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Inventec Corporation

Inventec

2019 Annual Report

Notice to readers

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

創新

Innovation

品質

Quality

虛心

Open Mind

力行

Execution

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Title : Vice President

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

Name : Wu, Yung-Tsai

Tel. : 886(2) 2881-0721

Title : President

E-mail : iec@inventec.com

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

Headquarters

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Taipei Research and Development Center

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Tel : 886(2) 2881-0721

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

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

Tel : 886(3) 390-0000

3. Common Share Transfer Agent And Registrar

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4. Information of the Certified Public Accountants for the Latest Financial Report

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CPA Firm: KPMG

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5. Overseas Trade Places for Listed Negotiable Securities

None

6. Corporate Website

<http://www.inventec.com>

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Letter to shareholders

Honorable ladies and gentlemen, welcome to the Shareholders' Meeting of Inventec Corporation. Due to the impacts of the current trade protectionism, the ongoing trade war between China and the United States, and the stalled decision of Brexit, the global economy experienced a synchronized slowdown in 2019. Facing the challenge of diversified customer orders, Inventec persists in professional thinking of business innovation and strategic production planning to strive for the company's competitive advantages in the long term. Thanks to the efforts of all our employees, we achieved a TWD 500 billion turnover for two consecutive years. The business performance of 2019 and the business plan/outlook of 2020 are described as follows:

Business performance report for 2019:

The consolidated revenue reached more than TWD 500.9 billion, a slight 1.17% lower than in 2018 (consolidated revenue of TWD 506.8 billion). The consolidated pre-tax operating profit was TWD 6.5 billion, which was mainly affected by a change in product combination and non-operating income and expenses, indicating a decline of 19.97% as compared with 2018. The after-tax net profit attributable to the parent company's shareholders was more than TWD 5.5 billion, a decrease of 15.26% as compared with the previous year. The consolidated after-tax earnings per share was TWD 1.54.

Overall, the revenue of the notebook computers was about TWD 246.7 billion, increased by 6.3%, as compared with the same period last year, benefited by the adjustment of the portfolios of the high-end models and aggressive market demand to correspond with the tariff trade war. Meanwhile, the revenue of server products was about TWD 166.8 billion, decreased by 7.85%, as compared with the same period last year due to the successive generations of the product layout and the effects of global production line adjustment. As for the smart device products, the revenue contributed TWD 83.2 billion, decreased by 2.81% as compared with the same period last year due to the capacity adjustment and change of customer demands. The solar energy company of the group responded to reduce the scale of operation composition due to the industry-wide downturn. Solar-related revenue was TWD 4.1 billion.

Corporate governance and corporate social responsibility

Integrity and sustainability are always the prime directives of Inventec Corporation. Through the effective operation of functional committees under the board of directors and corporate governance organization, Inventec Corporation is able to perfect the corporate governance and improve both quality and competitiveness of business operation. With its high regard for corporate governance and various forms of implementation, Inventec was ranked among the top 5% of the most excellent corporate-governance companies for five consecutive years through Corporate Governance Assessment. We will continuously collaborate closely with "Inventec Group Charity Foundation" to fulfill our corporate social responsibility in the spirit of implementing the concept of social welfare and environmental sustainability.

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

2019 was a year full of changes and opportunities. Although the demand side was initially prosperous by the effect of order transfer due to the US-China trade war and the knock-on effect of prompting a massive wave of Taiwanese firms to leave China and bring their manufacturing home. The consuming ability in the US seems promising at the beginning, however, the global economy was heavily affected by the outbreak of COVID-19. Furthermore, the supply chain faces such adverse factors as a shortage of key components, strategic material preparation, and fluctuation of exchange rate, and the profitability was thus affected by cross effects. By appropriately adjusting operational strategies, accelerating global capacity arrangement, and reducing uncertain non-operating interferences, we expect to satisfy the need of end customers via innovative products and content of services.

Business plan and future prospects for 2020

Such international institutions as IMF and OECD have lowered the 2020 global economic growth forecast. Inventec conducts group resource integration with the goal of providing comprehensive product design and resolutions, incorporated with global operational services and supply chain management, creating a win-win situation among customers, suppliers, and Inventec. The specific implementation policy is divided into the following aspects:

- (1) Product business: With a global industrial chain affected by COVID-19, the notebook and server businesses are still the main product focus while their demands are relatively stable because the majority of clients are enterprises customers. The subsequent COVID-19 effects on consumer smart devices need to be observed, and the view of demand is of more conservative estimate. Inventec will make quick operational adjustments along with the development of the COVID-19 pandemic and market changes in order to carefully and conscientiously correspond with the change of the market.
- (2) Product technology: AI research, 5G communications technology and industry 4.0 software designs are still our major technological orientation. Through mutual cooperation and support, Inventec will focus on such new trends, technologies, and applications as 5G mobile communications, AI, and edge computing in the future.
- (3) Establishment of global smart manufacturing factory: The benefits of a smart factory integrating industry 4.0 and 5G application experiments will be gradually emerged starting in 2020, and a higher production efficiency will be generated in the future.
- (4) Diversification of group strategy: Seek the next operational momentum and aim to the target of high-niche and high-margin products such as automotive electronics and smart medical devices under continuous development of cross-product integration.

"Innovation, quality, open mind, and execution" are the core concepts of Inventec's operation. During the era of industrial transformation, the rise of new technological applications, and rapid changes in international politics and economics, Inventec will use our competitive advantages to continue value innovation, potential talent training, and cutting-edge decision-making to promote our core competitiveness. It is hoped that all shareholders and employees will give recognition and support on our efforts and share the splendid results of our successful businesses.

Best wishes to all of you!

Chairman: Cho, Tom-Hwar

President: Wu, Yung-Tsai

I . Company profile

1.1 Date of incorporation: June 9, 1975

1.2 Company history

1975

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

1987

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

1988

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

1989

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

1990

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

1991

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

1992

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

1993

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

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

- Started production of PDAs.

1994

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

1995

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

1996

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

1997

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

1998

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

1999

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

2000

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

2001

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

2002

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

2003

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

2004

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

(Shanghai) Service Co., Ltd..

- The Company sold its investment in Inventec Electronics (Nanking) Co., Ltd. to Inventec Appliances Corp..

2005

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

2006

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

2007

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

2008

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

2009

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

2010

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

2011

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

2012

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

2013

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

2014

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

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

2015

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

2016

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

2017

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

2018

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

2019

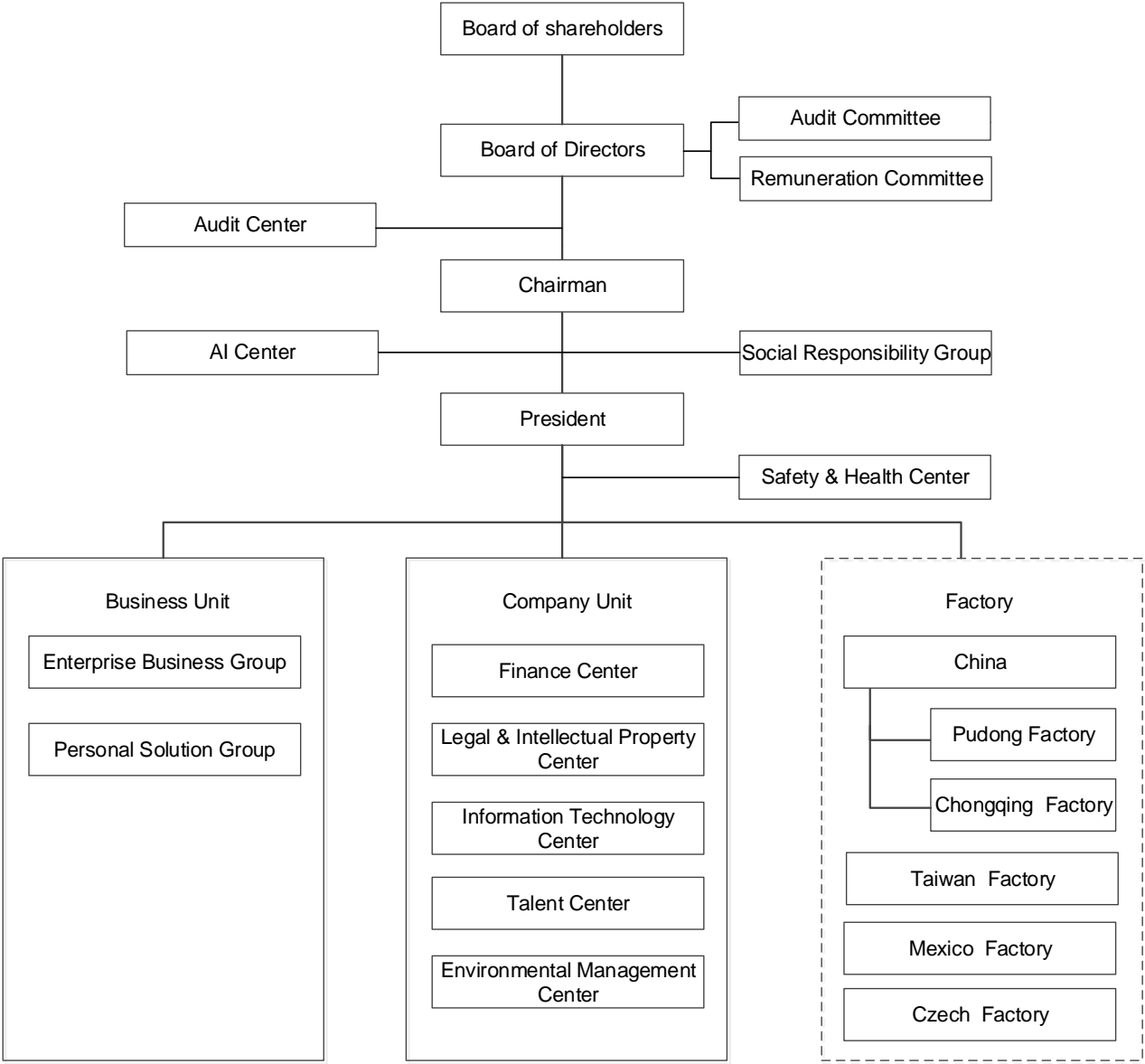
- Won First Place of HP's "2018 Best Supplier Evaluation"
- The Company is ranked in the top five percent of companies in the fifth session of the corporate governance evaluation awarded by the Taiwan Stock Exchange.
- Invested in Inventec Japan Corporation.
- The Company won the silver medal of the "TTQS Talent Development Quality Management System" of the Ministry of Labor.
- The Company won the 2019 "World Enterprise Citizen Award" from Common Wealth Magazine.
- Won the "CSR Award" of first SGS.
- Won the "Taiwan Enterprise Sustainability Award" & "Enterprise Sustainability Report Award - Platinum Award."
- Won the "2019 National Talent Development Award" of the Ministry of Labor.

2020

- The Company is ranked in the top five percent of companies in the sixth session of the corporate governance evaluation awarded by the Taiwan Stock Exchange.

II. Corporate governance report

2.1 Organization



Department functions

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

2.2 Directors, supervisors and management team

2.2.1 Board of directors and supervisors

2.2.1.1 Introduction of board of directors and supervisors

2020.05.13

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

Title	Nationality or Registered Address	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education/Work experience	Selected Current Position s	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation -ship
Director	R.O.C	Chang, Ching-Sung	Male	2017.06.16	3	2014.06.12	788,644	0.02%	788,644	0.02%	6,743,434	0.19%	—	—	Master of Electric Engineering, National Taiwan University Chairman, Inventec Appliances Corporation	Note 5	None	None	None
Director	R.O.C	Huang, Kuo-Chun	Male	2017.06.16	3	2014.06.12	1,461,985	0.04%	1,418,890	0.04%	9,327	0.00%	—	—	Bachelor of Electric Engineering, National Cheng-Kung University President, Inventec Corporation Qume Electronics, Taiwan	Note 6	None	None	None
Independent Director	R.O.C	Chang, Chang-Pang	Male	2017.06.16	3	2014.06.12	—	—	—	—	—	—	—	—	Master of Laws, National Cheng-Chi University Bachelor of Law, Fujen University Chief Executive Officer, Lien Chan Foundation for Peace and Development Chairman, Fuhwa Financial Holding Co., Ltd. Deputy Minister, Ministry of Economic Affairs, Deputy Secretary General, Executive Yuan Vice Minister, Ministry of Finance, Chairman, Securities and Exchange Commission, Ministry of Finance	Note 7	None	None	None

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

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

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

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

Note 4: Chairman of I-Ssu-Tieh Investments Co., Ltd., and Inventec Group Charity Foundation.

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

Note 6: Chairman of Inventec Huan Hsin (Zhejiang) Technology Co., Ltd.

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

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

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

2.2.1.2.1 The institutional shareholders: None

2.2.1.2.2 The major shareholder is a juridical person: None

2.2.1.3 Professional qualifications and independence analysis of the board

05/13/2020

Name	Criteria	Met one of the following professional qualification requirements with at least five years work experience			Independence (Note1)												Number of other public companies in which the individual is concurrently serving as an independent director
		An instructor of higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, or university	A judge, public prosecutor, attorney, CPA, or other professional or technical specialist who has passed a national examination and be awarded a certificate in a profession necessary for the business of the company	Have work experience in the areas of commerce, law, finance, accounting, or otherwise necessary for the business of the company	〈1〉	〈2〉	〈3〉	〈4〉	〈5〉	〈6〉	〈7〉	〈8〉	〈9〉	〈10〉	〈11〉	〈12〉	
Cho, Tom-Hwar		-	-	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Yeh, Kuo-I		-	-	✓	-	-	-	-	-	✓	✓	-	✓	✓	✓	✓	-
Wen, Shih-Chih		-	-	✓	-	-	-	✓	-	✓	✓	✓	✓	✓	✓	✓	-
Lee, Tsu-Chin		-	-	✓	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Chang, Ching-Sung		-	-	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Huang, Kuo-Chun		-	-	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Chang, Chang-Pang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Chen, Ruey-Long		-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Shyu, Jyuo-Min		✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

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

- (1) Not an employee of the company or its affiliates
- (2) Not the directors or supervisors of the Company or the affiliated enterprises (except for those who are independent directors of the Company or the parent company, subsidiaries, or subsidiaries of the same parent company established in accordance with the Act or local laws).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
- (4) Not the spouse, second-level blood relative, or lineal blood relative within three degrees of a manager listed in (1) or a person listed in (2) or (3).
- (5) Directors, supervisors, or employees indirectly holding more than 5% of the total shares issued by the Company, the top five shareholders, or appointing the representative as the directors or supervisors in accordance with Item 1 or 2 of Article 27 in the Company Law (except for those who are independent directors of the Company and its parent company, subsidiary, or subsidiaries of the same parent company established in the Law or local laws).
- (6) Not the directors, supervisors, or employees of other companies with the director's seat of the Company or with more than half of the voting shares controlled by the same person (except for those who are independent directors of the Company and its parent company, subsidiary, or subsidiaries of the same parent company established in the Law or local laws).
- (7) Not the directors, supervisors, or employees of other companies or organizations as the same person as the Company's chairman, general manager, or equivalent position or the spouse (except for those who are independent directors of the Company and its parent company, subsidiary, or subsidiaries of the same parent company established in the Law or local laws).
- (8) Not the directors, supervisors, managers, or shareholders with more than 5% shares of specific companies or organizations with financial or business transaction with the Company (except for those who are independent directors of specific companies or organizations holding more than 20% of the total shares issued by the Company but not more than 50%, and of the Company and its parent company, subsidiary, or subsidiaries of the same parent company established in the Law or local laws).

- (9) Not professionals of business, legal, financial, accounting, or other related services, entrepreneurs of proprietorships, partnerships, corporations or organizations, partners, directors, supervisors, and managers, or their spouses who provide audit services for the Company or affiliated enterprises or whose cumulative remuneration in the last two years has not exceeded NT\$500,000. However, this restriction shall not apply to members of the remuneration committee, open takeover review committee, or special committee for mergers and acquisitions who perform their duties under the Securities and Exchange Act or the relevant statutes of the Mergers and Acquisitions Act.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company
- (11) Not been a person of any conditions defined in Article 30 of the Company Act
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

2.2.2 Introduction of the management team

2020.05.13

Title	Nationality	Name	Gender	On-board Date	Current Shareholding		Spouse & Minor Shareholding		Shareholding By Nominee Arrangement		Education/Work experience	Selected Current Positions	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
President	R.O.C	Wu, Yung-Tsai	Male	2017.06.16	390,731	0.01%	15,864	0.00%	—	—	M.B.A. in Management, National Taiwan University of Science and Technology Linco Precision	Note 1	None	None	None
Business Group President	R.O.C	Chang, Hui	Male	2014.12.23	591,291	0.02%	213,554	0.01%	—	—	M.B.A. in Global Management, Thunderbird School of Global Management	Note 2	None	None	None
Business Group President	R.O.C	Tsai, Chih-An	Male	2014.12.23	746,101	0.02%	13,208	0.00%	—	—	B.S. in Industrial Engineering and Enterprise Information, Tunghai University Digital Equipment Corporation	Note 3	None	None	None
Senior Vice President	R.O.C	Chiu, ChuiI-Kuan	Male	2017.06.27	410,239	0.01%	82,484	0.00%	—	—	B.S. in Institute of Control Engineering, National Chiao Tung University	None	None	None	None
Senior Vice President	R.O.C	Chen, Yea-Ping	Male	2013.07.30	120,000	0.00%	20,000	0.00%	—	—	Ph. D. in Electrical Engineering, University of Wisconsin-Madison Philips Semiconductors	None	None	None	None
Senior Vice President	R.O.C	Yi, Fu-Ming	Male	2016.11.14	65,637	0.00%	—	—	—	—	B.S. in Electrical Engineering, Tatung University	None	None	None	None
Vice President	R.O.C	Chang, Nai-Wen	Female	2004.12.01	28,857	0.00%	—	—	—	—	LL.M. in Law, University of Minnesota VIA Technologies Inc.	None	None	None	None

Title	Nationality	Name	Gender	On-board Date	Current Shareholding		Spouse & Minor Shareholding		Shareholding By Nominee Arrangement		Education/Work experience	Selected Current Positions	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Vice President	R.O.C	Hong, Kuo-Ching	Male	2006.03.01	134,036	0.00%	82,185	0.00%	—	—	M.B.A. in Executive Master of Business Administration, National Cheng-Chi University	None	None	None	None
Vice President	R.O.C	Chang Yiu-Lang	Male	2007.05.01	—	—	—	—	—	—	B.B.A. in Business Administration, Senshu University M.B.A. in Business Administration, Taiwan National University Alpha Networks	Director of AIMobile Co., Ltd.	None	None	None
Vice President	R.O.C	Yu, Chin-Pao	Male	2009.01.20	707,576	0.02%	175,105	0.00%	—	—	B.B.A. in Accounting, National Cheng Kung University M.B.A. in Executive Master of Business Administration, National Cheng-Chi University	Note 4	None	None	None
Vice President	R.O.C	Chien, Kuei-Fen	Female	2010.01.22	68	0.00%	—	—	—	—	M.B.A., Missouri State University Digital Equipment Corporation	None	None	None	None
Vice President	R.O.C	Lou, Jin-Pang	Male	2010.02.23	44,613	0.00%	573	0.00%	—	—	B.S. in Electrical Engineering, National Taipei University of Technology Quanta Computer Inc.	None	None	None	None
Vice President	R.O.C	Tsai, Yuh-Chen	Male	2010.12.28	—	—	—	—	—	—	M.S. in Engineering and Computer Science, Syracuse University Arima Computer Corp.	None	None	None	None
Vice President	R.O.C	Hsu, Ching-Wu	Male	2012.01.16	88,508	0.00%	—	—	—	—	M.B.A in Finance and Business Administration, National Taiwan University of Science and Technology Sanyo Electric Corp., Ltd.	None	None	None	None

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

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

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

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

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

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

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

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

2.2.3.1 Remuneration of directors

Unit: NT\$ Thousands

Title	Name	Remuneration								Ratio of total to net income		Relevant remuneration received by directors who are also employees								Ratio of total to net income		Compensation paid to directors from an invested company other than the company's subsidiary
		Compensation (A)		Retirement Pension (B)		Bonus (C)		Allowance (D)				Salary and allowance (E)		Severance pay (F)		Employees bonus(G)						
		The company	Companies in the financial report	The company	Companies in the financial report	The company	Companies in the financial report	The company	Companies in the financial report	The company	Companies in the financial report	The company	Companies in the financial report	The company	Companies in the financial report	cash	stock	cash	stock	The company	Companies in the financial report	
Chairman	Cho, Tom-Hwar	-	-	-	-	77,754	77,754	1,540	1,660	1.44%	1.44%	58,915	81,977	1,792	1,792	-	-	-	-	2.54%	2.96%	-
Director	Yeh, Kuo-I																					
Director	Wen, Shih-Chih																					
Director	Lee, Tsu-Chin																					
Director	Chang, Ching-Sung																					
Director	Huang, Kuo-Chun																					
Independent Director	Chang, Chang-Pang	7,200	7,200	-	-	-	-	920	920	0.15%	0.15%	-	-	-	-	-	-	-	-	0.15%	0.15%	-
Independent Director	Chen, Ruey-Long																					
Independent Director	Shyu, Jyuo-Min																					

1. Please state the remuneration policy, system, standard, and structure of the independent director, and the correlation between the remuneration and the responsibilities, risks, investment time, and other factors: please refer to 2.2.3.5 remuneration of independent directors on Page33 .
2. Apart from those disclosed in the above table, the remuneration received by company directors for providing services to all companies in financial reports of recent years (such as taking a post as an adviser, other than employee): None.

Bracket	Name			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies in the financial report	The Company	Companies in the financial report
Below NT\$ 1,000,000				
NT\$1,000,000(Included) ~ \$2,000,000(Excluded)				
NT\$2,000,000(Included) ~ \$3,500,000(Excluded)	Chang, Chang-Pang, Chen, Ruey-Long Shyu, Jyuo-Min	Chang, Chang-Pang, Chen, Ruey-Long Shyu, Jyuo-Min	Chang, Chang-Pang, Chen, Ruey-Long Shyu, Jyuo-Min	Chang, Chang-Pang, Chen, Ruey-Long Shyu, Jyuo-Min
NT\$3,500,000(Included) ~ \$5,000,000(Excluded)				
NT\$5,000,000(Included) ~ \$10,000,000(Excluded)	Wen, Shih-Chih, Lee, Tsu-Chin, Huang, Kuo-Chun	Wen, Shih-Chih, Lee, Tsu-Chin, Huang, Kuo-Chun		
NT\$10,000,000(Included) ~ \$15,000,000(Excluded)	Chang, Ching-Sung	Chang, Ching-Sung	Chang, Ching-Sung	
NT\$15,000,000(Included) ~ \$30,000,000(Excluded)	Cho, Tom-Hwar Yeh, Kuo-I,	Cho, Tom-Hwar Yeh, Kuo-I,	Wen, Shih-Chih, Lee, Tsu-Chin, Huang, Kuo-Chun	Wen, Shih-Chih, Lee, Tsu-Chin, Huang, Kuo-Chun
NT\$30,000,000(Included) ~ \$50,000,000(Excluded)			Cho, Tom-Hwar Yeh, Kuo-I,	Cho, Tom-Hwar Yeh, Kuo-I, Chang, Ching-Sung
NT\$50,000,000(Included) ~ \$100,000,000(Excluded)				
Over NT\$100,000,000				
Total	9	9	9	9

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

2.2.3.2 Remunerations paid to the management team

Unit: NT\$ Thousands

Title	Name	Compensation (A)		Retirement Pension (B)		Bonus (C)		Employees bonus (D)				Ratio of total to net income		Compensation paid to directors from an invested company other than the company's subsidiary
		The company	Companies in the financial report	The company	Companies in the financial report	The company	Companies in the financial report	The company		Companies in the financial report		The company	Companies in the financial report	
								cash	stock	cash	stock			
President	Wu, Yung-Tsai	58,050	58,050	-	-	108,371	108,821	34,200	-	34,200	-	3.64%	3.65%	-
Business Group President	Chang, Hui													
Business Group President	Tsai, Chih-An													
Senior Vice President	Chiu, ChuiI-Kuan													
Senior Vice President	Chen, Yea-Ping													
Senior Vice President	Yi, Fu-Ming													
Vice President	Chang, Nai-Wen													
Vice President	Hong, Kuo-Ching													
Vice President	Chang Yiu-Lang													
Vice President	Yu, Chin-Pao													
Vice President	Chien, Kuei-Fen													
Vice President	Lou, Jin-Pang													
Vice President	Tsai, Yuh-Chen													
Vice President	Hsu, Ching-Wu													
Vice President	Chou, Shao-Hsin													
Vice President	Lin, Shu-Ju													
Vice President	Liu, Ta-Cheng													
Vice President	Yen, Cheng-Lung													
Vice President	Chao,Tsai-Hsiu													
Vice President (Note)	Li, Jui-Chin													

Note: Li, Jui-Chin as the Vice President on 22th Oct. 2019.

Bracket	Name	
	The Company	Companies in the financial report
Below NT\$ 1,000,000		
NT\$1,000,000(Included) ~ \$2,000,000(Excluded)		
NT\$2,000,000(Included) ~ \$3,500,000(Excluded)		
NT\$3,500,000(Included) ~ \$5,000,000(Excluded)		
NT\$5,000,000(Included) ~ \$10,000,000(Excluded)	Chen, Yea-Ping , Chiu, ChuiI-Kuan, Chang, Nai-Wen, Hong, Kuo-Ching, Chang, Yiu-Lang, Chien, Kuei-Fen, Tsai, Yuh-Chen, Hsu, Ching-Wu, Chou, Shao-Hsin, Lin, Shu-Ju, Liu, Ta-Cheng, Yen ,Cheng-Lung, Chao, Tsai-Hsiu, Li, Jui-Chin	Chen, Yea-Ping , Chiu, ChuiI-Kuan, Chang, Nai-Wen, Hong, Kuo-Ching, Chang, Yiu-Lang, Chien, Kuei-Fen, Tsai, Yuh-Chen, Hsu, Ching-Wu, Chou, Shao-Hsin, Lin, Shu-Ju, Liu, Ta-Cheng, Yen ,Cheng-Lung, Chao, Tsai-Hsiu, Li, Jui-Chin
NT\$10,000,000(Included) ~ \$15,000,000(Excluded)	Lou, Jin-Pang , Yu, Chin-Pao, Yi, Fu-Ming	Lou, Jin-Pang , Yu, Chin-Pao, Yi, Fu-Ming
NT\$15,000,000(Included) ~ \$30,000,000(Excluded)	Wu, Yung-Tsai, Chang, Hui, Tsai, Chih-An	Wu, Yung-Tsai, Chang, Hui, Tsai, Chih-An
NT\$30,000,000(Included) ~ \$50,000,000(Excluded)		
NT\$50,000,000(Included) ~ \$100,000,000(Excluded)		
Over NT\$100,000,000		
Total	20	20

2.2.3.3 Employee profit sharing granted to management team

Unit: NT\$ Thousands

Title	Name	Stock	Cash	Total	Ratio of Total Amount to Net Income
President	Wu, Yung-Tsai	-	36,850	36,850	0.67%
Business Group President	Chang, Hui				
Business Group President	Tsai, Chih-An				
Senior Vice President	Chiu, Chui-I-Kuan				
Senior Vice President	Chen, Yea-Ping				
Senior Vice President	Yi, Fu-Ming				
Vice President	Chang, Nai-Wen				
Vice President	Hong, Kuo-Ching				
Vice President	Chang Yiu-Lang				
Vice President	Yu, Chin-Pao				
Vice President	Chien, Kuei-Fen				
Vice President	Lou, Jin-Pang				
Vice President	Tsai, Yuh-Chen				
Vice President	Hsu, Ching-Wu				
Vice President	Chou, Shao-Hsin				
Vice President	Lin, Shu-Ju				
Vice President	Liu, Ta-Cheng				
Vice President	Yen, Cheng-Lung				
Vice President	Chao, Tsai-Hsiu				
Vice President (Note)	Li, Jui-Chin				
Senior Director of Talent Center	Yu, Win-Chee				
Director of Finance Center	Liang, Wen-Jan				
Director of Talent Center	Lin, Shih-Pin				
Director of Finance Center	Hsiao, I-Ying				

Note: Li, Jui-Chin as the Vice President on 22th Oct. 2019

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

Unit: NT\$ Thousands

Item	The Company		Companies in the financial report	
	2018	2019	2018	2019
Remuneration of Directors	106,863	87,414	106,983	87,534
Ratio of total to net income	1.64%	1.59%	1.65%	1.59%
Remuneration of the President and Vice President	185,396	200,621	185,766	201,071
Ratio of total to net income	2.85%	3.64%	2.86%	3.65%
Net income	6,499,856	5,507,960	6,499,856	5,507,960

Note: The Company's audit committee is established on 16th Jun. 2017. The compensation to directors in 2019 was less than in 2018 due to decreased net income after tax. The total compensation of the president and vice presidents was increased compared to 2018 because the number of persons and bonus payments were increased.

2.2.3.5 The policies, standards, and combinations of remuneration paid to directors, the president, and vice presidents, the procedures for remuneration determination, and the correlation with operational performance and risks in the future

- (1). According to the Articles of Incorporation, the Company shall compensate all directors managing company businesses regardless of profit or loss in operation. In the case of profit, the Company shall appropriate at least 3% as employees' compensation and up to 3% as compensation to directors. The payment of directors' compensation shall be reviewed by the Remuneration Committees before being submitted to the Board of Directors for resolution, which shall be based on "regulations for performance evaluation of the Board of Directors" and "regulations governing the compensation to directors and managers". In addition to referring to ordinary standards in the same industry, the Remuneration Committee also considers the personal devotion time, degree of business participation and contribution, and the rationality of their connections with the achievement of short-term and long-term business goals of the Company and future risks aimed at the performance evaluation and remuneration of directors.

- (2). Remuneration payable to the president and vice president shall be determined after the salary and remuneration committee has reviewed and submitted their report to the board. The procedure is based on the "Remuneration Regulations of the Board of Directors and Manager". The Company salary and remuneration committee will, aside from taking reference from the standard of the peer trade, evaluate performance and salary remuneration based on the following criteria: the amount of time devoted to the company by the individuals, the responsibility shouldered, the objectives achieved by the individuals and other scenarios, their performance assuming other duty-posts, the salary and remuneration awarded by the company to individuals in similar posts in recent years, the short-term achievement and longer sales objectives of the company, the performance of the company's operations, and reasonableness related to future risk.
- (3). The remuneration policies of the Company aim to enhance long-term competitiveness and sustainable operational ability, improve overall operation in the future, and fulfill the ideal of giving full scope to the Company's talents. In principle, the remuneration payment is fully incorporated with performance. The remuneration system supports the fulfillment of operational strategies and creates long-term and sustainable shareholders' value. Comprehensive evaluation items include operational performance (revenue, net income after tax, etc.), overall salary, and individual performance for overall consideration, and the payment will be distributed based on individual contributions to carrying out the performance-oriented incentive system.

2.3 Implementation of corporate governance

2.3.1 Board of directors

(1). A total of 13 (A) meetings of the board of directors were held in 2019. Directors' attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) B/A	Remarks
Chairman	Cho, Tom-Hwar	12	1	92%	
Director	Yeh, Kuo-I	13	0	100%	
Director	Wen, Shih-Chih	13	0	100%	
Director	Lee, Tsu-Chin	13	0	100%	
Director	Chang, Ching-Sung	13	0	100%	
Director	Huang, Kuo-Chun	13	0	100%	
Independent Director	Chang, Chang-Pang	13	0	100%	
Independent Director	Chen, Ruey-Long	11	2	85%	
Independent Director	Shyu, Jyuo-Min	13	0	100%	

Other matters that should be recorded:

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

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

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

Board of Directors Meeting	Board of Directors	Contents proposed	Cause of conflict of interest and status of voting participation
2019.03.26	Cho, Tom-Hwar Yeh, Kuo-I Wen, Shih-Chih, Lee, Tsu-Chin, Chang, Ching-Sung, Huang, Kuo-Chun	Discuss the remuneration of the Company's employees and directors in 2018 proposed by Remuneration Committee.	This resolution proposes the directors' remunerations and, except for the directors prohibited from discussion and voting according to law, the other attending directors have no objection, and this resolution is approved.
2019.03.26	Chen, Ruey-Long, Shyu, Jyuo-Min	Remove the new restrictions on non-competition of the directors Chen, Ruey-Long and Shyu, Jyuo-Min	Except for the directors prohibited from discussion and voting, the other attending directors have no objection, and this resolution is approved.
2019.11.12	Yeh, Kuo-I Lee, Tsu-Chin, Chang, Chang-Pang, Chen, Ruey-Long,	Donate TWD 10 million to Inventec Group Charity Foundation.	Except for the directors prohibited from discussion and voting, the other attending directors have no objection, and this resolution is approved.

III. A listed and OTC company shall disclose the assessment period, duration, scope, method, and content of the self-assessment of the Board of Directors:

(2) Assessment performance of the Board of Directors

Assessment period	Assessment duration	Assessment scope	Assessment method	Assessment content
Once a year	2019	Includes the entire Board of Directors, individual board members, and functional committee	The Board of Directors, functional committee, and internal self-assessment of the members of the Board of Directors	<p>(1) Performance assessment of the Board of Directors: includes the degree of participation in the operation of the Company, the quality of board decisions, the composition and structure of the Board of Directors, the selection and continuing education of directors, and the internal control.</p> <p>(2) Performance assessment of individual directors: includes the mastery of the Company's objectives and tasks, the recognition of directors' duties, the participation in the Company's operations, internal relationship management and communication, the directors' professional and continuing education, and the internal control.</p> <p>(3) Performance assessment of functional committees: includes the degree of participation in the operation of the Company, the recognition of the responsibilities of functional committees, the quality of the decision-making of functional committees, the composition and selection of functional committees, and the internal control.</p>

IV. The goals of strengthening functions of the Board in the current year and most recent year (e.g., establish Audit Committee, promote information transparency) and implementation status: the Company elected nine directors (including three independent directors) of the 15th session via the candidate nomination system in 2017. All independent directors serve as members of the Audit Committee, replacing the supervisors to oversee the fair expression of financial statements and assess the efficiency of internal controls to consolidate the independence of the Board of Directors. The Remuneration Committee periodically reviews the policies, system, standards, and structure of compensation to directors and managers to perfect the remuneration system. The Regulations for Evaluating the Performance of the Board of Directors was established in 2016, and the performance of the Board was evaluated by external experts in 2018 to reinforce the Board's operational efficiency. Corporate governance officers were employed in 2019 to handle matters related to corporate governance.

V. The fulfillment of member diversification of the Board

According to Article 20 of the Corporate Governance Best Practice Principles and Article 3 of Rules for the Election of Directors of the Company, the members of the Board shall have knowledge, skills, and accomplishments as required by the duties. As a whole, the Board shall be able to make operational judgment and accounting and financial analysis, as well as have business management ability, crisis handling ability, industrial knowledge, a global market view, and leadership and decision making abilities. The composition of members of the Board shall be diversified, and a plan for diversified members of the Board aimed at the operation, operational type, and future development trends shall be established, including basic conditions and value (gender, age, nationality, and culture) and professional knowledge and skills (e.g., law, accounting, industry, finance, marketing, or technology). The physical management goals of diversified policies and achievements are as follows:

Management Goal	Achievement
The number of directors also serving as manager shall be less than one-third of directors	Done
At least two directors shall be specialized in the computer industry, marketing, or technology	Done
At least two independent directors shall be specialized in law, financial accounting, or technology	Done

The implementation of Board member diversification in 2019 was as follows:

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

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

Note 2: Term of office of independent directors: 2014/06/12 two seats / term of 6 years, 2017/06/16 1 seat / term of 3 years

Note 3: The current board of directors consists of nine directors (including three independent directors). They are all extraordinary persons with rich professional practices and are capable of leadership decisions, operational management, operational judgment, crisis handling, industrial knowledge, and international market observation. The three independent directors are specialized in law, economics, and technology, respectively. Among them, Chang, Chang-Pang had served as the political deputy minister of Economic Affairs, administrative deputy minister of Finance, and chairperson of the Taiwan Stock Exchange Corporation; Chen, Ruey-Long had served as minister of Economic Affairs; Shyu, Jyuo-Min had served as Minister of Technology and president of the Institute for Technology and Research. Six directors are specialized in finance and accounting, technology, and industrial marketing to carry out member diversification policies that help the Company promote corporate governance efficacy and operational performance.

VI. Attendance of independent directors at 2019 board meetings:

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

Board of Directors Meeting	1	2	3	4	5	6	7	8	9	10	11	12	13
Chang, Chang-Pang	●	●	●	●	●	●	●	●	●	●	●	●	●
Chen, Ruey-Long	●	●	◎	●	●	●	●	●	●	◎	●	●	●
Shyu, Jyuo-Min	●	●	●	●	●	●	●	●	●	●	●	●	●

2.3.2 Audit committee :

A total of 4 (A) meetings of the audit committee were held in 2019. Attendance status is as follows:

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

Other scenarios to be described:

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

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

Audit Committee	Contents proposed	Matters stipulated in Paragraphs 14-3 of the Securities Exchange Act	Administration of the company regarding the opinion of the Audit Committee	Resolution result by the Audit Committee
2019.03.22	1. 2018 statement of internal control system	14-5-11	N	Passed by all
	2. 2018 financial report and business report	14-5-10	N	Passed by all
	3. Profit distribution of 2018	14-5-11	N	Passed by all
	4. Appointment of certified public accountant.	14-5-8	N	Passed by all
	5. Modification of the Rules of Procedure for Director of board Meetings.	14-5-11	N	Passed by all
	6. Modification of the Articles of Incorporation	14-5-11	N	Passed by all
	7. Modification of the Rules of Procedure for Shareholders Meetings	14-5-11	N	Passed by all
	8. Modification of the Regulations Governing Loaning of Funds	14-5-3	N	Passed by all

	9. Modification of the Regulations Making of Endorsements/Guarantees	14-5-3	N	Passed by all
	10. Modification of the Procedures for Acquisition or Disposal of Assets	14-5-3	N	Passed by all
	11. Modification of the Corporate Governance Best Practice Principles	14-5-11	N	Passed by all
	12. Removal of directors Chen, Ruey-Long and Shyu, Jyuo-Min' s new restrictions on non-competition.	14-5-4	N	Except for the directors prohibited from discussion and voting, the other attending directors have no objection, and this resolution is approved.
2019.05.15	1. 2019 Q1 consolidated financial report	14-5-10	N	Passed by all
2019.08.13	1. 2019 Q2 consolidated financial report	14-5-10	N	Passed by all
	2. Modification of the Audit Committee Charter	14-5-11	N	Passed by all
	3. Modification of the Rules of Procedure for Director of board Meetings.	14-5-11	N	Passed by all
	4. Modification of the Ethical Corporate Management Best Practice Principles.	14-5-11	N	Passed by all
2019.11.12	1. 2019 Q3 consolidated financial report.	14-5-10	N	Passed by all
	2. Revision of the Internal Control System of the Company.	14-5-1	N	Passed by all
	3. Accountant's fees of 2019	14-5-8	N	Passed by all

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

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

C. Communication of independent board directors with the Chief audit officer and CPA (company finance, major issues of business conditions conducted through communications, and the methods and results should be described).

- a. Based on the regulations of "Regulations Governing Establishment of Internal Control Systems by Public Companies" the Chief audit officer will prepare an audit report, follow it up after it is submitted, and hand it over to an independent board director for review by the end of the month after the month in which the auditing items were completed.
- b. In view of items for consultation and instruction by independent board directors for improvement and subsequent follow-up, these items should be filed and reported to the independent board director after being completed, and the consultation results should be reported to the board at the end of the month.
- c. The Board of Directors will establish an audit project team aimed at important issues of the internal control system to conduct project audits and report the audit results upon completion.
- d. The audit center should report to independent board directors about internal auditing business every month, and the status of communication between the independent board director and the Chief audit officer should be favorable.
- e. Independent board directors should carry out communication related to company governance meetings, important finances, and business conditions every season, and the status of communication between the independent board director and the Chief audit officer should be favorable.

D. Communication and scenario of independent board directors with the Chief audit officer and CPA

Date of meeting	Subject of communication	Items of communication	Process execution results of the company
2019.03.22 Audit Committee	CPA Chief audit officer	1. Statement of 2018 internal control system 2. 2018 financial report and business report 3. 2018 profit distribution 4. Appointment of certified public accountant 5. Modification of the Rules of Procedure for Director of board Meetings. 6. Modification of the articles of incorporation	After passage by the Audit Committee, it shall be submitted to the board for resolution.

		7. Modification of the Rules of Procedure for Shareholders Meetings. 8. Modification of the Regulations Governing Loaning of Funds 9. Modification of the company's endorsed guarantee implementation regulation 10. Modification of the Regulations Making of Endorsements/Guarantees 11. Modification of the Procedures for Acquisition or Disposal of Assets 12. Removal of director's new restrictions on non-competition.	
2019.03.26 Corporate governance meeting	CPA Chief audit officer	1. Audit range and opinion of 2018 financial report 2. Description of Key Audit Matters 3. Financial statement and major accounting item analysis description 4. Impact of new bulletin -IFRS9、IFRS15、IFRS16	The directors have no objection at the meeting.
2019.05.15 Corporate governance meeting	CPA Chief audit officer	1. Audit range and opinion of 2019 Q1 financial report 2. Financial statement and major accounting item analysis description 3. Impact of new bulletin -IFRS16 4. Important law updates – draft of amendment on the Statute for Industrial Innovation	The directors have no objection at the meeting.
2019.05.15 Audit Committee	CPA	1. 2019 Q1 consolidated financial report	After passage by the Audit Committee, it shall be submitted to the board for resolution.
2019.08.13 Corporate governance meeting	CPA Chief audit officer	1. Audit range and opinion of 2019 Q2 financial report 2. Financial statement and major accounting item analysis description 3. Accounting bulletin description - contingent liability	The directors have no objection at the meeting.

2019.08.13 Audit Committee	CPA Chief audit officer	1. 2019 Q2 consolidated financial report 2. Modification of the Audit Committee Charter 3. Modification of the Rules of Procedure for Director of board Meetings. 4. Modification of the Ethical Corporate Management Best Practice Principles.	After passage by the Audit Committee, it shall be submitted to the board for resolution.
2019.11.12 Corporate governance meeting	CPA Chief audit officer	1. Audit range and opinion of 2019 Q3 financial report 2. Analysis of financial statements and important accounting items 3. Subsequent events and contingent liabilities 4. Key Audit Matters 5. Law update - Introduction to Corporate Governance Evaluation	The directors have no objection at the meeting.
2019.11.12 Audit Committee	CPA Chief audit officer	1. 2019 Q3 consolidated financial report 2. Modification of internal control system 3. CPA's fees of 2019	After passage by the Audit Committee, it shall be submitted to the board for resolution.

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

1. Establish or amend the internal control system in accordance with Article 14.1 of the Securities Exchange Act
2. Evaluate the effectiveness of the internal control system
3. According to Article 36.1 of the Securities and Exchange Act, establish or amend the procedures for asset acquisition or disposal, transaction of derivative commodities, lending, endorsement or security provision and other material financial transactions.
4. Items relevant to the directors' interest
5. Transaction of major asset or derivative commodities
6. Lending of large amounts, endorsements and security provisions

7. Raising, issuance or private placement of securities of an equity nature.
8. Appointment, discharge and remuneration of certified public accountant.
9. Appointment and removal of finance, accounting or internal audit supervisors
10. Annual financial report and semi-annual financial report
11. Other major issues stipulated by the company or the competent authority

F. Business performance of the audit committee in 2019

1. The company holds quarterly audit committee meetings to supervise the company's financial and business conditions and internal control system.
2. Refer A.a. for detailed operations in 2019
3. Review of financial reports (see the audit committee's report on Page 141 of the annual report).
4. Evaluate the effectiveness of the internal control system: The audit committee evaluates the effectiveness of the company's internal control systems, policies, and procedures (including financial, operational, risk management, information security, outsourcing, compliance, and other control measures) and then reviews the regular reports submitted by the audit department and the registered public accountant and management, including for risk management and compliance. The audit committee believes that the company's risk management and internal control systems are effective, as well as that the company has adopted necessary control mechanisms to monitor and correct any violations.
5. 2019 internal control system statement (see Page 86 of the annual report)

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

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

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
1. If the Company established and disclosed Corporate Governance Principles in accordance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies?	✓		<p>The Company has established “Inventec Corporate Governance Best Practice Principles” pursuant to “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies” in 2014. The fifth amendment was approved by the Board of Directors on March 24, 2020. The structure of corporate governance is to reinforce the functions of the Board, establish a mechanism for interaction with shareholders, respect the rights of stakeholders, and promote information transparency, all of which are also disclosed on our website and MOPS.</p> <p>Listed subsidiaries of the Company Group have not yet formulated such regulations, but they all abide by relevant regulations.</p>	No difference.
2. Shareholding Structure & Shareholders’ Rights				
(1) If the Company established internal procedures to handle shareholder suggestions, proposals, complaints and litigation and execute accordingly?	✓		(1) The Company has spokesperson, procedures for handling stock affairs, a dedicated mailbox for accepting suggestions, doubts, disputes, and lawsuits managed by the stock affairs department and investor relation department based on procedures. Meanwhile, the stock affairs agency has been commissioned as a window for shareholder services.	No difference.
(2) If the Company maintained of a list of major shareholders and a list of ultimate owners of these major shareholders?	✓		(2) The Company declares the change of shares held by insiders (directors, managers, and shareholders holding more than 10% shares) on MOPS every month. The stock affairs unit may efficiently control the list of major shareholders and final controllers of major shareholders.	No difference.
(3) If risk management mechanism and “firewall” between the	✓		(3) The Company has established regulations governing internal control and subsidiaries to establish and implement the risk control of affiliates and a	No difference.

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
Company and its affiliates are in place? (4) If the Company established internal policies that forbid insiders from trading based on non-disclosed information?	✓		fire wall mechanism. (4) The Company has formulated the "Codes of Ethical Conduct" and "Insider Trading Prevention Management Operation Procedure", among others, to prohibit company insiders from utilizing information undisclosed to the market to transact negotiable securities; internal literature is carried out regularly.	No difference.
3. Structure of Board of Directors and its responsibility (1) Does the Board of Directors set and implement a diversification policy?	✓		(1) The Company has established member diversification guide-lines pursuant to Article 20 of the Corporate Governance Best Practice Principles, including basic conditions and value (gen-der, age, nationality, and culture) and professional knowledge and skills. Currently, the nine members of the Board (including three independent directors) are specialized in law, finance and accounting, industry, marketing, or technology. Please refer to item V on page 38 for the implementation status.	No difference.
(2) If the Company established any other functional committee in addition to Remueration Committee, and Audit Committee as required by law?	✓		(2) All independent directors of the Company serve as members of the Remuneration Committee and Audit Committee. For members, duties, and operation status, please refer to page 42 (b) and page 63 (2.3.5.1), respectively. The Company has a “social responsibilities team” to promote matters related to corporate social responsibilities.	No difference.
(3) Whether the Company has established a performance assessment method and the	✓		(3) The Company has regulations for evaluating the performance of the Board to carry out corporate governance and promote the functions of the Board. The second amendment was approved by the Board of Directors on March	No difference.

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
assessment method for the Board of Directors, conducted the performance assessment annually and regularly, and reported the results of the performance assessment to the Board of Directors, as well as applied it as a reference for individual directors' remuneration and nomination for renewal?			26, 2019 to evaluate performance every year. The scope of the 2019 performance evaluation of the executive board covers the performance evaluation of the overall board of directors, functional committees, and individual board members. The evaluation methods include internal self-evaluation of the board of directors, self-evaluation of board members, and evaluation. The internal performance evaluation criteria for the board of directors (functional committee) include: 1. extent of participation in company operations; 2. enhancing the decision-making quality of the board; 3. board composition and structure; 4. election and continuous learning of board directors; and 5. internal control. There are 25 items in five categories. The performance assessment of the functional committee includes: 1. the degree of participation in the operation of the Company; 2. the recognition to the responsibilities of functional committees; 3. the improvement of the decision-making quality of functional committees; 4. the composition and selection of functional committee members; and 5. the internal control. Preference evaluation items of directors: 1. understanding of the company's targets and tasks; 2. understanding of their responsibilities; 3. participation in the company's operations; 4. internal relationship management and communication; 5. specialty and continuous advanced studies; and 6. internal control. There are 20 items in six categories. In 2019, the internal self-assessment results of the Board of Directors, the functional committee, and the members of the Board of Directors were all "excellent". The results and recommendations of the 2019 internal board performance appraisal were reported to the Board of Directors in January 2020 and applied as a reference to individual directors' remuneration and nomination for renewal. Furthermore, the Company's Board of Directors performance assessment method stipulates that the assessment must be carried out at least every three years by an external professional independent agency or external team of experts and	

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
(4) If the Company assess the independence of CPA periodically?	✓		<p>scholars.</p> <p>(4) Every year, after consent is obtained from the Audit Committee, it shall be submitted to the board for resolution and decide to appoint an CPA and regularly examines the CPA's independence and evaluates whether there is circumstance of violating No. 10 of the Code of Ethics bulletin or the occurrence of circumstances stipulated in Article 47 of the Accounting Act. It further confirms that the CPA has no other financial interests and business relationship with the Company other than the costs of certifying and finance and taxation cases, and checks whether the CPA is a director, manager, or shareholder of the Company or gets payments from the Company, confirming that the CPA is not an interested party. The appointment of an CPA and fee review can only be conducted after the Company has confirmed its independence through the examination of the CPA independence assessment result. The Board meeting dated March 26, 2019 approved the designation and independence evaluation of the independent auditor for 2019.</p>	No difference.
4. Whether the listed and OTC company is equipped with appropriate and an appropriate number of corporate governance personnel and appoints a corporate governance supervisor to be responsible for matters related to corporate governance (including but not limited to providing the data required by the directors and	✓		<p>The Finance Center of the Company is responsible for handling matters related to corporate governance. The Board meeting dated February 26, 2019 resolved to establish the corporate governance officer position served by CFO Yu, Chin-Pao with more than three years of work experience in finance and stock affairs. The major duties include: 1. Managing matters regarding the Board and shareholders' meetings. 2. Preparing meeting minutes of Board and shareholders' meetings. 3. Assisting directors with inauguration and continuing study. 4. Providing directors with information as necessary for business execution. 5. Assisting directors on law compliance. 6. Other matters as stipulated by the Articles of Incorporation or contracts. The 2019</p>	No difference.

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
supervisors to perform business and assisting the directors and supervisors to comply with the laws and regulations), handling of matters related to the Board of Directors Meeting and the Shareholders' Meeting pursuant to the relevant laws and regulations, handling of company registration and changes in registration status, and preparation of the meeting minutes of the Board of Directors Meeting and the Shareholders' Meeting etc.)?			<p>business implementation status was as follows:</p> <ol style="list-style-type: none"> 1.Assist directors in executing business, provide necessary information and arrange periodical study for directors: (1) provide the latest laws and regulations as necessary for corporate governance to members of the Board taking their posts. (2) Provide company information as required by the directors and maintain smooth communication and exchange between the directors and all business managers. (3) Periodically arrange corporate governance meetings. (4) Plan for annual director study courses. 2.Assist on matters regarding the Board and shareholders' meetings: (1) periodically report the implementation status of corporate governance every year; (2) Assist and remind directors of the laws to be complied with for business execution or formal resolution of the Board. 3.Prepare the meeting agenda, notify the directors seven days in advance, provide meeting information, and complete meeting minutes of the Board within twenty days after the meeting. 4.Prepare shareholders' meeting information and meeting minutes pursuant to laws. 5.The recognition of change in the Company was approved in July 2019. 6.The items as stipulated in the Articles of Incorporation and contracts have been implemented. 7.The corporate governance officer studied 33 hours in 2019. Please refer to page 59 for the advance study of managers. 	

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
5. If the Company established communication channel with interested parties (Including but not limited to shareholders, employees, customers and suppliers, etc.) and disclosed key corporate social responsibility issues frequently enquired by stakeholders on the designated area of the corporate website?	✓		The Company has established a spokesman system, dedicated to handling relevant matters, and the company website has created an interested party zone to maintain communication channels with interested parties at any time through information delivery by telephone, fax, e-mail, etc., for important corporate social responsibility issues that concern interested parties and their feedback. The Company will properly handle matters to respect and maintain its due rights and interests. The Company will also identify the matter regarding the communication with interested parties and report to the Board meeting periodically. Please go to the company website (http://www.inventec.com) for reference.	No difference.
6. If the Company engaged professional transfer agent to host annual general shareholders' meeting?	✓		The Company has appointed the stock affairs agency department of "Taishin International Bank Co., Ltd." to be responsible for serving shareholders and handling affairs of the Shareholders' Meetings.	No difference.
7. Information Disclosure (1) If the Company set up a corporate website to disclose information regarding the Company's finance, business and corporate governance?	✓		(1) Through the company website (http://www.inventec.com), the Company updates and discloses financial business and corporate governance information regularly and for special matters. Furthermore, the Company utilizes Shareholders' Meetings and Investor Conferences to describe the governance situation of the Company to investors.	No difference.
(2) If the Company adopted any other information disclosure channels (e.g., maintaining an English-language website, appointing designated personnel to handle information collection	✓		(2) The Company has set up Chinese and English websites and assigned dedicated personnel to be responsible for the collection and disclosure of company information; it has also set up a spokesman and agency spokesman system; when convening an Investor Conference, the Company will also place the process materials on the company website for investor's to look up and input them at mops.twse.com.tw as required.	No difference.

