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

Publication Date: May 12, 2021

# Inventec Corporation

## Inventec

## 2020 Annual Report

### Notice to readers

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

創新

Innovation

品質

Quality

虛心

Open Mind

力行

Execution

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

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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

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## Headquarters

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Taipei Research and Development Center

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

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### 3. Common Share Transfer Agent and Registrar

Name : Registrar and Transfer Agency Department of Taishin International Bank

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

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

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

Welcome to Inventec's annual shareholders' meeting. Due to Covid-19, the global consumer markets and robust investment participation were seriously disrupted in the first half of 2020. Major global economies zealously stimulate economic development through various fiscal policies and financial instruments. Following the rollout of various vaccines, the global economy seems to signal optimism about economic recovery in the second half of 2020. However, the disturbed U.S. election and the ongoing trade war between the U.S. and China has also reshaped the global economy. It is hard to predict economic trends; yet Inventec still makes most specific contribution by providing customers with diversified, quality products. Under the effort of all our staffs, our turnover has achieved over TWD 500 billion for three consecutive years. Furthermore, profits have increased in comparison to the previous year adding the contribution of non-operating revenue. The business performance of 2020, the 2021 business plan and outlook are highlighted as below :

## **Business performance report for the year 2020:**

The consolidated revenue reached more than TWD 508.2 billion, slightly higher than in 2019 by 1.47% (consolidated revenue of TWD 500.9 billion). The consolidated pre-tax operating profit was TWD 10.3 billion, which was an increase of 58.94% as compared with 2019. The after-tax net profit attributable to the parent company's shareholders was more than TWD 7.5 billion, which was an increase of 37.04% when compared with the previous year. The consolidated after-tax earnings were TWD 2.10 per share, which increased more than 36% as compared with the EPS of 1.54 in 2019.

Operating income was mainly benefited from the product differentiation and non-operating income and expenses benefitted from the contribution of idle assets revitalization. With more people working from home and adapting to distance learning, the sales revenue of notebook computers was about TWD275.8 billion. This is an increase of 11.78% as compared with the previous year. Additionally, the sales revenue from server products which equates to approximately TWD191.3 billion, increased by 14.65% as compared with the previous year. This attributed to a greater demand for data centers by cloud service providers. Although smart device products face readjustment due to customer product strategies, this sales revenue still contributed TWD39.9 billion. Conversely, the group's solar energy company faced the unbalanced issue of market supply and demand, striving for modification of active operational strategy. The solar-related sales revenue was TWD1.1 billion.

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

Ethical corporate management is always the prime directive of Inventec. We have set up competence of each functional committee under the Board and established a corporate governance unit to improve corporate governance. We also enhance information transparency and strengthen communication with stakeholders to achieve the goal of sustainable operation. We value talent development and will comply with Environmental, Social and Governance (ESG) related issues; reinforce the disclosure of relevant information; voluntarily fulfill the sustainable development of environment and society and we will collaborate closely with “Inventec Group Charity Foundation” to perform corporate social responsibilities.

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

The trade war between the two major economies of U.S. and China has let both experience the inevitably degenerating relationship. And they are developing their own field of core technology and products. Furthermore, the sudden Covid-19 pandemic situation have also let many people make abrupt shift to working from home, and cause the national-wide lockdown crisis. The company has demonstrated unbending and devoted determination to develop diversified and high-quality products to satisfy customers' needs through appropriate adjustment of supply chain, planning of production base and breakthrough of technological innovations.

## **2021 Business plan and outlook**

The IMF projected that the 2021 global economic growth to be 6% and we presume that all major economies will gradually recover. Although the stimulus and relief package released by different countries might trigger the concern of inflation, the company is actively creating a favorable operational environment based on the niche of product development. The company has also set the goal of revenue growth higher than previous periods. The business plan and outlook are classified into the following aspects:

### **I. Products business:**

1. The server businesses benefitted from emergence of new platforms and significant business growth in large data center customers, the higher percentage of customer orders and operational growth is reasonably foreseeable.
2. Notebooks have benefited from the effects of the stay-at-home economy fueling by Covid-19 pandemic. Brand suppliers are introducing new middle- to high-end mixed models of commercial notebook, and they will strengthen the AI and digital applications. With outstanding product design and quality assurance over years. Notebook business operation is expected to remain in its heyday.
3. Due to the constant introduction of new IoT and AI applications, the market demand for smart devices remains robust. However, the orders are taken according to the consideration on status of product quotation. Therefore, it needs to evaluate subsequently the efficiency of capacity utilization, expand new customers and increased orders from existing customers. In contrast to the operation of last year, new products will be introduced into the market in succession throughout this year.
4. The development of emerging business is also in progress: automotive electronics are under developed, focusing on designing to reach the level of smart car configuration. As for the application of medical products, it is hoped that Inventec will be involved in providing comprehensive smart health care.

## II. Digital transformation:

To be able to commensurate with world-leading management technology, digital transformation is imperative. We will use the digital transformation blueprint to redefine our business model and operational flow, reshuffle organization, and set performance goals. It will also optimize operational indicators and focus on a combinatory benefit analysis of developing product, and also enhance profit visibility and precise project management.

## III. "AI for Industries" and "Industries for AI":

All Inventec production plants already successively transformed into smart manufacturing plants. With advanced process technology incorporated with IoT, big data, and AI technology, we aim to improve quality and we also aim to optimize the processes with smart production link in order to develop the smart plant for industrial 4.0 and 5G applications. These innovations will achieve a new milestone in AI for industries. On the other hand, the Industries for AI will focus on the development of medical field and autonomous machine from AI technology to provide better medical care for an improved quality of life.

