,382	33,351,252
Balance at January 1, 2016	$ 3,739,892	15,915,964	8,182,791	41,986	1,344,585	3,319,945	677,927	1,437,240	34,660,330
Balance at December 31, 2016	$ 7,383,543	17,172,745	6,660,545	37,591	903,834	2,845,465	695,236	2,967,260	38,666,219

The Group performed an impairment test on its property, plant and equipment. Based on the experience of the past and the actual operating result, the discounted rate used in 2017 was between 10.23% and 10.88%. 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, 2017 and 2016, the impairment losses were $2,735,519 and $515,836, respectively.

As of December 31, 2017 and 2016, the details of property are subject to a registered debenture to secure bank loans (see Note 8).

(Thousands of New Taiwan Dollars)

(i) Investment property

	Building and construction
Cost or deemed cost:	
Balance at January 1, 2017	$ 992,490
Disposals for the period	-
Balance at December 31, 2017	**$ 992,490**
Balance at January 1, 2016	$ 992,490
Disposals for the period	-
Balance at December 31, 2016	**$ 992,490**
Depreciation and impairment losses:	
Balance at January 1, 2017	$ 472,269
Depreciation for the period	27,850
Impairment loss	197,081
Balance at December 31, 2017	**$ 697,200**
Balance at January 1, 2016	$ 444,419
Depreciation for the period	27,850
Balance at December 31, 2016	**$ 472,269**
Carrying amounts:	
Balance at December 31, 2017	**$ 295,290**
Balance at January 1, 2016	**$ 548,071**
Balance at December 31, 2016	**$ 520,221**
Fair value:	
Balance at December 31, 2017	**$ 295,290**
Balance at December 31, 2016	**$ 560,994**

Based on the purposes of earning rental income or for capital appreciaiton income or both, the Group reclassified buildings to investment property.

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 determing the fair value is classified to Level 3. It is measure at cost, and value of an objects is estimated by the cost of re-acquisition or reconstruction deducting the accumulated depreciaion and other deductibles, with a consideration of current situation, economy, and function of the object.

(Thousands of New Taiwan Dollars)

The Group assessed the recoverable amount for investment property and recognized the accumulative impairment loss of $502,250 and $305,169 as of December 31, 2017 and 2016.

Please refer to Note 8 for the information of the Group’s investment property pledging for bank mortgage as of December 31, 2017 and 2016.

(j) Intangible assets

The costs of intangible assets, amortization, and impairment loss of the Group for the years ended December 31, 2017 and 2016 were as follows:

	Goodwill	Patent and trademark right	Software cost	Total
Cost:				
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 rate	-	-	(1,905)	(1,905)
Balance at December 31, 2017	**$ 980,719**	**754**	**939,302**	**1,920,775**
Balance at January 1, 2016	$ 1,083,429	124,713	848,471	2,056,613
Additions	-	-	291,583	291,583
Disposals	-	(2,365)	(200,159)	(202,524)
Effect of movements in exchange rate	-	-	(1,157)	(1,157)
Balance at December 31, 2016	**$ 1,083,429**	**122,348**	**938,738**	**2,144,515**
Amortization and impairment losses:				
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	**$ 172,299**	**740**	**855,320**	**1,028,359**
Balance at January 1, 2016	$ 275,009	124,578	784,121	1,183,708
Amortization for the period	-	91	274,227	274,318
Disposals	-	(2,365)	(200,159)	(202,524)
Effect of movements in exchange rate	-	-	(1,011)	(1,011)
Balance at December 31, 2016	**$ 275,009**	**122,304**	**857,178**	**1,254,491**

(Thousands of New Taiwan Dollars)

	Goodwill	Patent and trademark right	Software cost	Total
Carrying amounts:				
Balance at December 31, 2017	$ 808,420	14	83,982	892,416
Balance at January 1, 2016	$ 808,420	135	64,350	872,905
Balance at December 31, 2016	$ 808,420	44	81,560	890,024

The amortization of intangible assets and impairment losses are respectively included in the statement of comprehensive income:

	For the years ended December 31,	
	2017	2016
Operating costs	$ 174,140	165,911
Operating expenses	107,998	108,407
Total	$ 282,138	274,318

As of December 31, 2017 and 2016, 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:

	2017.12.31	2016.12.31
Refundable deposits	$ 240,335	677,835
Prepayments to suppliers	30,188	25,137
Long-term prepaid rents	1,077,267	1,266,439
Restricted assets	11,196,703	2,604,595
Others	5,260,370	3,640,389
	$ 17,804,863	8,214,395

As of December 31, 2017 and 2016, the details of other non-current assets were pledged as collateral, please refer to Note 8.

(Thousands of New Taiwan Dollars)

(l) Long-term and short-term borrowings

The significant terms and conditions of long-term and short-term borrowings were as follows:

	2017.12.31			
	Interest Rate	**Currency**	**Period**	**Amount**
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				$ 40,958,838
Current				$ 36,993,107
Non-current				3,965,731
Total				$ 40,958,838
Unused credit line				$ 46,365,637

	2016.12.31			
	Interest Rate	**Currency**	**Period**	**Amount**
Secured bank loans	1.44%~2.30%	TWD	2017.01.18~2031.03.26	$ 4,459,494
		USD	2017.03.30~2017.11.15	2,595,835
Unsecured bank loans	0.80%~4.35%	TWD	2017.01.02~2018.07.28	2,529,732
	%%	USD	2017.01.03~2017.06.09	9,281,309
	%%	CNY	2017.01.10~2017.01.17	189,133
Total				$ 19,055,503
Current				$ 14,991,614
Non-current				4,063,889
Total				$ 19,055,503
Unused credit line				$ 80,137,759

(Thousands of New Taiwan Dollars)

1.Collateral of bank loans

Please refer to Note 8 for details of the related assets pledged as collateral. In order to assist the Company to access credit line from banks, some shareholders and board of directors pledged their assets as collaterals, please refer to Note 7 for details.

2.Contract of bank loans

According to the credit loan facility agreement with the banks in 2017 and 2016, 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, 2018 to the date when the Company meets all the requirements regarding its financial covenants.

(m) Operating Leases

1.Leases entered into as lessee

Non-cancellable operating lease payable were as follows:

	2017.12.31	2016.12.31
Within 1 year	$ 146,748	174,788
Period after 1 to 5 years	530,648	457,265
Period after 5 years	147,322	216,204
	$ 824,718	848,257

The Group lease a number of 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, 2017 and 2016, expenses recognized in profit or loss in respect of operating leases were $210,222 and $236,620.

(Thousands of New Taiwan Dollars)

2.Leases- Lessor

The future minimum lease payments under non-cancellable leases are as follows:

		2017.12.31	2016.12.31
Within 1 year	$	180,491	109,703
Period after 1 to 5 years		400,441	95,553
Period after 5 years		126,778	35,242
	$	707,710	240,498

The rental revenues incurred by leasing plants were $157,321 and $202,824 for the years ended December 31, 2017 and 2016, 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:

		2017.12.31	2016.12.31
Present value of the defined benefit obligations	$	1,666,682	1,670,426
Fair value of plan assets		(1,000,117)	(928,336)
Net defined benefit liabilities	$	666,565	742,090

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, 2017 and 2016, the defined benefit plans amounted to $5,700 and $5,184, respectively, which were accounted as non-current assets.

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 $993,973 at the end of December 31, 2017. 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.

(Thousands of New Taiwan Dollars)

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:

	For the years ended December 31,	
	2017	**2016**
Defined benefit obligation at January 1	$ 1,670,426	1,746,837
Current service costs and interest	29,878	27,555
Remeasurement on the net defined benefit liability		
－Actuarial loss (gain) arising from changes in demography assumption	27,305	-
－Experience adjustments arising on the actuarial gain or loss	(100,847)	28,077
－Actuarial loss (gain) arising from changes in financial assumptions	109,630	(18,925)
Benefits paid by the plan assets	(69,182)	(113,589)
Payment	(528)	-
Other	-	471
Defined benefit obligation at December 31	**$ 1,666,682**	**1,670,426**

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:

	For the years ended December 31,	
	2017	**2016**
Fair value of plan assets at January 1	$ 928,336	721,427
Interest income	11,649	7,274
Remeasurement on the net defined benefit liability		
－Return on plan assets (excluding current interest)	(2,505)	(1,088)
Contributions made	117,636	314,212
Benefits paid by the plan assets	(54,295)	(113,589)
Payment	(134)	-
Other	(570)	100
Fair value of plan assets at December 31	**$ 1,000,117**	**928,336**

(Thousands of New Taiwan Dollars)

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	For the years ended December 31,	
	2017	2016
Current service costs	$ 8,983	10,056
Net interest of net liabilities for defined benefit obligations	9,246	10,225
	$ 18,229	20,281
Operating cost	$ 1,430	1,451
Selling expenses	2,092	2,795
Administration expenses	5,225	5,333
Research and development expenses	9,482	10,702
	$ 18,229	20,281

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:

	For the years ended December 31,	
	2017	2016
Cumulative amount at January 1	$ (159,066)	(148,826)
Recognised during the period	(43,111)	(10,240)
Cumulative amount at December 31	$ (202,177)	(159,066)

6) Actuarial assumptions

The following are the Group's principal actuarial assumptions:

Present Value of defined benefit obligations:

	2017.12.31	2016.12.31
Discount rate	1.25%~1.50%	1.25%~1.90%
Future salary increases rate	1.50%~2.50%	0.50%~2.50%

(Thousands of New Taiwan Dollars)

The expected allocation payment made by the Group to the defined benefit plans for the one year period after the reporting date was $84,189.

