

INVENTEC CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2019 and 2018**

Address: No.66, Hougang Street, Shinlin District, Taipei City, Taiwan, R.O.C.
Telephone: 886-2-2881-0721

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1)Overview	8
(2)Financial Statements Authorization Date and Authorization Process	8
(3)New Standards, Amendments and Interpretations not yet Adopted	8~11
(4)Significant Accounting Policies	12~17
(5)Significant Accounting Judgments, Estimation, Assumptions, and Sources of Estimation Uncertainty	17~18
(6)Explanation to Significant Accounts	18~50
(7)Related Party Transactions	51~52
(8)Pledged Assets	53
(9)Significant Commitments and Contingencies	53~55
(10)Losses Due to Major Disasters	55
(11)Subsequent Events	55
(12)Other	55~56
(13)Other disclosures	
(a) Information on significant transactions	56~63
(b) Information on investment	63~64
(c) Information on investment in Mainland China	65~66
(14)Segment Information	67~68



安侯建業聯合會計師事務所

KPMG

台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Telephone 電話 + 886 2 8101 6666

Fax 傳真 + 886 2 8101 6667

Internet 網址 kpmg.com/tw

Independent Auditors' Review Report

To the Board of Directors of Inventec Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of Inventec Corporation and its subsidiaries as of June 30, 2019 and 2018, the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2019 and 2018, as well as the changes in equity and cash flows for the six months ended June 30, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. 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 International Accounting Standards 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standards 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$75,240,399 thousand and \$83,265,388 thousand, constituting 36% and 38% of consolidated total assets as of June 30, 2019 and 2018, respectively, total liabilities amounting to \$21,400,477 thousand and \$34,988,165 thousand, constituting 14% and 21% of consolidated total liabilities as of June 30, 2019 and 2018, respectively, and total comprehensive income (loss) amounting to \$(107,569) thousand, \$(316,384) thousand, \$(51,692) thousand and \$411,397 thousand, constituting (11)%, (15)%, (2)% and 13% of consolidated total comprehensive income (loss) for the three months and six months ended June 30, 2019 and 2018, respectively.



Furthermore, as stated in Note (6)(f), the other equity accounted investments of Inventec Corporation and its subsidiaries in its investee companies of \$0 thousand and \$253 thousand as of June 30, 2019 and 2018, respectively, and its equity in net earnings on these investee companies of \$(541) thousand, \$(728) thousand, \$(1,697) thousand and \$(1,024) thousand for the three months and six months ended June 30, 2019 and 2018, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Inventec Corporation and its subsidiaries as of June 30, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three months and six months ended June 30, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Emphasis of Matter

As stated in Note 3(a), Inventec Corporation and its subsidiaries initially adopt the IFRS 16, “Leases” at January 1, 2019, and apply the modified retrospective approach, with no restatement of comparative period amounts. Our conclusion is not qualified in respect of this matter.

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

KPMG

Taipei, Taiwan (Republic of China)
August 13, 2019

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS AS OF JUNE 30, 2019 AND 2018

INVENTEC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

June 30, 2019, December 31, 2018, and June 30, 2018

(Expressed in Thousands of New Taiwan Dollars)

ASSETS		2019.6.30		2018.12.31		2018.6.30		LIABILITIES AND EQUITY		2019.6.30		2018.12.31		2018.6.30			
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%		
Current Assets :																	
1100	Cash and cash equivalents (Notes (4) and (6)(a))	\$	28,016,628	13	25,062,511	12	24,011,161	11	2100	Short-term borrowings (Note (6)(l))	\$	33,886,391	16	31,301,280	15	33,322,683	15
1110	Current financial assets at fair value through profit or loss		2,881,708	1	2,467,479	1	8,032,795	4	2120	Current financial liabilities at fair value through profit or loss		59,495	-	4,958	-	113,283	-
	(Notes (4) and (6)(b))									(Notes (4) and (6)(b))							
1120	Current financial assets at fair value through other comprehensive income		808,475	1	479,397	-	891,760	-	2130	Current contract liabilities (Note (6)(s))		6,527,994	3	6,717,641	4	6,350,812	3
	(Notes (4) and (6)(b))								2170	Accounts payable		78,595,496	37	76,453,829	37	76,928,385	35
1170	Accounts receivable, net (Notes (4) and (6)(c))		93,102,906	44	92,234,720	45	89,873,497	41	2230	Current tax liabilities		2,773,638	1	2,389,874	1	2,594,360	1
1200	Other receivables, net (Notes (4), (6)(d) and (7))		615,338	-	2,534,539	2	922,220	-	2200	Other payables (Note (7))		16,185,107	8	12,638,279	6	18,292,394	9
1310	Inventories, manufacturing business, net (Notes (4) and (6)(e))		45,250,102	21	42,938,996	21	50,053,568	23	2322	Long-term borrowings, current portion (Note (6)(l))		476,670	-	556,670	-	468,444	-
1479	Other current assets, others (Notes (6)(k))		3,052,987	2	2,186,792	1	6,743,906	3	2280	Current lease liabilities (Notes (4) and (6)(m))		187,030	-	-	-	-	-
			173,728,144	82	167,904,434	82	180,528,907	82	2399	Other current liabilities, others		8,964,140	5	10,629,884	5	11,853,040	5
Non-current assets :												147,655,961	70	140,692,415	68	149,923,401	68
1517	Non-current financial assets at fair value through other comprehensive		342,811	-	359,816	-	473,319	-		Non-current Liabilities :							
	income (Notes (4) and (6)(b))								2540	Long-term borrowings (Note (6)(l))		3,742,928	2	3,409,061	2	9,765,896	5
1550	Investments accounted for using equity method, net (Notes (4) and (6)(f))		267,578	-	273,356	-	292,504	-	2640	Net defined benefit liability, non-current (Notes (4) and (6)(o))		611,848	-	633,815	-	640,411	-
1600	Property, plant and equipment (Notes (4) and (6)(g))		29,835,065	14	30,324,516	15	31,658,729	15	2580	Non-current lease liabilities (Notes (4) and (6)(m))		931,956	-	-	-	-	-
1755	Right-of-use assets (Notes (4) and (6)(h))		3,623,188	2	-	-	-	-	2670	Other non-current liabilities, others (Notes (4) and (6)(p))		3,335,329	2	3,347,114	2	2,540,528	1
1760	Investment property, net (Notes (4) and (6)(i))		717,591	-	740,269	-	286,949	-				8,622,061	4	7,389,990	4	12,946,835	6
1780	Intangible assets (Notes (4) and (6)(j))		853,303	1	885,307	-	868,505	1		Total Liabilities		156,278,022	74	148,082,405	72	162,870,236	74
1900	Other non-current assets (Notes (4), (6)(k) and (6)(p))		2,486,170	1	5,316,224	3	5,132,721	2									
			38,125,706	18	37,899,488	18	38,712,727	18		Equity attributable to owners of parent :							
									3110	Ordinary share (Note (6)(q))		35,874,751	17	35,874,751	18	35,874,751	16
									3200	Capital surplus (Note (6)(q))		2,912,889	1	2,912,889	1	2,912,889	1
									3300	Retained earnings (Note (6)(q))		15,903,418	7	18,223,198	9	15,238,895	7
									3400	Other equity interest (Note (6)(q))		(999,772)	-	(1,646,357)	(1)	(699,844)	-
										Total equity attributable to owners of parent		53,691,286	25	55,364,481	27	53,326,691	24
									36XX	Non-controlling interests		1,884,542	1	2,357,036	1	3,044,707	2
										Total Equity		55,575,828	26	57,721,517	28	56,371,398	26
TOTAL ASSETS		\$	211,853,850	100	205,803,922	100	219,241,634	100	TOTAL LIABILITIES AND EQUITY		\$	211,853,850	100	205,803,922	100	219,241,634	100

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

INVENTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three months and six months Ended June 30, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

		For the three months ended June 30,				For the six months ended June 30,			
		2019		2018		2019		2018	
		Amount	%	Amount	%	Amount	%	Amount	%
4110	Total sales revenue (Notes (4), (6)(s) and (7))	\$ 127,802,043	100	126,900,032	100	242,666,924	100	231,709,409	100
5000	Total operating costs (Notes (4) and (7))	122,585,729	96	120,543,788	95	232,046,412	96	220,033,639	95
	Gross profit from operations	5,216,314	4	6,356,244	5	10,620,512	4	11,675,770	5
	Operating expenses (Notes (6)(c), (6)(d) and (6)(t)):								
6100	Selling expenses	705,290	-	659,938	-	1,323,453	-	1,299,546	-
6200	Administrative expenses	1,023,264	1	1,186,432	1	2,106,667	1	2,342,586	1
6300	Research and development expenses	2,221,900	2	2,284,349	2	4,654,888	2	4,382,378	2
6450	Expected credit loss	(2,184)	-	5,871	-	(1,236)	-	6,431	-
6400	Total operating expenses	3,948,270	3	4,136,590	3	8,083,772	3	8,030,941	3
	Net operating income	1,268,044	1	2,219,654	2	2,536,740	1	3,644,829	2
	Non-operating income and expenses:								
7010	Other income (Note (6)(u))	362,764	-	320,170	-	620,811	-	683,932	-
7020	Other gains and losses, net (Note (6)(u))	254,635	-	791,569	-	1,074,850	-	1,201,190	-
7050	Finance costs, net (Note (6)(u))	(424,568)	-	(425,222)	-	(874,652)	-	(892,130)	-
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method, net (Notes (4) and (6)(f))	(4,729)	-	(5,249)	-	(6,911)	-	(14,815)	-
	Total non-operating income and expenses	188,102	-	681,268	-	814,098	-	978,177	-
	Profit from continuing operations before tax	1,456,146	1	2,900,922	2	3,350,838	1	4,623,006	2
	Less: Tax expense	223,895	-	901,059	-	810,686	-	1,623,373	1
	Profit for the period	1,232,251	1	1,999,863	2	2,540,152	1	2,999,633	1
	Other comprehensive income (loss):								
8310	Items that will not be reclassified subsequently to profit and loss								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(106,705)	-	(429,460)	-	311,579	-	(410,441)	-
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	1,271	-	(2,495)	-	990	-	(7,292)	-
8349	Less: Income tax benefit (expense) related to items that will not be reclassified subsequently	-	-	-	-	-	-	-	-
	Total items that will not be reclassified subsequently to profit and loss	(105,434)	-	(431,955)	-	312,569	-	(417,733)	-
8360	Items that will be reclassified to profit or loss								
8361	Exchange differences on translation	(153,307)	-	490,081	-	337,660	-	472,120	-
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	(1,064)	-	(471)	-	143	-	80	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Total items that will be reclassified subsequently to profit and loss	(154,371)	-	489,610	-	337,803	-	472,200	-
	Other comprehensive income (net of tax)	(259,805)	-	57,655	-	650,372	-	54,467	-
8500	Total comprehensive income	\$ 972,446	1	2,057,518	2	3,190,524	1	3,054,100	1
	Profit (loss), attributable to:								
8610	Profit (loss), attributable to owners of parent	\$ 1,364,671	1	2,236,681	2	3,061,433	1	3,507,991	1
8620	Profit (loss), attributable to non-controlling interests	(132,420)	-	(236,818)	-	(521,281)	-	(508,358)	-
		\$ 1,232,251	1	1,999,863	2	2,540,152	1	2,999,633	1
	Comprehensive income attributable to:								
8710	Comprehensive income, attributable to owners of parent	\$ 1,109,920	1	2,296,319	2	3,708,018	1	3,562,032	1
8720	Comprehensive income, attributable to non-controlling interests	(137,474)	-	(238,801)	-	(517,494)	-	(507,932)	-
		\$ 972,446	1	2,057,518	2	3,190,524	1	3,054,100	1
	Earning per share attributable to stockholders of parent (Notes (4) and (6)(r))								
9750	Basic earnings per share (NT dollars)	\$ 0.38		0.62		0.85		0.98	
9850	Diluted earnings per share (NT dollars)	\$ 0.38		0.62		0.85		0.97	

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS

INVENTEC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Six Months Ended June 30, 2019 and 2018

(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) from financial assets measured at fair value through other comprehensive income	Unrealized Gains (Losses) on Available for Sale Financial Assets	Equity attributable to owners of parent	Non - controlling interests	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings						
Balance at January 1, 2018	\$ 35,874,751	2,913,096	9,474,128	-	7,528,408	(972,359)	-	864,813	55,682,837	3,247,777	58,930,614
Effects of retrospective application	-	-	-	-	647,702	-	218,474	(864,813)	1,363	-	1,363
Balance at January 1, 2018 after adjustments	35,874,751	2,913,096	9,474,128	-	8,176,110	(972,359)	218,474	-	55,684,200	3,247,777	58,931,977
Net income (loss) for the period	-	-	-	-	3,507,991	-	-	-	3,507,991	(508,358)	2,999,633
Other comprehensive income (loss) for the period	-	-	-	-	-	472,329	(418,288)	-	54,041	426	54,467
Total comprehensive income (loss) for the period	-	-	-	-	3,507,991	472,329	(418,288)	-	3,562,032	(507,932)	3,054,100
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	675,491	-	(675,491)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	107,546	(107,546)	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(5,919,334)	-	-	-	(5,919,334)	-	(5,919,334)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	304,655	304,655
Others	-	(207)	-	-	-	-	-	-	(207)	207	-
Balance at June 30, 2018	\$ 35,874,751	2,912,889	10,149,619	107,546	4,981,730	(500,030)	(199,814)	-	53,326,691	3,044,707	56,371,398
Balance at January 1, 2019	\$ 35,874,751	2,912,889	10,149,619	107,546	7,966,033	(990,250)	(656,107)	-	55,364,481	2,357,036	57,721,517
Net income (loss) for the period	-	-	-	-	3,061,433	-	-	-	3,061,433	(521,281)	2,540,152
Other comprehensive income (loss) for the period	-	-	-	-	-	334,016	312,569	-	646,585	3,787	650,372
Total comprehensive income (loss) for the period	-	-	-	-	3,061,433	334,016	312,569	-	3,708,018	(517,494)	3,190,524
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	649,986	-	(649,986)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	1,538,811	(1,538,811)	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(5,381,213)	-	-	-	(5,381,213)	-	(5,381,213)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	45,000	45,000
Balance at June 30, 2019	\$ 35,874,751	2,912,889	10,799,605	1,646,357	3,457,456	(656,234)	(343,538)	-	53,691,286	1,884,542	55,575,828