"Innovation, quality, open mind, and execution" are the core concept of Inventec's operation. We will follow the internal protocol of company culture to transfer the internal experience to the employees, share resource, stick to strict management and abide by through execution to face a challenging operational environment. Inventec has transformed from a traditional assembly company to an engineering company that provides its customers with all-in-one product design and total solution services. With the rapid change in international business, Inventec will uphold the spirit to "face the challenges, resilient within the changes " to move forward. We believe that we will achieve the goal of continuous business growth and simultaneously fulfill corporate social responsibility through our comprehensive thinking, innovative and strategic business plans to create business value for all shareholders and employees.

Finally, best wishes to you all!

Chairman: Cho, Tom-Hwar

President: Wu, Yung-Tsai

# **I . Company Profile**

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

## **1.2 Company Milestones**

### **1975**

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

### **1985**

- Step into the phone foundry business.

### **1988**

- Step into the laptop foundry business.

### **1996**

- Inventec Corporation officially listed on Nov 13.

### **1997**

- Established subsidiaries in the United States, Scotland, and Singapore.
- Established Taipei third factory to manufacture notebook.

### **1998**

- Established Taoyuan factory for research and development, and manufacture of high-end desktop and server.

### **1999**

- Established Inventec Micro-Electronics Corp. for calculator business.
- Established Inventec Multimedia and Telecom Corp. for multimedia and communications product business.

### **2000**

- Established Inventec Appliances Corp. for the manufacture and sales of information appliances, WAP phone, science plotter business.
- Established Inventec (Cayman) Corp. for further investment in Inventec Corporation (Shanghai) Co., Ltd.

### **2008**

- The annual shipment volume of laptops from Pudong Park exceeded 16 million units.
- Annual sales exceeded 10 billion U.S. dollars.
- Taipei Research and Development Building officially opened.

## **2010**

- Chongqing manufacturing base completed and shipping commenced.
- Established Inventec Solar Energy Corp.

## **2015**

- Purchased the plant building in Taoyuan Science and Technology Park.

## **2016**

- Established AIMobile Co., Ltd.

## **2017**

- Won the "Quality Paradigm Prize of ISO Plus Award" by SGS.

## **2018**

- Won the Forbes' 2018 Digital 100.
- Won the "Taiwan Corporate Sustainability Award" and "Corporate Sustainability Report Award-Gold Award" for two consecutive years.
- 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"
- Won the silver medal of the "TTQS Talent Development Quality Management System" of the Ministry of Labor.
- Won the "CSR Award" of first SGS.
- Won the "2019 National Talent Development Award" of the Ministry of Labor.

## **2020**

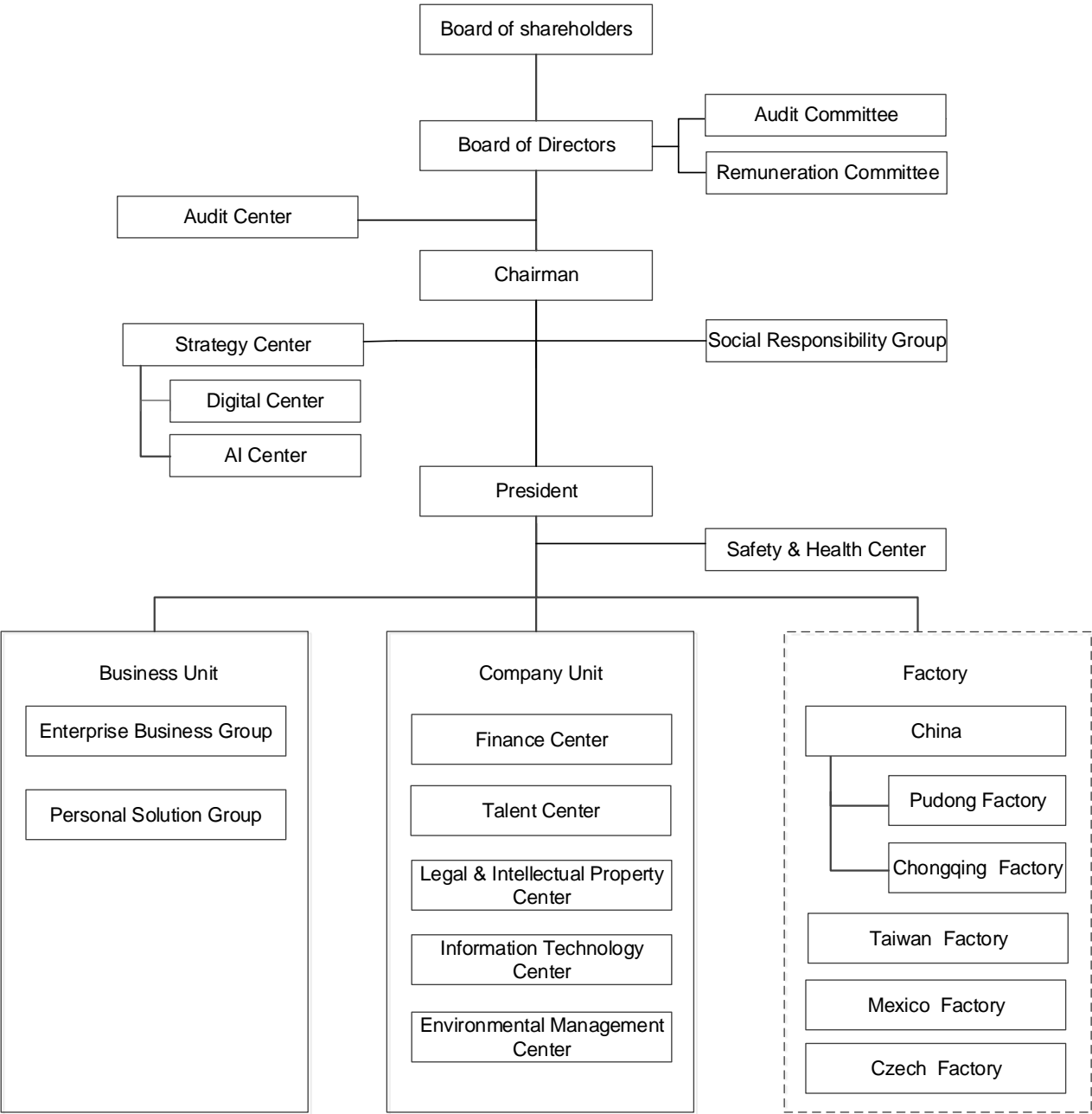
- Ranked among the top 5% of companies in the corporate governance evaluation of the Taiwan Stock Exchange for five consecutive years.
- Won the Top 100 of the "IoV Intelligent Roadside" invention patents list of global enterprises in the past five years.
- Won the "National Corporate Citizenship Award" by Common Wealth Magazine for seven consecutive years.
- Won the "Taiwan Corporate Sustainability Award" and "Corporate Sustainability Report Award Platinum Award" for two consecutive years"
- Won the USAID intelligent prediction competition.
- Established Strategy Center and Digital Center.

