

**INVENTEC CORPORATION**  
**Minutes of 2018 Annual General Shareholders' Meeting**  
(Translation)

Time : Thursday, June 14, 2018. 9:00 a.m.

Place : No.16, Sec. 4, Jhongshan N. Rd., Shilin District, Taipei City.

Chientan Youth Activity Center's Ching-Kuo Memorial Hall.

Quorum : 2,825,687,757 shares were represented by shareholders in person and by proxy (including by exercising voting rights electronically : 1,650,903,209 shares), which are mounted to 78.76% of the Company's 3,587,475,066 issued and outstanding shares.

Chairman : Cho, Tom-Hwar

Recorder : Pan, Mascha 、Huang, Ruby

Board Members Present :

Director : Cho, Tom-Hwar 、Yeh, Kuo-I 、Wen, Shih-Chih 、Lee, Tsu-Chin 、Huang, Kuo-Chun 、Chang, Ching-Sung

Independent Director : Chang, Chang-Pang 、Chen, Ruey-Long 、Shyu, Jyuo-Min

Attendance : Li, Nigel N. T, Attorney-at- Law 、Lin, Wan-Wan, CPA

## **A. Meeting Agenda**

1. Call the Meeting to Order: The Chairman announced that the aggregate shareholding of the shareholders present in person or proxy constituted a quorum. The Chairman called the meeting to order.
2. Chairman Remarks: (Omitted)
3. Report Items:
  - (1) 2017 Business Report
  - (2) 2017 Audit Committee's Review Report
  - (3) The Status of Distribution Remuneration of Employees and Directors of Board in 2017
4. Ratification Items
  - (1) Ratification of the 2017 Business Report and Financial Statements
  - (2) Adoption of the Proposal for Distribution of 2017 Profits
5. Discussion Items:
  - (1) Amendment to the "Articles of Incorporation"
  - (2) Amendment to the "Regulations Making of Endorsements/Guarantees"
  - (3) Proposal for release the prohibition on Directors of Board Chang, Ching-Sung 、

Chen,Ruey-Long and Shyu,Jyuo-Min from participation in competitive business

6. Extraordinary Motions

7. Adjournment

## **B. Report Items**

1. 2017 Business Report (Please refer to Appendix 1 in the Meeting Agenda)

2. 2017 Audit Committee's Review Report (Please refer to Appendix 2 in the Meeting Agenda)

3. The Status of Distribution Remuneration of Employees and Directors of Board in 2017.

Explanation:

- (1) According to the article26 of Articles of Incorporation, if the Company has a profit of the year shall distribute not less than 3% of the balance as remuneration to Employees and not more than 3% to Board Directors of the Corporation. The remuneration of the supervisors prior to the establishment of the Audit Committee shall be distributed in accordance with preceding paragraph.
- (2) The Board of Directors and Remuneration Committee resolved to distribute NT \$422,632,888 to remuneration of employees in cash and NT\$ 118,337,208 to remuneration of Directors of Board. There is no difference between the amount of distribution and the expense which is recognized in 2017.

## **C. Ratification Items**

### **Item 1**

**Proposed by the Board**

**Proposal:** Ratification of the 2017 Business Report and Financial Statements.

**Explanation:** The Company's 2017 Individual Financial Statements and Consolidated Financial Statements, including the balance sheet, comprehensive income statement, statements of cash flows, and statement of changes in equity, were audited by independent accountants, Lin, Wan-Wan and Yang, Liu-Fong of KPMG Certified Public Accountants. Also Business Report and Financial Statements have been approved by the Board and examined by the Audit Committee of Inventec Corporation. (Please refer to Appendix 1 for Business Report, Appendix 3 for Independent Accountants' Audit Report and Individual Finance Statements, and Appendix 4 for Independent Accountants' Audit Report and Consolidated Finance Statements.)

**Resolution:** Approved and acknowledged as proposed by voting (a total of 2,825,687,757 shares with voting rights were present when votes were cast ; the number of voting rights for approval is 2,513,575,198, among which 1,339,460,485 was exercised by electronic transmission, or 88.95 % of the total voting rights when votes were cast ; the number of votes against is 559,524, among which 559,524 was exercised by electronic transmission ; the number of votes abstained is 311,553,035, among which 310,883,200 was exercised by electronic transmission)

## **Item2**

## **Proposed by the Board**

**Proposal:** Adoption of the Proposal for Distribution of 2016 Profits

**Explanation:** (1) With regard to earnings in 2017, an earnings distribution table has been prepared in accordance with the Company's Articles of Incorporation. The distributable net profit for 2017 is NT\$ 6,745,370,357 and the proposed cash dividend to shareholders is NT\$1.65 per share (NT\$ 5,919,333,859). The earnings distribution table was reviewed by the Audit Committee and attached in Appendix 5.