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

INVENTEC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Six Months Ended June 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30,	
	2019	2018
Cash flows from operating activities:		
Profit before tax	\$ 3,350,838	4,623,006
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	1,603,784	1,829,110
Amortization expense	572,645	438,721
Expected credit loss (gain)	(1,236)	6,431
Interest expense	874,652	892,130
Interest income	(620,811)	(683,932)
Share of losses of associates and joint ventures accounted for using equity method	6,911	14,815
Gain on disposal of property, plant and equipment	(15,484)	(2,632)
Gain on disposal of other assets	-	(1,505)
Gain on disposal of non-current assets held-for-sale	(628,453)	-
Gain on disposal of investments	-	(6,416)
Impairment loss on non-financial assets	313,612	-
Unrealized foreign exchange gain	(24,815)	(327,611)
Others	(16,257)	-
Total adjustments to reconcile profit	<u>2,064,548</u>	<u>2,159,111</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in financial assets at fair value through profit or loss, mandatorily measured at fair value	(107,783)	(397,777)
Increase in accounts receivable	(1,127,468)	(9,819,793)
Decrease in other receivables	2,012,221	60,689
Increase in inventories	(1,857,262)	(9,475,633)
Increase in other current assets	(272,156)	(409,370)
Total changes in operating assets	<u>(1,352,448)</u>	<u>(20,041,884)</u>
Changes in operating liabilities:		
Increase in financial liabilities held for trading	54,537	91,614
(Decrease) increase in contract liabilities	(189,229)	295,867
Increase in accounts payable	1,743,492	1,781,533
Decrease in other payables	(1,799,832)	(273,281)
Decrease in other current liabilities	(1,235,891)	(466,069)
Decrease in net defined benefit liabilities, non-current	(21,967)	(31,854)
Total changes in operating liabilities	<u>(1,448,890)</u>	<u>1,397,810</u>
Total changes in operating assets and liabilities	<u>(2,801,338)</u>	<u>(18,644,074)</u>
Total adjustments	<u>(736,790)</u>	<u>(16,484,963)</u>
Cash inflow (outflow) generated from operations	2,614,048	(11,861,957)
Interest received	578,806	720,646
Interest paid	(1,031,298)	(900,161)
Income taxes paid	(433,764)	(756,673)
Net cash flows from (used in) operating activities	<u>1,727,792</u>	<u>(12,798,145)</u>

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

INVENTEC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)

For the Six Months Ended June 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30,	
	2019	2018
Cash flows from investing activities:		
Acquisition of financial assets at fair value through profit or loss	(6,740,300)	(6,879,918)
Proceeds from disposal of financial assets at fair value through profit or loss	6,488,710	7,596,275
Proceeds from disposal of non-current assets held for sale	968,444	-
Acquisition of property, plant and equipment	(988,986)	(701,483)
Proceeds from disposal of property, plant and equipment	23,967	7,137
Acquisition of intangible assets	(129,145)	(121,076)
Acquisition of investment properties	(1,816)	-
(Increase) decrease in other financial assets	(1,476,130)	7,588,843
Increase in other non-current assets	<u>(200,039)</u>	<u>(397,297)</u>
Net cash flows (used in) from investing activities	<u>(2,055,295)</u>	<u>7,092,481</u>
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	2,776,391	(3,721,499)
Proceeds from long-term borrowings	545,954	5,968,000
Repayments of long-term borrowings	(285,835)	(205,000)
Increase in other payables due to related parties	150,000	-
Payment of lease liabilities	(127,501)	-
(Decrease) increase in other non-current liabilities	(12,068)	10,798
Change in non-controlling interests	<u>45,000</u>	<u>311,172</u>
Net cash flows from financing activities	<u>3,091,941</u>	<u>2,363,471</u>
Effect of exchange rate changes on cash and cash equivalents	189,679	404,174
Net increase (decrease) in cash and cash equivalents	2,954,117	(2,938,019)
Cash and cash equivalents at beginning of period	<u>25,062,511</u>	<u>26,949,180</u>
Cash and cash equivalents at end of period	<u>\$ 28,016,628</u>	<u>24,011,161</u>

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

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

(1) Overview

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

The consolidated financial statements of the Company as of and for the year ended June 30, 2019 comprised the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). The Group primarily is involved in the developing, computer hardware and software products, manufacturing, processing and trading of computers and related products, and sale of wired and wireless communication and digital accessory products. Please refer to Note 4(b) for details.

(2) Financial Statements Authorization Date and Authorization Process

The consolidated financial statements were authorized for issuance by the Board of Directors on August 13, 2019.

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

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

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

(i) IFRS 16“Leases”

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

The Group applied IFRS 16 using the modified retrospective approach. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note (4)(c).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases and leases of low-value item of dormitory, vehicle, and other equipment.

A. Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other lease.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

- a. Applied a single discount rate to a portfolio of leases with similar characteristics.
- b. Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- c. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- d. Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- e. Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

B. Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

3) As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Group is required to assess the classification of a sub-lease by reference to the right-of-use asset, not the underlying asset. On transition, the Group reassessed the classification of a sub-lease contract previously classified as an operating lease under IAS 17. The Group concluded that the sub-lease is a finance lease under IFRS 16.

4) Impacts on financial statements

On transition to IFRS 16, the Group recognized additional \$3,589,104 thousand of right-of-use assets and \$1,074,436 thousand of lease liabilities. The difference resulting from land access and the difference of lease smoothing. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 2.29%.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application is disclosed as follows:

	<u>January 1, 2019</u>
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	\$ 1,140,086
Recognition exemption for:	
short-term leases	(26,303)
lease of low-value assets	(1,592)
Variable lease payment based on an index or a rate	<u>(12,935)</u>
	<u>1,099,256</u>
Discounted using the incremental borrowing rate at January 1, 2019	1,074,436
Finance lease liabilities recognized as at December 31, 2018	<u>-</u>
Lease liabilities recognized at January 1, 2019	<u><u>\$ 1,074,436</u></u>

(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, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

(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 International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

(4) Summary of significant Accounting Policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2018. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2018.

(b) Basis of consolidation

1. List of subsidiaries in the consolidated financial statements

Investor	Name of Subsidiary	Principal activity	Shareholding Ratio			Note
			2019.6.30	2018.12.31	2018.6.30	
The Company	Inventec Corporation (Hong Kong) Ltd.	Investing in Mainland China and import and export business	100.00 %	100.00 %	100.00 %	(Note 1)
"	Inventec Holding (North America) Corp.	Investment of holding company in America	100.00 %	100.00 %	100.00 %	(Note 2)
"	Inventec (Cayman) Corp.	Holding Company	100.00 %	100.00 %	100.00 %	
"	IEC (Cayman) Corporation	Holding Company	100.00 %	100.00 %	100.00 %	(Note 1)
"	Inventec (Czech), s.r.o.	Computer products assembly operations	100.00 %	100.00 %	100.00 %	(Note 1)
"	Inventec Development Japan Corporation	Developing, designing and selling computer peripherals	100.00 %	100.00 %	100.00 %	(Note 1)
"	Inventec Investments Co., Ltd.	Investment company	100.00 %	100.00 %	100.00 %	(Note 1)
"	AIMobile Co., Ltd.	Developing, production and selling of intelligent mobile devices	55.00 %	55.00 %	55.00 %	(Note 1)
The Company, Inventec Investments Co., Ltd. and Inventec Appliances Corp.	Inventec Solar Energy Corporation	Developing, production and selling of multi-crystalline solar cells	47.65 %	47.65 %	47.65 %	(Note 1)
The Company and Inventec Investments Co., Ltd.	E-TON Solar Tech. Co., Ltd.	Manufacturing and selling of solar cells	34.65 %	34.65 %	34.65 %	(Note 2)
The Company, Inventec Solar Energy Corporation and E-TON Solar Tech. Co., Ltd.	Inventec Energy Corporation	Manufacturing and selling of photovoltaic systems integration	- %	- %	- %	Inventec Energy Corporation decided to dismiss the Company in 2017, and the liquidation process was completed in January, 2019
The Company	Inventec Appliances Corp.	Wireless terminal products	100.00 %	100.00 %	100.00 %	(Note 2)
The Company and Inventec Investments Co., Ltd.	Inventec Manufacturing (India) Private Limited	Computer product assembles and warranty services	100.00 %	100.00 %	100.00 %	(Note 1)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

Investor	Name of Subsidiary	Principal activity	Shareholding Ratio			Note
			2019.6.30	2018.12.31	2018.6.30	
Inventec Corporation (Hong Kong) Ltd.	Inventec Electronics (Tianjin) Co., Ltd.	Electronic product software and hardware development manufacturing	100.00 %	100.00 %	100.00 %	(Note 1)
"	Inventec (Beijing) Electronics Technology Co., Ltd.	"	100.00 %	100.00 %	100.00 %	(Note 1)
Inventec (Cayman) Corp. and Inventec (Pudong) Technology Corp.	Inventec (Shanghai) Corp.	Electronic product software and hardware development manufacturing	100.00 %	100.00 %	100.00 %	Inventec (Pudong) Technology Corp. participated in the cash capital increase of Inventec (Shanghai) Corp. in March, 2018. (Note 1)
Inventec (Cayman) Corp.	Inventec (Pudong) Corp.	"	100.00 %	100.00 %	100.00 %	(Note 1)
"	Inventec (Pudong) Technology Corp.	"	100.00 %	100.00 %	100.00 %	(Note 1)
"	Inventec (Shanghai) Service Co., Ltd.	"	100.00 %	100.00 %	100.00 %	(Note 1)
"	Inventec Hi-Tech Corp.	"	100.00 %	100.00 %	100.00 %	(Note 1)
"	Inventec Huan Hsin (Zhejiang) Technology Co., Ltd.	Complete of the electronic computer and product and sale of external equipment	100.00 %	100.00 %	100.00 %	(Note 1)
"	Inventec (Chongqing) Service Co., Ltd.	Electronic product software and hardware development manufacturing	100.00 %	100.00 %	100.00 %	(Note 1)
"	TPV-Inventa Holding Ltd.	Holding Company	90.00 %	90.00 %	90.00 %	(Note 1)
Inventec (Cayman) Corp. and IEC (Cayman) Corporation	Inventec (Chongqing) Corp.	Assembly and sale of computer products	100.00 %	100.00 %	100.00 %	
Inventec (Shanghai) Corp.	Inventec Asset-Management (Shanghai) Corporation	Equipment leasing, Storage, technological development and sale of computer	78.00 %	78.00 %	78.00 %	(Note 1)
Inventec (Chongqing) Corp.	Chongqing Rongjie Cloud Service Co., Ltd.	Software production	- %	- %	- %	The cancellation of registration process was completed in May 2018.
TPV-Inventa Holding Ltd.	TPV-Inventa Technology (Fujian) Ltd.	AIO PC	- %	- %	100.00 %	The cancellation of registration process was completed in December 2018.
Inventec Holding (North America) Corp.	Inventec (USA) Corporation	Computer product assemblies	100.00 %	100.00 %	100.00 %	(Note 1)
"	Inventec Manufacturing (North America) Corporation	"	100.00 %	100.00 %	100.00 %	(Note 1)
"	Inventec Configuration (North America) Corporation	"	100.00 %	100.00 %	100.00 %	(Note 1)
"	Inventec Distribution (North America) Corporation	"	100.00 %	100.00 %	100.00 %	(Note 1)
"	IEC Technologies, S. de R.L. de C.V.	"	100.00 %	100.00 %	100.00 %	(Note 1)
E-TON Solar Tech. Co., Ltd	Gloria Solar International Holding, Inc.	Investment company	- %	- %	- %	The Board of Directors of Gloria Solar International Holding Inc. decided to dismiss the Company on March 22, 2018, and this decision was made by the meeting of shareholders on April 25, 2018. The liquidation process was completed in August, 2019.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

Investor	Name of Subsidiary	Principal activity	Shareholding Ratio			Note
			2019.6.30	2018.12.31	2018.6.30	
Inventec Appliances Corp.	Inventec Appliances (Cayman) Holding Corp.	Holding Company	100.00 %	100.00 %	100.00 %	(Note 1)
Inventec Appliances (Cayman) Holding Corp.	Inventec Appliances (USA) Distribution Corp.	Marketing promotion	100.00 %	100.00 %	100.00 %	(Note 1)
"	Inventec Appliances Corporation USA, Inc.	Customer information service	100.00 %	100.00 %	100.00 %	(Note 1)
"	Inventec Appliances (Shanghai) Co., Ltd.	Telecommunication research	100.00 %	100.00 %	100.00 %	(Note 1)
"	Inventec Appliances (Pudong) Corp.	Electronic communication and products manufacturing	100.00 %	100.00 %	100.00 %	(Note 1)
"	Inventec Appliances (Jiangning) Corp.	"	100.00 %	100.00 %	100.00 %	(Note 1)
"	Inventec Appliances (Nanjing) Corp.	House leasing	100.00 %	100.00 %	100.00 %	(Note 1)
"	Inventec Appliances (XI'AN) Corporation	Telecommunication research and service	100.00 %	100.00 %	100.00 %	(Note 1)
"	Inventec Appliances (Nanchang) Corporation	"	100.00 %	100.00 %	100.00 %	(Note 1)
"	Inventec Appliances (Malaysia) SDN. BHD.	Manufacture and sale of electronic materials and products	100.00 %	100.00 %	-	% The subsidiary was established on September 27, 2018. (Note 1)
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 %	100.00 %	(Note 1)
"	APEX Business Management & Consulting (Shanghai) Co., Ltd.	Business management	100.00 %	100.00 %	100.00 %	(Note 1)
"	Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd.	Telecommunication research and manufacturing	100.00 %	100.00 %	-	% The subsidiary was established on June 21, 2018. (Note 1)

Note 1: The Company is an non-significant subsidiaries, its financial statements have not been reviewed.

Note 2: The Company is an non-significant subsidiaries, its financial statements have been reviewed.

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

(c) Leases (applicable from January 1, 2019)

1. Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- 1) The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

3) The Group has the right to direct the use of the asset. The Group has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of an asset if either:

- the Group has the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

2. As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- 1) Fixed payments;
- 2) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) Amounts expected to be payable under a residual value guarantee; and
- 4) Payments for purchase or termination options that are reasonably certain to be exercised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change of its assessment on whether it will exercise a purchase option; or
- 4) there is a change of its assessment on whether it will exercise an extension or termination option; or
- 5) there are any lease modifications.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of housing, transportation, and other equipment that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

For sale-and-leaseback transactions, the Group applies the requirements for determining when a performance obligation is satisfied in IFRS15 to determine whether the transfer of an asset is accounted for as a sale of the asset. If the transfer of an asset satisfies the requirement of IFRS15 to be accounted for as a sale of the asset, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained. Accordingly, the Group recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. If the transfer of an asset does not satisfy the requirement of IFRS15 to be accounted for as a sale of the asset, the Group will continue to recognize the transferred asset and shall recognize the financial liability equal to the transfer proceeds.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

3. As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract. The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(d) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(e) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year.

(5) Significant Accounting Judgments, Estimation, Assumptions, and Sources of Estimation Uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 "Interim Financial Reporting" and 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.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2018. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2018.

(6) Explanation to Significant Accounts

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2018. Please refer to Note (6) of the 2018 annual consolidated financial statements.