## **2021**

- Fanless Notebook won the 2021 German iF Design Award.

# II . Corporate Governance Report

## 2.1 Organization



## Organizational Functions

| Major Department                       | Organizational Functions  |
|--|---|
| 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.   |
| Strategy Center                        | Overall planning the strategic planning and project implementation of the Company.  |
| Digital Center                         | Overall planning the digital transformation business of the Company.  |
| 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.   |
| Talent Center                          | Overall planning of the Company's human resources related business.   |
| Legal and 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> |
| 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 Managers’ Information

### 2.2.1 Directors

#### 2.2.1.1 Directors’ Information

2021.05.12

| Title    | Nationality<br>or<br>registered<br>address | Name                 | Gender | Date elected | Term<br>(Years) | Date first<br>elected | Shareholding<br>when elected |       | Current<br>shareholding |       | Spouse and Minor<br>shareholding |       | Shareholding by<br>nominee<br>arrangement |   | Education/Work experience  | Selected<br>current<br>positions | Executives, directors or<br>supervisors who are spouses<br>or within two degrees of<br>kinship |                   |                      |
|----------|--|----------------------|--------|--------------|-----------------|-----------------------|------------------------------|-------|-------------------------|-------|----------------------------------|-------|---|---|--|----------------------------------|--|-------------------|----------------------|
|          |  |                      |        |              |                 |                       | Shares                       | %     | Shares                  | %     | Shares                           | %     | Shares                                    | % |  |                                  | Title  | Name              | Relation<br>-ship    |
| Chairman | R.O.C                                      | Cho,<br>Tom-Hwar     | Male   | 2020.06.12   | 3               | 2017.06.16            | 1,004,311                    | 0.03% | 1,004,311               | 0.03% | 5,508                            | 0.00% | —   | — | Department of Electrical<br>Engineering, National Taiwan<br>University,<br>Chairman, Inventec<br>Corporation and Inventec<br>Solar Energy Corporation<br>Director, Inventec Appliances<br>Corporation and Simplo<br>Technology Co. Ltd | Note 1                           | None   | None              | None                 |
| Director | R.O.C                                      | Yeh, Kuo-I           | Male   | 2020.06.12   | 3               | 1975.06.09            | 226,361,330                  | 6.31% | 176,361,330             | 4.92% | 69,314,117                       | 1.93% | —   | — | Shilin High School of<br>Commerce<br>Chairman, Inventec<br>Corporation   | Note 2                           | Director   | Yeh, Li<br>-Cheng | Father<br>and<br>son |
| Director | R.O.C                                      | Wen,<br>Shih-Chih    | Male   | 2020.06.12   | 3               | 2004.05.27            | 35,685,590                   | 0.99% | 35,685,590              | 0.99% | 37,399                           | 0.00% | —   | — | Xihu Vocational High School<br>of Industry and Commerce<br>Chairman, Shyh Shiunn<br>Investment Corp.   | Note 3                           | None   | None              | None                 |
| Director | R.O.C                                      | Lee,<br>Tsu-Chin     | Male   | 2020.06.12   | 3               | 1980.06.08            | 115,833,835                  | 3.23% | 115,833,835             | 3.23% | —                                | —     | —   | — | Bachelor of Economics,<br>Tunghai University<br>Chairman, Inventec<br>Corporation  | Note 4                           | None   | None              | None                 |
| Director | R.O.C                                      | Chang,<br>Ching-Sung | Male   | 2020.06.12   | 3               | 2014.06.12            | 788,644                      | 0.02% | 788,644                 | 0.02% | 6,743,434                        | 0.19% | —   | — | Master of Electric<br>Engineering, National Taiwan<br>University<br>Chairman, Inventec<br>Appliances Corporation   | Note 5                           | None   | None              | None                 |