(2) In the event that, before the distribution record date, the proposed profit distribution is affected by buyback of shares, it is proposed that the Board of Directors be authorized to adjust the cash distribution ratio based on the number of actual shares outstanding on the record date.

(3) Upon the approval of the Annual Meeting of Shareholders, it is proposed that the Board of Directors is authorized to resolve the ex-dividend record date.

**Resolution:** Approved and acknowledged as proposed by voting (a total of 2,825,687,757 shares with voting rights were present when votes were cast ; the number of voting rights for approval is 2,522,819,271, among which 1,348,705,558 was exercised by electronic transmission, or 89.28 % of the total voting rights when votes were cast ; the number of votes against is 316,069, among which 316,069 was exercised by electronic transmission ; the number of votes abstained is 302,552,417, among which 301,881,582 was exercised by electronic transmission)

## **D. Discussion Items**

### **Item1**

### **Proposed by the Board**

**Proposal:** Discussion of Amendments to the "Articles of Incorporation".

**Explanation:** (1) Propose to amend Article 2 of business scope and revise Article 26 of “Articles of Incorporation” to meet the need of business.

(2) Propose to amend Article 29 of “Articles of Incorporation” to add revised date.

(3) Please refer to the comparison chart of amendments to “Articles of Incorporation” below.

**Comparison Chart of Amendments to “Articles of Incorporation”**

	<b>Original Version</b>		<b>Amendment Version</b>	<b>Reason</b>
Article 2	<p>The business scope of the Company is as following:</p> <ol style="list-style-type: none"> <li>1. CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing</li> <li>2. CC01060 Wired Communication Equipment and Apparatus Manufacturing</li> <li>3. CC01070 Telecommunication Equipment and Apparatus Manufacturing</li> <li>4. CC01080 Electronic Parts and Components Manufacturing</li> <li>5. CC01101 Restrained Telecom Radio Frequency Equipments and Materials Manufacturing.</li> <li>6. CC01110 Computers and Computing Peripheral Equipments Manufacturing</li> <li>7. CC01990 Electrical Machinery, Supplies Manufacturing.</li> <li>8. CE01030 Photographic and Optical Equipment Manufacturing</li> <li>9. CE01040 Watches and Clocks Manufacturing</li> <li>10. F113010 Wholesale of Machinery</li> <li>11. F113020 Wholesale of Household Appliance</li> <li>12. F119010 Wholesale of Electronic Materials</li> <li>13. F401010 International Trade</li> <li>14. F401021 Restrained Telecom Radio Frequency Equipments and Materials Import</li> <li>15. I301010 Software Design Services</li> <li>16. I301020 Data Processing Services</li> <li>17. CB01010 Machinery and Equipment Manufacturing</li> <li>18. CC01120 Data Storage Media Manufacturing and Duplicating</li> <li>19. H701010 Residence and Buildings Lease</li> </ol>	Article 2	<p>The business scope of the Company is as following:</p> <ol style="list-style-type: none"> <li>1. CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing</li> <li>2. CC01060 Wired Communication Equipment and Apparatus Manufacturing</li> <li>3. CC01070 Telecommunication Equipment and Apparatus Manufacturing</li> <li>4. CC01080 Electronic Parts and Components Manufacturing</li> <li>5. CC01101 Restrained Telecom Radio Frequency Equipments and Materials Manufacturing.</li> <li>6. CC01110 Computers and Computing Peripheral Equipments Manufacturing</li> <li>7. CC01990 Electrical Machinery, Supplies Manufacturing.</li> <li>8. CE01030 Photographic and Optical Equipment Manufacturing</li> <li>9. CE01040 Watches and Clocks Manufacturing</li> <li>10. F113010 Wholesale of Machinery</li> <li>11. F113020 Wholesale of Household Appliance</li> <li>12. F119010 Wholesale of Electronic Materials</li> <li>13. F401010 International Trade</li> <li>14. F401021 Restrained Telecom Radio Frequency Equipments and Materials Import</li> <li>15. I301010 Software Design Services</li> <li>16. I301020 Data Processing Services</li> <li>17. CB01010 Machinery and Equipment Manufacturing</li> <li>18. CC01120 Data Storage Media Manufacturing and Duplicating</li> <li>19. H701010 Residence and Buildings Lease</li> </ol>	Add Business item to meet the need of business