The weighted-average duration of the defined benefit obligation is 10.5~21.6 years.

7) Sensitivty analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
	Increased 0.25%	**Decreased 0.25%**
December 31, 2017		
Discount rate	(47,180)	49,136
Future salary increasing rate	48,093	(47,047)
December 31, 2016		
Discount rate	(11,913)	12,273
Future salary increasing rate	191	(162)

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 2017 and 2016.

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 $245,484 and $242,854 for the years ended December 31, 2017 and 2016, respectively.

The pension expenses contributed by the foreign entities following the local regulations amounted to $1,437,873 and $1,534,872 for the years ended December 31, 2017 and 2016, respectively.

(Thousands of New Taiwan Dollars)

(o) Income taxes

1.The components of income tax expense (gain) in the years 2017 and 2016 were as follows:

	For the years ended December 31, 2017	2016
Current tax expense		
Current period	$ 2,063,947	2,072,516
Tax returned	(3,671)	-
Adjustment for prior periods	182,708	(117,929)
	2,242,984	1,954,587
Deferred tax expense		
Origination and reversal of temporary differences	626,290	(84,468)
Change in unrecognised deductible temporary differences	51,344	-
Recognition of previously unrecognised tax losses	(61,030)	249,613
Other	(10,178)	(1,196)
	606,426	163,949
Income tax expense from continuing operations	**$ 2,849,410**	**2,118,536**

The amount of income tax recognized in other comprehensive income for 2017 and 2016 was as follows:

	For the years ended December 31, 2017	2016
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	**$ 6,729**	**1,747**

(Thousands of New Taiwan Dollars)

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	For the years ended December 31, 2017	2016
Income before tax	$ 7,186,448	7,089,909
Income tax using the Company' s domestic tax rate	2,142,780	1,798,154
Permanent differences	(277,164)	(388,632)
Tax credits	(279,466)	(131,361)
Recognition of previously recognized tax losses	50,251	249,613
Current-year losses for which no deferred tax asset was recognized	491,088	410,734
Tax returned	(3,671)	-
Change in unrecognized temporary differences	615,639	234,229
Under (over) provision in prior periods	182,709	(117,929)
Under (over) provision of tempopary differences	(29,854)	30,161
Other	(42,902)	33,567
Income tax expense	$ 2,849,410	2,118,536

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:

	2017.12.31	2016.12.31
Tax effect of deductible Temporary Differences	$ 3,244,708	2,791,261
The carryforward of unused tax losses	2,952,658	3,251,150
	$ 6,197,366	6,042,411

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.

(Thousands of New Taiwan Dollars)

The Subidiaries 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 Enterrises, 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, 2017 and 2016, the Group estimated that the part of the temporary differences do not have more than 50% possiblity 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, 2017, the company that have loss carry forwards which can be used to offset profit were as follow. Among the taxable losses, $27,843 were recognized as deferred tax assets.

As of December 31, 2017, the Group did not recognized its prior years' loss carry-forwards as deferred tax assets, whose expiring years were as follows:

	Unused balance	Expring year
The carryforward of unused losses	$ 10,492,578	2018~2027

Due to the unstable economic environment recovery, the realizability of tax assets of the tax losses, which amounted to $10,492,578, 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.

(Thousands of New Taiwan Dollars)

2) Recognized Deferred Tax Assets and Liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2017 and 2016 were as follows:

	Gain (loss) on investment	Other	Total
Deferred Tax Liabilities:			
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	**$ 2,137,695**	**-**	**2,137,695**
Balance at January 1, 2016	$ 1,407,094	100,558	1,507,652
Recognized in profit or loss	240,334	(38,797)	201,537
Balance at December 31, 2016	**$ 1,647,428**	**61,761**	**1,709,189**

	Warranty expense	Loss of market decline on financial assets	Defined Benefit Plans	Others	Total
Deferred Tax Assets:					
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	**$ 739,866**	**42,610**	**76,565**	**658,023**	**1,517,064**
Balance at January 1, 2016	$ 514,042	69,084	143,613	948,646	1,675,385
Recognized in profit or loss	66,575	35,954	(58,642)	(6,299)	37,588
Recognized in other comprehensive income	-	-	1,747	-	1,747
Effect of movements in exchange rate	-	-	-	(21,065)	(21,065)
Balance at December 31, 2016	**$ 580,617**	**105,038**	**86,718**	**921,282**	**1,693,655**

3.The Company’s income tax returns through 2014 have been examined and approved by the Tax Authority.

4.Information related to the unappropriated earnings and tax deduction ratio is summarized below:

	2017.12.31	2016.12.31
Accumulated in 1997 and prior years	Note	$ -
Accumulated in 1998 and thereafter	Note	6,575,897
		$ 6,575,897
Stockholders’ imputation tax credit account	Note	**$ 905,087**

(Thousands of New Taiwan Dollars)

	2017 (estimated)	2016 (actual)
Tax deduction ratio for earnings distribution to ROC residents	Note	22.42%

The aforesaid information of tax deduction ratio for earnings distributable to R.O.C. residents was prepared in accordance with Decree NO.10204562810 issued by Taxation Administration, Ministry of Finance, R.O.C. on October 17, 2013.

Note: 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, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system.

5.Business income tax administrative remedies

The Group's income tax return for the year 2013 and 2012 had been examined by the tax authorities, and the Group paid additional $93,653 and $39,551 for tax, respectively. The Group disagreed with the examination results and requested for a re-examination. The re-examination of income tax return for the years 2013 and 2012 had been resolved by the re-examination commitee of National Taxation Bureau of the Northern Area, Ministry of Finance, and the Group had paid the additional amounts of $46,695 and $16,657, respectively, before the deadline in 2016.

(p) Capital and reserves

As of December 31, 2017 and 2016, 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:

	2017.12.31	2016.12.31
Share capital	$ 2,891,959	2,891,959
Other	21,137	21,137
	$ 2,913,096	2,913,096

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.

(Thousands of New Taiwan Dollars)

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.

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 reveresd, 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 16, 2017 and June 20, 2016, the shareholders approved to distribute the 2016 and 2015 earnings, respectively, as follows:

	2016		2015	
	Dividend per share ($)	**Amount**	**Dividend per share ($)**	**Amount**
Dividends disrtibuted to common shareholders				
Cash	$ 1.45	5,201,839	1.40	5,022,465

The information on prior year's distribution of the Company's earnings were announced through the Market Observation Post System on the internet.

(Thousands of New Taiwan Dollars)

3.Other equity (net of taxes) and non-controlling interests

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Non-controlling 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, disposal and sell of ownership interests in subsidiaries, and profit attributable to non-controlling interests, ect.	-	-	(2,469,246)	(2,469,246)
Balance, December 31, 2017	$ (972,359)	864,813	3,247,777	3,140,231
Balance, January 1, 2016	$ 2,604,172	205,178	6,418,145	9,227,495
Exchange differences on foreign operations	(2,375,691)	-	(12,530)	(2,388,221)
Exchange differences on subsidiaries accounted for using equity method	(6,254)	-	-	(6,254)
Unrealized gains (losses) on available-for-sale financial assets	-	106,707	-	106,707
Unrealized gains (losses) on available-for-sale financial assets of subsidiaries accounted for using equity method	-	(15,399)	-	(15,399)
Proceeds from capital reduction of subsidiaries, the subsidiary organized by joint venture, and profit attributable to non-controlling interests, ect.	-	-	(691,226)	(691,226)
Balance, December 31, 2016	$ 222,227	296,486	5,714,389	6,233,102

(q) Share-Based payments

1.E-ton Solar Tech Co. Ltd. and its subsidiaries

As of December 31, 2016, share-based payments of E-ton Solar Tech Co., Ltd. and its subsidiaries were as follows:

	Equity transaction	
	E-Ton Solar Tech. Co., Ltd.	
	Employee Stock Option Plan Second plan in 2010	Employee Stock Option Plan First plan in 2010
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:

	E-Ton Solar Tech. Co., Ltd.	
	Employee Stock Option Plan Second plan in 2010	**Employee Stock Option Plan First plan in 2010**
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%

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)

	E-Ton Solar Tech. Co., Ltd.			
	For the years ended December 31, 2017		**For the years ended December 31, 2016**	
	Weighted-average Exercise Price	**Numbers of Options**	**Weighted-average Exercise Price**	**Numbers of Options**
Balance, beginning of January 1	$ 19.70	578	20.77	1,555
Options granted	-	-	-	-
Options forfeited	19.70	(25)	20.61	(101)
Options exercised	-	-	-	-
Options expired	19.70	(553)	-	(876)
Balance, end of December 31	$ -	-	19.70	**578**
Options exercisable, end of December 31	$ -	-	19.70	**578**

All employee stock options of E-Ton Company have matured in August 2017.

For the year ended December 31, 2016, the exercise prices of outstanding options was $19.70, and the weighted-average remaining lives of the outstanding options of E-TON company were 0.58 years.

3) Expenses and liabilities resulted from share-based payments

The E-TON company and its subsidiaries incurred expenses and liabilities from share-based payments transactions for the years ended December 31, 2017 and 2016.