(a) Cash and cash equivalents

	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Cash	\$ 5,916	11,059	9,718
Demand deposits and checking accounts	17,777,629	19,719,122	18,180,369
Time deposits	<u>10,233,083</u>	<u>5,332,330</u>	<u>5,821,074</u>
Cash and cash equivalents in consolidated statement of cash flows	<u><u>\$ 28,016,628</u></u>	<u><u>25,062,511</u></u>	<u><u>24,011,161</u></u>

(b) Financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income

1. Financial assets and liabilities at fair value through profit or loss

	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Financial assets at fair value through profit or loss			
Mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 57,264	3,997	27,913
Foreign exchange swap	-	3,007	21,095
Non-derivative financial assets			
Stocks of listed companies	102,573	57,885	86,263
Unquoted financial instruments	2,656,602	2,338,037	7,897,524
Unsecured convertible bonds	<u>65,269</u>	<u>64,553</u>	<u>-</u>
Total	<u><u>\$ 2,881,708</u></u>	<u><u>2,467,479</u></u>	<u><u>8,032,795</u></u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Financial liabilities at fair value through profit or loss			
Held-for-trading financial liabilities			
Forward exchange contracts	\$ 16,252	3,398	-
Foreign exchange swap	<u>43,243</u>	<u>1,560</u>	<u>113,283</u>
Total	<u>\$ 59,495</u>	<u>4,958</u>	<u>113,283</u>

The Group holds derivative financial instruments to hedge certain foreign exchange and interest risk the Group is exposed to, arising from its operating, financing and investing activities. The following derivative instruments without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss financial assets and held-for-trading financial liabilities.

1) Financial assets:

<u>2019.6.30</u>			
	<u>Contract Amount</u>	<u>Currency</u>	<u>Maturity Period</u>
Forward	USD 180,000	USD to TWD	2019.07.08-2019.08.07
<u>2018.12.31</u>			
	<u>Contract Amount</u>	<u>Currency</u>	<u>Maturity Period</u>
Forward	USD 20,000	USD to CNY	2019.02.15
Forward	USD 40,000	USD to TWD	2019.01.07-2019.01.09
Foreign exchange swap	USD 40,000	USD to TWD	2019.01.18-2019.02.01
<u>2018.6.30</u>			
	<u>Contract Amount</u>	<u>Currency</u>	<u>Maturity Period</u>
Forward	USD 40,000	USD to TWD	2018.07.11-2018.07.16
Foreign exchange swap	USD 20,000	USD to TWD	2018.07.26

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

2) Financial liabilities:

2019.6.30				
	Contract Amount	Currency	Maturity Period	
Foreign exchange swap	USD 120,000	USD to TWD	2019.07.09-2019.08.07	
Forward	USD 60,000	USD to CNY	2019.07.03-2019.07.17	
2018.12.31				
	Contract Amount	Currency	Maturity Period	
Foreign exchange swap	USD 40,000	USD to TWD	2019.01.07-2019.01.09	
Forward	USD 40,000	USD to TWD	2019.01.18-2019.02.01	
2018.6.30				
	Contract Amount	Currency	Maturity Period	
Foreign exchange swap	USD 155,000	USD to TWD	2018.07.09-2018.07.16	

2. Financial assets at fair value through other comprehensive income

	2019.6.30	2018.12.31	2018.6.30
Equity investments at fair value through other comprehensive income			
Stocks listed on domestic markets	\$ 894,572	574,327	1,030,575
Stocks not listed on domestic markets	256,714	264,886	334,504
Total	\$ 1,151,286	839,213	1,365,079

As of June 30, 2019, the aforesaid financial assets were not pledged as collateral.

(c) Note and trade receivables

	2019.6.30	2018.12.31	2018.6.30
Accounts receivables	\$ 93,221,731	92,354,729	90,048,100
Less: Allowance for impairment	(118,825)	(120,009)	(174,603)
	\$ 93,102,906	92,234,720	89,873,497

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

The Group has assessed a portion of its trade receivables that was held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; therefore, such trade receivables were measured at fair value through other comprehensive income. As of June 30, 2019, December 31, 2018, and June 30, 2018, the amounts of trade receivables measured at fair value through other comprehensive income were \$43,381,976, \$12,267,301, and \$38,326,362, respectively.

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision in Taiwan were determined as follows:

	2019.6.30		
	Gross carrying amount	Weighted-average	Loss allowance provision
Current	\$ 89,397,187	0%~1%	104,868
1 to 180 days past due	3,685,593	0.04%~10%	1,903
More than 180 days past due	138,951	0.04%~100%	12,054
	\$ 93,221,731		118,825

As of the end of July 26, 2019, the amount that received by the Group is \$35,164,130.

	2018.12.31		
	Gross carrying amount	Weighted-average	Loss allowance provision
Current	\$ 90,085,860	0%~1%	107,278
1 to 180 days past due	2,104,983	0.04%~10%	1,539
More than 180 days past due	163,886	0.04%~100%	11,192
	\$ 92,354,729		120,009

	2018.6.30		
	Gross carrying amount	Weighted-average	Loss allowance provision
Current	\$ 87,658,858	0.04%~1%	93,426
1 to 180 days past due	2,247,442	0.04%~10%	35,116
More than 180 days past due	141,800	0.04%~100%	46,061
	\$ 90,048,100		174,603

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

The movement in the allowance for notes and trade receivable was as follows:

	For the six months ended June 30,	
	2019	2018
Balance at January 1, 2019 and 2018	\$ 120,009	200,021
Impairment losses (reversed) recognized	(1,236)	5,431
Amounts written off	-	(31,061)
Foreign exchange gains	52	212
Balance at June 30, 2019 and 2018	<u><u>\$ 118,825</u></u>	<u><u>174,603</u></u>

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 June 30, 2019, December 31, 2018 and June 30, 2018, none of the receivables above are pledged as collateral for loans and borrowings.

As of June 30, 2019, December 31, 2018 and June 30, 2018, the Group sold its accounts receivable without recourse as follows:

(Unit: Foreign currency/TWD in Thousands)

2019.6.30							
Purchaser	Assignment Facility	Factoring Line	Advanced Amount	Range of Interest Rate	Collateral	Significant Transferring Terms	Derecognition Amount
Non-related parties	<u>\$ 20,917,689</u>	Note 1	<u>USD 674,547</u>	3.22%~ 3.39%	None	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.	<u><u>20,917,689</u></u>
2018.12.31							
Purchaser	Assignment Facility	Factoring Line	Advanced Amount	Range of Interest Rate	Collateral	Significant Transferring Terms	Derecognition Amount
Non-related parties	<u>\$ 23,739,573</u>	Note 1	<u>USD 774,032</u>	3.1000%~ 3.5000%	None	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.	<u><u>23,739,573</u></u>
2018.6.30							
Purchaser	Assignment Facility	Factoring Line	Advanced Amount	Range of Interest Rate	Collateral	Significant Transferring Terms	Derecognition Amount
Non-related parties	<u>\$ 26,847,326</u>	Note 1	<u>USD 882,265</u>	2.8590%~ 3.0523%	None	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.	<u><u>26,847,326</u></u>

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

(d) Other receivables

	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Other accounts receivable—related parties	\$ 1,919	2,776	-
Other accounts receivable—non-related parties	613,419	2,531,763	923,220
Less: Loss allowance	-	-	(1,000)
	<u><u>\$ 615,338</u></u>	<u><u>2,534,539</u></u>	<u><u>922,220</u></u>

(e) Inventories

	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Raw materials and consumables	\$ 28,183,729	27,406,883	28,894,376
Work in process	8,987,372	8,587,820	7,420,328
Finished goods	8,068,449	6,895,663	13,714,609
Materials and supplies in transit	10,552	48,630	24,255
	<u><u>\$ 45,250,102</u></u>	<u><u>42,938,996</u></u>	<u><u>50,053,568</u></u>

For the three months and six months ended June 30, 2019 and 2018, the write-up (write-down) of inventories amounted to \$28,830, \$91,894, \$(150,731) and \$(146,764), respectively. When the factor causing the net realizable value to be lower than the cost is disappeared due to obsolescence or disposal, the increase of the net realizable value is recognized in deduction of operating cost. In addition, loss on inventory valuation and obsolescence is due to obsolescence or out of use, which causes the net realizable value to be lower than the cost. Loss on inventory valuation and obsolescence is recognized in operating cost. For the three months and six months ended June 30, 2019 and 2018, expenses of idle capacity amounted to \$75,523, \$26,201, \$134,602, and \$73,670, respectively.

As of June 30, 2019, December 31, 2018 and June 30, 2018, the aforesaid inventories were not pledged as collateral.

(f) Investments accounted for using equity method

The investment using equity method was as follows:

	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Associate	<u><u>\$ 267,578</u></u>	<u><u>273,356</u></u>	<u><u>292,504</u></u>

As of June 30, 2019, December 31, 2018 and June 30, 2018, the Group's investments under equity method has not been pledged as collaterals.

Except for Inventec Besta Co., Ltd., investments were accounted for by the equity method, and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

(g) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the six months ended June 30, 2019 and 2018 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, 2019	\$ 6,723,319	21,223,870	26,824,079	107,596	5,301,457	10,607,750	1,448,410	895,871	73,132,352
Additions	-	4,447	400,711	4,302	155,245	48,742	5,367	386,460	1,005,274
Disposals	-	-	(401,942)	(5,808)	(85,671)	(5,342)	(1,943)	-	(500,706)
Other	-	945	13,137	-	1,100	35,026	-	(573)	49,635
Effect of movements in exchange rate	-	143,017	140,181	729	33,579	70,241	4,090	40,786	432,623
Balance at June 30, 2019	<u>\$ 6,723,319</u>	<u>21,372,279</u>	<u>26,976,166</u>	<u>106,819</u>	<u>5,405,710</u>	<u>10,756,417</u>	<u>1,455,924</u>	<u>1,322,544</u>	<u>74,119,178</u>
Balance at January 1, 2018	\$ 7,383,543	22,122,167	28,314,781	97,927	5,063,002	10,618,755	1,439,720	655,382	75,695,277
Additions	-	8,849	304,395	12,880	145,592	13,240	12,392	181,041	678,389
Disposals	-	-	(1,359,532)	(5,070)	(58,957)	(50,764)	-	-	(1,474,323)
Other	(660,225)	(317,970)	30,715	-	6,366	16,634	570	(109,289)	(1,033,199)
Effect of movements in exchange rate	-	204,639	209,978	929	56,718	101,506	215	6,182	580,167
Balance at June 30, 2018	<u>\$ 6,723,318</u>	<u>22,017,685</u>	<u>27,500,337</u>	<u>106,666</u>	<u>5,212,721</u>	<u>10,699,371</u>	<u>1,452,897</u>	<u>733,316</u>	<u>74,446,311</u>
Depreciation and impairment losses:									
Balance at January 1, 2019	\$ 9,183	6,358,805	22,157,507	67,329	4,632,500	8,276,131	1,306,381	-	42,807,836
Depreciation for the period	-	225,750	712,721	7,254	187,910	309,658	16,963	-	1,460,256
Disposals	-	-	(402,475)	(5,626)	(76,921)	(4,993)	(1,910)	-	(491,925)
Impairment loss	-	945	255,340	-	-	5,978	292	-	262,555
Effect of movements in exchange rate	-	41,819	110,010	414	26,520	64,284	2,344	-	245,391
Balance at June 30, 2019	<u>\$ 9,183</u>	<u>6,627,319</u>	<u>22,833,103</u>	<u>69,371</u>	<u>4,770,009</u>	<u>8,651,058</u>	<u>1,324,070</u>	<u>-</u>	<u>44,284,113</u>
Balance at January 1, 2018	\$ -	6,237,622	22,828,327	57,388	4,351,762	7,591,361	1,277,565	-	42,344,025
Depreciation for the period	-	250,740	850,189	7,822	223,012	470,118	18,889	-	1,820,770
Disposals	-	-	(1,358,693)	(5,070)	(58,957)	(47,098)	-	-	(1,469,818)
Other	-	(246,062)	-	-	-	(9,837)	-	-	(255,899)
Effect of movements in exchange rate	-	54,342	160,858	492	44,998	86,942	872	-	348,504
Balance at June 30, 2018	<u>\$ -</u>	<u>6,296,642</u>	<u>22,480,681</u>	<u>60,632</u>	<u>4,560,815</u>	<u>8,091,486</u>	<u>1,297,326</u>	<u>-</u>	<u>42,787,582</u>
Carrying amounts:									
Balance at January 1, 2019	<u>\$ 6,714,136</u>	<u>14,865,065</u>	<u>4,666,572</u>	<u>40,267</u>	<u>668,957</u>	<u>2,331,619</u>	<u>142,029</u>	<u>895,871</u>	<u>30,324,516</u>
Balance at June 30, 2019	<u>\$ 6,714,136</u>	<u>14,744,960</u>	<u>4,143,063</u>	<u>37,448</u>	<u>635,701</u>	<u>2,105,359</u>	<u>131,854</u>	<u>1,322,544</u>	<u>29,835,065</u>
Balance at January 1, 2018	<u>\$ 7,383,543</u>	<u>15,884,545</u>	<u>5,486,454</u>	<u>40,539</u>	<u>711,240</u>	<u>3,027,394</u>	<u>162,155</u>	<u>655,382</u>	<u>33,351,252</u>
Balance at June 30, 2018	<u>\$ 6,723,318</u>	<u>15,721,043</u>	<u>5,019,656</u>	<u>46,034</u>	<u>651,906</u>	<u>2,607,885</u>	<u>155,571</u>	<u>733,316</u>	<u>31,658,729</u>

As of June 30, 2019, December 31, 2018, and June 30, 2018, the details of some property are subject to a registered debenture to secure bank loans (see Note 8). The Group performed an impairment test on its property, plant and equipment. Please refer to Note 6(h) of the consolidated financial statements for the year ended December 31, 2018 for other related information.

The meeting of shareholders of E-Ton Solar Tech. Co., Ltd (E-Ton) decided to discontinue its business of solar cell manufacturing and dispose of related assets on June 21, 2019. Besides, E-Ton reassessed the impairment and additionally recognized \$262,555 on impairment loss of related assets for the six months ended June 30, 2019.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

(h) Right-of-use assets

The Group leases many assets including land and buildings, vehicles and other equipment. Information about leases for which the Group as a lessee is presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Other</u>	<u>Total</u>
Cost:					
Original balance as of January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	2,834,870	739,876	8,232	6,126	3,589,104
Balance as of January 1, 2019 after retrospection	2,834,870	739,876	8,232	6,126	3,589,104
Additions	-	144,316	1,970	-	146,286
Termination before the expiration	-	(1,426)	-	(687)	(2,113)
Effect of changes in foreign exchange rates	28,436	4,569	13	13	33,031
Balance as of June 30, 2019	<u>\$ 2,863,306</u>	<u>887,335</u>	<u>10,215</u>	<u>5,452</u>	<u>3,766,308</u>
Accumulated depreciation and impairment losses:					
Original balance as of January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	-	-	-	-	-
Balance as of January 1, 2019 after retrospection	-	-	-	-	-
Depreciation for the period	52,543	84,003	1,994	869	139,409
Termination before the expiration	-	-	-	(67)	(67)
Effect of changes in foreign exchange rates	3,769	5	1	3	3,778
Balance as of June 30, 2019	<u>\$ 56,312</u>	<u>84,008</u>	<u>1,995</u>	<u>805</u>	<u>143,120</u>
Carrying amount:					
Balance as of June 30, 2019	<u>\$ 2,806,994</u>	<u>803,327</u>	<u>8,220</u>	<u>4,647</u>	<u>3,623,188</u>

(i) Investment property

	<u>Building and construction</u>
Carrying amounts:	
Balance at January 1, 2019	<u>\$ 740,269</u>
Balance at June 30, 2019	<u>\$ 717,591</u>
Balance at January 1, 2018	<u>\$ 295,290</u>
Balance at June 30, 2018	<u>\$ 286,949</u>

There were no significant purchase, disposal, impairment loss or reversal gain on investment property for the six months ended June 30, 2019 and 2018. Please refer to Note 12(a) for the details of depreciation on investment property, and to Note 6(i) of the consolidated financial statements for the year ended December 31, 2018 for other related information.