| Title                   | Nationality<br>or<br>registered<br>address | Name                 | Gender | Date elected | Term<br>(Years) | Date first<br>elected | Shareholding<br>when elected |       | Current<br>shareholding |       | Spouse and Minor<br>shareholding |       | Shareholding by<br>nominee<br>arrangement |   | Education/Work experience   | Selected<br>current<br>positions | Executives, directors or<br>supervisors who are spouses<br>or within two degrees of<br>kinship |               |                      |
|-------------------------|--|----------------------|--------|--------------|-----------------|-----------------------|------------------------------|-------|-------------------------|-------|----------------------------------|-------|---|---|---|----------------------------------|--|---------------|----------------------|
|                         |  |                      |        |              |                 |                       | Shares                       | %     | Shares                  | %     | Shares                           | %     | Shares                                    | % |   |                                  | Title  | Name          | Relation<br>-ship    |
| Director                | R.O.C                                      | Yeh,<br>Li-Cheng     | Male   | 2020.06.12   | 3               | 2020.06.12            | 67,412,472                   | 1.88% | 117,412,472             | 3.27% | 600,000                          | 0.02% | —   | — | Master of Information Engineering, Pace University<br>Chairman, Fu Tai. Investment Co. Ltd.<br>Chairman, Kuo Hsieh Investment Co. Ltd.  | Note 6                           | Director   | Yeh,<br>Kuo-I | Father<br>and<br>son |
| Independent<br>Director | R.O.C                                      | Chang,<br>Chang-Pang | Male   | 2020.06.12   | 3               | 2014.06.12            | —                            | —     | —                       | —     | —                                | —     | —   | — | Master of Laws, National Cheng-Chi University<br>Bachelor of Law, Fujen University<br>Chief Executive Officer, Lien Chan Foundation for Peace and Development<br>Chairman, Fuhwa Financial Holding Co., Ltd.<br>Deputy Minister, Ministry of Economic Affairs,<br>Deputy Secretary General, Executive Yuan<br>Vice Minister, Ministry of Finance,<br>Chairman, Securities and Exchange Commission,<br>Ministry of Finance | Note 7                           | None   | None          | None                 |
| Independent<br>Director | R.O.C                                      | Chen,<br>Ruey-Long   | Male   | 2020.06.12   | 3               | 2014.06.12            | —                            | —     | —                       | —     | —                                | —     | —   | — | Bachelor of Economics, National Chung-Hsing University<br>Chairman, Sinocon Industrial Standards Foundation<br>Chairman, Institute for Information Industry<br>Minister, Ministry of Economic Affairs   | Note 8                           | None   | None          | None                 |

| Title                | Nationality or registered address | Name         | Gender | Date elected | Term (Years) | Date first elected | Shareholding when elected |   | Current shareholding |   | Spouse and 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                        | % | Shares                              | % |   |                            | Title   | Name | Relation -ship |
| Independent Director | R.O.C                             | Wea, Chi-Lin | Male   | 2020.06.12   | 3            | 2020.06.12         | —                         | — | —                    | — | —                             | — | —                                   | — | Doctor of Economics, University of Paris<br>Chairman, Land Bank of Taiwan.<br>Secretary-General, Executive Yuan Administrative Deputy.<br>Adjunct Professor, Business Administration, National Taiwan University. | 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., PK Venture Capital Corp., Kuo Hsieh Investment Co. Ltd., Fu Tai Investment Co. Ltd., Royal Base Corporation, and Inventec Group Charity Foundation ; Supervisor of Quan Cheng Asset Management Co., Ltd.

Note 3: 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., ; Executive Director of 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 Fu Tai. Investment Co. Ltd., Kuo Hsieh Investment Co. Ltd., and Quan Cheng Asset Management Co., Ltd. ; Vice Chairman of Royal Base Corporation ; President of Saint Investment Consulting Corporation ; Director of Win Semiconductors Corp., AIMobile Co. Ltd., Inventec Appliances Corporation, Inventec Besta Co., Ltd., Chainwin Biotech & Agrotech (Cayman Islands) LTD., and Inventec Group Charity Foundation.

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 Inventec Group Charity Foundation.

Note 8: Chairman of Sinocon Industrial Standards Foundation and China Petrochemical Development Corporation ; Independent Director of Formosa Chemicals & Fibre Corporation ; Director of hannstar board corporation, Asia Cement Corporation, Taivex Therapeutics Inc., BES Engineering Corporation, and Inventec Group Charity Foundation.

Note 9: Adjunct Professor of Business Administration, National Taiwan University ; Chairman of IBF Financial Holdings Co., International Bills Finance Corporation, Chi Ding Venture Capital Co., Hua Ding International Venture Capital Co., Ltd., and Yuan Ding Venture Capital Co., Ltd. ; Vice Chairman of Bio Preventive Medicine Corp., ; Independent Director of Formosa Plastics Corporation and Sinbon Electronics Co., Ltd. ; Director of AcBel Polytech Inc., Nuvoton Technology Corp., Elan Microelectronics Corp., and Avatack Co.,LTD ; Supervisor of ACES Electronics Co., Ltd., and Breeze Comprehensive Development.