(r) Earnings per share

The following are the calculation of basic earnings per share and diluted earnings per share:

	For the years ended December 31,	
	2017	2016
Basic earnings per share:		
Profit attributable to ordinary shareholders	$ 6,754,912	5,637,120
Weighted average number of ordinary shares (thousand shares)	3,587,475	3,587,475
Basic earnings per share (NT dollars)	$ 1.88	1.57
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (adjusted for the effects of all dilutive potential ordinary shares)	$ 6,754,912	5,637,120
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	21,135	18,934
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)	3,608,610	3,606,409
Diluted earnings per share (NT dollars)	$ 1.87	1.56

(Thousands of New Taiwan Dollars)

(s) Revenue

The details of revenue for the years ended December 31, 2017 and 2016 were as follows:

	For the years ended December 31,	
	2017	2016
Sale of goods	$ 466,576,507	427,427,182
Rendering of services	935,840	1,038,833
	$ 467,512,347	428,466,015

(t) Remuneration to 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 are 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. Before the Group Audit Committee is set up, the remuneration to supervisors are allocated according to the aforesaid rules.

The employee remuneration amounted to $422,633 thousand and $348,607 thousand and the remuneration of directors amounted to $118,337 thousand and $97,610 thousand for the years ended December 31, 2017 and 2016, 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 are expensed under operating cost or expenses in 2017 and 2016. 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 2017 and 2016 and the amounts stated in the indivisual reports.

(u) Non-operating income and expenses

1.Other income

The details of other income for the years ended December 31, 2017 and 2016 were as follows:

	For the years ended December 31,	
	2017	2016
Interest income	$ 1,492,666	938,703

(Thousands of New Taiwan Dollars)

2.Other income and losses

The details of other income and losses for the years ended December 31, 2017 and 2016 were as follows:

	For the years ended December 31, 2017	2016
Rent income	$ 224,053	226,212
Foreign exchange gains (losses)	(572,187)	(1,927,230)
Gains (losses) on disposal of investments	1,182,665	39,338
Net gains (losses) on financial assets (liabilities) measured at fair value through profit or loss		
Held-for-trading	(278,002)	14,640
Impairment loss on financial assets	(19,200)	(236,893)
Impairment loss on non financial assets	(3,050,636)	(560,738)
Gains (losses) on disposal of property, plant, equipment, and investment properties	(176,691)	(107,408)
Loss on disaster	-	(166,509)
Insurance compensation	180,582	464,243
Other	880,645	846,594
	$ (1,628,771)	**(1,407,751)**

3.Finance costs

The details of finance expenses for the years ended December 31, 2017 and 2016 were as follows:

	For the years ended December 31, 2017	2016
Interest expenses		
Bank borrowings	$ 956,389	356,804
Others	412,699	242,567
	$ 1,369,088	**599,371**

(v) Reclassification adjustments of components of other comprehensive income

For the years ended December 31, 2017 and 2016, the reclassification adjustments of components of other comprehensive income amounted for $1,213,259 and $39,338, respectively.

(Thousands of New Taiwan Dollars)

(w) Financial instruments

1.Credit risks

1) Credit risks exposure

The carrying amounts of financial assets represented the maximum credit risk exposure of the Group.

For contingencies resulting from guarantees and endorsements provided by the Company, please refer to Note 13.

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 approprately as impairment loss.

As of December 31, 2017 and 2016, 63% and 60% 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 amount	Contractual cash flows	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
December 31, 2017							
Non-derivative financial liabilities							
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 payable	7,086,093	7,086,093	7,086,093	-	-	-	-
Derivative financial liabilities							
Forward exchange contracts not used for hedging:							
Outflow	18,613	(2,983,860)	(2,983,860)	-	-	-	-
Inflow	-	2,965,247	2,965,247	-	-	-	-
Foreign exchange swap contracts not used for hedging :							
Outflow	3,056	(597,400)	(597,400)	-	-	-	-
Inflow	-	594,344	594,344	-	-	-	-
	$ 121,280,441	121,887,341	111,908,583	5,688,644	610,768	1,084,796	2,594,550

		Carrying amount	Contractual cash flows	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
December 31, 2016								
Non-derivative financial liabilitie								
Secured bank loans	$	7,055,329	7,536,573	1,167,900	1,993,616	279,739	1,163,268	2,932,050
Unsecured bank loans		12,000,174	12,028,890	11,902,394	50,985	75,511	-	-
Notes payable		12,132	12,132	12,132	-	-	-	-
Accounts payable		69,032,536	69,032,536	69,032,536	-	-	-	-
Other payable		6,991,535	6,991,535	6,991,535	-	-	-	-
Derivative financial liabilities								
Forward exchange contracts not used for hedging:								
Outflow		106	(50,880)	(50,880)	-	-	-	-
Inflow		-	50,774	50,774	-	-	-	-
	$	95,091,812	95,601,560	89,106,391	2,044,601	355,250	1,163,268	2,932,050

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:

	2017.12.31			
		Foreign currency (In 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
CNY		4,090,023	CNY：USD 0.15	18,609,605
		3,593	CNY：TWD 4.55	16,348
JPY		6,027	JPY ：TWD 0.26	1,567
Non-monetary items				
USD		5,228	USD：TWD30.44~32.19	160,580

	2017.12.31		
	Foreign currency (In thousand)	Exchange rate	TWD
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

	2016.12.31		
	Foreign currency (In thousand)	Exchange rate	TWD
Financial assets			
Monetary items			
USD	$ 3,426,089	USD：TWD 32.16	110,183,022
	1,579,464	USD：CNY 6.94	50,795,562
	309,310	USD：CZK 25.64	9,947,410
JPY	178,662	JPY ：TWD 0.28	50,025
EUR	7,984	EUR：TWD 33.85	270,258
Non-monetary items			
USD	60,871	USD：TWD30.44~32.19	1,951,339
CNY	544,726	CNY：TWD 4.64	2,527,529
Financial Liabilities			
Monetary items			
USD	2,688,282	USD：TWD 32.16	86,455,149
	2,235,050	USD：CNY 6.94	71,879,208
	449,375	USD：CZK 25.64	14,451,900
JPY	3,360	JPY ：TWD 0.28	925
EUR	4,791	EUR：TWD 33.85	162,175

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, 2017 and 2016 would have increased or decreased the net profit after tax by $137,671 and $11,840, 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, 2017 and 2016, the foreign exchange loss, including realized and unrealized, amounted to $572,187 and $1,927,230, 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 $16,417 and $16,437 for the years ended December 31, 2017 and 2016, 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 determing the 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).

(Thousands of New Taiwan Dollars)

Financial assets and liabilities at fair value through profit or loss and 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 :

	2017.12.31				
		Fair Value			
	Book Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss					
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
Available-for-sale financial assets					
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
Financial assets at cost	432,441	-	-	-	-
Loans and receivables					
Cash and cash equivalents	26,949,180	-	-	-	-
Account receivalbes and other receivables	79,646,516	-	-	-	-
Other financial assets and refundable deposit	11,437,038	-	-	-	-
Subtotal	118,032,734	-	-	-	-
Total	$ 127,986,000	1,251,830	171,890	8,097,105	9,520,825
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	$ 21,669	-	21,669	-	21,669
Financial liabilities at amortized cost					
Bank loans	40,958,838	-	-	-	-
Notes payable and account payable	73,213,841	-	-	-	-
Other payable	12,890,156	-	-	-	-
Subtotal	127,062,835	-	-	-	-
Total	$ 127,084,504	-	21,669	-	21,669

(Thousands of New Taiwan Dollars)

	2016.12.31				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Derivative financial assets	$ 138,199	-	138,199	-	138,199
Non derivative held-for-trading financial assets	52,345	52,345	-	-	52,345
Subtotal	190,544	52,345	138,199	-	190,544
Available-for-sale financial assets					
Stocks of listed companies	732,898	732,898	-	-	732,898
Unquoted equity instruments	225,248	-	195,731	29,517	225,248
Unquoted financial instruments	1,961,022	-	-	1,961,022	1,961,022
Subtotal	2,919,168	732,898	195,731	1,990,539	2,919,168
Financial assets at cost	434,143	-	-	-	-
Loans and receivables					
Cash and cash equivalents	25,972,444	-	-	-	-
Account receivables and other receivables	72,250,930	-	-	-	-
Other financial assets and refundable deposit	3,282,430	-	-	-	-
Subtotal	101,505,804	-	-	-	-
Total	$ 105,049,659	785,243	333,930	1,990,539	3,109,712
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	$ 106	-	106	-	106
Financial liabilities at amortized cost					
Bank loans	19,055,503	-	-	-	-
Notes payable and account payable	69,044,668	-	-	-	-
Other payable	12,249,690	-	-	-	-
Subtotal	100,349,861	-	-	-	-
Total	$ 100,349,967	-	106	-	106

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.

(Thousands of New Taiwan Dollars)

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.

(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 in the year of 2017 and 2016.

4) The following table shows the movements in fair value measurements under level 3 of the fair value hierarchy:

	Available-for-sale financial assets
Balance as of January 1, 2017	$ 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	(294,699)
Proceeds from capital reduction	(11,264)
Balance as of December 31, 2017	**$ 8,097,105**
Balance as of January 1, 2016	$ 2,749,117
Total gains and losses recognized in	
Profit or loss	39,338
Other comprehensive income	15,985
Purchase	5,882,296
Disposals	(6,416,927)
Effect of movements in exchange rate	(274,150)
Proceeds from capital liquidation	(5,120)
Balance as of December 31, 2016	**$ 1,990,539**

(Thousands of New Taiwan Dollars)

For the years ended December 31, 2017 and 2016, total gains and losses included in "other gains and losses" and "unrealised gains and losses from available-for-sale financial assets were as follows:

		For the years ended December 31, 2017	2016
Total gains and losses recognized in:			
In other comprehensive income (recognized as "unrealised gains and losses from available-for-sale financial assets")	$	86,676	15,985

5) The quantified information for significant unobservable inputs (Level 3) used in fair value measurement

The Company uses level 3 inputs to measure fair values of 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
Available-for-sale financial assets-financial instruments without an active market	Discounted Cash Flow Method	‧Discount Rate (0.5% on December 31, 2017 and 2016)	‧The higher the discount rate, the lower the fair value.
Available-for-sale financial assets -equity investments without an active market	Net Asset Value Method	‧Net Asset Value	‧Not applicable

6) Sensitivity analysis for fair values of financial instruments using Level 3 Inputs

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 of Fair Value Change on Other Comprehensive income or loss: Favorable Change	Unfavorable Change
December 31, 2017					
Available-for-sale financial assets financial instruments without an active market	Discount Rate	0.5%	$	10,949	(10,949)
December 31, 2016					
Available-for-sale financial assets financial instruments without an active market	Discount Rate	0.5%	$	3,383	(3,383)

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.