	<p>Construction and Development</p> <p>20. H701020 Industrial Factory Buildings Lease Construction and Development</p> <p>21. H701040 Specialized Field Construction and Development</p> <p>22. H703090 Real Estate Commerce</p> <p>23. H703100 Real Estate Rental and Leasing</p> <p>24. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.</p>		<p>Construction and Development</p> <p>20. H701020 Industrial Factory Buildings Lease Construction and Development</p> <p>21. H701040 Specialized Field Construction and Development</p> <p>22. H703090 Real Estate Commerce</p> <p>23. H703100 Real Estate Rental and Leasing</p> <p>24. <u>CF01011 Medical devices Manufacturing</u></p> <p>25. <u>F108031 Wholesale of Medical devices</u></p> <p>26. <u>F208031 Medical devices Retailing</u></p> <p>27. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.</p>	
Article 26	<p>If the Company has a profit of the year shall distribute not less than 3% of the balance as remuneration to Employees and not more than 3% to Directors of the Corporation. However, require that earnings shall first be offset against any deficit. The Corporation may issue stock or distribute cash to employees and the qualification requirements including the employees of subsidiaries of the company. The conditions and measures set by the Board of Directors. The remuneration of the supervisors prior to the establishment of the audit committee shall be distributed in accordance with preceding paragraph.</p>	Article 26	<p>If the Company has a profit of the year shall distribute not less than 3% of the balance as remuneration to Employees and not more than 3% to Directors of the Corporation. However, require that earnings shall first be offset against any deficit. The Corporation may issue stock or distribute cash to employees and the qualification requirements including the employees of subsidiaries of the company. The conditions and measures set by the Board of Directors.</p>	Delete the remuneration of the supervisors
Article 29	<p>This Articles of Incorporation was established on April 15, 1975.(The following omitted) The forty-eighth amendment was made on June 12, 2014. The forty-ninth amendment was made on June 20, 2016. The fiftieth amendment was made on June 16, 2017.</p>	Article 29	<p>This Articles of Incorporation was established on April 15, 1975.(The following omitted) The forty-eighth amendment was made on June 12, 2014. The forty-ninth amendment was made on June 20, 2016. The fiftieth amendment was made on June 16, 2017. <u>The fiftieth-first amendment was made on June 14, 2018.</u></p>	Add amendment number and date.

**Resolution:** Approved as proposed by voting (a total of 2,825,687,757 shares with voting rights were present when votes were cast ; the number of voting rights for approval is

2,522,750,819, among which 1,348,637,106 was exercised by electronic transmission, or 89.28 % of the total voting rights when votes were cast ; the number of votes against is 308,400 among which 308,400 was exercised by electronic transmission ; the number of votes abstained is 302,628,538, among which 301,975,703 was exercised by electronic transmission)

## Item2

## Proposed by the Board

**Proposal:** Discussion of Amendments to the “Regulations Making of Endorsements/Guarantees”.

**Explanation:** (1) Proposes to amend Article 4 of “Regulations Making of Endorsements/ Guarantees” to meet the need of business.

(2) Please refer to the comparison chart of Amendments to “Regulations Making of Endorsements/ Guarantees” below.

**Comparison Chart of Amendments to “Regulations Making of Endorsements/Guarantees”**

Original Version		Amendment Version		Reason
Article 4	Total amount of endorsements/guarantees of the Company shall not exceed 50% of the net worth on the latest financial statement. Besides, the ceilings on the amount permitted to a single entity shall not exceed 50% of the net worth on the latest financial statement. (The following omitted)	Article 4	Total amount of endorsements/guarantees of the Company shall not exceed 50% of the net worth on the latest financial statement. Besides, the ceilings on the amount permitted to a single entity shall not exceed 50% of the net worth on the latest financial statement. <u>Where an endorsement/guarantee is made due to needs arising from business dealings, the amount for lending to an individual entity shall not exceed the total transaction amount between the parties in the previous year.</u> (The following omitted)	Revised limit of endorsements/guarantees

**Resolution:** Approved as proposed by voting (a total of 2,825,687,757 shares with voting rights were present when votes were cast ; the number of voting rights for approval is 2,522,448,187, among which 1,348,334,474 was exercised by electronic transmission, or 89.27 % of the total voting rights when votes were cast ; the number of votes against is 616,967, among which 616,967 was exercised by electronic transmission ; the number of votes abstained is 302,622,603, among which 301,951,768 was exercised by electronic transmission)

## Item3

## Proposed by the Board

**Proposal:** Proposal for Release the Prohibition on Directors of Board Chang, Ching-Sung、Chen, Ruey-Long and Shyu, Jyuo-Min from Participation in Competitive Business.

**Explanation:** (1) According to provisions of Company Act Article 209 Item 1, a director of board who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.