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
<p>and disclosure, appointing spokespersons, webcasting investors conference, etc)?</p> <p>(3) Whether the Company publishes and reports the annual financial statement within two months after the end of the fiscal year and announces and reports the first, second, and third quarter financial statements and the operation situation of each month in advance within the prescribed period?</p>	✓		<p>(3) The Company has announced and reported the quarterly financial statements and the operation situation of each month in advance within the prescribed period but has not published and reported the annual financial statement within two months after the end of the fiscal year in advance.</p>	No difference.
<p>8. If the Company had other important information to facilitate better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer</p>	✓		<p>1. Employee rights and interests: Pursuant to government laws and decrees and personnel management measures of the Company, the Company provides all kinds of basic due labor conditions, including a working hour mechanism and thorough ask for leave system, as well as provides a stable and safe work environment, and in addition to basic welfares, such as labor insurance, health insurance, pension allocation, etc., employees can also enjoy regular health examinations, group insurance, and thorough employee retirement measures.</p> <p>2. Employee care: The Company has established the Occupational Safety and Health Committee pursuant to laws to discuss safety and health related regulations. In order to ensure employee safety and health, the Company has formulated the "Occupational Safety and Health Policy", regularly holds all kinds of keynote lectures and courses, provides physician</p>	No difference

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
relations policies, and purchasing insurance for directors and supervisors)?			<p>consultation, provides a doctor and mental health counseling and opens diversified channel for employee to express opinions and consultation, and creates good participation sense and smooth two-way communication channel.</p> <p>3. Investor relations: The Company takes guaranteeing shareholders' rights and interests as its main objective, treats all shareholders equally, and instantly announces relevant significant company information, such as finance, business, change of insiders' stock holdings, etc. at "mops.twse.com.tw" pursuant to relevant regulations.</p> <p>4. Supplier relations: In addition to formulating "Codes of Ethical Conduct" and the "Global Employee Code of Conduct Management Measures", The responsibilities of a responsible business alliance (RBA) member include establishing and providing Inventec's standard of responsible business alliance to suppliers. The standards cover labor, health, safety, environmental, and business ethics matters. Important information about the company's suppliers is published in iSupplier placement. A sustainable supply chain explanation session of Inventec Group is held every year in the hopes that the company can serve as an example and lead more suppliers to jointly improve their environmental protection consciousness and fulfill their corporate social responsibility.</p> <p>5. Rights of interested parties: Operate pursuant to Articles 51-54 of the "Inventec Corporation Corporate Governance Best Practice Principles" and set up an interested party zone.</p> <p>6. Execution circumstance of customer policy: The Company has formulated an appropriate customer policy and operation target and adjusts its operation strategy in a timely manner to achieve the target.</p>	

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			<p>7. Circumstances of buying liability insurance for directors: The Company has bought relevant liability insurance for its directors. Related liability insurance for directors is purchased up to January 2021, and the insurance policy will be renewed upon expiration. The insured amount, scope of insurance, and insurance fees of the liability insurance of the directors are reported to the board.</p> <p>8. Situation of director's attendance in Board of Directors meetings: Board of Directors meetings are regularly convened, and directors actively attend; the Company reports the attendance situation of directors online in a timely manner.</p>	
9. Please describe the improvements of the corporate governance evaluation results released by the corporate governance center of the Taiwan Stock Exchange Corporation in the last year, and propose priority matters or measures to strengthen areas yet unimproved. (No need to be filled in by companies that were not subject to evaluation).	✓		<p>In the second, third, fourth, fifth and sixth session corporate governance evaluation results, the Company is listed as ranked in the top five percent of companies.</p> <p>Improvement status: physical goals of member diversification of the Board.</p> <p>Improvements to be made: Evaluation regarding the feasibility of establishing other functional committees shall be continued.</p>	No difference

10. Continuing professional education hours for directors in 2019

Title	Name	Date	Course	Hours	Institute
Chairman	Cho, Tom-Hwar	2019.03.26	Cayman & BVI government legislation to introduce new requirements for real economic activity.	1.5	The Taiwan Corporate Governance Association
		2019.05.15	Influence of the industrial innovation regulation draft to the future tax planning of an enterprise	1.5	The Taiwan Corporate Governance Association
		2019.08.13	Internet security and emergency response	1.5	The Taiwan Corporate Governance Association
		2019.11.12	Introduction to corporate governance assessment	1.5	The Taiwan Corporate Governance Association
Director	Yeh, Kuo-I	2019.03.26	Cayman & BVI government legislation to introduce new requirements for real economic activity.	1.5	The Taiwan Corporate Governance Association
		2019.05.15	Influence of the industrial innovation regulation draft to the future tax planning of an enterprise	1.5	The Taiwan Corporate Governance Association
		2019.08.13	Internet security and emergency response	1.5	The Taiwan Corporate Governance Association
		2019.11.12	Introduction to corporate governance assessment	1.5	The Taiwan Corporate Governance Association
Director	Wen, Shih-Chih	2019.03.26	Cayman & BVI government legislation to introduce new requirements for real economic activity.	1.5	The Taiwan Corporate Governance Association
		2019.05.15	Influence of the industrial innovation regulation draft to the future tax planning of an enterprise	1.5	The Taiwan Corporate Governance Association
		2019.08.13	Internet security and emergency response	1.5	The Taiwan Corporate Governance Association
		2019.11.12	Introduction to corporate governance assessment	1.5	The Taiwan Corporate Governance Association
Director	Lee,	2019.03.26	Cayman & BVI government legislation to	1.5	The Taiwan Corporate Governance Association

Title	Name	Date	Course	Hours	Institute
	Tsu-Chin		introduce new requirements for real economic activity.		
		2019.05.15	Influence of the industrial innovation regulation draft to the future tax planning of an enterprise	1.5	The Taiwan Corporate Governance Association
		2019.08.13	Internet security and emergency response	1.5	The Taiwan Corporate Governance Association
		2019.11.12	Introduction to corporate governance assessment	1.5	The Taiwan Corporate Governance Association
Director	Chang, Ching-Sung	2019.03.26	Cayman & BVI government legislation to introduce new requirements for real economic activity.	1.5	The Taiwan Corporate Governance Association
		2019.05.15	Influence of the industrial innovation regulation draft to the future tax planning of an enterprise	1.5	The Taiwan Corporate Governance Association
		2019.08.13	Internet security and emergency response	1.5	The Taiwan Corporate Governance Association
		2019.11.12	Introduction to corporate governance assessment	1.5	The Taiwan Corporate Governance Association
Director	Huang, Kuo-Chun	2019.03.26	Cayman & BVI government legislation to introduce new requirements for real economic activity.	1.5	The Taiwan Corporate Governance Association
		2019.05.15	Influence of the industrial innovation regulation draft to the future tax planning of an enterprise	1.5	The Taiwan Corporate Governance Association
		2019.08.13	Internet security and emergency response	1.5	The Taiwan Corporate Governance Association
		2019.11.12	Introduction to corporate governance assessment	1.5	The Taiwan Corporate Governance Association
Independent	Chang,	2019.03.26	Cayman & BVI government legislation to introduce new requirements for real	1.5	The Taiwan Corporate Governance Association

Title	Name	Date	Course	Hours	Institute
Director	Chang-Pang		economic activity.		
		2019.05.15	Influence of the industrial innovation regulation draft to the future tax planning of an enterprise	1.5	The Taiwan Corporate Governance Association
		2019.08.13	Internet security and emergency response	1.5	The Taiwan Corporate Governance Association
		2019.11.12	Introduction to corporate governance assessment	1.5	The Taiwan Corporate Governance Association
Independent Director	Chen, Ruey-Long	2019.04.09	Digital decision - plate product business model as the example.	3.0	The Taiwan Corporate Governance Association
		2019.05.15	Influence of the industrial innovation regulation draft to the future tax planning of an enterprise	1.5	The Taiwan Corporate Governance Association
		2019.08.13	Internet security and emergency response	1.5	The Taiwan Corporate Governance Association
		2019.09.03	Principles of executive function and operational judgment of board supervisors	3.0	Securities and Futures Institute
		2019.09.03	Discussion on the international and Taiwan anti-tax avoidance development and corporate response	3.0	Securities and Futures Institute
		2019.10.29	Tax money laundering risk prevention - eight major states of money laundering risk	3.0	Taipei Foundation of Finance
		2019.11.12	Introduction to corporate governance assessment	1.5	The Taiwan Corporate Governance Association
Independent Director	Shyu, Jyuo-Min	2019.03.26	Cayman & BVI government legislation to introduce new requirements for real economic activity.	1.5	The Taiwan Corporate Governance Association
		2019.05.15	Influence of the industrial innovation regulation draft to the future tax planning of an enterprise	1.5	The Taiwan Corporate Governance Association

Title	Name	Date	Course	Hours	Institute
		2019.08.13	Internet security and emergency response	1.5	The Taiwan Corporate Governance Association
		2019.11.12	Introduction to corporate governance assessment	1.5	The Taiwan Corporate Governance Association
		2019.11.21	Advocacy meeting on the effective functioning of directors	3.0	Taiwan Stock Exchange Corporation

11. Continuing professional education hours for managers in 2019

Title	Name	Date	Course	Hours	Institute
President	Wu, Yung-Tsai	2019.03.08	5G technology strategic meeting	6.5	Inventec Corporation
Vice President	Yu, Chin-Pao	2019.03.25	Cayman & BVI government legislation to introduce new requirements for real economic activity	1.5	The Taiwan Corporate Governance Association
		2019.05.13	Influence of the industrial innovation regulation draft to the future tax planning of an enterprise	1.5	The Taiwan Corporate Governance Association
		2019.08.12	Internet security and emergency response	1.5	The Taiwan Corporate Governance Association
		2019.10.16	Seminar on board supervisor responsibility and corporate governance practice	3.0	The Taiwan Corporate Governance Association
		2019.10.29-10.30	Seminar on directors and supervisors (including independent directors) and corporate governance supervisor practice	12.0	Securities and Futures Institute
		2019.11.11	Introduction to corporate governance assessment	1.5	The Taiwan Corporate Governance Association

Title	Name	Date	Course	Hours	Institute
		2019.12.9-12.10	Issuer, securities firm, stock exchange accounting director continuous advanced training course	12.0	Accounting Research and Development Foundation
Vice President	Hsu, Ching-Wu	2019.03.28	Influence of corporate governance, internal control, and directors & supervisors' responsibility from the latest corporate law amendment trend	6.0	Securities and Futures Institute
		2019.08.27	Influence of company law amendment on internal audit and enterprise money laundering prevention	3.0	Securities and Futures Institute
		2019.08.27	Corporate fraud case analysis and anti-fraud strategy	6.0	Securities and Futures Institute
Director of Finance Center	Liang, Wen-Jan	2019.08.12	2019 corporate governance review and advocacy meeting	3.7	Taiwan Stock Exchange Corporation
Director of Finance Center	Hsiao, I-Ying	2019.09.20	Strategy of overseas funds remitted to winner	3.5	Land Bank of Taiwan
		2019.11.22	2020 China trust seminar on global economic trends	3.2	CTBC Bank Co., Ltd

12. Certificate of license

	Taiwan CPA	CIA	Taiwan CIA	Public company accounting supervisor with professional certification	Stock Affair Specialist	Corporate governance personnel	Enterprise Internal Control Basic Ability	International computer auditor	Internal control and audit of the bank
The number of people	4	4	5	1	2	1	4	1	1

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

To strengthen Board functions and reinforce management mechanisms, the Company has established Board structure as appropriate, Board member diversification guidelines, and a candidate nomination system for the election of directors based on the principle of fair treatment to shareholders. Inventec persists in the “human-based” concept, with “talent development” as its basis of sustainable operations, incorporated with strategic goals of the Company, management functions and core values, solid takeover plan, and periodical evaluation of the management succession plan development and implementation to ensure sustainable operation. The guidelines for diversification goals of the election of directors cover: (1) basic conditions and value: gender, age, nationality, culture, etc.; (2) professional knowledge and skills: law, accounting, industry, finance, marketing, or technology background, professional skills, and industrial experience. The selection of management: (1) establish a talent echelon: first evaluate the key positions and the abilities, qualifications, and conditions required by these positions and then evaluate potential talents via assessment tools before determining the talent development plan; recognize performance and future potential based on the strategic organizational plan; strategically establish the overall career development of key talents, allowing them to learn to take responsibility through a diversified development plan, such as work instructions, transfers, meeting participation, cross-unit cooperation, project implementation, and workplace training competitiveness as required by future talents. (2) Establish talent development blueprint and competence model: set corresponding management functions and training methods based on hierarchy, apply educational training, performance assessment, and incentive measures for potential successors, develop function-oriented talent resource management models, and ensure the stable development of talent resources and sustainable operation of the Company. The physical taking of professional abilities every year and initiation of individual development projects: organize professional technology training systematically and hold irregular group management meetings,

executive meetings, and consensus camps to conduct training programs as required by the key positions. In 2019, three group management meetings, five executive meetings, and six consensus camps were held. The Board of Directors approved the election of directors and nominated director candidates on March 24, 2020. The tenure of office of the Board will expire on June 15, 2020, and the election shall be held in the shareholders' meeting pursuant to laws. In total, nine directors (including three independent directors) are to be elected. The six director candidates are Chao, Tom-Hwar; Yeh, Kuo-I; Wen, Shih-Chih; Lee, Tsu-Chin; Chang, Ching-Sung; and Yeh, Li-Cheng. Among them, the first five directors listed are current directors who are familiar with the operation of the Board and are specialized in accounting, industry, finance, marketing, or technology. Mr. Yeh, Li-Cheng is currently the director of the subsidiaries AIMobile, Inventec Appliances Corp., and Inventec Solar Energy, with complete education and experience of information and assets management. The three independent director candidates nominated are Chen, Ruey-Long; Chang, Chang-Pang; and Wei, Chi-Lin. Among them, the first two are current independent directors and are specialized in law and economics, respectively. Mr. Wei, Chi-Lin is the independent director of Besta with complete education and experience of economics and commercial management. In consideration that Mr. Wei, Chi-Lin has working experience necessary for the business over five years that would obviously benefit the Company, he is thus appropriate for the post of independent director.

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

2.3.5 Status of remuneration committee

2.3.5.1 Remuneration committee

Title (Note1)	Criteria Name	Met one of the following professional qualification requirements with at least five years work experience			Independence (Note2)										Number of other public companies in which the individual is concurrently serving as an Remuneration Committee member	Note
		An instructor of higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, or university	A judge, public prosecutor, attorney, CPA, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the areas of commerce, law, finance, accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Chang, Chang-Pang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	
Independent Director	Chen, Ruey-Long	–	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	Shyu, Jyuo-Min	✓	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

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

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

- (1) Not an employee of the company or any of its affiliates.
- (2) Not the directors or supervisors of the Company or the affiliated enterprises (except for those who are independent directors of the Company or the parent company, subsidiaries, or subsidiaries of the same parent company established in accordance with the Act or local laws).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under any other's name, in an aggregate amount of 1 percent or more of the total number of issued shares of the company or ranking in the top 10 in shareholding.
- (4) Not the spouse, second-level blood relative, or lineal blood relative within three degrees of the managers listed in (1) or the persons listed in (2) or (3).

- (5) Directors, supervisors, or employees indirectly holding more than 5% of the total shares issued by the Company, the top five shareholders, or appointing the representative as directors or supervisors in accordance with Item 1 or 2 of Article 27 in the Company Law (except for those who are independent directors of the Company and its parent company, subsidiary, or subsidiaries of the same parent company established in the Law or local laws).
- (6) Not the directors, supervisors, or employees of other companies with the director's seat of the Company or with more than half of the voting shares controlled by the same person (except for those who are independent directors of the Company and its parent company, subsidiary, or subsidiaries of the same parent company established in the Law or local laws).
- (7) Not the directors, supervisors, or employees of other companies or organizations as the same person as the Company's chairman, general manager, or equivalent position or the spouse (except for those who are independent directors of the Company and its parent company, subsidiary, or subsidiaries of the same parent company established in the Law or local laws).
- (8) Not the directors, supervisors, managers, or shareholders with more than 5% shares of specific companies or organizations with financial or business transactions with the Company (except for those who are independent directors of specific companies or organizations holding more than 20% of the total shares issued by the Company but not more than 50%, and of the Company and its parent company, subsidiary, or subsidiaries of the same parent company established in the Law or local laws).
- (9) Not the professionals of business, legal, financial, accounting, or other related services, entrepreneurs of proprietorships, partnerships, corporations or organizations, partners, directors, supervisors, and managers or their spouses who provide the audit services for the Company or affiliated enterprises or whose cumulative remuneration in the last two years has not exceeded NT\$500,000. However, this restriction shall not apply to members of the remuneration committee, open takeover review committee, or special committee for mergers and acquisitions who perform their duties under the Securities and Exchange Act or the relevant statutes of the Mergers and Acquisitions Act.
- (10) Not been a person of any conditions defined in Article 30 of the Company Act.

2.3.5.2 The state of the remuneration committee's implementation

A. The remuneration committee comprised of 3 members.

B. Tenure of the remuneration committee is from 16th June, 2017 to 15th June, 2020. A total of 2 (A) meetings of the remuneration committee were held in 2019, the status of attendance is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) B/A	Remarks
Chairman	Chang, Chang-Pang	2	0	100%	Independent Director
Member	Chen, Ruey-Long	2	0	100%	Independent Director
Member	Shyu, Jyuo-Min	2	0	100%	Independent Director

Other information to be disclosed:

1. If Board of Directors did not adopt or revise the proposal made by the Remuneration Committee, please specify the date, session, agendas and resolutions of the Board of Directors meeting and how the Company handled the proposal made by the Remuneration Committee (If amount of the compensation approved by the Board of Directors is higher than that proposed by the Remuneration Committee, please specify the reasons and differences in proposals.): None.
2. If any members of the Remuneration Committee were against or reserved their opinions towards the resolutions, please specify the date, session, agendas, opinions of all members and how the opinions were handled: None.

Note: The Company convenes a meeting of the Remuneration Committee every year to establish and review performance and remuneration policies, system, standards, and structure of directors and managers and suggestions to the Board.

2.3.5.3 Operation of the salary and remuneration committee in 2019

Date	Contents proposed	Result of resolution	Company's disposal of the salary and committee's suggestion
2019.03.22	<ol style="list-style-type: none"> 1. 2018 remuneration distribution to employees, and board directors 2. Approve the revised board performance evaluation method. 	All members of the committee agree to adopt the proposal	Submitted to the board of directors; all present directors agree to adopt the proposal
2019.12.31	<ol style="list-style-type: none"> 1. Discuss the performance evaluation and compensation policy, system, standards and structure of the current director and manager. 2. 2019 employee compensation and director compensation ratio. 3. Manager compensation and year-end bonus planning. 	All members of the committee agree to adopt the proposal	Submitted to the board of directors; all present directors agree to adopt the proposal

2.3.6 Implementation of corporate social responsibility and differences in the corporate social responsibility practice code of the listed or OTC company and reasons

Item	Implementation Status (Note1)			Non-implementation and its reason(s)
	Y	N	Summary (Note2)	
<p>1. Exercising Corporate Governance</p> <p>(1) Does the Company conduct risk assessment on environmental, social, and corporate governance issues related to the Company's operation in accordance with the principle of materiality and then formulate relevant risk management policies or strategies? (Note3)</p>	✓		<p>The risk management policies of the Company have been reported to and approved by the Board, and both the risk management and operation status are reported to the Board every year to reinforce risk control management.</p> <p>1. Risk management policy: To efficiently prevent and control risks, promote management performance, and achieve the goal of sustainable operation. Identify material risks, evaluate risks analysis, clarify corresponding strategies, strengthen response mechanisms, effectively reduce risks, enhance competitiveness and design, implement and operate via internal control procedures of all units to achieve effective risk control targets, and maintain the rights of shareholders and the Company's competitiveness.</p> <p>2. Risk management organization: All business groups and company units are responsible for risk management based on the nature of their business. The Board and Audit Committee are the final decision makers of risk evaluation and control.</p> <p>3. Risk management procedures: All units shall evaluate and periodically carry out various risk control procedures in accordance with E (Environment), S (Social), and G (Governance) related regulations to efficiently measure and control an acceptable scope of various risks by the standards of incidence rate and effects incurred and therefore maintain normal operation to achieve sustainable operation.</p> <p>4. The scope of risk management includes “strategic risks”, “operational risks”, “financial risks”, “lawsuit and intelligence property risks”, “product safety risks”, “information security risks”, and “environmental safety risks”.</p>	No difference

Item	Implementation Status (Note1)			Non-implementation and its reason(s)
	Y	N	Summary (Note2)	
2. If the Company set up a unit exclusively or concurrently to execute CSR policies and if the Board appointed member(s) of management team to supervise and report its implementation status to the Board?	✓		The enterprise level of "corporate social responsibility" of the Company is the Chairman of the Board of Directors, and the "Social Responsibility Group" is established under the Chairman to be dedicated to promoting corporate social responsibility related affairs and regularly report to the Board of Directors. Making social responsibility policy, system, or related management guidelines of responsible corporations and the proposal and implementation of a substantive launch plan, report the implementation plan and results to the board every year.	No difference
3. Environment issues				
(1) If the Company established proper environment management system based on the characteristics of the industry where the Company belongs to?	✓		(1) The environmental sustainable management system established by the Company gives due consideration to the requirements of the government, customers, employees, community and other interested parties and also refers to international standards such as ISO/IECQ, etc.. The system includes the Environmental Management System (ISO 14001), the Hazardous Substance Process Management System (IECQ QC 080000), the Greenhouse Gas Management System(ISO14064-1) and the Energy Management System(ISO50001), amongst others. All the aforementioned preceding systems have passed external certifications and verifications conducted by independent third party certification authorities. Furthermore, these four major management systems are also the communication platforms between Inventec and interested parties.	No difference
(2) If the Company endeavored to utilize resources more efficiently and utilized renewable materials which have a lower impact on the environment?	✓		(2) In order to save the resources needed in product production, at the stage of design and development, to maintain product function and quality, the Company has reduced the components and consumable materials needed to be used in product production through the design of common use and reduction of materials and recycling, reusing, etc. Green design is the design for the environment, and its connotation is to integrate the consideration of environment, safety, etc. into the stage of product development and design through a systematic approach, then include it in the product life cycle, import the concept of green design into the manufacturing process, utilize the selection of raw materials and product easy dismantling design, reduce product environmental impact, and maintain product price, efficiency, and	No difference

Item	Implementation Status (Note1)			Non-implementation and its reason(s)
	Y	N	Summary (Note2)	
(3) Has the Company evaluated current and future potential risks and opportunities of climate change to the Company and taken actions corresponding with climate related issues?	✓		<p>quality at the same time. The green design strategies of Inventec are divided into the following eight points: 1. Spare no effort to seek approaches to reduce environmental impact; 2. Lessen the total energy consumption in the product life cycle; 3. Mitigate the burden on the land; 4. Design for clean production and use; 5. Design for durability; 6. Design for best function; 7. Design for reuse, recovery, and recycling; 8. Avoid using raw materials with toxic substances in the product.</p> <p>(3) In response to the requirements of local government, customers, and international investment institutions to climate change, the Company follows the climate change governance framework of the Task Force on Climate-related Financial Disclosure (TCFD) to conduct management and disclosure. The climate action of the Company has been developed with the goal of “green environmental protection”, with the following climate action strategies: “develop low carbon products, encourage green development; energy conversion performance, invest in reclaimable energy; be dedicated to a low carbon environment, carbon reduction culture for all people, enhance clean production, fulfill green factory; link with circular economy, promote green life”. It is expected to make some contribution to the green economy and mediate climate change. The measures of climate actions are evaluated and identified by all functional units with regard to the four major steps of climate action (risk issue identification, material risk determination, opportunity identification, and planning for measures of medication and adaptation) to efficiently control the transformation (e.g., policies and regulations, technology, market, goodwill, etc.) and physical (e.g., extreme climate) material risks. Meanwhile, evaluate possible opportunities (e.g., seeking new energy, market, products/services, resource efficiency, etc.) as appropriate for facilitating new businesses and services. For details, please refer to the 2019 Inventec Corporate Social Responsibilities Report.</p>	No difference
(4).Has the Company calculated greenhouse gas emission, water consumption and total weight of wastes in previous two years and	✓		<p>(4) a. For greenhouse gas management, the Company introduced the greenhouse gas physical taking system in 2008, and the greenhouse gas physical taking has been completed for 13 years (2007~2019) now. Furthermore, the reasonable level of assurance is made by internal and external independent third party verification institutions after the physical taking to ensure the</p>	No difference

Item	Implementation Status (Note1)			Non-implementation and its reason(s)
	Y	N	Summary (Note2)	
established policies for energy saving and carbon reduction, greenhouse gas reduction, reduced water consumption or other wastes management?			<p>completeness and confidence of data. Meanwhile, the greenhouse gas verification statement issued by the third party (SGS) is periodically disclosed on our website. The major greenhouse gas emission of Inventec Groups was 240,792.019 tons of CO2 equivalent (taking scope: such areas as seven plants of Inventec, three plants of Inventec Appliances Corp., and AIMobile), which was a decrease of 22,244.321 tons of CO2 equivalents compared to the emissions of 263,036.340 tons in 2018. The major emission of Inventec greenhouse gas came from indirect energy greenhouse gas emissions (scope 2), accounting for more than 95% of total emissions.</p> <p>b. With regard to energy saving and carbon reduction, the energy management policy of the Company is “continuous energy efficiency improvement, energy costs reduction; firm compliance with legal requirements, comprehensive energies identification; review of energy goals and target, acquisition of information and resources, fulfillment of the energy management system, and greenhouse gas reduction”. Meanwhile, the Sector Based Approach of Science Based Target (SBT) is adopted to calculate the greenhouse gas reduction target by using SDA (Sectoral Decarbonization Approach). The greenhouse gas reduction target is “with benchmark of 2015, the greenhouse gas emission within scopes 1 and 2, shall be reduced 19% by 2025”. Seventeen major energy saving projects were promoted in 2019, and more than 1.65 million degrees of electricity were saved, which is equal to reducing 1,169.43 tons of CO2 equivalent. In addition to energy saving and equipment energy efficiency promotion, the Company especially set the target of reclaimable energy for expanding energy conversion facilities for reclaimable energy to break through the current situation and continuously increase 5% of reclaimable energy through 2025. The Company has constructed solar power clean device in its China plants (Pudong, Nanjing). The solar power generation in 2019 was 5,659,315 degrees. The solar power clean devices are continuously being built in Taiwan as well. The solar power generation in Taiwan was 111,381 degrees. All of the above data have been verified by an independent third party verification institution (SGS).</p> <p>c. Regarding water resources management, the water resources management policies of the Company are “water saving for all people; change the act; efficient water consumption, circulation, and recycling”. The target of water resources management is 1% less per person</p>	

Item	Implementation Status (Note1)			Non-implementation and its reason(s)
	Y	N	Summary (Note2)	
			<p>per year in 2025 compared to 2018. The water consumption in 2019 was 1498.2 thousand tons, which was a 9.01% increase compared to 1374.4 thousand tons in 2018. The average water consumption per person per year was 78.95 tons in 2019, which was 9.00% increase compared to 72.43 tons in 2018. All of the above data have been verified by an independent third party verification institution (SGS).</p> <p>d. Regarding waste management, the waste management policies set by the Company are “minimize waste output and maximize resources recycling”. The waste management target is a 2% decrease of waste in 2025 compared to 2018. The waste volume was 21.8 thousand tons in 2019, a 2.89% increase compared to 21.2 thousand tons in 2018. All of the above data have been verified by an independent third party verification institution (SGS).</p>	
4. Social issues				
(1) If the Company followed relevant labor laws, and internationally recognized human rights principal, and established appropriate management policies and procedures?	✓		(1) The Company has established “working rules”, “regulations for the code of conduct of global employees”, and “sexual harassment prevention and complaint punishment regulations” in accordance with labor related regulations and in reference to international humanity conventions in order to provide employees with fair, just, and good working environment and conditions without discriminating by race, color, gender, language, religion, politics or other opinions, nationality or family background, property, birth, or other identity to protect human rights. The above regulations are also published on the Intranet for your reference to assure the rights of employees.	No difference
(2) Has the Company formulated and implemented reasonable measures for employee benefits (including remuneration, vacation, and other benefits) and properly reflected the operating performance or results in the employee	✓		(2) The Company has established various types of leaves and various employee relationship and club activities. Meanwhile, the Employee Welfare Committee provides or organizes various forms of employee welfare and activities. Reasonable salary welfare policies and the operational performance or results will be reflected in the employee’s compensation as appropriate.	No difference

Item	Implementation Status (Note1)			Non-implementation and its reason(s)
	Y	N	Summary (Note2)	
remuneration?				
(3) If the Company provided safe and healthy working environment to employees and conducted relevant training on safety and health management to employees periodically?	✓		(3) In order to improve safety, health, and environment management performance, the Company has established a professional and effective safety, health, environment, and energy management system, and plans the safety, health, and environment management plan pursuant to relevant laws every year, including occupational disaster prevention in its implementation. Emergency response drills are carried out for different issues, such as fire, flood, earthquake, etc. Risk management strategies are discussed and formulated, and all kinds of international information are promptly mastered. In the spirit of sustainable improvement of the safety, health, environment, and energy management system, and with systematized practice and performance, the Company adopts continuous cycling mechanisms from planning, execution, and examination to correction, exerts independent protection and control functions, and reduce potential risks to safety, health, environment, and energy in order to reduce operation risks. Regarding health promotion, new employees are required to provide a physical examination report pursuant to law before reporting for duty; for in-service employees, better than what is required by relevant laws and decrees, the Company regularly carries out all employees' health examination every year and implements health management operations. It also regularly cooperates with medical and health institutions to hold all kinds of health lectures and consultations.	No difference
(4) If the Company provided career planning, relevant training and skill development for employees?	✓		(4) By taking corporate operation objectives and development strategies as a training blueprint and being oriented according to actual employee demands, the Company has established an effective training plan of career skill development. (A) Talent asset appreciation: Encourage employees to take in-service training in English and Japanese courses in order to be in line with international norms. (B) Corporate culture communication: After reporting for duty, new employees will receive new employee training to become familiar with internal personnel regulation systems, corporate culture, work environment, etc. All kinds of employee assemblies and	No difference

Item	Implementation Status (Note1)			Non-implementation and its reason(s)
	Y	N	Summary (Note2)	
(5) Does the Company comply with relevant laws and regulations and international standards regarding customer health and safety, customer privacy, marketing, and labeling of products and services? Does it develop relevant consumer protection policies and complaint procedures?	✓		<p>communication meetings will be held regularly, in which the senior supervisor will directly deliver company operation philosophy and operation direction and describe the strategic policy of each department.</p> <p>(C) Supervisor cultivation plan: Basic supervisor training, advanced supervisor training, and custom senior management courses will be regularly held in order to improve overall management capability.</p> <p>(D) Professional competency development: According to all kinds of demands to develop professional skills and with the Technical Committee, designedly carry out professional skill training courses.</p> <p>(E) Condense team consensus: Carry out all kinds of team building and encouragement courses and strategic operation meetings based on the demand and build high identification for both the team and the company.</p> <p>(5) The Company provides customers with a comprehensive and thorough customer relations management service mechanism, from order receiving to the stage of product development and to the stage of mass production. After product delivery, we track the product condition to the customer end and actively care about all feedback from the customer. Through the customer complaint management system and with a complete customer complaint standard operation procedure, the Company prepares reason analysis, correction and prevention solutions in project review, and confirms effectiveness in order to give feedback on problem solving to customers and understand real customer demands to achieve the highest customer satisfaction. Furthermore, by periodically holding customer business review meetings, the Company can discuss relevant issues, such as technology research and development, product delivery, product quality, after-sales service, quotation cost, energy saving and carbon reduction, green products, corporate social responsibility, etc., in response to the issues that concern customers. In order to solve the problems reflected by customers, the customer service and quality assurance departments have established a 24-hour customer service hot line and customer service website and provide instant services and response mechanisms through a stationed service mechanism at</p>	No difference

Item	Implementation Status (Note1)			Non-implementation and its reason(s)
	Y	N	Summary (Note2)	
(6) Has the Company formulated a supplier management policy that requires its suppliers to comply with relevant regulations on environmental protection, occupational safety and health, or labor and human rights, and how is it implemented?	✓		<p>OEM/ODM customer end. In response to environmental protection legal issues of each country throughout the world and provide customers with better environmental protection service, the Company will assist customers in acquiring product green mark certification, including such certification mechanisms as Taiwan Green Mark, China Green Mark (SEPA), China Energy Saving Mark (CECP), China Energy Saving Label (CEL), Energy Star, American Green Procurement Assessment Guideline (EPEAT), etc., in order to provide global customers more environmentally friendly products and services.</p> <p>(6) With regard to the various assessments of suppliers, in addition to the quality, cost, delivery time, technical skill, and service that are assessed in the general industry, with the rise of corporate social responsibility awareness, the Company will also extend the assessment scope to green products and corporate social responsibility, and the assessment scope will correspond to the Company's requirements for supplier, including the establishment of management systems such as ISO 9001, ISO 14001, OHSAS 18001, RBA, etc. Through diversified assessment consideration, the Company ensures that the cooperating supplier can specifically respond to important supply chain issues, such as product environmental protection, manufacturing process environmental protection condition operation requirements, restriction of the use of hazardous substances, prohibiting child labor, guaranteeing employee rights and interests, workplace safety, etc. The Company ensures that the supplier does not violate the aforementioned circumstances through supplier RBA auditing. Every year, the Company will perform an on-site audit on existing suppliers with medium and high risks and ask for improvement; furthermore, contract contents explicitly stipulate a legal compliance clause, and in case of violation of relevant important laws and regulations and having an obvious impact on the environment and society, the contract can be terminated or canceled pursuant to such clause.</p>	No difference
5. Does the Company refer to internationally applicable reporting standards or guidelines to prepare			In order to improve the transparency, completeness, and reliability of information disclosure, for the "2019 Inventec Corporate Social Responsibility Report", the Company designated a third party unit (SGS) to carry out substantial examination and assurance operations on the contents and data in the	No difference

Item	Implementation Status (Note1)			Non-implementation and its reason(s)
	Y	N	Summary (Note2)	
the corporate social responsibility report and other reports that disclose the Company's non-financial information? Has the report been confirmed or endorsed by a third party?			<p>report according to GRI sustainability report criteria "core option" in order to conform to the GRI G4 core option and AA1000 AS 2008 second type high assurance level.</p> <p>Listed subsidiaries of the Company Group have not yet acquired relevant certification on corporate social responsibility report, but they all abide by relevant regulations and have no significant difference.</p>	
<p>6. If the Company established any guideline of corporate social responsibility in accordance with "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM-Listed Companies" and please state the implementation status of the guideline and any reasons for non-implementation:</p> <p>Pursuant to the "Listed Company Corporate Governance Best Practice Principles", the Company has established the "Inventec Corporation Corporate Governance Best Practice Principles" in 2014, as while fulfilling its corporate social responsibility, the Company also ought to give full consideration to the interests of interested parties and treat customers and consumers in a fair and respectful way. Furthermore, social or environmental issues can be solved through commercial methods, which have no impact on the principles of business operations. The second amendment was approved by the Board of Directors on August 9, 2016.</p>				
<p>7. Other material information that helps to understand the operation of corporate social responsibility:</p> <p>(1). Environmental protection:</p> <p>To the Company, "environmental protection" is a part of its "social responsibility" in our top ten beliefs, namely "environmental protection, culture, poverty relief, and community". In order to fulfill our corporate citizenship responsibility and practice the "green energy environmental protection" of our five major policies, the Company has set Inventec's environmental objectives, environmental policies, and environmental projects in order to guide the overall power of our colleagues to move towards a new vision of green sustainability.</p> <p>(2). Community participation:</p> <p>Integration into community life with practical action and the long-term adoption of community parks and designate dedicated personnel for maintenance and cleaning in order to provide community residents with a comfortable and clean public space.</p>				

Item	Implementation Status (Note1)			Non-implementation and its reason(s)
	Y	N	Summary (Note2)	
<p>(3). Social contribution:</p> <p>To show consideration for society, the Company responds to blood donation and is earnest toward its social responsibilities. We consecutively receive the national “quality occupational safety and health unit award”, “business environmental protection award” of the EPA, “good blood donation unit award” issued by the MOI, “healthy workplace certification health promotion logo” of the National Health Department, Taipei “good labor safety unit award”, “zero disaster working hours record – golden award” of the MOL, “commonwealth corporate citizen award” of Commonwealth Magazine, and “Taiwan corporate sustainability award” and “corporate sustainability report – platinum award” of Top 50 Taiwan sustainable corporations issued by Taiwan Institute for Corporate Sustainability.</p>				
<p>(4). Social service:</p> <p>From 8:00 am to 9:00 am from Monday to Friday, the Company will arrange an internal security guard to ease vehicle congestion during office hours and safeguard community traffic safety on surrounding roads of the Company.</p>				
<p>(5). Social benefit:</p> <p>Inventec encourages employee to actively participate in public service activities such as caring for minority groups, literary and artistic activities and contributing to ecological education, etc. The Inventec Group Charity Foundation was established in 2010, mainly to assist and support public charity organizations from all walks of life in engaging businesses in social welfare. In support of disadvantaged groups, it has been giving out year-end donations to dozens of social welfare public groups over the years before the Spring Festival, to assist them with their long-term social welfare work. The company has also evaluated the fundraising projects of charities from a variety of areas and has chosen favorable social welfare organizations to which to give charitable donations. Mainly through corporate donations, more than 50 social welfare organizations received donations from the Company in 2019. In May of 2019, the Company donated a blood donation vehicle to the Taipei Blood Donation Center. The social responsibility group of the Company also regularly calls on colleagues for small donations, and raises funds to donate to social welfare institutions such as the "Hsinchu City Charity Foundation" and the "New Life Social Welfare Development Promotion Association" on a monthly basis. The Talent Center also encourages colleagues to participate in World Vision - Hunger Thirty Experience Camp activities. The Company also gets involves in literary and artistic activities by continuously donating to the Taipei Philharmonic Foundation to support its hosting of the Taipei International Choral Festival. With respect to ecological conservation, over the years the Company has been cooperating with the Wild Bird Society of Taipei to promote the environmental education plan of Guandu Nature Park, and encourages staff to become conversation volunteers at the Kwan-tu wetland.</p>				

Item	Implementation Status (Note1)			Non-implementation and its reason(s)
	Y	N	Summary (Note2)	
(6). Consumer rights and interests: The Company has provided product liability insurance, and has set up a related product customer service hot line.				
(7). Human rights: The Company has provided public accidental insurance and employee group insurance.				
(8). Safety and health: In addition to complying with the Occupational Safety and Health Act and relevant subordinate legislations and carrying out all kinds of matters as required, the Company also effectively promotes the Taiwan Occupational Safety and Health Management System (TOSHMS) and International Occupational Health and Safety Assessment Series (OHSAS 18001), implements all kinds of safety and health business management, and works together with community medical and health resources to arrange employees to participate in the screening of four cancers (breast cancer, cervical cancer, oral cancer, colorectal cancer), bone mineral density test, and physical fitness test, and also holds health lectures, etc. So far, the Company has won several awards, including: "Labor Safety Excellent Unit - Enterprise Award", "Labor Safety and Health Excellent Unit - Five Stars Award", "National Favorable Institute Award of Job Safety and Hygiene", "Hazard-Free Working Hour Record Award", "Excellent Health Workplace - Health Excellence Award", "Taipei City Excellent Breastfeeding Room Certification", "Taoyuan County Excellent Breastfeeding Room Award", and "Blood Donation Excellent Enterprise Award", etc. Furthermore, the Company actively coordinates with the promotion of all kinds of government policies, facilitates harmonious labor-capital relationships, and fulfills its corporate social responsibility. The corporate social responsibility related information of the Company, such as corporate governance implementation, sustainable environment development, social benefits, etc., are disclosed on the company website and mops.twse.com.tw .				

Note1: If "yes" is checked for the operation situation, please state the major policies, strategies, measures, and implementation; if "no" is checked, please explain the reasons and plans for implementing relevant policies, strategies, and measures in the future.

Note2: If the Company has compiled a CSR report, the operation situation may indicate the method of referring to the CSR report and the index page number instead.

Note3: The materiality principle refers to those who have a significant impact on the investors and other stakeholders of the Company on environmental, social, and corporate governance issues.

Note4: Unless otherwise described, the listed subsidiaries of the Company Group comply with relevant regulations upon Corporate Social Responsibility.

2.3.7 Implementation of ethical corporate management best practice principles and the differences between the performance of ethical corporate management best practice principles and the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons

Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
1. Ethical Corporate Management Policy				
(1) Does the Company have a Ethical Corporate Management policy approved by the Board of Directors and clearly state the policy and practice of good faith operation in the regulations and external documents, as well as the commitment of the Board of Directors and senior management to actively implement the operation policy?	✓		(1) The Company attaches importance to its reputation and takes integrity and sustainable operations as the maximum assets accumulated by company operations. Among them, the "Codes of Ethical Conduct" and "Code of Integrity Operation" are the ethical standards of conduct and specifications for integrity operation philosophy for directors, managers, employees, appointees, or those with substantial control capability of the Company in order to prevent the occurrence of conflicts of interest and acts without good faith, as well as let interested parties of the company better understand the above company standards by which they must abide. The official business discussion of the Board of Directors of the Company takes good governance system establishment, supervision function improvement, and management mechanism strengthening as its major purposes. Unless otherwise prescribed by laws and decrees or regulations, the Board of Directors meetings shall be conducted pursuant to the "Rules for Board of Directors' Discussion" of the Company. Upon convening a Board of Directors meeting, the discussion unit designated by the Board of Directors shall prepare relevant materials for the Board of Directors' examination at any time and notify managers from relevant departments who are not directors to attend according to the contents of the proposals. When necessary, the Company will also invite CPAs and other professionals to attend meetings.	No difference
(2) Has the Company established an assessment mechanism for	✓		(2) In order to ensure the implementation of integrity operations, all new employees of the Company must participate in the "Implement Internal	No difference

Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
<p>the risk of dishonest behaviors in order to regularly analyze and evaluate the business activities with high risk of dishonest behaviors within the business scope, formulate the prevention plan hereby, and cover at least the preventive measures for various behaviors in Item 2, Article 7 of the Good Faith Operation Code of Listed and OTC Companies?</p> <p>(3) Has the Company clearly defined the operation procedures, behavior guidelines, disciplinary punishments, and complaint systems for violations for preventing dishonest conduct plans and then implemented and regularly reviewed and revised the previous disclosure plan?</p>	✓		<p>Control System" and relevant legal courses training, and an audit supervisor will report the important poor external and internal control cases, deficiency analysis, and self-prevention countermeasures in the Board of Directors meetings. Furthermore, the Company signs improper benefits banned purchase contract with its suppliers, establishes an effective accounting system and internal control system, regularly executes internal auditing and self-assessment operations, and actually checks the company's compliance in order to prevent the occurrence of acts without good faith. The Company's anti-dishonest behavior plan already covers the preventive measures of the various behaviors mentioned in Item 2, Article 7 of the Good Faith Operation Code of Listed & OTC Companies.</p> <p>(3) The Company has formulated schemes for preventing acts without good faith in the "Global Employee Code of Conduct Management Measures" and "Employee Complaints and External Reporting Management Specifications" pursuant to the "Code of Integrity Operations", including operation procedures, behavioral guidelines, violation punishments, and a complaint system, and implements them. Operation Procedure and Behavioral Guidelines for Honest Operation have been established. Review and revise regularly and annually.</p>	No difference
<p>2. Implementation of Ethical Corporate Management</p> <p>(1) If the Company checked whether the respective</p>	✓		<p>(1) In addition to formulating the "Codes of Ethical Conduct" and "Global Employee Code of Conduct Management Measures", the Company has also</p>	No difference

Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
counterparty holds any record of unethical misconduct and if the contract terms required the compliance of ethical corporate management policy?			formulated "New Manufacturer Assessment Management Measures" that require new manufacturers to have good business reputations and conform to the ethical requirements of the Company. In "Purchase Contracts", it shall explicitly stipulate that the supplier shall abide by the special guarantee clause, in which the payment of commission, proportion commission, brokerage fees, tail end fees, or other beneficial behaviors are prohibited. In case of violation, the Company is entitled to terminate the contract immediately, and the supplier shall unconditionally cooperate to ask such person that received benefits for compensation.	
(2) Has the Company set up a special unit under the Board of Directors to promote the business's good faith operations, and regularly (at least once a year) reports to the Board of Directors on its good faith management policy, prevention plan, and supervision of its implementation?	✓		(2) To fulfill their management responsibility of the good faith operation, prevent interest conflicts, provide the appropriate statements channel, the company establishes the talent center as a part-time organization for good faith operation to take charge of establishment, communication and training of good faith operation policy and dishonest behavior prevention scheme, and the relevant unit supervises the performance, and regularly report relevant plan and performance to the board of director every year.	No difference
(3) If the Company established a policy on prevention of conflict of interests, provided appropriate reporting channel and executed rigorously and thoroughly?	✓		(3) The Company has formulated the "Codes of Ethical Conduct", "Global Employee Code of Conduct Management Measures", and "Employee Complaints and External Reporting Management Specifications" to standardize the prevention of the occurrence of conflict of interest circumstances, explicitly stipulating that directors, managers, and all employees must not accept any gift or business entertaining and prohibiting transactions or business contact between the company and relatives of	No difference

Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
(4) Has the Company established an effective accounting system and internal control system to implement good faith operations, and has the internal auditing unit drawn up a relevant auditing plan according to the assessment results of the risk of dishonest behavior and checked the compliance of the anti-dishonest behavior plan or entrusted an CPA to carry out the inspection?	✓		<p>colleagues in order to avoid the impact of personal improper interests on company rights and interests. The Company has formulated a conflict of interest prevention policy in the "Code of Integrity Operations" and provides proper channel for directors, supervisors, managers, and other interested parties attending Board of Directors meetings to actively describe whether they have any potential conflict of interest with the company, which they shall evade.</p> <p>(4) The Company has established an effective accounting system and internal control system.</p> <p>(A) Accounting system: In order to implement integrity operations, an effective accounting system has been established. The accounting system of the Company was formulated pursuant to relevant laws and decrees and principles, such as the Securities Exchange Act, Company Act, Business Accounting Act, Securities Issuer Financial Statement Preparation Standards and International Financial Reporting Standards recognized by the Financial Supervisory Commission, International Accounting Standards, interpretation and interpretation announcements, etc., and was designed in accordance with company regulations, aiming at meeting actual operation requirements.</p> <p>(B) Internal control system: In order to implement integrity operations, the internal control system of the Company is the management process following the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and was designed by its managers, Consent of audit committee, passed by its board of directors, and implemented by the board of directors, managers, and other employees for purpose of promoting sound operations of the company, so as to reasonably ensure that the following objectives are achieved: (1).</p>	No difference

Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			<p>Effectiveness and efficiency of operations. (2). Reliability, timeliness, transparency, and regulatory compliance of reporting. (3). Compliance with applicable laws, regulations, and bylaws. Components of Inventec's internal control system include: (1). control environment, (2). risk assessment, (3). control activities, (4).information and communication, and (5). monitoring activities. The prevention (risk control) internal control system of Inventec includes: (1). prevention (risk control) risk assessment, (2). prevention (risk control) internal control, (3). prevention (risk control) internal audit, and (4).prevention (risk control) self-assessment result.</p> <p>(C) Internal audit: : Preventive audits (risk control) are performed according to the audit policy for the following 11 high risks approved by the board of directors in 2019: ethics, audit authority, inventory management, receivables, costs and expenses, asset preservation, industrial safety and environmental protection, information security, financial reporting (IFRS), financial regulations, compliance with laws. " Ethical Corporate Management Best Practice Principles of Inventec" and operational risk assessment to develop the audit focus of internal control system for prevention (risk control), and identify potential operational risks as soon as possible, assist the operations team to take preventive actions in advance, and continuously improve the contribution and value of internal audits to Inventec and its subsidiaries. Internal prevention audit (risk control) plan: The 2019 internal audit plan approved by the board of directors covers: factories (Shilin Factory, Taoyuan Factory, Inventec Computer Factory), subsidiaries (PSG Group, EBG Group, Solar Energy Group, a total of 24 and Inventec Appliances Group, a total of 13). The internal audit report and the follow-up report are submitted to the audit committee for inspection prior to the end of the following month after the</p>	

Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
(5) If the Company organized training and awareness programs on ethical corporate management to internal and external parties?	✓		<p>completion of the audit project Record the review, follow-up, and improvement of internal control deficiencies and submit the review opinions to the Board of Directors together with the opinions of the audit committee. In addition to the "annual audit plan" approved by the board of directors, the preventive (risk control) internal audit shall be carried out for the control operations of each transaction cycle in all factory areas and subsidiaries. To expand the depth of internal audits and promote their greater synergy and contribution, the audit center will establish project audits when requested to do so by the board of directors for the important problems and high-risk businesses found in routine audits and shall conduct in-depth investigations and submit audit reports. The audit center also checks the " Ethical Corporate Management Best Practice Principles " specified operation procedures, behavior guidance, and educational training of the implementation condition for the prevention plan of dishonest behavior based on the " Ethical Corporate Management Best Practice Principle Code of Inventec" and the "Ethical Corporate Management Best Practice Principle Code project audit of Inventec" approved by the Board of Directors, in view of the three high-risk factories and 13 high-risk subsidiaries.</p> <p>(5) To promote the concept of honest management, the Company holds regular internal and external educational training courses focusing on honest and ethical management practices. For the year 2019, the total number of hours spent on training amounted to 54,662, with training expenses of NT\$8,004,995. The related promotion or proportion of training on honest behavior in the Taiwan area for the year 2019 has reached 100%.</p>	No difference
3.Implementation of whistleblowing system				
(1) If the Company established a	✓		(1) System management and special personnel for special responsibilities: In order	No difference

Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
whistleblowing and reward system? Upon receiving a reported case, is there a dedicated personnel handling the reported case?			to solve major violations or misconduct, etc. complained about by employees, the Company has set up external and internal complaint management. When employees suffer from improper, illegal, or unreasonable events, they can submit a complaint according to the complaint system. There were no employee complaints or labor cases opened in 2019.	
(2) Has the Company established investigation standard operating procedures for accepting accusations, the follow-up measures to be taken after the investigation, and a relevant confidentiality mechanism?	✓		(2) Pursuant to the "Employee Complaints and External Reporting Management Specification", the Company has established investigation standard operation procedures and a confidentiality mechanism to accept reporting matters and imposes punishment by referring to trial principles. No appeals in 2019	No difference
(3) If the Company established any measures for protecting whistleblowers from inappropriate disciplinary actions?	✓		(3) In the "Employee Complaints and External Reporting Management Specifications", the Company has designated a dedicated complaint acceptor and complaint and reporting hotline: Tel.: 2881-0721 ext. 21999 / E-mail: 21999 @inventec.com, and according to the treatment principle, the Company will protect the reporter from discriminations, threats, post transfers, and other unfavorable treatments	No difference
4. Information Disclosure If the Company disclosed ethical corporate management policy and its status of implementation via corporate website or Market Observation Post System?	✓		The website of the Company discloses such information as integrity operation, social responsibility, corporate culture, and operation policy. Furthermore, a dedicated department has been established to be responsible for collecting and publishing all kinds of information, and the spokesman system has been established and Investor Conference convened pursuant to law, describing the company operation results and business conditions. The meeting video files will be uploaded to the company website and mops.twse.com.tw for review.	No difference

Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
<p>5. If the Company established any guideline of ethical business conduct in accordance with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies”, please state the implementation status of the guideline and any reasons for non-implementation?</p> <p>Pursuant to the "Listed Company Code of Integrity Operations", the Company formulated the "Inventec Corporation Code of Integrity Operation" in 2014. The fourth amendment was approved by the Board of Directors on August 13, 2019, and the operation has no difference from the rules.</p>				
<p>6. If any other information that helped to understand the operation of ethical business conduct and its implementation?</p> <p>(1).Suppliers of the Company need to pass the supplier corporate social responsibility survey appraisal form with the aim that suppliers will fulfill corporate social responsibility.</p> <p>(2).The director conflict of interest system is stipulated in the "Rules for Board of Directors’ Discussion" of the Company in order to ensure that relevant resolutions have no damage to company rights and interests.</p> <p>(3).Regarding major operation policies, investment cases, asset acquisition and disposal, bank financing, capital loan to other persons, endorsements, etc. of the Company, they shall be evaluated and analyzed by the relevant responsible unit and proposed to the Board of Directors for resolution.</p> <p>(4).Every year, all departments throughout the Company will carry out self-assessment operations, coordinate with the change of organization and environment in a timely manner, and review the appropriateness of the internal control system and whether colleagues are following the relevant regulations for business execution in order to ensure effective implementation of the internal control system of the company.</p>				

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

2.3.8 Corporate governance guideline and regulations

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

2.3.9 Other important information regarding corporate governance: None.

2.3.10 Internal control system

2.3.10.1 Statement of internal control system

Inventec Corporation
Statement of Internal Control System

Mar. 24, 2020

Based on the findings of self-assessment, the company states the following with regard to its internal control system in 2019:

1. The company is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of its Board of Directors and management. The aim of the internal control system is to provide reasonable assurance to effectiveness and efficiency of operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency, and regulatory compliance of reporting and compliance with applicable laws, regulations, and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the aforementioned three objectives. Moreover, the effectiveness of an internal control system may be subject to changes of environmental or circumstances. Nevertheless, the internal control system of the company contains self-monitoring mechanism and the company takes corrective actions whenever a deficiency is identified.
3. The company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing Establishment of Internal Control Systems by Public Companies (herein below, the “Regulations”). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component further contains several items. Please refer to the Regulations for details.
4. The company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the assessment mentioned in the preceding paragraph, the company believes that, as of December 31, 2019, its internal control system (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning effectiveness and efficiency of operations, reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will be integral part of the company’s Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This Statement has been passed by the Board of Directors in their meeting held on Mar. 24, 2020 with zero of nine attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

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

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

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

2.3.12 Major resolutions of shareholders' meeting and board meetings

2.3.12.1 Major resolutions of shareholders' meeting

Meeting date	Abstract of important proposals	Execution situation
2019.06.14	1. Proposal for the acknowledgment of the 2018 Business Report and financial statement of the Company.	Approved by 2,567,302,739 voting rights (among which, 1,546,572,628 voting rights were exercised electronically), accounting for 87.59% of the total voting rights. The approved voting rights exceed the statutory amount, and this proposal is passed.
	2. Proposal for acknowledgment of surplus dividend distribution of the Company in 2018.	Approved by 2,579,437,933 voting rights (among which, 1,558,707,822 voting rights were exercised electronically), accounting for 88.01% of the total voting rights. The approved voting rights exceed the statutory amount, and this proposal is passed. NT\$1.5 cash dividend is allotted per share. Ex-dividend base date: July 19, 2019. Date of cash dividend distribution: August 8, 2019.
	3. Proposal to revise some articles of the Articles of Company.	Approved by 2,562,436,972 voting rights (among which, 1,541,706,861 voting rights were exercised electronically), accounting for 87.43% of the total voting rights. The approved voting rights exceed the statutory amount, and this proposal is passed. Date of change of registration approval by the Ministry of Economic Affairs: July 01, 2018. The revised edition has been published on the company website.
	4. Proposal to revise some articles of Rules of Procedure for Shareholders Meetings.	Approved by 2,562,436,789 voting rights (among which, 1,541,706,678 voting rights were exercised electronically), accounting for 87.43% of the total voting rights. The approved voting rights exceed the statutory amount, and this proposal is passed.

		The revised edition has been published on the company website.
	5. Proposal to revise some articles of Regulations Governing Loaning of Funds.	Approved by 2,562,417,050 voting rights (among which, 1,541,686,939 voting rights were exercised electronically), accounting for 87.43% of the total voting rights. The approved voting rights exceed the statutory amount, and this proposal is passed. The revised edition has been published on the company website.
	6. Proposal to revise some articles of Regulations Making of Endorsements/Guarantees.	Approved by 2,562,422,050 voting rights (among which, 1,541,691,939 voting rights were exercised electronically), accounting for 87.43% of the total voting rights. The approved voting rights exceed the statutory amount, and this proposal is passed. The revised edition has been published on the company website.
	7. Proposal to revise some articles of Procedures for Acquisition or Disposal of Assets.	Approved by 2,562,400,833 voting rights (among which, 1,541,670,722 voting rights were exercised electronically), accounting for 87.43% of the total voting rights. The approved voting rights exceed the statutory amount, and this proposal is passed. The revised edition has been published on the company website.
	8. Removal of directors Chen, Ruey-Long and Shyu, Jyuo-Min's new non-competition restrictions.	Approved by 2,500,408,144 voting rights (among which, 1,479,678,033 voting were exercised electronically), accounting for 85.31% of the total voting rights. The approved voting rights exceed the statutory amount, and this proposal is passed.

2.3.12.2 Major resolutions of board meetings

Meeting date	Important resolution matters
2019.01.22	Passed to extend the bank quotas.
	Passed the participation in the capital increase of the reinvestment company AIMobile Co., Ltd.
2019.02.26	Passed the appointment of corporate governance officer
2019.03.26	Passed to issue the 2018 "Inventec Corporation Internal Control System Statement".
	Passed the 2018 employees', and directors' rewards distribution as deliberated by the Remuneration Committee of the Company.
	Passed the 2018 financial statement, consolidated the financial statement and business report of the Company.
	Passed the 2018 surplus distribution proposal of the Company.
	Passed the appointment of the certified public accountant.

Meeting date	Important resolution matters
	Passed to agree upon relevant matters of the 2019 general meeting of the Company.
	Passed the revision of some articles of the Rules of Procedure for Director Meetings.
	Passed the revision of some articles of the Articles of Company.
	Passed the revision of some articles of the Rules of Procedure for Shareholders Meetings.
	Passed the revision of some articles of the Regulations Governing Loaning of Funds.
	Passed the revision of some articles of the Regulations Making of Endorsements/Guarantees of the Company.
	Passed the revision of some articles of the Procedures for Acquisition or Disposal of Assets.
	Passed the revision of some articles of the Corporate Governance Best Practice Principles.
	Passed to remove the restriction of the board directors, Chen, Ruey-Long and Shyu, Jyuo-Min
	Passed the revision of some articles of the company's performance evaluation regulations for the board of directors
	Passed to extend the bank quotas.
2019.04.30	Passed to extend the bank quotas.
2019.05.15	Passed the 2019 Q1 consolidated financial statement of the Company.
	Passed the appointment of the reinvestment company's juridical person
2019.06.25	Passed to stipulate the ex-dividend base date of the cash dividend.
	Passed to reinvest in ZT Group Int'l, Inc.
2019.07.23	Passed to adjust the organizational structure of the Japan branch.
	Passed the investment in Inventec (Shanghai) Service Co., Ltd
	Passed to extend the bank quotas.
2019.8.13	Passed the 2019 Q2 consolidated financial statement of the Company.
	Passed the revision of some articles of the Audit Committee Charter.
	Passed the revision of some articles of the Rules of Procedure for Board Meetings.
	Passed the revision of some articles of the Ethical Corporate Management Best Practice Principles.
	Passed the revision of "2019 Internal Audit Plan (2nd Edition)".
	Passed to remove the non-competition restriction of the manager.

Meeting date	Important resolution matters
2019.9.24	Passed to lease the new factory through Inventec (Czech), s.r.o.
	Passed to invest in plant and equipment programs.
	Passed to waiver of mutual claims and liabilities through agreements between subsidiaries.
2019.10.3	Passed to purchase the plant building.
2019.10.22	Passed to appoint managers.
	Passed to invest in Inventec (Pudong) Technology Corp.
2019.11.12	Passed the "2020 Internal Audit Plan".
	Passed the revision of some articles of the internal control system.
	Passed the 2019 Q3 consolidated financial statement of the Company.
	Passed the CPA's fees
	Passed the donation of TWD 10 million to Inventec Group Charity Foundation
	Passed the investment in Entire Technology Co., Ltd.
	Passed Inventec (Chongqing) Corp. lend money to Inventec Asset-Management (Shanghai) Corporation.
2019.12.31	Passed the Company's manager remuneration and year-end bonus plan and employee and director remuneration proportion.
	Passed 2020 business plan
2020.01.16	Passed to sell real estate through the mainland reinvested company Inventec (Pudong) Corp.
2020.01.21	Passed the acquisition of land for future plant expansion through the North American subsidiary, IEC TECHNOLOGIES, s. desil.de C.V.
2020.02.25	Passed to purchase production equipment.
2020.03.24	Passed to issue the 2019 "Inventec Corporation Internal Control System Statement".
	Passed the 2019 employees', and directors' rewards distribution as deliberated by the Remuneration Committee of the Company.
	Passed the 2019 individual and consolidated financial statement, and business report of the Company.
	Passed the 2019 surplus distribution proposal of the Company.
	Passed the appointment of the certified public accountant.
	Passed the election of directors
	Passed to agree upon relevant matters of the 2020 general meeting of the Company.
	Passed the nomination of director candidates

Meeting date	Important resolution matters
	Passed to remove the restriction of the board directors, Chen, Ruey-Long and Shyu, Jyuo-Min
	Passed the revision of some articles of the Rules of Procedure for Shareholders Meetings.
	Passed the revision of some articles of the Procedures for Acquisition or Disposal of Assets.
2020.04.28	Passed the purchase production equipment of Inventec (Chongqing) Corp. in China area
2020.05.12	Passed the 2020 Q1 consolidated financial statement of the Company.
	Passed Inventec (Pudong) Corp lend money to Inventec Asset-Management (Shanghai) Corporation.
	Passed to extend the bank quotas.

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

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

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

2.4.1 Range of CPAs' fee

CPA Firm	CPA		Auditing Period	Remark
KPMG	Lin Wan-Wan	Yang, Liu-Fong,	2019.01.01~2019.12.31	-

Unit: NT\$ Thousands

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

Unit: NT\$ Thousands

CPA Firm	CPA	Auditing Fees	Non-Auditing Fees					Auditing Period	Note
			System Design	Industrial and Commercial Registration	HR	Others	Total		
KPMG	Lin Wan-Wan	8,950	0	0	0	2,963	2,963	2019.01.01~2019.12.31	Other non-auditing costs primarily include such tax consulting fees as transfer pricing and special method of fund remittance.
	Yang, Liu-Fong							2019.01.01~2019.12.31	

2.4.2 The non-audit fee paid to certified CPA, certified Office of CPA and affiliated companies accounts for over 1/4 to audit fee: The auditing costs mainly include the financial statement review and certificate verification, business income tax settlement declaration and certificate verification, review of the annual report of the shareholders' meeting, English report of financial statements, English report of individual financial statements, etc. Other non-auditing costs primarily include such tax consulting fees as transfer pricing and special method of fund remittance.