(Thousands of New Taiwan Dollars)

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.

	2017.12.31					
	Financial assets that are offset which have an exercisable master netting arrangement or similar agreement					
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not off set in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Offsetting agreement	$ 334,519,576	334,118,499	401,077	-	-	401,077

	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)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial instruments	$ 21,669	-	21,669	-	-	21,669

	2016.12.31					
	Financial assets that are offset which have an exercisable master netting arrangement or similar agreement					
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not off set in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Offsetting agreement	$ 231,053,029	230,805,670	247,359	-	-	247,359
Derivative financial instruments	83,993	-	83,993	-	-	83,993
Total	$ 231,137,022	230,805,670	331,352	-	-	331,352

	2016.12.31					
	Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement					
				Amounts not off set in the balance sheet (d)		
	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)	Financial instruments (Note)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial instruments	$ 106	-	106	-	-	106

Note: Master netting arrangements and non-cash financial collaterals are included.

(x) 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 fincancial units follows the risk managment policies, and report the operating status to the board of dirctors 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(w) for the analysis of credit risk of cash, cash equivalent and accounts receivable. Please refer to Note 13(a) for the endorsement and guarantee provided to the subsidiaries and affiliates as of December 31, 2017 and 2016.

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, 2017, 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, 2017 and 2016, the Group's unused credit line were amounted to $46,365,637 and $80,137,759, 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 optimising 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.

(Thousands of New Taiwan Dollars)

2) Interest rate risk

The Group's interest rate risk arises from long-term borrowings bearing floating interest rates. The fluctuation of the 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.

(y) 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 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 equities the most suitable capital structure and optmizing the best of it based on industrial scales, future growth development, and capital expenditures needed for plants and equipments. 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 captial 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:

	2017.12.31	2016.12.31
Total Liabilities	$ 149,837,213	121,865,955
Less: cash and cash equivalents	(26,949,180)	(25,972,444)
Net debt	122,888,033	95,893,511
Total Equity	58,930,614	60,507,262
Total Capital	**$ 181,818,647**	**156,400,773**
Debt to equity ratio	**67.59%**	**61.31%**

According to the Company's management, there were no changes in the Group's approach to capital management at of December 31, 2017.

(Thousands of New Taiwan Dollars)

(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.	An associate
Besta (Kunshan) Co., Ltd.	Subsidiary of associates
Inventec Besta (XiAn) Co., Ltd.	Subsidiary of associates
Gainia Intellectual Asset Services, Inc.	An associate
APEX Bussiness Management & Consulting (Shanghai) Co., Ltd.	An associate (a subsidiary of the Group since 2017)
Hsu Shin Chun	Substantial relationship of the Group
Inventec Group Social Welfare & 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,	
	2017	2016
Associates	$ 1,138	36,189

For 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, and did not require provisions for bad debt expenses.

2.Purchase

The amounts of significant purchase transactions between the Group and related parties were as follows:

	For the years ended December 31,	
	2017	2016
Associates	$ 104	(1,099)

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。

(Thousands of New Taiwan Dollars)

3.Account receivables from related parties

The amounts of account receivables between the Group and related parties were as follows:

Financial Statement Account	Related Party Categories	2017.12.31	2016.12.31
Account receivables	Associates	$ 1,085	1,085
Other receivables	Associates	7,605	101
		$ 8,690	1,186

4.Account payables from Related Parties

The amounts of Account payables between the Group and related parties were as follows:

Financial Statement Account	Related Party Categories	2017.12.31	2016.12.31
Accounts payable	Associates	$ -	8,167
Notes payable	Other related parties		
	Inventec Welfare Committee	-	12,132
Other accounts payable	Associates	2,121	1,513
Other accounts payable (excluding borrowings)	Other related parties	-	6,448
		$ 2,121	28,260

5.Property transactions

1) Acquisition of property, plant and equipment

For the year ended December 31, 2017 and 2016, the Group purchused property, plant and equipment from Inventec Besta Co., Ltd. and paid the amounted $3,323 and $7,967.

2) In 1999, the Group sold property, deferred assets, assets stated under expense, and trademarks to and paid resulting in a gain on property disposal of $51,712 and other revenue of $40,453. As of December 31, 2017 and 2016, the unrealized other revenues are both $1,211.

6.Borrowings of Related Parties

The aforesaid interest rate of the loans were 2.20%~3.14% as of December 31, 2016. These non-guaranteed loans had repaid in 2016. The interest expense amounted to $5 for the year ended December 31, 2016.

7.Others

1) As of December 31, 2016, the related parties pledged certificate deposits amounting to $159,800 as collateral to assist the Company to access bank credits. The Group had already repaid the loans and cancelled the collateral in June 2017. As of December 31, 2016, the accrued expenses of certificate deposit pledged as collateral, amounted to $6,275. For the years ended December 31, 2017 and 2016, the expense of certificate deposits pledged were $515 and $6,275, respectively.

(Thousands of New Taiwan Dollars)

2) Rental and other revenue collected amount from related parties were as follow:

	For the years ended December 31, 2017	For the years ended December 31, 2016
Associates	$ 14,325	7,270

3) Donation for other related parties for the years ended December 31, 2017 and 2016 were $12,000 and $17,500, respectively.

4) Payments for system development and maintenance expenses to associates were as follows:

	For the years ended December 31, 2017	For the years ended December 31, 2016
Associates	$ 20,576	18,394

5) Payments for prepaid expenses to associates were as follows:

	For the years ended December 31, 2017	For the years ended December 31, 2016
Associates	$ -	14,345

(c) Key management personnel compensation

Key management personnel compensation includes:

	For the years ended December 31, 2017	For the years ended December 31, 2016
Short-term employee benefits	$ 644,386	686,474
Post-employment benefit	7,399	8,208
	$ 651,785	694,682

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:

Pledged assets	Object	2017.12.31	2016.12.31
Refundable deposits (Other non-current assets)	Customs duty guarantee and rental deposit	$ 240,335	677,835
Restricted cash in banks (Other current assets and Other non-current assets)	Customs duty guarantee, warranty guarantee and borrowings	11,196,703	2,604,595
Land, buildings, structures, machinery and equipment, net (Property, plant and equipment and Investment property)	Long-term borrowings	7,099,001	8,551,289
Total		$ 18,536,039	11,833,719

(Thousands of New Taiwan Dollars)

(9) Significant Commitments and Contingencies

(a) Major Commitments:

1.Unused standby letters of credit were as follows:

	2017.12.31	2016.12.31
EUR	$ 484	7,251
USD	19,361	5,414
JPY	-	25,210
TWD	-	236,906

2.Promissory notes issued for bank credit, forward contracts, and Secured deposits for executing technology agreements with the goverment and property deposits are as follows:

	2017.12.31	2016.12.31
TWD	$ 22,311,027	21,694,349
USD	1,307,450	1,312,400

(b) Contingencies

The relationship between E-Ton Company and JI-EE Industry Co., Ltd. has deteriorated due to a dispute over the lands and buildings which JI-EE Industry Co., Ltd. leased to E-Ton Company. JI-EE Industry Co., Ltd. claimed that the lease is due on December 31, 2013 and decided to discontinue to rent the aforesaid lands and buildings to E-Ton Company. Therefore, E-Ton Company filed a tem-porary injunction to the Tainan District Court concerning this matter.

Tainan District Court requests that E-Ton Company should provide a guarantee deposit of 0.12 billion New Taiwan Dollars for the temporary injunction mentioned above. In return, JI-EE Industry Co., Ltd. should leave the driveways and doors of the building (which is located on No. 73 and 74 Ke Gong Section, Annan Dist., Tainan City) in its current condition until this case is resolved. Furthermore, JI-EE Industry Co., Ltd. should allow E-Ton Company to continue using the other buildings located on No.16-1, 16-7, and 16-10 Ke Gong Section, Annan Dist., Tainan City.

In accordance with the enforcement order No.82 (103), JI-EE Industry Co., Ltd. has to follow the aforementioned injunction. E-Ton Company has received the civil ruling No. 160 (103) from the Tainan District Court and submitted the indictment to the Tainan District Court on July 15, 2014. The case is filed as No. 196 (103).

In accordance with the payment order No.6096 from Tainan District Court, JI-EE Industry Co., Ltd. advocated that E-Ton Company 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 Company disagreed with the demand of JI-EE Industry Co., Ltd. and filed an appeal to the Tainan District Court against JI-EE Industry Co., Ltd.. JI-EE Industry Co., Ltd. filed an appeal against E-Ton Company asking for compensation for the damage. In 2014, according to case No. 73 of Zhong-Su-Zi, Tainan District Court granted the demand of JI-EE Industry Co., Ltd., which resulted to the penalty 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 Company filed an appeal to the Taiwan High Court against JI-EE Industry Co., Ltd. on December 5, 2014 and JI-EE Industry Co., Ltd. filed another lawsuit.