(2) The meeting of shareholders on June 16, 2017 approved that the prohibition of business strife on current directors of board were lifted from the on board date. Proposal for release the prohibition on current director of board from participation in competitive business. Please refer the list of current director's new position in other companies below.

**List of Current Director's New Position in Other Companies**

Position	Name	Serve in other Company	Position in other company
Director	Chang, Ching-Sung	Jinlife Biotech CO., LTD.	Director
Independent director	Chen, Ruey-Long	Walsin Lihwa Corporation	Independent director
Independent director	Shyu, Jyuo-Min	Iridium Medical Technology Co., Ltd	Director
		Geothings Technology Co., Ltd	Director
		Modern Classic Limited	Director

**Resolution:** Approved as proposed by voting (deducted 788,644 shares due to the conflict of interest, a total of 2,824,899,113 shares with voting rights were present when votes were cast ; the number of voting rights for approval is 2,408,176,258 among which 1,234,851,189 was exercised by electronic transmission, or 85.25 % of the total voting rights when votes were cast ; the number of votes against is 73,741,300, among which 73,741,300 was exercised by electronic transmission ; the number of votes abstained is 342,981,555, among which 342,310,720 was exercised by electronic transmission)

**E. Extraordinary Motions**

None

**F. Adjournment**

Meeting adjourned: 9:32 am.

**\*\*In case of any discrepancy between the English and Chinese version of those minutes of 2018 Annual General Shareholders' Meeting of Inventec Corporation, the Chinese version shall prevail.**



## Appendix 1

### **Business Report**

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 IoTs, 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

Accounting Officer: Yu, Chin-Pao

## Appendix 2

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

Date: Mar.26, 2018

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.

Inventec Corporation

Convener of the Audit Committee: Chang, Chang-Pang

Appendix 3-Independent Auditors' Report and Individual Financial Statements for Year 2017  
**Independent Auditors' Report**

To the Board of Directors of Inventec Corporation :

**Opinion**

We have audited the financial statements of Inventec Corporation ( “the Company” ), which comprise the statement of financial position as of December 31, 2017 and 2016, and the statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2017 and 2016, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ( “the Code” ), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

**Key Audit Matters**

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

**1. Allowance for Inventory Valuation and Obsolescence Losses**

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

Description of the key audit matter:

The Company's materials may be obsolescence or slow-moving due to the risk of price decline in inventory, the Company 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 Company's policies.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or

conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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 financial statements are intended only to present the 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 financial statements are those generally accepted and applied in the Republic of China.

The auditor's report and the accompanying 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 financial statements, the Chinese version shall prevail.

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

BALANCE SHEETS

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

ASSETS		2017.12.31		2016.12.31		LIABILITIES AND EQUITY		2017.12.31		2016.12.31			
		Amount	%	Amount	%			Amount	%	Amount	%		
Current Assets :						Current Liabilities :							
1100	Cash and cash equivalents	\$	5,205,101	3	10,176,052	7	2100	Short-term borrowings	\$	14,167,878	9	9,791,271	7
1110	Current financial assets at fair value through profit or loss		23,286	-	91,416	-	2120	Current financial liabilities at fair value through profit or loss		21,669	-	-	-
1125	Current available-for-sale financial assets, net		1,149,740	1	732,898	-	2160	Notes payable to related parties		-	-	12,132	-
1170	Accounts receivable, net		28,112,409	18	26,342,053	18	2170	Accounts payable		30,096,212	20	27,285,270	19
1180	Accounts receivable due from related parties, net		40,524,564	26	33,491,604	23	2180	Accounts payable to related parties		30,844,738	20	32,882,858	22
1200	Other receivables, net		28,735,991	19	27,507,715	19	2230	Current tax liabilities		318,516	-	572,348	-
1310	Inventories		2,337,142	2	663,811	-	2200	Other payables		5,265,263	3	5,180,560	3
1479	Other current assets		101,953	-	125,648	-	2399	Other current liabilities		8,523,323	6	8,696,250	6
			106,190,186	69	99,131,197	67	2313	Unearned revenue		3,628,059	2	2,967,671	2
										92,865,658	60	87,388,360	59
Non-current assets :						Non-current Liabilities :							
1523	Non-current available-for-sale financial assets, net		171,327	-	225,248	-	2540	Long-term borrowings		3,600,000	2	3,600,000	2
1543	Non-current financial assets at cost, net		370,916	-	355,491	-	2640	Net defined benefit liability, non-current		657,784	1	709,165	1
1550	Investments accounted for using equity method, net		33,309,968	22	33,861,485	23	2670	Other non-current liabilities		948,627	1	854,325	1
1600	Property, plant and equipment		12,407,998	8	12,310,646	9				5,206,411	4	5,163,490	4
1780	Intangible assets		80,691	-	73,653	-				98,072,069	64	92,551,850	63
1900	Other non-current assets		1,223,820	1	1,387,003	1							
			47,564,720	31	48,213,526	33							
						Equity attributable to owners of parent :							
							3110	Share capital		35,874,751	23	35,874,751	24
							3200	Capital surplus		2,913,096	2	2,913,096	2
							Retained earnings:						
							3310	Legal reserve		9,474,128	6	8,910,416	6
							3350	Unappropriated retained earnings		7,528,408	5	6,575,897	5
							3400	Other equity interest		(107,546)	-	518,713	-
							Total Equity			55,682,837	36	54,792,873	37
TOTAL ASSETS		\$	153,754,906	100	147,344,723	100	TOTAL LIABILITIES AND EQUITY		\$	153,754,906	100	147,344,723	100