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

2.4.4 The audit fee is reduced by over 10% compared with the previous year: None

2.5 Information regarding the replacement of CPA: None

2.6 Audit independence

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

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

Unit: Thousand shares

Title	Name	2019		2020/1/1~2020/05/13	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Cho, Tom-Hwar	0	0	0	0
Director	Yeh, Kuo-I	0	0	0	0
Director	Wen, Shih-Chih	0	0	0	0
Director	Lee, Tsu-Chin	0	0	0	0
Director	Chang, Ching-Sung	0	0	0	0
Director	Huang, Kuo-Chun	61	0	0	0
Independent Director	Chang, Chang-Pang	0	0	0	0
Independent Director	Chen, Ruey-Long	0	0	0	0
Independent Director	Shyu, Jyuo-Min	0	0	0	0
President	Wu, Yung-Tsai	105	0	0	0
Business Group President	Chang, Hui	0	0	0	0
Business Group President	Tsai, Chih-An	0	0	0	0
Senior Vice President	Chiu, Chui-I-Kuan	0	0	0	0
Senior Vice President	Chen, Yea-Ping	0	0	0	0
Senior Vice President	Yi, Fu-Ming	0	0	0	0
Vice President	Chang, Nai-Wen	0	0	0	0
Vice President	Hong, Kuo-Ching	-155	0	0	0
Vice President	Chang Yiu-Lang	0	0	0	0
Vice President	Yu, Chin-Pao	0	0	0	0
Vice President	Chien, Kuei-Fen	0	0	-5	0
Vice President	Lou, Jin-Pang	0	0	0	0
Vice President	Tsai, Yuh-Chen	0	0	0	0
Vice President	Hsu, Ching-Wu	0	0	0	0
Vice President	Chou, Shao-Hsin	0	0	0	0
Vice President	Lin, Shu-Ju	0	0	0	0
Vice President	Liu, Ta-Cheng	0	0	0	0
Vice President	Yen, Cheng-Lung	0	0	0	0
Vice President	Chao, Tsai-Hsiu	0	0	0	0
Vice President	Li, Jui-Chin	0	0	0	0

Title	Name	2019		2020/1/1~2020/05/13	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Senior Director of Talent Center	Yu, Win-Chee	0	0	0	0
Director of Finance Center	Liang, Wen-Jan	0	0	0	0
Director of Talent Center	Lin, Shih-Pin	0	0	0	0
Director of Finance Center	Hsaio, I-Ying	0	0	0	0

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

Note 2: Li, Jui-Chin as the vice president on 22th Oct. 2019

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

2.7.1 Information of shares transferred

2020/05/13

Unit: Share

Name	The reason	Date	Trading counterparties	Relation	Shares	Price
Hong, Kuo-Ching	Endowment	2019/12/31	Lin, Bi-Chin	Spouse	64,974	23.14
Hong, Kuo-Ching	Endowment	2019/12/31	Hong, Yi-Shiang	filiation	90,000	23.15

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

2.7.2 Information of equity pledged: None.

2.8 Information on the relationship of the top 10 shareholders as related parties, spouses, or blood relatives within two degrees

2020.04.14

Unit: Share

Name	Shareholding		Spouse and Minor		Shareholding by Nominee Arrangement		The Relationship		Note
	Shares	%	Shares	%	Shares	%	Name	Relations	
Yeh, Kuo-I	226,361,330	6.31%	99,314,117	2.77%	-	-	Yeh, Li-Cheng Kuo Hsieh Investment Co., Ltd. Fu Tai Investment Co., Ltd. Wang, Fu-Tai	Relative within the second degree of kinship Director Director Spouse	
Shyh Shiunn Investment Corp.	139,416,690	3.89%	-	-	-	-	Wen, Shih-Chih	Chairman	
Shyh Shiunn Investment Corp.: Representative, Wen, Shih-Chih	35,685,590	0.99%	37,399	0.00%	-	-			
Lai-Chu Investment Co., Ltd.	136,721,634	3.81%	-	-	-	-	Yang, Yuan-Yuan	Chairman	
Lai-Chu Investment Co., Ltd. Representative Yang, Yuan-Yuan	-	-	-	-	-	-	-	-	
Fu Tai Investment Co., Ltd.	126,781,074	3.53%	-	-	-	-	Yeh, Li-Cheng Yeh, Kuo-I Wang, Fu-Tai	Chairman Director Director	

Name	Shareholding		Spouse and Minor		Shareholding by Nominee Arrangement		The Relationship		Note
	Shares	%	Shares	%	Shares	%	Name	Relations	
Fu Tai Investment Co., Ltd. Representative, Yeh, Li-Cheng	67,412,472	1.88%	600,000	0.03%	-	-	Yeh, Kuo-I Wang, Fu-Tai Kuo Hsieh Investment Co., Ltd..	Relative within the second degree of kinship Relative within the second degree of kinship Chairman	
Kuo Hsieh Investment Co., Ltd.	126,752,558	3.53%	-	-	-	-	Yeh, Li- Cheng Yeh, Kuo-I Wang, Fu-Tai	Chairman Director Director	
Kuo Hsieh Investment Co., Ltd. Representative, Yeh, Li-Cheng	67,412,472	1.88%	600,000	0.03%	-	-	Yeh, Kuo-I Wang, Fu-Tai Fu Tai Investment Co., Ltd.	Relative within the second degree of kinship Relative within the second degree of kinship Chairman	
Lee, Tsu-Chin	115,833,835	3.23%	-	-	-	-	-	-	
Wang, Fu-Tai	99,314,117	2.77%	226,361,330	6.31%	-	-	Yeh, Li-Chuan Kuo Hsieh Investment Co., Ltd.. Fu Tai Investment Co., Ltd. Yeh, Kuo-I	Relative within the second degree of kinship Director Director Spouse	
Yuanta/P-shares Taiwan Dividend Plus ETF	83,605,377	2.33%	-	-	-	-	-	-	
Fubon Life Insurance Co., Ltd	79,929,000	2.23%	-	-	-	-	Tsai, Ming-Hsing	Chairman	

Name	Shareholding		Spouse and Minor		Shareholding by Nominee Arrangement		The Relationship		Note
	Shares	%	Shares	%	Shares	%	Name	Relations	
Fubon Life Insurance Co., Ltd Representative, Tsai, Ming-Hsing	-	-	-	-	-	-	-	-	
Yeh, Li-Cheng	67,412,472	1.88%	600,000	0.03%	-	-	Yeh, Kuo-I Wang, Fu-Tai Kuo Hsieh Investment Co., Ltd. Fu Tai Investment Co., Ltd.	Relative within the second degree of kinship Relative within the second degree of kinship Chairman Chairman	

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

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

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

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

2.9 Ownership of shares in affiliated enterprises

2020.04.14

Unit: Thousand shares

Long-Term Investment	Ownership by Inventec		Direct/Indirect Ownership by Directors and Management		Total	
	Shares	%	Shares	%	Shares	%
Inventec Appliances Corporation	536,857	100.00%	-	-	536,857	100.00%
Inventec Besta Co., Ltd	23,405	37.53%	748	1.20%	24,153	38.73%
Inventec Investment Corporation	108,800	100.00%	-	-	108,800	100.00%
Inventec Solar Energy Corporation	108,150	33.45%	59,220	18.31%	167,370	51.76%
E-Ton Solar Tech. Co., Ltd.	94,889	29.70%	19,912	6.23%	114,801	35.93%
AIMobile Co., Ltd.	22,000	55.00%	-	-	22,000	55.00%

Note 1: It is the investment of company by adopting the Equity Method. E-Ton Solar has been excluded from the investment by using the equity method since 2020/3/26.

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

III. Capital overview

3.1 Capital and shares

3.1.1 Capital and shares

05/13/2020

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

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

Unit: Share; 05/13/2020

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

Information for shelf registration: None

3.1.2 Composition of Shareholders

04/14/2020

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	10	79	142	100,019	859	101,109
Shareholding (shares)	16,527,555	438,748,032	733,475,493	1,412,552,448	986,171,538	3,587,475,066
Percentage	0.46%	12.23%	20.45%	39.37%	27.49%	100.00%

3.1.3 Shareholding distribution status

04/14/2020

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1~ 999	30,526	9,102,623	0.25%
1,000~ 5,000	47,679	108,283,701	3.02%
5,001~ 10,000	11,827	86,106,481	2.40%
10,001~ 15,000	4,062	50,075,389	1.40%
15,001~ 20,000	1,944	35,018,588	0.98%
20,001~ 30,000	1,765	44,006,567	1.23%
30,001~ 40,000	830	29,301,252	0.82%
40,001~ 50,000	496	22,657,078	0.63%
50,001~ 100,000	882	62,131,247	1.73%
100,001~ 200,000	404	56,822,386	1.58%
200,001~ 400,000	237	68,950,865	1.92%
400,001~ 600,000	109	53,655,820	1.50%
600,001~ 800,000	61	42,268,552	1.18%
800,001~1,000,000	35	31,270,044	0.87%
1,000,001~999,999,999	252	2,887,824,473	80.49%
Total	101,109	3,587,475,066	100.00%

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

3.1.4 List of major shareholder

04/14/2020

Shareholder's Name	Shareholding	
	Shares	Percentage
Yeh, Kuo-I	226,361,330	6.31%
Shyh Shiunn Investment Corp.	139,416,690	3.89%
Lai-Chu Investment Co., Ltd	136,721,634	3.81%
Fu Tai Investment Co., Ltd	126,781,074	3.53%
Kuo Hsieh Investment Co., Ltd	126,752,558	3.53%
Lee, Tsu-Chin	115,833,835	3.23%
Wang, Fu-Tai	99,314,117	2.77%
Yuanta/P-shares Taiwan Dividend Plus ETF	83,605,377	2.33%
Fubon Life Insurance Co., Ltd	79,929,000	2.23%
Yeh, Li-Cheng	67,412,472	1.88%

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

Unit : NT\$; Thousand shares

Year			2018	2019	01/01/2020 ~03/31/2020
Item					
Market Price per Share (Note1)	Highest Market Price		28.15	25.55	23.45
	Lowest Market Price		21.00	20.50	18.75
	Average Market Price		24.00	23.10	22.26
Net Worth Per Share	Before Distribution		15.43	15.41	14.96
	After Distribution		13.93	14.11 (Note5)	—
Earnings Per Share	Weighted Average Share Numbers		3,587,475	3,587,475	3,587,475
	Earnings Per Share		1.81	1.54	0.85
Dividends Per Share	Cash Dividends		1.50	1.30 (Note5)	—
	Stock Dividend	Dividends from Retained Earnings	—	—	—
		Dividends from Capital Surplus	—	—	—
	Accumulated Undistributed Dividends		—	—	—
Return on Investment	Price / Earnings Ratio (Note2)		13.26	15.00	—
	Price / Dividend Ratio (Note3)		16.00	17.77 (Note5)	—
	Cash Dividend Yield Rate (Note4)		6%	6% (Note5)	—

Note1: Source of the materials: Taiwan Stock Exchange Corporation

Note2: Price / Earnings Ratio = Average Market Price / Earnings Per Share

Note3: Price / Dividend Ratio = Average Market Price / Cash Dividends Per Share

Note4: Cash Dividend Yield Rate = Cash Dividends Per Share / Average Market Price

Note5: Including 2019 dividend amount resolved by the Board on March 24, 2020

3.1.6 Corporate dividend policy and implementation condition

1. Corporate dividend policy

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

distributed in the current year.

2. Dividend distribution situation

The dividend distribution situations of the Company for past five years are summarized in the following table:

Year	2015	2016	2017	2018	2019
Cash Dividend	1.40	1.45	1.65	1.50	1.30
Stock Dividend	-	-	-	-	-

3.1.7 The impact of stock grants proposed by the shareholders' meeting at this time on company business performance and earnings per share: This (2020) Shareholders' Meeting has not proposed any stock grants.

3.1.8 Remuneration of employees, and directors

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

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

2. Estimation base of employee, and director remuneration in this estimation, the number of shares calculation base for employee remuneration in stock distribution, and accounting treatment when the actual distribution amount differs from the estimated amount.

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

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

- (1) The amount of employee, and director remuneration in cash or stock distribution. If it differs from the estimated amount in the recognized expense year, the balance, reason, and handling situation shall be disclosed: the Board of Directors passed a resolution, determining that the remuneration of employees in 2019 is NT\$ 424,704,269, and the remuneration of directors in 2019 is NT\$ 77,753,550, which are the same as the recognized expense amount in 2019.
- (2) The proportion of employee remuneration amount in stock distribution in the net profit after tax in individual financial statements of this period and the total employee remuneration: None

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

In 2018, the relevant information on the employee and director remuneration is summarized below: Employee bonus distribution: NT\$ 490,802,732; director remuneration distribution: NT\$ 97,342,541 and the total distribution amount is NT\$ 588,145,273. It is the same as the recognized expense amount in 2018.

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

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

3.2 Bonds: None.

3.3 Preferred shares: None.

3.4 Global depository receipts: None.

3.5 Employee stock options: None.

3.6 Restricted employee shares: None.

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

3.8 Financing plans and implementation

3.8.1 Plans: None.

3.8.2 Implementation: None.

IV. Operational highlights

4.1 Business activities

4.1.1. Business scope

1. Major business contents

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

2. Proportion of consolidated business

Item \ Year	2018	2019
IT Product	98.41%	99.18%
Solar Product	1.59%	0.82%
Total	100.00%	100.00%

3. Commodity items and new commodities planned to be developed

- A. Personal information products: Notebook PC, Desktop /AIO and Thin Client.
- B. Business solutions: servers, blade servers, network switches, storage equipment, rack solutions and server management software, etc.
- C. Smart devices include smart hand-held products, portable automatic navigation devices, media players, video and imaging products, and wearable devices.
- D. Solar batteries products.

4.1.2 Industry overview

1. The current situation and development of the industry

(1) Notebook computers

In recent years, the overall momentum of global laptop shipments has leveled off. According to the statistics of the information and policy commission, due to the end of the replacement tide of Windows7 support and the advanced shipment of some commodities in response to the impact of the US-China trade war in 2019, laptop shipments in Taiwan were about 128 million units in 2019, an increase of 1.8% over the previous year. Looking forward to 2020, although the global laptop shipment growth rate has become sluggish, in order to improve the sales profit, the major brands will increase the shipment proportion of advanced models. As for the design and manufacture of advanced models, Taiwan manufacturers have the leading technology and are still among the most reliable partners of major laptop brands. Furthermore, although the trade friction between China and the United States has been suspended, the market generally has doubts. Due to the impact of the novel coronavirus outbreak, the global political

environment and economic uncertainty will continue to affect the development of the global laptop market. The unstable situation will become the norm, testing how factories handle the short-term supply and demand fluctuations, as well as the long-term global layout and supply chain adjustment.

(2) Servers and Cloud computing

In recent years, due to digital transformation the market for information applications, such as wearable devices and Internet of things, has developed rapidly. In order to meet the demand for storing a large amount of digital data, manufacturers in various industries throughout the world have successively joined the cloud computing field to drive various innovative services. With the continuous increase of the overall output value of the cloud industry, the number of companies engaged in cloud services has also continued to increase. Although growth momentum is still dominated by North American brands, shipments of mainland China server brands continue to rise due to the growing telecom and Internet service industry in mainland China and the growing demand for massive data processing and storage. In line with the trend of continuous growth of mainland China brand manufacturers, American brand manufacturers are actively developing cloud computing solutions and maintaining their inherent enterprise hardware business.

According to the estimates by DIGITIMES Research, the annual global server shipments in 2019 declined by 1.2% due to the increased tariffs on US-China trade and the fact that some customers had delivered in advance in the previous year. Looking forward to 2020, driven by the launch of the new server processor platform, the market demand will gradually recover and stimulate server shipments. Global server shipments are estimated to rebound with an annual growth rate of about 5-6%. Furthermore, in the future, the American large data center operators are expected to still be the main driving force for overall server demand. In addition to the continuous growth of existing consumer services, the public cloud, mixed cloud, edge cloud, and other emerging demands will continue to be actively arranged. DIGITIMES estimates that the shipment of large data centers will account for about 33.7% of the global total amount in 2020, and the proportion will continue to rise.

(3) Smart device

The mobile phone industry has entered a mature period, with the global market penetration rate exceeding 100%. According to the data of the information and policy commission, the global shipments of smart phones were about 1,437 million in 2019, dropping 2.4% from 2018. According to the product portfolio observation, the sales momentum of advanced smart phones in recent years has been driven by the increase of consumer income in emerging markets, and the shipment volume of advanced smart phones has been greatly increased. Furthermore, as 5G communication technology will be gradually popularized, the proportion of 5G mobile phone shipments is expected to increase accordingly, becoming a competitive place for all manufacturers. The global smartphone market is becoming saturated, and the sales volume in 2020 is expected to be slightly higher than that in 2019, led by the replacement trend of 5G mobile phones.

With the development of Internet of Things related application services becoming increasingly mature, wearable devices are attracting more and more manufacturers to actively develop related products due to technological improvements and consumer acceptance. According to the statistics of research firm Gartner, the consumption of end-user spending on wearable devices reached \$41 billion in 2019, increasing 25% from 2018 and is expected to grow to \$52 billion in 2020. Regarding shipments, smartwatches and ear-wear devices topped the list, and Gartner forecasts that smartwatch shipments will be 86 million, and ear-wear devices will be nearly 70 million in 2020. As device sensing accuracy improves and miniaturization technology advances, optimization in all aspects will attract more new users. The sales volume is expected to continue to grow in the next few years with the popularization of wearable devices..

(4) Solar energy

According to the report of the research institute EnergyTrend, influenced by China's new policy issued on May 31, the enterprises accelerated their market layout in Europe and Southeast Asia in 2019. Driven by the aforementioned market demand, the market demand was estimated to reach 123GW in 2019, with an annual increase of 13.9%. EnergyTrend forecasts that the global demand for solar energy will continue to increase to 125GW in 2020 as market conditions improve.

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

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

3. All kinds of product development trends and competition situations

(1) Notebook computers

Laptops represent a highly mature product market, and low price is not the most important consideration of consumers, which has been replaced by both laptop functionality and quality. Facing the highly competitive situation of the laptop market, brand manufacturers continue to launch products that combine various new technology applications. In addition to focusing on the development of high-price and high-specification gaming laptops, major manufacturers of mainstream laptops are also actively introducing dual-screen, folding, 5G communication, AI chip, and other functions, towards niche product expansion, one of the development priorities of the laptop industry. With the competition of leading manufacturers, more innovative designs are expected to optimize the user interface and stimulate business opportunities of computer replacement.

(2) Server and cloud computing

The demand for cloud services continues to grow. Considering operational flexibility and information security, mixed cloud architecture has become a trend that has been promoted by various manufacturers. For Taiwanese manufacturers who have already developed in the field of mixed cloud, it is like a duck to water. In addition to the transfer of basic services, the future cloud market also focuses on the development of emerging technologies. In order to support the application of related technologies, hardware equipment also needs to be improved, integrating software and hardware to gain market favor. To get close to the cloud market demand, manufacturers are actively developing new technologies, such as introducing edge computing to solve the real-time demand driven by the development of 5G and the Internet of Things, while block chain technology is gradually being applied in the business field. Artificial intelligence technology, container technology, quantum computing, and other emerging technologies also continue to be developed.

With the rise of large data centers and non-brand servers, dealers are actively exploring new markets and customers, relying on the excellent terminal product production basis in order to not only provide more value-added service solutions, including the overall server bundle model of storage, software, and services but also solve local data center hardware integration problems. In order to meet the market demand, improving server computing capacity is the primary task. The improvement of its performance focuses on not only the CPU but also I/O access efficiency. Furthermore, the gradual transformation trend of the server design core from the traditional general-purpose processor x86 architecture to the dedicated processor remains unchanged. Moreover, in the case of increasing market demand for artificial intelligence computing, the drawing processor, field programmable logic gate array, and special application integrated circuit will all become other highlights of server development.

(3) Smart devices

As smart phones enter price competition with low product differentiation, manufacturers continue to focus on improving hardware specifications and high cost performance, as well as reduce the previous strategy of increasing the market share with low-order models. As for product line planning, the software and hardware specifications are mainly refined, and the panel and memory specifications are continuously improved. Industry competitiveness is shown in the basic product research and development of high speed computing capability and also focuses on the significance of various new techniques. In addition to 3D sensing, wireless and quick charge function, carrying the AI chip, configuration of multiple cameras, and other new technologies that are being applied more widely, many manufacturers are also engaged in the folding panel and 5G-related technology research and development, which is expected to bring consumers a better usage experience.

In addition to the continuous development of wearable devices like watches, wireless earphones, and head-mounted cameras, wearable devices have also expanded the application of related cross-field products, such as the function of heart rhythm sensing in sports and medical related aspects, the function of noise reduction assisted by hearing, and the function of sleep measurement. The development of global 5G will drive a new wave of demand to the Internet of Things. Connecting the Internet of Things to the remote-control terminals of smart families will be a future trend. Smart medical care and automotive electronics will also be new growth drivers. As wearable devices meet the needs of consumers in various aspects and the user groups become more and more refined, product design development is gradually diversified, presenting competitive states in small amount and diversified models. In the future, dealers must have good product design, production support, and marketing capacity in order to obtain an advantage in this market.

(4) Solar energy

In recent years, high conversion efficiency, low manufacturing cost, and low efficiency attenuation have been the focuses of solar cell development. As the sales price increases with the improvement of conversion efficiency, and the proportion of silicon material costs is greatly reduced, manufacturers have invested in developing related technologies to further improve solar cell efficiency.

4.1.3 Overview of technology and research and development

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

Year	2018	2019
R&D Expenses (Unit: NT\$ Thousand)	8,805,994	9,523,033
R&D Expenses to Revenue (%)	1.74	1.90
Growth Rate (%)	-0.25	8.14

"Innovation" is the basic spirit of the Group foundation's operation philosophy; it is the best medium for shaping our enterprise's differentiation value, as well as our commitment to our customers and partners. Therefore, we pay special attention to innovation research and development and patents for invention in order to improve the international competitiveness and influence of our Group. Over the years, the Group has invested considerable amounts of expenditure into product research and development, with the R&D expenditure of the Group in the past two years reaching NT\$8.81 billion and NT\$9.52 billion, respectively. In the future, we will continue to invest large amounts of funds. We will be dedicated to the improvement and expansion of original product line function, understanding the demand of end consumers through product innovation, and participation in the research and development design of major international manufacturers in order to strengthen the market concept of original product design. We will further master, collect, and analyze the after-sales demands of consumers through a global logistics service structure. Moreover, we will actively cooperate with major component manufacturers, fully master the core design capability, and establish cross-domain technology application platforms by integrating software and hardware with integrative functions.

4.1.4 Long-term and short-term business development plans

1. Short-term business development plans

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

2. Long-term business development plans

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

4.2 Market and sales overview

4.2.1 Market analysis

1. Sales territory of major products

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

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

(1) Notebook computers

The development of Taiwan's laptop industry is closely related to global industrial development factors and deeply influenced by the outsourcing strategy of customers. However, as the major brands begin to emphasize the improvement of efficiency and specifications, Taiwan leads the world in design and manufacturing technology and still enjoys a considerable advantage in the OEM of middle and high-end laptops. Because of their global operation ability, rapid response, and economic scale, Taiwan's OEMs are still employed in international brands to design and manufacture laptops and are leading in the global market share. In addition, the Group maintains the concept of continuous innovation. The technical power of research and development design in the laptop industry has won the favor of customers with competitive advantages such as the provision of excellent global logistics services, flexible production methods upon receipt of orders, and localized and customized production methods. It has become the leading manufacturer in global notebook computer production. Regarding the outlook of 2020, the market is still uncertain due to the effects of COVID-19, and continuous attention must be paid to subsequent conditions.

(2) Servers and Cloud computing

With the rapid development of cloud computing and mobile devices, the growth of the overall cloud market has been driven by the surging demand for new technology applications. In addition to the original traditional server business, Taiwan manufacturers are actively accelerating transformation and upgrading; besides hardware OEM, they also provide the data center solutions of software and hardware integration to enhance the overall competitiveness in the cloud data center market. The Group has been actively developing cloud services in recent years, focusing on the three aspects of the Internet of Things, big data, and the cloud, to promote the development of the industry, continue to increase investment in research and development, and further connect servers and artificial intelligence to the Internet of Things. The smart factory combined with 5G will also be introduced into the server production line, and relevant solutions will be developed in order to constantly increase the competitive advantages, continuously improve business performance, and focus on customer expansion and product development. The Group is expected to continue to improve its operating performance in the future thanks to the increased demand for cloud computing and strong demand for large data center servers. Operational performance is expected to advance in the future. However, the global economy has been heavily affected by the outbreak of COVID-19, and the group is trying its best to seek growth against the trend.

(3) Smart devices

The penetration rate of smart phones in the consumer market in Europe, the United States, and China is high; combined with the fact that mobile phone functions have been able to meet the daily needs of consumers, it has made the growth rate gradually slow down. Therefore, future sales are mainly due to contract expiration or fault and replacement, while growth momentum is optimistic about the mobile phone replacement wave brought by mobile communication technology 5G. Generally speaking, the cooperation relationships between mobile phone brand manufacturers and OEM dealers are stable, but when facing the intensity of fierce competition, both parties need to pay closer attention to the trends in market development. The Group is dedicated to strengthening its designs, to testing, and improving its manufacturing processes through valued customer innovation. By actively integrating the design of the OEM process, we are able to occupy a strong position in the market of smartphone manufacturing through continual research, and the development of our strengths, testing the technology produced and developing the specifications of the product design.

Over the last few years, various kinds of wearable devices have been developed due to their prominent growth. Major players of the device industry are striving to design wearable devices that differ from smart phones as they actively combine data collected from those who wear them and information and suggestions from users in order to increase product segregation and practicality and enhance added value. The Group produced wearable devices and intelligent domestic application products to meet the customer demand and create the maximum value for customers by virtue of existing intelligent mobile phone designs and manufacturing advantages and the accumulated technology research and development and service experience in the intelligent terminal, broadband, and acoustic fields, from software to hardware, from testing to verification, and from design to production. It is expected that smart wearable devices, smart speakers, smart home devices, 5G modules, and other related devices will maintain steady growth in the future.

(4) Solar energy

According to the EnergyTrend report, looks toward 2020, the overall industry is stable and mature, and the market condition will gradually improve. As the global market becomes fragmented, Taiwanese manufacturers can benefit from the rapid increase of market demands from the newly emerging market and boost of the domestic market in Taiwan, the supply remains higher than the demand in terms of the global market. The solar energy company of the group is continuously making efforts to adjust its resource allocation strategy in pursuit of future opportunities.

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

(1) Favorable factors

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

Since the functions of notebook computers are continuously improving, and the weight and modeling are becoming thinner and thinner. With the continuous development of new technologies, the laptop product line has been expanded through innovation.

B. Cloud computing is the mainstream in future development

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

C. Construct an all-around system product line

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

D. Establishment of a global logistics supply chain system

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

(2) Unfavorable factors

A. Industrial technology is rapidly changing and constantly updating the environment of shortening product life cycle and meager profits, causing fierce industry competition. Solution: The Group will formulate a relevant operation risk management mechanism to consider various operation strategies as relevant solutions; in addition to coordinating with customers for the research and development of relevant demanded commodities, we are also dedicated to patent and intellectual property innovation in order to strengthen Group resource integration and expand emerging business investments and arrangements to respond to changes in the market.

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

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

strategy.

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

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

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

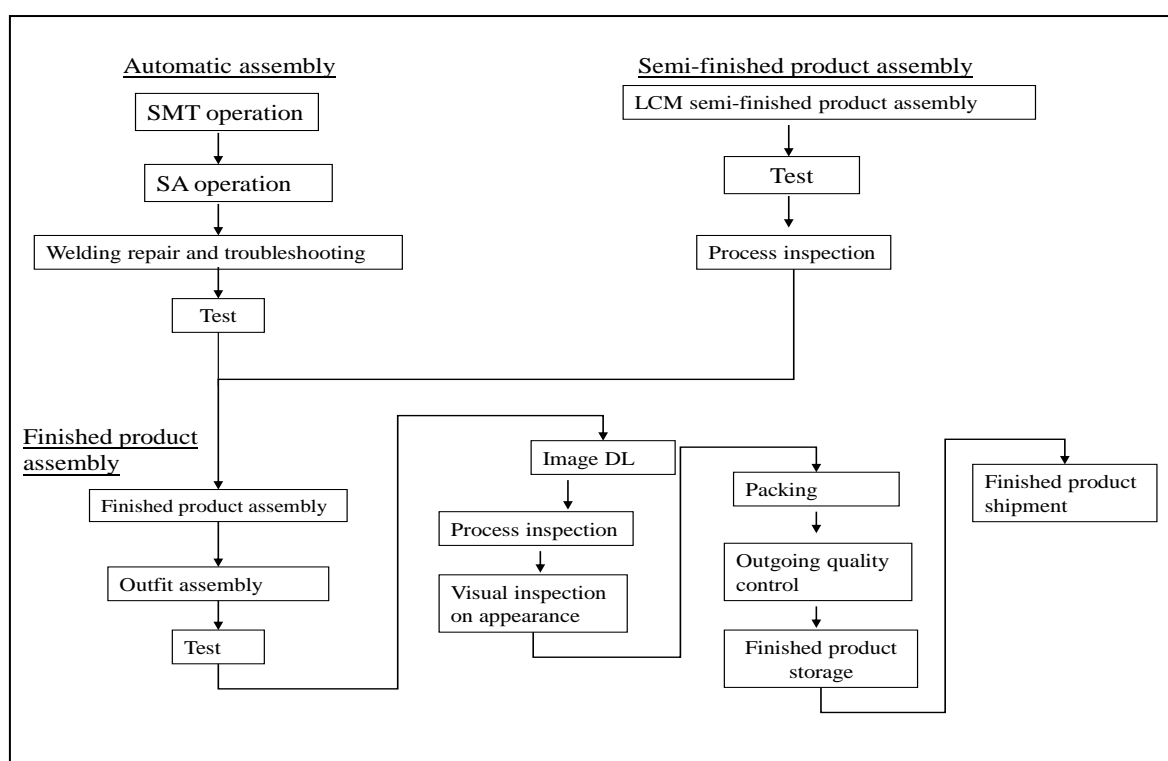
Solution: Most of the important components of the Company are purchased and imported overseas and priced with foreign currency, and the sales are mostly priced with foreign currency, which can naturally offset the impact of change of exchange rate on revenue and cost. Furthermore, taking currency hedging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

4.2.2 Important uses and production processes of major products

1. Important uses of major product

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

2. Production process



4.2.3 Major raw materials' supply condition

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

Key Material Suppliers

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

4.2.4 Major accounts in the past two years

A. Major suppliers

Unit: NT\$ Thousand

	2018				2019				As of end of Q1, 2020			
Item	Company	Amount	Percentage of total Net Purchases	Relationship with the issuer	Company	Amount	Percentage of total Net Purchases	Relationship with the issuer	Company	Amount	Percentage of total Net Purchases	Relationship with the issuer
1	A	240,535,106	50	Nil	A	250,974,024	54	Nil	A	53,609,399	56	Nil
2	Others	237,037,939	50	-	Others	213,631,093	46	-	Others	42,429,948	44	-
	Total Net Purchases	477,573,045	100	-	Total Net Purchases	464,605,117	100	-	Total Net Purchases	96,039,347	100	-

B. Major clients

Unit: NT\$ Thousand

	2018				2019				As of end of Q1, 2020			
Item	Company	Amount	Percentage of total Net Sales	Relationship with the issuer	Company	Amount	Percentage of total Net Sales	Relationship with the issuer	Company	Amount	Percentage of total Net Sales	Relationship with the issuer
1	A	314,828,524	62	Nil	A	325,666,020	65	Nil	A	57,592,756	65	Nil
2	Others	192,055,494	38	-	Others	175,286,793	35	-	Others	31,086,354	35	-
	Total Net Sales	506,884,018	100	-	Total Net Sales	500,952,813	100	-	Total Net Sales	88,679,110	100	-

4.2.5 Production value in the most recent years

Unit: 1,000 pcs, NT\$ Thousand

Quantity & Value Major Product	2018			2019		
	Capacity	Quantity	Value	Capacity	Quantity	Value
IT Product	333,114	327,887	399,964,958	251,095	209,386	408,547,923
Solar Product	497,130	373,904	6,725,067	254,087	181,396	4,201,914
Total	830,244	701,791	406,690,025	505,182	390,782	412,749,837

4.2.6 Sales value in the most recent years

Unit: 1,000 pcs, NT\$ Thousand

Quantity & Value Major Product	2018				2019			
	Domestic		Export		Domestic		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
IT Product	198	1,732,669	357,128	497,101,521	5,989	6,950,321	265,901	489,887,875
Solar Product	15,486	334,048	361,859	7,715,780	56,661	1,454,292	127,840	2,660,325
Total	15,684	2,066,717	718,987	504,817,301	62,650	8,404,613	393,741	492,548,200

4.3 Human resources

Year		2018	2019	Up to Mar. 31, 2020
Employee Number	Direct Labor	40,333	33,995	28,387
	Indirect Labor	12,472	12,412	12,342
	Total	52,805	46,407	40,729
Average Age		28.65	30.03	31.14
Average Seniority		3.69	4.00	4.05
Education Distribution %	PhD Degree	0.18%	0.15%	0.15%
	Master Degree	6.79%	7.30%	7.10%
	College	31.16%	33.96%	32.48%
	High School (and below)	61.87%	58.58%	60.28%

4.4 Environmental protection expenditure

4.4.1 The losses incurred due to environmental pollution (including the compensation and violation of environmental laws and regulations in the environmental protection inspection results; the punishment date, punishment number, violation of regulations and articles, violation contents, and punishment contents):

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

4.4.2 Future solutions (including improvement measures) and possible expenditures

To fulfill sustainable development strategies, the Company develops a series of actions every year. In 2019, the environmental protection expenditures of Inventec Group (Inventec Corporation, and Inventec Appliances) were more than TWD one hundred and sixty million and included mainly waste disposal, pollution prevention equipment maintenance, environment detection, ecological landscaping, green management system authentication, environmental label product certification, environmental education, energy conservation and carbon reduction engineering, environmental conservation activities, occupational health, green supply chain management, carbon emissions trading, etc.

The Company mainly refers to the “climate-related financial disclosures” report published by the Task Force on Climate-related Financial Disclosure (TCFD) for corresponding actions related to the impact of climate change. Said disclosure is made from the perspectives of governance, strategy, risk management, and indicator and target. Highlighted requirements are shown in the “Inventec TCFD management structure”. Please refer to the 2019 Inventec Corporate Social Responsibility Report” for details.

Governance	Strategy	Risk Management	Indicator and Target
<p>* The Chairman is the highest responsible person for climate risk management.</p> <p>* The President is the person responsible for the highest level of management.</p> <p>*Issue internal control documents to ensure the roles and responsibilities for climate change</p> <p>*All business units and company units shall include climate change related risks and opportunities for risk management</p> <p>*Add climate change issues, management procedures, and strategic planning into the Company's management system and internal control system.</p> <p>*The Finance/corporate governance manager shall report the climate change management results to the President and Board of Directors.</p>	<p>*Risks: All business units and company units shall define risk evaluation and identification procedures, keep abreast of policies and regulations, technologies, market, goodwill, and risk elements of extreme climate based on climate actions to conduct short term (within 3 years), mid-term (3~5 years), and long-term (5~10 years) risk control measures and integrate them into the operational management structure of such units.</p> <p>*Opportunity: All business units and company units shall evaluate the niche for potential opportunities, seeking opportunities related to the market, product/services, resource efficiency, and developing new business and services to conduct short-term (within 3 years), mid-term (3~5 years), and long-term (5~10 years) opportunity control measures and integrate them into the operational management structure of such units.</p> <p>*To achieve the goal set for the 2°C scenario, Inventec will continue the energy saving and carbon reduction management in the following:</p> <p>*Inventec strategies:</p> <ul style="list-style-type: none"> •Develop low carbon products, encourage green development •Energy conversion performance, invest in renewable energy •Be dedicated to a low carbon environment and carbon reduction for all people •Promote clean production, implement a green factory •Connect with a circular economy, promote green living 	<p>*Inventec conducts various risk identification and opportunity evaluations via all functional units of risk management organization based on their functional features and operation process for risk management.</p> <p>*The Board of Directors and Audit Committee shall be the final decision makers of risk evaluation and control.</p> <p>*Risk management steps In addition to following risk management policies approved by the Board, the climate action systems (various ISO management systems) established by the plant shall be integrated into the operational management flow in accordance with the following risk management steps:</p> <ol style="list-style-type: none"> 1. Identify risk issues 2.Determine material risks 3.Identify opportunities 4.Study mediation/adaptation measures <p>*Mediation/adaptation management</p> <ul style="list-style-type: none"> -Introduce ISO50001 energy management system -Encourage green development -Energy conversion performance -Green building management -Clean production <p>*Adaptation</p> <ul style="list-style-type: none"> -Promote engineering technology -Acquire infrastructure -Develop low carbon products -Invest in renewable energy 	<p>*Greenhouse gas physical taking indicator Disclose greenhouse gas emissions (scope 1, 2, and 3)</p> <p>*Science-based reduction target: With the benchmark year 2015, the target is to reduce 19% of greenhouse gas emissions in scope 1 and 2 in 2015</p> <p>*Reclaimable energy target Expand reclaimable energy conversion facilities to continuously increase reclaimable energy by 5%</p> <p>*Energy saving target -HQ energy saving (EUI) With the benchmark year 2014, the unit area electric consumption will be reduced by 10% in 2014.</p> <p>-Energy saving for information center control room (PUE) With the benchmark year 2019, the target is to reduce 11% by 2025.</p> <p>-Plant energy saving (EI) With the benchmark year 2019, the target is to reduce 5% by 2025.</p> <p>*Water resources management target The average water consumption per person shall be 1% lower than in 2018.</p> <p>*Waste management target The waste volume in 2025 shall be 2% less compared to 2018.</p> <p>*Product energy saving design target -Computers Specification Version 7.1 25% The energy saving design target for notebooks: the energy use efficiency shall be 25% higher than the</p>

			latest ENERGY STAR Computers Specification Version 7.1 -Server energy saving design target: the energy use efficiency meets ENERGY STAR Computer Servers Specification Version 3.0
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To ensure the enterprise's sustainable development, Inventec continuously optimizes both existing whole green management system and, based on the PDCA (Plan, Do, Check, Action) circulation of the ISO 9001 quality management system, gradually optimizes such green management systems as ISO14001 environmental management system, QC 080000 harmful material flow management system, greenhouse gases management system, ISO 50001 energy management system and TOSHMS, OHSAS 18001 safety, health, and environment management system.

Regarding a sustainable environment, in addition to carrying out energy saving measures and promoting energy efficiency equipment, the Company is dedicated to break through current conditions and continuously establish clean solar power generation devices in plants in China. The solar power generated in 2019 was 5,659,315 degrees. Clean solar power generation devices have also been established in Taiwan. The solar power generated in 2019 was 111,381 degrees. Meanwhile, the Company is cooperating with the carbon management of local governments by purchasing carbon rights via carbon trading at an exchange center as stipulated for implementing carbon neutrality.

To expand the influence of a sustainable environment, the Company aggressively promotes a sustainable supply chain. We pass on such requirements as integrity operation, information disclosure, and conflict minerals to cooperative partners via assistances and integration with suppliers. We expect these efforts to contribute to the sustainable supply chain development.

The Company is dedicated to long-term environmental ecology protection. We adopt community parks, organize community environmental lectures, participate in the conservation of the important national wetlands at "Guandu Natural Park", have adopted the north pond ecology area in "Guandu Natural Park", and sponsor wetland environmental education plans for schools in remote areas. We hope that more people and students may understand the function and importance of the wetlands, cherish this precious land, and help maintain diverse flora and fauna.

4.5 Labor relations

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

4.5.1 Welfare measure and retirement system

The Company aims to provide a stable working environment with room for development, allowing talents to stably and continuously create value! Based on governmental laws and regulations, the Company's employees enjoy various basic labor conditions, including two days off every week, flexible working hours, and a complete leave request system. To encourage and promote attention on health and balance between life and work, various health, parenting, travel, finance management, sporting, relaxation, and inspirational lectures and activities are organized. The Company provides financial support for employees to establish club activities. So far, 32 clubs have been created, including sport, art, music, handicraft, and public welfare, allowing employees to expand their hobby fellow life circle through a casual and relaxing time. The employee welfare committee provides colleagues with various cash gifts and money for weddings, funerals, and festivals. The Company also provides group and travel insurance for all employees to supplement employees' accidental and medical protection. As for safety, health, and work protection, in addition to such basic welfare as labor, national health insurance, and pension fund, each employee may enjoy periodical physical checkups, complete group insurance, and employee retirement regulations based on the "Labor Pension Act", which are firmly implemented pursuant to relevant laws and regulations. Regarding the old system, appropriate labor pension funds were periodically reserved and deposited into a dedicated account in the Bank of Taiwan, while the Supervisory Committee of the Labor Pension Reserve was responsible for the management and application of the pension reserve. For the new system, aiming at employees who select the new system, the Company has appropriated 6% pension fund every month to the personal deposit account of the employee at the Labor Insurance Bureau since July 1, 2005 in accordance with the new system of retirement regulations concurrently adopted. For those who voluntarily submit pension deposits, the Company deducts the monthly salary of the employee based on the voluntary paid pension rate and deposits it into the personal savings account of the employee at the Labor Insurance Bureau on behalf of the employee. Furthermore, performance-oriented promotions, bonuses, and various incentive mechanisms are offered to achieve the goal of aggressive talent retention and profit sharing.

The regulations of the Labor Pension Act application to the Company are as follows: 1. A worker may request retirement in any of the following circumstances: (1) workers whose seniority exceeds fifteen years and are aged over 55, (2) workers whose seniority exceeds twenty five years; (3) workers whose seniority exceeds ten years and are aged over 60. 2. Compulsory retirement: The Company may mandatorily order workers to retire in any of the following circumstances: (1) the age of the worker reaches 65, (2) the worker is incompetent to work due to mental/physical disability, (3) the Company may report to the central competent authority for the adjustment of age as stipulated in subparagraph 1 for workers engaging in such works requiring dangerous, heavy physical strength and are of a special nature, provided that the age shall not be less than 55 years old.

4.5.2 Work environment and employee personal safety protection measures

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

Regarding safety, health, and environmental management, the Company has acquired all kinds of certifications in safety, health, and environment energy systems, including "TOSHMS Taiwan Occupational Safety and Health Management System", "OHSAS-18001 International Occupational Health and Safety Assessment Series", "ISO-14001 Environmental Management System", and "ISO-50001 Energy Management System" certification. Furthermore, the Company has also won all kinds of awards issued by the government, including: The company has been decorate with such national favorable healthy job-site prizes as "Healthy Lohas Award" and "Healthy Sustainability Award," "Reduced Carbon Model Award," "Corporate Social Obligation Award," "Environment Sustainability Award," "Promotion of Disaster-free and Work-hour Favorable Unit," "Labor Safety and Hygiene - 5 Star Award," "Reduced Carbon Action Award -- Favorable Award," "Favorable Corporate Award of Blood Donation," "Energy Conservation Leadership Award -- Favorable Award," "Citizen Prize of Commonwealth Corporations," "AED Site of Mind-assured Certification," "ROC Corporate Environmental Protection Award," etc. In 2019, we won the national "Occupational Safety and Health Excellent Unit Award", "No Accident Labor-Hour Record Award - Gold Award" of the Ministry of Labor, "Healthy Workplace Certification - Health Promotion Label" of the National Health Service, "Labor Safety Excellent Unit Award" of Taipei, "Excellent Healthy Workplace Management Award" of Taipei, "Appreciation Award of the Fire Department" of Taipei, "World Enterprise Citizen Award", "Breast Feeding and Milk Collecting Room Excellent Certification" of Taipei, SGS "CSR Award Sustainable Elite Award", "Taiwan Enterprise Sustainability Award", and "Excellent Breast Feeding and Milk Collecting Room – First Prize" of Taoyuan. We have also actively coordinated with all kinds of government policies to promote and participate in relevant activities in order to further facilitate good and harmonious labor-capital relationships, fulfill our corporate social responsibility, and move towards the objective of corporate sustainable development.

1. Occupational safety and health policy: The Company has formulated its Occupational

Safety and Health Policy according to the requirements of the Taiwan Occupational Safety and Health Management System (TOSHMS) and International Occupational Health and Safety Assessment Series (OHSAS 18001), taking them as the highest criteria for guaranteeing employees' work safety.

2. Occupational safety and health management unit and personnel allocation: In order to comply with laws and regulations to carry out risk assessment and continuous improvements, the Industrial Safety and Health Office, as a whole, plans to handle and execute all kinds of safety, health, and environment management related affairs. All members possess safety, health, and environment professional certificates.
3. Setting of Occupational Safety and Health Committee and conference convening: The Company will regularly convene the Occupational Safety and Health Committee conference; it is currently convened once every quarter, so four times a year.
4. Safety, health and environment management plan and occupational disaster prevention: Safety, health, and environment management plans are formulated pursuant to law and include occupational disaster prevention. Items that are planned to be formulated include: working environment or operation hazard identification, assessment and control, hazardous chemicals classification and marking, general education and management, purchase management, contractor management, safety and health operational standard formulation, occupational disaster, near miss and investigation, handling and statistical analysis on events affecting physical and psychological health, safety, health, and environment management records, performance assessment measures, etc.
5. Health management plan and physical health examinations: Before reporting to the Company, new employees shall provide a physical examination report pursuant to law; moreover, better than what is required by regulations, in-service personnel will regularly receive health examinations every year.
6. Automatic safety and health inspection: Pursuant to the Occupational Safety and Health Act, the Company will automatically include each machine and piece of equipment that should be inspected in the occupational safety and health management plan and formulate automatic inspection management measures for management.
7. Operating environment monitoring and occupational disease prevention measures: Based on the operating environment hazard property of the Company, as well as monitoring purpose and relevant guidance announced by the central governing authority, the Company has formulated an operating environment monitoring plan that includes a sampling strategy and regularly carrying out operating environment monitoring accordingly. Meanwhile, we also conduct results comparisons according to test results; if the test data is relatively higher than the previous test data, we will immediately carry out a risk identification investigation in order to reduce site hazards and achieve the objective of preventing occupational disease and reducing site risk.
8. Strengthen contracting management: The Company has formulated contractor safety operation management measures and requires the engineering unit to carry out contractor safety and health educational training before starting engineering construction. Relevant units will convene contractor safety and health management conferences to carry out hazard notification and ask suppliers to sign the "Contracting Unit/Contractor

Safety and Health Meeting Minutes", "Contractor Safety and Health Management Commitment", and "Contractor In-plant Work Application" of the Company. Upon engineering construction, the contractor shall follow all kinds of operation management measures of the Company, and the occupational safety and health unit will execute contractor safety appraisal and abnormal deficiency analysis, as well as execute prevention education according to the appraisal and analysis results in order to ensure reduction of risks that might be caused by contracting construction.

9. Hazard risk assessment identification: Pursuant to the Taiwan Occupational Safety and Health Management System "TOSHMS" and International Occupational Health and Safety Assessment Series "OHSAS 18001", the Company has formulated safety and health hazard risk identification and assessment management measures, regularly execute comprehensive hazard identification and risk assessment operations according to all kinds of potential factors that may cause personnel injury or accident, and further formulate occupational safety and health targets, objects, and management plans as the basis for planning the safety and health management system.
10. Occupational safety and health management plan: According to the results of the occupational safety and health hazard identification and risk assessment, the Company will give priority to certain high risk activities as improvement targets and regularly trace the improvement effect by carrying out the management plan.
11. Safety and health educational training promotion: The Company will carry out safety, health, and environment management and educational training for new employees, and conducts environment and safety risk evaluation, management project, lab education, legal lectures, special operation, system document, internal auditing, and other educational training for safety, hygiene, environment seedling, and related personnel in order to lower the risk of occupational disasters and ensure on-site job safety.
12. The Company will regularly carry out fire lecturing and fire drills, emergency evacuation drills, and fire tour inspections, regularly check all kinds of safety facilities, and conduct task grouping and fire equipment drills to implement disaster prevention and relief work.
13. Product development and design shall emphasize environmental issues and are aimed at the advantages of low energy consumption, low pollution, recoverable, and recyclable. Furthermore, energy saving and carbon reduction matters will be carried out to reduce waste generation and the impact on the environment in order to achieve the objectives of zero public hazard, diligent waste reduction, green products, and ecological preservation, thus fulfilling our corporate responsibility and promoting sustainable environmental protection.
14. The Company respects the life of laborers and emphasizes the health of colleagues by effectively carrying out occupational health promotion activities and implementing health management; furthermore, the Company is devoted to zero disaster related prevention work to maintain zero disasters and care for its employee in order to improve its healthy corporate image and move towards a healthy and sustainable workplace.

4.5.3 Further education and training for employees

The Company adheres to a "talent-oriented" cultivation philosophy, provides outstanding internal and external teachers and diversified cultivation channels to company talents, and is devoted to balancing the emphasis on educational training and learning development in order to continuously promote the Company's corporate culture and continuously improve its competitive advantage. In 2019, the expenditures related to employee training were NT\$8,004,995, and the total training hours were 54,662 hours.

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

- (1) Core value course: Inventec pursues the maximization of shareholders' equity while implementing corporate responsibility to make a certain contribution to society. All the Company's colleagues, from top to bottom and from inside out, have been shaped with "Inventec" DNA through official conferences and activities, allowing employees to acknowledge the operation philosophy of the company and become "Inventec Staff". Contents include such courses and activities as monthly meetings, assistant level meetings, management forums, strategic meetings, soft/incentive lectures, team building exercises, etc.
- (2) Level type course: Management courses are planned according to the demand of colleagues at different levels; through meetings and daily communication, it improves the colleagues' management capability and establishes a common communication language and management beliefs to improve organizational performance. Contents include: Inventec EMBA advanced class, senior supervisor training, advanced supervisor training, basic supervisor training, professional training, new employee training, production personnel training, etc.
- (3) Function type course: These provide all kinds of professional knowledge and technical bases, as well as advanced courses and lectures, to satisfy the functions of employees needed in different specialties. Contents include innovation, product technology, research and development production technology, patent and intellectual property, industry intelligence, environmental safety and health, etc.
- (4) Language school: In response to international development and the competition of the Group, Inventec has been devoted to cultivating technology talents with multi-language capabilities. English and Japanese seminars are held every quarter, thus providing colleagues a learning environment for continuous language learning in the company,

and foreign language skills classes are also set up to immediately satisfy colleagues' business demands. Meanwhile, internal English and Japanese tests will be held every quarter to encourage colleagues to pass the test to acquire substantial affirmation and allowance.

- (5) Digital course: These provide colleagues an e-Learning on-line learning service, constructs the Inventec networking academy, and is open as an important media for employees' independent learning in order to facilitate the improvement and innovation of technical capability, as well as further promote organizational learning and improve work value and organizational competitiveness. Its contents cover all kinds of language, management, and professional courses, thus allowing employees to learn independently without time and place limitations.

4.5.4 Employee code of conduct

The Company has formulated "Global Employee Code of Conduct Management Measures" in each plant, which stipulate the basic code of conduct for labor and capital on the basis of fairness and impartiality. As an Inventec employee, when facing all kinds of work behaviors and ethical and legal problems, we shall aim to create shareholder and employee value and ensure social responsibility; therefore, under the precondition of following the basic requirements of laws and ethical standards of each country or district, we shall abide by all kinds of internal control systems of the company. Upon reporting for duty, every colleague must sign and abide by it, and it shall be placed on the internal portal website, so that all colleagues can read it at any time, and regularly carry out signing and promotion work; the code of conduct is hereby summarized below:

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

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

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

4.5.5 Communication mechanism between employer and employees

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

- (1) Two-way talks between grassroots employees and senior supervisor: quarterly meetings and all kinds of symposiums occasionally held.
- (2) Management policy and business process communication: communication meetings for employee representatives from each department will be regularly held every month.
- (3) Cross-department communication and labor and capital communication: an internal portal platform sets the multi-functional "Employee Opinion Exchange Area".
- (4) Instant response problem and information consultation: each unit has established a service consultation window and service hot line.
- (5) Employee welfare policy and welfare promotion: employee welfare committee monthly meetings and temporary meetings.
- (6) Grassroots employees care group: handle employee complaints and understand the employees' voice through employee interviews, etc.

4.5.6 In the most recent year and as of the publication of the annual report, the losses arising from labor disputes (including labor inspection results violating the Labor Standards Act, the date, file number of punishment, violated article, content of punishment) and disclose an estimate of possible expenses that could be currently incurred and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

The Company had violated two items of the Labor Standards Act according to the labor inspection results in 2019 (punishment date – 2019/08/01, file No. Taipei Labor No. 10860336881, content of violation – paragraph 2 of Article 32 of the Labor Standards Act; paragraph 1 of Article 24 of the Labor Standards Act. The Company did not suffer loss from labor dispute in most recent year and as of the publication of the annual report; it is estimated that the Company should not suffer the loss from labor dispute in condition that the Company continuously and aggressively promote and carry out various employee welfare measures.

4.6 Important contracts

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

V. Financial information

5.1 Five-year financial summary

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

Unit: NT\$ Thousands

Item \ Year		Five-Year Financial Summary					01/01/2020 ~3/31/2020
		2015	2016	2017	2018	2019	
Current Assets		133,577,659	136,793,121	168,324,564	167,904,434	152,167,709	156,798,272
Property, Plant and Equipment		34,660,330	38,666,219	33,351,252	30,324,516	30,729,458	29,717,278
Intangible Assets		872,905	890,024	892,416	885,307	880,774	858,000
Other Assets		6,635,579	6,023,853	6,199,595	6,689,665	9,314,912	9,082,293
Total Assets		175,746,473	182,373,217	208,767,827	205,803,922	193,092,853	196,455,843
Current Liabilities	Before Distribution	98,771,869	115,082,956	142,830,554	140,692,415	127,046,276	132,441,614
	After Distribution	103,794,334	120,284,795	148,749,888	146,073,628	131,709,994 (Note3)	-
Non-Current Liabilities		14,075,755	6,782,999	7,006,659	7,389,990	9,075,349	9,581,251
Total Liabilities	Before Distribution	112,847,624	121,865,955	149,837,213	148,082,405	136,121,625	142,022,865
	After Distribution	117,870,089	127,067,794	155,756,547	153,463,618	140,785,343 (Note3)	-
Total Equity Attributable to Owners of Parent		56,480,704	54,792,873	55,682,837	55,364,481	55,271,148	53,672,468
Share Capital		35,874,751	35,874,751	35,874,751	35,874,751	35,874,751	35,874,751
Capital Surplus		2,912,784	2,913,096	2,913,096	2,912,889	2,913,461	2,913,461
Retained Earnings	Before Distribution	14,883,819	15,486,313	17,002,536	18,223,198	18,304,941	16,653,724
	After Distribution	9,861,354	10,284,474	11,083,202	12,841,985	13,641,223 (Note3)	-
Other Equity Interest		2,809,350	518,713	-107,546	-1,646,357	-1,822,005	-1,769,468
Treasury Stock		-	-	-	-	-	-
Non-Controlling Interests		6,418,145	5,714,389	3,247,777	2,357,036	1,700,080	760,510
Total Equity	Before Distribution	62,898,849	60,507,262	58,930,614	57,721,517	56,971,228	54,432,978
	After Distribution	57,876,384	55,305,423	53,011,280	52,340,304	52,307,510 (Note3)	-

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

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

Note 3: The amount was resolved by the Board on March 24, 2020

Five-year financial summary - Individual balance sheet– IFRS

Unit: NT\$ Thousands

<div>Year</div> <div>Item</div>		Five-Year Financial Summary				
		2015	2016	2017	2018	2019
Current Assets		91,631,494	99,131,197	106,190,186	136,725,056	131,882,962
Property, Plant and Equipment		5,739,243	12,310,646	12,407,998	11,531,196	13,225,283
Intangible Assets		56,851	73,653	80,691	74,619	71,210
Other Assets		38,286,030	35,829,227	35,076,031	31,350,762	31,071,775
Total Assets		135,713,618	147,344,723	153,754,906	179,681,633	176,251,230
Current Liabilities	Before Distribution	68,203,221	87,388,360	92,865,658	119,029,566	116,006,733
	After Distribution	73,225,686	92,590,199	98,784,992	124,410,779	120,670,451 (Note2)
Non-current liabilities		11,029,693	5,163,490	5,206,411	5,287,586	4,973,349
Total Liabilities	Before Distribution	79,232,914	92,551,850	98,072,069	124,317,152	120,980,082
	After Distribution	84,255,379	97,753,689	103,991,403	129,698,365	125,643,800 (Note2)
Total Equity Attributable to Owners of Parent		56,480,704	54,792,873	55,682,837	55,364,481	55,271,148
Share Capital		35,874,751	35,874,751	35,874,751	35,874,751	35,874,751
Capital Surplus		2,912,784	2,913,096	2,913,096	2,912,889	2,913,461
Retained Earnings	Before Distribution	14,883,819	15,486,313	17,002,536	18,223,198	18,304,941
	After Distribution	9,861,354	10,284,474	11,083,202	12,841,985	13,641,223 (Note2)
Other Equity Interest		2,809,350	518,713	-107,546	-1,646,357	-1,822,005
Treasury Stock		-	-	-	-	-
Non-Controlling Interests		-	-	-	-	-
Total Equity	Before Distribution	56,480,704	54,792,873	55,682,837	55,364,481	55,271,148
	After Distribution	51,458,239	49,591,034	49,763,503	49,983,268	50,607,430 (Note2)

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

Note 2: The amount was resolved by the Board on March 24, 2020

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

Unit: NT\$ Thousands

Item \ Year	Five-Year Financial Summary					01/01/2020 ~ 03/31/2020
	2015	2016	2017	2018	2019	
Sales Revenues	395,470,221	428,466,015	467,512,347	506,884,018	500,952,813	88,679,110
Gross Profit from Operation	21,705,408	23,957,770	25,039,143	23,881,584	22,831,095	4,195,750
Operating Profit	5,407,268	8,184,463	8,729,569	7,490,715	6,403,495	253,307
Non-Operating Income and Expenses	1,776,602	-1,094,554	-1,543,121	642,547	105,566	4,911,925
Profit before Income Tax	7,183,870	7,089,909	7,186,448	8,133,262	6,509,061	5,165,232
Profit for the Period	4,975,735	4,971,373	4,337,038	5,318,996	4,836,997	2,934,734
Loss from Discontinued Operations	-	-	-	-	-	-
Profit (Loss) for the Period	4,975,735	4,971,373	4,337,038	5,318,996	4,836,997	2,934,734
Other Comprehensive Income (Loss) for the Period, Net of Tax	-245,620	-2,315,310	-659,830	-914,777	-252,094	29,410
Total Comprehensive Income for the Period	4,730,115	2,656,063	3,677,208	4,404,219	4,584,903	2,964,144
Profit Attributable to Owners of Parent	5,563,633	5,637,120	6,754,912	6,499,856	5,507,960	3,031,759
Profit Attributable to Non-Controlling Interests	-587,898	-665,747	-2,417,874	-1,180,860	-670,963	-97,025
Comprehensive Income Attributable to Owners of Parent	5,315,880	3,334,322	6,091,803	5,599,822	5,287,308	3,065,038
Comprehensive Income Attributable to Non-Controlling Interests	-585,765	-678,259	-2,414,595	-1,195,603	-702,405	-100,894
Basic Earnings Per Share	1.55	1.57	1.88	1.81	1.54	0.85

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

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

Five-year financial summary-Individual statement of comprehensive income

Unit: NT\$ Thousands

Item \ Year	Five-Year Financial Summary				
	2015	2016	2017	2018	2019
Sales Revenues	289,354,169	308,709,688	323,126,751	348,798,356	357,462,052
Gross Profit from Operation	12,049,443	12,856,696	14,062,611	14,045,103	12,523,082
Operating Profit	3,801,715	5,219,930	5,558,554	5,607,826	3,619,693
Non-Operating Income and Expenses	2,781,569	1,305,987	2,353,134	1,984,074	2,411,761
Profit before Income Tax	6,583,284	6,525,917	7,911,688	7,591,900	6,031,454
Profit for the Period	5,563,633	5,637,120	6,754,912	6,499,856	5,507,960
Loss from Discontinued Operations	-	-	-	-	-
Profit (Loss) for the Period	5,563,633	5,637,120	6,754,912	6,499,856	5,507,960
Other Comprehensive Income (Loss) for the Period, Net of Tax	-247,753	-2,302,798	-663,109	-900,034	-220,652
Total Comprehensive Income for the Period	5,315,880	3,334,322	6,091,803	5,599,822	5,287,308
Profit Attributable to Owners of Parent	5,563,633	5,637,120	6,754,912	6,499,856	5,507,960
Profit Attributable to Non-Controlling Interests	-	-	-	-	-
Comprehensive Income Attributable to Owners of Parent	5,315,880	3,334,322	6,091,803	5,599,822	5,287,308
Comprehensive Income Attributable to Non-Controlling Interests	-	-	-	-	-
Basic Earnings Per Share	1.55	1.57	1.88	1.81	1.54

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

5.1.3 CPAs and their opinions for most recent 5-year

Year	CPA Firm	CPA's Name	Auditing Opinion	Remarks
2015	KPMG	Chen, Ying-Ju & Yang, Liu-Fong	Unqualified	
2016	KPMG	Chen, Ying-Ju & Yang, Liu-Fong	Unqualified	
2017	KPMG	Lin, Wan-Wan & Yang, Liu-Fong	Unqualified	Internal Adjustment in the Accounting Firm
2018	KPMG	Lin, Wan-Wan & Yang, Liu-Fong	Unqualified	
2019	KPMG	Lin, Wan-Wan & Yang, Liu-Fong	Unqualified	

5.2 Five-year financial analysis

Item \ Year		Five-Year Financial Analysis					01/01/2020~ 03/31/2020
		2015	2016	2017	2018	2019	
Capital structure (%)	Debt ratio	64.21	66.82	71.77	71.95	70.50	72.29
	Ratio of long-term capital to property, plant and equipment	222.08	174.03	197.71	214.72	214.93	215.41
Solvency (%)	Current ratio	135.24	118.86	117.85	119.34	119.77	118.39
	Quick ratio	104.37	90.95	89.96	88.69	90.28	76.83
	Times interest earned (Times)	8.86	12.83	6.25	5.60	4.70	21.97
Operating ability	Accounts receivable turnover (Times)	6.12	6.48	6.22	5.92	5.54	4.87
	Average collection period	60	56	59	62	66	75
	Inventory turnover (Times)	11.74	12.60	11.82	11.21	11.32	1.76
	Accounts payable turnover (Times)	5.64	6.34	6.22	6.45	6.47	4.58
	Average days in sales	31.09	28.96	30.87	32.56	32.24	207.39
	Property, plant, and equipment turnover (Times)	11.41	11.08	14.02	16.72	16.30	11.94
	Total assets turnover (Times)	2.25	2.35	2.24	2.46	2.59	1.81
Profitability	Return on total assets (%)	3.09	3.05	2.80	3.25	3.13	1.61
	Return on stockholders' equity (%)	7.82	8.06	7.26	9.12	8.43	5.27
	To pay-in Capital (%)	Operating income	15.07	22.81	24.33	20.88	17.85
		PBT	20.02	19.76	20.03	22.67	18.14
	Net profit margin (%)	1.26	1.16	0.93	1.05	0.97	3.31
	Basic earnings per share (\$)	1.55	1.57	1.88	1.81	1.54	0.85
Cash flow	Cash flow ratio (%)	17.23	7.58	1.59	-3.93	9.64	13.95
	Cash flow adequacy ratio (%)	Note3	115.45	73.92	33.25	49.19	46.14
	Cash reinvestment ratio (%)	0.09	0.03	-0.03	-0.11	0.06	0.19
Leverage	Operating leverage	3.89	2.51	2.93	4.72	6.01	25.47
	Financial leverage	1.20	1.08	1.19	1.31	1.38	36.05

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

1. Cash flow ratio: This has mainly been caused by the increased accounts receivable at the end of the period, as well as the increase of the cash flow of business activities from the previous period.
2. Cash flow adequacy ratio: This has mainly been caused by the increased accounts receivable at the end of the period, as well as the increase of the cash flow of business activities from the previous period.
3. Cash reinvestment ratio: This has mainly been caused by the increased accounts receivable at the end of the period, as well as the increase of the cash flow of business activities from the previous period.
4. Operating leverage: This has mainly been caused by the investment increase of production equipment in some factories and the fixed operating cost increase in accordance with the US-China trade situation.