There were no significant differences between the fair value of investment property as of June 30, 2019 and the one disclosed in Note 6(i) in the consolidated financial statements for the year ended December 31, 2018.

As of June 30, 2019, December 31, 2018, and June 30, 2018, all of the accumulative impairment loss were \$502,250.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

Please refer to Note 8 for the information of the Group's investment property pledged as collateral as of June 30, 2019, December 31, 2018, and June 30, 2018.

(j) Intangible assets

The costs of intangible assets, amortization, and impairment loss of the Group for the six months ended June 30, 2019 and 2018 were as follows:

	<u>Goodwill</u>	<u>Patent and trademark right</u>	<u>Software cost</u>	<u>Total</u>
Carrying amounts:				
Balance at January 1, 2019	\$ <u>808,420</u>	<u>-</u>	<u>76,887</u>	<u>885,307</u>
Balance at June 30, 2019	\$ <u>808,420</u>	<u>-</u>	<u>44,883</u>	<u>853,303</u>
Balance at January 1, 2018	\$ <u>808,420</u>	<u>14</u>	<u>83,982</u>	<u>892,416</u>
Balance at June 30, 2018	\$ <u>808,420</u>	<u>1</u>	<u>60,084</u>	<u>868,505</u>

For the six months ended June 30, 2019 and 2018, there were no significant additions, disposal, recognition or reversal of impairment loss on intangible assets. Please refer to Note 12(a) for the details of amortization of intangible assets, and to Note 6(j) of the consolidated financial statements for the year ended December 31, 2018 for other related information.

As of June 30, 2019, December 31, 2018, and June 30, 2018, 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:

	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Refundable deposits	\$ 171,574	251,272	245,512
Prepayments to suppliers	19,799	12,930	13,256
Long-term prepaid rents	-	1,039,047	1,076,584
Restricted assets	1,619,074	137,806	3,665,237
Non-current asset held-for-sale	-	774,672	1,235,635
Deferred Tax assets	1,654,697	1,611,026	1,698,691
Others	<u>2,074,013</u>	<u>3,676,263</u>	<u>3,941,712</u>
	<u>\$ 5,539,157</u>	<u>7,503,016</u>	<u>11,876,627</u>

On June 26, 2018, in pursuant to the resolution approved by the Board of the Directors, the group decided to sell its land and plant; therefore, entered into an agreement about the selling price of \$1,380,000. The related legal transfer process was completed on January 4, 2019.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

On March 28, 2017, in pursuant to the resolution approved by the Board of the Directors, the Group decided to sell its land-use right, plant and equipment; therefore, entered into an agreement on April 19, 2017. The selling price of the above agreement is \$542,701, and its difference between the book values amounting to \$117,037 was recognized as impairment loss in 2017. The related legal transfer process of the equipment was completed in April, 2019.

As of June 30, 2019, December 31, 2018, and June 30, 2018, the details of other non-current assets were pledged as collateral, please refer to Note 8.

(l) Long-term and short-term borrowings

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

2019.6.30				
	Interest Rate	Currency	Maturity Date	Amount
Secured bank loans	1.44%~5.23%	TWD	2019.07.28~2031.02.26	\$ 3,565,000
		CNY	2019.09.20~2024.02.24	584,809
		USD	2019.09.11~2019.09.23	1,488,480
Unsecured bank loans	0.63%~4.68%	TWD	2019.07.01~2020.07.25	2,908,342
		CNY	2019.09.26	902,391
		USD	2019.07.03~2019.12.13	28,656,967
Total				\$ 38,105,989
Current				\$ 34,363,061
Non-current				3,742,928
Total				\$ 38,105,989
Unused credit line				\$ 68,552,713

2018.12.31				
	Interest Rate	Currency	Maturity Date	Amount
Secured bank loans	1.44%~2.13%	TWD	2019.07.28~2031.02.26	\$ 3,795,000
Unsecured bank loans	0.74%~4.80%	TWD	2019.01.04~2020.07.25	2,172,420
		USD	2019.01.02~2019.12.04	28,871,043
		CNY	2019.01.03~2019.01.28	428,548
Total				\$ 35,267,011
Current				\$ 31,857,950
Non-current				3,409,061
Total				\$ 35,267,011
Unused credit line				\$ 57,330,499

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

2018.6.30				
	Interest Rate	Currency	Maturity Date	Amount
Secured bank loans	1.44%~4.11%	TWD	2019.07.28~2031.02.26	\$ 3,925,000
		USD	2018.08.03~2018.12.04	3,442,850
Unsecured bank loans	0.63%~4.35%	TWD	2018.07.04~2020.07.25	3,455,444
		USD	2018.07.03~2018.12.22	28,154,145
		CNY	2018.08.10~2018.09.28	4,579,584
Total				\$ 43,557,023
Current				\$ 33,791,127
Non-current				9,765,896
Total				\$ 43,557,023
Unused credit line				\$ 49,293,272

1. Collateral of bank loans

Please refer to Note 8 for details of the related assets pledged as collateral.

Please refer to Note 6(l) of the consolidated financial statements for the year ended December 31, 2018 for the Group's financial covenant with the banks.

(m) Lease liabilities

The Group lease liabilities were as follows:

2019.6.30			
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	\$ 219,212	32,182	187,030
Between one and five years	699,404	71,748	627,656
More than five years	323,890	19,590	304,300
	\$ 1,242,506	123,520	1,118,986
Current	\$ 219,212	32,182	187,030
Non-current	\$ 1,023,294	91,338	931,956

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30, 2019	For the six months ended June 30, 2019
Interest on lease liabilities	\$ <u>9,252</u>	<u>15,402</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>20,224</u>	<u>41,089</u>
Expenses relating to short-term leases	\$ <u>15,886</u>	<u>30,033</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>1,739</u>	<u>3,437</u>

The amounts recognized in the statement of cash flows for the Group was as follows:

	For the six months ended June 30, 2019
Total cash outflow for leases	\$ <u>217,462</u>

1. Real estate leases

As of June 30, 2019, the Group leases land and buildings for its office space and plants. The leases of office space typically run for 2 to 13 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases of equipment contain extension or cancellation options exercisable by the Group up to one year before the end of the non-cancellable contract period. These leases are negotiated and monitored by local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Group and not by the lessors. In which leasee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

2. Other leases

The Group leases vehicles and equipment, with lease terms of two to five years. In some cases, the Group has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term.

The Group also leases dormitory, vehicles and other equipment with contract terms of one to two years. These leases are short-term and leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(n) Operating Leases

For the six months ended June 30, 2018, there were no significant changes on lease contracts. Please refer to Note 6(m) of the consolidated financial statements for the year ended December 31, 2018 for other related information.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

(o) Employee benefits

1. Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one time events since prior fiscal year. As a result, the pension cost in the accompanying interim consolidated financial statements was measured and disclosed according to the actuarial report as of December 31, 2018 and 2017.

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

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Operating cost	\$ 446	498	903	955
Selling expenses	551	648	1,098	1,294
Administration expenses	1,308	1,683	2,620	3,392
Research and development expenses	2,648	3,082	5,285	6,181
	\$ 4,953	5,911	9,906	11,822

2. Defined contribution plans

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$62,954, \$63,361, \$125,354 and \$126,670 for the three months and six months ended June 30, 2019 and 2018, respectively.

The pension expenses contributed by the foreign entities following the local regulations amounted to \$418,800, \$443,813, \$834,343 and \$790,649 for the three months and six months ended June 30, 2019 and 2018, respectively.

(p) Income taxes

Income tax expense for the year is estimated by multiplying the pretax income for the interim reporting period using the effective annual tax rate as forecasted by the management.

1. The components of income tax expense (gain) for the three months and six months ended June 30, 2019 and 2018 were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Current tax expense				
Current period	\$ 223,895	901,059	810,686	1,623,373

For the six months ended June 30, 2019 and 2018, there were no income tax recognized in equity and other comprehensive income.

2. The Company's income tax returns through 2016 have been examined and approved by the Tax Authority. The Company's income tax for 2015 is still being examined by the Tax Authority.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

(q) Capital and reserves

Except for the following disclosure, there was no significant change for capital and other equity for the six months ended June 30, 2019 and 2018. For the related information, please refer to note 6(p) of the consolidated financial statements for the year ended December 31, 2018.

1. 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 reversed, the related special reserve can be reversed. The subsequent reversals of the contra accounts in shareholders' equity shall qualify for additional distributions.

3) Earnings Distribution

On June 14, 2019, and on June 14, 2018, the shareholder's meetings resolved to distribute the 2018 and 2017 earnings. These earnings were appropriated for distribution as follows:

	<u>2018</u>	<u>2017</u>
	<u>Amount</u>	<u>Amount</u>
Dividends distributed to ordinary shareholders		
Cash	\$ <u><u>5,381,213</u></u>	<u><u>5,919,334</u></u>

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

(r) Earnings per share

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

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Basic earnings per share:				
Profit attributable to ordinary shareholders	\$ <u><u>1,364,671</u></u>	<u><u>2,236,681</u></u>	<u><u>3,061,433</u></u>	<u><u>3,507,991</u></u>
Weighted average number of ordinary shares (thousand shares)	<u>3,587,475</u>	<u>3,587,475</u>	<u>3,587,475</u>	<u>3,587,475</u>
Basic earnings per share (NT dollars)	\$ <u><u>0.38</u></u>	<u><u>0.62</u></u>	<u><u>0.85</u></u>	<u><u>0.98</u></u>
Diluted earnings per share:				
Profit attributable to ordinary shareholders of the Company (adjusted for the effects of all dilutive potential ordinary shares)	\$ <u><u>1,364,671</u></u>	<u><u>2,236,681</u></u>	<u><u>3,061,433</u></u>	<u><u>3,507,991</u></u>
Weighted average number of ordinary shares (thousand shares)	<u>3,587,475</u>	<u>3,587,475</u>	<u>3,587,475</u>	<u>3,587,475</u>
Effect of dilutive potential common shares (thousand shares)				
profit sharing to employees	<u>3,742</u>	<u>6,214</u>	<u>18,848</u>	<u>18,507</u>
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)	<u>3,591,217</u>	<u>3,593,689</u>	<u>3,606,323</u>	<u>3,605,982</u>
Diluted earnings per share (NT dollars)	\$ <u><u>0.38</u></u>	<u><u>0.62</u></u>	<u><u>0.85</u></u>	<u><u>0.97</u></u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

(s) Revenue from contracts with customers

1. Disaggregation of revenue

For the three months ended June 30, 2019			
	Department	Department	Total
Primary geographical markets			
Taiwan	\$ 2,582,892	751,089	3,333,981
USA	83,802,927	71,780	83,874,707
Japan	3,820,666	-	3,820,666
Hong Kong, Macao and Mainland China	18,924,055	174,338	19,098,393
Other countries	17,619,068	55,228	17,674,296
	\$ 126,749,608	1,052,435	127,802,043
Major products			
Computer product	\$ 126,521,187	-	126,521,187
Solar energy	-	1,052,435	1,052,435
Rendering of services	228,421	-	228,421
	\$ 126,749,608	1,052,435	127,802,043
For the three months ended June 30, 2018			
	Department	Department	Total
Primary geographical markets			
Taiwan	\$ 375,320	563,558	938,878
USA	86,305,668	131,976	86,437,644
Japan	3,360,359	-	3,360,359
Hong Kong, Macao and Mainland China	17,616,360	1,875,845	19,492,205
Other countries	16,413,931	257,015	16,670,946
	\$ 124,071,638	2,828,394	126,900,032
Major products			
Computer product	\$ 123,823,328	-	123,823,328
Solar energy	-	2,828,394	2,828,394
Rendering of services	248,310	-	248,310
	\$ 124,071,638	2,828,394	126,900,032

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

For the six months ended June 30, 2019			
	Core	Solar Energy	Total
Primary geographical markets			
Taiwan	\$ 3,076,695	1,272,842	4,349,537
USA	160,728,421	144,280	160,872,701
Japan	7,537,308	-	7,537,308
Hong Kong, Macao and Mainland China	34,520,161	420,786	34,940,947
Other countries	34,874,774	91,657	34,966,431
	\$ 240,737,359	1,929,565	242,666,924
Major products			
Computer product	\$ 240,364,861	-	240,364,861
Solar energy	-	1,929,565	1,929,565
Rendering of services	372,498	-	372,498
	\$ 240,737,359	1,929,565	242,666,924
For the six months ended June 30, 2018			
	Core	Solar Energy	Total
Primary geographical markets			
Taiwan	\$ 675,875	1,445,815	2,121,690
USA	157,056,049	148,005	157,204,054
Japan	6,776,133	-	6,776,133
Hong Kong, Macao and Mainland China	28,017,515	3,093,964	31,111,479
Other countries	33,828,181	667,872	34,496,053
	\$ 226,353,753	5,355,656	231,709,409
Major products			
Computer product	\$ 225,869,211	-	225,869,211
Solar energy	-	5,355,656	5,355,656
Rendering of services	484,542	-	484,542
	\$ 226,353,753	5,355,656	231,709,409

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

2. Contract balances

	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Notes and Accounts receivable (included related parties)	\$ 93,221,731	92,354,729	90,048,100
Less: allowance for impairment	(118,825)	(120,009)	(174,603)
Total	<u>\$ 93,102,906</u>	<u>92,234,720</u>	<u>89,873,497</u>
 Contract liabilities	 <u>\$ 6,527,994</u>	 <u>6,717,641</u>	 <u>6,350,812</u>

For details on accounts receivable and allowance for impairment, please refer to note 6(c).

The amount of revenue recognized for the three months and six months ended June 30, 2019 and 2018 that were included in the contract liability balance at the beginning of the period were \$3,663,790, \$3,400,926, \$5,601,430 and \$5,229,124, respectively.

The contract liabilities primarily relate to deferred recognition of warranty revenue, for which revenue is recognized when the warranties are redeemed or when they expire.

(t) Remuneration of employees and directors

The Company's articles of incorporation require that earnings shall first be offset against any deficit. A minimum of 3% will be distributed as employee remuneration and a maximum of 3% will be allocated as directors' remuneration.

If the employee remuneration 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.