Please refer to financial statements.

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

**INVENTEC CORPORATION**

**STATEMENTS OF COMPREHENSIVE INCOME**

**For the Years Ended December 31, 2017 and 2016**

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

		<b>For the year ended December 31,</b>			
		<b>2017</b>		<b>2016</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4110	<b>Sales revenue</b>	\$ 323,126,751	100	308,709,688	100
5000	<b>Operating costs</b>	309,064,140	96	295,852,992	96
	<b>Gross profit from operations</b>	14,062,611	4	12,856,696	4
5910	Less: Unrealized profit (loss) from sales	13,751	-	15,140	-
5920	Add: Realized profit (loss) on from sales	15,140	-	15,615	-
	<b>Gross profit from operations</b>	14,064,000	4	12,857,171	4
	<b>Operating expenses:</b>				
6100	Selling expenses	1,764,145	-	1,273,132	-
6200	Administrative expenses	1,970,354	1	1,848,541	1
6300	Research and development expenses	4,770,947	1	4,515,568	1
	<b>Total operating expenses</b>	8,505,446	2	7,637,241	2
	<b>Net operating income</b>	5,558,554	2	5,219,930	2
7010	Other income	44,445	-	41,556	-
7020	Other gains and losses, net	(7,797)	-	(50,911)	-
7050	Finance costs, net	(737,112)	-	(378,289)	-
7775	Share of loss of associates and joint ventures accounted for using equity method	3,053,598	-	1,693,631	-
	<b>Total non-operating income and expenses</b>	2,353,134	-	1,305,987	-
7900	<b>Profit (loss) from continuing operations before tax</b>	7,911,688	2	6,525,917	2
7950	<b>Less: Tax income (expense)</b>	1,156,776	-	888,797	-
	<b>Profit for the period</b>	6,754,912	2	5,637,120	2
	<b>Other comprehensive income (loss):</b>				
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8311	Gains (losses) on remeasurements of defined benefit plans	(23,969)	-	15,665	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(16,956)	-	(25,163)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	4,075	-	(2,663)	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(36,850)	-	(12,161)	-
8360	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation	(111,394)	-	(26,375)	-
8362	Unrealised gains (losses) on valuation of available-for-sale financial assets	486,121	-	92,253	-
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(1,000,986)	-	(2,356,515)	(1)
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	(626,259)	-	(2,290,637)	(1)
	<b>Other comprehensive income, net</b>	(663,109)	-	(2,302,798)	(1)
8500	<b>Total comprehensive income</b>	<b>\$ 6,091,803</b>	<b>2</b>	<b>3,334,322</b>	<b>1</b>
	<b>Earning per share attributable to stockholders of parent</b>				
9750	<b>Basic earnings per share (NT dollars)</b>	<b>\$ 1.88</b>		<b>1.57</b>	
9850	<b>Diluted earnings per share (NT dollars)</b>	<b>\$ 1.87</b>		<b>1.56</b>	

Please refer to financial statements.