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

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

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

Note4: Equations:

(1). Capital Structure:

Debt ratio = Total liability / Total assets

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

(2). Solvency:

Current ratio = Current assets / Current liability

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

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

(3). Operating ability:

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

Days sales in accounts receivable = 365 / Account receivable turnover

Inventory turnover = Cost of goods sold / Average inventory amount

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

Average days in sales = 365 / Inventory turnover

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

Total assets turnover = Net sales / Average total assets

(4). Profitability:

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

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

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

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

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

(5). Cash flow:

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

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

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

(6). Leverage:

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

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

Five-year individual financial analysis

<div> <div>Item</div> <div>Year</div> </div>			Five-Year Financial Analysis				
			2015	2016	2017	2018	2019
Capital structure (%)	Debt ratio		58.38	62.81	63.78	69.19	68.64
	Ratio of long-term capital to property, plant and equipment		1,176.29	487.03	490.73	525.98	455.53
Solvency (%)	Current ratio		134.35	113.44	114.35	114.87	113.69
	Quick ratio		133.02	112.59	111.78	112.98	110.31
	Times interest earned (Times)		36.91	18.25	11.73	7.59	6.00
Operating ability	Accounts receivable turnover (Times)		5.56	5.66	5.01	4.76	4.72
	Average collection period		66	64	73	77	77
	Inventory turnover (Times)		307.45	378.68	198.41	144.21	111.91
	Accounts payable turnover (Times)		5.00	5.43	5.10	4.91	4.52
	Average days in sales		1.19	0.96	1.84	2.53	3.26
	Property, plant, and equipment turnover (Times)		50.42	25.08	26.04	30.25	27.03
	Total assets turnover (Times)		2.13	2.10	2.10	1.94	2.03
Profitability	Return on total assets (%)		3.96	4.20	4.89	4.45	3.64
	Return on stockholders' equity (%)		9.76	10.13	12.23	11.71	9.96
	To pay-in Capital (%)	Operating income	10.60	14.55	15.49	15.63	10.09
		PBT	18.35	18.19	22.05	21.16	16.81
	Net profit margin (%)		1.92	1.83	2.09	1.86	1.54
	Basic earnings per share (\$)		1.55	1.57	1.88	1.81	1.54
Cash flow	Cash flow ratio (%)		23.40	19.19	-4.91	-5.93	12.88
	Cash flow adequacy ratio (%)		Note3	142.21	83.50	75.93	83.15
	Cash reinvestment ratio (%)		0.14	0.19	-0.15	-0.20	0.15
Leverage	Operating leverage		4.01	2.71	3.09	4.34	7.58
	Financial leverage		1.05	1.08	1.15	1.26	1.50

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

1. Times interest earned: This has mainly been caused by the increase in capital costs, plus the operation of capital scheduling and the increase in interest costs, resulting in the decrease in the times interest was earned.
2. Inventory turnover and Average days in sales: This has mainly been caused by the impact of the US-China trade situation and the increase of business cost.
3. Operating income to pay-in Capital: This has mainly been caused by the impact of the US-China trade situation and the decrease of business income.
4. PBT to pay-in Capital: This has mainly been caused by the impact of the US-China trade situation and the decrease of business income.
5. Cash flow ratio: This has mainly been caused by the increased accounts receivable at the end of the period, as well as the increase of the cash flow of business activities from the previous period.
6. Cash reinvestment ratio: This has mainly been caused by the increased accounts receivable at the end of the period, as well as the increase of the cash flow of business activities from the previous period.
7. Operating leverage: This has mainly been caused by the investment increase of production equipment in some factories and the fixed operating cost increase in accordance with the US-China trade situation.

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

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

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

5.3 Audit committee's report in the most recent year

Inventec Corporation Audit Committee's Review Report

The Board of Directors has prepared and submitted to us the Company's 2019 Business Report, Financial Statements and proposal for profit distribution. The Financial Statements have been audited, certified and issued an audit report by Wan-Wan Lin and Liu-Fong Yang of KPMG Certified Public Accountants. The Business Report, Financial Statements and profit distribution proposal have been reviewed and determined to be correct and accurate by the Audit Committee members. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Convener of the Audit Committee: Chang, Chang-Pang
Date: March 24, 2020

5.4 Individual financial statements for the years ended December 31, 2019 and 2018, and independent auditors' report

Please refer to Appendix I .

5.5 Consolidated financial statements for the years ended December 31, 2019 and 2018, and independent auditors' report

Please refer to Appendix II.

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

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

6.1 Analysis of financial status

6.1.1. Consolidated

Unit: NT\$Thousand

Item \ Year	2019	2018	Difference	
			Amount	%
Current assets	152,167,709	167,904,434	-15,736,725	-9.37%
Property, plant and equipment	30,729,458	30,324,516	404,942	1.34%
Intangible assets	880,774	885,307	-4,533	-0.51%
Other assets	9,314,912	6,689,665	2,625,247	39.24%
Total assets	193,092,853	205,803,922	-12,711,069	-6.18%
Current liabilities	127,046,276	140,692,415	-13,646,139	-9.70%
Non-current liabilities	9,075,349	7,389,990	1,685,359	22.81%
Total liabilities	136,121,625	148,082,405	-11,960,780	-8.08%
Share capital	35,874,751	35,874,751	-	-
Capital surplus	2,913,461	2,912,889	572	0.02%
Retained earnings	18,304,941	18,223,198	81,743	0.45%
Total equity attributable to owners of parent	55,271,148	55,364,481	-93,333	-0.17%

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

1. Other assets: This has mainly been caused by the increase in financial assets measured at fair value through other consolidated gains and losses.
2. Non-current liabilities: This has mainly been caused by the increase in lease liabilities, as well as the increase in long-term loans.

6.1.2. Individual

Unit: NT\$Thousand

Item \ Year	2019	2018	Difference	
			Amount	%
Current assets	131,882,962	136,725,056	-4,842,094	-3.54%
Property, plant and quipment	13,225,283	11,531,196	1,694,087	14.69%
Intangible assets	71,210	74,619	-3,409	-4.57%
Other assets	31,071,775	31,350,762	-278,987	-0.89%
Total assets	176,251,230	179,681,633	-3,430,403	-1.91%
Current liabilities	116,006,733	119,029,566	-3,022,833	-2.54%
Non-current liabilities	4,973,349	5,287,586	-314,237	-5.94%
Total liabilities	120,980,082	124,317,152	-3,337,070	-2.68%
Share capital	35,874,751	35,874,751	-	-
Capital surplus	2,913,461	2,912,889	572	0.02%
Retained earnings	18,304,941	18,223,198	81,743	0.45%
Total equity	55,271,148	55,364,481	-93,333	-0.17%

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

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

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

6.2 Analysis of operation results

6.2.1 Consolidated

Unit: NT\$ Thousand

Item \ Year	2019	2018	Amount changed	Change percentage (%)
	Amount	Amount		
Gross Sales Revenue	500,952,813	506,884,018	-5,931,205	-1.17%
Less : Sales Discounts and Allowances	-	-	-	-
Net Sales Revenue	500,952,813	506,884,018	-5,931,205	-1.17%
Operating Costs	-478,121,718	-483,002,434	4,880,716	-1.01%
Gross Profit from Operation	22,831,095	23,881,584	-1,050,489	-4.40%
Operating Expense	-16,427,600	-16,390,869	-36,731	0.22%
Operating Profit	6,403,495	7,490,715	-1,087,220	-14.51%
Non-operating Income and Expense	105,566	642,547	-536,981	-83.57%
Income from Operations of continued segments - before tax	6,509,061	8,133,262	-1,624,201	-19.97%
Less: Income Tax (Expense)	-1,672,064	-2,814,266	1,142,202	-40.59%
Profit attributable to owners of parent	5,507,960	6,499,856	-991,896	-15.26%
Profit attributable to non-controlling interests	-670,963	-1,180,860	509,897	-43.18%
Income from Operations of continued segments - after tax	4,836,997	5,318,996	-481,999	-9.06%

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

1. Non-operating Income and Expense: This has mainly been caused by the increase in foreign exchange losses.
2. Income Tax: This has mainly been caused by the decrease in the pre-tax net profit of the continuous business department.
3. Profit attributable to non-controlling interests: This has mainly been caused by the decrease in asset impairment.

Individual

Unit: NT\$ Thousand

Item \ Year	2019	2018	Amount changed	Change percentage (%)
	Amount	Amount		
Gross Sales Revenue	357,462,052	348,798,356	8,663,696	2.48%
Less : Sales Discounts and Allowances	-	-	-	-
Net Sales Revenue	357,462,052	348,798,356	8,663,696	2.48%
Operating Costs	-344,938,970	-334,753,253	-10,185,717	3.04%
Gross Profit from operation	12,523,082	14,045,103	-1,522,021	-10.84%
Less : Unrealized Profit(Loss) from Sales	-14,174	-18,889	4,715	-24.96%
Plus : Realized Profit(Loss) from Sales	18,889	13,751	5,138	37.36%
Realized Gross Profit from operation	12,527,797	14,039,965	-1,512,168	-10.77%
Operating Expense	-8,908,104	-8,432,139	-475,965	5.64%
Operating Profit	3,619,693	5,607,826	-1,988,133	-35.45%
Non-operating Income and Expense	2,411,761	1,984,074	427,687	21.56%
Income from operations of continued segments - before tax	6,031,454	7,591,900	-1,560,446	-20.55%
Less: Income Tax Expense	-523,494	-1,092,044	568,550	-52.06%
Income from operations of continued segments - after tax	5,507,960	6,499,856	-991,896	-15.26%

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

1. Unrealized profit(loss) from sales: This has mainly been caused the delayed customer shipment at the end of last year.
2. Realized profit(loss) from sales: This has mainly been caused by the advanced customer shipment at the end of the year.
3. Operating Income: This has mainly been caused by the product portfolio changes and the decrease in operating margin.
4. Non-operating Income and Expense: This has mainly been caused by the increase of investment income by adopting the equity method.
5. Income from operations of continued segments - before tax: This has mainly been caused by the decrease in operating margin.
6. Income Tax Expense: This has mainly been caused by the decrease in the pre-tax net profit of the continuous business department.

6.2.2 Expected sales volume and its basis

In 2019, driven by the end of Microsoft's support for Windows 7, the tide of commercial-use computer replacement emerged, and laptop shipments grew. However, due to the impact of the US-China trade situation, the cost was higher, and the overall business interests did not grow proportionately. In 2020, the overall laptop shipments are expected to decline amid the global outbreak of the novel coronavirus, the rework rates are low, and the supply chain is experiencing a shortage. As the growth of laptop products gradually slows, the Company will continue to focus on product innovation, combined with the recent Internet of Things, e-sports products, and other related applications in the hopes of bringing sustained growth momentum for personal computer products.

In terms of servers, due to the impact of the US-China trade war in 2019, the stocking of a new platform was advanced, and the base period was raised, slowing the shipment of global servers. Looking ahead to 2020, major data center operators, such as Facebook and Microsoft, are still planning to build new data centers. Furthermore, global telecom operators continue to increase the demand for servers in order to meet the high transmission volume of the 5G network. Together with the new CPU platform leading to the replacement tide, global server shipments are expected to grow. The Company will make every effort to obtain at least slight growth or remain level. However, COVID-19 is still affecting the economic activities of all countries. If the epidemic disease is extended indefinitely, we may have to face the risk of a downward operation forecast. The Company will persist with a cautious and attentive approach to quickly make operational adjustments pursuant to disease development and market changes in order to correspond with market fluctuations.

In terms of the handheld mobile device industry, the overall market of the handheld mobile device industry declined in 2019 due to the influence of the US-China trade situation, the high penetration rate of smart phones, the prolonged replacement cycle, and the reduced innovation level. Although 2020 will see a demand for 5G mobile phones, the demand is not urgent, and due to the outbreak of the novel coronavirus, the handheld mobile device industry market growth in 2020 will be limited. The Company is dedicated to obtaining slight growth or at least staying even. However, the effects of COVID-19 remain unclear and may result in the risk of a downward operational forecast.

In 2019, influenced by the policies of various countries and the continuous decline of supply chain prices, the demand of the solar energy market showed a growing trend. However, with dumping at low prices and government protective measures of the solar energy industry, Taiwan's solar energy market was still depressed. In 2020, Taiwan's solar energy industry is expected to face severe challenges due to long-term oversupply. In order to respond to the industry's downturn, the Company shall continue to carry out industrial chain integration and resource allocation strategy adjustment to reduce costs.

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

In the face of an increasingly fierce competitive environment, the Company will continuously carry out vertical integration and enter into strategic alliances to seek new opportunities, as well as focusing on core business operations, so as to respond to further market changes in the future. As for the demand of investment that might occur due to the growth of operations, the professional team of the Company will see that excellent financial planning is put in place through rigorous internal and external financial risk management analysis, allocation of integrated financial resources, and consideration of the costs of investments to ensure smooth operation of the Company. The Company has no current doubts of significant impact on finances of the business.

6.3 Analysis of cash flow

Unit: NT\$ thousand

Beginning cash balance A	Annual net cash flow from operating activities B	Annual cash outflow C	Cash surplus (insufficient) amount A+B-C	Remedial measures for cash shortfall	
				Investment plan	Financial management plan
18,952,967	6,945,485	5,021,463	20,876,989	—	—

1. Analysis on change of cash flow this year:

Operating activity: Due to the US-China trade war in 2019, the overall gross margin was affected. However, the Group continued to adjust its proportion of products, improve the cost structure, reduce operating expenses, and properly use fund procurements by the company team, so that the operating cash flow of the year would not be affected, and the overall cash flow was sufficient to meet the Group's operating expenses.

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

3. Cash liquidity analysis in the coming year:

Beginning cash balance (A): NT\$ 18,952,967 thousand

Expected annual net cash flow from operating activity (B): NT\$ 6,945,485 thousand

Expected annual cash outflow (C): NT\$ 5,021,463 thousand

Expected cash surplus (insufficient) amount (A+B-C): NT\$ 20,876,989 thousand

Looking into 2020, the professional team of the company will continuously improve the cost structure and devote itself to stabilizing the gross profit margin. Together with the significant impact of cost control, it is expected that cash flow for business activities will be abundant. As well as the expenditure for business activities due to investment activities such as assets

procurement, equipment replacement, cash dividend distribution, and similar expenses, the Company also takes advantage of loans from financial institutions to invest in the business, resulting in efficient cash flow thanks to this proper arrangement and management.

6.4 Major capital expenditure items

6.4.1 Employment of significant capital expenditure and capital source:

Unit: NT\$ thousand

Planned project	Actual or expected capital source	Actual or expected completion date	Total capital needed	Circumstance of actual or expected capital employment			
				2019	2020	2021	2022
Purchase more plant space and equipment	Own capital	Current year	15,818,085	3,818,085	4,000,000	4,000,000	4,000,000

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

6.4.2 The impact of significant capital expenditure on financial business

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

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

Having endured great hardships in entrepreneurship, Inventec started with laptop computers, then went deep into servers, smart devices, and today's 5G and automotive, medical, multi-faceted layouts, not only for group profits, but also to reduce the risk of having a single function in this ever-changing technological war. By applying AI and 5G to intelligent devices, Inventec Appliances Corp., a subsidiary of the Group, is expected to make a significant contribution to the Group by driving a new wave of demand to Internet of Things in the future. Meanwhile, Besta which always focuses on computer dictionary and translation software, will continue to develop new products to create new heights in the future. As for solar energy, considering the market environment and the imbalance between the supply and demand, E-Ton shall be dissolved to facilitate the reallocation of resources.

6.6 Analysis of risk management

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

1. Impact on loss and profit of the Company:

2019	Net amount of interest income (expenditure)	Net amount of exchange (loss) profit
Unit: NT\$ thousand	(414,057)	(999,798)

2. Future resolutions:

- A. Interest rate: In 2019, the global economy that had already seen the light of day was reversed due to the US-China trade war and Brexit, as well as the impact of the novel coronavirus outbreak. To reduce the potential risks to the economy and financial markets caused by the outbreak, the United States has been the first to cut interest rates to nearly zero and launched various loose policies in response. Thanks to the previously existing US-China trade conflict, Taiwan's industry has clearly improved investment and employment, but due to the impact of the global novel coronavirus outbreak, in order to ensure the steady flow of funds, the central bank has cut the interest rate of 0.25% in the first quarter of 2020 and will adopt a loose monetary policy in the expected future to maintain the stability of domestic economic and financial development and the needs of people's livelihood. The company carefully evaluates the risk of interest rate changes in operating its funds and makes the best use of its capital portfolio after considering both liquidity and security.
- B. Exchange rate: The sharp interest rate cut and loose policy of the United States will affect the monetary policy of other major economies. In order to prevent the flow of hot money in the United States, each country will adopt appropriate monetary policies to stabilize the foreign currency market. For a long time, Taiwan has been export-oriented, and the central bank is bound to keep the exchange rate dynamic and stable in the face of the US-China trade war, the global novel coronavirus outbreak, and the oil war in order to assist enterprises in their export and investment decisions. Since the company is deeply rooted in the international market, its main exchange rate policy is to naturally avoid risks after debt and creditors' rights are offset, as well as to reduce the exchange rate risk through currency hedging.
- C. Inflation: Monetary policies and currency inflation are often mutually reinforcing to prevent the distortion of real interest rates and exchange rates. In general, the central bank expects Taiwan's economic growth to remain moderate, so it will maintain a relatively stable pattern in 2020. In the future, the company will continue to actively observe market conditions and effectively control costs and operating

expenses to mitigate the impact of currency inflation on operations and prevent the phenomenon of false profits and real losses.

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

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

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

1. Innovation and quality: "Innovation" is the cornerstone of differentiation, which is a main factor for breaking through in a competitive environment. The group will continuously adhere to its innovative business philosophy and remain committed to customers and partners with the highest "quality" improvements in the future.
2. Future research and development plan:
 - A. Notebook computers: Inventec has delved deeply into the research and development of the laptop field for a long time, and delivery in 2019 had good performance due to the benefits of consumer market demands. In the future, artificial intelligence shall continue to be applied to products to develop the present market mainstream products of e-sports, double screens, narrow bezel, and ultra-light with high technical force, and maintain the high profit base and high gross profit orientation in order to realize the goals of improving profits.
 - B. Servers and cloud services: With the development of artificial intelligence and the change of the industrial pattern, as well as driving the demand of the data center and engaging in the development of the cloud, whether establishing the private cloud, public cloud, or mixed cloud placement, the "cloud" starts to move back and forth between various enterprises, so the demand of the server and cloud market has been on a whirlwind. The Company has strong hardware, software, and R&D capabilities and will continue to expand its alliance with strategic partners, in addition to the customized complete solutions to increase the added value of products, in order to pursue growth. Furthermore, with the cooperation of

industry 4.0, the smart factory combined with 5G application will be established and be able to cross the layout of major customers and penetrate into the sales field of telecom operators in the future. The Company's server and cloud business development in 2020 is expected to grow due to the expansion of data center demands.

C. Smart phones: The application development of 5G not only creates high-speed mobile communication, but also drives the new upgrade of networks and devices. In a smart device, the Company enters from intelligent wear, intelligent speaker, intelligent household, and medical treatment, combined with the AI and 5G module.; In addition to the storage, memory, communication, multimedia application, and additional values, based on the accumulated intelligent terminal, broadband, and acoustic field, more diversified development is expected in the future. With the introduction of relevant cloud technology, it is expected to become the benchmark of the global wireless communication industry.

3. Research and development expenditure expected to be invested:

At the rapid outbreak time of information communication, the future development plan of the Company will continue to move by mastering market fluctuation and understanding customer demands. In response to new market environments, manufacturing process improvement, and technology development, the Group is expected to input more than NT\$ 9.6 billion in research and development this year and will control the product development and market sales schedule within six months.

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

Recent annual plans	Current progress	R&D expenses to be invested	Time of completing mass production (Note)	Major factors influencing the success of research and development in the future
Notebook computer	Under development	NT\$ 2.2 billion	2021	Provision of long-term accumulated software and hardware technology and customized overall solutions
Server and cloud computing	Under development	NT\$ 3.9 billion	2021	Provision of long-term accumulated software and hardware technology and customized overall solutions
Smart phone and wireless communication devices	Under development	NT\$ 1.4 billion	2021	Continuous innovation, good quality, excellent talent, design, manufacturing, marketing, and after-sales service capability

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

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

The relevant units of the Company have always strictly followed important policies at home and abroad, as well as law changes, and pay close attention to any changes at all times. They also actively coordinate and adjust company financial business activities in response to such changed matters. With regard to the promotion of corporate governance by competent authorities, successive issuing and amendment of the Company Act, Securities Exchange Act, and handling criterion for all kinds of businesses, the reformation of the tax regulations environment, etc., the Company actively coordinates to handle such matters as required.

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

6.6.5 The impact of technology change and industry change on company financial operations and resolutions:

The rise of new technology has led to the transformation of the global industry. Faced with the strong attack of A (AI), B (Blockchain), C (Cloud Computing), D (Big Data), and 5 (5G), Inventec has not only actively developed talent training, but also successively invested various resources into product application development. To achieve the mission of world-class factories, we actively promote the construction of smart factories in each factory area and comprehensively carry out and formulate detailed strategies and development plans from four dimensions: 4.0 (Industry 4.0), TPS (Toyota Production System), LSS (Lean Six Standard Deviations), and Automation. In the future, we will continue to improve product innovation and added value in order to implement diversified business and technology integration. For the enterprise's sustainable development, we will continue to provide customers with comprehensive solutions from research and development, design, production, distribution, and service, in order to improve profitability and customer satisfaction. Furthermore, through the Internet and 5G mobile technology, the company's internal and external environment resources can be shared without boundaries. Importing an enterprise resource integration system and financial consolidation system will improve the overall operation and handling efficiency of financial affairs. Through active and effective financial and information technology application, the Company will assist in integrating upstream of vision and strategy, medium of process and indicator, and down to management information, action plans, etc. in order to take it as the best management tool in response to the change of technology and industry.

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

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

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

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

Since 2019 and as of the publication date of this annual report, the Company has no circumstances related to conducting a merger.

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

Because of the unknown situation in the US-China trade war, in order to resolve customer concerns and reduce tariffs, the Group has spread the risk of production concentration through the adjustment of operational planning and the gradual expansion of its production base in Mexico, the Czech Republic, Taiwan, and Malaysia. Earlier this year, influenced by the novel coronavirus outbreak, both workers and materials were lacking; however, due to the previous overseas capacity expansion, it can greatly reduce the supply chain disruption risk. In accordance with the economic environment and market demand, the Company has carefully evaluated its factory expansion plan. Furthermore, by activating assets, the Company will dispose of part of its Shanghai Factory in China in early 2020 to reduce the risk of idle assets and capital exposure. Capacity reconfiguration will create a win-win situation.

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

For a long time, mainland China has been the workshop of the world due to its geographical advantages in manpower and raw material supply. However, along with the change of the global economic and trade environment, plus the novel coronavirus outbreak, the global manufacturing supply chain has begun to think about how to integrate edge operations and reduce manufacturing risks by distributed and diversified production. In view of the US-China trade war, the Company has already adjusted its production strategy. Whether the purchase of key components or the sale

of the whole machine, the Company strives for diversification in supply and demand. The so-called "serving the hour" will effectively prevent the dilemma caused by the excessive concentration of purchases and sales.

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

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

6.6.12 Litigation or non-litigation cases:

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

A. Litigation case:

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

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

the building). Also, JI-EE has to permit E-Ton to freely use the door and the staircase (from Ground floor to 4th floor) of the annex building (within the compound) located at No 16-1 Ke Gong Section. E-Ton, on the other hand, filed an appeal by requesting the Tainan District Court to handover the case to the Taiwan High Court for another decision on May 23, 2018. Now the preparation procedure is still in progress. On November 15, 2018, Eton and JI-EE both agreed to settle this lawsuit. However, since there is a great difference between the selling price of the aforesaid lands and buildings offering by JI-EE and the buying price offering by E-ton, E-ton and JI-EE then requested the Court for continuance of this trial on February 26, 2019 and March 5, 2019, respectively. The court completed the on-site inspection and survey at 3:00 p.m. on May 31, 2019 and conducted the preparatory procedure on July 22, October 14, and December 12, 2019. Both parties agreed to cease the proceedings on December 12. On March 5, 2020, JI-EE petitioned to continue the action, and the preparatory procedures has been scheduled by the court for May 21, 2020.

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

The Supreme Court remanded the judgment to the Taiwan High Court- Tainan Branch on November 26, 2018 and ordered a retrial. JI-EE also filed an declaration to expand its claims on January 28, 2019, in which it requested E-ton to pay additional TWD 67,079 thousand, plus, interest payables accrued with an annual interest rate of 5% from the date of delivery

of the declaration to the date of settlement. On January 28, 2019, the parties agreed to cease the litigation and discuss to settle this lawsuit. On April 17, 2019, JI-EE requested the Court for continuance of this trial and the next hearing is scheduled on June 3, 2019.

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

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

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

6.6.13 Other important risks and counter measures

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

- A. Establish information safety organization: The company attaches great importance to information safety, and the information safety response team has been established under the auspices of the president and includes the production line information safety response teams of both the Personal Solution Group (PSG) and the Enterprise Business Group (EBG) to implement and strengthen the management of information safety. According to the "2019 internal audit plan", the company will audit Inventec's information safety project, monitor the information safety management system (ISMS) risk evaluation plan and implementation of the information safety system, and submit the audit results to the board of directors.
- B. Implement information security management: In accordance with the "Information Safety Management Regulations", in order to carry out Inventec's information safety management, meet customers' expectations of Inventec's information safety, ensure the confidentiality, integrity, and availability of the enterprise system and network transmissions, prevent illegal use, and the company will continue to provide information safety education training for employees, actively perform risk weakness management, and ensure the safety of the physical environment, computer host, network use, system access, development and maintenance safety, and mobile devices. Violations of the safety protection regulations will be subject to the "Personnel Management Regulations".
- C. Strengthen company employees' information security awareness: The "Code of Conduct for Employees" signed by the employees every year contains information safety protection matters. Information safety announcements shall be issued in a timely manner to remind employees to be careful of information safety risks. The company regularly organizes information safety education and training courses for new employees so that they understand the relevant information safety management regulations of Inventec, cultivate information safety concepts, and comply with the information safety regulations. The company further advocates information safety education and training for its employees and provides them with the latest information safety cases and trending safety information to improve employees'

information safety attainment.

- D. Anti-virus & hacker monitoring: To monitor the virus detection situation in every factory around the world and carry out necessary protection measures and virus detection and killing management, track the cause for computer viruses of the factories, and confirm that any virus has been eradicated. Every month, the president presided over the information safety conference to discuss the current information safety events reported in the news and present related information safety measures to prevent the production line from stopping and affecting the company's operations due an information safety event.
- E. Information security international certification: The factory and scope of Inventec having obtained its ISO 27001 international information security certification is as follows:
 - (A). Taipei headquarters: Inventec information solution office provides cloud-based SaaS information solution service.
 - (B). Taoyuan factory: The computer room, computer room maintenance and operation, IT information unit, and EBM (Engineering BOM Management) system in Taoyuan Science and Technology Park.
 - (C). Chongqing factory: The information security management activities related to the operation and maintenance of the office, security, production, and test information system and computer room.
 - (D). Shanghai factory: Information security management activities related to the maintenance and operation of the Company's internal information system and production information system (including the computer room).
- F. Information security check : Every year, the company shall undergo and information safety audit of customers by an external third party, in addition to an internal self-audit, and review information safety matters according to ISO 27001 and other information safety and control regulations, including safety policies, information safety organization, human resources safety, assets management, access control, cryptography, physical and environmental safety, operations safety, communication safety, information system development and maintenance, supplier relations, information event management, operation management, and compliance checks.
- G. Information security protection strengthening:
 - (A). For equipment replacement operations and upgrades, old equipment is continuously replaced, and an operating system that has been terminated is upgraded to enhance system availability and security.
 - (B). Upgrade the next-generation firewall, consolidate the network boundary, guard against external threats, establish a two-layer defense architecture, separate the production line, client terminal, and computer room server network, and improve the depth of security protection.

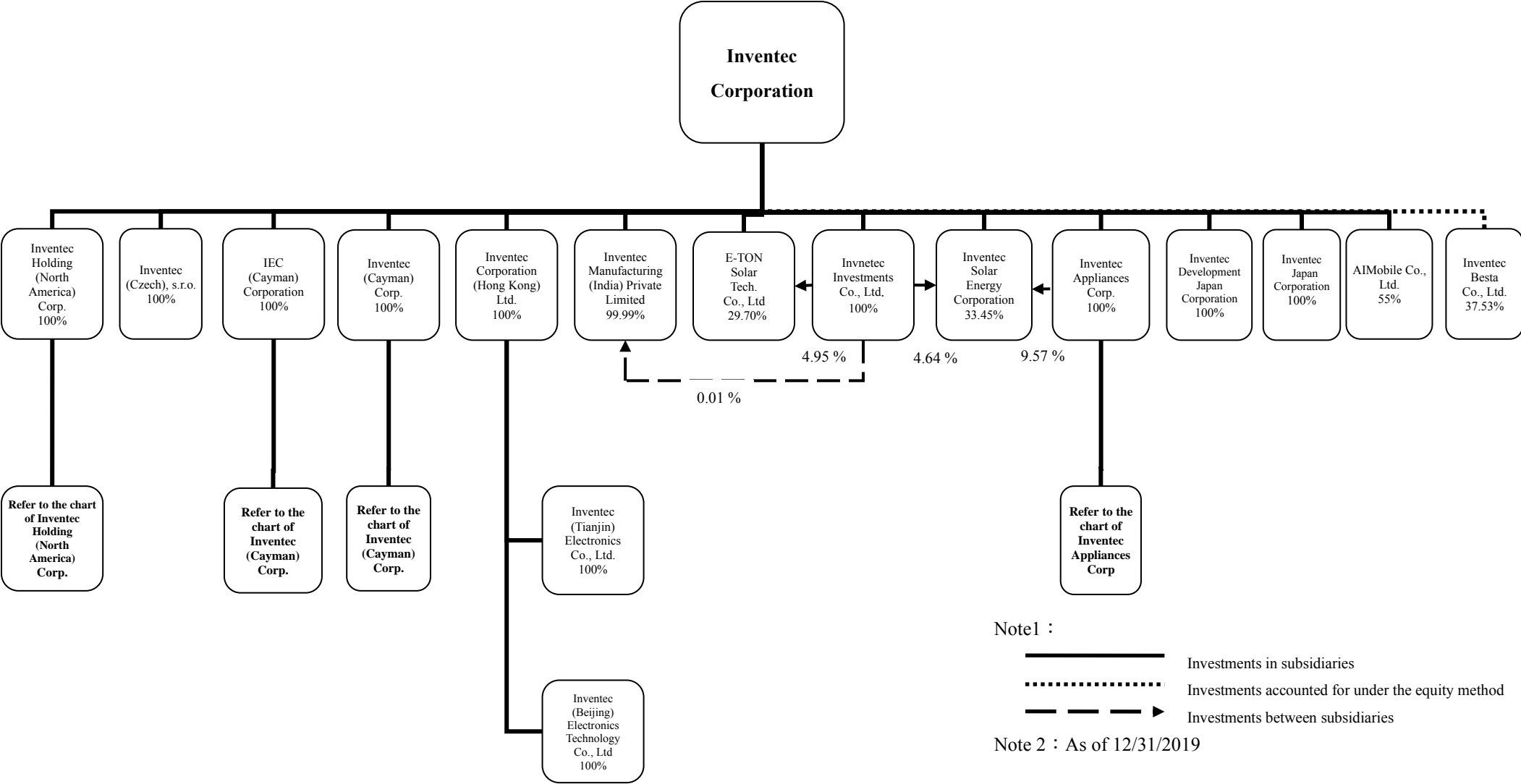
- (C). Import the bastion host or jump host, simplify the online entry of the host, reduce the risk of infiltration, enhance the online monitoring of the host, and use the dynamic password to protect privileged accounts.
- (D). Promote two-factor authentication and send the second layer OTP (One Time Password) through SMS to verify the identity of the logon to prevent the risk of the account and password being stolen or broken.
- (E). Strengthen APT attack protection and introduce an APT (Advanced Persistent Threat) protection scheme to prevent malware and hacker attacks and protect Inventec's information security.

6.7 Other important matters: None.

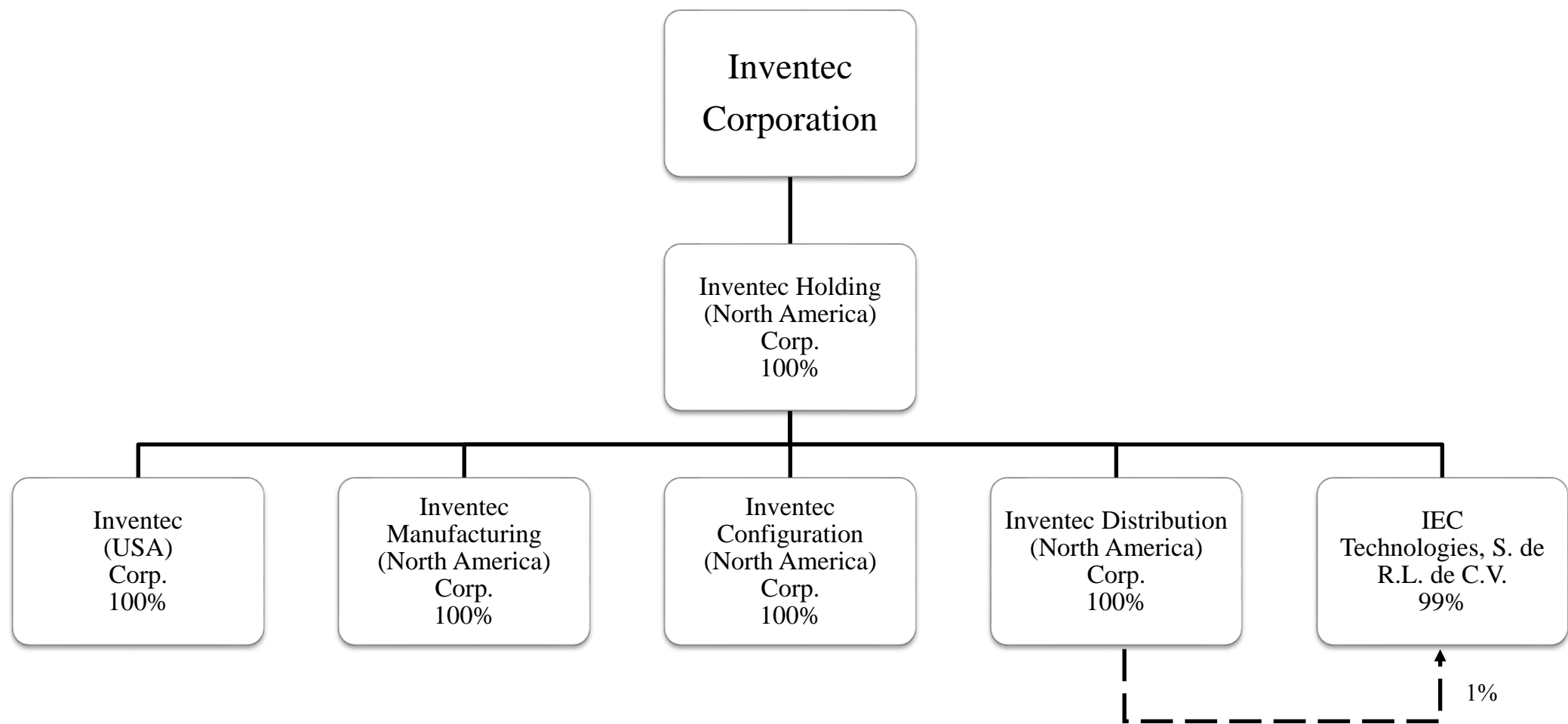
VII. Special disclosure

7.1 Summary of affiliated companies

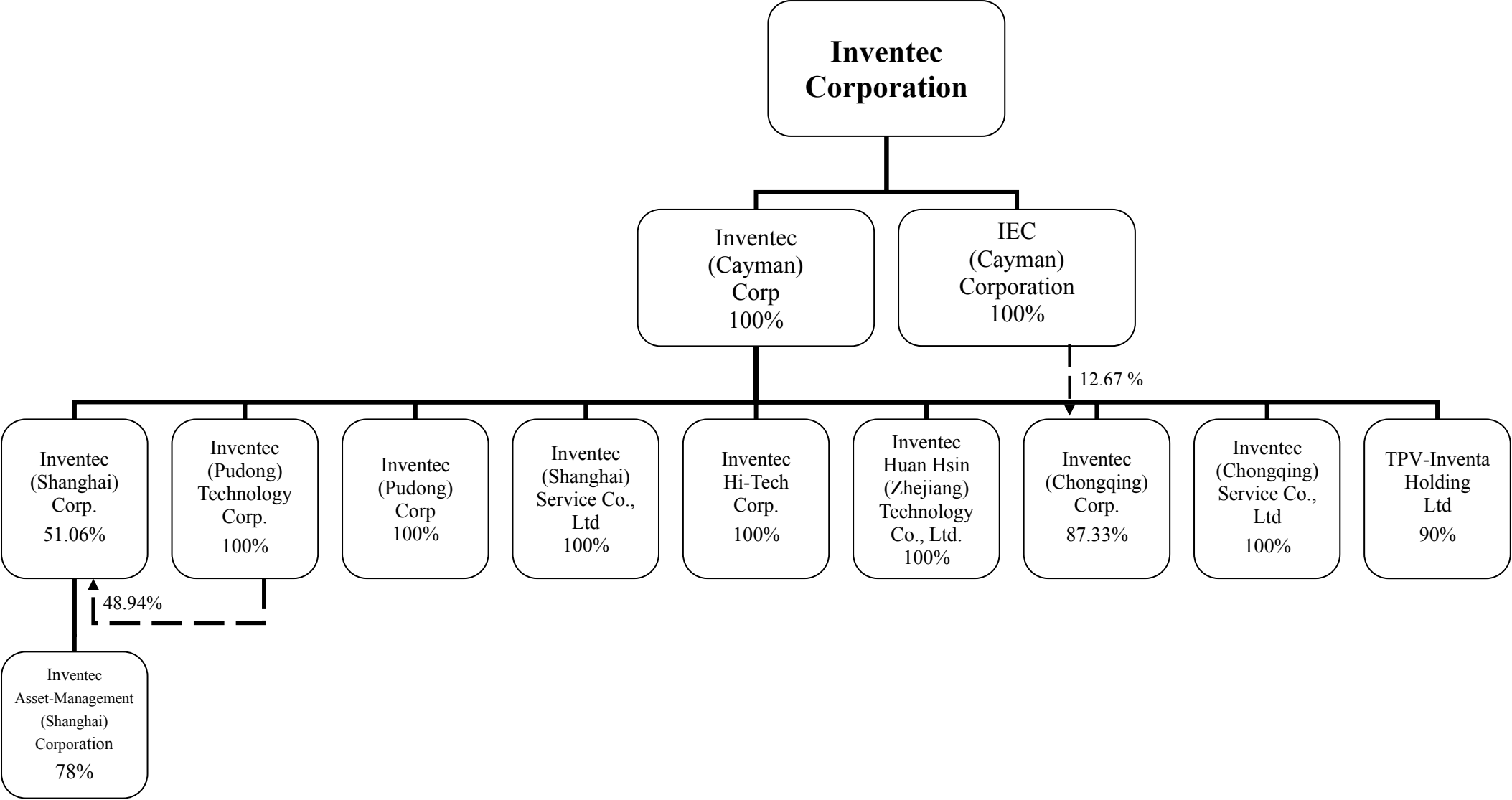
7.1.1 The chart of Inventec corporation



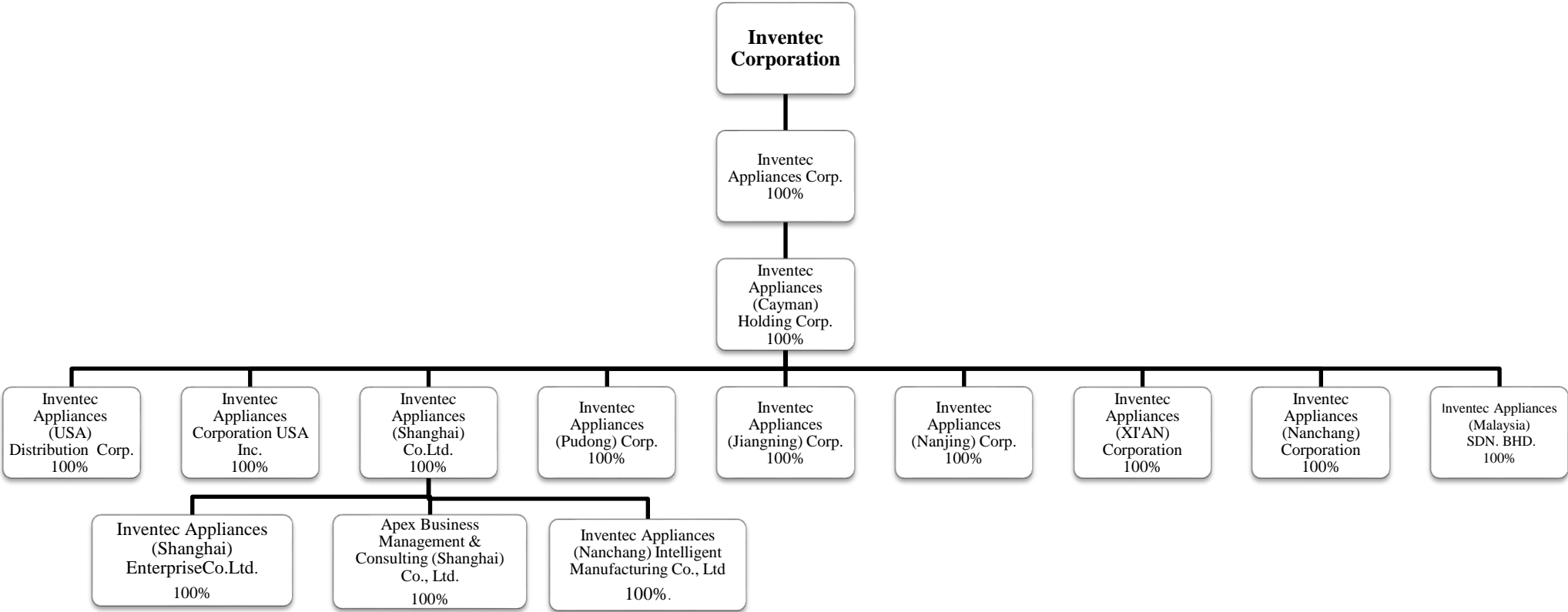
The chart of Inventec Holding (North America) Corp.



The chart of Inventec (Cayman) Corp.



The Chart of Inventec Appliances Corp.



7.1.2 Inventec corporation subsidiaries

Unit: NT\$ Thousands, As of 12/31/2019

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
Inventec Corporation (Hong Kong) Ltd.	1990.08	Level 54 Hopewell Centre 183 Queen's Road East, Hong Kong	8,705	Investing in Mainland China and import and export business
Inventec (Tianjin) Electronics Co., Ltd.	1993.11	Room 401-410, Wanzhao Smart Valley Building, No. 218 Hongqi Road, Nankai District, Tianjin, China	150,400	Electronic products hardware and software development and manufacturing.
Inventec (Beijing) Electronics Technology Co., Ltd.	1994.07	A-206, No.1 Building (Information Center), Zhongguancun Software Park, No.8 Dongbeiwang West Road, Haidian District, Beijing, China.	43,616	Production of computer-related products and after-sale services; sale of self-produced products; business information consultation
Inventec (Cayman) Corp.	2000.06	Floor 4, Willow House, Cricket Square, P.O.Box 2804, Grand Cayman KY1-1112, Cayman Islands	9,812,963	Holding Company
Inventec (Shanghai) Corp	2000.10	No.1295, Yi Shan Road Shanghai, China	2,061,784	Computer product assembly and sale of accessories
Inventec Asset-Management (Shanghai) Corporation	2014.06	The first floor 08 business of No.7 building , No.1528 Gumei road, , Xuhui district, Shanghai ,China	1,846,335	Real estate development and management
Inventec (Pudong) Corp.	2003.01	No.699 Puxing Road, Minhang District, Shanghai, China	1,504,000	Computer product assembly and sale
Inventec (Pudong) Technology Corp.	2004.04	No.789 Puxing Road, Minhang District, Shanghai, China	1,504,000	Computer products and accessories production and marketing
Inventec (Shanghai) Service Co., Ltd	2004.03	2F Building, No.1295, Yi Shan Road Shanghai, China	87,232	Software product development services and sales
Inventec Hi-Tech Corp.	2004.09	No.789 Puxing Road, Minhang District, Shanghai, China	1,504,000	Computer products assembly operations and sale
Inventec Huan Hsin (Zhejiang) Technology Co., Ltd.	2007.03	No.8, XinDa Road, Huimin Avenue ,Jiashan County, Zhejiang Province, China	863,296	Production and sale of electronic calculators and external equipment
Inventec (Chongqing) Corp.	2010.05	No.66, Xiqu Sceond Road, Shapingba District, ChongQing, China	2,256,000	Computer products assembly operations and sale
Inventec (Chongqing) Service Co., Ltd.	2010.05	3F Building No.98, Xiqu Sceond Road, Shapingba District, ChongQing, China	30,080	Computer products assembly operations and sale
TPV-Inventa Holding Ltd.	2010.05	20th Floor, Euro Trade Centre, 21-23 Des Voeux Road Central, Hong Kong	1,681,775	Holding Company
IEC (Cayman) Corporation	2013.11	Floor 4, Willow House, Cricket Square, P.O.Box 2804, Grand Cayman KY1-1112, Cayman Islands	739,500	Holding Company

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
Inventec Holding (North America) Corp.	1997.09	11450 Compaq Center Dr. West Suite 200, Houston, TX 77070	159,002	Holding company in America
Inventec (USA) Corp.	1997.02	11450 Compaq Center Dr. West Suite 200, Houston, TX 77070	15,040	Computer product assembles and warranty services
Inventec Manufacturing (North America) Corp.	1997.09	11450 Compaq Center Dr. West Suite 200, Houston, TX 77070	60,160	Technical and Marketing support service
Inventec Distribution (North America) Corp.	1998.08	11450 Compaq Center Dr. West Suite 200, Houston, TX 77070	15,040	Sale of computer products
Inventec Configuration (North America) Corp.	1998.08	11450 Compaq Center Dr. West Suite 200, Houston, TX 77070	60,160	Assembly of computer products
IEC Technologies, S. de R.L. de C.V.	2006.09	Blvd.Independencia #10150,Centro Industrial del Norte #1, CD Juarez, Chihuahua, Mexico 32575	60,333	Assembly of computer and related.
Inventec (Czech), s.r.o.	2004.02	Modrice, Central Trade Park Evropska 863 664 42 Modrice, Czech Republic	85,921	Assembly of computer products and after-sale services
Inventec Development Japan Corporation	2004.12	7F, No.1 Shinbashi-Ekimae BL.,2-20-15 Shinbashi, Minakotu-ku, Tokyo, Japan	18,317	Development, design, and sale of computer accessories
Inventec Manufacturing (India) Private Limited	2015.04	Old No. 3, New No.5 Vanitha 3rd Avenue, Besant Nagar, Chennai Chennai TN 600090 INDIA	281,720	Computer product assembly and after-sale services
Invnetec Investments Co., Ltd.	2009.08	3F-1, No.166, Sec. 4, Chengde Rd., Shilin Dist., Taipei City, Taiwan	1,088,000	Investment activities
Inventec Solar Energy Corporation	2010.10	No.349, Sec 2, Renhe Rd., Daxi Township, Taoyuan City, Taiwan.	3,233,548	Research and development, production, and sale of solar cells
E-TON Solar Tech. Co., Ltd.	2001.12	NO.498,Sec.2, Bentian St., Tainan, Taiwan	3,194,577	Manufacturing and sale of solar cells
Inventec Appliances Corp.	2000.05	No.37, Wugong 5th Road, Wugu District, New Taipei City, Taiwan	5,368,573	Wireless terminal products
Inventec Appliances (Cayman) Holding Corp.	2000.06	The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands.	6,003,205	Holding Company
Inventec Appliances (USA) Distribution Corp.	2000.07	555 Republic Drive, Suite 200, Plano, Texas 75074 , USA	130	Sale of electronics products and accessories
Inventec Appliances Corporation USA Inc.	2006.04	2880 Lakeside Drive, Suite 247, Santa Clara, California 95054	33	Sales activities
Inventec Appliances (Shanghai) Co.Ltd.	1991.07	No.7, Gui Qing Rd., Shanghai, China.	1,552,128	Development, design, and sale of electronics products and leasing
Inventec Appliances (Shanghai) Enterprise Co.Ltd.	2015.04	Room B506, Building 3, No.7 Gui Qing Road, Xuhui District, Shanghai, China.	34,494	Hardware and software development and consulting and electronic product sales
Apex Business Management & Consulting (Shanghai) Co., Ltd.	2009.07	Room 701, Building 3, No.7 Gui Qing Road, Shanghai, China.	2,164	Business Administration

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd.	2018.06	No.189, Torch 3rd Road, Nanchang High-tech Industrial Development , Nanchang City, Jiangxi Province, China	258,708	Wearable intelligent equipment manufacturing, and the research and development, design, processing, manufacturing, and sale of electronic products and communication equipment
Inventec Appliances (Pudong) Corp.	2004.03	No.789, Puxing Rd., Shanghai, China.	2,316,160	Development, design, and manufacturing of wireless communication products and mobile communication equipment
Inventec Appliances (Nanjing) Corp.	1993.10	No.100 Xian He Street, Nanjing, China	150,400	Real Estate Rental and Leasing
Inventec Appliances (Jiangning) Corp.	2004.02	No.133, Jiang-Jun Road ,Jiangning Economic and Technological Development Zone, Nanjing, China.	2,045,440	Development, design, and manufacturing of mobile communication devices (mobile phones), telephone sets (excluding multimedia advanced functions), etc
Inventec Appliances (XI'AN) Corporation	2007.12	No.50 Jin-Ye 1st Road High-tech Industrial Development Zone, Xi' an China	120,320	Development and design of related communication and electronic products and software, related technical services, and house rentals
Inventec Appliances (Nanchang) Corporation	2008.12	C401-417, No. 698 Jingdong Boulevard, High-Tech Zone of Nanchang, Jiangxi, China.	63,168	Development, design, and sale of communication and electronic-related products and software
Inventec Appliances (Malaysia) SDN. BHD	2018.09	253G-4-3A, Premier Centre, Jalan Burma, 10350 Penang, Malaysia	7,427	Sale of related electronic materials and products
AIMobile Co., Ltd.	2016.05	6F, No.166 Chengde Rd Sec 4, Shilin District, Taipei City, Taiwan, R.O.C	400,000	Research and development, production, and sale of intelligent mobile devices
Inventec Japan Corporation	2019.08	7F, No.1 Shinbashi-Ekimae BL.,2-20-15 Shinbashi, Minakotu-ku, Tokyo, Japan	2,954	Commercial trade and management

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

7.1.4 Industrial classification in Inventec corporation subsidiaries

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

Industrial Classification	Company	Relationships to Related Party
Energy Technical Services	E-TON Solar Tech. Co., Ltd.	Manufacturing and selling of solar cells
Electric Product Manufacturing	Inventec Appliances Corp.	Communication and digital accessory product assembles and sales
Holding company	Inventec Appliances (Cayman) Holding Corp.	Investment in Inventec Electronics (Shanghai) Co., Ltd. etc.
Electric Product Manufacturing	Inventec Appliances (USA) Distribution Corp.	Communication and digital accessory product assembles and sales
Electric Product Manufacturing	Inventec Appliances Corporation USA Inc.	Communication and digital accessory product assembles and sales
Electric Product Manufacturing	Inventec Appliances (Shanghai) Co.Ltd.	Communication and digital accessory product assembles and sales
Electric Product Manufacturing	Inventec Appliances (Shanghai) Enterprise Co.Ltd.	Communication and digital accessory product assembles and sales
Electric Product Manufacturing	Apex Business Management & Consulting (Shanghai) Co., Ltd.	Business Administration
Electric Product Manufacturing	Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd.	Communication and digital accessory product assembles and sales
Electric Product Manufacturing	Inventec Appliances (Pudong) Corp.	Communication and digital accessory product assembles and sales
Electric Product Manufacturing	Inventec Appliances (Nanjing)□Corp.	Communication and digital accessory product assembles and sales
Electric Product Manufacturing	Inventec Appliances (Jiangning) Corp.	Communication and digital accessory product assembles and sales
Electric Product Manufacturing	Inventec Appliances (XI'AN) Corporation	Communication and digital accessory product assembles and sales
Electric Product Manufacturing	Inventec Appliances (Nanchang) Corporation	Communication and digital accessory product assembles and sales
Electric Product Manufacturing	Inventec Appliances (Malaysia) SDN. BHD	Communication and digital accessory product assembles and sales
Electric Product Manufacturing	AIMobile Co., Ltd.	Research and development, production, and sale of intelligent mobile devices
Electric Product Manufacturing	Inventec Japan Corporation	Commercial trade and management

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

Unit: Shares ; % As of 12/31/2019

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

Company	Title	Name	Shareholding	
			Shares	Investment Holding (%)
Inventec (Shanghai) Service Co., Ltd	Chairman Director Director Supervisor *General manager	Representative of Inventec (Cayman) Corp. : Wu, Yung-Tsai Chien, Chin-Yen Chang, Chung-Ming Chen, Pei-Chia Wu, Yung-Tsai	N/A	100%
Inventec Hi-Tech Corp.	Chairman Director Director Supervisor *General manager	Representative of Inventec (Cayman) Corp. : Tsai, Chih-An Yen, Cheng-Lung Liao, Meng-Chieh Chen, Pei-Chia Yen, Cheng-Lung	N/A	100%
Inventec Huan Hsin (Zhejiang) Technology Co., Ltd.	Chairman Director Director Supervisor *General manager	Representative of Inventec (Cayman) Corp. : Huang, Kuo-Chun Wen, Shih-Chih Wu, Yung-Tsai Chen, Pei-Chia Chien, Chin-Yen	N/A	100%
Inventec (Chongqing) Corp.	Chairman Director Supervisor Director *General manager	Representative of Inventec (Cayman) Corp. : Chang, Hui Chang, Chung-Ming Chen, Pei-Chia Representative of IEC (Cayman) Corporation : Yu, Sa-Hua Yu, Sa-Hua	N/A	87.33% 12.67%
Inventec (Chongqing) Service Co., Ltd.	Chairman Director Director Supervisor *General manager	Representative of Inventec (Cayman) Corp. : Chang, Hui Chang, Chung-Ming Yu, Sa-Hua Chen, Pei-Chia Yu, Sa-Hua	N/A	100%
TPV-Inventa Holding Ltd.	Chairman Director Director Director Director	Representative of Inventec (Cayman) Corp. : Huang, Kuo-Chun Wu, Yung-Tsai Chang, Hui Chen, Wan-Chien Yu, Chin-Pao	302,421,330	90%
IEC (Cayman) Corporation	Director	Representative of Inventec Corporation : Cho, Tom-Hwar	25,000,000	100%
Inventec Holding (North America) Corp.	Director Director Director *General manager	Representative of Inventec Corporation : Cho, Tom-Hwar Wu, Yung-Tsai Tsai, Chih-An Tsai, Chih-An	5,000,000	100%
Inventec (USA) Corp.	Director Director Director *General manager	Representative of Inventec Holding (North America) Corp. : Cho, Tom-Hwar Wu, Yung-Tsai Tsai, Chih-An Tsai, Chih-An	500,000	100%