2.2.1.2.1 Major Shareholders of Inventec Corporation's Institutional Shareholders: None

2.2.1.2.2 Major Shareholders of Inventec Corporation's Major Institutional Shareholders: None

## 2.2.1.3 Directors' Professional Knowledge and Independence Information

05/12/2021

| Name              | Criteria | Five or More Years Experience or Professional Qualification  |   |   | 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 |          | -  | -   | ✓   | -                    | -     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓      | ✓      | ✓      | -   |
| Yeh, Li-Cheng     |          | -  | -   | ✓   | -                    | -     | -     | -     | -     | ✓     | ✓     | ✓     | ✓     | ✓      | ✓      | ✓      | -   |
| Chang, Chang-Pang |          | ✓  | ✓   | ✓   | ✓                    | ✓     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓      | ✓      | ✓      | 3   |
| Chen, Ruey-Long   |          | -  | -   | ✓   | ✓                    | ✓     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓      | ✓      | ✓      | 1   |
| Wea, Chi-Lin      |          | ✓  | -   | ✓   | ✓                    | ✓     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓     | ✓      | ✓      | ✓      | 2   |

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 Managers' Information

2021.05.12

| Title                    | Nationality | Name             | Gender | On-board date | Current shareholding |       | Spouse and 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<br>Linco Precision                  | Note 1                                 | None  | None | None         |
| Business Group President | R.O.C       | Chang, Hui       | Male   | 2014.12.23    | 591,291              | 0.02% | 213,554                       | 0.01% | —                                   | — | M.B.A. in Global Management, Thunderbird School of Global Management   | Note 2                                 | None  | None | None         |
| Business Group President | R.O.C       | Tsai, Chih-An    | Male   | 2014.12.23    | 746,101              | 0.02% | 13,208                        | 0.00% | —                                   | — | B.S. in Industrial Engineering and Enterprise Information, Tunghai University<br>Digital Equipment Corporation | Note 3                                 | None  | None | None         |
| Senior Vice President    | R.O.C       | Chiu, ChuiI-Kuan | Male   | 2017.06.27    | 410,239              | 0.01% | 82,484                        | 0.00% | —                                   | — | B.S. in Institute of Control Engineering, National Chiao Tung University                                       | None                                   | None  | None | None         |
| Senior Vice President    | R.O.C       | Chen, Yea-Ping   | Male   | 2013.07.30    | 120,000              | 0.00% | 20,000                        | 0.00% | —                                   | — | Ph. D. in Electrical Engineering, University of Wisconsin-Madison<br>Philips Semiconductors                    | Director of TMY Technology Inc.        | 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  | Director of Inventec (Chongqing) Corp. | None  | None | None         |
| Senior Vice President    | R.O.C       | Chen, Wei-Chao   | Male   | 2020.07.01    | —                    | —     | —                             | —     | —                                   | — | PhD, Institute of Computer Science, University of North Carolina<br>Skywatch Innovation                        | Chairman of Skywatch Innovation        | None  | None | None         |

| Title          | Nationality | Name            | Gender | On-board date | Current shareholding |       | Spouse and 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       | Chang, Nai-Wen  | Female | 2004.12.01    | 28,857               | 0.00% | —                             | —     | —                                   | — | LL.M. in Law, University of Minnesota<br>VIA Technologies Inc.   | None                           | None  | None | None         |
| 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<br>M.B.A. in Business Administration, National Taiwan University<br>Alpha Networks      | Chairman of AIMobile Co., Ltd. | None  | None | None         |
| Vice President | R.O.C       | Yu, Chin-Pao    | Male   | 2009.01.20    | 707,576              | 0.02% | 175,105                       | 0.00% | —                                   | — | B.B.A. in Accounting, National Cheng Kung University<br>M.B.A. in Executive Master of Business Administration, National Cheng-Chi University | Note 4                         | None  | None | None         |
| Vice President | R.O.C       | Chien, Kuei-Fen | Female | 2010.01.22    | 68                   | 0.00% | —                             | —     | —                                   | — | M.B.A., Missouri State University<br>Digital Equipment Corporation   | None                           | None  | None | None         |
| Vice President | R.O.C       | Tsai, Yuh-Chen  | Male   | 2010.12.28    | —                    | —     | —                             | —     | —                                   | — | M.S. in Engineering and Computer Science, Syracuse University<br>Arima Computer Corp.  | None                           | None  | None | None         |
| Vice President | R.O.C       | Hsu, Ching-Wu   | Male   | 2012.01.16    | 88,508               | 0.00% | —                             | —     | —                                   | — | M.B.A in Finance and Business Administration, National Taiwan University of Science and Technology<br>Sanyo Electric Corp., Ltd.             | None                           | None  | None | None         |

| Title  | Nationality | Name            | Gender | On-board date | Current shareholding |       | Spouse and 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       | Lin, Shu-Ju     | Male   | 2018.02.27    | —                    | —     | —                             | —     | —                                   | — | Ph. D. in Mechanical Engineering,, National Taiwan University of Science and Technology<br>C.T. Star Co., Ltd. | None  | None  | None | None         |
| Vice President                                   | R.O.C       | Yen, Cheng-Lung | Male   | 2018.02.27    | 248                  | 0.00% | —                             | —     | —                                   | — | M.S. in Industrial Engineering, National Tsing Hua University.<br>RiTdisplay Corporation                       | Note 5  | None  | None | None         |
| Vice President                                   | R.O.C       | Chao, Tsai-Hsiu | Female | 2018.02.27    | 6,227                | 0.00% | 20,275                        | 0.00% | —                                   | — | Master of Business Administration, National Central University<br>Digital Equipment Corporation                | Director of 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<br>INTEL  | None  | None  | None | None         |
| Senior Director of Information Technology Center | R.O.C       | Yu, Win-Chee    | Male   | 2011.10.01    | 493,636              | 0.01% | 67,922                        | 0.00% | —                                   | — | M.S. in Communications Engineering, National Chiao Tung University   | None  | None  | None | None         |
| Senior Director of Talent Center                 | R.O.C       | Lin, Shih-Pin   | Male   | 2015.03.30    | 28,000               | 0.00% | —                             | —     | —                                   | — | M.S. in Manufacturing Engineering, Boston University<br>Radiant Opto-Electronics Corporation                   | None  | None  | None | None         |
| Director of Finance Center                       | R.O.C       | Liang, Wen-Jan  | Male   | 2008.08.01    | —                    | —     | —                             | —     | —                                   | — | B.B.A. in Economics, National Taiwan University<br>OCBC Bank   | None  | None  | None | None         |
| Director of Finance Center                       | R.O.C       | Hsiao, I-Ying   | Female | 2015.04.01    | 996                  | 0.00% | 676                           | 0.00% | —                                   | — | M.B.A., Baruch College, City University of New York<br>CTBC bank   | None  | None  | None | None         |