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

**INVENTEC CORPORATION**

**STATEMENTS OF CHANGES IN EQUITY**

**For the Years Ended December 31, 2017 and 2016**

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

					Other Equity		
	Capital Stock		Retained Earnings		Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available for Sale Financial Assets	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Unappropriated Retained Earnings			
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
Net income (loss) for the period	-	-	-	5,637,120	-	-	5,637,120
Other comprehensive income (loss) for the period	-	-	-	(12,161)	(2,381,945)	91,308	(2,302,798)
Total comprehensive income (loss) for the period	-	-	-	5,624,959	(2,381,945)	91,308	3,334,322
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	556,364	(556,364)	-	-	-
Cash dividends of ordinary share	-	-	-	(5,022,465)	-	-	(5,022,465)
Others	-	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
Net income (loss) for the period	-	-	-	6,754,912	-	-	6,754,912
Other comprehensive income (loss) for the period	-	-	-	(36,850)	(1,194,586)	568,327	(663,109)
Total comprehensive income (loss) for the period	-	-	-	6,718,062	(1,194,586)	568,327	6,091,803
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	563,712	(563,712)	-	-	-
Cash dividends of ordinary share	-	-	-	(5,201,839)	-	-	(5,201,839)
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

Note: For the years ended December 31, 2017 and 2016, the remuneration to directors and supervisors amounted to \$118,337 and \$97,610, respectively and remuneration of employees amounted to \$422,633 and \$348,607, respectively, which had been deducted by calculating each period profit.

Please refer to financial statements.

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

**INVENTEC CORPORATION**

**STATEMENTS OF CASH FLOWS**

**For the Years Ended December 31, 2017 and 2016**

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

	<b>For the years ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities :</b>		
Profit before income tax	\$ 7,911,688	6,525,917
<b>Adjustments:</b>		
Adjustments to reconcile profit before income tax to net cash provided by operating activities		
Depreciation expenses	297,436	239,419
Amortization expenses	540,161	421,028
Provisions for bad debt expenses	331,955	3,215
Interest expenses	737,112	378,289
Interest income	(44,445)	(41,556)
Dividends income	(36,502)	(5,900)
Share of profit of associates and joint ventures accounted for using equity method	(3,053,598)	(1,693,631)
Loss (gain) on disposal of property, plant, and equipment	11,748	(2,713)
Gain on disposal of intangible assets	-	(58)
Gain on disposal of other assets	-	(69)
Gain on disposal of investments	(1,094,768)	-
Impairment loss on financial assets	-	25,400
Unrealized foreign exchange loss (gain)	413,931	(312,914)
Total adjustments to reconcile profit	(1,896,970)	(989,490)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in financial assets held for trading	68,130	(5,646)
Increase in accounts receivable	(9,933,366)	(9,852,571)
(Increase) decrease in other receivables	(1,588,814)	6,741,842
(Increase) decrease in inventories	(1,673,331)	154,240
Decrease in other current assets	23,695	287,723
Total changes in operating assets	(13,103,686)	(2,674,412)
Changes in operating liabilities:		
Increase in financial liabilities held for trading	21,669	-
Decrease in notes payable	(12,132)	-
Increase in accounts payable	1,402,495	10,730,479
Increase (decrease) in other payables	86,358	(70,310)
(Decrease) increase in other current liabilities	(172,927)	3,140,780
Decrease in net defined liabilities, non-current	(75,350)	(268,761)
Increase in unearned revenue	660,388	390,164
Total changes in operating liabilities	1,910,501	13,922,352
Total changes in operating assets and liabilities	(11,193,185)	11,247,940
Total adjustments	(13,090,155)	10,258,450
Cash inflow (outflow) generated from operations	(5,178,467)	16,784,367
Interests received	44,700	42,631
Dividends received	2,512,095	1,512,900
Interests paid	(724,523)	(380,317)
Income taxes paid	(1,211,682)	(1,187,910)
<b>Net cash flows (used in) from operating activities</b>	<b>(4,557,877)</b>	<b>16,771,671</b>

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

**INVENTEC CORPORATION**

**STATEMENTS OF CASH FLOWS**

**For the Years Ended December 31, 2017 and 2016**

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

	<b>For the years ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Cash flows from investing activities:</b>		
Proceeds from disposal of available-for-sale financial assets	1,206,773	-
Proceeds from capital reduction of available-for-sale financial assets	11,264	40,522
Acquisition of financial assets at cost	(15,425)	(160,770)
Acquisition of investments accounted for using equity method	-	(165,000)
Proceeds from capital reduction of investments accounted for using equity method	116	194,243
Acquisition of property, plant and equipment	(422,222)	(6,162,368)
Proceeds from disposal of property, plant and equipment	1,441	3,143
Acquisition of intangible assets	(284,870)	(285,035)
Proceeds from disposal of intangible assets	-	113
Increase in other non-current assets	(192,509)	(263,738)
<b>Net cash flows from (used in) investing activities</b>	<b>304,568</b>	<b>(6,798,890)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	4,491,382	4,333,263
Proceeds from long-term borrowings	8,481,600	4,800,000
Repayments of long-term borrowings	(8,481,600)	(10,389,600)
Decrease in other non-current liabilities	(7,185)	(4,871)
Cash dividends paid	(5,201,839)	(5,022,465)
<b>Net cash flows used in financing activities</b>	<b>(717,642)</b>	<b>(6,283,673)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(4,970,951)</b>	<b>3,689,108</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>10,176,052</b>	<b>6,486,944</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 5,205,101</b>	<b>10,176,052</b>

Please refer to financial statements.