On September 29, 2016, Taiwan High Court ordered E-Ton to pay the amount of $48,785 as penalty (including interest), as well as expenses for its appeal and another lawsuit. However, if JI-EE is able to pay the amount of $16,270 to the court as guarantee, the court can finalized its verdict on this case, with E-Ton having to pay JI-EE the amount of $48,785. On the other hand, if E-Ton pays the required amount to the court as guarantee deposit, the court can decide to extend the litigation procedure.

E-ton Company filed an appeal to the Taiwan Supreme Court through Taiwan High Court-Tainan Branch on October 17, 2016, which is still in progress.

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. 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 court agreed to halt its execution in seizing E-Ton’s properties.

(10) Losses Due to Major Disasters : None.

(11) Subsequent Events

(a) 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. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, it will increase the Group’s current tax charge accordingly in the future. On the other hand, if the new tax rate is applied in calculating the taxable temporary differences and tax losses recognized on December 31, 2017, the deferred tax assets and deferred tax liabilities would increase by 240,045 and 377,240, respectively.

(b) In order to optimize its assets, the Company decided to dispose its plant in Taoyuan on March 26, 2018.

(12) Other

(a) The employee benefits, depreciation, depletion and amortization expenses categorized by function were as follows:

By function / By item	For the years ended December 31, 2017			For the years ended December 31, 2016		
	Operating costs	Operating expense	Total	Operating costs	Operating expense	Total
Employee benefits						
Salary	13,248,177	8,447,125	21,695,302	11,004,950	8,212,843	19,217,793
Labor and health insurance	1,048,825	659,318	1,708,143	1,029,862	695,135	1,724,997
Pension	1,230,000	471,586	1,701,586	1,255,041	542,966	1,798,007
Others	990,818	277,351	1,268,169	922,746	253,572	1,176,318
Depreciation	2,856,299	1,082,511	3,938,810	2,905,809	1,073,687	3,979,496
Amortization	391,522	490,794	882,316	468,844	357,205	826,049

(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 of 2017:

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	733,536	150,150	150,150	3%	2	-	Working Capital	-	None	-	4,856,018	5,395,575
1	〃	Inventec Asset-Management (Shanghai) Corporation	Other receivables	Y	1,820,000	1,820,000	910,000	4.6%	2	-	〃	-	〃	-	2,158,231	2,398,034
2	Inventec (Pudong) Technology Corp.(Note 3)	Inventec Asset-Management (Shanghai) Corporation	〃	Y	1,365,000	1,365,000	682,500	4.6%	2	-	〃	-	〃	-	1,676,388	2,095,485
3	Inventec Appliances (Jiangning) Corp.(Note 4)	Inventec Appliances (XI'AN) Corporation	〃	Y	113,750	-	-	-	2	-	〃	-	〃	-	2,153,370	4,306,740

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 (Nanjing) Corp.(Note 4)	Inventec Appliances (XI'AN) Corporation	Other receivables	Y	141,453	141,050	118,300	3.045%	2	-	Working Capital	-	None	-	158,184	316,368
4	Inventec Appliances (Nanjing) Corp.(Note 4)	Inventec Appliances (Jiangning) Corp.	〃	Y	136,500	-	-	-	2	-	Pay Bank Loans	-	〃	-	158,184	316,368
5	Inventec Appliances (Shanghai) Co., Ltd.(Note 4)	Inventec Appliances (Jiangning) Corp.	〃	Y	830,466	828,100	-	-	2	-	Pay Bank Loans	-	〃	-	955,421	1,910,841
6	TPV-Inventa Technology Co., Ltd. (Note 5)	TPV-Inventa Holding Ltd.	〃	Y	30,230	-	-	-	1	-	NA	-	〃	-	38,102	38,125

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 50 percent of the permitted aggregate amount of loans of the company.

Note 5: For loans on business transactions, the total financing amount shall not exceed 25 percent of the Company's capital stock, and each financing amount shall not exceed the average amount of the business transactions for the past 5 years.

Note 6: The transactions with the Group were eliminated in the consolidated financial statements.

Note 7: 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:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	Inventec (Czech), s.r.o.	2	27,841,418	15,605	-	-	-	- %	27,841,418	Y	N	N
0	The Company	TPV-Inventa Holding Ltd. and TPV-Inventa Technology Co., Ltd.	3	27,841,418	312,100	-	-	-	- %	27,841,418	Y	N	N

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
1	Inventec Appliances Corp.	Inventec Appliances (Pudong) Corp.	3	7,111,810	343,310	-	-	-	- %	7,111,810	N	N	Y

Note 1: The relationship between the entity for which the endorsement/guarantee is made and the Company:

1.Entities with business relationship with the Company.

2.A subsidiary in which the Company directly holds more than 50 percent of its voting shares.

3.A investee in which the Company and subsidiary holds more than 50 percent of its voting shares.

Note 2: The amount of endorsements/guarantees by the Company for a single enterprise can not exceed 50% of the Company's net worth as stated in its latest financial statement; Aggregate amount of endorsements/guarantees can not exceed 50% of the Company's net worth as stated in its latest financial statement.

Note 3: Both the aggregate amount of endorsements/guarantees and the amount of endorsements/guarantees for a single enterprise by Inventec Appliance Corp. can not exceed 50 percent of its net worth as stated in its latest financial statement.

Note 4: The transactions with the Group were eliminated in the consolidated financial statements.

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.

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 (Note 1)		
The Company	WK Technology Fund IV Corp.	-	Non-current Available- for-sale Financial Assets	922	7,953	1.52%	7,953	1.52%	
〃	Global Strategy Venture Capital Corporation	-	〃	2,835	14,770	6.45%	14,770	6.45%	
〃	Arima Communications Corp.	-	〃	42,229	148,604	10.15%	148,604	10.15%	
〃	WIN Semiconductors Corp.	-	Current Available for-sale Financial Assets	4,063	1,149,740	0.96%	1,149,740	2.00%	
〃	Asia Pacific Telecom Co., Ltd.	Investee at Cost	Non-current Financial Assets Carried at Cost	5,000	-	0.12%	-	0.12%	N/A
〃	Tomorrow Studio Co.,Ltd	〃	〃	129	1,286	0.71%	-	0.71%	〃
〃	Tai Yi Precision Corporation	〃	〃	2,540	-	6.67%	-	6.67%	〃
〃	New E Materials Co.,Ltd.	〃	〃	4,400	55,000	16.00%	-	16.00%	〃
〃	CipherMax, Inc.preference share	〃	〃	505	-	- %	-	- %	〃
〃	Rasilient Systems, Inc.preference share	〃	〃	3,632	-	6.20%	-	12.46%	〃
〃	SKSpruce Holding Limited preferred stock	〃	〃	3,070	60,000	3.49%	-	3.49%	〃

INVENTEC CORPORATION AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

December 31, 2017 and 2016

(Thousands of New Taiwan Dollars)

				Ending balance				Highest	
Name of holder	**Category and name of security**	**Relationship with company**	**Account title**	**Shares/Units (thousands)**	**Carrying value**	**Percentage of ownership (%)**	**Fair value (Note 1)**	**percentage of ownership (%) during the year**	**Note**
The Company	CloudMosa Technologies, Inc. preferred stock	Investee at Cost	Non-current Financial Assets Carried at Cost	235	63,200	2.95%	-	2.95%	N/A
〃	QEEXO, Co. preferred stock	〃	〃	568	33,660	3.12%	-	3.12%	〃
〃	Planetary Network Technologies,Inc. preferred stock	〃	〃	915	32,160	2.98%	-	3.09%	〃
〃	Rescale, Inc. preferred stock	〃	〃	355	31,970	1.77%	-	1.84%	〃
〃	Sensel, Inc. preferred stock	〃	〃	532	30,660	5.36%	-	5.36%	〃
〃	SKSpruce Holding Limited convertible shortterm note	〃	〃	-	62,980	- %	-	- %	〃
Inventec (Pudong) Technology Corp.	Win-Win No.3 (Shanghai)-2017 Special Account For Legal Person	-	Current Available for-sale Financial Assets	-	5,556,736	- %	5,556,736	- %	
Inventec (Beijing) Electronics Technology Co., Ltd.	Bank of Communications Pension CNY Financial products	-	〃	-	50,585	- %	50,585	- %	
Inventec (Chongqing) Corp.	CMBC Wealth Management Services	-	〃	-	983,711	- %	983,711	- %	
Inventec Development Japan Corporation	Famm co.,Ltd.	Investee at Cost	Non-current Financial Assets Carried at Cost	100	6,198	14.30%	-	14.30%	N/A
Inventec Investments Co., Ltd.	EPISTAR Corporation	-	Financial Assets at Fair Value through profit or loss	1,761	79,515	0.16%	79,515	0.16%	
〃	UCFUNNEL CO LTD	Investee at Cost	Non-current Financial Assets Carried at Cost	83	4,732	5.00%	-	5.00%	N/A
〃	DIITU GLOBAL INC.	〃	〃	1	6,430	10.00%	-	10.00%	〃
〃	Sagacity Tech. Co., Ltd.	〃	〃	79	5,500	15.00%	-	15.00%	〃
〃	Living Pattern Technology Inc.	〃	〃	4	4,865	13.70%	-	13.70%	〃
〃	AniComic Co., Ltd.	〃	〃	4	-	8.00%	-	8.00%	〃
E-TON Solar Tech.Co., Ltd	Hua-chuang Automobile Information Technical Center Co., Ltd.	-	Non-current Financial Assets Carried at Cost	5,000	33,800	1.00%	-	1.00%	N/A
	Common Stock：								
Inventec Appliances Corp.	EPISTAR Corporation	-	Current Held for trading financial assets	500	22,575	0.05%	22,575	0.05%	
〃	Rong Cheng Tech. Co.,Ltd.	Investee at Cost	Non-current Financial Assets Carried at Cost	1,950	-	9.38%	-	9.38%	N/A
〃	Tai Yi Precision Corporation	〃	〃	635	-	1.67%	-	1.67%	〃
〃	Siano Mobile Silicon Inc.	〃	〃	461	-	0.15%	-	0.15%	〃