- Note 1: Executive Director of Inventec (Pudong) Corp., Inventec (Shanghai) Corp., and Inventec (Beijing) Electronics Technology Co., Ltd. ; Chairman of Inventec Asset-Management (Shanghai) Corporation ; President of Inventec (Shanghai) Corp. ; Director of 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. ; Executive Director of 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., and Inventec (Pudong) Technology 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 Inventec Hi-Tech Corp., Inventec (Shanghai) Service Co., Ltd., Saint Investment Consulting Corporation, and Shanghai Shun Chuan Technology Corp.
- Note 4: Director and President of Inventec Investments Co., Ltd. ; Director of Inventec Solar Engergy Corporation, and Arima Communications Corp., Supervisor of Inventec Appliances Corp., AIMobile Co., Ltd., and E-TON Solar Tech. Co. ; 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., and Inventec (Pudong) Technology Corp.

2.2.3 Remuneration Paid to Directors (Including Independent Directors), Presidents and Vice Presidents

2.2.3.1 Directors’ Remuneration (Including Independent 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 | The Company         |       | Companies in the financial report |       | The Company                  | Companies in the financial report |   |
|                              |                   |                  |                                   |                        |                                   |             |                                   |               |                                   |                              |                                   |  |                                   |                   |                                   | cash                | stock | cash                              | stock |                              |                                   |   |
| Chairman                     | Cho, Tom-Hwar     | -                | -                                 | -                      | -                                 | 123,674     | 123,674                           | 1,680         | 1,865                             | 1.66%                        | 1.66%                             | 57,511   | 75,750                            | 1,469             | 1,469                             | -                   | -     | -                                 | -     | 2.44%                        | 2.69%                             | 65  |
| Director                     | Yeh, Kuo-I        |                  |                                   |                        |                                   |             |                                   |               |                                   |                              |                                   |  |                                   |                   |                                   |                     |       |                                   |       |                              |                                   |   |
| Director                     | Wen, Shih-Chih    |                  |                                   |                        |                                   |             |                                   |               |                                   |                              |                                   |  |                                   |                   |                                   |                     |       |                                   |       |                              |                                   |   |
| Director                     | Lee, Tsu-Chin     |                  |                                   |                        |                                   |             |                                   |               |                                   |                              |                                   |  |                                   |                   |                                   |                     |       |                                   |       |                              |                                   |   |
| Director                     | Chang, Ching-Sung |                  |                                   |                        |                                   |             |                                   |               |                                   |                              |                                   |  |                                   |                   |                                   |                     |       |                                   |       |                              |                                   |   |
| Director (Note1)             | Huang, Kuo-Chun   |                  |                                   |                        |                                   |             |                                   |               |                                   |                              |                                   |  |                                   |                   |                                   |                     |       |                                   |       |                              |                                   |   |
| Director (Note2)             | Yeh, Li-Cheng     |                  |                                   |                        |                                   |             |                                   |               |                                   |                              |                                   |  |                                   |                   |                                   |                     |       |                                   |       |                              |                                   |   |
| Independent Director         | Chang, Chang-Pang | 7,200            | 7,200                             | -                      | -                                 | -           | -                                 | 1,000         | 1,055                             | 0.11%                        | 0.11%                             | -  | -                                 | -                 | -                                 | -                   | -     | -                                 | -     | 0.11%                        | 0.11%                             | 420   |
| Independent Director         | Chen, Ruey-Long   |                  |                                   |                        |                                   |             |                                   |               |                                   |                              |                                   |  |                                   |                   |                                   |                     |       |                                   |       |                              |                                   |   |
| Independent Director (Note1) | Shyu, Jyuo-Min    |                  |                                   |                        |                                   |             |                                   |               |                                   |                              |                                   |  |                                   |                   |                                   |                     |       |                                   |       |                              |                                   |   |
| Independent Director (Note2) | Wea, Chi-Lin      |                  |                                   |                        |                                   |             |                                   |               |                                   |                              |                                   |  |                                   |                   |                                   |                     |       |                                   |       |                              |                                   |   |

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.
  - (1). The remuneration of the independent directors of the Company shall be paid monthly as a fixed amount in accordance with the Articles of Association and the Remuneration Method for Directors and Managers. In addition, the independent directors of the Company shall be compensated for travelling expenses according to the number of times they actually attend board, audit committee and remuneration committee meetings. The independent directors of the Company shall not participate in the remuneration distribution of directors.
  - (2). The remuneration of directors and managers shall be assessed, reviewed, drafted and recommended by the Remuneration Committee of the Company on a regular basis and submitted to the board of directors for approval.
  - (3). The performance evaluation of the board of directors shall be carried out regularly every year. The chief corporate governance officer shall report to the board of directors for review and improvement, depending on the results of the performance evaluation, which shall serve as a reference for the selection or nomination of directors and individual remuneration.
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.