Appendix 4-Independent Auditors' Report and Consolidated Financial Statements for Year 2017  
**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)**

ASSETS		2017.12.31		2016.12.31		LIABILITIES AND EQUITY		2017.12.31		2016.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current Assets :</b>						<b>Current Liabilities :</b>					
1100	Cash and cash equivalents (Notes (4) and (6)(a))	\$ 26,949,180	13	25,972,444	14	2100	Short-term borrowings (Note (6)(l))	\$ 36,605,498	18	14,580,403	8
1110	Current financial assets at fair value through profit or loss (Notes (4) and (6)(b))	125,376	-	190,544	-	2120	Current financial liabilities at fair value through profit or loss (Notes (4) and (6)(b))	21,669	-	106	-
1125	Current available-for-sale financial assets, net (Notes (4) and (6)(b))	9,224,122	4	2,693,920	1	2160	Notes payable to related parties (Note (7))	-	-	12,132	-
1170	Accounts receivable, net (Notes (4) and (6)(c))	78,596,479	38	71,269,249	39	2170	Accounts payable	73,213,841	35	69,024,369	38
1180	Accounts receivable due from related parties, net (Notes (4), (6)(c) and (7))	1,085	-	1,085	-	2180	Accounts payable to related parties (Note (7))	-	-	8,167	-
1200	Other receivables, net (Notes (4), (6)(c) and (7))	1,048,952	1	980,596	1	2230	Current tax liabilities	1,683,273	1	2,025,353	1
1310	Inventories net (Notes (4) and (6)(d))	39,548,087	19	31,935,038	18	2200	Other payables (Note (7))	12,890,156	6	12,249,690	7
1479	Other current assets (Notes (4), (6)(e), (6)(k), (6)(n) and (8))	<u>12,831,283</u>	<u>6</u>	<u>3,750,245</u>	<u>2</u>	2322	Long-term borrowings, current portion (Note (6)(l))	387,609	-	411,211	-
		<u>168,324,564</u>	<u>81</u>	<u>136,793,121</u>	<u>75</u>	2399	Other current liabilities	13,648,540	7	13,219,521	8
<b>Non-current assets :</b>						2313	Unearned revenue	<u>4,379,968</u>	<u>2</u>	<u>3,552,004</u>	<u>2</u>
1523	Non-current available-for-sale financial assets, net (Notes (4) and (6)(b))	171,327	-	225,248	-			<u>142,830,554</u>	<u>69</u>	<u>115,082,956</u>	<u>64</u>
1543	Non-current financial assets at cost, net (Notes (4) and (6)(b))	432,441	-	434,143	-	<b>Non-current Liabilities :</b>					
1550	Investments accounted for using equity method, net (Notes (4) and (6)(f))	326,957	-	380,091	-	2540	Long-term borrowings (Note (6)(l))	3,965,731	2	4,063,889	2
1600	Property, plant and equipment (Notes (4) and (6)(h))	33,351,252	16	38,666,219	21	2640	Net defined benefit liability, non-current (Notes (4) and (6)(n))	672,265	-	747,274	-
1760	Investment property, net (Notes (4) and (6)(i))	295,290	-	520,221	-	2670	Other non-current liabilities (Notes (4) and (6)(o))	<u>2,368,663</u>	<u>1</u>	<u>1,971,836</u>	<u>1</u>
1780	Intangible assets (Notes (4) and (6)(j))	892,416	-	890,024	1			<u>7,006,659</u>	<u>3</u>	<u>6,782,999</u>	<u>3</u>
1900	Other non-current assets (Notes (4), (6)(k) and (6)(o))	<u>4,973,580</u>	<u>3</u>	<u>4,464,150</u>	<u>3</u>	<b>Total Liabilities</b>		<u>149,837,213</u>	<u>72</u>	<u>121,865,955</u>	<u>67</u>
		40,443,263	19	45,580,096	25						
<b>TOTAL ASSETS</b>		<u>\$ 208,767,827</u>	<u>100</u>	<u>182,373,217</u>	<u>100</u>	<b>Equity attributable to owners of parent :</b>					
						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))	<u>(107,546)</u>	<u>-</u>	<u>518,713</u>	<u>-</u>
							<b>Total equity attributable to owners of parent</b>	55,682,837	26	54,792,873	30
						36XX	Non-controlling interests	<u>3,247,777</u>	<u>2</u>	<u>5,714,389</u>	<u>3</u>
							<b>Total Equity</b>	<u>58,930,614</u>	<u>28</u>	<u>60,507,262</u>	<u>33</u>
						<b>TOTAL LIABILITIES AND EQUITY</b>		<u>\$ 208,767,827</u>	<u>100</u>	<u>182,373,217</u>	<u>100</u>