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance: Shares/Units (thousands)	Ending balance: Carrying value	Ending balance: Percentage of ownership (%)	Ending balance: Fair value (Note 1)	Highest percentage of ownership (%) during the year	Note
Inventec Appliances Corp.	GCT Semiconductor, Inc.	Investee at Cost	Non-current Financial Assets Carried at Cost	93	-	0.12%	-	0.12%	N/A
〃	VoiceBox Technologies Corp.	〃	〃	6,482	-	9.30%	-	9.30%	〃
〃	Tigo Energy, Inc.	〃	〃	1,269	-	- %	-	- %	〃
〃	Pandigital Worldwide, Ltd.	〃	〃	939	-	4.80%	-	4.80%	〃
〃	3GTMobile Corporation	〃	〃	314	-	2.88%	-	2.88%	〃
〃	Linc Global Inc.(Proximiant, Inc.)	〃	〃	594	-	5.30%	-	6.83%	〃
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 Electronics (Shanghai) Co.Ltd.	BOC Guarnateed CNY Financial Product	-	Current Available for-sale Financial Assets	-	320,648	- %	320,648	- %	
〃	BOC Guarnateed CNY On Schedule Financial Product	-	〃		364,926		364,926		
Inventec Appliances (Nanjing) Co. Ltd.	SCSB Winners CNY Financial Product	-	〃	-	100,365	- %	100,365	- %	
Inventec Appliances (Jiangning) Corp.	〃	-	〃	-	665,489	- %	665,489	- %	
Inventec Appliances (Nanchang) Corporation	SCSB Winners CNY Financial Product	-	〃	-	31,922	- %	31,922	- %	

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 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.

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 (Note1)	Account name (Note1)	Name of counter-party	Relationship with the company	Beginning Balance: Shares	Beginning Balance: Amount	Purchases: Shares	Purchases: Amount	Sales: Shares	Sales: Price	Sales: Cost	Sales: Gain (loss) on disposal	Ending Balance: Shares	Ending Balance: Amount
The Company	WIN Semiconductors Corp.	Current Available for Sale Financial Assets	-	-	8,063	732,898	-	528,778	4,000	1,206,773	111,936	1,094,837	4,063	1,149,740
Inventec (Chongqing) Corp.	BANKCOMM Win To Fortune Financial product	〃	BANKCOM M	-	-	737,775	-	870,560	-	1,650,504	1,608,335	42,169	-	-
〃	CMBC Wealth Management Services	〃	CMBC	-	-	-	-	983,711	-	-	-	-	-	983,711

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

INVENTEC CORPORATION AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

December 31, 2017 and 2016

(Thousands of New Taiwan Dollars)

Name of company	Category and name of security (Note1)	Account name (Note1)	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.	BOC Guaranteed financial product	Current Available for Sale Financial Assets	Bank of China	-	-	-	-	1,014,722	-	1,017,738	1,014,722	3,016	-	-
〃	No.120 Tnriving 2017 Financial Product	〃	China Construction Bank	-	-	-	-	1,268,403	-	1,276,205	1,268,403	7,802	-	-
Inventec (Chongqing) Corp.	CMBC Extraordinary Asset Management Bamboo 13w Financial Product Shared on Thursday Type 08 (Special)	-	CMBC	-	-	-	-	761,042	-	770,055	761,042	9,013	-	-
Inventec (Pudong) Technology Corp.	Win-Win No.3 (Shanghai)-2017 Special Account For Legal Person Account For Legal Person	〃	ICBC	-	-	-	-	5,556,736	-	-	-	-	-	5,556,736
Inventec Appliances (Shanghai) Co. Ltd.	SCSB Winners CNY Financial Product	〃	Bank of Shanghai	-	-	106,972	-	764,864	-	880,556	871,836	8,720	-	-
〃	BOC Guarnateed CNY On Schedule Financial Product	〃	Bank of China	-	-	380,795	-	352,640	-	370,426	368,509	1,917	-	364,926
〃	BOC Guarnateed CNY Financial Product	〃	〃	-	-	-	-	2,136,223	-	1,832,627	1,815,575	17,052	-	320,648
Inventec Appliances (Nanjing) Co. Ltd.	SCSB Winners CNY Financial Product	〃	Bank of Shanghai	-	-	65,060	-	412,801	-	380,216	377,496	2,720	-	100,365
Inventec Appliances (Jiangning) Corp.	〃	〃	〃	-	-	231,902	-	3,215,373	-	2,792,060	2,781,786	10,274	-	665,489
Inventec Appliances (Nanchang) Corporation	〃	〃	〃	-	-	111,853	-	320,035	-	403,514	399,966	3,548	-	31,922

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	Orgin Acquistion Date	Book value	Transaction amount	Receipt Terms	Gain (loss) on disposal (Note 2)	Counter-party	Relationship	Purpose of disposal	Price reference	Other terms
Inventec Huan Hsin (Zhejiang) Technology Co., Ltd.	Land-use right and plant	2017.04.19	2008.05.27	551,029	500,503	100% received	-	Jiashan Economic Development Asset Management Company	Non-related parties	Disposal of property and plant	Negotiated based on the valuation report with the amount of $499,720	None

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: The legal process has yet to be completed, with the impairment loss amounting to CNY24,036 thousand.

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)

			Transaction details				ransactions with terms different from others		Notes/Accounts receivable (payable)		
Name of company	Related party	Nature of relationship	Purchase/ Sale	Amount	Percentage of total purchases/sale	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	Note
The Company	Inventec Holding (North America) Corp.	Subsidiary	Sales	74,029,552	22.91%	90 days	-	Due to InventecHolding (NorthAmerica) Corp. offerscomputer productassembles andwarranty servicesoverseas for InventecCorp., there is no othergeneral customer canbe compared.	25,309,516	36.87%	
〃	Inventec (Czech), s.r.o.	〃	Sales	37,386,652	11.57%	90 days	-	Due to Inventec(Czech), S.R.O. offerscomputer productassembly and warrantyservices overseas forInventec Corp., there isno other generalcustomer can becompared.	15,210,478	22.16%	
The Company	Inventec Corporation (Hong Kong) Ltd.	Subsidiary	Purchases	219,962,592	70.69%	90 days	-	No general tradingpartner can becompared.	(30,031,417)	49.28%	
〃	Inventec Appliances (Jiangning) Corp.	〃	Purchases	565,308	0.18%	60 days	-	〃	(99,835)	0.16%	
〃	Inventec (Czech), s.r.o.	〃	Purchases	171,853	0.06%	90 days	-	〃	(107,449)	0.18%	
Inventec Holding (North America) Corp.	The Company	Parent	Purchases	74,029,552	86.31%	90 days	-	Due to InventecHolding (NorthAmerica) Corp. offerscomputer productassembles andwarranty servicesoverseas for InventecCorp., there is no othergeneral customer canbe compared.	(25,309,516)	96.79%	
Inventec (Czech), s.r.o.	The Company	〃	Purchases	37,386,652	95.90%	90 days	-	〃	(15,210,478)	98.18%	
〃	TPV Inventa Technology Co., Ltd.	Associates	Purchases	113,329	0.34%	90 days	-	〃	-	- %	
Inventec Corporation (Hong Kong) Ltd.	The Company	Parent	Sales	219,962,592	100.00%	90 days	-	〃	30,031,417	51.08%	
〃	Inventec (Pudong) Technology Corp.	Associates	Purchases	35,093,925	15.95%	90 days	-	〃	(8,596,725)	14.62%	
〃	Inventec Hi-Tech Corp.	〃	Purchases	4,054,691	1.84%	90 days	-	〃	(1,900,448)	3.23%	
〃	Inventec (Chongqing) Corp.	〃	Purchases	180,813,976	82.20%	90 days	-	〃	(19,336,909)	32.89%	

(Thousands of New Taiwan Dollars)