The remuneration of employees amounted to \$92,422, \$148,818, \$227,682 and \$231,904 and the remuneration of directors amounted to \$18,331, \$41,669, \$45,157 and \$64,933 for the three months and six months ended June 30, 2019 and 2018, 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 June 30, 2019 and 2018. The difference between the actual amounts of employee remuneration and estimation of employee remuneration, if any, will be treated as changes in accounting estimates and adjusted in profit or loss in the following year.

In the financial statements for the years 2018 and 2017, the Company accrued the employee remuneration of \$490,803 and \$422,633, and the board of directors' remuneration of \$97,342 and \$118,337, respectively. There were no differences between the amounts to be distributed as remuneration to employees and directors in 2017 and 2016 and those of the estimation made by the Company. Related information would be available at the Market Observation Post System after the meeting of the shareholders has been convened.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

(u) Non-operating income and expenses

1. Other income

The details of other income were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Interest income	\$ <u>362,764</u>	<u>320,170</u>	<u>620,811</u>	<u>683,932</u>

2. Other income and losses

The details of other income and losses were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Foreign exchange (losses) gains	\$ (42,847)	237,705	175,496	325,225
Gain on disposal of investments	-	6,416	-	6,416
Net gains (losses) on financial assets (liabilities) measured at fair value through profit or loss	58,571	231,026	78,828	330,204
Gain on disposal of property, plant and equipment	13,758	2,561	15,484	2,632
(Loss) gain on non-current assets held-for-sell	(530)	-	628,453	-
Impairment loss on property, plant and equipment	(1,371)	-	(262,555)	-
Other impairment reversal (loss)	843	-	(51,057)	-
Other	<u>226,211</u>	<u>313,861</u>	<u>490,201</u>	<u>536,713</u>
	\$ <u><u>254,635</u></u>	<u><u>791,569</u></u>	<u><u>1,074,850</u></u>	<u><u>1,201,190</u></u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

3. Finance costs

The details of finance expenses were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Interest expenses				
Bank borrowings	\$ 219,257	267,385	459,960	508,221
Others	205,311	157,837	414,692	383,909
	\$ 424,568	425,222	874,652	892,130

(v) Financial instruments

There were no significant differences in the Group's exposure to credit risk on financial instruments, except for the following. Please refer to Note 6(x) of the consolidated financial statements for the year ended December 31, 2018 for other related information.

1. 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
June 30, 2019							
Non-derivative financial liabilities							
Secured bank loans	\$ 5,638,289	6,069,578	1,799,336	188,004	372,692	1,612,346	2,097,200
Unsecured bank loans	32,467,700	32,538,871	32,430,939	104,701	3,231	-	-
Accounts payable	78,595,496	78,595,496	78,595,496	-	-	-	-
Other payables	11,249,097	11,249,097	11,249,097	-	-	-	-
Lease liabilities	1,118,986	1,242,506	104,848	114,364	222,469	476,935	323,890
Derivative financial liabilities							
Forward exchange contracts not used for hedging:							
Outflow	16,252	(1,890,000)	(1,890,000)	-	-	-	-
Inflow	-	1,873,748	1,873,748	-	-	-	-
Foreign exchange swap contracts not used for hedging :							
Outflow	43,243	(3,765,380)	(3,765,380)	-	-	-	-
Inflow	-	3,722,137	3,722,137	-	-	-	-
	\$ 129,129,063	129,636,053	124,120,221	407,069	598,392	2,089,281	2,421,090

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 6 months</u>	<u>6 to 12 months</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>More than 5 years</u>
December 31, 2018							
Non-derivative financial liabilities							
Secured bank loans	\$ 3,795,000	4,113,867	256,857	239,680	345,900	1,011,780	2,259,650
Unsecured bank loans	31,472,011	31,521,635	31,386,104	76,470	59,061	-	-
Accounts payable	76,453,829	76,453,829	76,453,829	-	-	-	-
Other payable	6,910,513	6,910,513	6,910,513	-	-	-	-
Derivative financial liabilities							
Forward exchange contracts not used for hedging:							
Outflow	3,398	(1,228,820)	(1,228,820)	-	-	-	-
Inflow	-	1,225,422	1,225,422	-	-	-	-
Foreign exchange swap contracts not used for hedging :							
Outflow	1,560	(1,226,840)	(1,226,840)	-	-	-	-
Inflow	-	1,225,280	1,225,280	-	-	-	-
	<u>\$ 118,636,311</u>	<u>118,994,886</u>	<u>115,002,345</u>	<u>316,150</u>	<u>404,961</u>	<u>1,011,780</u>	<u>2,259,650</u>
June 30, 2018							
Non-derivative financial liabilities							
Secured bank loans	\$ 7,367,850	7,744,942	3,631,072	256,866	413,164	1,018,260	2,425,580
Unsecured bank loans	36,189,173	36,270,038	36,096,670	57,321	112,816	3,231	-
Accounts payable	76,928,385	76,928,385	76,928,385	-	-	-	-
Other payables	13,218,449	13,218,449	13,218,449	-	-	-	-
Derivative financial liabilities							
Foreign exchange swap contracts not used for hedging:							
Outflow	113,283	(4,614,300)	(4,614,300)	-	-	-	-
Inflow	-	4,501,017	4,501,017	-	-	-	-
	<u>\$ 133,817,140</u>	<u>134,048,531</u>	<u>129,761,293</u>	<u>314,187</u>	<u>525,980</u>	<u>1,021,491</u>	<u>2,425,580</u>

The Group are not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

2.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:

2019.6.30				
	Foreign currency (In thousand)		Exchange rate	TWD
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$	4,538,702	USD : TWD 31.01	140,745,149
		529,178	USD : CNY 6.87	16,409,810
		301,226	USD : CZK 22.36	9,341,018
CNY		4,702,069	CNY : USD 0.15	21,206,331
JPY		3,808	JPY : TWD 0.29	1,104
<u>Non-monetary items</u>				
USD		68,739	USD : TWD 30.44~32.19	2,130,673
<u>Financial Liabilities</u>				
<u>Monetary items</u>				
USD		3,653,323	USD : TWD 31.01	113,289,546
		507,058	USD : CNY 6.87	15,723,869
		372,632	USD : CZK 22.36	11,555,318
CNY		499,462	CNY : USD 0.15	2,252,574

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

		2018.12.31		
		Foreign currency (In thousand)	Exchange rate	TWD
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$	4,770,256	USD : TWD 30.67	146,303,375
		719,605	USD : CNY 6.86	22,070,285
		377,586	USD : CZK 22.47	11,580,563
CNY		4,094,673	CNY : USD 0.15	18,298,274
JPY		5,874	JPY : TWD 0.28	1,645
<u>Non-monetary items</u>				
USD		67,615	USD : TWD 30.44~32.19	2,074,391
<u>Financial Liabilities</u>				
<u>Monetary items</u>				
USD		3,901,653	USD : TWD 30.67	119,663,698
		635,811	USD : CNY 6.86	19,500,323
		434,596	USD : CZK 22.47	13,329,059
CNY		293,499	CNY : USD 0.15	1,311,941
		2018.6.30		
		Foreign currency (In thousand)	Exchange rate	TWD
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$	4,196,278	USD : TWD 30.43	127,692,740
		555,133	USD : CNY 6.62	16,892,697
		327,409	USD : CZK 22.32	9,963,056
CNY		5,020,940	CNY : USD 0.15	23,096,324
		48	CNY : TWD 4.60	221
JPY		6,126	JPY : TWD 0.27	1,654
<u>Non-monetary items</u>				
USD		68,493	USD : TWD 30.43~32.19	2,085,991

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

	2018.6.30		
	Foreign currency (In thousand)	Exchange rate	TWD
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
USD	3,197,169	USD : TWD 30.43	97,289,853
	535,103	USD : CNY 6.62	16,283,184
	391,325	USD : CZK 22.32	11,908,020
CNY	1,316,665	CNY : USD 0.15	6,056,659

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 June 30, 2019 and 2018 would have increased or decreased the net profit after tax by \$176,626 and \$179,968, 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 six months ended June 30, 2019 and 2018, the foreign exchange gain (loss), including realized and unrealized, amounted to \$175,496 and \$325,225, respectively.

3. Fair value of financial instruments

1) Fair value hierarchy

The Group uses the observable market data to evaluate its assets and liabilities. The different inputs of levels of fair value hierarchy in determination of fair value are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

Financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income 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, the disclosure of their fair value information is not required :

	2019.6.30				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 57,264	-	57,264	-	57,264
Non-derivative financial assets mandatorily measured at fair value through profit or loss	2,824,444	102,573	-	2,721,871	2,824,444
Subtotal	2,881,708	102,573	57,264	2,721,871	2,881,708
Financial assets at fair value through other comprehensive income					
Stocks of listed companies	844,975	844,975	-	-	844,975
Unquoted equity instruments	306,311	-	49,597	256,714	306,311
Subtotal	1,151,286	844,975	49,597	256,714	1,151,286
Financial assets at amortized cost					
Cash and cash equivalents	28,016,628	-	-	-	-
Accounts receivable and other receivables	93,718,244	-	-	-	-
Other financial assets and refundable deposit	1,790,648	-	-	-	-
Subtotal	123,525,520	-	-	-	-
Total	<u>\$ 127,558,514</u>	<u>947,548</u>	<u>106,861</u>	<u>2,978,585</u>	<u>4,032,994</u>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 59,495	-	59,495	-	59,495
Financial liabilities at amortized cost					
Bank loans	38,105,989	-	-	-	-
Accounts payable	78,595,496	-	-	-	-
Other payables	16,185,107	-	-	-	-
Lease liabilities	1,118,986	-	-	-	-
Subtotal	134,005,578	-	-	-	-
Total	<u>\$ 134,065,073</u>	<u>-</u>	<u>59,495</u>	<u>-</u>	<u>59,495</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

	2018.12.31				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 7,004	-	7,004	-	7,004
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>2,460,475</u>	<u>57,885</u>	<u>-</u>	<u>2,402,590</u>	<u>2,460,475</u>
Subtotal	<u>2,467,479</u>	<u>57,885</u>	<u>7,004</u>	<u>2,402,590</u>	<u>2,467,479</u>
Financial assets at fair value through other comprehensive income					
Stocks of listed companies	513,897	513,897	-	-	513,897
Unquoted equity instruments	<u>325,316</u>	<u>-</u>	<u>60,430</u>	<u>264,886</u>	<u>325,316</u>
Subtotal	<u>839,213</u>	<u>513,897</u>	<u>60,430</u>	<u>264,886</u>	<u>839,213</u>
Financial assets at amortized cost					
Cash and cash equivalents	25,062,511	-	-	-	-
Accounts receivable and other receivables	94,769,259	-	-	-	-
Other financial assets and refundable deposit	<u>389,078</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>120,220,848</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 123,527,540</u></u>	<u><u>571,782</u></u>	<u><u>67,434</u></u>	<u><u>2,667,476</u></u>	<u><u>3,306,692</u></u>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ <u>4,958</u>	<u>-</u>	<u>4,958</u>	<u>-</u>	<u>4,958</u>
Financial liabilities at amortized cost					
Bank loans	35,267,011	-	-	-	-
Accounts payable	76,453,829	-	-	-	-
Other payables	<u>12,638,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>124,359,119</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 124,364,077</u></u>	<u><u>-</u></u>	<u><u>4,958</u></u>	<u><u>-</u></u>	<u><u>4,958</u></u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

	2018.6.30				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 49,008	-	49,008	-	49,008
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>7,983,787</u>	<u>86,263</u>	<u>-</u>	<u>7,897,524</u>	<u>7,983,787</u>
Subtotal	<u>8,032,795</u>	<u>86,263</u>	<u>49,008</u>	<u>7,897,524</u>	<u>8,032,795</u>
Financial assets at fair value through other comprehensive income					
Stocks of listed companies	931,759	931,759	-	-	931,759
Unquoted equity instruments	<u>433,320</u>	<u>-</u>	<u>98,816</u>	<u>334,504</u>	<u>433,320</u>
Subtotal	<u>1,365,079</u>	<u>931,759</u>	<u>98,816</u>	<u>334,504</u>	<u>1,365,079</u>
Financial assets at amortized cost					
Cash and cash equivalents	24,011,161	-	-	-	-
Accounts receivable and other receivables	90,795,717	-	-	-	-
Other financial assets and refundable deposit	<u>3,910,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>118,717,627</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 128,115,501</u></u>	<u><u>1,018,022</u></u>	<u><u>147,824</u></u>	<u><u>8,232,028</u></u>	<u><u>9,397,874</u></u>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ <u>113,283</u>	<u>-</u>	<u>113,283</u>	<u>-</u>	<u>113,283</u>
Financial liabilities at amortized cost					
Bank loans	43,557,023	-	-	-	-
Account payable	76,928,385	-	-	-	-
Other payable	<u>18,292,394</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>138,777,802</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 138,891,085</u></u>	<u><u>-</u></u>	<u><u>113,283</u></u>	<u><u>-</u></u>	<u><u>113,283</u></u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

2) Valuation techniques and assumption for financial instruments measured at fair value:

The fair value of financial assets and liabilities were decided in accordance with the solutions as follows:

(2.1) Non-derivative financial instruments

- A. The stocks of listed companies are financial assets with standard terms which are traded in the active markets. Their fair values are based on the quoted market prices.
- B. The fair value of private equity is based on standard terms and quoted market prices.
- C. The fair value of unquoted equity instruments were estimated using the market comparable price or net asset value method. The assumption of market comparable price method was based on a comparison between the market prices of each listed company, multiplied by using the estimated price. The discount effect is adjusted due to lack of market liquidity in equity securities.
- D. The fair value of unquoted instruments were estimated using either the discounted cash flow model in which future cash flow were estimated and discounted or the fair value of the recognized assets and liabilities of the consolidated subsidiaries on the measurement day.

(2.2) Derivative financial instruments

Foreign exchange swap and forward exchange were usually evaluated in the latest forward rate.

3) Transfers between level 1 and level 2

There were no transfers between level 1 and level 2 of the fair value for the six months ended June 30, 2019 and 2018.

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

	At fair value through profit or loss	Fair value through other comprehensive income
Balance as of January 1, 2019	\$ 2,402,590	264,886
Total gains and losses recognized in		
Profit or loss	49,164	-
Other comprehensive income	-	(8,667)
Purchase	6,740,300	-
Disposals	(6,450,510)	-
Effect of movements in exchange rate	(19,673)	495
Balance as of June 30, 2019	\$ 2,721,871	256,714

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

	At fair value through profit or loss	Fair value through other comprehensive income
Balance as of January 1, 2018	\$ 8,074,382	429,583
Total gains and losses recognized in		
Profit or loss	387,882	-
Other comprehensive income	-	(92,772)
Purchase	6,879,918	-
Disposals	(7,321,254)	-
Proceeds from capital reduction	-	(2,765)
Effect of movements in exchange rate	(123,404)	458
Balance as of June 30, 2018	\$ 7,897,524	334,504

The amount reclassified under IFRS 9 has been included in the balance as of January 1, 2018.