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
	<b>Gross profit from operations</b>	<b>25,039,143</b>	<b>6</b>	<b>23,957,770</b>	<b>6</b>
	<b>Operating expenses (Note (6)(t)):</b>				
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	<b>Total operating expenses</b>	<b>16,309,574</b>	<b>4</b>	<b>15,773,307</b>	<b>4</b>
	<b>Net operating income</b>	<b>8,729,569</b>	<b>2</b>	<b>8,184,463</b>	<b>2</b>
	<b>Non-operating income and expenses:</b>				
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)	-
	<b>Total non-operating income and expenses</b>	<b>(1,543,121)</b>	<b>-</b>	<b>(1,094,554)</b>	<b>-</b>
7900	<b>Profit from continuing operations before tax</b>	<b>7,186,448</b>	<b>2</b>	<b>7,089,909</b>	<b>2</b>
7950	<b>Less: Tax expense (Notes (4) and (6)(o))</b>	<b>2,849,410</b>	<b>1</b>	<b>2,118,536</b>	<b>1</b>
	<b>Profit for the period</b>	<b>4,337,038</b>	<b>1</b>	<b>4,971,373</b>	<b>1</b>
	<b>Other comprehensive income (loss):</b>				
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
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	-
	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	<b>(36,205)</b>	<b>-</b>	<b>(12,143)</b>	<b>-</b>
8360	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>				
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	-	-	-	-
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>	<b>(623,625)</b>	<b>-</b>	<b>(2,303,167)</b>	<b>-</b>
	<b>Other comprehensive income, net</b>	<b>(659,830)</b>	<b>-</b>	<b>(2,315,310)</b>	<b>-</b>
8500	<b>Total comprehensive income</b>	<b>\$ 3,677,208</b>	<b>1</b>	<b>2,656,063</b>	<b>1</b>
	<b>Profit (loss), attributable to:</b>				
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)	-
		<b>\$ 4,337,038</b>	<b>1</b>	<b>4,971,373</b>	<b>1</b>
	<b>Comprehensive income attributable to:</b>				
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)	-
		<b>\$ 3,677,208</b>	<b>1</b>	<b>2,656,063</b>	<b>1</b>
	<b>Earning per share attributable to stockholders of parent (Notes (4) and (6)(r))</b>				
9750	<b>Basic earnings per share (NT dollars)</b>	<b>\$ 1.88</b>		<b>1.57</b>	
9850	<b>Diluted earnings per share (NT dollars)</b>	<b>\$ 1.87</b>		<b>1.56</b>	

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								
					Other Equity Interest				
	Capital Stock		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
	Share Capital	Capital Surplus	Legal Reserve	Unappropriated Retained Earnings					
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)**

	<b>For the years ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities :</b>		
<b>Profit before income tax</b>	\$ 7,186,448	7,089,909
<b>Adjustments:</b>		
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
<b>Changes in operating assets and liabilities:</b>		
Changes in operating assets:		
Decrease in financial assets holding 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)
<b>Net cash flows from operating activities</b>	<b>2,265,866</b>	<b>8,725,320</b>

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

**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)
<b>Net cash flows used in investing activities</b>	<b>(18,298,546)</b>	<b>(13,649,062)</b>
<b>Cash flows from financing activities:</b>		
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)
<b>Net cash flows used in financing activities</b>	<b>17,203,970</b>	<b>(4,628,784)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(194,554)</b>	<b>(1,598,661)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>976,736</b>	<b>(11,151,187)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>25,972,444</b>	<b>37,123,631</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 26,949,180</b>	<b>25,972,444</b>

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

## Appendix 5

### Inventec Corporation Profit Distribution Table Year 2017

	Unit: NTD \$
Items:	Total amount
Beginning retained earnings	810,346,187
Less: Defined benefit plans remeasurement	(36,850,505)
Add: Net profit after tax	6,754,912,011
Less: 10% legal reserve	(675,491,201)
Less: Special Reserve	(107,546,135)
Distributable net profit	6,745,370,357
Less: Distributable items:	
Cash Dividend to shareholders (NT\$1.65 per share)	(5,919,333,859)
Unappropriated retained earnings	826,036,498