			Transaction details				ransactions with terms different from others		Notes/Accounts receivable (payable)		
Name of company	Related party	Nature of relationship	Purchase/ Sale	Amount	Percentage of total purchases/sale	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	Note
Inventec (Pudong) Technology Corp.	Inventec Corporation (Hong Kong) Ltd.	Associates	Sales	35,093,925	57.96%	90 days	-	Due to InventecHolding (NorthAmerica) Corp. offerscomputer productassembles andwarranty servicesoverseas for InventecCorp., there is no othergeneral customer canbe compared.	8,596,725	59.01%	
〃	Inventec (Shanghai) Corp.	〃	Sales	24,221,020	40.00%	90 days	-	〃	5,712,738	39.21%	
Inventec Hi-Tech Corp.	Inventec Corporation (Hong Kong) Ltd.	〃	Sales	4,054,691	99.49%	90 days	-	〃	1,900,448	96.38%	
Inventec (Shanghai) Corp.	Inventec (Pudong) Technology Corp.	〃	Purchases	24,221,020	100.00%	90 days	-	〃	(5,712,738)	100.00%	
Inventec (Chongqing) Corp.	Inventec Corporation (Hong Kong) Ltd.	〃	Sales	180,813,976	94.93%	90 days	-	〃	19,336,909	85.87%	
〃	Inventec (Chongqing) Service Co., Ltd	〃	Sales	353,351	0.19%	90 days	-	〃	121,052	0.54%	
Inventec (Chongqing) Service Co., Ltd	Inventec (Chongqing) Corp.	〃	Purchases	353,351	100.00%	90 days	-	〃	(121,052)	100.00%	
TPV Inventa Technology Co., Ltd.	Inventec (Czech), s.r.o.	〃	Sales	113,329	34.65%	90 days	-	〃	-	- %	
Inventec Appliances Corp.	Inventec Appliances (Pudong) Corp.	Associates	Purchases	76,509,209	98.45%	1~2 months	-	〃	(10,800,774)	96.00%	
〃	Inventec Appliances (Jiangning) Corp.	〃	Purchases	1,131,772	1.46%	1~2 months	-	〃	(441,514)	3.92%	
〃	Inventec Appliances (USA) Distribution Corp.	〃	Sales	1,895,656	2.33%	1~2 months	-	〃	247,155	2.10%	
Inventec Appliances (USA) Distribution Corp.	Inventec Appliances Corp.	〃	Purchases	1,895,656	100.00%	1~2 months	-	〃	(247,155)	100.00%	
Inventec Appliances (Pudong) Corp.	Inventec Appliances Corp.	Associates	Sales	76,509,209	99.61%	1~2 months	-	No general tradingpartner can becompared.	10,800,774	98.73%	
〃	Inventec Appliances (Jiangning) Corp.	〃	Sales	183,284	0.24%	1~2 months	-	〃	139,390	1.27%	
Inventec Appliances (Jiangning) Corp.	The Company	Parent	Sales	565,308	8.52%	1~2 months	-	〃	99,835	4.94%	
〃	Inventec Appliances Corp.	Associates	Sales	1,131,772	16.86%	1~2 months	-	〃	441,514	21.85%	
〃	Inventec Appliances (Pudong) Corp.	〃	Purchases	183,284	7.93%	1~2 months	-	〃	(134,981)	23.99%	

Note 1: Based on the negotiated price while trading.

Note 2: The transactions with the Group were eliminated in the consolidated financial statement.

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 Amount	Overdue Action taken	Amounts received in subsequent period	Allowance for bad debts
The Company	Inventec Holding (North America) Corp.	Subsidiary	25,309,516	3.42	7,670,211	Received in the subsequent period	12,461,825	-
〃	Inventec (Czech), s.r.o.	〃	15,210,478	2.53	4,515,612	Received in the subsequent period	6,939,837	-
〃	Inventec Corporation (Hong Kong) Ltd. (Note)	〃	28,548,055	-	9,945,585	Received in the subsequent period	15,048,018	-
〃	TPV Inventa Technology Co., Ltd.	〃	337,652	-	337,652	Listed allowances and follow up of collection	-	-
Inventec Corporation (Hong Kong) Ltd.	The Company	Parent	30,031,417	8.39	-	-	26,467,647	-
〃	Inventec (Pudong) Technology Corp. (Note)	Associates	11,306,244	-	8,217,387	Received in the subsequent period	67,408	-
〃	Inventec Hi-Tech Corp. (Note)	〃	2,261,148	-	1,728,198	-	-	-
〃	Inventec (Chongqing) Corp. (Note)	〃	14,980,662	-	-	-	14,980,609	-
Inventec (Pudong) Corp.	Inventec Corporation (Hong Kong) Ltd.	〃	197,334	-	197,334	-	-	-
Inventec (Pudong) Technology Corp.	Inventec Corporation (Hong Kong) Ltd.	〃	8,596,725	6.23	363,103	Received in the subsequent period	6,907,463	-
〃	Inventec (Shanghai) Corp.	〃	5,712,738	5.74	-	-	3,406,985	-
Inventec Hi-Tech Corp.	Inventec Corporation (Hong Kong) Ltd.	〃	1,900,448	2.22	908,563	Received in the subsequent period	225,937	-
Inventec (Chongqing) Corp.	Inventec Corporation (Hong Kong) Ltd.	〃	19,336,909	7.97	-	-	19,334,246	-
〃	Inventec (Chongqing) Service Co., Ltd	〃	121,052	1.81	72,028	-	-	-
Inventec Appliances Corp.	Inventec Appliances (USA) Distribution Corp.	Subsidiary	247,155	5.86	-	-	211,682	-
Inventec Appliances (Pudong) Corp.	Inventec Appliances Corp.	Associates	10,800,774	6.08	-	-	10,800,774	-
〃	Inventec Appliances (Jiangning) Corp.	〃	139,390	2.66	-	-	73,893	-
Inventec Appliances (Jiangning) Corp.	Inventec Appliances Corp.	〃	441,514	5.07	-	-	441,514	-

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 (w).

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	74,029,552	Negotiated price	16%
			1	Account Receivable	25,309,516	90 days	12%
		Inventec (Czech), s.r.o.	1	Sales	37,386,652	Negotiated price	8%
			1	Account Receivable	15,210,478	90 days	7%
		Inventec Corporation (Hong Kong) Ltd.	1	Purchases	219,962,592	Negotiated price	47%
			1	Other Receivable	28,548,055	90 days	14%
			1	Account Payable	30,031,417	〃	14%
1	Inventec Corporation (Hong Kong) Ltd.	Inventec (Pudong) Technology Corp.	3	Purchases	35,093,925	Negotiated price	8%
			3	Account Payable	8,596,725	90 days	4%
			3	Account Receivable	11,306,244	〃	5%
		Inventec Hi-Tech Corp.	3	Account Receivable	2,261,148	90 days	1%
		Inventec (Chongqing) Corp.	3	Purchases	180,813,976	Negotiated price	39%
			3	Account Payable	19,336,909	90 days	9%
			3	Account Receivable	14,980,662	〃	7%

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 caculated as a proportion of the consolidated revenue or assets. If categorized as an asset or liability, the caculation is compared with the consolidated asset; if categorized as income or loss, the caculation is compared with the consolidated income or loss.

(b) Information on investment:

The following is the information on investees for the year 2017 (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, 2017			Highest percentage of ownership during the year	Net income (loss) of the investee	Share of profits/losses of investee	Note
				December 31, 2017	December 31, 2016	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%	325,680	37.53%	(97,702)	(36,666)	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%	581,149	100.00%	225,690	225,690	Subsidiary
〃	Inventec Holding (North America) Corp.	USA	Investment of holding company in America	159,003	159,003	5,000	100.00%	1,195,608	100.00%	42,560	42,560	〃
〃	Inventec Appliances Corp.	New Taipei City	Wireless terminal products	9,656,877	9,656,877	536,857	100.00%	14,993,075	100.00%	2,310,534	2,310,534	〃

Investor company	Investee company	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2017			Highest percentage of ownership during the year	Net income (loss) of the investee	Share of profits/losses of investee	Note
				December 31, 2017	December 31, 2016	Shares/Units (In thousands)	Percentage of ownership	Carrying value				
The Company	Inventec (Cayman) Corp.	Cayman	Holding Company	9,812,963	9,812,963	301,768	100.00%	13,366,924	100.00%	2,092,146	2,092,146	Subsidiary
〃	IEC (Cayman) Corporation	Cayman	Holding Company	739,500	739,500	25,000	100.00%	759,577	100.00%	122,435	122,435	〃
〃	Inventec (Czech), S.R.O.	Czech	Computer products assembly operations	85,921	85,921	-	100.00%	39,643	100.00%	(116,011)	(116,011)	〃
〃	Inventec Investment Co., Ltd.	Taipei	Investment Company	1,000,000	1,000,000	108,800	100.00%	355,128	100.00%	(155,665)	(155,665)	〃
〃	Inventec Solar Energy Corporation	Taoyuan	Developing, production and selling of multicrystalline solar cells	1,087,800	1,087,800	108,150	33.45%	609,617	33.45%	(1,204,844)	(404,983)	〃
〃	Inventec Development Japan Corporation	Japan	Developing, designing and selling computer peripherals	644,505	644,505	45	100.00%	29,751	100.00%	(1,446)	(1,446)	〃
〃	E-TON Solar Tech. Co., Ltd.	Tainan	Manufacturing and Selling of solar cells	4,193,723	4,193,723	231,521	29.70%	948,371	29.70%	(2,799,276)	(831,653)	〃
〃	AIMobile Co., Ltd.	Taipei	Developing, production and selling of intelligent mobile device	165,000	165,000	16,500	55.00%	102,861	55.00%	(55,736)	(30,655)	〃
〃	Inventec Manufacturing (India) Private Limited	India	Computer products assembly operations	281,691	281,691	55,994	99.99%	2,584	99.99%	(162,432)	(162,415)	〃
Inventec (Cayman) Corp.	TPV-Inventa Holding Ltd.	Hong Kong	Holding Company	1,011,084	1,011,084	302,421	90.00%	1,441	90.00%	402,199	-	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%	84,633	4.64%	(1,204,844)	-	〃
〃	E-TON Solar Tech. Co., Ltd.	Tainan	Manufacturing and Selling of solar cells	615,050	615,050	38,583	4.95%	158,237	4.95%	(2,799,276)	-	〃
〃	Inventec Manufacturing (India) Private Limited	India	Computer products assembly operations	28	28	6	0.01%	-	0.01%	(162,432)	-	〃
E-TON Solar Tech. Co., Ltd.	GLORIA SOLAR INTERNATIONAL HOLDING, INC.	Cayman	Investment Company	5,503,065	5,503,065	59,200	50.76%	-	50.76%	366,694	-	〃
Inventec Appliances Corp.	Inventec Appliances (Cayman) Holding Corp.	Cayman	Holding Company	5,927,727	5,927,727	199,385	100.00%	14,368,306	100.00%	1,924,144	-	〃
〃	Gainia Intellectual Asset Services, Inc	Taipei	Intellectual property rights integrative services	6,400	6,400	205	38.90%	1,277	38.90%	(3,245)	-	Associate under equity method