For the six months ended June 30, 2019 and 2018, total gains and losses included in “other gains and losses” and “unrealized gains and losses from financial assets at fair value through other comprehensive income” were as follows:

	For the six months ended June 30, 2019	2018
Total gains and losses recognized in:		
In profit or loss, and included “other gains and losses”	\$ 10,626	314,215
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	(8,667)	(92,772)

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

The Company uses level 3 inputs to measure fair value through profit or loss, and fair value through other comprehensive income (available-for-sale) financial assets.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation Technique	Significant Non-observable Input	The Relationship between Significant Non-observable Input and Fair Value
Financial assets at fair value through other comprehensive income — equity instruments investments without an active market	Comparable Listed Companies Method	<ul style="list-style-type: none"> Market Multiple (0.85~1.92) Discount due to Lack of Market liquidity (20%~30%) 	<ul style="list-style-type: none"> The estimated fair value would increase (decrease) if the price of earnings ratio multiple is higher (lower) and the marketability discount is lower (higher)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

<u>Item</u>	<u>Valuation Technique</u>	<u>Significant Non-observable Input</u>	<u>The Relationship between Significant Non-observable Input and Fair Value</u>
Financial assets at fair value through profit or loss—financial instruments without an active market	Discounted Cash Flow Method	Discounted Rate (3.35%~4.10% on June 30, 2019 3.30%~4.45% on December 31, 2018 3.40%~5.30% on June 30, 2018)	The higher the discount rate, the lower the fair value
Financial assets at fair value through other comprehensive income — equity instruments investments without an active market	Net Asset Value Method	Net Asset Value	No applicable

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

The Company's fair value measurement on financial instruments is reasonable. However, the measurement would differ if different valuation models or valuation parameters are used. For financial instruments using level 3 inputs, if the valuation parameters are changed, the impact on net income or loss and other comprehensive income or loss will be as follows:

			Impact on Fair Value Change on Net income or loss		Impact on Fair Value Change on Other Comprehensive income or loss	
	Input	Variation	Favorable Change	Unfavorable Change	Favorable Change	Unfavorable Change
June 30, 2019						
Financial assets at fair value through profit or loss						
Financial instruments without an active market	Discount Rate	0.5%	\$ 1,372	(1,372)	-	-
Financial assets at fair value through other comprehensive income						
Equity instruments without an active market	Market Multiple	0.5%	-	-	627	(627)
December 31, 2018						
Financial assets at fair value through profit or loss						
Financial instruments without an active market	Discount Rate	0.5%	\$ 1,016	(1,016)	-	-
Financial assets at fair value through other comprehensive income						
Equity instruments without an active market	Market Multiple	0.5%	-	-	676	(676)
June 30, 2018						
Financial assets at fair value through profit or loss						
Financial instruments without an active market	Discount Rate	0.5%	\$ 23,428	(23,428)	-	-
Financial assets at fair value through other comprehensive income						
Equity instruments without an active market	Market Multiple	0.5%	-	-	854	(854)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

The favorable change and unfavorable change refer to the fluctuation of fair value. The fair value is calculated based on the different levels of unobservable inputs. The table above shows the impact on single input. Therefore, the relations and variations between inputs are not considered.

4. 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.

2019.6.30						
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	\$ 427,266,335	426,849,856	416,479	-	-	416,479
Derivative financial instruments	57,264	-	57,264	-	-	57,264
Total	\$ 427,323,599	426,849,856	473,743	-	-	473,743

2019.6.30						
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	\$ 13,928	-	13,928	-	-	13,928

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

2018.12.31						
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	\$ 345,419,300	345,029,979	389,321	-	-	389,321
Derivative financial instruments	4,238	-	4,238	-	-	4,238
Total	<u>\$ 345,423,538</u>	<u>345,029,979</u>	<u>393,559</u>	<u>-</u>	<u>-</u>	<u>393,559</u>

2018.12.31						
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	<u>\$ 3,704</u>	-	<u>3,704</u>	-	-	<u>3,704</u>

2018.6.30						
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	\$ 374,281,476	373,828,983	452,493	-	-	452,493
Derivative financial instruments	49,008	-	49,008	-	-	49,008
Total	<u>\$ 374,330,484</u>	<u>373,828,983</u>	<u>501,501</u>	<u>-</u>	<u>-</u>	<u>501,501</u>

2018.6.30						
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	<u>\$ 66,627</u>	-	<u>66,627</u>	-	-	<u>66,627</u>

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

(w) Financial risk management

There were no significant differences of the Group's financial risk management and policies with those disclosed in Note (6)(y) of the consolidated financial statements for the year ended December 31, 2018.

(x) Capital Management

Management believes that the objectives, policies and processes of capital management of the Group have been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2018. Also, management believes that there were no significant changes in the Group's capital management information as disclosed in Note (6)(z) for the year ended December 31, 2018.

(y) Investing and financing activities not affecting current cash flow

The Group has no investing and financing activities which did not affect the current cash flow for the six months ended June 30, 2019.

Reconciliation of liabilities arising from financing activities was as follows:

	Non-cash changes				
	January 1, 2019	Cash flows	Reclassification	Foreign exchange movement	June 30, 2019
Long-term borrowings	\$ 3,409,061	545,954	(205,835)	(6,252)	3,742,928
Short-term borrowings(including current portion of long-term borrowings)	31,857,950	2,490,556	205,835	(191,280)	34,363,061
Lease liabilities (Note)	1,074,436	(127,501)	144,240	27,811	1,118,986
Total liabilities from financing activities	<u>\$ 36,341,447</u>	<u>2,909,009</u>	<u>144,240</u>	<u>(169,721)</u>	<u>39,224,975</u>

	Non-cash changes				
	January 1, 2018	Cash flows	Reclassification	Foreign exchange movement	June 30, 2018
Long-term borrowings	\$ 3,965,731	5,763,000	(80,835)	118,000	9,765,896
Short-term borrowings(including current portion of long-term borrowings)	36,993,107	(3,721,499)	80,835	438,684	33,791,127
Total liabilities from financing activities	<u>\$ 40,958,838</u>	<u>2,041,501</u>	<u>-</u>	<u>556,684</u>	<u>43,557,023</u>

Note: Reclassification is due to additional and early terminated lease liability during this period.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

(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.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Inventec Besta Co., Ltd.	Associates
Inventec Besta (XiAn) Co., Ltd.	Subsidiary of associates
Gainia Intellectual Asset Services, Inc.	Associates
Inventec Group Charity Foundation	Over one-third of total amount of fund donated by the Company
Inventec Welfare Committee	The same chairman of the Group
Kou-I Yeh	Director of the board of the Company

(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:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Associates	\$ -	-	-	8

For associates and other related parties, the price and terms were determined in accordance with mutual agreements with its collection terms of OA 30~90 days for sales. Receivables from related parties were not secured with collaterals, and did not require provisions for impairment.

2. Accounts receivable from related parties

The amounts of accounts receivable between the Group and related parties were as follows:

<u>Financial</u>	<u>Related Party</u>			
<u>Statement Account</u>	<u>Categories</u>	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Other receivables	Associates	\$ <u>1,919</u>	<u>2,776</u>	<u>-</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

3. Accounts payable to Related Parties

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

Financial Statement Account	Related Party Categories	2019.6.30	2018.12.31	2018.6.30
Other payables	Associates	\$ 9,366	1,256	1,795
"	Other related parties	150,000	-	-
		<u>\$ 159,366</u>	<u>1,256</u>	<u>1,795</u>

4. Property transactions

1) Acquisition of property, plant, equipment, intangible assets and other assets

For the three months and six months ended June 30, 2019 and 2018, the Group purchased equipment, intangible assets and other assets from Inventec Besta Co., Ltd. and paid the amount \$8,046, \$1,189, \$14,697 and \$7,031, respectively.

5. Others

1) Rental and other revenue collected from related parties were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Associates	\$ <u>1,901</u>	<u>1,904</u>	<u>4,213</u>	<u>3,881</u>

2) Donation for other related parties were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Other related parties	\$ <u>-</u>	<u>-</u>	<u>10,000</u>	<u>14,000</u>

3) Payments for system development expenses, maintenance expenses and service expenses to associates were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Associates	\$ <u>1,935</u>	<u>1,356</u>	<u>4,583</u>	<u>2,602</u>

(c) Key management personnel compensation

Key management personnel compensation includes:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Short-term employee benefits	\$ 144,098	168,660	293,983	319,458
Post-employment benefit	939	1,846	1,878	3,691
	<u>\$ 145,037</u>	<u>170,506</u>	<u>295,861</u>	<u>323,149</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	2019.6.30	2018.12.31	2018.6.30
Refundable deposits (Other non-current assets)	Customs duty guarantee and rental deposit	\$ 171,574	251,272	245,512
Restricted cash in banks (Other current assets and Other non-current assets)	Customs duty guarantee, warranty guarantee and borrowings	1,619,074	137,806	3,665,237
Land, buildings, structures, machinery and equipment, net (Property, plant and equipment, investment property and right-of-use assets)	Current portion long-term borrowings, as well as long-term borrowings and credit line	9,205,293	6,929,232	6,803,991
Total		<u>\$ 10,995,941</u>	<u>7,318,310</u>	<u>10,714,740</u>

(9) Significant Commitments and Contingencies

(a) Major Commitments:

1.Unused standby letters of credit were as follows:

	2019.6.30	2018.12.31	2018.6.30
EUR	\$ 67	99	411
USD	7,817	5,796	5,040
TWD	722	38,509	16,408

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

	2019.6.30	2018.12.31	2018.6.30
TWD	\$ 23,008,346	22,866,027	23,826,027
USD	1,415,400	1,400,400	1,304,400

(b) Contingencies

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

Tainan District Court requests that E-Ton should provide a guarantee deposit of 0.12 billion New Taiwan Dollars for the temporary injunction mentioned above. In return, JI-EE should leave the driveways and gates of the building (which is located on No. 73 and 74 Ke Gong Section, Annan Dist., Tainan City) in its current condition until the civil action is resolved. Furthermore, JI-EE should allow E-Ton to continue using the other buildings located on No.16-1, 16-7, and 16-10 Ke Gong Section, Annan Dist., Tainan City. After E-ton provided the guarantee deposit, the Tainan District Court issued the Enforcement Order No.82 of Si-Zhi-Chuan-Jian-Zi (2014), so that JI-EE has to follow the aforementioned injunction.

E-Ton received the Civil Ruling No. 160 of Si-Sheng-Zi (2014) from the Tainan District Court requesting E-Ton to file an civil action against JI-EE in time.

Accordingly E-Ton submitted the indictment to the same Court on July 15, 2014, with case file No. 196 of Zhong-Su-Zi (2014), to confirm the continuance of the lease. On May 4, 2018, the Court ruled against the continuance of the lease for the land and factory located at No. 498, Sec. 2, Bentien Rd, An-nan District of Tainan City, under the condition that JI-EE has to maintain the current status of the driveways and gates of the compound located at No. 73 and 74 Ke Gong Section, Annan Dist., Tainan City. In addition, JI-EE has to continue recognizing the lease agreement it entered into with E-Ton regarding the building located at No. 16-10 in No. 73 and 74 Ke Gong Section and allow E-Ton to make use of its driveway (from the gate to the building). Also, JI-EE has to permit E-Ton to freely use the door and the staircase (from Ground floor to 4th floor) of the annex building (within the compound) located at No 16-1 Ke Gong Section. E-Ton, on the other hand, filed an appeal by requesting the Tainan District Court to handover the case to the Taiwan High Court for another decision on May 23, 2018. Now the preparation procedure is still in progress. On November 15, 2018, E-ton and JI-EE both agreed to settle this lawsuit. However, since there is a great difference between the selling price of the aforesaid lands and buildings offering by JI-EE and the buying price offering by E-ton, E-ton and JI-EE then requested the Court for continuance of this trial on February 26, 2019 and March 5, 2019, respectively. The Court has finished the inspection on May 31, 2019, and has continued the trial on July 22, 2019. The next hearing is scheduled on October 14, 2019.

In accordance with the Payment Order No.6096 of Si-Cu-Zi (2014) from Tainan District Court, JI-EE advocated that E-Ton should pay a penalty of \$8,537, plus, interest payables accrued with an annual interest rate of 5% from the issuance date of the Payment Order to the payment date.

E-Ton disagreed with the demand of JI-EE and filed an appeal to the Tainan District Court against JI-EE. In the appeal JI-EE expanded its claims against E-Ton asking for compensation for the damage occurred between January to March, 2014. According to Judgment No. 73 of Zhong-Su-Zi (2014), Tainan District Court granted the demand of JI-EE, which resulted to the compensation of \$6,098, plus, interest payables accrued with an annual interest rate of 5% from the issuance date on May 22, 2014. Therefore, E-Ton filed an appeal to the Taiwan High Court-Tainan Branch against JI-EE on December 5, 2014 and JI-EE filed another expansion of claims afterwards.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

On September 29, 2016, Taiwan High Court ordered E-Ton to pay the amount of \$48,785 as compensation (including interest), as well as expenses for its appeal and expansion of claims. JI-EE may make a motion for provisional execution with a payment of \$16,270 to the court as guarantee deposit. However, the motion will be denied if E-Ton pays \$48,785 to the court as guarantee deposit.

E-ton filed an appeal to the Supreme Court through Taiwan High Court-Tainan Branch on October 17, 2016.

In accordance with the verdict handed by the Taiwan High Court, JI-EE has the right to seize parts of E-Ton's real estate properties. Therefore, on December 7, 2016, JI-EE exercised its right in the company of staff from the district court. On the same date, however, E-Ton paid the required amount stated in the verdict, to the district court as its guarantee deposit. Therefore, on December 8, 2016, the district court agreed to halt its execution in seizing E-Ton's properties.

On November 26, 2018, the Supreme Court remanded the case to the Taiwan High Court Tainan Branch Court. JI-EE submitted the pleading to expand the demand which E-Ton shall pay the amount of \$67,079 and annual interest rate of 5% from the issuance date to discharge date on January 28, 2019. Both Parties have mutually agreed to suspend the procedure and negotiate a settlement on January 28, 2019. Afterwards JI-EE filed to continue the trail on April 17, 2019. Eventually both Parties have reached a settlement on June 3, 2019, and E-Ton remitted the settlement fee \$91,274 on June 19, 2019. JI-EE also acquired the above mentioned guarantee deposit of \$48,785.

(10) Losses Due to Major Disasters : None.

(11) Subsequent Events : None.