Company	Title	Name	Shareholding	
			Shares	Investment Holding (%)
Inventec Manufacturing (North America) Corp.	Director Director Director *General manager	Representative of Inventec Holding (North America) Corp. : Cho, Tom-Hwar Wu, Yung-Tsai Tsai, Chih-An Tsai, Chih-An	2,000,000	100%
Inventec Distribution (North America) Corp.	Director Director Director *General manager	Representative of Inventec Holding (North America) Corp. : Cho, Tom-Hwar Wu, Yung-Tsai Tsai, Chih-An Tsai, Chih-An	500,000	100%
Inventec Configuration (North America) Corp.	Director Director Director *General manager	Representative of Inventec Holding (North America) Corp. : Cho, Tom-Hwar Wu, Yung-Tsai Tsai, Chih-An Tsai, Chih-An	2,000,000	100%
IEC Technologies, S. de R.L. de C.V.	Director Director *General manager	Representative of Inventec Holding (North America) Corp. : Cho, Tom-Hwar Wu, Yung-Tsai Tsai, Chih-An	2	100%
Inventec (Czech), s.r.o.	Representative Representative Representative	Representative of Inventec Corporation : Tsai, Chih-An John William Busby Tseng, Kuang-Chao	68,000,000	100%
Inventec Development Japan Corporation	Representative Supervisor	Representative of Inventec Corporation : Cho, Tom-Hwar Yu, Chin-Pao	45,100	100%
Inventec Manufacturing (India) Private Limited	Director Director Director	Representative of Inventec Corporation : Wu, Yung-Tsai Chang, Hui Wu, Hsiang-Chin	55,994,400 NA	99.99% NA
Invnetec Investments Co., Ltd.	Chairman Director Director Supervisor *General manager	Representative of Inventec Corporation : Cho, Tom-Hwar Wu, Yung-Tsai Yu, Chin-Pao Cheng, Hsien-Ho Yu, Chin-Pao	108,800,000	100%
Inventec Solar Energy Corporation	Director Chairman Director Director Directo Supervisor Supervisor General manager	Inventec Corporation Hsieh, Jui-Hai Representative of Invnetec Investments Co., Ltd. : Yu, Chin-Pao Yeh, Li-Cheng Yen, Hao Cheng, Hsien-Ho Hsu, Shen-Chun Yen, Hao	108,150,000 7,291,760 15,000,000 1,060,000 2,378,000 530,000 79,500 2,378,000	33.45% 2.26% 4.64% 0.33% 0.74% 0.16% 0.02% 0.74%

Company	Title	Name	Shareholding	
			Shares	Investment Holding (%)
E-TON Solar Tech. Co., Ltd.	Director	Representative of Inventec Corporation : Hsu, Shen-Chun	94,888,759	29.70%
	Director	Yang, Hsin-Hua		
	Chairman	Wen, Ching-Chang	172,137	0.05%
	Director	Chen, Wan-Chien	0	0.00%
	Independent Director	Lai, Ming-Chang	0	0.00%
	Independent Director	Tsai, Yang-Tsung	0	0.00%
	Independent Director	Liu, Kuo-Chao	0	0.00%
	General manager	Yang, Hsin-Hua	0	0.00%
Inventec Appliances Corp.	Chairman Director Director Director Director Supervisor *General manager	Representative of Inventec Corporation : Chang, Ching-Sung Ho, Tai-Shui Yeh, Li-Cheng Chang, Hui Tsai, Chih-An Yu, Chin-Pao Ho, Tai-Shui	536,857,254	100%
Inventec Appliances (Cayman) Holding Corp.	Director	Representative of Inventec Appliances Corporation : Chang, Ching-Sung	199,574,638	100%
Inventec Appliances (USA) Distribution Corp.	Director *General manager	Representative of Inventec Appliances (Cayman) Holding Corp. : Chang, Ching-Sung Wang, Po-Hung	400,000	100%
Inventec Appliances Corporation USA Inc.	Director *General manager	Representative of Inventec Appliances (Cayman) Holding Corp. : Chang, Ching-Sung Wang, Po-Hung	10,000	100%
Inventec Appliances (Shanghai) Co.Ltd.	Chairman Director Director Supervisor *General manager	Representative of Inventec Appliances (Cayman) Holding Corp. : Chang, Ching-Sung Tsai, Shih-Kuang Ho, Tai-Shui Tseng, Ching-An Tsai, Shih-Kuang	N/A	100%
Inventec Appliances (Shanghai) EnterpriseCo.Ltd.	Chairman Supervisor *General manager	Representative of Inventec Electronics (Shanghai) Co., Ltd. : Chang, Ching-Sung Tseng, Ching-An Tsai, Shih-Kuang	N/A	100%
Apex Business Management & Consulting (Shanghai) Co., Ltd.	Chairman Supervisor *General manager	Representative of Inventec Electronics (Shanghai) Co., Ltd. : Chang, Ching-Sung Chang, Shu-Ching Tsai, Shih-Kuang	N/A	100%
Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd.	Chairman Director Director Supervisor *General manager	Representative of Inventec Electronics (Shanghai) Co., Ltd. : Ho, Tai-Shui Chang, Ching-Sung Chang, Ju-Nan Chang, Shu-Ching Chang, Ju-Nan	N/A	100%

Company	Title	Name	Shareholding	
			Shares	Investment Holding (%)
Inventec Appliances (Pudong) Corp.	Chairman Director Director Director Director Supervisor *General manager	Representative of Inventec Appliances (Cayman) Holding Corp. : Chang, Ching-Sung Lin, Wen-Yao Chen, Kun-Hui Ho, Tai-Shui Wang, Hung-Hsiang Tseng, Ching-An Chen, Kun-Hui	N/A	100%
Inventec Appliances (Nanjing) Corp.	Chairman Director Director Supervisor *General manager	Representative of Inventec Appliances (Cayman) Holding Corp. : Chang, Ching-Sung Kao, Chao-Yang Chen, Po-Cheng Chang, Shu-Ching Kao, Chao-Yang	N/A	100%
Inventec Appliances (Jiangning) Corp.	Chairman Director Director Supervisor *General manager	Representative of Inventec Appliances (Cayman) Holding Corp. : Chang, Ching-Sung Kao, Chao-Yang Chen, Po-Cheng Chang, Shu-Ching Kao, Chao-Yang	N/A	100%
Inventec Appliances (XI'AN) Corporation	Chairman Director Director Supervisor *General manager	Representative of Inventec Appliances (Cayman) Holding Corp. : Chang, Ching-Sung Kao, Chao-Yang Pien, Yung-Tsai Chang, Shu-Ching Pien, Yung-Tsai	N/A	100%
Inventec Appliances (Nanchang) Corporation	Chairman Director Director Supervisor *General manager	Representative of Inventec Appliances (Cayman) Holding Corp. : Chang, Ching-Sung Chen, Kun-Hui Chang, Ju-Nan Chang, Shu-Ching Chang, Ju-Nan	N/A	100%
Inventec Appliances (Malaysia) SDN. BHD	Representative Director Director *General manager	Representative of Inventec Appliances (Cayman) Holding Corp. : Chang, Ching-Sung Lee, Huai-En Lee, Tee-Hiang Lee, Huai-En	1,000,000	100%
AIMobile Co., Ltd.	Director	Representative of Inventec Corporation : Wu, Yung-Tsai	22,000,000	55.00%
	Director	Chang, Yu-Lien		
	Director	Yeh, Li-Cheng		
	Chairman	Representative of Advantech Co., Ltd. : Liu, Ke-Chen	18,000,000	45.00%
	Director	Chiang, Ming-Chih		
	Supervisor	Yu, Chin-Pao		
	Supervisor	Tsai, Shu-Mei		
	General manager	Chang, Kuo-Pin	0	0.00%
			0	0.00%
			0	0.00%

Company	Title	Name	Shareholding	
			Shares	Investment Holding (%)
Inventec Japan Corporation	Representative Supervisor	Representative of Inventec Corporation : Cho, Tom-Hwar Yu, Chin-Pao	200	100%

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

7.1.6 Operational highlights of Inventec company subsidiaries

Unit: NT\$ Thousands (Except EPS) ; As of 12/31/2019

Company	Capital	Total Assets	Total Liabilities	Total Stockholders' Equity	Sales Revenue	Operating Income	Income after Tax	EPS after Tax
Inventec Corporation (Hong Kong) Ltd.	8,705	91,175,631	90,821,590	354,041	265,202,124	4,328	41,683	—
Inventec (Tianjin) Electronics Co., Ltd.	150,400	305,816	80,416	225,401	214,987	9,507	17,244	—
Inventec (Beijing) Electronics Technology Co., Ltd.	43,616	100,539	25,651	74,889	25,606	(588)	119	—
Inventec (Cayman) Corp.	9,812,963	13,887,270	0	13,887,270	0	(197)	1,461,840	—
Inventec (Shanghai) Corp.	2,061,784	10,544,782	8,802,399	1,742,383	41,484,124	118,716	54,414	—
Inventec Asset-Management (Shanghai) Corporation	1,846,335	3,143,733	1,380,541	1,763,193	0	(3,184)	(16,313)	—
Inventec (Pudong) Corp.	1,504,000	1,463,412	970,107	493,305	0	(138,535)	(132,262)	—
Inventec (Pudong) Technology Corp.	1,504,000	38,107,567	33,470,904	4,636,662	78,989,320	228,288	178,991	—
Inventec (Shanghai) Service Co., Ltd	87,232	39,942	3,489	36,453	0	(1,257)	(266)	—
Inventec Hi-Tech Corp.	1,504,000	1,862,770	680,669	1,182,102	285,693	(119,195)	(105,961)	—
Inventec Huan Hsin (Zhejiang) Technology Co., Ltd.	863,296	6,324	395	5,929	0	6,376	111,716	—
Inventec (Chongqing) Corp.	2,256,000	44,540,469	36,974,816	7,565,652	238,086,457	1,132,907	1,752,033	—
Inventec (Chongqing) Service Co., Ltd.	30,080	136,399	95,502	40,897	130,139	(3,735)	(3,184)	—
TPV-Inventa Holding Ltd.	1,681,775	0	0	0	0	(1)	(1)	—
IEC (Cayman) Corporation	739,500	958,568	0	958,568	0	0	201,949	—
Inventec Holding (North America) Corp.	159,002	1,290,344	0	1,290,344	0	0	42,420	—
Inventec (USA) Corp.	15,040	225,239	0	225,239	0	0	3	—
Inventec Manufacturing (North America) Corp.	60,160	279,419	19,741	259,678	348,228	19,711	14,469	—
Inventec Distribution (North America) Corp.	15,040	16,739,555	16,346,343	393,212	64,108,335	18,209	5,298	—
Inventec Configuration (North America) Corp.	60,160	286,368	83,183	203,184	675,283	2,017	5,922	—
IEC Technologies, S. de R.L. de C.V.	60,333	484,832	186,471	298,361	663,123	50,628	19,351	—
Inventec (Czech), s.r.o.	85,921	12,398,673	12,366,423	32,250	29,865,293	75,732	174,569	—
Inventec Development Japan Corporation	18,317	17,695	66	17,629	274	(1,402)	(1,453)	—
Inventec Manufacturing (India) Private Limited	281,720	17,034	38,169	(21,135)	0	(2,585)	(6,315)	—
Inventec Investments Co.,	1,088,000	178,493	170	178,323	0	(208)	(36,251)	(0.33)

Company	Capital	Total Assets	Total Liabilities	Total Stockholders' Equity	Sales Revenue	Operating Income	Income after Tax	EPS after Tax
Ltd.								
Inventec Solar Energy Corporation	3,233,548	3,575,937	2,840,111	735,826	3,956,077	(171,609)	(265,187)	(0.82)
E-TON Solar Tech. Co., Ltd.	3,194,577	1,465,485	127,912	1,337,573	243,665	(421,430)	(731,238)	(2.29)
Inventec Appliances Corp.	5,368,573	32,979,859	24,034,937	8,944,922	78,464,042	486,222	1,471,489	2.74
Inventec Appliances (Cayman) Holding Corp.	6,003,205	16,663,394	0	16,663,394	0	0	1,386,742	—
Inventec Appliances (USA) Distribution Corp.	130	2,287,447	2,190,703	96,744	6,405,414	2,748	2,149	—
Inventec Appliances Corporation USA Inc.	33	30,221	17,391	12,830	18,834	1,209	941	—
Inventec Appliances (Shanghai) Co.Ltd.	1,552,128	1,944,322	158,718	1,785,604	2,881	(175,110)	(45,591)	—
Inventec Appliances (Shanghai) EnterpriseCo.Ltd.	34,494	28,761	1,640	27,121	0	(6,361)	(6,302)	—
Apex Business Management & Consulting (Shanghai) Co., Ltd.	2,164	68,790	11,254	57,536	91,625	27,654	21,255	—
Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd.	258,708	493,490	307,139	186,351	2,959	(71,942)	(68,737)	—
Inventec Appliances (Pudong) Corp.	2,316,160	26,921,170	17,586,294	9,334,876	75,244,005	947,540	1,028,995	—
Inventec Appliances (Nanjing) Corp.	150,400	333,171	6,336	326,835	0	(3,602)	14,344	—
Inventec Appliances (Jiangning) Corp.	2,045,440	6,193,378	1,274,859	4,918,519	5,363,629	293,372	404,613	—
Inventec Appliances (XI'AN) Corporation	120,320	133,695	94,006	39,689	0	(15,041)	7,459	—
Inventec Appliances (Nanchang) Corporation	63,168	144,055	13,166	130,889	63,116	(17,017)	(13,332)	—
Inventec Appliances (Malaysia) SDN. BHD	7,427	38,936	32,018	6,918	4,849	152	(32)	—
AIMobile Co., Ltd.	400,000	241,108	93,180	147,928	162,115	(97,779)	(97,582)	(2.44)
Inventec Japan Corporation	2,954	3,445	671	2,774	1,931	44	24	—

7.1.7 Consolidated financial statements of affiliates

Representation Letter

The entities that are required to be included in the combined financial statements of Inventec Corporation as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Inventec Corporation and its Subsidiaries do not prepare a separate set of combined financial statements.

Company Name: Inventec Corporation
Chairman: Cho, Tom-Hwar
Date: March 24, 2020

7.2 Private placement securities in the most recent years: None

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

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

7.5 Other matters that require additional description: None

Appendix I : Individual financial statements audited by CPA of 2019

Independent Auditors’ Report

To the Board of Directors of Inventec Corporation:

Opinion

We have audited the financial statements of Inventec Corporation(“the Company”), which comprise the balance sheet as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years ended December 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

1. Inventory Valuation

Please refer to Note 4(g), Note 5(a), and Note 6(e) for accounting policies, significant accounting assumptions and judgments, major sources of estimation uncertainty, and related disclosure information for inventory, respectively.

Description of the key audit matter:

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

How the matter was addressed in our audit:

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Notes to Readers

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

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

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management' s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company' s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor' s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 24, 2020

Notes to Readers

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

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
INVENTEC CORPORATION
BALANCE SHEETS
December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

ASSETS		2019.12.31		2018.12.31				LIABILITIES AND EQUITY		2019.12.31		2018.12.31	
		Amount	%	Amount	%					Amount	%	Amount	%
Current Assets :								Current Liabilities :					
1100	Cash and cash equivalents (Notes (4) and (6)(a))	\$ 4,698,660	3	2,373,511	1	2100	Short-term borrowings (Note (6)(k))	\$ 21,453,043	12	25,244,660	14		
1110	Current financial assets at fair value through profit or loss (Notes (4) and (6)(b))	182,104	-	71,557	-	2120	Current financial liabilities at fair value through profit or loss (Notes (4) and (6)(b))	108,175	-	4,958	-		
1120	Current financial assets at fair value through other comprehensive income (Notes (4) and (6)(b))	1,194,430	1	479,397	-	2130	Current contract liabilities (Note (6)(r))	5,554,820	3	5,850,432	3		
1170	Accounts receivable, net (Note (4) and (6)(c))	46,901,062	27	48,804,422	27	2170	Accounts payable	33,426,844	19	32,507,121	18		
1180	Accounts receivable due from related parties, net (Notes (4), (6)(c) and (7))	27,188,723	15	28,667,039	16	2180	Accounts payable due to related parites net (Note (7))	43,827,529	25	42,944,150	24		
1200	Other receivables, net (Notes (4), (6)(d) and (7))	47,453,959	27	52,978,971	30	2230	Current tax liabilities	1,046,130	1	954,793	1		
1310	Inventories, manufacturing business, net (Notes (4) and (6)(e))	3,878,921	2	2,183,875	1	2200	Other payables (Note (7))	5,332,183	3	5,767,304	3		
1479	Other current assets, others (Notes (4) and (6)(j))	385,103	-	1,166,284	1	2280	Current lease liabilities (Note (6)(l))	5,483	-	-	-		
		131,882,962	75	136,725,056	76	2322	Long-term borrowings, current portion (Note (6)(k))	300,000	-	250,000	-		
Non-current assets :						2399	Other current liabilities	4,952,526	3	5,506,148	3		
1517	Non-current financial assets at fair value through other comprehensive income (Notes (4) and (6)(b))	2,074,739	1	312,865	-			116,006,733	66	119,029,566	66		
1550	Investments accounted for using equity method, net (Notes (4) and (6)(f))	27,383,652	16	29,375,472	16		Non-current Liabilities :						
1600	Property, plant and equipment (Notes (4) and (6)(g))	13,225,283	7	11,531,196	7	2540	Long-term borrowings (Note (6)(k))	3,050,000	2	3,350,000	2		
1755	Right-of-use assets (Notes (4) and (6)(h))	13,036	-	-	-	2580	Non-current lease liabilities (Note (6)(l))	7,557	-	-	-		
1780	Intangible assets (Notes (4) and (6)(i))	71,210	-	74,619	-	2640	Net defined benefit liability, non-current (Notes (4) and (6)(n))	640,401	-	633,815	-		
1900	Other non-current assets (Notes (4), (6)(j), (6)(o), (7) and (8))	1,600,348	1	1,662,425	1	2670	Other non-current liabilities, others (Notes (4) and (6)(o))	1,275,391	1	1,303,771	1		
		44,368,268	25	42,956,577	24			4,973,349	3	5,287,586	3		
							Total Liabilities	120,980,082	69	124,317,152	69		
							Equity:						
						3110	Ordinary share (Note (6)(p))	35,874,751	20	35,874,751	20		
						3200	Capital surplus (Note (6)(p))	2,913,461	2	2,912,889	2		
							Retained earnings (Note (6)(p)):						
						3310	Legal reserve	10,799,605	6	10,149,619	6		
						3320	Special reserve	1,646,357	1	107,546	-		
						3350	Unappropriated retained earnings	5,858,979	3	7,966,033	4		
						3400	Other equity interest (Note (6)(p))	(1,822,005)	(1)	(1,646,357)	(1)		
							Total Equity	55,271,148	31	55,364,481	31		
TOTAL ASSETS		\$ 176,251,230	100	179,681,633	100		TOTAL LIABILITIES AND EQUITY	\$ 176,251,230	100	179,681,633	100		

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

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

STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		2019		2018	
		Amount	%	Amount	%
4110	Total sales revenue (Notes (4), (6)(r) and (7))	\$ 357,462,052	100	348,798,356	100
5000	Total operating costs (Notes (4), (6)(e) and (7))	344,938,970	96	334,753,253	96
	Gross profit from operations	12,523,082	4	14,045,103	4
5910	Less: Unrealized profit (loss) from sales (Note (7))	14,174	-	18,889	-
5920	Add: Realized profit (loss) from sales (Note (7))	18,889	-	13,751	-
	Gross profit from operations	12,527,797	4	14,039,965	4
	Operating expenses (Notes (4)(q)):				
6100	Selling expenses	1,512,265	-	1,595,103	-
6200	Administrative expenses	1,804,654	1	1,794,062	1
6300	Research and development expenses	5,586,067	2	5,036,707	1
6450	Expected credit loss (gain)	5,118	-	6,267	-
	Total operating expenses	8,908,104	3	8,432,139	2
	Net operating income	3,619,693	1	5,607,826	2
	Non-operating income and expenses (Notes (4), (6)(f) and (6)(t)):				
7010	Other income	68,002	-	63,464	-
7020	Other gains and losses, net	584,691	-	1,093,732	-
7050	Finance costs, net	(1,207,015)	-	(1,151,655)	-
7775	Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	2,966,083	1	1,978,533	-
	Total non-operating income and expenses	2,411,761	1	1,984,074	-
7900	Profit (loss) from continuing operations before tax	6,031,454	2	7,591,900	2
7950	Less: Income tax expenses (Notes (4) and (6)(o))	523,494	-	1,092,044	-
8200	Profit	5,507,960	2	6,499,856	2
	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	(50,641)	-	(15,243)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	830,368	-	(844,849)	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	4,377	-	(25,100)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(10,128)	-	(3,049)	-
	Components of other comprehensive income that will not be reclassified to profit or loss	794,232	-	(882,143)	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(32,310)	-	47,215	-
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(982,574)	-	(65,106)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	(1,014,884)	-	(17,891)	-
	Other comprehensive income, net	(220,652)	-	(900,034)	-
8500	Total comprehensive income	\$ 5,287,308	2	5,599,822	2
	Earnings per share attributable to stockholders of parent (Notes (4) and (6)(q))				
9750	Basic earnings per share (NT dollars)	\$ 1.54		1.81	
9850	Diluted earnings per share (NT dollars)	\$ 1.53		1.80	

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

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

INVENTEC CORPORATION

STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Capital Stock		Retained Earnings			Other Equity Interest			Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special reserve	Unappropriated Retained Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized Gains (Losses) on Available for Sale Financial Assets	
Balance at January 1, 2018	\$ 35,874,751	2,913,096	9,474,128	-	7,528,408	(972,359)	-	864,813	55,682,837
Effects of retrospective application	-	-	-	-	647,702	-	218,474	(864,813)	1,363
Equity at beginning of period after adjustments	35,874,751	2,913,096	9,474,128	-	8,176,110	(972,359)	218,474	-	55,684,200
Net income (loss) for the period	-	-	-	-	6,499,856	-	-	-	6,499,856
Other comprehensive income (loss) for the period	-	-	-	-	(7,562)	(17,891)	(874,581)	-	(900,034)
Total comprehensive income (loss) for the period	-	-	-	-	6,492,294	(17,891)	(874,581)	-	5,599,822
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	675,491	-	(675,491)	-	-	-	-
Special reserve appropriated	-	-	-	107,546	(107,546)	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(5,919,334)	-	-	-	(5,919,334)
Other changes in capital surplus:									
Changes in equity of associates and joint ventures accounted for using equity method	-	(207)	-	-	-	-	-	-	(207)
Balance at December 31, 2018	35,874,751	2,912,889	10,149,619	107,546	7,966,033	(990,250)	(656,107)	-	55,364,481
Net income (loss) for the period	-	-	-	-	5,507,960	-	-	-	5,507,960
Other comprehensive income (loss) for the period	-	-	-	-	(24,968)	(1,014,884)	819,200	-	(220,652)
Total comprehensive income (loss) for the period	-	-	-	-	5,482,992	(1,014,884)	819,200	-	5,287,308
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 share	-	-	-	-	(5,381,213)	-	-	-	(5,381,213)
Other changes in capital surplus:									
Changes in equity of associates and joint ventures accounted for using equity method	-	572	-	-	-	-	-	-	572
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(20,036)	-	20,036	-	-
Balance at December 31, 2019	\$ 35,874,751	2,913,461	10,799,605	1,646,357	5,858,979	(2,005,134)	183,129	-	55,271,148

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

INVENTEC CORPORATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Profit before income tax	\$ 6,031,454	7,591,900
Adjustments:		
Adjustments to reconcile profit before income tax to net cash provided by operating activities		
Depreciation expense	408,792	347,395
Amortization expense	667,744	542,980
Expected credit loss	5,118	6,267
Interest expense	1,207,015	1,151,655
Interest income	(68,002)	(63,464)
Dividend income	(20,301)	(28,866)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(2,966,083)	(1,978,533)
(Gain) loss on disposal of property, plant and equipment	(248)	7,218
Loss (gain) on disposal of non-current assets held for sale	(628,983)	-
Gain on disposal of investments	-	(64)
Unrealized foreign exchange loss (gain)	747,858	(253,809)
Total adjustments to reconcile profit	<u>(647,090)</u>	<u>(269,221)</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
(Increase) decrease in financial assets at fair value through profit or loss, mandatorily measured at fair value	(113,791)	40,555
Decrease (increase) in accounts receivable	2,404,374	(9,178,676)
Decrease (increase) in other receivable	4,559,761	(24,117,175)
(Increase) decrease in inventories	(1,695,046)	153,267
Decrease (increase) in other current assets	437,151	(60,079)
Total changes in operating assets	<u>5,592,449</u>	<u>(33,162,108)</u>
Changes in operating liabilities:		
Increase (decrease) in financial liabilities held for trading	103,217	(16,711)
(Decrease) increase in contract liabilities	(295,612)	547,683
Increase in accounts payable	2,804,027	14,829,831
(Decrease) increase in other payables	(445,168)	444,183
Decrease in other current liabilities	(553,622)	(1,619,093)
Decrease in net defined benefit liabilities	(44,055)	(39,212)
Total changes in operating liabilities	<u>1,568,787</u>	<u>14,146,681</u>
Total changes in operating assets and liabilities	<u>7,161,236</u>	<u>(19,015,427)</u>
Total adjustments	<u>6,514,146</u>	<u>(19,284,648)</u>
Cash inflow (outflow) generated from operations	12,545,600	(11,692,748)
Interest received	67,911	63,445
Dividends received	4,026,222	5,849,682
Interest paid	(1,279,274)	(1,068,934)
Income taxes paid	(423,450)	(207,354)
Net cash flows from (used in) operating activities	<u>14,937,009</u>	<u>(7,055,909)</u>

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

INVENTEC CORPORATION**STATEMENTS OF CASH FLOWS (CONT'D)****For the Years Ended December 31, 2019 and 2018****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2019</u>	<u>2018</u>
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(1,699,658)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	29,964	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	26,400	2,765
Acquisition of investments accounted for using equity method	(57,954)	-
Proceeds from disposal of investments accounted for using equity method	-	64
Proceeds from liquidation of investments accounted for using equity method	-	13,660
Proceeds from disposal of non-current assets held for sale	931,655	-
Acquisition of property, plant and equipment	(2,016,289)	(241,683)
Proceeds from disposal of property, plant and equipment	248	2,554
Acquisition of intangible assets	(225,618)	(252,421)
Proceeds from disposal of intangible assets	-	127
Increase in other non-current assets	(353,905)	(619,095)
Net cash flows used in investing activities	<u>(3,365,157)</u>	<u>(1,094,029)</u>
Cash flows from financing activities:		
(Decrease) increase in short-term borrowings	(3,602,533)	11,233,940
Proceeds from long-term borrowings	-	12,145,000
Repayments of long-term borrowings	(250,000)	(12,145,000)
Increase in other non-current liabilities	-	3,742
Decrease in other non-current liabilities	(8,676)	-
Cash dividends paid	(5,381,213)	(5,919,334)
Payment of lease liabilities	(4,281)	-
Net cash flows (used in) from financing activities	<u>(9,246,703)</u>	<u>5,318,348</u>
Net increase (decrease) in cash and cash equivalents	2,325,149	(2,831,590)
Cash and cash equivalents at beginning of period	2,373,511	5,205,101
Cash and cash equivalents at end of period	<u>\$ 4,698,660</u>	<u>2,373,511</u>

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

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

INVENTEC CORPORATION

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

For the years ended December 31, 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.

(2) Financial Statements Authorization Date and Authorization Process

The financial statements were authorized for issuance by the Board of Directors on March 24, 2020.

(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.

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

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

- (i) IFRS 16 “Leases”

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

INVENTEC CORPORATION

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

For the years ended December 31, 2019 and 2018

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

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

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company 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 Company 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 Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company decided to apply recognition exemptions to short-term leases and leases of low-value assets of machinery and leases of other equipment.

● 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 Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets are an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

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

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- 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.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

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- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) As a lessor

The Company 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 Company accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Company 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 Company reassessed the classification of a sub-lease contract previously classified as an operating lease under IAS 17. The Company concluded that the sub-lease is a finance lease under IFRS 16.

4) Impacts on financial statements

On transition to IFRS 16, the Company recognised additional \$10,596 thousands of right-of-use assets and \$10,596 thousands of lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.20%.

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 disclosed as follows:

	<u>January 1, 2019</u>
Operating lease commitment at December 31, 2018 as disclosed in the Company's financial statements	\$ 12,522
Recognition exemption for:	
short-term leases	(840)
leases of low-value assets	<u>(1,195)</u>
	<u>10,487</u>
Discounted using the incremental borrowing rate at January 1, 2019	<u>10,596</u>
Lease liabilities recognized at January 1, 2019	<u>10,596</u>

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- (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 Rule No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Company assesses that the adoption of the abovementioned standards would not have any material impact on its 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:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

(4) Significant Accounting Policies

The accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language parent company only financial statements, the Chinese version shall prevail.

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

- (a) Statement of compliance

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

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(b) Basis of preparation

1. Basis of measurement

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

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in Note 4(q).

2. Functional and presentation currency

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

(c) Foreign currencies

1. Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss except for an investment in equity securities designed as at fair value through other comprehensive income, which is recognized in other comprehensive income.

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

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

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

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

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

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

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

An entity shall classify a liability as current when:

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

(e) Cash and cash equivalents

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

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(f) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

1. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

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

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

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Some trade receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Company; therefore, those receivables are measured at FVOCI. However, they are included in the 'trade receivables' line item.

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

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

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

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

2. Financial liabilities and equity instruments

1) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

2) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

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3) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3. Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(g) Inventories

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

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

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or jointly control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align the accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Company's share of losses of an associate equals or exceeds its interest in associates, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

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The Company discontinues the use of equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method that was discontinued is recognized in profit or loss. The Company accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss (or retained earnings) on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss (or retained earnings) (as a reclassification adjustment) when the equity method is discontinued. If the Company's ownership interest in an associate is reduced, while it continues to apply the equity method, the Company reclassifies the proportion of the gain or loss, that had previously been recognized in other comprehensive income relating to that reduction in ownership interest, to profit or loss.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under additional paid-in capital. If the additional paid-in capital resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(i) Investment in subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the parent company only financial statements. Under equity method, the net income, other comprehensive income and equity in the parent company only financial statement are the same as those attributable to the owners of parent in the consolidated financial statements.

The changes in ownership of the subsidiaries are recognized as equity transaction.

(j) Joint Arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. The IFRS classifies joint arrangements into two types-joint operations and joint ventures, and have the following characteristics: (a) The parties are bound by a contractual arrangement; (b) The contractual arrangement gives two or more of those parties joint control of the arrangement. IFRS 11 "Joint Arrangements" defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (i.e. activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

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A joint venture is a joint arrangement whereby the Company has joint control of the arrangement (i.e. joint venturers) in which the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The Company recognizes its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures", unless, the Company qualifies for exemption from that Standard.

When assessing the classification of a joint arrangement, the Company considers the structure and legal form of the arrangement, the terms in the contractual arrangement and other facts and circumstances. When the facts and circumstances change, the Company reevaluates whether the classification of the joint arrangement has changed.

(k) Property, plant, and equipment

1. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

2. Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

3. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Buildings	10 ~ 50years
Machinery	2 ~ 11years
Transportation equipment	3 ~ 6years
Furniture and office facilities	2 ~ 14years
Power equipment	2 ~ 16years
Renovation and leasehold improvements	2 ~ 20years
Miscellaneous equipment	2 ~ 16years

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Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Leases

Applicable from January 1, 2019

(i) Identifying a lease

At inception of a contract, the Company 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 Company 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 Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Company has the right to direct the use of the asset throughout the period of use only if either:
 - the Company has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the Company has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the Company designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Company 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 Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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(ii) As a lessee

The Company 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 Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

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

(iii) As a lessor

When the Company 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 Company 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 Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Applicable before January 1, 2019

1. Lessor

Lease income from an operating lease is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

2. Lessee

Operating leases are not recognized in the Company's statement of financial position.

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

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(m) Intangible assets

1. Recognition and measurement

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

2. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

3. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

Computer software cost	1 ~6 years
------------------------	------------

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(n) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(o) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probably that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(p) Revenue

1. Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

1) Sale of goods

The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

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2) Consulting services and Management services

The Company provides advisory and management services. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the costs incurred to date as a proportion of the total estimated costs of the transaction.

3) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

(q) Employee benefits

1. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

2. Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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3. Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

4. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(r) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

1. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
2. temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
3. taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

1. the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
2. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or

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- 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(s) **Business combination**

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All the transaction costs incurred for the business combination are recognized immediately as the Company's expenses when incurred, except for the issuance of debt or equity instruments.

For each business combination, the Company measures any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the Company's net assets in the event of liquidation. Other non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

(t) **Earnings per share**

The Company disclose the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as convertible bonds and employee compensation.

(u) **Operating segments**

Please refer to the consolidated financial report of Inventec Corporation for the years ended December 31, 2019 and 2018 for operating segments information.

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

The preparation of the financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

The Company does not have any accounting policies which involve significant judgment which have significant influence to the annual financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(e) for further description of the valuation of inventories.

(6) Explanation to Significant Accounts

(a) Cash and cash equivalents

	2019.12.31	2018.12.31
Cash	\$ 1,021	1,065
Demand deposits and checking accounts	3,969,817	1,645,592
Time deposits	727,822	726,854
Cash and cash equivalents in statement of cash flows	\$ 4,698,660	2,373,511

Refer to Note 6(u) for the currency risk of the financial assets of the Company.

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- (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

	2019.12.31	2018.12.31
Financial assets at fair value through profit or loss		
Mandatorily measured at fair value through profit or loss:		
Derivative instruments not used for hedging		
Forward exchange contracts	\$ -	3,997
Foreign exchange swap	125,305	3,007
Non-derivative financial assets		
Unsecured convertible bonds	56,799	64,553
Total	\$ 182,104	71,557
Financial liabilities at fair value through profit or loss		
Held-for-trading financial liabilities		
Forward exchange contracts	\$ 108,175	3,398
Foreign exchange swap	-	1,560
Total	\$ 108,175	4,958

The Company uses derivative financial instruments to hedge certain foreign exchange and interest risk the Company is exposed to, arising from its operating, financing and investing activities. The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities on December 31, 2019 and 2018:

1) Financial assets:

2019.12.31				
	Contract Amount		Currency	Maturity Period
Foreign exchange swap	USD 335,000		USD to TWD	2020.02.18-2020.03.18
2018.12.31				
	Contract Amount		Currency	Maturity Period
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

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2) Financial liabilities:

	2019.12.31		
	Contract Amount	Currency	Maturity Period
Forward	USD 335,000	USD to TWD	2020.02.18-2020.03.18
	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

2. Financial assets at fair value through other comprehensive income

	2019.12.31	2018.12.31
Equity investments at fair value through other comprehensive income		
Stocks listed on domestic markets	\$ 1,323,650	574,327
Stocks not listed on domestic markets	1,945,519	217,935
Total	\$ 3,269,169	792,262

1) Equity investments at fair value through other comprehensive income

The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term strategic purposes.

For strategic purposes, the Company has sold its equity investments at fair value through other comprehensive income of \$29,964 in 2019, resulting in the Company to realize a loss of \$20,036, which was recognized as other comprehensive income, then later on, reclassified to retained earnings.

2) For credit risk and market risk, please refer to note 6(u).

3) As of December 31, 2019 and 2018, the aforesaid financial assets were not pledged as collateral.

(c) Trade receivables

	2019.12.31	2018.12.31
Accounts receivable due from related parties	\$ 27,188,723	28,667,039
Accounts receivables due from non-related parties	46,929,348	48,827,590
Less: Loss allowance	(28,286)	(23,168)
	\$ 74,089,785	77,471,461

INVENTEC CORPORATION**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)****For the years ended December 31, 2019 and 2018****(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

The Company has assessed a portion of its trade receivables that was held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; therefore, such trade receivables were measured at fair value through other comprehensive income with the amount of \$8,592,912 disclosed on December 31, 2018.

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

	2019.12.31		
	Gross carrying amount	Weighted-average	Loss allowance provision
Current	\$ 67,748,789	0.00%~0.50%	25,885
1 to 180 days past due	6,249,042	0.04%~0.50%	878
More than 180 days past due	120,240	0.04%~100%	1,523
	<u>\$ 74,118,071</u>		<u>28,286</u>

As of the end of February 29, 2020, the amount that received by the Company is \$30,466,835.

	2018.12.31		
	Gross carrying amount	Weighted-average	Loss allowance provision
Current	\$ 71,259,806	0.00%~0.50%	22,688
1 to 180 days past due	6,131,309	0.04%~0.50%	438
More than 180 days past due	103,514	0.04%~0.50%	42
	<u>\$ 77,494,629</u>		<u>23,168</u>

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

	For the years ended December 31,	
	2019	2018
Balance at January 1, 2019 and 2018	\$ 23,168	354,553
Impairment losses recognized	5,118	6,267
Impairment losses reversed	-	(337,652)
Balance at December 31, 2019 and 2018	<u>\$ 28,286</u>	<u>23,168</u>

The allowance for impairment account is used to record bad debt expenses. If the Company believes that it may not be able to collect the receivables. The accumulated impairment was used to offset the receivables when it is certain they are unrecoverable, after related legal actions were taken by the Company.

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

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

2019.12.31						
Purchaser	Assignment Facility	Factoring Line	Factoring Line	Advanced Amount	Range of Interest Rate	Collateral
Non-related parties	<u>\$ 17,620,075</u>	Note	<u>USD 585,774</u>	-	2.58%~2.68%	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.
2018.12.31						
Purchaser	Assignment Facility	Factoring Line	Factoring Line	Advanced Amount	Range of Interest Rate	Collateral
Non-related parties	<u>\$ 15,836,237</u>	Note	<u>USD 516,343</u>	-	3.22%~3.39%	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.

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

(d) Other receivables

	2019.12.31	2018.12.31
Other receivables — related parties	\$ 47,376,952	52,909,391
Other receivables — non-related parties	77,007	69,580
	<u>\$ 47,453,959</u>	<u>52,978,971</u>

(e) Inventories

	2019.12.31	2018.12.31
Raw materials and consumables	\$ 1,661,656	491,780
Work in process	1,250,578	577,460
Finished goods	966,687	1,114,635
	<u>\$ 3,878,921</u>	<u>2,183,875</u>

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For the years ended December 31, 2019 and 2018, the write-down (write-up) of inventories amounted to \$6,913 and \$(26,563), respectively, due to obsolescence or out of use, which causes the net realizable value to be lower than the cost. Loss on inventory valuation and obsolescence is recognized in operating cost. In addition, when the factor causing the net realizable value to be lower than the cost is disappeared due to obsolescence or disposal, increase of the net realizable value is recognized in deduction of operating cost. For the years ended December 31, 2019 and 2018, expenses of idle capacity amounted to \$3,132 and \$15,535, respectively.

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

(f) Investments accounted for using equity method

The investment using equity method was as follows:

	2019.12.31	2018.12.31
Subsidiaries	\$ 27,138,165	29,103,814
Associates	245,487	271,658
	<u>\$ 27,383,652</u>	<u>29,375,472</u>

1.Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2019.

2.Associates

The Company's financial information for investments in individually insignificant associates accounted for using equity method at the reporting date was as follows. These financial information are included in the financial statements.

	2019.12.31	2018.12.31
Individually insignificant associates	<u>\$ 245,487</u>	<u>271,658</u>
	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
The Company's share of profit (loss) of the associates		
Loss from continuing operations	\$ (24,518)	(11,000)
Other comprehensive income	(1,653)	(30,595)
Total comprehensive income	<u>\$ (26,171)</u>	<u>(41,595)</u>

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

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(g) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2019 and 2018 were as follows:

	Land	Building and construction	Machinery and equipment	Transportation equipment	Office equipment	Other facilities	Others	Total
Cost or deemed cost:								
Balance at January 1, 2019	\$ 6,480,044	5,112,450	238,141	26,023	2,049,760	909,543	16,417	14,832,378
Additions	1,160,980	21,839	373,895	2,689	133,695	55,749	349,747	2,098,594
Disposals	-	-	(2,203)	(3,021)	(93,824)	-	-	(99,048)
Other	-	-	-	-	-	16,417	(16,417)	-
Balance at December 31, 2019	<u>\$ 7,641,024</u>	<u>5,134,289</u>	<u>609,833</u>	<u>25,691</u>	<u>2,089,631</u>	<u>981,709</u>	<u>349,747</u>	<u>16,831,924</u>
Balance at January 1, 2018	\$ 7,140,268	5,372,060	233,886	22,278	2,021,218	894,455	112,902	15,797,067
Additions	-	-	4,907	8,850	46,103	8,908	148,051	216,819
Disposals	-	(10,029)	(652)	(5,105)	(66,483)	(104,974)	-	(187,243)
Other	(660,224)	(249,581)	-	-	48,922	111,154	(244,536)	(994,265)
Balance at December 31, 2018	<u>\$ 6,480,044</u>	<u>5,112,450</u>	<u>238,141</u>	<u>26,023</u>	<u>2,049,760</u>	<u>909,543</u>	<u>16,417</u>	<u>14,832,378</u>
Depreciation and impairment losses:								
Balance at January 1, 2019	\$ -	717,204	229,856	14,721	1,895,479	443,922	-	3,301,182
Depreciation for the period	-	115,436	46,872	3,757	100,795	137,647	-	404,507
Disposals	-	-	(2,203)	(3,021)	(93,824)	-	-	(99,048)
Balance at December 31, 2019	<u>\$ -</u>	<u>832,640</u>	<u>274,525</u>	<u>15,457</u>	<u>1,902,450</u>	<u>581,569</u>	<u>-</u>	<u>3,606,641</u>
Balance at January 1, 2018	\$ -	854,776	228,299	15,650	1,860,823	429,521	-	3,389,069
Depreciation for the period	-	118,519	2,210	4,176	101,078	121,412	-	347,395
Disposals	-	(10,029)	(653)	(5,105)	(66,422)	(97,175)	-	(179,384)
Other	-	(246,062)	-	-	-	(9,836)	-	(255,898)
Balance at December 31, 2018	<u>\$ -</u>	<u>717,204</u>	<u>229,856</u>	<u>14,721</u>	<u>1,895,479</u>	<u>443,922</u>	<u>-</u>	<u>3,301,182</u>
Carrying amounts:								
Balance at December 31, 2019	<u>\$ 7,641,024</u>	<u>4,301,649</u>	<u>335,308</u>	<u>10,234</u>	<u>187,181</u>	<u>400,140</u>	<u>349,747</u>	<u>13,225,283</u>
Balance at December 31, 2018	<u>\$ 6,480,044</u>	<u>4,395,246</u>	<u>8,285</u>	<u>11,302</u>	<u>154,281</u>	<u>465,621</u>	<u>16,417</u>	<u>11,531,196</u>
Balance at January 1, 2018	<u>\$ 7,140,268</u>	<u>4,517,284</u>	<u>5,587</u>	<u>6,628</u>	<u>160,395</u>	<u>464,934</u>	<u>112,902</u>	<u>12,407,998</u>

As of December 31, 2019 and 2018, the property, plant and equipment were pledged as collateral, please refer to Note 8.

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(h) Right-of-use assets

The Company leases many assets including land and vehicles. Information about leases for which the Company as a lessee is presented below:

	Land	Vehicles	Total
Cost:			
Original balance as of January 1, 2019	\$ -	-	-
Effects of retrospective application	6,348	4,248	10,596
Balance as of January 1, 2019 after adjustments	6,348	4,248	10,596
Additions	-	6,725	6,725
Balance as of December 31, 2019	\$ 6,348	10,973	17,321
Accumulated depreciation and impairment losses:			
Original balance as of January 1, 2019	\$ -	-	-
Effects of retrospective application	-	-	-
Balance as of January 1, 2019 after adjustments	-	-	-
Depreciation for the year	1,270	3,015	4,285
Original balance as of January 1, 2019	\$ 1,270	3,015	4,285
Carrying amounts:			
Balance as of December 31, 2019	\$ 5,078	7,958	13,036

(i) Intangible assets

The costs of intangible assets and amortization of the Company for the years ended December 31, 2019 and 2018 were as follows:

	Software cost
Cost:	
Balance at January 1, 2019	\$ 999,782
Additions	225,618
Disposals	(119,384)
Balance at December 31, 2019	\$ 1,106,016
Balance at January 1, 2018	\$ 922,718
Additions	252,421
Disposals	(175,357)
Balance at December 31, 2018	\$ 999,782

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	<u>Software cost</u>
Amortization and impairment losses:	
Balance at January 1, 2019	\$ 925,163
Amortization for the period	229,027
Disposals	<u>(119,384)</u>
Balance at December 31, 2019	<u>\$ 1,034,806</u>
Balance at January 1, 2018	\$ 842,027
Amortization for the period	258,366
Disposals	<u>(175,230)</u>
Balance at December 31, 2018	<u>\$ 925,163</u>
Carrying amounts:	
Balance at December 31, 2019	<u>\$ 71,210</u>
Balance at December 31, 2018	<u>\$ 74,619</u>
Balance at January 1, 2018	<u>\$ 80,691</u>

The amortization of intangible assets is respectively included in the statement of comprehensive income:

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Operating costs	\$ 107,336	152,448
Operating expenses	<u>121,691</u>	<u>105,918</u>
Total	<u>\$ 229,027</u>	<u>258,366</u>

As of December 31, 2019 and 2018, the aforesaid intangible assets were not pledged as collateral.

(j) Other current assets and other non-current assets

The other current assets-others and other non-current assets of the Company were as follows:

	<u>2019.12.31</u>	<u>2018.12.31</u>
Refundable deposits	\$ 25,855	33,747
Non-current asset held-for-sale	-	738,367
Asset for recovery	208,022	265,412
Deferred Tax Assets	1,234,583	1,211,850
Prepayments for investments	15,000	-
Others	<u>501,991</u>	<u>579,333</u>
	<u>\$ 1,985,451</u>	<u>2,828,709</u>

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

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

(k) Long-term and short-term borrowings

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

2019.12.31				
	Interest Rate	Currency	Maturity Date	Amount
Unsecured bank loans	0.65%~2.56%	TWD	2020.01.03~2020.02.10	\$ 3,590,000
	%%	USD	2020.01.16~2020.06.02	17,863,043
Secured bank loans	1.44%%	TWD	2031.02.26	3,350,000
Total				<u>\$ 24,803,043</u>
Current				\$ 21,753,043
Non-current				3,050,000
Total				<u>\$ 24,803,043</u>
Unused credit line				<u>\$ 34,772,437</u>

2018.12.31				
	Interest Rate	Currency	Maturity Date	Amount
Unsecured bank loans	0.74%~3.38%	TWD	2019.03.27	\$ 400,000
	%%	USD	2019.01.01~2019.01.23	24,844,660
Secured bank loans	1.44%%	TWD	2031.02.26	3,600,000
Total				<u>\$ 28,844,660</u>
Current				\$ 25,494,660
Non-current				3,350,000
Total				<u>\$ 28,844,660</u>
Unused credit line				<u>\$ 29,069,110</u>

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

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(l) Lease liabilities

The Company lease liabilities were as follows:

	2019.12.31
Current	\$ 5,483
Non-current	\$ 7,557

For the maturities analysis, please refer to Note 6(u).

The amounts recognized in profit or loss were as follows:

	For the years ended December 31, 2019
Interest on lease liabilities	\$ 124
Expenses relating to short-term leases	\$ 1,203
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	\$ 425

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

	For the years ended December 31, 2019
Total cash outflow for leases	\$ 6,033

1. Real estate leases

As of December 31, 2019, the Company leases land. 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 office buildings contain extension or cancellation options exercisable by the Company 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 Company 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 Company leases vehicles, with lease terms of two to three years. In some cases, the Company has option to guarantees the residual value of the leased assets at the end of the contract term.

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

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(m) Operating Leases

1. Leases as lessee

Non-cancellable operating lease payable were as follows:

	2018.12.31
Within 1 year	\$ 1,300
Period after 1 to 5 years	4,983
	<u>\$ 6,283</u>

The Company lease land, warehouse under operating leases. The leases typically run for a period of 1 to 10 years, with an option to renew the lease after that date.

For the year ended December 31, 2018 expenses recognized in profit or loss in respect of operating leases was \$1,265.

2. Leases as Lessor

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	2019.12.31
Less than one year	\$ 15,951
One to two years	4,877
Two to three years	3,490
Three to four years	142
Total undiscounted lease payments	<u>\$ 24,460</u>

The future minimum lease payments under non-cancellable leases on December 31, 2018 were as follows:

	2018.12.31
Within 1 year	\$ 84,325
Period after 1 to 5 years	76,645
	<u>\$ 160,970</u>

The rental revenues incurred by leasing land, offices and plants were \$67,337 and \$100,037 for the years ended December 31, 2019 and 2018, respectively.

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(n) Employee benefits

1. Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	<u>2019.12.31</u>	<u>2018.12.31</u>
Present value of the defined benefit obligations	\$ 1,336,939	1,289,116
Fair value of plan assets	<u>(696,538)</u>	<u>(655,301)</u>
Net defined benefit liabilities	<u>\$ 640,401</u>	<u>633,815</u>

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued two-year time deposits with interest rates offered by local banks.

The Company's pension reserve account in Bank of Taiwan amounted to \$692,189 at the end of December 31, 2019. For information on the utilization of the labor pension fund assets including the assets allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company on 2019 and 2018 were as follows:

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Defined benefit obligation at January 1	\$ 1,289,116	1,259,244
Current service costs and interest	25,096	28,214
Remeasurement on the net defined benefit liability		
— Experience adjustments arising on the actuarial gain or loss	18,913	(4,374)
— Actuarial loss (gain) arising from changes in financial assumptions	53,137	35,385
Benefits paid by the plan assets	<u>(49,323)</u>	<u>(29,353)</u>
Defined benefit obligation at December 31	<u>\$ 1,336,939</u>	<u>1,289,116</u>

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3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company on 2019 and 2018 were as follows:

	For the years ended December 31,	
	2019	2018
Fair value of plan assets at January 1	\$ 655,301	601,460
Interest income	7,711	7,890
Remeasurement on the net defined benefit liability		
— Return on plan assets (excluding current interest)	21,409	15,768
Contributions made	61,440	59,536
Benefits paid by the plan assets	(49,323)	(29,353)
Fair value of plan assets at December 31	\$ 696,538	655,301

4) Expenses recognized in profit or loss

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

	For the years ended December 31,	
	2019	2018
Current service costs	\$ 10,602	12,473
Net interest of net liabilities for defined benefit obligations	6,783	7,851
	\$ 17,385	20,324
Operating cost	\$ 1,831	1,963
Selling expenses	1,903	2,198
Administration expenses	4,151	5,227
Research and development expenses	9,500	10,936
	\$ 17,385	20,324

5) Actuarial assumptions

The following are the Company's principal actuarial assumptions:

Present Value of defined benefit obligations:

	For the years ended December 31,	
	2019	2018
Discount rate	0.750%%	1.125%%
Future salary increases rate	1.625%%	1.625%%

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The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date was \$62,922.

The weighted-average duration of the defined benefit obligation is 11.10.0 years.

6) Sensitivity analysis

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

	Influences of defined benefit obligations	
	Increased	Decreased
	0.25%	0.25%
December 31, 2019		
Discount rate	\$ (35,766)	37,185
December 31, 2018		
Discount rate	(35,699)	37,152

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

2. Defined contribution plans

In accordance with the provisions of the Labor Pension Act, the Company contribute an amount equal to 6% of the employee' s monthly wages to the Labor Pension personal account with the Bureau of the Labor Insurance.

The pension costs incurred from the contributions to the to the Bureau of the Labour Insurance amounted to \$194,780 and \$176,514 for the years ended December 31, 2019 and 2018, respectively. Except for the accounts payable of \$54,044 and \$51,003 respectively, the Company have been contributed to the Bureau of the Labour Insurance.

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(o) Income taxes

1. The components of income tax expense (gain) in the years 2019 and 2018 were as follows:

	For the years ended December 31,	
	2019	2018
Current tax expense		
Current period	\$ 514,786	314,187
Adjustment for prior periods	41,017	529,444
	<u>555,803</u>	<u>843,631</u>
Deferred tax expense		
Origination and reversal of temporary differences	(32,309)	283,417
Adjustment in tax rate	-	(35,004)
	<u>(32,309)</u>	<u>248,413</u>
Income tax expense from continuing operations	<u>\$ 523,494</u>	<u>1,092,044</u>

The amount of income tax recognized in other comprehensive income for 2019 and 2018 was as follows:

	For the years ended December 31,	
	2019	2018
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	<u>\$ 10,128</u>	<u>3,049</u>

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

	For the years ended December 31,	
	2019	2018
Income before tax	<u>\$ 6,031,454</u>	<u>7,591,900</u>
Income tax using the statutory tax rate	1,206,291	1,518,380
Permanent differences	(308,822)	(360,212)
Tax credits	(73,685)	(60,000)
Change in unrecognized temporary differences	(105,032)	(533,951)
Under provision in prior periods	-	529,444
(Over) under provision of temporary differences	(236,275)	31,818
Other	41,017	-
Adjustment in tax rate	-	(35,004)
Undistributed earnings additional tax	-	1,569
Income tax expense	<u>\$ 523,494</u>	<u>1,092,044</u>

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Under provision in prior periods is estimation of the difference between approved amounts by Tax Authority and the declared amounts.

2. Deferred Tax Assets and Liabilities

1) Unrecognized Deferred Tax Assets

Deferred tax assets that have not been recognized in respect of the following items:

	2019.12.31	2018.12.31
Tax effect of deductible Temporary Differences	\$ 749,983	855,015

2) Recognized Deferred Tax Assets and Liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2019 and 2018 were as follows:

	Gain (loss) on investment	Other	Total	
Deferred Tax Liabilities:				
Balance at January 1, 2019	\$ 1,210,634	48,225	1,258,859	
Recognized in profit or loss	28,521	(48,225)	(19,704)	
Balance at December 31, 2019	\$ 1,239,155		1,239,155	
Balance at January 1, 2018	\$ 909,370	-	909,370	
Recognized in profit or loss	301,264	48,225	349,489	
Balance at December 31, 2018	\$ 1,210,634	48,225	1,258,859	
	Deferred Income	Defined Benefit Plans	Others	Total
Deferred Tax Assets:				
Balance at January 1, 2019	\$ 853,028	70,419	288,403	1,211,850
Recognized in profit or loss	(82,229)	(8,811)	103,645	12,605
Recognized in other comprehensive income	-	10,128	-	10,128
Balance at December 31, 2019	\$ 770,799	71,736	392,048	1,234,583
Balance at January 1, 2018	\$ 616,770	63,932	427,023	1,107,725
Recognized in profit or loss	236,258	3,438	(138,620)	101,076
Recognized in other comprehensive income	-	3,049	-	3,049
Balance at December 31, 2018	\$ 853,028	70,419	288,403	1,211,850

3. The Company's income tax returns through 2016 have been examined and approved by the Tax Authority.

The Company disagreed with the opinion held by the tax authorities on certain parts its total income tax payment amounting to \$253,607 in 2015; therefore, it applied for a reassessment concerning the matter.

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(p) Capital and reserves

As of December 31, 2019 and 2018, the authorized capital of the Company both consisted of 3,650,000 thousand shares and both issued worth \$36,500,000, with par value of \$10 per share, and its outstanding capital both consisted of 3,587,475 thousand shares of stock. All issued shares were paid up upon issuance.

1.Capital surplus

The components of the capital surplus were as follows:

	<u>2019.12.31</u>	<u>2018.12.31</u>
Share capital	\$ 2,891,959	2,891,959
Other	21,502	20,930
	<u><u>\$ 2,913,461</u></u>	<u><u>2,912,889</u></u>

In accordance with the ROC company Act, realized capital reserves can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the securities offering and Issuance Guidelines, the amount of capital reserve to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

2.Retained earnings

The Company's articles of incorporation require that after-tax earnings shall first be offset against any deficit, and 10% of the rest be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital. Special reserve may be appropriated for operations or to meet regulations. The remaining earnings, if any, may be appropriated for operations according to the proposal, and the distributed dividends may not be lower than 10% of the earnings which are presented in the annual stockholders' meeting by the Board of Directors. In consideration of the Company's long-term operating plan, funding needs, and satisfying shareholder demand for cash flow, the Company distributes cash dividends of at least 10% of the aggregate of cash dividends and stock dividends if the distributions include cash dividend.

1) Legal reserve

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.