Note1: Dismissal upon expiration of term on June 12,2020.

Note2: Reelection of directors on June 12,2020.

| 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) ~<br>\$2,000,000(Excluded)    | Wea, Chi-Lin<br>Shyu, Jyuo-Min        | Wea, Chi-Lin<br>Shyu, Jyuo-Min        | Wea, Chi-Lin<br>Shyu, Jyuo-Min  | Wea, Chi-Lin<br>Shyu, Jyuo-Min                       |
| NT\$2,000,000(Included) ~<br>\$3,500,000(Excluded)    | Chang, Chang-Pang,<br>Chen, Ruey-Long | Chang, Chang-Pang,<br>Chen, Ruey-Long | Chang, Chang-Pang,<br>Chen, Ruey-Long                                     | Chang, Chang-Pang,<br>Chen, Ruey-Long                |
| NT\$3,500,000(Included) ~<br>\$5,000,000(Excluded)    |                                       |                                       |   |  |
| NT\$5,000,000(Included) ~<br>\$10,000,000(Excluded)   | Yeh, Li-Cheng<br>Huang, Kuo-Chun      | Yeh, Li-Cheng<br>Huang, Kuo-Chun      |   |  |
| NT\$10,000,000(Included) ~<br>\$15,000,000(Excluded)  | Wen, Shih-Chih,<br>Lee, Tsu-Chin,     | Wen, Shih-Chih,<br>Lee, Tsu-Chin,     | Yeh, Li-Cheng   | Yeh, Li-Cheng  |
| NT\$15,000,000(Included) ~<br>\$30,000,000(Excluded)  | Chang, Ching-Sung                     | Chang, Ching-Sung                     | Wen, Shih-Chih,<br>Lee, Tsu-Chin,<br>Chang, Ching-Sung<br>Huang, Kuo-Chun | Wen, Shih-Chih,<br>Lee, Tsu-Chin,<br>Huang, Kuo-Chun |
| NT\$30,000,000(Included) ~<br>\$50,000,000(Excluded)  | Cho, Tom-Hwar<br>Yeh, Kuo-I           | Cho, Tom-Hwar<br>Yeh, Kuo-I           | Cho, Tom-Hwar<br>Yeh, Kuo-I   | Cho, Tom-Hwar<br>Yeh, Kuo-I,<br>Chang, Ching-Sung    |
| NT\$50,000,000(Included) ~<br>\$100,000,000(Excluded) |                                       |                                       |   |  |
| Over NT\$100,000,000                                  |                                       |                                       |   |  |
| Total   | 11                                    | 11                                    | 11  | 11   |

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

## 2.2.3.2 Compensation Paid to Presidents and Vice Presidents

Unit: NT\$ Thousands

| 7.2.5.2 Compensation Paid to Presidents and Vice Presidents |                   |                     |   |                           |   |                |   |                        |       |                                      |       |                                 |   |   |
|---|-------------------|---------------------|---|---------------------------|---|----------------|---|------------------------|-------|--------------------------------------|-------|---------------------------------|---|---|
| Title   | Name              | Compensation<br>(A) |   | Retirement<br>pension (B) |   | Bonus<br>(C)   |   | Employees bonus<br>(D) |       |                                      |       | Ratio of total<br>to net income |   | Compensation<br>paid to directors<br>from an invested<br>company other<br>than the<br>company's<br>subsidiary |
|   |                   | The<br>Company      | Companies in<br>the financial<br>report | The<br>Company            | Companies in<br>the financial<br>report | The<br>Company | Companies in<br>the financial<br>report | The Company            |       | Companies in the<br>financial report |       | The<br>Company                  | Companies in<br>the financial<br>report |   |
|   |                   |                     |   |                           |   |                |   | cash                   | stock | cash                                 | stock |                                 |   |   |
| President   | Wu, Yung-Tsai     | 58,596              | 58,596                                  | 3,054                     | 3,054                                   | 63,249         | 63,674                                  | 40,000                 | -     | 40,000                               | -     | 2.18%                           | 2.19%                                   | 25  |
| 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 (Note1)                                      | Chen, Wei-Chao    |                     |   |                           |   |                |   |                        |       |                                      |       |                                 |   |   |
| 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 (Note3)                                      | Lou, Jin-Pang     |                     |   |                           |   |                |   |                        |       |                                      |       |                                 |   |   |
| Vice President  | Tsai, Yuh-Chen    |                     |   |                           |   |                |   |                        |       |                                      |       |                                 |   |   |
| Vice President  | Hsu, Ching-Wu     |                     |   |                           |   |                |   |                        |       |                                      |       |                                 |   |   |
| Vice President (Note2)                                      | Chou, Shao-Hsin   |                     |   |                           |   |                |   |                        |       |                                      |       |                                 |   |   |
| Vice President  | Lin, Shu-Ju       |                     |   |                           |   |                |   |                        |       |                                      |       |                                 |   |   |
| Vice President (Note3)                                      | Liu, Ta-Cheng     |                     |   |                           |   |                |   |                        |       |                                      |       |                                 |   |   |
| Vice President  | Yen, Cheng-Lung   |                     |   |                           |   |                |   |                        |       |                                      |       |                                 |   |   |
| Vice President  | Chao, Tsai-Hsiu   |                     |   |                           |   |                |   |                        |       |                                      |       |                                 |   |   |
| Vice President  | Li, Jui-Chin      |                     |   |                           |   |                |   |                        |       |                                      |       |                                 |   |   |

Note1: On June 30, 2020, Chen, Wei-Chao was appointed as the senior vice president, which took effect on July 1, 2020.