(12) Other

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

By function By item	For the three months ended June 30, 2019			For the three months ended June 30, 2018		
	Operating costs	Operating and non-operating expense	Total	Operating costs	Operating and non-operating expense	Total
Employee benefits						
Salary	3,146,148	2,132,294	5,278,442	4,126,450	2,121,981	6,248,431
Labor and health insurance	287,411	175,397	462,808	310,015	156,469	466,484
Pension	360,837	125,870	486,707	386,933	126,152	513,085
Others	155,545	63,630	219,175	213,263	64,344	277,607
Depreciation	529,294	252,048	781,342	600,891	321,866	922,757
Amortization	124,276	154,596	278,872	126,270	101,890	228,160

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

By function By item	For the six months ended June 30, 2019			For the six months ended June 30, 2018		
	Operating costs	Operating and non-operating expense	Total	Operating costs	Operating and non-operating expense	Total
Employee benefits						
Salary	6,240,156	4,240,634	10,480,790	7,262,719	4,179,171	11,441,890
Labor and health insurance	571,364	368,758	940,122	567,867	347,046	914,913
Pension	715,886	253,717	969,603	682,379	246,762	929,141
Others	315,433	145,082	460,515	391,894	149,630	541,524
Depreciation	1,071,317	532,467	1,603,784	1,189,830	639,280	1,829,110
Amortization	258,252	314,393	572,645	240,218	198,503	438,721

(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 six months ended June 30, 2019:

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 receivables	Y	151,470	148,863	148,863	3%	2	-	Working Capital	-	None	-	6,125,735	6,806,372
1	"	Inventec Asset-Management (Shanghai) Corporation	Other receivables	Y	550,800	541,320	541,320	5.225%	2	-	Working Capital	-	"	-	2,722,549	3,025,054
2	Inventec (Pudong) Technology Corp.(Note 3)	Inventec Asset-Management (Shanghai) Corporation	Other receivables	Y	596,700	586,430	-	-	2	-	Working Capital	-	"	-	1,460,490	1,825,612
3	Inventec Appliances (Nanjing) Corp.(Note 4)	Inventec Appliances (XI'AN) Corporation	Other receivables	Y	119,002	103,753	90,220	3.045%	2	-	Working Capital	-	"	-	324,421	324,421
4	Inventec Appliances (Shanghai) Co., Ltd.(Note 4)	Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd.	Other receivables	Y	137,490	135,330	-	-	2	-	Working Capital	-	"	-	1,896,091	1,896,091
4	"	Inventec Appliances (Shanghai) Enterprise Co., Ltd.	Other receivables	Y	32,130	31,577	8,120	3.045%	2	-	Working Capital	-	"	-	1,896,091	1,896,091

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

Note 1: (1)Those with business contact, please fill in 1.

(2)Those necessary for short term financing, please fill in 2.

Note 2: Where an inter-company or inter-firm short-term financing facility is necessary, total financing amount shall not exceed 40 percent of the company's net worth as stated in its latest financial report. Each financing amount shall not exceed 90 percent of the permitted aggregate amount of loans of the company; Among Subsidiaries which the parent company holds 100% voting power, aggregate amount of loans shall not exceed 90 percent of the company's net worth as stated in its latest financial report and each amount of loans shall not exceed 90 percent of the permitted aggregate amount of loans of the company.

Note 3: Where an inter-company or inter-firm short-term financing facility is necessary, provided as below:

(1)Total financing amount shall not exceed 40 percent of the company's net worth as stated in its latest financial report.

(2)Each financing amount shall not exceed 80 percent of the permitted aggregate amount of loans of the company.

Note 4: Among Subsidiaries which the parent company holds 100% voting power, aggregate amount of loans shall not exceed the company's net worth as stated in its latest financial report, and each amount of loans shall not exceed 100 percent of the permitted aggregate amount of loans of the company.

Note 5: The transactions with the Group were eliminated in the consolidated financial statements.

Note 6: The transactions in foreign currencies were exchanged to New Taiwan Dollars in spot rate at the date of the audited entity's financial reports.

2. Guarantees and endorsements for other parties: None.

3. Securities held as balance sheet date (excluding investment subsidiaries, associates and joint ventures) :

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value (Note1)	
The Company	WK Technology Fund IV Corp.	-	Non-current financial assets at fair value through other comprehensive income	645	4,400	1.52 %	4,400	
"	Global Strategy Venture Capital Corporation	-	"	2,835	16,953	6.45 %	16,953	
"	Arima Communications Corp.	-	"	21,114	49,597	10.15 %	49,597	
"	WIN Semiconductors Corp.	-	Current financial assets at fair value through other comprehensive income	4,063	808,475	0.96 %	808,475	
"	Asia Pacific Telecom Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	5,000	36,500	0.12 %	36,500	
"	Tomorrow Studio Co., Ltd	-	"	129	156	0.61 %	156	
"	Tai Yi Precision Corporation	-	"	2,540	-	6.67 %	-	
"	New E Materials Co., Ltd.	-	"	4,400	34,760	16.00 %	34,760	
"	Rasilient Systems, Inc. preference share	-	"	3,632	-	6.20 %	-	
"	SKSpruce Holding Limited preferred stock	-	"	3,070	62,020	3.49 %	62,020	
"	CloudMosa Technologies, Inc. preferred stock	-	"	235	9,169	2.95 %	9,169	
"	QEEXO, Co. preferred stock	-	"	568	7,319	3.10 %	7,319	

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value (Note1)	
The Company	Planetary Network Technologies, Inc. preferred stock	-	Non-current financial assets at fair value through other comprehensive income	915	31,010	2.97 %	31,010	
"	Rescale, Inc. preferred stock	-	"	355	18,176	1.53 %	18,176	
"	Sensel, Inc. preferred stock	-	"	532	24,536	4.23 %	24,536	
"	SKSpruce Holding Limited convertible short-term note	-	Current financial assets at fair value through profit or loss	-	62,020	- %	62,020	
"	Planetary Network Technologies, Inc. convertible short-term note	-	"	-	3,249	- %	3,249	
Inventec (Beijing) Electronics Technology Co., Ltd.	Bank of Communications Pension CNY Financial products	-	Current financial assets at fair value through profit or loss	-	53,563	- %	53,563	
Inventec Development Japan Corporation	Famm Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	100	13,746	14.30 %	13,746	
Inventec Investments Co., Ltd.	EPISTAR Corporation	-	Current financial assets at fair value through profit or loss	1,761	44,029	0.16 %	44,029	
"	UCFUNNEL CO LTD	-	Non-current financial assets at fair value through other comprehensive income	83	4,748	5.00 %	4,748	
"	DIITU GLOBAL INC.	-	"	1	17	10.00 %	17	
"	Sagacity Tech. Co., Ltd.	-	"	79	187	15.00 %	187	
"	Living Pattern Technology Inc.	-	"	4	651	13.70 %	651	
E-TON Solar Tech. Co., Ltd	Hua-chuang Automobile Information Technical Center Co., Ltd.	-	"	2,830	28,866	0.86 %	28,866	
Inventec Appliances Corp.	EPISTAR Corporation	-	Current financial assets at fair value through profit or loss	500	12,500	0.05 %	12,500	
"	SCOPE INDUSTRIES BERHAD	-	"	32,000	46,044	5.19 %	46,044	
"	Rong Cheng Tech. Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,950	-	9.38 %	-	
"	Tai Yi Precision Corporation	-	"	635	-	1.67 %	-	
"	Siano Mobile Silicon Inc.	-	"	461	-	0.15 %	-	
"	GCT Semiconductor, Inc.	-	"	93	-	0.12 %	-	
"	Pandigital Worldwide, Ltd.	-	"	939	-	4.80 %	-	
"	3GTMobile Corporation	-	"	314	-	2.88 %	-	
"	Linc Global Inc. (Proximiant, Inc.)	-	"	594	-	5.30 %	-	

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value (Note1)	
Inventec Appliances (Cayman) Holding Corp.	Siano Mobile Silicon Inc.	-	Non-current financial assets at fair value through other comprehensive income	99	-	0.03 %	-	
"	Leadtone Limited(Class B preferred stock)	-	"	1,250	-	2.36 %	-	
"	Digital Chaotex Holdings Ltd.(Class A2 preferred stock)	-	"	446	-	2.08 %	-	
Inventec Appliances (Shanghai) Co., Ltd.	BOC Guaranteed CNY On Schedule Financial Product	-	Current financial assets at fair value through profit or loss	-	316,294	- %	316,294	
"	SCSB Winners CNY Financial Product	-	"	-	329,410	- %	329,410	
Inventec Appliances (Nanjing) Co. Ltd.	"	-	"	-	143,300	- %	143,300	
Inventec Appliances (Jiangning) Corp.	"	-	"	-	1,718,995	- %	1,718,995	
Inventec Appliances (Nanchang) Corporation	"	-	"	-	95,040	- %	95,040	

Note 1: The value of publicly traded company is market value, and the value of private entity is the company's net worth as stated in its latest financial report.

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

Note 3: The transactions in foreign currencies were exchanged to New Taiwan Dollars in spot rate at the date of the audited entity's financial reports.

4. Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million or 20% of the capital stock:

(Amounts Expressed in Thousands of New Taiwan Dollars)

Name of company	Category and name of security (Note 1)	Account name (Note 1)	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
Inventec (Chongqing) Corp.	CMBC Wealth Management Services	Financial assets at fair value through profit or loss	CMBC	-	-	-	-	456,300	-	461,375	456,300	5,075	-	-
Inventec Appliances (Shanghai) Corp.	SCSB Winners CNY Financial Product	Financial assets at fair value through profit or loss	Bank of Shanghai	-	-	326,882	-	668,729	-	671,670	666,201	5,469	-	329,410
"	BOC Guaranteed CNY On Schedule Financial Product	Financial assets at fair value through profit or loss	Bank of China	-	-	292,229	-	617,258	-	596,502	593,193	3,309	-	316,294
Inventec Appliances (Jiangning) Corp.	SCSB Winners CNY Financial Product	Financial assets at fair value through profit or loss	Bank of Shanghai	-	-	1,343,201	-	4,546,399	-	4,193,071	4,170,605	22,466	-	1,718,995

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.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

6. Disposal of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None.
7. Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sale	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Inventec Holding (North America) Corp.	Subsidiary	Sales	29,074,596	16.46 %	90 days	-	No general trading partner can be compared.	17,688,053	21.71 %	
"	Inventec (Czech), s.r.o.	"	Sales	15,006,955	8.50 %	90 days	-	"	11,457,240	14.06 %	
"	Inventec Corporation (Hong Kong) Ltd.	Subsidiary	Purchases	131,670,728	76.44 %	90 days	-	"	(34,601,914)	47.15 %	
"	Inventec Appliances (Jiangning) Corp.	"	Purchases	340,677	0.20 %	90 days	-	"	(163,471)	0.22 %	
"	Inventec Holding (North America) Corp.	"	Purchases	250,585	0.15 %	90 days	-	"	(593,988)	0.81 %	
"	Inventec (Czech), s.r.o.	"	Purchases	302,842	0.18 %	90 days	-	"	(15,739)	0.02 %	
Inventec Holding (North America) Corp.	The Company	Parent	Purchases	29,074,596	93.45 %	90 days	-	"	(17,688,053)	100.00 %	
"	The Company	"	Sales	250,585	0.80 %	90 days	-	"	593,988	7.62 %	
"	Inventec (Pudong) Technology Corp.	Associates	Sales	264,424	0.84 %	90 days	-	"	21,249	0.27 %	
"	Inventec (Czech), s.r.o.	"	Sales	116,595	0.37 %	90 days	-	"	10,903	0.14 %	
Inventec (Czech), s.r.o.	The Company	Associates	Purchases	15,006,955	96.31 %	90 days	-	"	(11,457,240)	99.06 %	
"	The Company	"	Sales	302,842	1.97 %	90 days	-	"	15,739	0.17 %	
"	Inventec Holding (North America) Corp.	Associates	Purchases	116,595	0.78 %	90 days	-	"	(10,903)	0.09 %	
Inventec Corporation (Hong Kong) Ltd.	The Company	Parent	Sales	131,670,728	100.00 %	90 days	-	"	34,601,914	42.32 %	
"	Inventec (Pudong) Technology Corp.	Associates	Purchases	16,332,264	12.40 %	90 days	-	"	(12,467,133)	15.29 %	
"	Inventec Hi-Tech Corp.	"	Purchases	248,084	0.19 %	90 days	-	"	(995,874)	1.22 %	
"	Inventec (Chongqing) Corp.	"	Purchases	115,090,380	87.41 %	90 days	-	"	(21,138,907)	25.93 %	
Inventec (Pudong) Technology Corp.	Inventec Corporation (Hong Kong) Ltd.	"	Sales	16,332,264	42.14 %	90 days	-	"	12,467,133	57.29 %	
"	Inventec (Shanghai) Corp.	"	Sales	21,602,421	55.74 %	90 days	-	"	9,025,716	41.47 %	
"	Inventec Holding (North America) Corp.	"	Purchases	264,424	0.63 %	90 days	-	"	(21,249)	0.06 %	

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sale	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Inventec Hi-Tech Corp.	Inventec Corporation (Hong Kong) Ltd.	Associates	Sales	248,084	96.87 %	90 days	-	No general trading partner can be compared.	995,874	99.93 %	
Inventec (Shanghai) Corp.	Inventec (Pudong) Technology Corp.	"	Purchases	21,602,421	100.00 %	90 days	-	"	(9,025,716)	100.00 %	
Inventec (Chongqing) Corp.	Inventec Corporation (Hong Kong) Ltd.	"	Sales	115,090,380	96.24 %	90 days	-	"	21,138,907	89.24 %	
Inventec Appliances Corp.	Inventec Appliances (Pudong) Corp.	"	Purchases	31,670,030	99.67 %	1-2 months	-	"	(11,625,799)	96.68 %	
"	Inventec Appliances (Jiangning) Corp.	"	Purchases	671,976	2.06 %	1-2 months	-	"	(270,788)	2.25 %	
"	Inventec Appliances (USA) Distribution Corp.	"	Sales	1,529,689	4.54 %	1-2 months	-	"	2,217,547	17.01 %	
Inventec Appliances (USA) Distribution Corp.	Inventec Appliances Corp.	"	Purchases	1,529,689	100.00 %	1-2 months	-	"	(2,217,547)	100.00 %	
Inventec Appliances (Pudong) Corp.	Inventec Appliances Corp.	"	Sales	31,670,030	99.67 %	1-2 months	-	"	11,625,799	99.45 %	
Inventec Appliances (Jiangning) Corp.	The Company	Parent	Sales	340,677	13.49 %	90 days	-	"	163,471	14.94 %	
"	Inventec Appliances Corp.	Associates	Sales	671,976	26.60 %	1-2 months	-	"	270,788	24.75 %	

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 TWD100 million or 20% of capital stock:

(Expressed in Thousands of New Taiwan Dollars)

Name of company	Counter party	Relationship	Ending balance	Turnover balance	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	Inventec Holding (North America) Corp.	Subsidiary	17,688,053	3.52	2,517,986	Received in the subsequent period	5,770,568	-
	Inventec (Czech), s.r.o.	Subsidiary	11,457,240	2.44	3,992,082	Received in the subsequent period	1,608,375	-
	Inventec Corporation (Hong Kong) Ltd. (Note)	Subsidiary	46,931,661	-	19,366,579	Received in the subsequent period	15,675,104	-
	The Company	Parent	34,601,914	6.81	5,186,090	Received in the subsequent period	19,795,385	-
	Inventec (Pudong) Technology Corp. (Note)	Associates	28,729,864	-	18,219,431	Received in the subsequent period	3,581,204	-
	Inventec Hi-Tech Corp. (Note)	Associates	1,193,334	-	1,147,148	Intensive follow-up on collection	-	-
	Inventec (Chongqing) Corp. (Note)	Associates	17,008,296	-	-		12,093,900	-

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

Name of company	Counter party	Relationship	Ending balance	Turnover balance	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Inventec (Pudong) Technology Corp.	Inventec Corporation (Hong Kong) Ltd.	Associates	12,467,133	2.82	4,292,574	Received in the subsequent period	8,729,920	-
	Inventec (Shanghai) Corp.	Associates	9,025,716	5.28	-		3,518,379	-
Inventec Hi-Tech Corp.	Inventec Corporation (Hong Kong) Ltd.	Associates	995,874	0.40	893,516	Intensive follow-up on collection	-	-
Inventec (Chongqing) Corp.	Inventec Corporation (Hong Kong) Ltd.	Associates	21,138,907	8.91	-		11,065,466	-
	Inventec (Chongqing) Service Co., Ltd	Associates	130,694	1.52	97,398	Intensive follow-up on collection	-	-
Inventec Appliances Corp.	Inventec Appliances (USA) Distribution Corp.	Subsidiary	2,217,547	1.27	-		232,536	-
Inventec Appliances (Pudong) Corp.	Inventec Appliances Corp.	Associates	11,625,799	4.74	-		3,041,777	-
Inventec Appliances (Jiangning) Corp.	Inventec Appliances Corp.	Associates	270,788	5.75	-		139,038	-
	The Company	Parent	163,471	4.88	-		52,357	-
Inventec Holding (North America) Corp.	The Company	Parent	593,988	1.42	57,497	Received in the subsequent period	82,383	-

Note 1: The receivables were not yielded by sales or purchases; therefore, there is no turnover rate.