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3) Earnings Distribution

During the meeting of shareholders on June 14, 2019 and June 14, 2018, the shareholders approved to distribute the 2018 and 2017 earnings, respectively, as follows:

	2018		2017	
	Dividend per share (\$)	Amount	Dividend per share (\$)	Amount
Dividends distributed to common shareholders				
Cash	\$ 1.50	<u>5,381,213</u>	1.65	<u>5,919,334</u>

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

On March 24, 2020, the Company's Board of Directors resolved to appropriate the 2019 earnings respectively, as follows:

	2019	
	Dividend per share (\$)	Amount
Dividends distributed to common shareholders		
Cash	\$ 1.30	<u>4,663,718</u>

3.Other equity (net of taxes)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total
Balance, January 1, 2019	\$ (990,250)	(656,107)	-	(1,646,357)
Exchange differences on foreign operations	(32,310)	-	-	(32,310)
Exchange differences on subsidiaries accounted for using equity method	(982,574)	-	-	(982,574)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	830,368	-	830,368
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, associates and joint ventures accounted for using equity method	-	(11,168)	-	(11,168)
Disposal of investments in equity instruments designed at fair value through other comprehensive income	-	20,036	-	20,036
Balance, December 31, 2019	<u>\$ (2,005,134)</u>	<u>183,129</u>	<u>-</u>	<u>(1,822,005)</u>

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	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total
Balance, January 1, 2018	\$ (972,359)	-	864,813	(107,546)
Effects of retrospective application	-	218,474	(864,813)	(646,339)
Balance at January 1, 2018 after adjustments	(972,359)	218,474	-	(753,885)
Exchange differences on foreign operations	47,215	-	-	47,215
Exchange differences on subsidiaries accounted for using equity method	(65,106)	-	-	(65,106)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(844,849)	-	(844,849)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, associates and joint ventures accounted for using equity method	-	(29,732)	-	(29,732)
Balance, December 31, 2018	<u>\$ (990,250)</u>	<u>(656,107)</u>	<u>-</u>	<u>(1,646,357)</u>

(q) Earnings per share

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

	For the years ended December 31,	
	2019	2018
Basic earnings per share:		
Profit attributable to ordinary shareholders	<u>\$ 5,507,960</u>	<u>6,499,856</u>
Weighted average number of ordinary shares (thousand shares)	<u>3,587,475</u>	<u>3,587,475</u>
Basic earnings per share (NT dollars)	<u>\$ 1.54</u>	<u>1.81</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (adjusted for the effects of all dilutive potential ordinary shares)	<u>\$ 5,507,960</u>	<u>6,499,856</u>
Weighted average number of ordinary shares (thousand shares)	<u>3,587,475</u>	<u>3,587,475</u>
Effect of dilutive potential common shares (thousand shares)		
profit sharing to employees	<u>23,150</u>	<u>26,691</u>
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)	<u>3,610,625</u>	<u>3,614,166</u>
Diluted earnings per share (NT dollars)	<u>\$ 1.53</u>	<u>1.80</u>

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(r) Revenue from contracts with customers

1. Disaggregation of revenue

	For the years ended December 31,	
	2019	2018
Primary geographical markets		
Taiwan	\$ 6,364,849	1,151,999
USA	289,742,413	284,349,970
Japan	11,423,674	9,867,553
Hong Kong, Macao and Mainland China	9,869,620	10,360,256
Other countries	40,061,496	43,068,578
	\$ 357,462,052	348,798,356
Major products		
Computer product	\$ 357,056,883	348,207,598
Rendering of services	405,169	590,758
	\$ 357,462,052	348,798,356

2. Contract balances

	2019.12.31	2018.12.31	2018.1.1
Contract liabilities	\$ 5,554,820	5,850,432	5,302,749

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

The amount of revenue recognized for the year ended December 31, 2019 and 2018 that was included in the contract liability balance at the beginning of the period was \$2,064,774 and \$1,600,517.

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

(s) Remuneration of employees and directors

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

If the employee remuneration is distributed in the form of stock or cash, the employees qualifying for such distribution shall include the employees of the subsidiaries of the Company who meet certain specific requirements. Such qualified employees and the distribution ratio shall be decided by the Board of Directors.

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The remuneration of employees amounted to \$424,704 and \$490,803 and the remuneration of directors amounted to \$77,754 and \$97,342 for the years ended December 31, 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 were expensed under operating cost or expenses in 2019 and 2018. Related information would be available at the Market Observation Post System after the meeting of the shareholders has been convened.

There were no differences between the amounts to be distributed as remuneration to employees and directors in 2019 and 2018 and the amounts stated in the individual reports.

(t) Non-operating income and expenses

1. Other income

The details of other income for the years ended December 31, 2019 and 2018, were as follows:

	For the years ended December 31,	
	2019	2018
Interest income		
Bank deposits	\$ 68,002	63,464

2. Other income and losses

The details of other income and losses for the years ended December 31, 2019 and 2018, were as follows:

	For the years ended December 31,	
	2019	2018
Gains on disposal of investments	\$ -	64
Gains on disposal of assets held-for-sale	628,983	-
Foreign exchange (losses) gains	(520,088)	821,241
Net gains (losses) on financial assets (liabilities) measured at fair value through profit or loss	130,758	(46,259)
Other income and losses	345,038	318,686
Net other income and losses	\$ 584,691	1,093,732

3. Finance costs

The details of finance expenses for the years ended December 31, 2019 and 2018, were as follows:

	For the years ended December 31,	
	2019	2018
Interest expenses		
Bank borrowings	\$ 688,460	623,708
Others	518,555	527,947
	\$ 1,207,015	1,151,655

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(u) Financial instruments

1. Credit risks

1) Credit risks exposure

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

2) Condition of credit risk concentration

Implicit credit risk of the Company is inherent in its cash and accounts receivable. The cash is deposited in different financial institutions. The Company manages the credit risk exposure with each of these financial institutions and believes that cash do not have a significant credit risk concentration.

The major customers of the Company are centralized in the high-tech computer industry. To minimize credit risk, the Company periodically evaluates the Company's financial positions and the possibility of collecting trade receivables.

Besides, the Company monitors and reviews the recoverable amount of the trade receivables to ensure the uncollectible amount are recognized appropriately as impairment loss. Therefore, the executives evaluate the Company's credit risk to be limited.

As of December 31, 2019 and 2018, 72% and 71% of accounts receivable were attributable to two major customers. Thus, credit risk is significantly centralized.

2. Liquidity risks

The following are the contractual maturities of financial liabilities of the Company, including estimation of interest, but excluding the impact of netting arrangements:

	Carrying amount	Contractual cash flows	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
December 31, 2019							
Non-derivative financial liabilities							
Unsecured bank loans	\$ 21,453,043	21,532,539	21,532,539	-	-	-	-
Secured bank loans	3,350,000	3,621,350	173,670	172,590	341,940	999,900	1,933,250
Accounts payable	77,254,373	77,254,373	77,254,373	-	-	-	-
Other payables	2,522,391	2,522,391	2,522,391	-	-	-	-
Lease liabilities	13,040	13,236	3,596	2,000	3,597	4,043	-
Forward exchange contracts not used for hedging:							
Outflow	108,175	(10,119,285)	(10,119,285)	-	-	-	-
Inflow	-	10,011,110	10,011,110	-	-	-	-
	\$ 104,701,022	104,835,714	101,378,394	174,590	345,537	1,003,943	1,933,250

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	Carrying amount	Contractual cash flows	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
December 31, 2018							
Non-derivative financial liabilities							
Unsecured bank loans	\$ 25,244,660	25,271,898	25,271,898	-	-	-	-
Secured bank loans	3,600,000	3,917,520	125,620	174,570	345,900	1,011,780	2,259,650
Accounts payable	75,451,271	75,451,271	75,451,271	-	-	-	-
Other payables	2,874,183	2,874,183	2,874,183	-	-	-	-
Forward exchange swap contracts not used for hedging :							
Outflow	3,398	(1,228,820)	(1,228,820)	-	-	-	-
Inflow	-	1,225,422	1,225,422	-	-	-	-
Foreign exchange contracts not used for hedging:							
Outflow	1,560	(1,226,840)	(1,226,840)	-	-	-	-
Inflow	-	1,225,280	1,225,280	-	-	-	-
	\$ 107,175,072	107,509,914	103,718,014	174,570	345,900	1,011,780	2,259,650

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

3.Currency risks

1) Exposure to currency risks

The Company' s exposures to significant currency risk were those from its foreign currency denominated financial assets and liabilities as follows:

2019.12.31			
	Foreign currency (In thousand)	Exchange rate	TWD
Financial assets			
<u>Monetary items</u>			
USD	\$ 4,158,034	USD : TWD 30.08	125,073,663
<u>Non-monetary items</u>			
USD	54,667	USD : TWD 30.08	1,644,385
Financial Liabilities			
<u>Monetary items</u>			
USD	3,194,435	USD : TWD 30.08	96,088,605

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2018.12.31			
	Foreign currency (In thousand)	Exchange rate	TWD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 4,301,987	USD : TWD 30.67	131,941,941
<u>Non-monetary items</u>			
USD	63,027	USD : TWD 30.67	1,933,037
	136,932	CNY : USD 4.47	611,919
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
USD	3,320,293	USD : TWD 30.67	101,833,386

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, loans and borrowings, accounts payable and other payables that are denominated in foreign currency. A 0.5% depreciation or appreciation of the functional currency against all the non-functional currency as of December 31, 2019 and 2018 would have increased or decreased the net profit after tax by \$115,940 and \$120,434, respectively. The analysis is performed on the same basis for both periods.

3) Gains or losses on foreign exchange

For the years ended December 31, 2019 and 2018, the foreign exchange gain (loss), including realized and unrealized, amounted to \$(520,088) and \$821,241, respectively. As Company deals with diverse foreign currencies, therefore, the gains or losses on foreign exchange can not be fully disclosed by its materiality.

4. Interest rate analysis

The Company's financial assets and financial liabilities with interest rate exposure risk were noted in the liquidity risk section.

The following sensitivity analysis in interest rates is based on the risk exposure to interest rates on the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date.

If the interest rate increases or decreases by 0.5%, the Company's profit will decrease or increase by \$13,400 and \$14,400 for the years ended December 31, 2019 and 2018, respectively, assuming all other variable factors remain constant. This is mainly due to the Company's variable rate in borrowings.

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5. Fair value of financial instruments

1) Fair value hierarchy

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

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

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, and for equity investments that has no quoted prices in the active markets and lease liabilities information is not required :

	2019.12.31				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 125,305	-	125,305	-	125,305
Non derivative financial assets mandatorily measured at fair value through profit or loss	56,799	-	-	56,799	56,799
Subtotal	182,104	-	125,305	56,799	182,104
Financial assets at fair value through other comprehensive income					
Stocks of listed companies	1,194,430	1,194,430	-	-	1,194,430
Unquoted equity instruments measured at fair value	2,074,739	-	129,221	1,945,518	2,074,739
Subtotal	3,269,169	1,194,430	129,221	1,945,518	3,269,169
Financial assets at amortized cost					
Cash and cash equivalents	4,698,660	-	-	-	-
Accounts receivable and other receivables	121,543,744	-	-	-	-
Refundable deposit	25,855	-	-	-	-
Subtotal	126,268,259	-	-	-	-
Total	\$ 129,719,532	1,194,430	254,526	2,002,317	3,451,273

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		2019.12.31				
		Book Value	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss						
Derivative financial liabilities	\$	108,175	-	108,175	-	108,175
Financial liabilities at amortized cost						
Bank loans		24,803,043	-	-	-	-
Notes payable and accounts payable		77,254,373	-	-	-	-
Other payables		5,332,183	-	-	-	-
Lease liabilities		13,040	-	-	-	-
Subtotal		107,402,639	-	-	-	-
Total		<u>\$ 107,510,814</u>	<u>-</u>	<u>108,175</u>	<u>-</u>	<u>108,175</u>
		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
Current financial assets at fair value through profit or loss, mandatorily measured at fair value		64,553	-	-	64,553	64,553
Subtotal		71,557	-	7,004	64,553	71,557
Financial assets at fair value through other comprehensive income						
Stocks of listed companies		513,897	513,897	-	-	513,897
Unquoted equity instruments measured at fair value		278,365	-	60,430	217,935	278,365
Subtotal		792,262	513,897	60,430	217,935	792,262
Financial assets at amortized cost						
Cash and cash equivalents		2,373,511	-	-	-	-
Accounts receivable and other receivables		130,450,432	-	-	-	-
Refundable deposits		33,747	-	-	-	-
Subtotal		132,857,690	-	-	-	-
Total		<u>\$ 133,721,509</u>	<u>513,897</u>	<u>67,434</u>	<u>282,488</u>	<u>863,819</u>

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	2018.12.31				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 4,958	-	4,958	-	4,958
Financial liabilities at amortized cost					
Bank loans	28,844,660	-	-	-	-
Notes payable and accounts payable	75,451,271	-	-	-	-
Other payables	5,767,304	-	-	-	-
Subtotal	110,063,235	-	-	-	-
Total	\$ 110,068,193	-	4,958	-	4,958

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

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

(2.1) Non-derivative financial instruments

- A. The stocks of listed companies are financial assets with standard terms which are traded in the active markets. Their fair values are based on the quoted market prices.
- B. The fair value of private equity is based on standard terms and quoted market prices.
- C. The fair value of unquoted instruments were estimated using either the discounted cash flow model in which future cash flow were estimated and discounted or the fair value of the recognized assets and liabilities of the consolidated subsidiaries on the measurement day.

(2.2) Derivative financial instruments

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

3) Transfers between level 1 and level 2

There were no transfers between level 1 and level 2 of the fair value for the years ended December 31, 2019 and 2018.

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- 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	\$ 64,553	217,935
Total gains and losses recognized in		
Profit or loss	(4,509)	-
Other comprehensive income	-	47,835
Purchase	1,748	1,706,149
Disposals	(4,993)	-
Proceeds from capital reduction	-	(26,400)
Balance as of December 31, 2019	\$ 56,799	1,945,519
Balance as of January 1, 2018	\$ 88,826	291,632
Total gains and losses recognized in		
Profit or loss	(27,477)	-
Other comprehensive income	-	(70,932)
Purchase	3,204	-
Proceeds from capital reduction	-	(2,765)
Balance as of December 31, 2018	\$ 64,553	217,935

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

For the years ended December 31, 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 years ended December 31,	For the years ended December 31,
	2019	2018
Total gains and losses recognized in:		
In profit or loss, and included “other gains and losses”	\$ (4,509)	(27,477)
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”)	47,835	(70,932)

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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 financial assets.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation Technique	Significant Non-observable Input	The Relationship between Significant Non-observable Input and Fair Value
Financial assets at fair value through other comprehensive income — equity instruments investments without an active market	Comparable Listed Companies Method	• Discount due to Lack of Market liquidity (30%)	• The estimated fair value would increase (decrease) if the marketability discount is lower (higher)
Financial assets at fair value through other comprehensive income — 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		Impact on Fair Value Change on	
			Net income or loss	Net income or loss	Other Comprehensive income or loss	Other Comprehensive income or loss
	Input	Variation	Favorable Change	Unfavorable Change	Favorable Change	Unfavorable Change
December 31, 2019						
Financial assets at fair value through other comprehensive income			\$			
Equity instruments without an active market	Market Multiple	0.5%	-	-	32,693	(32,693)
December 31, 2018						
Financial assets at fair value through other comprehensive income			\$			
Equity instruments without an active market	Market Multiple	0.5%	-	-	507	(507)

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.

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6. Offsetting financial assets and financial liabilities

The Company has financial instruments transactions applicable to the International Financial Reporting Standards Sections 42 NO. 32 approved by the FSC which required for offsetting. Financial assets and liabilities relating those transactions are recognized in the net amount of the balance sheets.

The Company also performs transactions not applicable to the International Financial Reporting Standards Sections 42 NO. 32, but the Company has an exercisable master netting arrangement or similar agreement in place with its counterparties, and both parties reach a consensus regarding net settlement. The aforesaid exercisable master netting arrangement or similar agreement can be net settled after offsetting the financial assets and financial liabilities. Otherwise, the transaction can be settled at the total amount. In the event of default involving one of the parties, the other party can have the transaction net settled.

The following tables present the aforesaid offsetting financial assets and financial liabilities.

2019.12.31					
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement					
Gross amounts of recognized financial assets	Gross amounts of financial liabilities offset in the balance sheet	Net amount of financial assets presented in the balance sheet	Amounts not off set in the balance sheet (d)		Net amount
(a)	(b)	(c)=(a)-(b)	Financial instruments (Note)	Cash collateral received	(e)=(c)-(d)
Derivative financial instruments	\$ 33,069	-	33,069	-	33,069

2019.12.31					
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement					
Gross amounts of recognized financial liabilities	Gross amounts of financial assets offset in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Amounts not off set in the balance sheet (d)		Net amount
(a)	(b)	(c)=(a)-(b)	Financial instruments (Note)	Cash collateral received	(e)=(c)-(d)
Derivative financial instruments	\$ 108,175	-	108,175	-	108,175

2018.12.31					
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement					
Gross amounts of recognized financial assets	Gross amounts of financial liabilities offset in the balance sheet	Net amount of financial assets presented in the balance sheet	Amounts not off set in the balance sheet (d)		Net amount
(a)	(b)	(c)=(a)-(b)	Financial instruments (Note)	Cash collateral received	(e)=(c)-(d)
Derivative financial instruments	\$ 4,238	-	4,238	-	4,238

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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	\$ 3,704	-	3,704	-	3,704

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

(v) Financial risk management

1. Overview

The Company have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Company' s objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying parent company only financial statements.

2. Risk management framework

The Company are exposed to credit risk, market risk, operating risk and liquidity risk due to its operating activities. To lower the latent unfavorable effects of changing market to the Company' s financial performance, the Company have made efforts in identifying and evaluating the risks and avoiding the uncertainty of the market through derivative financial instruments.

The Board of Directors has the overall responsibility for the establishment and oversight of the Company' s risk management framework. The financial units follows the risk management policies, and report the operating status to the Board of Directors regularly. The internal auditors perform regular reviews by taking risk management control procedures and report to the Board of Directors.

3. Credit risk

Please refer to Note 6(u) for the analysis of credit risk of cash, cash equivalent and accounts receivable.

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4. Liquidity risk

Liquidity risk is a risk that the Company is unable to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as much as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company use actual cost to estimate the cost of its products and services to better assist the Company's monitoring on the cash flow and optimizing the return on investment. As of December 31, 2019, the capital and working funds of the Company are sufficient to meet its entire contractual obligation; therefore, the management is not expecting any significant issue on liquidity risk. As of December 31, 2019 and 2018, the Company's unused credit line were amounted to \$34,772,437 and \$29,069,110, respectively.

5. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate, and equity prices which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Company.

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Company primarily the New Taiwan Dollars (TWD). The currencies used in these transactions are denominated in TWD and USD.

The Company often uses the principle of natural hedging as its basis, and proceed supplemented by derivative instruments for hedging exchange rate risk.

The interest is denominated in the same currency as borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Company. This provides an economic hedge without derivatives being entered into, and therefore, hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

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2) Interest rate risk

The Company's interest rate risk arises from long-term borrowings bearing floating interest rates. The fluctuation of the market interest rate changes the floating interest rates of the long-term borrowings, and thus affect the future cash flow. In order to decrease the effect of the market interest rate fluctuation on to the future cash flow, the Company periodically evaluates bank and currency borrowing rate to hedge the cash flow risk caused by the market interest rate fluctuation.

(z) Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, additional paid-in capital, retained earnings of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Company's objective for managing capitals is to maintain investor, creditor and market confidence, and to sustain future development of the business by making debts and capital the most suitable capital structure and optimizing the best of it based on industrial scales, future growth development, and capital expenditures needed for plants and equipment. Thus, the Company calculates the operating funds based on the life cycle of the products, plans for the development in the long run, and then decides the most suitable capital structure considering the business cycle.

The Company ensures the financial resources and the operating plan are sufficient to support the future needs of operating funds, capital expenditures, debt refunding and dividend distribution.

The Company's debt to equity ratio at the reporting date was as follows:

	2019.12.31	2018.12.31
Total Liabilities	\$ 120,980,082	124,317,152
Less: cash and cash equivalents	(4,698,660)	(2,373,511)
Net debt	116,281,422	121,943,641
Total Equity	\$ 55,271,148	55,364,481
Debt to equity ratio	210.38%	220.26%

According to the Company's management, there were no changes in the Company's approach to capital management as of December 31, 2019.

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

The Company has no investing and financing activities which did not affect the current cash flow for the year ended December 31, 2019.

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Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2019	Cash flows	Non-cash changes		December 31, 2019
			Reclassification	Foreign exchange movement	
Long-term borrowings	\$ 3,350,000	-	(300,000)	-	3,050,000
Short-term borrowings(including current portion of long-term borrowings)	25,494,660	(3,852,533)	300,000	(189,084)	21,753,043
Lease liabilities (note)	10,596	(4,281)	6,725	-	13,040
Total liabilities from financing activities	\$ 28,855,256	(3,856,814)	6,725	(189,084)	24,816,083

	January 1, 2018	Cash flows	Non-cash changes		December 31, 2018
			Reclassification	Foreign exchange movement	
Long-term borrowings	\$ 3,600,000	-	(250,000)	-	3,350,000
Short-term borrowings(including current portion of long-term borrowings)	14,167,878	11,233,940	250,000	(157,158)	25,494,660
Total liabilities from financing activities	\$ 17,767,878	11,233,940	-	(157,158)	28,844,660

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

(7) Related Party Transactions

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the parent company only financial statements.

Name of related party	Relationship with the Company
Inventec Besta Co., Ltd.	Associates
Inventec Group Charity Foundation	Over one-third of total amount of fund donated by the Company
Inventec Corporation (Hong Kong) Ltd.	Subsidiary
Inventec Holding (North America) Corp.	Subsidiary
Inventec (Czech), s.r.o	Subsidiary
Inventec Development Japan Corporation	Subsidiary
Inventec Japan Corporation	Subsidiary
Inventec Investment Co., Ltd.	Subsidiary
AIMobile Co., Ltd.	Joint venture
Inventec Solar Energy Corporation	Subsidiary
E-TON Solar Tech Co., Ltd.	Subsidiary
Inventec Appliances Corp.	Subsidiary
Inventec Manufacturing (India) Private Limited	Subsidiary
Inventec Appliances (Jiangning) Corp.	Indirect holding subsidiary

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

(b) Significant transactions with related parties

1. Sale revenue

The amounts of significant sales transactions and outstanding balances between the Group and related parties were as follows:

	For the years ended December 31,	
	2019	2018
Subsidiaries		
Inventec Holding (North America) Corp.	\$ 59,284,144	65,414,426
Inventec (Czech), s.r.o	28,950,547	32,901,012
Other subsidiaries	97,127	164,565
Associates	1,720	8
	\$ 88,333,538	98,480,011

After the Company receives the orders from all regions, the production and marketing department arranges to sell semi-finished products to the subsidiaries. The price is determined in accordance with mutual agreements. Since the subsidiaries are the overseas offices providing after-sales and assembling service, there is no other comparable objects, and the average collection terms are 90 days for sales.

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

Unrealized profit (loss) from sales to the subsidiaries of the Company for the years ended December 31, 2019 and 2018 were \$14,174 and \$18,889 respectively.

2. Purchase

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

	For the years ended December 31,	
	2019	2018
Subsidiaries	264,957,998	258,340,144
Inventec Corporation (Hong Kong) Ltd.		
Other subsidiaries	1,554,271	755,812
	\$ 266,512,269	259,095,956

For the Company's purchase of materials used for after-sales service from subsidiaries, the price and terms were determined in accordance with mutual agreements with payment terms of 60~90 days.

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3. Accounts receivable from related parties

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

Financial Statement Account	Related Party Categories	2019.12.31	2018.12.31
Accounts receivable	Subsidiaries		
	Inventec Holding (North America) Corp.	\$ 15,937,407	15,381,248
	Inventec (Czech), s.r.o	11,231,269	13,173,039
	Other subsidiaries	20,047	112,752
Other receivables	Subsidiaries		
	Inventec Corporation (Hong Kong) Ltd.	47,244,779	52,836,155
	Other subsidiaries	130,868	70,459
	Associates	1,305	2,776
		<u>\$ 74,565,675</u>	<u>81,576,429</u>

Note: Other receivables from subsidiaries are mainly generated from purchasing material for subsidiaries.

4. Accounts payable to Related Parties

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

Financial Statement Account	Related Party Categories	2019.12.31	2018.12.31
Accounts payable	Subsidiaries		
	Inventec Corporation (Hong Kong) Ltd.	\$ 43,413,344	42,694,889
	Other subsidiaries	414,185	249,261
Other payables	Subsidiary	143,278	230,087
	Associates	340	881
		<u>\$ 43,971,147</u>	<u>43,175,118</u>

Note: Other payables are mainly the payments of computer software, toolings, payment on behalf of others and software development.

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5. Property transactions

1) Acquisition of property, plant, equipment

For the years ended December 31, 2019 and 2018, the Company purchased property, plant, equipment from subsidiaries, and associates and paid the amount \$52,919 and \$6,177, respectively.

2) Disposal of property, plant and equipment

For the years ended December 31, 2018, the Company sold machinery, office equipment and software to subsidiaries. The total prices gain on property disposal was \$2,100 and \$1,912, respectively.

3) Acquisition of financial assets

The Company reinvested the amount of \$165,000 in AI Mobile Co., Ltd. (AI) in March 2016, resulting in its shareholding to increase to 55%.

A resolution was made during the board meeting on August 24, 2018 for AI to increase its cash capital, wherein the Company participated and invested 5,500 thousand shares amounting to \$55,000, with the record date set on January 25, 2019.

4) For the years ended December 31, 2019 and 2018, the Company purchased software for products from Inventec Corporation (Hong Kong) Ltd., amounted to \$103,995 and \$152,320, respectively. The price and term were determined in accordance with mutual agreements with payment term within three months.

5) In 2000, the Company paid property, deferred assets, assets stated under expense to investment Inventec Appliances Corp. resulting in gain on disposal of \$103,713 and other revenue of \$31,693. In addition, selling of property, plant and equipment, deferred assets and assets stated under expense has generated gain on disposal of \$5,829 and other revenue of \$6,427. As of December 31, 2019 and 2018, the unrealized gain on property disposal were \$19,649 and \$20,412, respectively.

6) In 1999, the Company sold property, deferred assets, assets stated under expense and trademarks to Inventec Besta Co., Ltd., resulting in a gain on property disposal of \$51,712 and other revenue of \$40,453. As of December 31, 2019 and 2018, the unrealized other revenues are both \$1,211.

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6. After-sale service, product processing and support services

The payments of after-sale service, product processing and support services to related parties were as follows:

	For the years ended December 31,	
	2019	2018
Subsidiaries		
Inventec Holding (North America) Corp.	\$ 432,424	436,168
Inventec Corporation (Hong Kong) Ltd.	346,668	379,411
Other subsidiaries	129,588	55,500
	\$ 908,680	871,079

7. Acquired investments accounted by the equity method

The Board of directors resolved to establish Inventec Japan Corporation on July 23, 2019. The Company invested 200 shares amounting to JPY10,000 thousand.

8. Others

1) Rental and building management fee collected from and related parties were as follows:

	For the years ended December 31,	
	2019	2018
Subsidiaries	\$ 58,876	95,983
Associates	7,099	9,669
	\$ 65,975	105,652

2) For the years ended December 31, 2019 and 2018, the amount of donation for other related parties were \$10,000 and \$14,000, respectively.

(c) Key management personnel compensation

Key management personnel compensation includes:

	For the years ended December 31,	
	2019	2018
Short-term employee benefits	\$ 347,602	388,067
Post-employment benefit	2,038	1,894
	\$ 349,640	389,961

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(8) Pledged Assets

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>2019.12.31</u>	<u>2018.12.31</u>
Refundable deposits (Other non-current assets)	Customs duty guarantee and membership card	\$ 25,855	33,747
Land, buildings, structures, machinery and equipment, net (Property, plant and equipment)	Long-term borrowings	5,893,692	5,947,052
Total		<u>\$ 5,919,547</u>	<u>5,980,799</u>

(9) Significant Commitments and Contingencies

(a) Major Commitments:

1.Unused standby letters of credit were as follows: None.

2.Promissory notes issued for the bank credit were as follows:

	<u>2019.12.31</u>	<u>2018.12.31</u>
TWD	\$ 15,890,600	15,375,000
USD	1,356,000	1,281,000

(b) Contingencies: None.

(10) Losses Due to Major Disasters : None.

(11) Subsequent Events : None.

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For the years ended December 31, 2019 and 2018

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

(12) Other

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

By function By item	For the years ended December 31, 2019			For the years ended December 31, 2018		
	Operating costs	Operating and non-operating expense	Total	Operating costs	Operating and non-operating expense	Total
Employee benefits						
Salary	715,810	4,368,055	5,083,865	482,976	4,204,510	4,687,486
Labor and health insurance	57,625	317,725	375,350	37,847	293,131	330,978
Pension	25,265	186,900	212,165	19,125	177,713	196,838
Remuneration of directors	-	87,414	87,414	-	122,183	122,183
Others	31,621	164,352	195,973	14,414	96,805	111,219
Depreciation	100,248	308,544	408,792	42,348	305,047	347,395
Amortization	176,000	491,744	667,744	179,137	363,843	542,980

The Company For the years ended December 31, 2019 and 2018 employees and employee benefits expenses were as follows:

	2019	2018
Number of employees	<u>4,704</u>	<u>4,065</u>
Number of directors who were not employees	<u>4</u>	<u>4</u>
The average employee benefit	<u>\$ 1,248</u>	<u>1,312</u>
The average salaries and wages	<u>\$ 1,082</u>	<u>1,154</u>
Average adjustment of employee salaries and wages	<u>(6.24)%</u>	

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(13) Other disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 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	-	-	-	2	-	Working Capital	-	None	-	6,128,178	6,809,087
1	"	Inventec Asset-Management (Shanghai) Corporation	"	Y	550,800	517,440	517,440	5.225%	2	-	"	-	"	-	2,723,635	3,026,261
2	Inventec (Pudong) Technology Corp.(Note 3)	Inventec Asset-Management (Shanghai) Corporation	Other receivables	Y	596,700	-	-	-	2	-	"	-	"	-	1,483,732	1,854,665
3	Inventec Appliances (Nanjing) Corp.(Note 4)	Inventec Appliances (XI'AN) Corporation	"	Y	119,002	99,176	77,616	3.045%	2	-	"	-	"	-	326,835	326,835
4	Inventec Appliances (Shanghai) Co., Ltd.(Note 4)	Inventec Appliances (Shanghai) Enterprise	"	Y	32,130	30,184	-	-	2	-	"	-	"	-	1,785,604	1,785,604
4	"	Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd.	"	Y	137,490	129,360	64,680	3.045%	2	-	"	-	"	-	1,785,604	1,785,604
5	Inventec Appliances Corp.	Inventec Appliances (Malaysia) SDN. BHD.	Other receivables	Y	800,000	800,000	31,649	1.95%	2	-	Working Capital	-	None	-	8,944,922	8,944,922

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

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

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

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

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

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

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

Note 5: The transactions in foreign currencies were exchanged to New Taiwan Dollars in spot rate at the date of the audited entity's financial reports.

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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	5,632	1.52%	5,632	
"	Global Strategy Venture Capital Corporation	-	"	2,835	14,940	6.45%	14,940	
"	Arima Communications Corp.	-	"	21,114	129,221	10.15%	129,221	
"	WIN Semiconductors Corp.	-	Current financial assets at fair value through other comprehensive income	4,063	1,194,430	0.96%	1,194,430	
"	Tomorrow Studio Co., Ltd	-	Non-current financial assets at fair value through other comprehensive income	29	176	0.30%	176	
"	Tai Yi Precision Corporation	-	"	2,540	-	6.67%	-	
"	New E Materials Co., Ltd.	-	"	1,760	14,555	16.00%	14,555	
"	Rasilient Systems, Inc. preference share	-	"	3,632	-	6.20%	-	
"	SKSpruce Holding Limited preferred stock	-	"	3,746	138,701	3.77%	138,701	
"	CloudMosa Technologies, Inc. preferred stock	-	"	235	11,150	2.95%	11,150	
"	QEEEXO, Co. preferred stock	-	"	568	27,703	3.10%	27,703	
"	Rescale, Inc. preferred stock	-	"	355	26,637	1.53%	26,637	
"	Sensel, Inc. preferred stock	-	"	532	6,366	4.21%	6,366	
"		-	"	70	1,699,658	10.00%	1,699,658	
"	SKSpruce Holding Limited convertible short-term note	-	Current financial assets at fair value through profit or loss	-	56,799	- %	56,799	
Inventec (Beijing) Electronics Technology Co., Ltd.	Bank of Communications Pension CNY Financial products	-	-	-	51,525	- %	51,525	
Inventec (Chongqing) Corp.	CMBC Wealth Management Services	-	"	-	862,093	- %	862,093	
Inventec Development Japan Corporation	Famm Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	100	8,097	14.30%	8,097	

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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 Investments Co., Ltd.	EPISTAR Corporation	-	Current financial assets at fair value through profit or loss	1,761	56,973	0.16%	56,973	
"	UCFUNNEL CO LTD	-	Non-current financial assets at fair value through other comprehensive income	83	7,507	5.00%	7,507	
"	DIITU GLOBAL INC.	-	"	1	-	10.00%	-	
"	Sagacity Tech. Co., Ltd.	-	"	79	-	15.00%	-	
"	Living Pattern Technology Inc.	-	"	4	595	13.70%	595	
E-TON Solar Tech. Co., Ltd	Hua-chuang Automobile Information Technical Center Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	2,830	-	0.86%	-	
Inventec Appliances Corp.	EPISTAR Corporation	-	Current financial assets at fair value through profit or loss	500	16,175	0.05%	16,175	
"	Scope Industries Berhad	-	"	32,000	42,761	5.19%	42,761	
"	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%	-	
"	Line Global Inc. (Proximiant, Inc.)	-	"	594	-	5.30%	-	
"	Molekule, Inc.	-	"	1,603	152,800	1.75%	152,800	
Inventec Appliances (Cayman) Holding Corp.	Siano Mobile Silicon Inc.	-	"	99	-	0.03%	-	
"	Leadtone Limited(Class B preferred stock)	-	"	1,250	-	2.36%	-	
"	Digital Chaotex Holdings Ltd.(Class A2 preferred stock)	-	"	446	-	2.08%	-	
Inventec Appliances (Shanghai) Co., Ltd.	BOC Guaranteed CNY On Schedule Financial Product	-	Current financial assets at fair value through profit or loss	-	301,853	- %	301,853	
"	SCSB Winners CNY Financial Product	-	"	-	325,959	- %	325,959	
Inventec Appliances (Nanjing) Co. Ltd.	"	-	"	-	152,006	- %	152,006	
Inventec Appliances (Jiangning) Corp.	"	-	"	-	1,893,146	- %	1,893,146	
Inventec Appliances (Nanchang) Corporation	"	-	"	-	73,873	- %	73,873	

Note 1: The value of publicly traded company is market value, and the value of private entity is net asset value. The net asset value was calculated based on audited financial statements or non audited financial statements.

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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.

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
The Company	ZT Group Int'l. Inc common stock	Non-current financial assets at fair value through other comprehensive income	Shareholders (non-related parties)	-	-	-	-	1,699,658	-	-	-	-	-	1,699,658
Inventec (Chongqing) Corp.	CMBC Wealth Management Services	Current financial assets at fair value through profit or loss	CMBC	-	-	-	-	1,757,893	-	903,071	895,800	7,271	-	862,093
Inventec Appliances (Shanghai) Corp.	SCSB Winners CNY Financial Product	"	Bank of Shanghai	-	-	326,882	-	979,977	-	989,122	980,900	8,222	-	325,959
"	BOC Guaranteed CNY On Schedule Financial Product	"	Bank of China	-	-	292,229	-	1,218,953	-	1,217,648	1,209,329	8,319	-	301,853
Inventec Appliances (Jiangning) Corp.	SCSB Winners CNY Financial Product	"	Bank of Shanghai	-	-	1,343,201	-	9,252,637	-	8,754,164	8,702,692	51,472	-	1,893,146
Inventec Appliances (Nanchang) Corporation	"	"	"	-	-	94,394	-	369,152	-	392,604	389,673	2,931	-	73,873

Note 1: The amounts above are valued at exchange rate.

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

5. Acquisition of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Land and plant	2019.10.03	1,178,980	100% paid	China Electric Manufacturing Corporation	Non-related party	-	-	-	-	\$1,197,273 and \$1,292,283 according to appraisal report	Business expansion	N/A

6. Disposal of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None.

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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	59,284,144	16.58%	90 days	-	No general trading partner can be compared.	15,937,407	21.51%	
"	Inventec (Czech), s.r.o.	"	Sales	28,950,547	8.10%	90 days	-	"	11,231,269	15.16%	
"	Inventec Corporation (Hong Kong) Ltd.	Subsidiary	Purchases	264,957,998	76.00%	90 days	-	"	(43,413,344)	56.20%	
"	Inventec Appliances (Jiangning) Corp.	"	Purchases	575,837	0.17%	90 days	-	"	(97,624)	0.13%	
"	Inventec Holding (North America) Corp.	"	Purchases	354,169	0.10%	90 days	-	"	(254,006)	0.33%	
"	Inventec (Czech), s.r.o.	"	Purchases	624,075	0.18%	90 days	-	"	(62,547)	0.08%	
Inventec Holding (North America) Corp.	The Company	Parent	Purchases	59,284,144	93.84%	90 days	-	"	(15,937,407)	98.25%	
"	The Company	Parent	Sales	354,169	0.55%	90 days	-	"	254,006	3.01%	
"	Inventec (Pudong) Technology Corp.	Associates	Sales	614,126	0.95%	90 days	-	"	31,059	0.37%	
"	Inventec (Czech), s.r.o.	Associates	Sales	285,466	0.45%	90 days	-	"	92,708	1.10%	
"	Inventec (Czech), s.r.o.	Associates	Purchases	367,959	0.58%	90 days	-	"	(13,976)	0.09%	
Inventec (Czech), s.r.o.	The Company	Parent	Purchases	28,950,547	96.27%	90 days	-	"	(11,231,269)	98.14%	
"	The Company	Parent	Sales	624,075	2.09%	90 days	-	"	62,547	0.72%	
"	Inventec Holding (North America) Corp.	Associates	Purchases	285,466	0.83%	90 days	-	"	(92,708)	0.81%	
"	Inventec Holding (North America) Corp.	"	Sales	367,959	1.23%	90 days	-	"	13,976	0.16%	
"	Inventec (Pudong) Technology Corp.	"	Sales	179,420	0.60%	90 days	-	"	15,349	0.18%	
Inventec Corporation (Hong Kong) Ltd.	The Company	Parent	Sales	264,957,998	100.00%	90 days	-	"	43,413,344	47.81%	
"	Inventec (Pudong) Technology Corp.	Associates	Purchases	36,133,147	13.64%	90 days	-	"	(17,615,637)	19.40%	

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INVENTEC CORPORATION

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

For the years ended December 31, 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 Corporation (Hong Kong) Ltd.	Inventec Hi-Tech Corp.	Associates	Purchases	282,195	0.11%	90 days	-	No general trading partner can be compared.	(96,679)	0.11%	
"	Inventec (Chongqing) Corp.	"	Purchases	228,542,656	86.26%	90 days	-	"	(25,701,028)	28.31%	
Inventec (Pudong) Technology Corp.	Inventec Corporation (Hong Kong) Ltd.	"	Sales	36,133,147	45.74%	90 days	-	"	17,615,637	66.68%	
"	Inventec (Shanghai) Corp.	"	Sales	40,701,473	51.53%	90 days	-	"	8,333,694	31.55%	
"	Inventec Holding (North America) Corp.	"	Purchases	614,126	0.79%	90 days	-	"	(31,059)	0.10%	
"	Inventec (Czech), s.r.o.	"	Purchases	179,420	0.23%	90 days	-	"	(15,349)	0.05%	
Inventec Hi-Tech Corp.	Inventec Corporation (Hong Kong) Ltd.	"	Sales	282,195	98.78%	90 days	-	"	96,679	99.35%	
Inventec (Shanghai) Corp.	Inventec (Pudong) Technology Corp.	"	Purchases	40,701,473	100.00%	90 days	-	"	(8,333,694)	100.00%	
Inventec (Chongqing) Corp.	Inventec Corporation (Hong Kong) Ltd.	"	Sales	228,542,656	95.99%	90 days	-	"	25,701,028	90.46%	
Inventec Appliances Corp.	Inventec Appliances (Pudong) Corp.	"	Purchases	74,818,373	97.59%	1-2 months	-	"	(14,461,779)	97.96%	
"	Inventec Appliances (Jiangning) Corp.	"	Purchases	1,199,492	1.56%	1-2 months	-	"	(181,330)	1.23%	
"	Inventec Appliances (USA) Distribution Corp.	"	Sales	5,283,790	6.73%	1-2 months	-	"	2,190,393	16.49%	
Inventec Appliances (USA) Distribution Corp.	Inventec Appliances Corp.	"	Purchases	5,283,790	100.00%	1-2 months	-	"	(2,190,393)	100.00%	
Inventec Appliances (Pudong) Corp.	Inventec Appliances Corp.	"	Sales	74,818,373	99.92%	1-2 months	-	"	14,461,779	99.98%	
Inventec Appliances (Jiangning) Corp.	The Company	Parent	Sales	575,837	10.73%	90 days	-	"	97,624	9.30%	
"	Inventec Appliances Corp.	Associates	Sales	1,199,492	22.67%	1-2 months	-	"	181,330	17.28%	

Note 1: Based on the negotiated price while trading.

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INVENTEC CORPORATION

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

For the years ended December 31, 2019 and 2018

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

8. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock:

(Expressed in Thousands of New Taiwan Dollars)

Name of company	Counter party	Relationship	Ending balance	Turnover balance	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	Inventec Holding (North America) Corp.	Subsidiary	15,937,407	3.79	1,948,009	Received in the subsequent period	9,280,414	-
"	Inventec (Czech), s.r.o.	Subsidiary	11,231,269	2.37	3,544,728	Received in the subsequent period	4,543,640	-
"	Inventec Corporation (Hong Kong) Ltd. (Note)	Subsidiary	47,244,779	-	17,767,604	Received in the subsequent period	19,530,497	-
Inventec Holding (North America) Corp.	The Company	Parent	254,006	1.95	-	Received in the subsequent period	61,119	-
Inventec Corporation (Hong Kong) Ltd.	The Company	Parent	43,413,344	6.15	7,830,536	Received in the subsequent period	25,117,582	-
"	Inventec (Pudong) Technology Corp. (Note)	Associates	25,352,583	-	17,529,175	Received in the subsequent period	4,342,394	-
"	Inventec Hi-Tech Corp. (Note)	Associates	238,430	-	238,430	Intensive follow-up on collection	-	-
"	Inventec (Chongqing) Corp. (Note)	Associates	21,653,765	-	-		15,188,102	-
Inventec (Pudong) Technology Corp.	Inventec Corporation (Hong Kong) Ltd.	Associates	17,615,637	2.55	7,830,536	Received in the subsequent period	4,454,423	-
"	Inventec (Shanghai) Corp.	Associates	8,333,694	5.20	668,593	Received in the subsequent period	5,363,869	-
Inventec (Chongqing) Corp.	Inventec Corporation (Hong Kong) Ltd.	Associates	25,701,028	8.13	-		20,663,159	-
Inventec Appliances Corp.	Inventec Appliances (USA) Distribution Corp.	Subsidiary	2,190,393	2.20	-		1,855,613	-
Inventec Appliances (Pudong) Corp.	Inventec Appliances Corp.	Associates	14,461,779	5.06	-		10,573,487	-
Inventec Appliances (Jiangning) Corp.	Inventec Appliances Corp.	Associates	181,330	6.35	-		181,330	-

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

9. Trading in derivative instruments: Please refer to notes (6)(b) and (6)(u).

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For the years ended December 31, 2019 and 2018

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

(b) Information on investment:

The following is the information on investees for the year ended December 31, 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 December 31, 2019			Net income (loss) of the investee	Share of profits/losses of investee	Note
				December 31, 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%	245,487	(65,332)	(24,518)	Associate under equity method Subsidiary
"	Inventec Corporation (Hong Kong) Ltd.	Hong Kong	Investing in Mainland China and import and export business	167,162	167,162	2,500	100.00%	354,041	41,683	41,683	
"	Inventec Holding (North America) Corp.	USA	Investment of holding company in America	159,003	159,003	5,000	100.00%	1,290,344	42,420	42,420	"
"	Inventec Appliances Corp.	New Taipei City	Wireless terminal products	9,656,877	9,656,877	536,857	100.00%	9,714,377	1,471,489	1,471,489	"
"	Inventec (Cayman) Corp.	Cayman	Holding Company	9,812,963	9,812,963	301,768	100.00%	13,887,270	1,461,840	1,461,840	"
"	IEC (Cayman) Corporation	Cayman	Holding Company	739,500	739,500	25,000	100.00%	958,568	201,949	201,949	"
"	Inventec (Czech), S.R.O.	Czech	Computer products assembly operations	85,921	85,921	-	100.00%	32,250	174,569	174,569	"
"	Inventec Investment Co., Ltd.	Taipei	Investment Company	1,000,000	1,000,000	108,800	100.00%	178,323	(36,251)	(36,251)	"
"	Inventec Solar Energy Corporation	Taoyuan	Developing, production and selling of multicrystalline solar cells	1,087,800	1,087,800	108,150	33.45%	250,002	(265,187)	(84,209)	"
"	Inventec Development Japan Corporation	Japan	Developing, designing and selling computer peripherals	630,845	630,845	45	100.00%	17,630	(1,453)	(1,453)	"
"	Inventec Japan Corporation	Japan	Trading and management service	2,954	-	-	100.00%	2,774	24	24	"
"	E-TON Solar Tech. Co., Ltd.	Tainan	Manufacturing and Selling of solar cells	4,193,723	4,193,723	94,889	29.70%	396,783	(731,238)	(217,051)	"
"	AIMobile Co., Ltd.	Taipei	Developing, production and selling of intelligent mobile device	220,000	165,000	22,000	55.00%	81,383	(97,582)	(53,648)	"

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INVENTEC CORPORATION

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For the years ended December 31, 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 December 31, 2019			Net income (loss) of the investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares/Units (In thousands)	Percentage of ownership	Carrying value			
The Company	Inventec Manufacturing (India) Private Limited	India	Computer products assembly operations	281,691	281,691	55,994	99.99%	(25,580)	(6,315)	(10,761)	Subsidiary
Inventec (Cayman) Corp.	TPV-Inventa Holding Ltd.	Hong Kong	Holding Company	1,022,987	1,022,987	302,421	90.00%	-	(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%	34,134	(265,187)	-	"
"	E-TON Solar Tech. Co., Ltd.	Tainan	Manufacturing and Selling of solar cells	615,050	615,050	15,813	4.95%	66,315	(731,238)	-	"
"	Inventec Manufacturing (India) Private Limited	India	Computer products assembly operations	28	28	6	0.01%	(2)	(6,315)	-	"
Inventec Appliances Corp.	Inventec Appliances (Cayman) Holding Corp.	Cayman	Holding Company	6,003,205	6,003,205	199,575	100.00%	16,663,394	1,386,742	-	"
"	Gainia Intellectual Asset Services, Inc.	Taipei	Intellectual property rights integrative services	6,400	6,400	205	38.90%	1,707	150	-	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%	70,384	(265,187)	-	Associate Company
Inventec Appliances (Cayman) Holding Corp.	Inventec Appliances (USA) Distribution Corp.	USA	Selling of MP3 Player, PDA and science plotter	24,064	24,064	400	100.00%	96,744	2,149	-	"
"	Inventec Appliances Corporation USA, Inc.	"	Selling services	1,504	1,504	10	100.00%	12,830	941	-	"
"	Inventec Appliances (Malaysia) SDN. BHD.	Malaysia	Manufacture and sale of electronic materials and products	7,033	7,033	1,000	100.00%	6,918	(32)	-	"

Note 1: The transactions in foreign currencies were exchanged to New Taiwan Dollars in spot rate at the date of the audited entity's financial reports.

Note 2: According to the regulations, the Company are not required to disclose the share of income / loss of investees..

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INVENTEC CORPORATION

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

For the years ended December 31, 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 December 31, 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	Multimedia computer and system parts assembling	87,232	(2)	60,160	-	-	60,160	(266)	100.00%	(266)	36,453	30,234
Inventec (ChongQing) Service Co., Ltd	Multimedia computer and system parts assembling	30,080	(2)	30,080	-	-	30,080	(3,184)	100.00%	(3,184)	40,897	-
Inventec (Pudong) Co., Ltd.	Multimedia computer and system parts assembling	1,504,000	(2)	1,504,000	-	-	1,504,000	(132,262)	100.00%	(132,262)	493,305	-
Inventec (Shanghai) Co., Ltd.	Multimedia computer and system parts assembling	2,061,784	(2)	887,360	-	-	887,360	54,414	100.00%	54,414	1,742,383	-
Inventec (ChongQing) Corporation	Multimedia computer and system parts assembling	2,256,000	(2)	2,256,000	-	-	2,256,000	1,752,033	100.00%	1,752,033	7,565,652	2,242,107
Inventec (Pudong) Technology Corp.	Multimedia computer and system parts assembling	1,504,000	(2)	1,504,000	-	-	1,504,000	178,991	100.00%	172,250	4,629,922	321,599
Inventec Electronics (Tianjin) Co., Ltd.	Software production	150,400	(2)	127,840	-	-	127,840	17,244	100.00%	17,244	225,401	149,517
Inventec (Beijing) Electronics Technology Co., Ltd.	Software production	43,616	(2)	43,616	-	-	43,616	119	100.00%	119	74,889	-
Inventec Hi-Tech Corporation	Multimedia computer and system parts assembling	1,504,000	(2)	1,504,000	-	-	1,504,000	(105,961)	100.00%	(105,961)	1,182,102	-
Inventec Huan Hsin (Zhejiang) Technology Co., Ltd.	Complete of the electronic computer and product and sale of external equipment	863,296	(2)	868,680	-	-	868,680	111,716	100.00%	111,716	5,929	-
Inventec Asset-Management (Shanghai) Corporation	Equipment leasing, storage, technological development and sale of computer	1,846,335	(3)	-	-	-	-	(16,313)	78.00%	(12,724)	1,375,290	-
Inventec Appliances (Shanghai) Co., Ltd.	Electronic communication and products assemble	1,552,128	(2)	1,447,390	-	-	1,447,390	(45,591)	100.00%	(45,591)	1,785,604	1,535,981
Inventec Appliances (Pudong) Corp.	Electronic communication and products assemble	2,316,160	(2)	2,316,160	-	-	2,316,160	1,028,995	100.00%	1,015,156	9,307,263	2,297,117
Inventec Appliances (Jiangning) Corp.	Electronic communication and products assemble	2,045,440	(2)	1,263,360	-	-	1,263,360	404,613	100.00%	405,649	4,917,654	1,636,736
Inventec Appliances (Nanjing) Corp.	House leasing	150,400	(2)	270,163	-	-	270,163	14,344	100.00%	14,344	365,800	85,353

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For the years ended December 31, 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 December 31, 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 (XIAN) Corporation	Electronic communication and products assemble	120,320	(2)	120,320	-	-	120,320	7,459	100.00%	7,459	39,689	-
Inventec Appliances (Nanchang) Corp.	Electronic communication and products assemble	63,168	(2)	63,168	-	-	63,168	(13,332)	100.00%	(13,332)	130,889	-
APEX Business Management & Consulting (Shanghai) Co., Ltd.	Business Management	2,164	(3)	-	-	-	-	21,255	100.00%	21,255	57,536	-
Inventec Appliances (Shanghai) Enterprise	Development and consultation on software and hardware; as well as selling of electronic products	34,494	(3)	-	-	-	-	(6,302)	100.00%	(6,302)	27,121	-
Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd.	Electronic communication and products assemble	258,708	(3)	-	-	-	-	(68,737)	100.00%	(68,737)	186,351	-

2. Limitation on investment in Mainland China:

Name of Company	Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 3,4)
The Company	8,848,900	8,848,900	-
Inventec Appliances Corp.	5,547,595	5,547,595	5,366,953

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

Note 7: After the accumulated investment in Mainland China as of December 31, 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 8: The inter-company transactions with the Company were eliminated in the consolidated financial statements

3. Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China for the year ended December 31, 2019, are disclosed in "Information on significant transactions" .

(14) Segment Information

Please refer to consolidated financial report of Inventec Corporation for the year ended December 31, 2019.

INVENTEC CORPORATION
Statement of Cash and Cash Equivalents
December 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash	Petty cash	\$ 450
	Foriegn cash	571
	Subtotal	1,021
Cash in bank	Checking accounts	259
	Demand deposits	39,611
	Foriegn deposits USD 130,617	3,929,947
	JPY 3,218	
	EUR 3	
	CNY 1	
	Time deposits	727,822
	Subtotal	4,697,639
		\$ 4,698,660

INVENTEC CORPORATION

Statement of Changes in Financial Assets Measured at Fair Value
through Other Comprehensive Income - Current

For the year ended December 31, 2019

(In Thousands of New Taiwan Dollars)

Name of financial instrument	Description	Share or units	Par value	Total amount	Interest rate	Acquisition cost	Accumulate d impairment	Fair value		Note
								Unit price	Total amount	
WIN Semiconductors Corp.	Stock	4,063	\$ 40,630	<u><u>1,194,430</u></u>	- %	<u><u>113,690</u></u>	<u><u>-</u></u>	294.00	<u><u>1,194,430</u></u>	

INVENTEC CORPORATION

Statement of Trade Receivables

December 31, 2019

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
<u>Non-related parties:</u>			
HP		\$ 37,134,307	
Other			The year-end balance of each client doesn't exceed 5% of the account balance.
		<u>9,795,041</u>	
Subtotal		46,929,348	
Less: Allowance for impairment		<u>(28,286)</u>	
Net amount		<u>46,901,062</u>	
<u>Related parties:</u>			
Inventec Holding (North America) Corp.		15,937,407	
Inventec (Czech), S.R.O.		11,231,269	
Other			The year-end balance of each client doesn't exceed 5% of the account balance.
		<u>20,047</u>	
Subtotal		<u>27,188,723</u>	
Less: Allowance for impairment		-	
Net amount		<u>27,188,723</u>	
Total		<u><u>\$ 74,089,785</u></u>	

INVENTEC CORPORATION

Statement of Other Receivables

December 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Non-related parties	Payment on behalf of others	\$ 74,906	
Related parties	Payment of materials on behalf of others	47,376,952	
Earned revenue receivable	Interest receivable from bank	2,101	
Total		<u>\$ 47,453,959</u>	

Statement of Inventory

Item	Amount		Note
	Cost	Net realized value	
Raw materials	\$ 1,706,188	1,664,674	
Work in process	1,255,327	1,244,023	
Finished goods	971,832	964,816	
Subtotal	3,933,347	<u>3,873,513</u>	
Less: Allowance for inventory market decline and obsolescence	(54,426)		
Total	<u>\$ 3,878,921</u>		

INVENTEC CORPORATION
Statement of Other Current Assets
December 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Prepayments	Premium	\$ 76	
	Other	<u>41,076</u>	
	Subtotal	41,152	
Payment on behalf of others	Other	88,821	
Asset for recovery		208,022	
Other	Other	<u>47,108</u>	
		<u>\$ 385,103</u>	

INVENTEC CORPORATION

Statement of Changes in Financial Assets Measured at fair Value through Other Comprehensive Income—Non-current

For the year ended December 31, 2019

(In Thousands of New Taiwan Dollars)

Name of financial instrument	Beginning Balance		Addition		Decrease		Ending balance		Collateral	Note
	Shares (in thousand)	Fair value	Shares (in thousand)	Amount	Shares (in thousand)	Amount	Shares (in thousand)	Fair value		
Common Stock										
WK Technology Fund IV Corp.	645	\$ 4,128	-	1,504	-	-	645	5,632	None	
Global Strategy Venture Capital Corporation	2,835	15,819	-	-	-	879	2,835	14,940	"	
Arima Communications Corp.	21,114	60,430	-	68,791	-	-	21,114	129,221	"	
Tomorrow Studio Co., Ltd.	129	238	-	-	100	62	29	176	"	
Tai Yi Precision Corporation	2,540	-	-	-	-	-	2,540	-	"	
Asia Pacific Telecom Co., Ltd.	5,000	34,500	-	-	5,000	34,500	-	-	"	
New E Materials Co., Ltd.	4,400	36,652	-	-	2,640	22,097	1,760	14,555	"	
ZT Group Int'l, Inc.	-	-	70	1,699,658	-	-	70	1,699,658	"	
Subtotal		<u>151,767</u>		<u>1,769,953</u>		<u>57,538</u>		<u>1,864,182</u>		
Preferred Stock										
CloudMosa Technologies, Inc.	235	17,959	-	-	-	6,809	235	11,150	"	
Rasilient Systems, Inc.	3,632	-	-	-	-	-	3,632	-	"	
SKSspruce Holding Limited	3,070	61,340	676	77,361	-	-	3,746	138,701	"	
QEEXO Co.	568	9,134	-	18,569	-	-	568	27,703	"	
Planetary Network Technologies Inc.	915	30,670	-	-	915	30,670	-	-	"	
Rescale Inc.	355	17,589	-	9,048	-	-	355	26,637	"	
Sensel Inc.	532	24,406	-	-	-	18,040	532	6,366	"	
Subtotal		<u>161,098</u>		<u>104,978</u>		<u>55,519</u>		<u>210,557</u>		
Total		<u>\$ 312,865</u>		<u>1,874,931</u>		<u>113,057</u>		<u>2,074,739</u>		

INVENTEC CORPORATION
Statement of Changes in Investments Accounted for Using the
Equity Method

For the Year Ended December 31, 2019

(In Thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Addition		Decrease		Ending balance			Market Value or Net Assets Value		Collateral	Note
	Shares (in thousand)	Amount	Shares (in thousand)	Amount	Shares (in thousand)	Amount	Shares (in thousand)	Percentage of ownership	Amount	Unit price	Total amount		
Inventec Besta Co., Ltd. (Note 1)	23,405	\$ 271,658	-	-	-	26,171	23,405	37.53%	245,487	10.95	255,583	None	Note
Inventec Corporation (Hong Kong) Ltd.	2,500	661,918	-	-	-	307,877	2,500	100.00%	354,041	-	354,041	"	"
Inventec Holding (North America) Corp.	5,000	1,271,119	-	19,225	-	-	5,000	100.00%	1,290,344	-	1,290,344	"	"
Inventec Appliances Corp. (Note 1)	536,857	11,078,816	-	-	-	1,364,439	536,857	100.00%	9,714,377	-	9,714,377	"	"
Inventec (Cayman) Corp.	301,768	14,020,459	-	-	-	133,189	301,768	100.00%	13,887,270	-	13,887,270	"	"
IEC (Cayman) Corporation	25,000	958,186	-	382	-	-	25,000	100.00%	958,568	-	958,568	"	"
Inventec (Czech), S.R.O.	-	(143,541)	-	175,791	-	-	-	100.00%	32,250	-	32,250	"	"
Inventec Development Japan Corporation	45	24,244	-	-	-	6,614	45	100.00%	17,630	-	17,630	"	"
Inventec Japan Cororation	-	-	-	2,774	-	-	-	100.00%	2,774	-	2,774	"	"
Inventec Investment Co., Ltd.	108,800	212,659	-	-	-	34,336	108,800	100.00%	178,323	-	178,323	"	"
Inventec Solar Energy Corporation	108,150	334,211	-	-	-	84,209	108,150	33.45%	250,002	-	250,002	"	"
E-Ton Solar Tech. Co., Ltd.	94,889	621,962	-	-	-	225,179	94,889	29.70%	396,783	1.57	148,976	"	"
Manufacturing (India) Private Limited	55,994	(15,678)	-	-	-	9,902	55,994	99.99%	(25,580)	-	(25,580)	"	"
AI Mobile Co., Ltd.	16,500	79,459	5,500	1,924	-	-	22,000	55.00%	81,383	-	81,383	"	"
		<u>\$ 29,375,472</u>		<u>200,096</u>		<u>2,191,916</u>			<u>27,383,652</u>		<u>27,145,941</u>		

Note : The value of listed company is market value, and the value of private entity is net equity.