Investor company	Investee company	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2017			Highest percentage of ownership during the year	Net income (loss) of the investee	Share of profits/losses of investee	Note
				December 31, 2017	December 31, 2016	Shares/Units (In thousands)	Percentage of ownership	Carrying value				
Inventec Appliances Corp.	Inventec Solar Energy Corporation	Taoyuan	Developing, production and selling of multicrystalline solar cells	310,800	310,800	30,900	9.56%	174,345	9.56%	(1,204,844)	-	Associate Company
〃	Inventec Appliances (USA) Distribution Corp.	USA	Selling of MP3 Player, PDA and science plotter	23,784	23,784	400	100.00%	92,082	100.00%	1,087	-	〃
〃	Inventec Appliances Corporation USA, Inc.	〃	Selling services	1,487	1,487	10	100.00%	11,083	100.00%	948	-	〃

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 repuired 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, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2017	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership during the yeas	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period (Note 8)
					Out-flow	Inflow							
TPV-INVENTA TECHNOLOGY (FUJIAN) LTD.	AIO PC	1,337,850	(2)	218,516	-	-	218,516	(43,493)	90.00%	90.00%	(39,143)	487	-
Inventec (Shanghai) Service Co., Ltd (Note 6)	Multimedia computer and system parts assembling	86,217	(2)	59,460	-	-	59,460	(326)	100.00%	100.00%	(326)	40,903	30,234
Inventec (ChongQing) Service Co., Ltd	Multimedia computer and system parts assembling	29,730	(2)	29,730	-	-	29,730	859	100.00%	100.00%	859	45,915	-
Inventec (Pudong) co.,Ltd	Multimedia computer and system parts assembling	1,486,500	(2)	1,486,500	-	-	1,486,500	(231,175)	100.00%	100.00%	(231,175)	869,482	-
Inventec (Shanghai) Co.,Ltd.	Multimedia computer and system parts assembling	877,035	(2)	877,035	-	-	877,035	(42,888)	100.00%	100.00%	(42,888)	685,097	-
Inventec (ChongQing) Corporation	Multimedia computer and system parts assembling	2,229,750	(2)	2,229,750	-	-	2,229,750	1,479,774	100.00%	100.00%	1,479,774	5,995,084	819,076

INVENTEC CORPORATION AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

December 31, 2017 and 2016

(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, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2017	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership during the yeas	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period (Note 8)
					Out-flow	Inflow							
Inventec (Pudong) Technology Corp.	Multimedia computer and system parts assembling	1,486,500	(2)	1,486,500	-	-	1,486,500	843,039	100.00%	100.00%	843,039	5,238,713	321,599
Inventec Electronics (Tianjin) Co.,Ltd. (Note 5)	Software production	148,650	(2)	126,353	-	-	126,353	7,502	100.00%	100.00%	7,502	206,745	149,517
Inventec Electronics (Beijing) Co.,Ltd.	Software production	43,109	(2)	43,109	-	-	43,109	76	100.00%	100.00%	76	78,694	-
INVENTEC HI-TECH CORPORATION	Multimedia computer and system parts assembling	1,486,500	(2)	1,486,500	-	-	1,486,500	77,207	100.00%	100.00%	89,048	1,345,791	-
Inventec Huan Hsin (ZheJiang) Technology Co., Ltd.	Multimedia computer	853,251	(2)	858,573	-	-	858,573	(194,369)	100.00%	100.00%	(194,369)	(102,846)	-
Inventec Asset-Management (Shanghai) Corporation	Multimedia computer	583,321	(3)	-	-	-	-	(94,504)	78.00%	78.00%	(73,713)	424,185	-
Chongqing RongJie Cloud Service Co., Ltd	Software production	90,998	(3)	-	-	-	-	(973)	100.00%	100.00%	(973)	84,008	-
Chongqing TaiYu Cloud Service Co., Ltd.	Software production	90,998	(3)	-	-	-	-	(972)	100.00%	100.00%	(972)	84,009	-
INVENTEC APPLIANCES (Shanghai) Corp.	Electronic communication and products assemble	1,534,068	(2)	1,430,549	-	-	1,430,549	69,914	100.00%	100.00%	69,403	1,910,841	1,535,981
Inventec Appliances (Pudong) Corp.	Electronic communication and products assemble	2,289,210	(2)	2,289,210	-	-	2,289,210	1,268,876	100.00%	100.00%	1,326,033	7,527,827	2,297,117
Inventec Appliances (Jiangning) Corp.	Electronic communication and products assemble	2,021,640	(2)	1,248,660	-	-	1,248,660	499,700	100.00%	100.00%	502,497	4,301,986	1,636,736
Inventec Appliances (Nanjing) Corp.	House leasing	148,650	(2)	267,020	-	-	267,020	12,069	100.00%	100.00%	12,069	355,333	85,353
INVENTEC APPLIANCES (XI'AN) CORPORATION	Electronic communication and products assemble	118,920	(2)	118,920	-	-	118,920	6,544	100.00%	100.00%	6,544	26,921	-
Inventec Appliances (Nanchang) Corp.	Electronic communication and products assemble	62,433	(2)	62,433	-	-	62,433	5,645	100.00%	100.00%	5,645	140,715	-
APEX Business Management & Consulting (Shanghai) Co., Ltd.	Business Management	2,283	(3)	-	-	-	-	9,805	100.00%	100.00%	9,805	23,616	-
Inventec Appliances (Shanghai) Enterpri	Development and consultation on software and hardware; as well as selling of electronic products	1,410	(3)	-	-	-	-	(2)	100.00%	100.00%	(2)	34	-

2. Limitation on investment in Mainland China:

Name of Company	Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 3,4)
The Company	8,964,457	9,767,167	-
Inventec Appliances Corp.	5,572,235	5,572,235	8,534,172

(Thousands of New Taiwan Dollars)

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: 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 8: The amount of foreign currencies were exchanged to New Taiwan Dollars in historical exchange rates.

Note 9: 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, 2017, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions”.

(14) Segment Information

(a) The Group has two 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 reportables 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 years ended December 31, 2017			
	Core	Solar energy	Adjustment and Elimination	Total
Revenue				
Revenue from external customers	$ 452,751,549	14,760,798	-	467,512,347
Intersegment revenues	-	-	-	-
Total revenue	$ 452,751,549	14,760,798	-	467,512,347
Interest expenses	$ 1,302,172	66,916	-	1,369,088
Depreciation and amortization	3,427,079	1,394,047	-	4,821,126
Other material non-cash item				
Asset Impairment	347,590	2,722,246	-	3,069,836
Reportable segment net operating income (loss)	$ 11,110,093	(3,923,645)	-	7,186,448
Reportable segment assets	$ -	-	-	-

	For the years ended December 31, 2016				
		Core	Solar energy	Adjustment and Elimination	Total
Revenue					
Revenue from external customers	$	414,903,466	13,562,549	-	428,466,015
Intersegment revenues		-	-	-	-
Total revenue	**$**	**414,903,466**	**13,562,549**	**-**	**428,466,015**
Interest expenses	$	545,205	54,166	-	599,371
Depreciation and amortization		3,305,957	1,499,588	-	4,805,545
Other material non-cash item					
Asset Impairment		680,903	116,728	-	797,631
Reportable segment net operating income (loss)	**$**	**8,032,726**	**(942,817)**	**-**	**7,089,909**
Reportable segment assets	**$**	**-**	**-**	**-**	**-**

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 disclosured was 0.

Segment information was disclosured in consolidated financial statement; therefore it was not disclosured in individual financial statement.

(c) Product and service information

Revenue from the external customers of the Group was as follows:

	For the years ended December 31,		
Products and Services		**2017**	**2016**
Computer product	$	452,751,549	414,903,466
Solar energy		14,760,798	13,562,549
Total	**$**	**467,512,347**	**428,466,015**

(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.

By region	For the years ended December 31, 2017	2016
Revenue from external customers:		
Taiwan	$ 5,931,816	8,546,254
USA	302,535,321	274,443,412
Japan	18,686,567	20,484,292
Hong Kong, Macao and Mainland China	59,782,660	48,985,037
Other countries	80,575,983	76,007,020
Total	**$ 467,512,347**	**428,466,015**

By region	2017.12.31	2016.12.31
Non-current assets		
Taiwan	$ 18,015,780	21,155,590
Mainland China	18,688,011	19,891,903
USA	111,844	114,178
Other countries	131,085	199,036
Total	**$ 36,946,720**	**41,360,707**

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

	For the years ended December 31, 2017
A	$ 289,549,082
B	25,499,336
	$ 315,048,418

	For the years ended December 31, 2016
A	$ 256,035,155
C	26,358,962
	$ 282,394,117

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