Note 2: The aforementioned inter-company transactions were eliminated in the consolidated financial statements.

9. Trading in derivative instruments: Please refer to notes (6)(b) and (6)(v).
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	29,074,596	Negotiated price	12 %
			1	Account Receivable	17,688,053	90 days	8 %
		Inventec (Czech), s.r.o.	1	Sales	15,006,955	Negotiated price	6 %
			1	Account Receivable	11,457,240	90 days	5 %
		Inventec Corporation (Hong Kong) Ltd.	1	Purchases	131,670,728	Negotiated price	54 %
			1	Other Receivable	46,931,661	90 days	23 %
			1	Account Payable	34,601,914	"	16 %
1	Inventec Corporation (Hong Kong) Ltd.	Inventec (Pudong) Technology Corp.	3	Purchases	16,332,264	Negotiated price	7 %
			3	Account Payable	12,467,133	90 days	6 %
			3	Account Receivable	28,729,864	"	13 %
		Inventec Hi-Tech Corp.	3	Purchases	248,084	Negotiated price	- %
			3	Account Payable	995,874	90 days	0 %
			3	Account Receivable	1,193,334	90 days	1 %

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

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
1	Inventec Corporation (Hong Kong) Ltd.	Inventec (Chongqing) Corp.	3	Purchases	115,090,380	Negotiated price	47 %
			3	Account Payable	21,138,907	90 days	10 %
			3	Account Receivable	17,008,296	"	9 %

Note 1: The labeling method is as follows:

1. Parent company labeled 0.
2. Subsidiaries labeled in number sequence from 1.

Note 2: Relationship is classified into three types:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note 3: The transaction amount is calculated as a proportion of the consolidated revenue or assets. If categorized as an asset or liability, the calculation is compared with the consolidated asset; if categorized as income or loss, the calculation is compared with the consolidated income or loss.

(b) Information on investment:

The following is the information on investees for the six months ended June 30, 2019 (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 June 30, 2019			Net income (loss) of the investee	Share of profits/losses of investee	Note
				June 30, 2019	December 31, 2018	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 %	267,578	(13,891)	(5,214)	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 %	680,391	11,605	11,605	Subsidiary
"	Inventec Holding (North America) Corp.	USA	Investment of holding company in America	159,003	159,003	5,000	100.00 %	1,308,928	23,656	23,656	"
"	Inventec Appliances Corp.	New Taipei City	Wireless terminal products	9,656,877	9,656,877	536,857	100.00 %	9,500,050	513,522	513,522	"
"	Inventec (Cayman) Corp.	Cayman	Holding Company	9,812,963	9,812,963	301,768	100.00 %	14,929,887	755,391	755,391	"
"	IEC (Cayman) Corporation	Cayman	Holding Company	739,500	739,500	25,000	100.00 %	1,062,496	93,447	93,447	"
"	Inventec (Czech), S.R.O.	Czech	Computer products assembly operations	85,921	85,921	-	100.00 %	(143,895)	1,925	1,925	"
"	Inventec Investment Co., Ltd.	Taipei	Investment Company	1,000,000	1,000,000	108,800	100.00 %	174,225	(39,204)	(39,204)	"
"	Inventec Solar Energy Corporation	Taoyuan	Developing, production and selling of multicrystalline solar cells	1,087,800	1,087,800	108,150	33.45 %	288,373	(139,151)	(45,838)	"

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

Investor company	Investee company	Location	Main businesses and products	Original investment amount		Balance as of June 30, 2019			Net income (loss) of the investee	Share of profits/losses of investee	Note
				June 30, 2019	December 31, 2018	Shares/Units (In thousands)	Percentage of ownership	Carrying value			
The Company	Inventec Development Japan Corporation	Japan	Developing, designing and selling computer peripherals	630,845	630,845	45	100.00 %	24,307	(826)	(826)	Subsidiary
"	E-TON Solar Tech. Co., Ltd.	Tainan	Manufacturing and Selling of solar cells	4,193,723	4,193,723	94,889	29.70 %	431,697	(657,403)	(190,265)	"
"	AIMobile Co., Ltd.	Taipei	Developing, production and selling of intelligent mobile device	220,000	165,000	22,000	55.00 %	103,605	(56,122)	(30,854)	"
"	Inventec Manufacturing (India) Private Limited	India	Computer products assembly operations	281,691	281,691	55,994	99.99 %	(20,662)	390	(4,613)	"
Inventec (Cayman) Corp.	TPV-Inventa Holding Ltd.	Hong Kong	Holding Company	1,054,615	1,054,615	302,421	90.00 %	163	(1)	-	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 %	39,980	(139,151)	-	"
"	E-TON Solar Tech. Co., Ltd.	Tainan	Manufacturing and Selling of solar cells	615,050	615,050	15,813	4.95 %	72,134	(657,403)	-	"
"	Inventec Manufacturing (India) Private Limited	India	Computer products assembly operations	28	28	6	0.01 %	(2)	390	-	"
Inventec Appliances Corp.	Inventec Appliances (Cayman) Holding Corp.	Cayman	Holding Company	6,188,810	6,188,810	199,575	100.00 %	15,996,241	(37,486)	-	"
"	Gainia Intellectual Asset Services, Inc.	Taipei	Intellectual property rights integrative services	6,400	6,400	205	38.90 %	-	(5,482)	-	Associate under equity method
"	Inventec Solar Energy Corporation	Taoyuan	Developing, production and selling of multicrystalline solar cells	311,160	311,160	30,930	9.57 %	82,440	(139,151)	-	Associate Company
Inventec Appliances (Cayman) Holding Corp.	Inventec Appliances (USA) Distribution Corp.	USA	Selling of MP3 Player, PDA and science plotter	24,808	24,808	400	100.00 %	101,982	4,394	-	"
"	Inventec Appliances Corporation USA, Inc.	"	Selling services	1,551	1,551	10	100.00 %	12,878	595	-	"
"	Inventec Appliances (Malaysia) SDN. BHD.	Malaysia	Manufacture and sale of electronic materials and products	7,195	7,195	1,000	100.00 %	7,322	213	-	"

Note 1: The transaction with the Group were eliminated in the consolidated financial statements.

Note 2: The transactions in foreign currencies were exchanged to New Taiwan Dollars in spot rate at the date of the audited entity's financial reports.

Note 3: According to the regulations, the company are required to disclose the share of income/loss of investee .

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

(c) Information on investment in Mainland China:

1. The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2019	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period (Note 10)
					Out-flow	Inflow						
Inventec (Shanghai) Service Co., Ltd (Note 6)	Multimedia computer and system parts assembling	89,929	(2)	62,020	-	-	62,020	279	100.00 %	279	38,678	30,234
Inventec (ChongQing) Service Co., Ltd	Multimedia computer and system parts assembling	31,010	(2)	31,010	-	-	31,010	(3,443)	100.00 %	(3,443)	42,587	-
Inventec (Pudong) Co., Ltd.	Multimedia computer and system parts assembling	1,550,500	(2)	1,550,500	-	-	1,550,500	(63,254)	100.00 %	(63,254)	586,735	-
Inventec (Shanghai) Co., Ltd.	Multimedia computer and system parts assembling	2,156,892	(2)	914,795	-	-	914,795	18,093	100.00 %	18,093	1,785,861	-
Inventec (ChongQing) Corporation	Multimedia computer and system parts assembling	2,325,750	(2)	2,325,750	-	-	2,325,750	737,542	100.00 %	737,542	8,385,922	819,076
Inventec (Pudong) Technology Corp.	Multimedia computer and system parts assembling	1,550,500	(2)	1,550,500	-	-	1,550,500	278,008	100.00 %	270,424	4,884,195	321,599
Inventec Electronics (Tianjin) Co., Ltd. (Note 5)	Software production	155,050	(2)	131,793	-	-	131,793	315	100.00 %	315	218,746	149,517
Inventec (Beijing) Electronics Technology Co., Ltd.	Software production	44,965	(2)	44,965	-	-	44,965	(127)	100.00 %	(127)	78,099	-
Inventec Hi-Tech Corporation	Multimedia computer and system parts assembling	1,550,500	(2)	1,550,500	-	-	1,550,500	(87,759)	100.00 %	(87,759)	1,256,600	-
Inventec Huan Hsin (Zhejiang) Technology Co., Ltd.	Complete of the electronic computer and product and sale of external equipment	889,987	(2)	895,538	-	-	895,538	(14,175)	100.00 %	(14,175)	(120,317)	-
Inventec Asset-Management (Shanghai) Corporation	Equipment leasing, Storage, technological development and sale of computer	1,931,505	(3)	-	-	-	-	(3,572)	78.00 %	(2,786)	1,448,804	-
Inventec Appliances (Shanghai) Co., Ltd.	Electronic communication and products assemble	1,600,116	(2)	1,492,140	-	-	1,492,140	69	100.00 %	69	1,913,971	1,535,981
Inventec Appliances (Pudong) Corp.	Electronic communication and products assemble	2,387,770	(2)	2,387,770	-	-	2,387,770	(265,586)	100.00 %	(269,202)	8,449,350	2,297,117
Inventec Appliances (Jiangning) Corp.	Electronic communication and products assemble	2,108,680	(2)	1,302,420	-	-	1,302,420	246,255	100.00 %	247,682	4,980,929	1,636,736
Inventec Appliances (Nanjing) Corp.	House leasing	155,050	(2)	278,516	-	-	278,516	7,228	100.00 %	7,228	373,579	85,353

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2019	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period (Note 10)
					Out-flow	Inflow						
Inventec Appliances (XI'AN) Corporation	Electronic communication and products assemble	124,040	(2)	124,040	-	-	124,040	6,534	100.00 %	6,534	40,468	-
Inventec Appliances (Nanchang) Corp.	Electronic communication and products assemble	65,121	(2)	65,121	-	-	65,121	(34,998)	100.00 %	(34,998)	115,758	-
APEX Business Management & Consulting (Shanghai) Co., Ltd.	Business Management	2,264	(3)	-	-	-	-	10,612	100.00 %	10,612	49,273	-
Inventec Appliances (Shanghai) Enterprise	Development and consultation on software and hardware; as well as selling of electronic products	4,511	(3)	-	-	-	-	(1,193)	100.00 %	(1,193)	1,964	-
Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd.	Electronic communication and products assemble	270,645	(3)	-	-	-	-	(33,673)	100.00 %	(33,673)	230,885	-

2. Limitation on investment in Mainland China:

Name of Company	Accumulated Investment in Mainland China as of June 30, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 3, 4, 9)
The Company	9,122,486	9,122,486	-
Inventec Appliances Corp.	5,719,113	5,719,113	5,238,357

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: After the accumulated investment in Mainland China as of June 30, 2019, deducted the accumulated remittance of earnings in current period, the difference of Inventec Appliance Corp. was still under the upper limit on investment.

Note 10: 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 six months ended June 30, 2019, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

(14) Segment Information

(a) General information

The Group reportable segments: core department and solar energy department. Core department manufactures computer products and sells to customers. Solar energy department develops and manufactures emerging environmental energy.

The reportable segments are the Group's strategic divisions. They offer different products and services, and are managed separately because they require different technological and marketing strategies.

(b) Information about reportable segments and their measurement and reconciliations

	For the three months ended June 30, 2019			
	Core	Solar energy	Adjustment and Elimination	Total
Revenue				
Revenue from external customers	\$ 126,749,608	1,052,435	-	127,802,043
Intersegment revenues	-	-	-	-
Total revenue	\$ 126,749,608	1,052,435	-	127,802,043
Reportable segment net operating income (loss)	\$ 1,648,546	(192,400)	-	1,456,146

	For the three months ended June 30, 2018			
	Core	Solar energy	Adjustment and Elimination	Total
Revenue				
Revenue from external customers	\$ 124,071,638	2,828,394	-	126,900,032
Intersegment revenues	102	-	(102)	-
Total revenue	\$ 124,071,740	2,828,394	(102)	126,900,032
Reportable segment net operating income (loss)	\$ 3,285,143	(384,221)	-	2,900,922

	For the six months ended June 30, 2019			
	Core	Solar energy	Adjustment and Elimination	Total
Revenue				
Revenue from external customers	\$ 240,737,359	1,929,565	-	242,666,924
Intersegment revenues	-	-	-	-
Total revenue	\$ 240,737,359	1,929,565	-	242,666,924
Reportable segment net operating income (loss)	\$ 4,130,216	(779,378)	-	3,350,838

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

June 30, 2019 and 2018

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

	For the six months ended June 30, 2018			
	Core	Solar energy	Adjustment and Elimination	Total
Revenue				
Revenue from external customers	\$ 226,353,753	5,355,656	-	231,709,409
Intersegment revenues	102	-	(102)	-
Total revenue	<u><u>\$ 226,353,855</u></u>	<u><u>5,355,656</u></u>	<u><u>(102)</u></u>	<u><u>231,709,409</u></u>
Reportable segment net operating income (loss)	<u><u>\$ 5,442,326</u></u>	<u><u>(819,320)</u></u>	<u><u>-</u></u>	<u><u>4,623,006</u></u>
Reportable segment net operating assets				
June 30, 2019	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
December 31, 2018	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
June 30, 2018	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

Taxation or extraordinary activity is not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is the same as the report used by the chief operating decision maker.

The operating segment accounting policies are similar to those described in Note (2) "Significant accounting policies". Reportable segment profit or loss is based on operating profit or loss before taxation, and as the base of performance evaluation.

Since the evaluated amount of the Group's asset was not provided to the chief operating decision maker, the evaluated amount of the assets which should be disclosed was 0.