INVENTEC CORPORATION
Statement of Other Non-current Assets
December 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Deferred expense	Toolings	\$ 2,195,789	
Less: Accumulated, depreciation		(1,891,393)	
Deferred tax assets		1,234,583	
Refundable deposits	Membership card and customs duty guarantee	25,855	
Prepayments for investments	Empass Technology Inc.	15,000	
Other assets		20,514	
		<u><u>\$ 1,600,348</u></u>	

INVENTEC CORPORATION
Statement of Short-term Borrowings
December 31, 2019
(In Thousands of New Taiwan Dollars)

Type	Description	Ending balance	Contract Period	Range of interest rate	Loan commitment	Collateral	Note
Short-term borrowings	Fubon Bank	\$ 1,000,000	2019.08.07~2020.02.07	0.76%	USD 80,000	None	
	BNP paribas Bank	601,600	2019.12.16~2020.01.16	2.53%	USD 50,000	"	
	Citi Bank	5,985,920	2019.12.05~2020.02.10	2.17%	USD 205,000	"	
	Sumito Mitsui Bank	2,390,000	2019.10.28~2020.02.10	0.65%	USD 80,000	"	
	Mega Bank	2,405,308	2019.12.05~2020.06.02	2.39%	USD 80,000	"	
	E, Sun Bank	1,437,757	2019.12.26~2020.03.26	2.41%	TWD 1,500,000	"	
	First Bank	1,840,753	2019.12.12~2020.03.11	2.52%	TWD 3,000,000	"	
	Hua Nan Bank	1,406,045	2019.12.05~2020.03.04	1.00%~2.56%	TWD 2,325,000	"	
	Land Bank	1,699,256	2019.12.12~2020.03.11	2.52%	TWD 1,800,000	"	
	Bank of Taiwan	2,686,404	2019.12.19~2020.02.14	2.54%	USD 150,000	"	
		<u><u>\$ 21,453,043</u></u>					

INVENTEC CORPORATION

Statement of Accounts Payable

December 31, 2019

(In Thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Note
<u>Non-related parties:</u>			
HEWLETT PACKARD INTERNATIONAL PTE LTD.		\$ 15,879,990	
HEWLETT PACKARD CARIBE Y ANDINA BV LLC		3,715,098	
HEWLETT PACKARD ENTERPRISE CRL		2,082,230	
Other			The year-end balance of each client doesn't exceed 5% of the account balance.
		<u>11,749,526</u>	
Subtotal		<u>33,426,844</u>	
<u>Related parties:</u>			
Inventec Corporation (Hong Kong) Ltd.		43,413,344	
Other			The year-end balance of each client doesn't exceed 5% of the account balance.
		<u>414,185</u>	
Subtotal		<u>43,827,529</u>	
Total		<u><u>\$ 77,254,373</u></u>	

INVENTEC CORPORATION

Statement of Other Payables

December 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Other payables	Payables for purchasing softwares	\$ 92,698
	Payables for salary and bonus	2,793,565
	Inventory processing fee	599,036
	Subtotal	<u>1,846,884</u>
Total		<u><u>\$ 5,332,183</u></u>

Statement of Other Current Liabilities

Item	Description	Amount	Note
Other current liabilities	Advance receipts	\$ 1,387	
	Receipts under custody	32,014	
	Temporary credits	2,673,297	
	Other	<u>2,245,828</u>	
		<u><u>\$ 4,952,526</u></u>	

INVENTEC CORPORATION
Statement of Long-term Borrowings
December 31, 2019
(In Thousands of New Taiwan Dollars)

Creditor	Description	Amount	Term of contract	Interest rate	Collateral	Note
Hua Nan Bank	Secured borrowings	\$ 2,233,333	2016.02.26~2031.02.26	1.44%	Land and building	No financial covenant
Bank of Taiwan	"	1,116,667	2016.02.26~2031.02.26	1.44%	"	"
Less: Long-term Borrowings, current portion		(300,000)				
Total		<u><u>\$ 3,050,000</u></u>				

INVENTEC CORPORATION
Statement of Other Non-current Liabilities
December 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Other non-current liabilities	Deferred tax liabilities	\$ 1,239,155	
	Unearned revenue	35,675	
	Gaurantee deposits received	<u>561</u>	
		<u><u>\$ 1,275,391</u></u>	

INVENTEC CORPORATION
Statement of Operating Costs
For the year ended December 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount	
	Subtotal	Total
Cost of goods sold from manufacturing	\$	15,455,363
Direct material	4,778,155	
Add: Raw material, January 1	529,276	
Purchase	7,065,852	
Gain on physical inventory	792	
Less: Raw material, December 31	(1,706,188)	
Transferred to expense	(410,212)	
Sale	(690,922)	
Inventory loss	(10,443)	
Direct labor	354,604	
Manufacturing expenses	1,165,101	
Cost of manufacturing	6,297,860	
Add: Work in process, January 1	584,044	
Purchase	10,177,890	
Inventory profit	1,262	
Less: Work in process, December 31	(1,255,327)	
Transferred to expense	(137,735)	
Inventory loss	(4,323)	
Cost of finished goods	15,663,671	
Add: Finished goods, January 1	1,118,068	
Inventory profit	564	
Less: Finished goods, December 31	(971,832)	
Inventory loss	(469)	
Transferred to expense	(322,857)	
Transferred to warranty	(31,782)	
Cost of material sold		690,922
Cost of merchandise sold (triangle trade)		327,582,411
Gain from price recovery of inventory		6,913
Cost of warranty		1,130,224
Expense of idle capacity		3,132
Gain on physical inventory		12,615
Cost of provision of sales return		57,390
Total operating costs	\$	<u><u>344,938,970</u></u>

INVENTEC CORPORATION
Statement of Selling Expenses
For the year ended December 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salary and wages expense		\$ 424,950	
Amortization expense		370,053	
Freight		339,876	
Miscellaneous expense		207,143	
Other expense		170,243	
		<u>\$ 1,512,265</u>	

Statement of Administrative Expenses

Item	Description	Amount	Note
Salary and wages expense		\$ 909,775	
Miscellaneous expense		232,960	
Depreciation expense		138,467	
Repair expense		93,883	
Other expense		429,569	
		<u>\$ 1,804,654</u>	

INVENTEC CORPORATION
Statement of Research and Development Expenses
December 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salary and wages expense		\$ 3,297,984	
Supplies		890,525	
Other expense		<u>1,397,558</u>	
		<u>\$ 5,586,067</u>	

**Appendix II: Consolidated financial statements with subsidiaries
audited by CPA of 2019**

Representation Letter

The entities that are required to be included in the combined financial statements of Inventec Corporation as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Inventec Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Inventec Corporation

Chairman: Tom-Hwar Cho

Date: March 24, 2020

Independent Auditors’ Report

To the Board of Directors of Inventec Corporation:

Opinion

We have audited the consolidated financial statements of Inventec Corporation and its subsidiaries (“the Group”), which comprise the consolidated statement of financial position as of December 31, 2019 and 2018, and the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

1. Inventory Valuation

Please refer to Note 4(h), Note 5 and Note 6(e) for accounting policies, significant accounting assumptions and judgments, major sources of estimation uncertainty and related disclosure information for inventory, respectively.

Description of the key audit matter:

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

How the matter was addressed in our audit:

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

2. The offsetting agreements of financial assets and liabilities

Please refer to Note 4(g), 6(b) and 6(w) for accounting policy and detailed information on the agreements of financial assets and liabilities offsetting.

Description of the key audit matter:

In order to use fund flexibly, the Group handled multiple kinds of financial instruments which IAS was endorsed by FSC to offset financial assets and liabilities and be reported in the balance sheet. The disclosure of financial instruments which are not expired on the reporting date would influence the judgment of report reader.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included examining whether the amount of the signed contract were within the scope authorized by the Board of Directors; sampling transactions in 2019 to examine whether contracts were signed with banks; review the contracts to check if the regulation of offsetting criteria was met; and assessing whether the disclosure of financial assets and liabilities offsetting is appropriate.

Other Matter

Inventec Corporation has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 24, 2020

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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit 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' audit report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
INVENTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

ASSETS		2019.12.31		2018.12.31		LIABILITIES AND EQUITY		2019.12.31		2018.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
Current Assets :						Current Liabilities :					
1100	Cash and cash equivalents (Notes (4) and (6)(a))	\$ 18,952,967	10	25,062,511	12	2100	Short-term borrowings (Note (6)(l))	\$ 25,166,518	13	31,301,280	15
1110	Current financial assets at fair value through profit or loss (Notes (4) and (6)(b))	3,958,468	2	2,467,479	1	2120	Current financial liabilities at fair value through profit or loss (Notes (4) and (6)(b))	108,175	-	4,958	-
1120	Current financial assets at fair value through other comprehensive income (Notes (4) and (6)(b))	1,194,430	1	479,397	-	2130	Current contract liabilities (Note (4) and (6)(t))	6,449,213	4	6,717,641	4
1170	Accounts receivable, net (Notes (4) and (6)(c))	88,491,343	46	92,234,720	45	2170	Accounts payable	71,342,557	37	76,453,829	37
1200	Other receivables, net (Notes (4), (6)(d) and (7))	754,975	-	2,534,539	2	2230	Current tax liabilities	2,319,023	1	2,389,874	1
1310	Inventories, manufacturing business, net (Notes (4) and (6)(e))	37,345,542	19	42,938,996	21	2200	Other payables (Note (7))	11,571,105	6	12,638,279	6
1479	Other current assets, others (Notes (6)(k))	1,469,984	1	2,186,792	1	2322	Long-term borrowings, current portion (Note (6)(l))	359,061	-	556,670	-
		152,167,709	79	167,904,434	82	2280	Current lease liabilities (Notes (4) and (6)(m))	200,289	-	-	-
Non-current assets :						2399	Other current liabilities, others	9,530,335	5	10,629,884	5
1517	Non-current financial assets at fair value through other comprehensive income (Notes (4) and (6)(b))	2,243,738	1	359,816	-			127,046,276	66	140,692,415	68
1550	Investments accounted for using equity method, net (Notes (4) and (6)(f))	247,194	-	273,356	-	Non-current Liabilities :					
1600	Property, plant and equipment (Notes (4) and (6)(g))	30,729,458	16	30,324,516	15	2540	Long-term borrowings (Note (6)(l))	3,883,134	2	3,409,061	2
1755	Right-of-use assets (Notes (4) and (6)(h))	3,546,126	2	-	-	2640	Net defined benefit liability, non-current (Notes (4) and (6)(o))	640,401	-	633,815	-
1760	Investment property, net (Notes (4) and (6)(i))	693,315	-	740,269	-	2580	Non-current lease liabilities (Notes (4) and (6)(m))	976,791	-	-	-
1780	Intangible assets (Notes (4) and (6)(j))	880,774	1	885,307	-	2670	Other non-current liabilities, others (Notes (4) and (6)(p))	3,575,023	2	3,347,114	2
1900	Other non-current assets (Notes (4), (6)(k) and (6)(p))	2,584,539	1	5,316,224	3			9,075,349	4	7,389,990	4
		40,925,144	21	37,899,488	18	Total Liabilities		136,121,625	70	148,082,405	72
						Equity attributable to owners of parent :					
						3110	Ordinary share (Note (6)(q))	35,874,751	19	35,874,751	18
						3200	Capital surplus (Note (6)(q))	2,913,461	2	2,912,889	1
						3300	Retained earnings (Note (6)(q))	18,304,941	9	18,223,198	9
						3400	Other equity interest (Note (6)(q))	(1,822,005)	(1)	(1,646,357)	(1)
						Total equity attributable to owners of parent		55,271,148	29	55,364,481	27
						36XX	Non-controlling interests	1,700,080	1	2,357,036	1
						Total Equity		56,971,228	30	57,721,517	28
TOTAL ASSETS		\$ 193,092,853	100	205,803,922	100	TOTAL LIABILITIES AND EQUITY		\$ 193,092,853	100	205,803,922	100

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
INVENTEC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		For the years ended December 31,			
		2019		2018	
		Amount	%	Amount	%
4110	Total sales revenue (Notes (4), (6)(t) and (7))	\$ 500,952,813	100	506,884,018	100
5000	Total operating costs (Notes (4) and (7))	478,121,718	95	483,002,434	95
	Gross profit from operations	22,831,095	5	23,881,584	5
	Operating expenses (Notes (6)(c), (6)(d) and (6)(u)):				
6100	Selling expenses	2,607,083	1	2,712,807	-
6200	Administrative expenses	4,303,565	1	4,887,598	1
6300	Research and development expenses	9,523,033	2	8,805,994	2
6450	Expected credit loss (gain)	(6,081)	-	(15,530)	-
6400	Total operating expenses	16,427,600	4	16,390,869	3
	Net operating income	6,403,495	1	7,490,715	2
	Non-operating income and expenses:				
7010	Other income (Note (6)(v))	1,347,043	-	1,161,902	-
7020	Other gains and losses, net (Note (6)(v))	544,082	-	1,259,503	-
7050	Finance costs, net (Note (6)(v))	(1,761,100)	-	(1,768,283)	-
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method, net (Notes (4) and (6)(f))	(24,459)	-	(10,575)	-
	Total non-operating income and expenses	105,566	-	642,547	-
	Profit (loss) from continuing operations before tax	6,509,061	1	8,133,262	2
7950	Less: Income tax expenses	1,672,064	-	2,814,266	1
	Profit	4,836,997	1	5,318,996	1
	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	(29,862)	-	(10,279)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	799,514	-	(847,613)	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(56)	-	(30,865)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(6,757)	-	(3,804)	-
	Components of other comprehensive income that will not be reclassified to profit or loss	776,353	-	(884,953)	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(1,026,850)	-	(30,094)	-
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	(1,597)	-	270	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	(1,028,447)	-	(29,824)	-
	Other comprehensive income	(252,094)	-	(914,777)	-
8500	Total comprehensive income	\$ 4,584,903	1	4,404,219	1
	Profit (loss), attributable to:				
8610	Profit (loss), attributable to owners of parent	\$ 5,507,960	1	6,499,856	1
8620	Profit (loss), attributable to non-controlling interests	(670,963)	-	(1,180,860)	-
		\$ 4,836,997	1	5,318,996	1
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent	\$ 5,287,308	1	5,599,822	1
8720	Comprehensive income, attributable to non-controlling interests	(702,405)	-	(1,195,603)	-
		\$ 4,584,903	1	4,404,219	1
	Earning per share attributable to stockholders of parent (Notes (4) and (6)(s))				
9750	Basic earnings per share (NT dollars)	\$ 1.54		1.81	
9850	Diluted earnings per share (NT dollars)	\$ 1.53		1.80	

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

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

INVENTEC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										
	Equity attributable to owners of parent					Other Equity Interest					
						Exchange Differences on Translation of Foreign Financial Statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized Gains (Losses) on Available for Sale Financial Assets	Equity attributable to owners of parent	Non - controlling interests	Total Equity
Capital Stock	Retained Earnings										
	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	-	-	-	-	6,499,856	-	-	-	6,499,856	(1,180,860)	5,318,996
Other comprehensive income (loss) for the period	-	-	-	-	(7,562)	(17,891)	(874,581)	-	(900,034)	(14,743)	(914,777)
Total comprehensive income (loss) for the period	-	-	-	-	6,492,294	(17,891)	(874,581)	-	5,599,822	(1,195,603)	4,404,219
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	675,491	-	(675,491)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	107,546	(107,546)	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(5,919,334)	-	-	-	(5,919,334)	-	(5,919,334)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	304,655	304,655
Others	-	(207)	-	-	-	-	-	-	(207)	207	-
Balance at December 31, 2018	35,874,751	2,912,889	10,149,619	107,546	7,966,033	(990,250)	(656,107)	-	55,364,481	2,357,036	57,721,517
Net income (loss) for the period	-	-	-	-	5,507,960	-	-	-	5,507,960	(670,963)	4,836,997
Other comprehensive income (loss) for the period	-	-	-	-	(24,968)	(1,014,884)	819,200	-	(220,652)	(31,442)	(252,094)
Total comprehensive income (loss) for the period	-	-	-	-	5,482,992	(1,014,884)	819,200	-	5,287,308	(702,405)	4,584,903
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	-	-	-	-	-	-	-	-	-	44,981	44,981
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(20,036)	-	20,036	-	-	-	-
Others	-	572	-	-	-	-	-	-	572	468	1,040
Balance at December 31, 2019	\$ 35,874,751	2,913,461	10,799,605	1,646,357	5,858,979	(2,005,134)	183,129	-	55,271,148	1,700,080	56,971,228

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

INVENTEC CORPORATION AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS****For the Years Ended December 31, 2019 and 2018****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Profit before tax	\$ 6,509,061	8,133,262
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	3,188,382	3,474,042
Amortization expense	965,340	1,006,415
Expected credit gain	(6,081)	(15,530)
Interest expense	1,761,100	1,768,283
Interest income	(1,347,043)	(1,161,902)
Dividend income	(20,979)	(30,675)
Share-based payments transactions	1,040	-
Share of losses of associates and joint ventures accounted for using equity method	24,459	10,575
Gain on disposal of property, plant and equipment	(69,439)	(57,338)
Gain on disposal of non-current assets held-for-sale	(628,476)	-
Gain on disposal of investments	-	(37,428)
Impairment loss on non-financial assets	344,916	155,168
Unrealized foreign exchange loss (gain)	30,968	(59,944)
Others	(46,194)	11,045
Total adjustments to reconcile profit	<u>4,197,993</u>	<u>5,062,711</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	(266,204)	(404,343)
Decrease (increase) in accounts receivable	1,763,074	(15,075,146)
Decrease (increase) in other receivables	1,772,736	(1,740,079)
Decrease (increase) in inventories	4,904,540	(2,642,456)
Decrease in other current assets	176,779	525,278
Total changes in operating assets	<u>8,350,925</u>	<u>(19,336,746)</u>
Changes in operating liabilities:		
Increase (decrease) in financial liabilities held for trading	103,217	(16,710)
(Decrease) increase in contract liabilities	(256,236)	479,640
(Decrease) increase in accounts payable	(3,043,534)	3,728,140
Decrease in other payables	(434,046)	(292,519)
Decrease in other current liabilities	(1,076,565)	(1,512,461)
Decrease in net defined benefit liabilities, non-current	(44,055)	(47,958)
Total changes in operating liabilities	<u>(4,751,219)</u>	<u>2,338,132</u>
Total changes in operating assets and liabilities	<u>3,599,706</u>	<u>(16,998,614)</u>
Total adjustments	<u>7,797,699</u>	<u>(11,935,903)</u>
Cash inflow (outflow) generated from operations	14,306,760	(3,802,641)
Interest received	1,367,420	1,490,071
Dividends received	20,979	30,675
Interest paid	(1,995,909)	(1,804,736)
Income taxes paid	(1,449,100)	(1,448,917)
Net cash flows from (used in) operating activities	<u>12,250,150</u>	<u>(5,535,548)</u>

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

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INVENTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)
For the Years Ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	<u>2019</u>	<u>2018</u>
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(1,852,458)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	29,964	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	26,400	2,765
Acquisition of financial assets at fair value through profit or loss	(14,206,762)	(11,108,576)
Proceeds from disposal of financial assets at fair value through profit or loss	12,852,650	17,379,361
Proceeds from liquidation of investments accounted for using equity method	-	30,822
Proceeds from disposal of non-current assets held for sale	967,538	-
Acquisition of property, plant and equipment	(3,818,085)	(1,916,305)
Proceeds from disposal of property, plant and equipment	102,894	69,311
Acquisition of intangible assets	(226,789)	(255,741)
Acquisition of investment properties	(2,062)	-
Decrease in other financial assets	132,325	11,192,526
Increase in other non-current assets	(829,098)	(1,264,816)
Net cash flows (used in) from investing activities	<u>(6,823,483)</u>	<u>14,129,347</u>
Cash flows from financing activities:		
Decrease in short-term borrowings	(5,941,567)	(4,567,702)
Proceeds from long-term borrowings	865,440	12,145,000
Repayments of long-term borrowings	(556,670)	(12,532,609)
Payment of lease liabilities	(196,978)	-
(Decrease) increase in other non-current liabilities	(27,383)	51,139
Cash dividends paid	(5,381,213)	(5,919,334)
Change in non-controlling interests	44,981	288,072
Net cash flows used in financing activities	<u>(11,193,390)</u>	<u>(10,535,434)</u>
Effect of exchange rate changes on cash and cash equivalents	(342,821)	54,966
Net decrease in cash and cash equivalents	(6,109,544)	(1,886,669)
Cash and cash equivalents at beginning of period	25,062,511	26,949,180
Cash and cash equivalents at end of period	<u><u>\$ 18,952,967</u></u>	<u><u>25,062,511</u></u>

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

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INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 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 December 31, 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(c) for details.

(2) Financial Statements Authorization Date and Authorization Process

The consolidated financial statements were authorized for issuance by the Board of Directors on March 24, 2020.

(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.

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

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

- (i) IFRS 16 “Leases”

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

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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(m).

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 assets of dormitories, vehicles and leases of other equipment.

● 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.

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

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- 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.

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INVENTEC CORPORATION AND SUBSIDIARIES
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- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

● 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 recognised additional \$3,589,104 thousands of right-of-use assets and \$1,074,436 thousands 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%.

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 disclosed as follows:

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	January 1, 2019
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)
leases of low-value assets	(1,592)
Variable lease payment based on an index or a rate	(12,935)
	<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	-
Lease liabilities recognized at January 1, 2019	<u>\$ 1,074,436</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 Rule No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	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:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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INVENTEC CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
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(4) Summary of Significant Accounting Policies

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

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for the explanation of Note 3, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by FSC (hereinafter referred to as the IFRSs endorsed by FSC).

(b) Basis of preparation

1. Basis of measurement

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

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) Cash-settled share-based payment liabilities are measured at fair value;
- 4) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in Note 4(r).

2. Functional and presentation currency

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

(c) Basis of consolidation

1. Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2019 and 2018

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intra group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

When the Group loses control over a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any interest retained in the former subsidiary is measured at fair value when control is lost, with the resulting gain or loss being recognized in profit or loss. The Group recognizes as gain or loss in profit or loss the difference between (i) the fair value of the consideration received as well as any investment retained in the former subsidiary at its fair value at the date when control is lost; and (ii) the assets (including any goodwill), liabilities of the subsidiary as well as any related non-controlling interests as their carrying amounts at the date when control is lost, as gain or loss in profit or loss. When the Group loses control of its subsidiary, it accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if it had directly disposed of the related assets or liabilities.

2. List of subsidiaries in the consolidated financial statements

Investor	Name of Subsidiary	Principal activity	Shareholding Ratio		Note
			2019.12.31	2018.12.31	
The Company	Inventec Corporation (Hong Kong) Ltd.	Investing in Mainland China and import and export business	100.00%	100.00%	
"	Inventec Holding (North America) Corp.	Investment of holding company in America	100.00%	100.00%	
"	Inventec (Cayman) Corp.	Holding Company	100.00%	100.00%	
"	IEC (Cayman) Corporation	Holding Company	100.00%	100.00%	
"	Inventec (Czech), s.r.o.	Computer products assembly operations	100.00%	100.00%	
"	Inventec Development Japan Corporation	Developing, designing and selling computer peripherals	100.00%	100.00%	
"	Inventec Investments Co., Ltd.	Investment company	100.00%	100.00%	
"	AIMobile Co., Ltd.	Developing, production and selling of intelligent mobile devices	55.00%	55.00%	
"	Inventec Japan Corporation	Trading and management services	100.00%	-	% The subsidiary was established on August 29, 2019.
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%	
The Company and Inventec Investments Co., Ltd.	E-TON Solar Tech. Co., Ltd	Manufacturing and selling of solar cells	34.65%	34.65%	

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INVENTEC CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

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Investor	Name of Subsidiary	Principal activity	Shareholding Ratio		Note
			2019.12.31	2018.12.31	
The Company	Inventec Appliances Corp.	Wireless terminal products	100.00%	100.00%	
The Company and Inventec Investments Co., Ltd.	Inventec Manufacturing (India) Private Limited	Computer product assemblies and warranty services	100.00%	100.00%	
Inventec Corporation (Hong Kong) Ltd.	Inventec Electronics (Tianjin) Co., Ltd.	Electronic product software and hardware development manufacturing	100.00%	100.00%	
"	Inventec (Beijing) Electronics Technology Co., Ltd.	"	100.00%	100.00%	
Inventec (Cayman) Corp. and Inventec (Pudong) Technology Corp.	Inventec (Shanghai) Corp.	Electronic product software and hardware development manufacturing	100.00%	100.00%	Inventec (Pudong) Technology Corp. participated in the cash capital increase of Inventec (Shanghai) Corp. in March, 2018.
Inventec (Cayman) Corp.	Inventec (Pudong) Corp.	"	100.00%	100.00%	
"	Inventec (Pudong) Technology Corp.	"	100.00%	100.00%	
"	Inventec (Shanghai) Service Co., Ltd.	"	100.00%	100.00%	
"	Inventec Hi-Tech Corp.	"	100.00%	100.00%	
"	Inventec Huan Hsin (Zhejiang) Technology Co., Ltd.	Complete of the electronic computer and product and sale of external equipment	100.00%	100.00%	
"	Inventec (Chongqing) Service Co., Ltd.	Electronic product software and hardware development manufacturing	100.00%	100.00%	
"	TPV-Inventa Holding Ltd.	Holding Company	90.00%	90.00%	
Inventec (Cayman) Corp. and IEC (Cayman) Corporation	Inventec (Chongqing) Corp.	Assembly and sale of computer products	100.00%	100.00%	
Inventec (Shanghai) Corp.	Inventec Asset-Management (Shanghai) Corporation	Equipment leasing, Storage, technological development and sale of computer	78.00%	78.00%	
Inventec Holding (North America) Corp.	Inventec (USA) Corporation	Computer product assemblies	100.00%	100.00%	
"	Inventec Manufacturing (North America) Corporation	"	100.00%	100.00%	
"	Inventec Configuration (North America) Corporation	"	100.00%	100.00%	
"	Inventec Distribution (North America) Corporation	"	100.00%	100.00%	
"	IEC Technologies, S. de R.L. de C.V.	"	100.00%	100.00%	
Inventec Appliances Corp.	Inventec Appliances (Cayman) Holding Corp.	Holding Company	100.00%	100.00%	
Inventec Appliances (Cayman) Holding Corp.	Inventec Appliances (USA) Distribution Corp.	Marketing promotion	100.00%	100.00%	
"	Inventec Appliances Corporation USA, Inc.	Customer information service	100.00%	100.00%	
"	Inventec Appliances (Shanghai) Co., Ltd.	Telecommunication research	100.00%	100.00%	
"	Inventec Appliances (Pudong) Corp.	Electronic communication and products manufacturing	100.00%	100.00%	
"	Inventec Appliances (Jiangning) Corp.	"	100.00%	100.00%	
"	Inventec Appliances (Nanjing) Corp.	House leasing	100.00%	100.00%	
"	Inventec Appliances (XI'AN) Corporation	Telecommunication research and service	100.00%	100.00%	
"	Inventec Appliances (Nanchang) Corporation	"	100.00%	100.00%	
"	Inventec Appliances (Malaysia) SDN. BHD.	Manufacture and sale of electronic materials and products	100.00%	100.00%	The subsidiary was established on September 27, 2018.

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Investor	Name of Subsidiary	Principal activity	Shareholding Ratio		Note
			2019.12.31	2018.12.31	
Inventec Appliances (Shanghai) Co., Ltd.	Inventec Appliances (Shanghai) Enterprise Co., Ltd.	Development and consultation on software and hardware; as well as selling of electronic products	100.00%	100.00%	
"	APEX Business Management & Consulting (Shanghai) Co., Ltd.	Business management	100.00%	100.00%	
"	Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd.	Telecommunication research and manufacturing	100.00%	100.00%	The subsidiary was established on June 21, 2018.

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

(d) Foreign currencies

1.Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss except for an investment in equity securities designed as at fair value through other comprehensive income, which is recognized in other comprehensive income.

2.Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

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

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

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(e) Classification of current and non-current assets and liabilities

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

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

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

An entity shall classify a liability as current when:

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

(f) Cash and cash equivalents

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

(g) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

1. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

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On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

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

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

Some trade receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Group; therefore, those receivables are measured at FVOCI. However, they are included in the ‘trade receivables’ line item.

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

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

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Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

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

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

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

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5) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

2. Financial liabilities and equity instruments

1) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

2) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

3) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Inventories

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

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

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or jointly control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align the accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Gains and losses resulting from the transactions between the Group and an associate are recognized only to the extent of unrelated Group's interest in the associate.

When the Group's share of losses of an associate equals or exceeds its interest in associates, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group discontinues the use of equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing and the carrying amount of the investment at the date the equity method that was discontinued is recognized in profit or loss. The Group accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss (or retained earnings) on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (or retained earnings) (as a reclassification adjustment) when the equity method is discontinued. If the Group's ownership interest in an associate or a joint venture is reduced, while the entity continues to apply the equity method, the Group reclassifies the proportion of the gain or loss, that had previously been recognized in other comprehensive income relating to that reduction in ownership interest, to profit or loss.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group shall continue to apply the equity method without remeasuring the retained interest.

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When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under additional paid-in capital. If the additional paid-in capital resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Group's ownership interest is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(j) Joint Arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. The IFRS classifies joint arrangements into two types-joint operations and joint ventures, and have the following characteristics: (a) The parties are bound by a contractual arrangement; (b) The contractual arrangement gives two or more of those parties joint control of the arrangement. IFRS 11 "Joint Arrangements" defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (i.e. activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

A joint venture is a joint arrangement whereby the Group has joint control of the arrangement (i.e. joint venturers) in which the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The Group recognizes its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures", unless, the Group qualifies for exemption from that Standard. Please refer to 6(f) for the application of the equity method.

When assessing the classification of a joint arrangement, the Group considers the structure and legal form of the arrangement, the terms in the contractual arrangement and other facts and circumstances. When the facts and circumstances change, the Group reevaluates whether the classification of the joint arrangement has changed.

(k) Investment property

Investment property is a property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and its carrying amount) is recognized in profit or loss.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its book value at the date of reclassification becomes its cost for subsequent accounting.

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The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Buildings	25years
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(1) Property, plant, and equipment

1. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

2. Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

3. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Buildings	10 ~ 50years
Machinery	2 ~ 11years
Transportation equipment	3 ~ 6years
Furniture and office facilities	2 ~ 14years
Power equipment	2 ~ 16years
Renovation and leasehold improvements	2 ~ 20years
Miscellaneous equipment	2 ~ 16years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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(m) 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
- 3) The Group has the right to direct the use of an asset throughout the period of use only if either:
 - the Group has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - The Group has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - The Group designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

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.

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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, including in-substance fixed payment;
- 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.

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 in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset; or
- 4) there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- 5) there is 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.

If an arrangement contains lease and non-lease components, 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.

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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.

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'.

Applicable before January 1, 2019

1.Lessor

Lease income from an operating lease is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

2.Lessee

Other leases are operating leases and are not recognized in the Group's statement of financial position.

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

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(n) Intangible assets

1. Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

2. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

3. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

- | | |
|---------------------------|-----------------|
| 1) Trademark rights | 10 years |
| 2) Computer software cost | 1 years~6 years |

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(o) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

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For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(p) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probably that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

1. Warranties

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

2. Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

(q) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

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1. Sale of goods

The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

2. Consulting services and Management services

The Group provides advisory and management services. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the costs incurred to date as a proportion of the total estimated costs of the transaction.

3. Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

(r) Employee benefits

1. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

2. Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3. Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

4. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(s) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Grant date of a share-based payment award is the date which the board of directors and the employees have made an agreement on the price and number of the new award.

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(t) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

1. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
2. temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
3. taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

1. the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
2. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

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(u) Business combination

The Group accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Group recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All the transaction costs incurred for the business combination are recognized immediately as the Group's expenses when incurred, except for the issuance of debt or equity instruments.

For each business combination, the Group measures any non-controlling equity interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the Group's net assets in the event of liquidation. Other non-controlling interest are measured at their acquisition-date fair values, unless another measurement basis is required by IFRSs endorsed by F.S.C..

(v) Earnings per share

The Group disclose the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as convertible bonds and employee compensation.

(w) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

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

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(a) Offsetting financial instruments

The Group's financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(e) for further description of the valuation of inventories.

(6) Explanation to Significant Accounts

(a) Cash and cash equivalents

	<u>2019.12.31</u>	<u>2018.12.31</u>
Cash	\$ 9,416	11,059
Demand deposits and checking accounts	16,249,163	19,719,122
Time deposits	<u>2,694,388</u>	<u>5,332,330</u>
Cash and cash equivalents in consolidated statement of cash flows	<u>\$ 18,952,967</u>	<u>25,062,511</u>

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

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- (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

	2019.12.31	2018.12.31
Financial assets at fair value through profit or loss		
Derivative instruments not used for hedging		
Forward exchange contracts	\$ -	3,997
Foreign exchange swap	125,305	3,007
Non-derivative financial assets		
Stocks of listed companies	115,909	57,885
Unquoted financial instruments	3,660,455	2,338,037
Unsecured convertible bonds	56,799	64,553
Total	\$ 3,958,468	2,467,479
Financial liabilities at fair value through profit or loss		
Held-for-trading financial liabilities		
Forward exchange contracts	\$ 108,175	3,398
Foreign exchange swap	-	1,560
Total	\$ 108,175	4,958

The Group uses 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:

		2019.12.31		
	Contract Amount	Currency	Maturity Period	
Foreign exchange swap	USD 335,000	USD to TWD	2020.02.18-2020.03.18	
		2018.12.31		
	Contract Amount	Currency	Maturity Period	
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	

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2) Financial liabilities:

		2019.12.31		
		Contract Amount	Currency	Maturity Period
Forward	USD	335,000	USD to TWD	2020.02.18-2020.03.18
		2018.12.31		
		Contract Amount	Currency	Maturity Period
Forward	USD	40,000	USD to TWD	2019.01.18-2019.02.01
Foreign exchange swap	USD	40,000	USD to TWD	2019.01.07-2019.01.09

2. Financial assets at fair value through other comprehensive income

	2019.12.31	2018.12.31
Equity investments at fair value through other comprehensive income		
Stocks listed on domestic markets	\$ 1,323,651	574,327
Stocks not listed on domestic markets	2,114,517	264,886
Total	\$ 3,438,168	839,213

1) Equity investments at fair value through other comprehensive income

The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purposes.

For strategic purposes, the Group has sold its equity investments at fair value through other comprehensive income of \$29,964 in 2019, resulting in the Group to realize a loss of \$20,036, which was recognized as other comprehensive income, then later on, reclassified to retained earnings.

2) For credit risk and market risk, please refer to note 6(w).

3) As of December 31, 2019 and 2018, the aforesaid financial assets were not pledged as collateral.

(c) Note and trade receivables

	2019.12.31	2018.12.31
Accounts receivables	\$ 88,594,198	92,354,729
Less: Allowance for impairment	(102,855)	(120,009)
	\$ 88,491,343	92,234,720

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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 December 31, 2019 and 2018, the amounts of trade receivables measured at fair value through other comprehensive income were \$3,061,165 and \$12,267,301, 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:

	2019.12.31		
	Gross carrying amount	Weighted-average	Loss allowance provision
Current	\$ 84,510,859	0%~1%	89,828
1 to 180 days past due	3,963,098	0.04%~10%	11,504
More than 180 days past due	120,241	0.04%~100%	1,523
	\$ 88,594,198		102,855

As of the end of February 29, 2020, the amount that received by the Group is \$62,583,740.

	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

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

	For the years ended December 31,	
	2019	2018
Balance at January 1, 2019 and 2018	\$ 120,009	200,021
Impairment losses recognized	(6,081)	(15,530)
Amounts written off	(10,903)	(64,593)
Foreign exchange (losses) gains	(170)	111
Balance at December 31, 2019 and 2018	\$ 102,855	120,009

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.

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

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

(Unit: Foreign currency/TWD in Thousands)

2019.12.31						
Purchaser	Assignment Facility	Factoring Line	Factoring Line	Advanced Amount	Range of Interest Rate	Collateral
Non-related parties	<u>\$ 25,959,896</u>	Note	<u>USD 863,028</u>	-	2.58%~2.74%	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.
2018.12.31						
Purchaser	Assignment Facility	Factoring Line	Factoring Line	Advanced Amount	Range of Interest Rate	Collateral
Non-related parties	<u>\$ 23,739,573</u>	Note	<u>USD 774,032</u>	-	3.10%~3.50%	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.

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

(d) Other receivables

	2019.12.31	2018.12.31
Other accounts receivable—related parties	\$ 1,305	2,776
Other accounts receivable—non-related parties	753,670	2,531,763
	<u>\$ 754,975</u>	<u>2,534,539</u>

(e) Inventories

	2019.12.31	2018.12.31
Raw materials and consumables	\$ 24,313,559	27,406,883
Work in process	8,709,279	8,587,820
Finished goods	4,288,687	6,895,663
Materials and supplies in transit	34,017	48,630
	<u>\$ 37,345,542</u>	<u>42,938,996</u>

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For the years ended December 31, 2019 and 2018, the (write-up) write-down of inventories amounted to \$(170,081) and \$731,093, respectively. Loss on inventory valuation and obsolescence is due to obsolescence or out of use, which causes the net realizable value to be lower than the cost. Loss on inventory valuation and obsolescence is recognized in operating cost. For the years ended December 31, 2019 and 2018, expenses of idle capacity amounted to \$189,385, and \$189,686, respectively.

As of December 31, 2019 and 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>2019.12.31</u>	<u>2018.12.31</u>
Associate	<u>\$ 247,194</u>	<u>273,356</u>

1. Associate

The Group's financial information for investments in individually insignificant associates accounted for using equity method at the reporting date was as follows. These financial information are included in the consolidated financial statements.

	<u>2019.12.31</u>	<u>2018.12.31</u>
Individually insignificant associates	<u>\$ 247,194</u>	<u>273,356</u>

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
The Group's share of profit (loss) of the associates		
Loss from continuing operations	\$ (24,459)	(10,575)
Other comprehensive income	(1,653)	(30,595)
Total comprehensive income	<u>\$ (26,112)</u>	<u>(41,170)</u>

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

(g) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 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	26,824,081	107,596	5,301,457	10,607,750	1,448,410	895,869	73,132,352
Additions	1,160,979	26,287	1,038,500	6,197	362,160	188,424	43,989	1,060,361	3,886,897
Disposals	-	-	(2,832,173)	(7,676)	(268,183)	(102,842)	(818,744)	-	(4,029,618)
Other	-	945	125,735	-	8,440	48,304	-	(81,929)	101,495
Effect of movements in exchange rate	-	(450,486)	(381,455)	(2,285)	(78,235)	(223,723)	(7,817)	(22,570)	(1,166,571)
Balance at December 31, 2019	<u>\$ 7,884,298</u>	<u>20,800,616</u>	<u>24,774,688</u>	<u>103,832</u>	<u>5,325,639</u>	<u>10,517,913</u>	<u>665,838</u>	<u>1,851,731</u>	<u>71,924,555</u>

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	Land	Building and construction	Machinery and equipment	Transportation equipment	Office equipment	Other facilities	Leasehold improvements	Others	Total
Balance at January 1, 2018	\$ 7,383,543	22,122,167	28,314,781	97,927	5,063,002	10,618,755	1,439,720	655,382	75,695,277
Additions	-	15,736	824,863	15,166	324,452	46,610	30,168	531,286	1,788,281
Disposals	-	(10,029)	(2,408,366)	(5,433)	(177,499)	(153,058)	(16,490)	-	(2,770,875)
Other	(660,224)	(825,033)	64,486	370	49,185	131,705	(6,455)	(276,184)	(1,522,150)
Effect of movements in exchange rate	-	(78,971)	28,317	(434)	42,317	(36,262)	1,467	(14,615)	(58,181)
Balance at December 31, 2018	<u>\$ 6,723,319</u>	<u>21,223,870</u>	<u>26,824,081</u>	<u>107,596</u>	<u>5,301,457</u>	<u>10,607,750</u>	<u>1,448,410</u>	<u>895,869</u>	<u>73,132,352</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	-	447,101	1,405,856	13,709	371,935	574,099	36,795	-	2,849,495
Disposals	-	-	(2,811,683)	(7,495)	(256,028)	(101,929)	(818,710)	-	(3,995,845)
Impairment loss	1,048	945	285,487	-	109	5,978	292	-	293,859
Effect of movements in exchange rate	-	(153,084)	(322,770)	(1,660)	(64,701)	(213,623)	(4,410)	-	(760,248)
Balance at December 31, 2019	<u>\$ 10,231</u>	<u>6,653,767</u>	<u>20,714,397</u>	<u>71,883</u>	<u>4,683,815</u>	<u>8,540,656</u>	<u>520,348</u>	<u>-</u>	<u>41,195,097</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	-	494,111	1,630,610	15,717	431,224	847,572	38,126	-	3,457,360
Disposals	-	(10,029)	(2,399,051)	(5,433)	(184,023)	(141,366)	(16,484)	-	(2,756,386)
Impairment loss	9,183	40,699	70,732	-	1,561	27,268	5,725	-	155,168
Other	-	(359,853)	-	-	-	(9,837)	-	-	(369,690)
Effect of movements in exchange rate	-	(43,745)	26,889	(343)	31,976	(38,867)	1,449	-	(22,641)
Balance at December 31, 2018	<u>\$ 9,183</u>	<u>6,358,805</u>	<u>22,157,507</u>	<u>67,329</u>	<u>4,632,500</u>	<u>8,276,131</u>	<u>1,306,381</u>	<u>-</u>	<u>42,807,836</u>
Carrying amounts:									
Balance at December 31, 2019	<u>\$ 7,874,067</u>	<u>14,146,849</u>	<u>4,060,291</u>	<u>31,949</u>	<u>641,824</u>	<u>1,977,257</u>	<u>145,490</u>	<u>1,851,731</u>	<u>30,729,458</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 December 31, 2018	<u>\$ 6,714,136</u>	<u>14,865,065</u>	<u>4,666,574</u>	<u>40,267</u>	<u>668,957</u>	<u>2,331,619</u>	<u>142,029</u>	<u>895,869</u>	<u>30,324,516</u>

The Group performed an impairment test on the property, plant and equipment. Based on the experience of the past and the actual operating result, the discounted rate used in 2019 and 2018 were 10.50% and 9.36%~11.36%. Thus, the Group adopted the value in use as its recoverable amount, and recognized the impairment losses based on the differences between the book values and the recoverable amounts of the property, plant and equipment. For the years ended December 31, 2019 and 2018, the impairment losses were \$30,256 and \$155,168, respectively. The meeting of shareholders of E-Ton Solar Tech. Co., Ltd (E-Ton) decided to discontinue its business on solar cell manufacturing and disposed its related assets on June 21, 2019. The fair value of asset impairment is based on the valuation of the independent valuator. The inputs of levels of fair value hierarchy in determining the fair value was classified to Level 3, measured at cost, while the value of an object is estimated by the cost of reacquisition or reconstruction, less, the accumulated depreciation and other deductibles, taking into consideration the current situation, economy, and function of the object. Besides, E-Ton reassessed its impairment and additionally recognized the amount of \$263,603 as impairment loss on related assets for the years ended December 31, 2019.

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As of December 31, 2019 and 2018, the property, plant and equipment were pledged as collateral, please refer to Note 8.

(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:

	Land	Buildings	Vehicles	Other	Total
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	2,433	489,540	7,168	-	499,141
Termination before the expiration	(142,852)	(1,407)	-	(1,030)	(145,289)
Effect of changes in foreign exchange rates	(100,203)	(28,073)	(32)	(9)	(128,317)
Balance as of December 31, 2019	<u>\$ 2,594,248</u>	<u>1,199,936</u>	<u>15,368</u>	<u>5,087</u>	<u>3,814,639</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	103,985	179,681	4,679	1,624	289,969
Termination before the expiration	-	-	-	(174)	(174)
Effect of changes in foreign exchange rates	(16,504)	(4,747)	(21)	(10)	(21,282)
Balance as of December 31, 2019	<u>\$ 87,481</u>	<u>174,934</u>	<u>4,658</u>	<u>1,440</u>	<u>268,513</u>
Carrying amount:					
Balance as of December 31, 2019	<u>\$ 2,506,767</u>	<u>1,025,002</u>	<u>10,710</u>	<u>3,647</u>	<u>3,546,126</u>

In order to facilitate the future sale of the factory and owned buildings in Annan District, 2nd Rd. through deducting the land price by the rent paid, the Board of directors of E-ton resolved to apply for the purchase of land No. 455 and 455-1 in the Science and Technology Section of Annan District on November 11, 2019. E-ton obtained the approval letter from the Industrial Development Bureau on January 3, 2020, at a price of \$687,108, resulting in the payable to be \$327,587 after deducting the rent paid and security deposit. E-ton entered into an agreement with its related party on January 31, 2020 and borrowed the amount of \$190,000 for land purchase on February 4, 2020.

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(i) Investment property

	<u>Building and construction</u>
Cost or deemed cost:	
Balance at January 1, 2019	\$ 1,567,942
Reclassification	<u>1,964</u>
Balance at December 31, 2019	<u>\$ 1,569,906</u>
Balance at January 1, 2018	\$ 992,490
Disposals for the period	<u>575,452</u>
Balance at December 31, 2018	<u>\$ 1,567,942</u>
Depreciation and impairment losses:	
Balance at January 1, 2019	\$ 827,673
Depreciation for the period	<u>48,918</u>
Balance at December 31, 2019	<u>\$ 876,591</u>
Balance at January 1, 2018	\$ 697,200
Depreciation for the period	<u>16,682</u>
Impairment loss	<u>113,791</u>
Balance at December 31, 2018	<u>\$ 827,673</u>
Carrying amounts:	
Balance at December 31, 2019	<u>\$ 693,315</u>
Balance at January 1, 2018	<u>\$ 295,290</u>
Balance at December 31, 2018	<u>\$ 740,269</u>
Fair value:	
Balance at December 31, 2019	<u>\$ 1,121,740</u>
Balance at December 31, 2018	<u>\$ 1,198,009</u>

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

The fair value of investment property as disclosed in the financial statements is based on the valuation of the independent valuator. The inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3. It is measured at cost, and value of an object is estimated by the cost of reacquisition or reconstruction deducting the accumulated depreciation and other deductibles, with a consideration of current situation, economy, and function of the object.

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The Group assessed the recoverable amount for investment property and recognized the accumulative impairment loss of both \$502,250 as of December 31, 2019 and 2018.

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

(j) Intangible assets

The costs of intangible assets, amortization, and impairment loss of the Group for the years ended December 31, 2019 and 2018 were as follows:

	<u>Goodwill</u>	<u>Patent and trademark right</u>	<u>Software cost</u>	<u>Total</u>
Cost:				
Balance at January 1, 2019	\$ 980,719	456	1,017,473	1,998,648
Additions	-	-	226,789	226,789
Disposals	-	-	(121,112)	(121,112)
Effect of movements in exchange rate	-	-	(215)	(215)
Balance at December 31, 2019	<u>\$ 980,719</u>	<u>456</u>	<u>1,122,935</u>	<u>2,104,110</u>
Balance at January 1, 2018	\$ 980,719	754	939,302	1,920,775
Additions	-	-	255,741	255,741
Disposals	-	(298)	(177,470)	(177,768)
Effect of movements in exchange rate	-	-	(100)	(100)
Balance at December 31, 2018	<u>\$ 980,719</u>	<u>456</u>	<u>1,017,473</u>	<u>1,998,648</u>
Amortization and impairment losses:				
Balance at January 1, 2019	\$ 172,299	456	940,586	1,113,341
Amortization for the period	-	-	231,299	231,299
Disposals	-	-	(121,112)	(121,112)
Effect of movements in exchange rate	-	-	(192)	(192)
Balance at December 31, 2019	<u>\$ 172,299</u>	<u>456</u>	<u>1,050,581</u>	<u>1,223,336</u>
Balance at January 1, 2018	\$ 172,299	740	855,320	1,028,359
Amortization for the period	-	14	262,828	262,842
Disposals	-	(298)	(177,470)	(177,768)
Effect of movements in exchange rate	-	-	(92)	(92)
Balance at December 31, 2018	<u>\$ 172,299</u>	<u>456</u>	<u>940,586</u>	<u>1,113,341</u>

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	<u>Goodwill</u>	<u>Patent and trademark right</u>	<u>Software cost</u>	<u>Total</u>
Carrying amounts:				
Balance at December 31, 2019	\$ 808,420	-	72,354	880,774
Balance at January 1, 2018	\$ 808,420	14	83,982	892,416
Balance at December 31, 2018	\$ 808,420	-	76,887	885,307

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

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Operating costs	\$ 107,840	153,238
Operating expenses	123,459	109,604
Total	\$ 231,299	262,842

As of December 31, 2019 and 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>2019.12.31</u>	<u>2018.12.31</u>
Refundable deposits	\$ 173,802	251,272
Prepayments to suppliers	6,724	12,930
Long-term prepaid rents	-	1,039,047
Restricted assets	64,081	137,806
Non-current asset held-for-sale	-	774,672
Deferred Tax assets	1,653,148	1,611,026
Others	2,156,768	3,676,263
	\$ 4,054,523	7,503,016

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.

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 \$551,386, and its difference between the book values amounting to \$117,642 was recognized as impairment loss in 2017. The related legal transfer of the equipment was completed in September, 2019.

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(l) Long-term and short-term borrowings

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

2019.12.31				
	Interest Rate	Currency	Maturity Date	Amount
Secured bank loans	1.44%~5.23%	TWD	2031.02.26	\$ 3,350,000
		CNY	2024.02.14	833,134
Unsecured bank loans	0.65%~3.79%	TWD	2020.01.03~2020.07.25	5,847,701
		USD	2020.01.03~2020.11.17	19,377,878
Total				\$ 29,408,713
Current				\$ 25,525,579
Non-current				3,883,134
Total				\$ 29,408,713
Unused credit line				\$ 75,851,186

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

1. Collateral of bank loans

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

2. Contract of bank loans

According to the credit loan facility agreement with the banks in 2018, Inventec Solar Energy Corporation must comply with certain financial covenants based on its audited annual financial statements.

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Due to the market's decreasing demand of the product of Inventec Solar Energy Corporation, the Company could not meet the requirement of the above financial covenants. Therefore, the Company must compensate by paying an annual rate of 0.15% based on the unpaid monthly principle from May 1, 2019 to the date when the Company meets all the requirements regarding its financial covenants.

(m) Lease liabilities

The Group lease liabilities were as follows:

	2019.12.31
Current	<u>\$ 200,289</u>
Non-current	<u>\$ 976,791</u>

For the maturities analysis, please refer to Note 6(w).

The amounts recognized in profit or loss were as follows:

	For the years ended December 31, 2019
Interest on lease liabilities	<u>\$ 33,318</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 138,426</u>
Expenses relating to short-term leases	<u>\$ 77,005</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 8,969</u>

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

	For the years ended December 31, 2019
Total cash outflow for leases	<u>\$ 454,696</u>

1. Real estate leases

As of December 31, 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.

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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

1. Leases as lessee

Non-cancellable operating lease payables on December 31, 2018 were as follows:

	2018.12.31
Within 1 year	\$ 158,022
Period after 1 to 5 years	522,682
Period after 5 years	<u>177,025</u>
	<u>\$ 857,729</u>

The Group lease a number of land, office, warehouse, factory facilities and staff dormitories under operating leases. The leases typically run for a period of 1 to 20 years, with an option to renew the lease after that date. The Group lease the land which is located on Ke Gong Section, Annan Dist., Tainan City, the first two years of the leasing period is rent free; in the third and forth year the rent accounts for 60% of the agreed rent in the contract; the fifth and sixth year the rent accounts for 80% of the agreed rent in the contract, and the full amount of the agreed rent is applied for the rest of the period.

For the year ended December 31, 2018 expenses recognized in profit or loss in respect of operating leases was \$204,677.

2. Leases as Lessor

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	2019.12.31
Less than one year	\$ 178,121
One to two years	137,669
Two to three years	99,733
Three to four years	69,278
Four to five years	34,846
More than five years	<u>41,354</u>
Total undiscounted lease payments	<u>\$ 561,001</u>

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The future minimum lease payments under non-cancellable leases on December 31, 2018 was as follows:

	<u>2018.12.31</u>
Within 1 year	\$ 205,074
Period after 1 to 5 years	441,245
Period after 5 years	<u>80,587</u>
	<u>\$ 726,906</u>

The rental revenues incurred by leasing plants were \$282,985 and \$214,616 for the years ended December 31, 2019 and 2018, respectively.

(o) Employee benefits

1. Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	<u>2019.12.31</u>	<u>2018.12.31</u>
Present value of the defined benefit obligations	\$ 1,736,857	1,698,756
Fair value of plan assets	<u>(1,155,255)</u>	<u>(1,083,799)</u>
Net defined benefit liabilities	<u>\$ 581,602</u>	<u>614,957</u>

The Group makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement. As of December 31, 2019 and 2018, the defined benefit plans amounted to \$58,799 and \$18,858, respectively, which were accounted as other current assets.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued two-year time deposits with interest rates offered by local banks.

The Group's pension reserve account in Bank of Taiwan amounted to \$1,148,039 at the end of December 31, 2019. For information on the utilization of the labor pension fund assets including the assets allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Group on 2019 and 2018 were as follows:

	For the years ended December 31,	
	2019	2018
Defined benefit obligation at January 1	\$ 1,698,756	1,666,682
Current service costs and interest	31,862	36,599
Remeasurement on the net defined benefit liability		
— Actuarial loss (gain) arising from changes in demography assumption	157	4
— Experience adjustments arising on the actuarial gain or loss	6,237	(9,825)
— Actuarial loss (gain) arising from changes in financial assumptions	62,157	45,322
Benefits paid by the plan assets	(62,312)	(40,026)
Defined benefit obligation at December 31	\$ 1,736,857	1,698,756

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group on 2019 and 2018 were as follows:

	For the years ended December 31,	
	2019	2018
Fair value of plan assets at January 1	\$ 1,083,799	1,000,117
Interest income	12,136	13,048
Remeasurement on the net defined benefit liability		
— Return on plan assets (excluding current interest)	36,268	26,629
Contributions made	85,364	84,031
Benefits paid by the plan assets	(62,312)	(40,026)
Fair value of plan assets at December 31	\$ 1,155,255	1,083,799

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group on 2019 and 2018 were as follows:

	For the years ended December 31,	
	2019	2018
Current service costs	\$ 13,268	15,760
Net interest of net liabilities for defined benefit obligations	6,458	7,791
	\$ 19,726	23,551

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	For the years ended December 31,	
	2019	2018
Operating cost	\$ 1,877	2,085
Selling expenses	2,172	2,508
Administration expenses	5,096	7,002
Research and development expenses	10,581	11,956
	\$ 19,726	23,551

5) Actuarial assumptions

The following are the Group's principal actuarial assumptions:

Present Value of defined benefit obligations:

	2019.12.31	2018.12.31
Discount rate	0.75%~0.80%	1.00%~1.20%
Future salary increases rate	1.63%~2.50%	1.63%~2.50%

The expected allocation payment made by the Group to the defined benefit plans for the one year period after the reporting date was \$87,127.

The weighted-average duration of the defined benefit obligation is 9.8~20.2 years.

6) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation for 2019 and 2018 shall be as follows:

	Influences of defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2019		
Discount rate	(44,775)	46,506
Future salary increasing rate	45,239	(43,785)
December 31, 2018		
Discount rate	(45,613)	47,437
Future salary increasing rate	46,307	(44,761)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

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There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

2. Defined contribution plans

In accordance with the provisions of the Labor Pension Act, the Group contribute an amount equal to 6% of the employee's monthly wages to the Labor Pension personal account with the Bureau of the Labor Insurance.

The pension costs incurred from the contributions to the Bureau of the Labour Insurance amounted to \$252,488 and \$253,041 for the years ended December 31, 2019 and 2018, respectively.

The pension expenses contributed by the foreign entities following the local regulations amounted to \$1,606,987 and \$1,742,434 for the years ended December 31, 2019 and 2018, respectively.

(p) Income taxes

1. The components of income tax expense (gain) for the years ended December 31, 2019 and 2018 were as follows:

	For the years ended December 31,	
	2019	2018
Current tax expense		
Current period	\$ 1,421,969	1,386,775
Other	41,017	-
Adjustment for prior periods	(10,265)	596,271
	<u>1,452,721</u>	<u>1,983,046</u>
Deferred tax expense		
Origination and reversal of temporary differences	219,343	687,445
Adjustment in tax rate	-	136,725
Recognition of previously unrecognized tax losses	-	7,050
	<u>219,343</u>	<u>831,220</u>
Income tax expense from continuing operations	<u>\$ 1,672,064</u>	<u>2,814,266</u>

The amount of income tax recognized in other comprehensive income for 2019 and 2018 was as follows:

	For the years ended December 31,	
	2019	2018
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	<u>\$ 6,757</u>	<u>3,804</u>

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

	For the years ended December 31,	
	2019	2018
Income before tax	\$ 6,509,061	8,133,262
Income tax using the Company's domestic tax rate	2,323,999	2,266,316
Permanent differences	(664,387)	(498,115)
Tax-exempt income	(8,067)	(3,321)
Tax credits and use of tax losses	(54,072)	(60,000)
Recognition of previously recognized tax losses	27,846	30,619
Current-year losses for which no deferred tax asset was recognized	254,967	838,908
Change in unrecognized temporary differences	(171,871)	(505,273)
(Over) under provision in prior periods	(10,024)	596,271
Over provision of temporary differences	(245,429)	(15,182)
Adjustment in tax rate	-	136,725
Undistributed earnings additional tax	26	1,573
Other	219,076	25,745
Income tax expense	\$ 1,672,064	2,814,266

Under provision in prior periods is estimation of the difference between approved amounts by Tax Authority and the declared amounts.

2. Deferred Tax Assets and Liabilities

1) Unrecognized Deferred Tax Assets

Deferred tax assets that have not been recognized in respect of the following items:

	2019.12.31	2018.12.31
Tax effect of deductible Temporary Differences	\$ 2,307,990	3,138,116
The carryforward of unused tax losses	3,059,605	3,924,964
	\$ 5,367,595	7,063,080

The carryforward of unused tax credits were determined in accordance with the rules established by each taxation authorities, and can be applied to offset against profit and income tax in the future respectively. The deferred tax assets have not been recognized in respect of the aforementioned items because they are not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

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The Subsidiaries located in China, where the income tax rate is 25%, in accordance with the rules for the implementation of the Income Tax Law of the People's Republic of China for enterprises with Foreign Investment and Foreign Enterprises, was entitled to the preferential treatment for advanced technology industries with respect to reduction of or exemption from income tax. Under such tax law, commencing with the first profit-making year is exempted from income tax in the first and second profitable year and is entitled to a 50% reduction from the third to fifth year.

The Group invested in the companies which were incorporated in the Cayman Islands. The earnings of these entities are not taxable by the local government in their respective jurisdictions. Other foreign subsidiaries are taxed in accordance with the Income Tax Law of their respective jurisdiction.

As of December 31, 2019 and 2018, the Group estimated that the part of the temporary differences does not have more than 50% possibility to realize in the visible future, so they were not recognized as deferred tax assets.

Each company is taxed in accordance with the income tax law of their respective jurisdiction. Unused operating loss carry-forwards can be applied to offset against profit in the future after being examined by the Tax Authority. As of December 31, 2019, the company that have loss carry forwards which can be used to offset profit were as follow. Among the taxable losses, \$14,932 were recognized as deferred tax assets.

As of December 31, 2019, the Group did not recognize its prior years' loss carry-forwards as deferred tax assets, whose expiry years were as follows:

	<u>Unused loss</u>	<u>Expiry year</u>
The carryforward of unused losses	<u><u>\$ 15,398,770</u></u>	2021~2029

Due to the unstable economic environment recovery, the realizability of tax assets of the tax losses, which amounted to \$15,398,770, is doubtful. Therefore, the Group has recognized the partial tax losses as deferred tax assets. If the sales grow continuously, the Group would recognize the aforementioned tax losses in the future and generate the additional tax benefits.

2) Recognized Deferred Tax Assets and Liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2019 and 2018 were as follows:

	<u>Gain (loss) on investment</u>	<u>Other</u>	<u>Total</u>
Deferred Tax Liabilities:			
Balance at January 1, 2019	\$ 3,014,371	50,824	3,065,195
Recognized in profit or loss	305,870	(42,449)	263,421
Balance at December 31, 2019	<u><u>\$ 3,320,241</u></u>	<u><u>8,375</u></u>	<u><u>3,328,616</u></u>
Balance at January 1, 2018	\$ 2,137,695	-	2,137,695
Recognized in profit or loss	876,676	50,824	927,500
Balance at December 31, 2018	<u><u>\$ 3,014,371</u></u>	<u><u>50,824</u></u>	<u><u>3,065,195</u></u>

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	Warranty expense	Loss of market decline on financial assets	Defined Benefit Plans	Others	Total
Deferred Tax Assets:					
Balance at January 1, 2019	\$ 935,721	-	79,899	595,406	1,611,026
Recognized in profit or loss	(89,295)	-	(13,111)	146,484	44,078
Recognized in other comprehensive income	-	-	6,757	-	6,757
Effect of movements in exchange rate	-	-	-	(8,713)	(8,713)
Balance at December 31, 2019	<u>\$ 846,426</u>		<u>73,545</u>	<u>733,177</u>	<u>1,653,148</u>
Balance at January 1, 2018	\$ 739,866	42,610	76,565	658,023	1,517,064
Recognized in profit or loss	195,855	(32,082)	(470)	(67,023)	96,280
Recognized in other comprehensive income	-	-	3,804	-	3,804
Recognized directly in equity	-	(10,528)	-	-	(10,528)
Effect of movements in exchange rate	-	-	-	4,406	4,406
Balance at December 31, 2018	<u>\$ 935,721</u>	<u>-</u>	<u>79,899</u>	<u>595,406</u>	<u>1,611,026</u>

3. Income Tax approval

The Company's income tax returns through 2016 have been examined and approved by the Tax Authority.

The Company disagreed with the opinion held by the tax authorities on certain parts its total income tax payment amounting to \$253,607 in 2015; therefore, it applied for a reassessment concerning the matter.

(q) Capital and reserves

As of December 31, 2019 and 2018, the authorized capital of the Company both consisted of 3,650,000 thousand shares and both issued worth \$36,500,000, with par value of \$10 per share, and its outstanding capital both consisted of 3,587,475 thousand shares of stock. All issued shares were paid up upon issuance.

1. Capital surplus

The components of the capital surplus were as follows:

	<u>2019.12.31</u>	<u>2018.12.31</u>
Share capital	\$ 2,891,959	2,891,959
Other	21,502	20,930
	<u>\$ 2,913,461</u>	<u>2,912,889</u>

In accordance with the ROC company Act, realized capital reserves can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the securities offering and Issuance Guidelines, the amount of capital reserve to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

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2. Retained earnings

The Company's articles of incorporation require that after-tax earnings shall first be offset against any deficit, and 10% of the rest be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital. Special reserve may be appropriated for operations or to meet regulations. The remaining earnings, if any, may be appropriated for operations according to the proposal, and the distributed dividends may not be lower than 10% of the earnings which are presented in the annual stockholders' meeting by the Board of Directors. In consideration of the Company's long-term operating plan, funding needs, and satisfying shareholder demand for cash flow, the Company distributes cash dividends of at least 10% of the aggregate of cash dividends and stock dividends if the distributions include cash dividend.

1) Legal reserve

In accordance with the ROC Company Act, 10 percent of net income should be set aside as legal reserve, until it is equal to share capital. If the Company experienced profit for the year, the meeting of shareholders shall decide on the distribution of the statutory earnings reserve either by new shares or by cash, of up to 25 percent of the actual share capital.

2) Special reserve

In accordance with Permit No.1010012865 as issued by the Financial Supervisory Commission on April 6, 2012, a special reserve equal to the contra account of other shareholders' equity is appropriated from the current and prior period earnings. When the debit balance of any of the contra accounts in the shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of the contra accounts in shareholders' equity shall qualify for additional distributions.

3) Earnings Distribution

During the meeting of shareholders on June 14, 2019 and June 14, 2018, the shareholders approved to distribute the 2018 and 2017 earnings, respectively, as follows:

	2018		2017	
	Dividend per share (\$)	Amount	Dividend per share (\$)	Amount
Dividends distributed to common shareholders				
Cash	\$ 1.50	<u>5,381,213</u>	1.65	<u>5,919,334</u>

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

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On March 24, 2020, the Company's Board of Directors resolved to appropriate the 2019 earnings, respectively, as follows:

	2019	
	Dividend per share (\$)	Amount
Dividends distributed to common shareholders		
Cash	\$ 1.30	<u>4,663,718</u>

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

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Non-controlling interests	Total
Balance, January 1, 2019	\$ (990,250)	(656,107)	2,357,036	710,679
Exchange differences on foreign operations	(1,013,287)	-	(13,563)	(1,026,850)
Exchange differences on subsidiaries accounted for using equity method	(1,597)	-	-	(1,597)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	818,376	(18,862)	799,514
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, associates and joint ventures accounted for using equity method	-	824	-	824
Disposal of investments in equity instruments designed at fair value through other comprehensive income	-	20,036	-	20,036
Profit attributable to non-controlling interest	-	-	(670,963)	(670,963)
Actuarial gains and losses	-	-	983	983
Others	-	-	45,449	45,449
Balance, December 31, 2019	<u>\$ (2,005,134)</u>	<u>183,129</u>	<u>1,700,080</u>	<u>(121,925)</u>

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Non-controlling interests	Total
Balance, January 1, 2018	(972,359)	-	864,813	3,247,777	3,140,231
Effects of retrospective application	-	218,474	(864,813)	-	(646,339)
Balance at January 1, 2018 after adjustments	(972,359)	218,474	-	3,247,777	2,493,892
Exchange differences on foreign operations	(18,161)	-	-	(11,933)	(30,094)
Exchange differences on subsidiaries accounted for using equity method	270	-	-	-	270
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(844,388)	-	(3,225)	(847,613)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, associates and joint ventures accounted for using equity method	-	(30,193)	-	-	(30,193)
Profit attributable to non-controlling interest	-	-	-	(1,180,860)	(1,180,860)
Actuarial gains and losses	-	-	-	54	54
Others	-	-	-	305,223	305,223
Balance, December 31, 2018	<u>\$ (990,250)</u>	<u>(656,107)</u>	<u>-</u>	<u>2,357,036</u>	<u>710,679</u>

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(q) Share-Based payments

1. AIMobile Co. Ltd

As of December 31, 2019, share-based payments of AIMobile Co. Ltd are as follows:

	Equity transaction
	Employee Stock
	Option Plan
Grant date	March 25, 2019
Number of shares granted	1,605 thousand units
Contractual life	5 year
Grant target	Employees of AIMobile Co. Ltd
Vesting period	Subsequent 2~4 years service

1) Determining the fair value of equity instruments granted

AIMobile Co. Ltd adopted the Black-Scholes Model to calculate the fair value of the stock option at grant date, and the assumptions adopted in this valuation model were as follows:

	2019
	Employee Stock
	Option Plan
Fair value at grant date	2.28 / 2.77 / 3.29
Share price at grant date	10.4
Exercise price	10
Expected volatility(%)	30.971% / 34.193% / 36.901%
Expected life of the option (year)	2.60 / 3.30 / 4.15
Expected dividend yield rate	-%
Risk free interest rate (%)	0.574% / 0.597% / 0.621%

AIMobile Co. Ltd use the historical volatility as base to estimate the expected volatility; the duration of stock options is in accordance with the regulations. The expected dividends were set at 0, and the risk free rate was set considering the rate of the short term government bonds. The definition of fair value did not cover the service fee of the trade or the non-market achievement conditions.

2) Expenses and liabilities resulted from share-based payments

As of December 31, 2019, expense and liability resulted from share-based payments are accounted as follow:

	2019
Expenses and liabilities	\$ 1,040

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(r) Earnings per share

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

	For the years ended December 31,	
	2019	2018
Basic earnings per share:		
Profit attributable to ordinary shareholders	\$ 5,507,960	6,499,856
Weighted average number of ordinary shares (thousand shares)	3,587,475	3,587,475
Basic earnings per share (NT dollars)	\$ 1.54	1.81
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (adjusted for the effects of all dilutive potential ordinary shares)	\$ 5,507,960	6,499,856
Weighted average number of ordinary shares (thousand shares)	3,587,475	3,587,475
Effect of dilutive potential common shares (thousand shares)		
profit sharing to employees	23,150	26,691
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)	3,610,625	3,614,166
Diluted earnings per share (NT dollars)	\$ 1.53	1.80

(s) Revenue from contracts with customers

1. Disaggregation of revenue

	For the years ended December 31, 2019		
	Core	Solar Energy	Total
Primary geographical markets			
Taiwan	\$ 6,882,698	2,663,130	9,545,828
USA	341,349,096	350,212	341,699,308
Japan	13,200,986	-	13,200,986
Hong Kong, Macao and Mainland China	66,912,430	1,009,619	67,922,049
Other countries	68,492,986	91,656	68,584,642
	\$ 496,838,196	4,114,617	500,952,813

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	For the years ended December 31, 2019		
	Core	Solar Energy	Total
Major products			
Computer product	\$ 495,945,745	-	495,945,745
Solar energy	-	4,114,617	4,114,617
Rendering of services	892,451	-	892,451
	\$ 496,838,196	4,114,617	500,952,813

	For the years ended December 31, 2018		
	Core	Solar Energy	Total
Primary geographical markets			
Taiwan	\$ 1,570,094	496,623	2,066,717
USA	339,739,366	5,844	339,745,210
Japan	14,012,032	-	14,012,032
Hong Kong, Macao and Mainland China	69,019,938	4,923,778	73,943,716
Other countries	74,492,760	2,623,583	77,116,343
	\$ 498,834,190	8,049,828	506,884,018

Major products			
Computer product	\$ 497,761,557	-	497,761,557
Solar energy	-	8,049,828	8,049,828
Rendering of services	1,072,633	-	1,072,633
	\$ 498,834,190	8,049,828	506,884,018

2. Contract balances

	2019.12.31	2018.12.31	2018.1.1
Notes and Accounts receivable (included related parties)	\$ 88,594,198	92,354,729	78,808,650
Less: allowance for impairment	(102,855)	(120,009)	(200,021)
Total	\$ 88,491,343	92,234,720	78,608,629
	2019.12.31	2018.12.31	2018.1.1
Contract liabilities	\$ 6,449,213	6,717,641	6,054,658

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

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The amount of revenue recognized for the years ended December 31, 2019 and 2018 that were included in the contract liability balance at the beginning of the period were \$9,863,711 and \$14,414,084, 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 is distributed in the form of stock or cash, the employees qualifying for such distribution shall include the employees of the subsidiaries of the Company who meet certain specific requirements. Such qualified employees and the distribution ratio shall be decided by the Board of Directors.

The remuneration of employees amounted to \$424,704 and \$490,803 and the remuneration of directors amounted to \$77,754 and \$97,342 for the years ended December 31, 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 remunerations were expensed under operating cost or expenses in 2019 and 2018. Related information would be available at the Market Observation Post System after the meeting of the shareholders has been convened.

There were no differences between the amounts to be distributed as remuneration to employees and directors in 2019 and 2018 and the amounts stated in the individual reports.

(u) Non-operating income and expenses

1. Other income

The details of other income were as follows:

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Interest income	<u>\$ 1,347,043</u>	<u>1,161,902</u>

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2. Other income and losses

The details of other income and losses were as follows:

	For the years ended December 31,	
	2019	2018
Foreign exchange (losses) gains	\$ (999,798)	(193,420)
Gain on disposal of investments	-	37,428
Net gains (losses) on financial assets (liabilities) measured at fair value through profit or loss	240,750	427,187
Gain on disposal of property, plant and equipment	69,439	57,338
Gain on non-current assets held-for-sell	628,476	-
Impairment loss on property, plant and equipment	(293,859)	(155,168)
Other impairment reversal (loss)	(51,057)	-
Other	950,131	1,086,138
	\$ 544,082	1,259,503

3. Finance costs

The details of finance expenses were as follows:

	For the years ended December 31,	
	2019	2018
Interest expenses		
Bank borrowings	\$ 936,338	967,122
Others	824,762	801,161
	\$ 1,761,100	1,768,283

(v) Financial instruments

1. Credit risks

1) Credit risks exposure

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

2) Condition of credit risk concentration

Implicit credit risk of the Group is inherent in its cash and accounts receivable. The cash is deposited in different financial institutions. The Company manages the credit risk exposure with each of these financial institutions and believes that cash do not have a significant credit risk concentration.

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The major customers of the Group are centralized in the high-tech computer industry. To minimize credit risk, the Company periodically evaluates the Company's financial positions and the possibility of collecting trade receivables.

Besides, the Consolidated Company monitors and reviews the recoverable amount of the trade receivables to ensure the uncollectible amount are recognized appropriately as impairment loss. Therefore, the executives evaluate the Group's credit risk to be limited.

As of December 31, 2019 and 2018, 65% and 62% of accounts receivable were attributable to two major customers. Thus, credit risk is significantly centralized.

2. Liquidity risks

The following are the contractual maturities of financial liabilities of the Group, including estimation of interest, but excluding the impact of netting arrangements:

	Carrying amount	Contractual cash flows	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
December 31, 2019							
Non-derivative financial liabilities							
Secured bank loans	\$ 4,183,134	4,628,036	189,281	192,619	382,057	1,930,829	1,933,250
Unsecured bank loans	25,225,579	26,354,636	26,339,684	14,952	-	-	-
Accounts payable	71,342,557	71,342,557	71,342,557	-	-	-	-
Other payables	6,169,489	6,169,489	6,169,489	-	-	-	-
Lease liabilities	1,177,080	1,308,241	112,656	119,727	181,668	456,376	437,814
Derivative financial liabilities							
Forward exchange contracts not used for hedging:							
Outflow	108,175	(10,119,285)	(10,119,285)	-	-	-	-
Inflow	-	10,011,110	10,011,110	-	-	-	-
	\$ 108,206,014	109,694,784	104,045,492	327,298	563,725	2,387,205	2,371,064
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 payables	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	-	-	-	-
	\$ 118,636,311	118,994,886	115,002,345	316,150	404,961	1,011,780	2,259,650

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

3.Currency risks

1) Exposure to currency risks

The Group's exposures to significant currency risk were those from its foreign currency denominated financial assets and liabilities as follows:

2019.12.31					
	Foreign currency (In thousand)		Exchange rate		TWD
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$	4,595,867	USD : TWD	30.08	138,243,679
		633,654	USD : CNY	6.98	19,060,312
		293,178	USD : CZK	22.62	8,818,794
CNY		3,593,671	CNY : USD	0.14	15,495,191
JPY		6,563	JPY : TWD	0.28	1,838
<u>Non-monetary items</u>					
USD		59,255	USD : TWD		1,785,737
			30.08~32.19		
<u>Financial Liabilities</u>					
<u>Monetary items</u>					
USD		3,743,732	USD : TWD	30.08	112,611,459
		522,687	USD : CNY	6.98	15,722,425
		379,553	USD : CZK	22.62	11,416,954
CNY		309,273	CNY : USD	0.14	1,333,523
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		2,074,391
			30.44~32.19		
CNY		136,932	CNY : TWD	4.47	611,919

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2018.12.31				
	Foreign currency (In thousand)	Exchange rate		TWD
<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

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, loans and borrowings, accounts payable and other payables that are denominated in foreign currency. A 0.5% depreciation or appreciation of the functional currency against all the non-functional currency as of December 31, 2019 and 2018 would have increased or decreased the net profit after tax by \$158,427 and \$120,441, respectively. The analysis is performed on the same basis for both periods.

3) Gains or losses on foreign exchange

As Group deals with diverse foreign currencies, therefore, the gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2019 and 2018, the foreign exchange loss, including realized and unrealized, amounted to \$999,798 and \$193,420, respectively.

4. Interest rate analysis

The Group's financial assets and financial liabilities with interest rate exposure risk were noted in the liquidity risk section.

The following sensitivity analysis in interest rates is based on the risk exposure to interest rates on the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date.

If the interest rate increases or decreases by 0.5%, the Group's profit will decrease or increase by \$14,290 and \$15,035 for the years ended December 31, 2019 and 2018, respectively, assuming all other variable factors remain constant. This is mainly due to the Group's variable rate in borrowings and time deposits.

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5. Fair value of financial instruments

1) Fair value hierarchy

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

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

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, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, the disclosure of their fair value information is not required :

	2019.12.31				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 125,305	-	125,305	-	125,305
Non-derivative financial assets mandatorily measured at fair value through profit or loss	3,833,163	115,909	-	3,717,254	3,833,163
Subtotal	3,958,468	115,909	125,305	3,717,254	3,958,468
Financial assets at fair value through other comprehensive income					
Stocks of listed companies	1,194,430	1,194,430	-	-	1,194,430
Unquoted equity instruments	2,243,738	-	129,221	2,114,517	2,243,738
Subtotal	3,438,168	1,194,430	129,221	2,114,517	3,438,168
Financial assets at amortized cost					
Cash and cash equivalents	18,952,967	-	-	-	-
Accounts receivable and other receivables	89,246,318	-	-	-	-
Other financial assets and refundable deposit	237,884	-	-	-	-
Subtotal	108,437,169	-	-	-	-
Total	\$ 115,833,805	1,310,339	254,526	5,831,771	7,396,636

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		2019.12.31				
		Book Value	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss						
Derivative financial liabilities	\$	108,175	-	108,175	-	108,175
Financial liabilities at amortized cost						
Bank loans		29,408,713	-	-	-	-
Accounts payable		71,342,557	-	-	-	-
Other payables		11,571,105	-	-	-	-
Lease liabilities		1,177,080	-	-	-	-
Subtotal		113,499,455	-	-	-	-
Total	\$	113,607,630	-	108,175	-	108,175
		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		2,460,475	57,885	-	2,402,590	2,460,475
Subtotal		2,467,479	57,885	7,004	2,402,590	2,467,479
Financial assets at fair value through other comprehensive income						
Stocks of listed companies		513,897	513,897	-	-	513,897
Unquoted equity instruments		325,316	-	60,430	264,886	325,316
Subtotal		839,213	513,897	60,430	264,886	839,213
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		389,078	-	-	-	-
Subtotal		120,220,848	-	-	-	-
Total	\$	123,527,540	571,782	67,434	2,667,476	3,306,692

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	2018.12.31				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 4,958	-	4,958	-	4,958
Financial liabilities at amortized cost					
Bank loans	35,267,011	-	-	-	-
Account payable	76,453,829	-	-	-	-
Other payable	12,638,279	-	-	-	-
Subtotal	124,359,119	-	-	-	-
Total	\$ 124,364,077	-	4,958	-	4,958

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 years ended December 31, 2019 and 2018.

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- 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	89,880	-
Other comprehensive income	-	16,981
Purchase	14,208,509	1,858,948
Disposals	(12,770,353)	-
Proceeds from capital reduction	-	(26,400)
Effect of movements in exchange rate	(213,372)	102
Balance as of December 31, 2019	\$ 3,717,254	2,114,517
Balance as of January 1, 2018	\$ 8,163,208	340,757
Total gains and losses recognized in		
Profit or loss	445,062	-
Other comprehensive income	-	(73,695)
Purchase	11,111,780	-
Disposals	(16,817,264)	-
Proceeds from capital reduction	-	(2,765)
Effect of movements in exchange rate	(500,196)	589
Balance as of December 31, 2018	\$ 2,402,590	264,886

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

For the years ended December 31, 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 years ended December 31,	
	2019	2018
Total gains and losses recognized in:		
In profit or loss, and included “other gains and losses”	\$ 4,752	(25,996)
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	16,981	(73,695)

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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)
Financial assets at fair value through profit or loss — financial instruments without an active market	Discounted Cash Flow Method	<ul style="list-style-type: none"> Discounted Rate (3.20%~4.00% on December 31, 2019 3.30%~4.45% on December 31, 2018) 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Net Asset Value 	<ul style="list-style-type: none"> No applicable

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

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

	Input	Variation	Impact on Fair Value Change on Net income or loss		Impact on Fair Value Change on Other Comprehensive income or loss		
			Favorable Change	Unfavorable Change	Favorable Change	Unfavorable Change	
December 31, 2019							
Financial assets at fair value through profit or loss							
Financial instruments without an active market	Discount Rate	0.5%	\$	2,187	(2,187)	-	-
Financial assets at fair value through other comprehensive income							
Equity instruments without an active market	Market Multiple	0.5%	-	-	33,497	(33,497)	
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)	

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

6. Offsetting financial assets and financial liabilities

The 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.

2019.12.31						
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	\$ 413,711,801	413,317,202	394,599	-	-	394,599
Derivative financial instruments	33,069	-	33,069	-	-	33,069
Total	\$ 413,744,870	413,317,202	427,668	-	-	427,668

2019.12.31						
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	\$ 108,175	-	108,175	-	-	108,175

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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	\$ 345,423,538	345,029,979	393,559	-	-	393,559

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	\$ 3,704	-	3,704	-	-	3,704

Note: Master netting arrangements are included.

(w) Financial risk management

1. Overview

The Group have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Group' s objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

2. Risk management framework

The group are exposed to credit risk, market risk, operating risk and liquidity risk due to its operating activities. To lower the latent unfavorable effects of changing market to the Group's financial performance, the Group have made efforts in identifying and evaluating the risks and avoiding the uncertainty of the market through derivative financial instruments.

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The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework. The financial units follows the risk management policies, and report the operating status to the Board of Directors regularly. The internal auditors perform regular reviews by taking risk management control procedures and report to the Board of Directors.

3.Credit risk

Please refer to Note 6(w) for the analysis of credit risk of cash, cash equivalent and accounts receivable.

4.Liquidity risk

Liquidity risk is a risk that the Group is unable to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as much as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group use actual cost to estimate the cost of its products and services to better assist the Group's monitoring on the cash flow and optimizing the return on investment. As of December 31, 2019, the capital and working funds of the Group are sufficient to meet its entire contractual obligation; therefore, the management is not expecting any significant issue on liquidity risk. As of December 31, 2019 and 2018, the Group's unused credit line were amounted to \$75,851,186 and \$57,330,499, respectively.

5.Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate, and equity prices which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Group.

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan Dollars (TWD), US Dollars (USD), Czech Koruna (CZK), Japanese Yen (JPY) and China Yuan (CNY). The currencies used in these transactions are denominated in TWD, USD, JPY and CNY.

The Group often uses the principle of natural hedging as its basis, and proceed supplemented by derivative instruments for hedging exchange rate risk.

The interest is denominated in the same currency as borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group. This provides an economic hedge without derivatives being entered into, and therefore, hedge accounting is not applied in these circumstances.

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In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

2) Interest rate risk

The Group's interest rate risk arises from long-term borrowings bearing floating interest rates. The fluctuation of the market interest rate changes the floating interest rates of the long-term borrowings, and thus affect the future cash flow. In order to decrease the effect of the market interest rate fluctuation on to the future cash flow, the Group periodically evaluates bank and currency borrowing rate to hedge the cash flow risk caused by the market interest rate fluctuation.

(x) Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, additional paid-in capital, retained earnings, other equity interest and non-controlling interests of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The group's objective for managing capitals is to maintain investor, creditor and market confidence, and to sustain future development of the business by making debts and capital the most suitable capital structure and optimizing the best of it based on industrial scales, future growth development, and capital expenditures needed for plants and equipment. Thus, the Group calculates the operating funds based on the life cycle of the products, plans for the development in the long run, and then decides the most suitable capital structure considering the business cycle.

The Group ensures the financial resources and the operating plan are sufficient to support the future needs of operating funds, capital expenditures, debt refunding and dividend distribution.

The Group's debt to equity ratio at the reporting date was as follows:

	2019.12.31	2018.12.31
Total Liabilities	\$ 136,121,625	148,082,405
Less: cash and cash equivalents	<u>(18,952,967)</u>	<u>(25,062,511)</u>
Net debt	<u>\$ 117,168,658</u>	<u>123,019,894</u>
Total Equity	\$ 56,971,228	57,721,517
Adjusted Capital	<u>\$ 56,971,228</u>	<u>57,721,517</u>
Debt to capital ratio	<u>205.66%</u>	<u>213.13%</u>

According to the Company's management, there were no changes in the Group's approach to capital management as of December 31, 2019.

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(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 years ended December 31, 2019.

Reconciliation of liabilities arising from financing activities was as follows:

			Non-cash changes		
	January 1, 2019	Cash flows	Reclassification	Foreign exchange movement	December 31, 2019
Long-term borrowings	\$ 3,409,061	865,440	(359,061)	(32,306)	3,883,134
Short-term borrowings(including current portion of long-term borrowings)	31,857,950	(6,498,237)	359,061	(193,195)	25,525,579
Lease liabilities (Note)	1,074,436	(196,978)	199,374	100,248	1,177,080
Total liabilities from financing activities	<u>\$ 36,341,447</u>	<u>(5,829,775)</u>	<u>199,374</u>	<u>(125,253)</u>	<u>30,585,793</u>

			Non-cash changes		
	January 1, 2018	Cash flows	Reclassification	Foreign exchange movement	December 31, 2018
Long-term borrowings	\$ 3,965,731	(387,609)	(169,061)	-	3,409,061
Short-term borrowings(including current portion of long-term borrowings)	36,993,107	(4,567,702)	169,061	(736,516)	31,857,950
Total liabilities from financing activities	<u>\$ 40,958,838</u>	<u>(4,955,311)</u>	<u>-</u>	<u>(736,516)</u>	<u>35,267,011</u>

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

(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

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(b) Significant transactions with related parties

1. Sale revenue

The amounts of significant sales transactions and outstanding balances between the Group and related parties were as follows:

	For the years ended December 31,	
	2019	2018
Associates	1,805	8
Other related parties	-	3,580
	\$ 1,805	3,588

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. Purchase

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

	For the years ended December 31,	
	2019	2018
Associates	\$ -	8,177

There is no other vendor as comparison for the above purchases, and the purchase prices are based on the settling price agreed by both sides. The payment term is 30~75 days °

3. Accounts receivable from related parties

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

Financial Statement Account	Related Party Categories	2019.12.31	2018.12.31
Other receivables	Associates	\$ 1,305	2,776

4. 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	2019.12.31	2018.12.31
Other payables	Associates	\$ 2,477	1,256
"	Other related parties	250,000	-
		\$ 252,477	1,256

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5. Property transactions

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

For the years ended December 31, 2019 and 2018, the Group purchased equipment, intangible assets and other assets from Inventec Besta Co., Ltd. and paid the amount \$29,479 and \$8,343, respectively.

2) In 1999, the Group sold property, deferred assets, assets stated under expense, and trademarks to Inventec Besta Co., Ltd., resulting in a gain on property disposal of \$51,712 and other revenue of \$40,453. As of December 31, 2019 and 2018, the unrealized other revenues are both \$1,211.

6. Others

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

	For the years ended December 31,	
	2019	2018
Associates	\$ 8,009	10,556

2) Donation for other related parties were as follows:

	For the years ended December 31,	
	2019	2018
Other related parties	\$ 10,000	14,000

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

	For the years ended December 31,	
	2019	2018
Associates	\$ 7,281	6,889

(c) Key management personnel compensation

Key management personnel compensation includes:

	For the years ended December 31,	
	2019	2018
Short-term employee benefits	\$ 530,154	582,406
Post-employment benefit	4,361	3,756
	\$ 534,515	586,162

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(8) Pledged Assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	2019.12.31	2018.12.31
Refundable deposits (Other non-current assets)	Customs duty guarantee and rental deposit	\$ 173,802	251,272
Restricted cash in banks (Other current assets and Other non-current assets)	Customs duty guarantee, warranty guarantee and borrowings	64,081	137,806
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	8,395,434	6,929,232
Total		<u><u>\$ 8,633,317</u></u>	<u><u>7,318,310</u></u>

(9) Significant Commitments and Contingencies

(a) Major Commitments:

1.Unused standby letters of credit were as follows:

	2019.12.31	2018.12.31
EUR	\$ 67	99
USD	3,795	5,796
TWD	13,461	38,509

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

	2019.12.31	2018.12.31
TWD	\$ 22,379,023	22,866,027
USD	1,464,400	1,400,400

(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.

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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 Tainan High Court accepted the termination of the lawsuit between E-ton and JI-EE on December 12, 2019. If neither company appeals within four months after the termination date, the court will assume the lawsuit has been withdrawn by E-ton.

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.

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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 trial 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

- (a) In order to facilitate the future sale of the factory and owned buildings in Annan District, 2nd Rd. through deducting the land price by the rent paid, the Board of directors of E-Ton resolved to apply for the purchase of land No. 455 and 455-1 in the Science and Technology Section of Annan District on November 11, 2019. E-ton obtained the approval letter from the Industrial Development Bureau on January 3, 2020, at a price of \$687,108, resulting in the payable to be \$327,587 after deducting the rent paid and security deposit. E-ton entered into an agreement with its related party on January 31, 2020 and borrowed the amount of \$190,000 for land purchase.
- (b) Due to having zero operating income for six consecutive months, E-Ton terminated its production of solar cell business based on the resolution made during the shareholders' meeting on June 21, 2019. According to the 12th business rule, Article 2(1)(7) of Taipei Exchange, the public trading of E-ton's securities shall be terminated. The Taipei Exchange announced the termination date of stock exchange of E-ton to be January 13, 2020. The Board of Directors approved to liquidate E-ton on February 10, 2020; this decision will be submitted during the extraordinary shareholders' meeting for approval on March 26, 2020.

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(12) Other

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

By function By item	For the years ended December 31, 2019			For the years ended December 31, 2018		
	Operating costs	Operating and non-operating expense	Total	Operating costs	Operating and non-operating expense	Total
Employee benefits						
Salary	13,153,184	8,531,621	21,684,805	15,242,544	8,533,478	23,776,022
Labor and health insurance	1,219,787	728,830	1,948,617	1,234,991	686,090	1,921,081
Pension	1,385,171	494,030	1,879,201	1,524,674	494,352	2,019,026
Others	652,059	327,926	979,985	807,165	269,167	1,076,332
Depreciation	2,062,583	1,125,799	3,188,382	2,283,324	1,190,718	3,474,042
Amortization	388,711	576,629	965,340	520,249	486,166	1,006,415

(13) Other disclosures

- (a) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 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	-	-	-	2	-	Working Capital	-	None	-	6,128,178	6,809,087
1	"	Inventec Asset-Management (Shanghai) Corporation	"	Y	550,800	517,440	517,440	5.225%	2	-	"	-	"	-	2,723,635	3,026,261
2	Inventec (Pudong) Technology Corp.(Note 3)	Inventec Asset-Management (Shanghai) Corporation	Other receivables	Y	596,700	-	-	-	2	-	"	-	"	-	1,483,732	1,854,665
3	Inventec Appliances (Nanjing) Corp.(Note 4)	Inventec Appliances (XTAN) Corporation	"	Y	119,002	99,176	77,616	3.045%	2	-	"	-	"	-	326,835	326,835

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Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
4	Inventec Appliances (Shanghai) Co., Ltd.(Note 4)	Inventec Appliances (Shanghai) Interprise	Other receivables	Y	32,130	30,184	-	-	2	-	Working Capital	-	None	-	1,785,604	1,785,604
4	"	Inventec Appliances (Nanchang) Intelligent manufacturing Co., Ltd.	"	Y	137,490	129,360	64,680	3.045%	2	-	"	-	"	-	1,785,604	1,785,604
5	Inventec Appliances Corp.	Inventec Appliances (Malaysia) SDN. BHD.	Other receivables	Y	800,000	800,000	31,649	1.95%	2	-	"	-	"	-	8,944,922	8,944,922

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

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

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

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

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

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

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

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

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

2. Guarantees and endorsements for other parties: None.

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

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest percentage of ownership (%) during the year	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value (Note1)		
The Company	WK Technology Fund IV Corp.	-	Non-current financial assets at fair value through other comprehensive income	645	5,632	1.52%	5,632	1.52%	
"	Global Strategy Venture Capital Corporation	-	"	2,835	14,940	6.45%	14,940	6.45%	
"	Arima Communications Corp.	-	"	21,114	129,221	10.15%	129,221	10.15%	

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Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest percentage of ownership (%) during the year	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value (Note1)		
The Company	WIN Semiconductors Corp.	-	Current financial assets at fair value through other comprehensive income	4,063	1,194,430	0.96%	1,194,430	0.96%	
"	Tomorrow Studio Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	29	176	0.30%	176	0.30%	
"	Tai Yi Precision Corporation	-	"	2,540	-	6.67%	-	6.67%	
"	New E Materials Co., Ltd.	-	"	1,760	14,555	16.00%	14,555	16.00%	
"	Rasilient Systems, Inc. preference share	-	"	3,632	-	6.20%	-	6.20%	
"	SKSpruce Holding Limited preferred stock	-	"	3,746	138,701	3.77%	138,701	3.49%	
"	CloudMosa Technologies, Inc. preferred stock	-	"	235	11,150	2.95%	11,150	2.95%	
"	QEEEXO, Co. preferred stock	-	"	568	27,703	3.10%	27,703	3.12%	
"	Rescale, Inc. preferred stock	-	"	355	26,637	1.53%	26,637	1.53%	
"	Sensel, Inc. preferred stock	-	"	532	6,366	4.21%	6,366	4.23%	
"	"	-	"	70	1,699,658	10.00%	1,699,658	10.00%	
"	SKSpruce Holding Limited convertible short-term note	-	Current financial assets at fair value through profit or loss	-	56,799	- %	56,799	- %	
Inventec (Beijing) Electronics Technology Co., Ltd.	Bank of Communications Pension CNY Financial products	-	"	-	51,525	- %	51,525	- %	
Inventec (Chongqing) Corp.	CMBC Wealth Management Services	-	"	-	862,093	- %	862,093	- %	
Inventec Development Japan Corporation	Famm Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	100	8,097	14.30%	8,097	14.30%	
Inventec Investments Co., Ltd.	EPISTAR Corporation	-	Current financial assets at fair value through profit or loss	1,761	56,973	0.16%	56,973	0.16%	
"	UCFUNNEL CO LTD	-	Non-current financial assets at fair value through other comprehensive income	83	7,507	5.00%	7,507	5.00%	
"	DIITU GLOBAL INC.	-	"	1	-	10.00%	-	10.00%	
"	Sagacity Tech. Co., Ltd.	-	"	79	-	15.00%	-	15.00%	
"	Living Pattern Technology Inc.	-	"	4	595	13.70%	595	13.70%	

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Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest percentage of ownership (%) during the year	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value (Note1)		
E-TON Solar Tech. Co., Ltd	Hua-chuang Automobile Information Technical Center Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	2,830	-	0.86%	-	1.00%	
Inventec Appliances Corp.	EPSTAR Corporation	-	Current financial assets at fair value through profit or loss	500	16,175	0.05%	16,175	0.05%	
"	Scope Industries Berhad	-	"	32,000	42,761	5.19%	42,761	5.19%	
"	Rong Cheng Tech. Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,950	-	9.38%	-	9.38%	
"	Tai Yi Precision Corporation	-	"	635	-	1.67%	-	1.67%	
"	Siano Mobile Silicon Inc.	-	"	461	-	0.15%	-	0.15%	
"	GCT Semiconductor, Inc.	-	"	93	-	0.12%	-	0.12%	
"	Pandigital Worldwide, Ltd.	-	"	939	-	4.80%	-	4.80%	
"	3GTMobile Corporation	-	"	314	-	2.88%	-	2.88%	
"	Linc Global Inc. (Proximant, Inc.)	-	"	594	-	5.30%	-	5.30%	
"	Molekule, Inc.	-	"	1,603	152,800	1.75%	152,800	1.75%	
Inventec Appliances (Cayman) Holding Corp.	Siano Mobile Silicon Inc.	-	"	99	-	0.03%	-	0.03%	
"	Leadtone Limited(Class B preferred stock)	-	"	1,250	-	2.36%	-	2.36%	
"	Digital Chaotex Holdings Ltd.(Class A2 preferred stock)	-	"	446	-	2.08%	-	2.08%	
Inventec Appliances (Shanghai) Co., Ltd.	BOC Guaranteed CNY On Schedule Financial Product	-	Current financial assets at fair value through profit or loss	-	301,853	- %	301,853	- %	
"	SCSB Winners CNY Financial Product	-	"	-	325,959	- %	325,959	- %	
Inventec Appliances (Nanjing) Co. Ltd.	"	-	"	-	152,006	- %	152,006	- %	
Inventec Appliances (Jiangning) Corp.	"	-	"	-	1,893,146	- %	1,893,146	- %	
Inventec Appliances (Nanchang) Corporation	"	-	"	-	73,873	- %	73,873	- %	

Note 1: The value of publicly traded company is market value, and the value of private entity is net asset value. The net asset value was calculated based on audited financial statements or non audited financial statements.

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

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

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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
The Company	ZT Group Int'l, Inc common stock	Non-current financial assets at fair value through other comprehensive income	Shareholders (non-related parties)	-	-	-	-	1,699,658	-	-	-	-	-	1,699,658
Inventec (Chongqing) Corp.	CMBC Wealth Management Services	Current financial assets at fair value through profit or loss	CMBC	-	-	-	-	1,757,893	-	903,071	895,800	7,271	-	862,093
Inventec Appliances (Shanghai) Corp.	SCSB Winners CNY Financial Product	"	Bank of Shanghai	-	-	326,882	-	979,977	-	989,122	980,900	8,222	-	325,959
"	BOC Guaranteed CNY On Schedule Financial Product	"	Bank of China	-	-	292,229	-	1,218,953	-	1,217,648	1,209,329	8,319	-	301,853
Inventec Appliances (Jiangning) Corp.	SCSB Winners CNY Financial Product	"	Bank of Shanghai	-	-	1,343,201	-	9,252,637	-	8,754,164	8,702,692	51,472	-	1,893,146
Inventec Appliances (Nanchang) Corporation	"	"	"	-	-	94,394	-	369,152	-	392,604	389,673	2,931	-	73,873

Note 1: The amounts above are valued at exchange rate.

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

5. Acquisition of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Land and property	2019.10.03	1,178,980	100% paid	China Electric Manufacturing Corporation	Non-related party				-	\$1,197,273 and \$1,292,283 according to appraisal report	Business expansion	N/A

6. Disposal of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None.

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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	59,284,144	16.58%	90 days	-	No general trading partner can be compared.	15,937,407	21.51%	
"	Inventec (Czech), s.r.o.	"	Sales	28,950,547	8.10%	90 days	-	"	11,231,269	15.16%	
"	Inventec Corporation (Hong Kong) Ltd.	Subsidiary	Purchases	264,957,998	76.00%	90 days	-	"	(43,413,344)	56.20%	
"	Inventec Appliances (Jiangning) Corp.	"	Purchases	575,837	0.17%	90 days	-	"	(97,624)	0.13%	
"	Inventec Holding (North America) Corp.	"	Purchases	354,169	0.10%	90 days	-	"	(254,006)	0.33%	
"	Inventec (Czech), s.r.o.	"	Purchases	624,075	0.18%	90 days	-	"	(62,547)	0.08%	
Inventec Holding (North America) Corp.	The Company	Parent	Purchases	59,284,144	93.84%	90 days	-	"	(15,937,407)	98.25%	
"	The Company	Parent	Sales	354,169	0.55%	90 days	-	"	254,006	3.01%	
"	Inventec (Pudong) Technology Corp.	Associates	Sales	614,126	0.95%	90 days	-	"	31,059	0.37%	
"	Inventec (Czech), s.r.o.	Associates	Sales	285,466	0.45%	90 days	-	"	92,708	1.10%	
"	Inventec (Czech), s.r.o.	Associates	Purchases	367,959	0.58%	90 days	-	"	(13,976)	0.09%	
Inventec (Czech), s.r.o.	The Company	Parent	Purchases	28,950,547	96.27%	90 days	-	"	(11,231,269)	98.14%	
"	The Company	Parent	Sales	624,075	2.09%	90 days	-	"	62,547	0.72%	
"	Inventec Holding (North America) Corp.	Associates	Purchases	285,466	0.83%	90 days	-	"	(92,708)	0.81%	
"	Inventec Holding (North America) Corp.	"	Sales	367,959	1.23%	90 days	-	"	13,976	0.16%	
"	Inventec (Pudong) Technology Corp.	"	Sales	179,420	0.60%	90 days	-	"	15,349	0.18%	
Inventec Corporation (Hong Kong) Ltd.	The Company	Parent	Sales	264,957,998	100.00%	90 days	-	"	43,413,344	47.81%	
"	Inventec (Pudong) Technology Corp.	Associates	Purchases	36,133,147	13.64%	90 days	-	"	(17,615,637)	19.40%	
"	Inventec Hi-Tech Corp.	"	Purchases	282,195	0.11%	90 days	-	"	(96,679)	0.11%	
"	Inventec (Chongqing) Corp.	"	Purchases	228,542,656	86.26%	90 days	-	"	(25,701,028)	28.31%	

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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 (Pudong) Technology Corp.	Inventec Corporation (Hong Kong) Ltd.	Associates	Sales	36,133,147	45.74%	90 days	-	No general trading partner can be compared.	17,615,637	66.68%	
"	Inventec (Shanghai) Corp.	"	Sales	40,701,473	51.53%	90 days	-	"	8,333,694	31.55%	
"	Inventec Holding (North America) Corp.	"	Purchases	614,126	0.79%	90 days	-	"	(31,059)	0.10%	
"	Inventec (Czech), s.r.o.	"	Purchases	179,420	0.23%	90 days	-	"	(15,349)	0.05%	
Inventec Hi-Tech Corp.	Inventec Corporation (Hong Kong) Ltd.	"	Sales	282,195	98.78%	90 days	-	"	96,679	99.35%	
Inventec (Shanghai) Corp.	Inventec (Pudong) Technology Corp.	"	Purchases	40,701,473	100.00%	90 days	-	"	(8,333,694)	100.00%	
Inventec (Chongqing) Corp.	Inventec Corporation (Hong Kong) Ltd.	"	Sales	228,542,656	95.99%	90 days	-	"	25,701,028	90.46%	
Inventec Appliances Corp.	Inventec Appliances (Pudong) Corp.	"	Purchases	74,818,373	97.59%	1-2 months	-	"	(14,461,779)	97.96%	
"	Inventec Appliances (Jiangning) Corp.	"	Purchases	1,199,492	1.56%	1-2 months	-	"	(181,330)	1.23%	
"	Inventec Appliances (USA) Distribution Corp.	"	Sales	5,283,790	6.73%	1-2 months	-	"	2,190,393	16.49%	
Inventec Appliances (USA) Distribution Corp.	Inventec Appliances Corp.	"	Purchases	5,283,790	100.00%	1-2 months	-	"	(2,190,393)	100.00%	
Inventec Appliances (Pudong) Corp.	Inventec Appliances Corp.	"	Sales	74,818,373	99.92%	1-2 months	-	"	14,461,779	99.98%	
Inventec Appliances (Jiangning) Corp.	The Company	Parent	Sales	575,837	10.73%	90 days	-	"	97,624	9.30%	
"	Inventec Appliances Corp.	Associates	Sales	1,199,492	22.67%	1-2 months	-	"	181,330	17.28%	

Note 1: Based on the negotiated price while trading.

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

8. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock:

(Expressed in Thousands of New Taiwan Dollars)

Name of company	Counter party	Relationship	Ending balance	Turnover balance	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	Inventec Holding (North America) Corp.	Subsidiary	15,937,407	3.79	1,948,009	Received in the subsequent period	9,280,414	-
"	Inventec (Czech), s.r.o.	Subsidiary	11,231,269	2.37	3,544,728	Received in the subsequent period	4,543,640	-
"	Inventec Corporation (Hong Kong) Ltd. (Note)	Subsidiary	47,244,779	-	17,767,604	Received in the subsequent period	19,530,497	-

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Name of company	Counter party	Relationship	Ending balance	Turnover balance	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Inventec Holding (North America) Corp.	The Company	Parent	254,006	1.95	-	Received in the subsequent period	61,119	-
Inventec Corporation (Hong Kong) Ltd.	The Company	Parent	43,413,344	6.15	7,830,536	Received in the subsequent period	25,117,582	-
"	Inventec (Pudong) Technology Corp. (Note)	Associates	25,352,583	-	17,529,175	Received in the subsequent period	4,342,394	-
"	Inventec Hi-Tech Corp. (Note)	Associates	238,430	-	238,430	Intensive follow-up on collection	-	-
"	Inventec (Chongqing) Corp. (Note)	Associates	21,653,765	-	-		15,188,102	-
Inventec (Pudong) Technology Corp.	Inventec Corporation (Hong Kong) Ltd.	Associates	17,615,637	2.55	7,830,536	Received in the subsequent period	4,454,423	-
"	Inventec (Shanghai) Corp.	Associates	8,333,694	5.20	668,593	Received in the subsequent period	5,363,869	-
Inventec (Chongqing) Corp.	Inventec Corporation (Hong Kong) Ltd.	Associates	25,701,028	8.13	-		20,663,159	-
Inventec Appliances Corp.	Inventec Appliances (USA) Distribution Corp.	Subsidiary	2,190,393	2.20	-		1,855,613	-
Inventec Appliances (Pudong) Corp.	Inventec Appliances Corp.	Associates	14,461,779	5.06	-		10,573,487	-
Inventec Appliances (Jiangning) Corp.	Inventec Appliances Corp.	Associates	181,330	6.35	-		181,330	-

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)(u).

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	59,284,144	Negotiated price	12%
			1	Account Receivable	15,937,407	90 days	8%
			1	Sales	28,950,547	Negotiated price	6%
			1	Account Receivable	11,231,269	90 days	6%
			1	Purchases	264,957,998	Negotiated price	53%
			1	Other Receivable	47,244,779	90 days	24%
1	Inventec Corporation (Hong Kong) Ltd.	Inventec (Pudong) Technology Corp.	1	Account Payable	43,413,344	"	22%
			3	Purchases	36,133,147	Negotiated price	7%
			3	Account Payable	17,615,637	90 days	9%
			3	Account Receivable	25,352,583	"	13%
		Inventec (Chongqing) Corp.	3	Purchases	228,542,656	Negotiated price	46%
			3	Account Payable	25,701,028	90 days	13%
			3	Account Receivable	21,653,765	"	11%

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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
2	Inventec Appliances Corp.	Inventec Appliances (Pudong) Corp.	3	Purchases	74,818,373	Negotiated price	15%
			3	Account Payable	14,461,779	1-2 months	7%

Note 1: The labeling method is as follows:

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

Note 2: Relationship is classified into three types:

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

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

(b) Information on investment:

The following is the information on investees for the year ended December 31, 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 December 31, 2019			Highest percentage of ownership during the year	Net income (loss) of the investee	Share of profits/losses of investee	Note
				December 31, 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%	245,487	37.53%	(65,332)	(24,518)	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%	354,041	100.00%	41,683	41,683	Subsidiary
"	Inventec Holding (North America) Corp.	USA	Investment of holding company in America	159,003	159,003	5,000	100.00%	1,290,344	100.00%	42,420	42,420	"
"	Inventec Appliances Corp.	New Taipei City	Wireless terminal products	9,656,877	9,656,877	536,857	100.00%	9,714,377	100.00%	1,471,489	1,471,489	"
"	Inventec (Cayman) Corp.	Cayman	Holding Company	9,812,963	9,812,963	301,768	100.00%	13,887,270	100.00%	1,461,840	1,461,840	"
"	IEC (Cayman) Corporation	Cayman	Holding Company	739,500	739,500	25,000	100.00%	958,568	100.00%	201,949	201,949	"
"	Inventec (Czech), S.R.O.	Czech	Computer products assembly operations	85,921	85,921	-	100.00%	32,250	100.00%	174,569	174,569	"
"	Inventec Investment Co., Ltd.	Taipei	Investment Company	1,000,000	1,000,000	108,800	100.00%	178,323	100.00%	(36,251)	(36,251)	"
"	Inventec Solar Energy Corporation	Taoyuan	Developing, production and selling of multicrystalline solar cells	1,087,800	1,087,800	108,150	33.45%	250,002	33.45%	(265,187)	(84,209)	"

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Investor company	Investee company	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Highest percentage of ownership during the year	Net income (loss) of the investee	Share of profits/losses of investee	Note
				December 31, 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%	17,630	100.00%	(1,453)	(1,453)	Subsidiary
"	Inventec Japan Corporation	Japan	Trading and management service	2,954	-	-	100.00%	2,774	100.00%	24	24	"
"	E-TON Solar Tech. Co., Ltd.	Tainan	Manufacturing and Selling of solar cells	4,193,723	4,193,723	94,889	29.70%	396,783	29.70%	(731,238)	(217,051)	"
"	AIMobile Co., Ltd.	Taipei	Developing, production and selling of intelligent mobile device	220,000	165,000	22,000	55.00%	81,383	55.00%	(97,582)	(53,648)	"
"	Inventec Manufacturing (India) Private Limited	India	Computer products assembly operations	281,691	281,691	55,994	99.99%	(25,580)	99.99%	(6,315)	(10,761)	"
Inventec (Cayman) Corp.	TPV-Inventa Holding Ltd.	Hong Kong	Holding Company	1,022,987	1,022,987	302,421	90.00%	-	90.00%	(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%	34,134	4.64%	(265,187)	-	"
"	E-TON Solar Tech. Co., Ltd.	Tainan	Manufacturing and Selling of solar cells	615,050	615,050	15,813	4.95%	66,315	4.95%	(731,238)	-	"
"	Inventec Manufacturing (India) Private Limited	India	Computer products assembly operations	28	28	6	0.01%	(2)	0.01%	(6,315)	-	"
Inventec Appliances Corp.	Inventec Appliances (Cayman) Holding Corp.	Cayman	Holding Company	6,003,205	6,003,205	199,575	100.00%	16,663,394	100.00%	1,386,742	-	"
"	Gainia Intellectual Asset Services, Inc.	Taipei	Intellectual property rights integrative services	6,400	6,400	205	38.90%	1,707	38.90%	150	-	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%	70,384	9.57%	(265,187)	-	Associate Company
Inventec Appliances (Cayman) Holding Corp.	Inventec Appliances (USA) Distribution Corp.	USA	Selling of MP3 Player, PDA and science plotter	24,064	24,064	400	100.00%	96,744	100.00%	2,149	-	"
"	Inventec Appliances Corporation USA, Inc.	"	Selling services	1,504	1,504	10	100.00%	12,830	100.00%	941	-	"
"	Inventec Appliances (Malaysia) SDN. BHD.	Malaysia	Manufacture and sale of electronic materials and products	7,033	7,033	1,000	100.00%	6,918	100.00%	(32)	-	"

Note 1: The transactions in foreign currencies were exchanged to New Taiwan Dollars in spot rate at the date of the audited entity's financial reports.

Note 2: According to the regulations, investment companies other than the Company are not required to disclose the share of income / loss of investees..

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(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 December 31, 2019	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership during the year	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period (Note 10)
					Out-flow	Inflow							
Inventec (Shanghai) Service Co., Ltd	Multimedia computer and system parts assembling	87,232	(2)	60,160	-	-	60,160	(266)	100.00%	100.00%	(266)	36,453	30,234
Inventec (ChongQing) Service Co., Ltd	Multimedia computer and system parts assembling	30,080	(2)	30,080	-	-	30,080	(3,184)	100.00%	100.00%	(3,184)	40,897	-
Inventec (Pudong) Co., Ltd.	Multimedia computer and system parts assembling	1,504,000	(2)	1,504,000	-	-	1,504,000	(132,262)	100.00%	100.00%	(132,262)	493,305	-
Inventec (Shanghai) Co., Ltd.	Multimedia computer and system parts assembling	2,061,784	(2)	887,360	-	-	887,360	54,414	100.00%	100.00%	54,414	1,742,383	-
Inventec (ChongQing) Corporation	Multimedia computer and system parts assembling	2,256,000	(2)	2,256,000	-	-	2,256,000	1,752,033	100.00%	100.00%	1,752,033	7,565,652	2,242,107
Inventec (Pudong) Technology Corp.	Multimedia computer and system parts assembling	1,504,000	(2)	1,504,000	-	-	1,504,000	178,991	100.00%	100.00%	172,250	4,629,922	321,599
Inventec Electronics (Tianjin) Co., Ltd.	Software production	150,400	(2)	127,840	-	-	127,840	17,244	100.00%	100.00%	17,244	225,401	149,517
Inventec (Beijing) Electronics Technology Co., Ltd.	Software production	43,616	(2)	43,616	-	-	43,616	119	100.00%	100.00%	119	74,889	-
Inventec Hi-Tech Corporation	Multimedia computer and system parts assembling	1,504,000	(2)	1,504,000	-	-	1,504,000	(105,961)	100.00%	100.00%	(105,961)	1,182,102	-
Inventec Huan Hsin (Zhejiang) Technology Co., Ltd.	Complete of the electronic computer and product and sale of external equipment	863,296	(2)	868,680	-	-	868,680	111,716	100.00%	100.00%	111,716	5,929	-
Inventec Asset-Management (Shanghai) Corporation	Equipment leasing, storage, technological development and sale of computer	1,846,335	(3)	-	-	-	-	(16,313)	78.00%	78.00%	(12,724)	1,375,290	-
Inventec Appliances (Shanghai) Co., Ltd.	Electronic communication and products assemble	1,552,128	(2)	1,447,390	-	-	1,447,390	(45,591)	100.00%	100.00%	(45,591)	1,785,604	1,535,981

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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	Out-flow	Inflow	outflow of investment from Taiwan as of December 31, 2019	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership during the years	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period (Note 10)
Inventec Appliances (Pudong) Corp.	Electronic communication and products assemble	2,316,160	(2)	2,316,160	-	-	2,316,160	1,028,995	100.00	100.00%	1,015,156	9,307,263	2,297,117
Inventec Appliances (Jiangning) Corp.	Electronic communication and products assemble	2,045,440	(2)	1,263,360	-	-	1,263,360	404,613	100.00	100.00%	405,649	4,917,654	1,636,736
Inventec Appliances (Nanjing) Corp.	House leasing	150,400	(2)	270,163	-	-	270,163	14,344	100.00	100.00%	14,344	365,800	85,353
Inventec Appliances (XTAN) Corporation	Electronic communication and products assemble	120,320	(2)	120,320	-	-	120,320	7,459	100.00	100.00%	7,459	39,689	-
Inventec Appliances (Nanchang) Corp.	Electronic communication and products assemble	63,168	(2)	63,168	-	-	63,168	(13,332)	100.00	100.00%	(13,332)	130,889	-
APEX Business Management & Consulting (Shanghai) Co., Ltd.	Business Management	2,164	(3)	-	-	-	-	21,255	100.00	100.00%	21,255	57,536	-
Inventec Appliances (Shanghai) Enterprise	Development and consultation on software and hardware; as well as selling of electronic products	34,494	(3)	-	-	-	-	(6,302)	100.00	100.00%	(6,302)	27,121	-
Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd.	Electronic communication and products assemble	258,708	(3)	-	-	-	-	(68,737)	100.00	100.00%	(68,737)	186,351	-

2. Limitation on investment in Mainland China:

Name of Company	Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 3,4)
The Company	8,848,900	8,848,900	-
Inventec Appliances Corp.	5,547,595	5,547,595	5,366,953

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

Note 7: After the accumulated investment in Mainland China as of December 31, 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 8: The inter-company transactions with the Group were eliminated in the consolidated financial statements

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3. Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China for the year ended December 31, 2019, are disclosed in "Information on significant transactions".

(14) Segment Information

(a) General information

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

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

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

	For the year ended December 31, 2019			
	Core	Solar energy	Adjustment and Elimination	Total
Revenue				
Revenue from external customers	\$ 496,838,196	4,114,617	-	500,952,813
Total revenue	\$ 496,838,196	4,114,617	-	500,952,813
Interest expenses	\$ 1,685,343	75,757	-	1,761,100
Depreciation and amortization	3,332,157	678,755	-	4,010,912
Other material non-cash item				
Asset Impairment	-	344,916	-	344,916
Reportable segment net operating income (loss)	\$ 7,506,185	(997,124)	-	6,509,061
Reportable segment assets	\$ -	-	-	-
	For the year ended December 31, 2018			
	Core	Solar energy	Adjustment and Elimination	Total
Revenue				
Revenue from external customers	\$ 498,834,190	8,049,828	-	506,884,018
Intersegment revenues	102	-	(102)	-
Total revenue	\$ 498,834,292	8,049,828	(102)	506,884,018
Interest expenses	\$ 1,686,265	82,018	-	1,768,283
Depreciation and amortization	3,817,746	662,711	-	4,480,457
Other material non-cash item				
Asset Impairment	-	155,168	-	155,168
Reportable segment net operating income (loss)	\$ 10,037,789	(1,904,527)	-	8,133,262
Reportable segment assets	\$ -	-	-	-

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For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

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

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

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

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

(c) Product and service information

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

	For the years ended December 31,	
	2019	2018
Products and Services		
Computer product	\$ 495,945,745	497,761,557
Solar energy	4,114,617	8,049,828
Rendering of services	892,451	1,072,633
Total	\$ 500,952,813	506,884,018

(d) Geographical information

In presenting information on the basis of geography, the revenue is based on the geographical location of customers and non-current assets are based on the geographical location of the assets.

	For the years ended December 31,	
	2019	2018
By region		
Revenue from external customers:		
Taiwan	\$ 8,404,613	2,066,717
USA	341,635,993	339,745,210
Japan	13,200,986	14,012,032
Hong Kong, Macao and Mainland China	67,922,049	73,943,716
Other countries	69,789,172	77,116,343
Total	\$ 500,952,813	506,884,018

By region	2019.12.31	2018.12.31
Non-current assets		
Taiwan	\$ 17,738,485	16,735,906
Mainland China	17,056,370	17,656,686
USA	393,666	113,718
Other countries	610,850	89,288
Total	<u>\$ 35,799,371</u>	<u>34,595,598</u>

Non-current assets include property, plant and equipment, investment property, intangible assets and other assets, not including financial instruments, deferred tax assets, pension fund assets and rights arising from an insurance contract (non-current).

(e) Major customers: Revenue

	For the years ended December 31,	
	2019	2018
A	\$ 325,666,020	314,828,524
B	33,781,052	40,148,535
	<u>\$ 359,447,072</u>	<u>354,977,059</u>

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