Note2: On February 23, Vice president Chou, Shao-Hsin applied for retirement and was relieved of his position on March 1, 2021.

Note3: On April 27, 2021, Vice president Lou Jin-Pang and Liu Ta-Cheng applied for retirement and were relieved of their positions on May 1, 2021.

| Bracket   | Name   |  |
|---|--|--|
|   | The Company  | Companies in the financial report  |
| Below NT\$ 1,000,000                                  |  |  |
| NT\$1,000,000(Included) ~<br>\$2,000,000(Excluded)    |  |  |
| NT\$2,000,000(Included) ~<br>\$3,500,000(Excluded)    | Chen, Wei-Chao (Note1)   | Chen, Wei-Chao (Note1)   |
| NT\$3,500,000(Included) ~<br>\$5,000,000(Excluded)    | Chen, Yea-Ping, Tsai, Yuh-Chen, Hsu, Ching-Wu  | Chen, Yea-Ping, Tsai, Yuh-Chen, Hsu, Ching-Wu  |
| NT\$5,000,000(Included) ~<br>\$10,000,000(Excluded)   | Chiu, ChuiI-Kuan, Chang, Nai-Wen, Hong, Kuo-Ching,<br>Chang, Yiu-Lang, Chien, Kuei-Fen, Chou, Shao-Hsin (Note2),<br>Lin, Shu-Ju, Liu, Ta-Cheng (Note3), Yen ,Cheng-Lung, Chao,<br>Tsai-Hsiu, Li, Jui-Chin, Lou, Jin-Pang (Note3) | Chiu, ChuiI-Kuan, Chang, Nai-Wen, Hong, Kuo-Ching,<br>Chang, Yiu-Lang, Chien, Kuei-Fen, Chou, Shao-Hsin (Note2),<br>Lin, Shu-Ju, Liu, Ta-Cheng (Note3), Yen ,Cheng-Lung, Chao,<br>Tsai-Hsiu, Li, Jui-Chin, Lou, Jin-Pang (Note3) |
| NT\$10,000,000(Included) ~<br>\$15,000,000(Excluded)  | Yi, Fu-Ming, Yu, Chin-Pao  | Yi, Fu-Ming, Yu, Chin-Pao  |
| NT\$15,000,000(Included) ~<br>\$30,000,000(Excluded)  | Wu, Yung-Tsai, Chang, Hui, Tsai, Chih-An   | Wu, Yung-Tsai, Chang, Hui, Tsai, Chih-An   |
| NT\$30,000,000(Included) ~<br>\$50,000,000(Excluded)  |  |  |
| NT\$50,000,000(Included) ~<br>\$100,000,000(Excluded) |  |  |
| Over NT\$100,000,000                                  |  |  |
| Total   | 21   | 21   |

Note1: On June 30, 2020, Chen, Wei-Chao was appointed as the senior vice president, which took effect on July 1, 2020.

Note2: On February 23, Vice president Chou, Shao-Hsin applied for retirement and was relieved of his position on March 1, 2021.

Note3: On April 27, 2021, Vice president Lou Jin-Pang and Liu Ta-Cheng applied for retirement and were relieved of their positions on May 1, 2021.

## 2.2.3.3 Employees' Profit Sharing Bonus Paid to Management Team

Unit: NT\$ Thousands

| Title  | Name              | Stock | Cash   | Total  | Ratio of total amount to net income |
|--|-------------------|-------|--------|--------|-------------------------------------|
| President  | Wu, Yung-Tsai     | -     | 43,070 | 43,070 | 0.57%                               |
| 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       |       |        |        |                                     |
| Senior Vice President (Note1)                    | Chen, Wei-Chao    |       |        |        |                                     |
| 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 (Note3)                           | Lou, Jin-Pang     |       |        |        |                                     |
| Vice President                                   | Tsai, Yuh-Chen    |       |        |        |                                     |
| Vice President                                   | Hsu, Ching-Wu     |       |        |        |                                     |
| Vice President (Note2)                           | Chou, Shao-Hsin   |       |        |        |                                     |
| Vice President                                   | Lin, Shu-Ju       |       |        |        |                                     |
| Vice President (Note3)                           | Liu, Ta-Cheng     |       |        |        |                                     |
| Vice President                                   | Yen, Cheng-Lung   |       |        |        |                                     |
| Vice President                                   | Chao, Tsai-Hsiu   |       |        |        |                                     |
| Vice President                                   | Li, Jui-Chin      |       |        |        |                                     |
| Senior Director of Information Technology Center | Yu, Win-Chee      |       |        |        |                                     |
| Senior Director of Talent Center                 | Lin, Shih-Pin     |       |        |        |                                     |
| Director of Finance Center                       | Liang, Wen-Jan    |       |        |        |                                     |
| Director of Finance Center                       | Hsiao, I-Ying     |       |        |        |                                     |

Note1: On June 30, 2020, Chen, Wei-Chao was appointed as the senior vice president, which took effect on July 1, 2020.

Note2: On February 23, Vice president Chou, Shao-Hsin applied for retirement and was relieved of his position on March 1, 2021.

Note3: On April 27, 2021, Vice president Lou Jin-Pang and Liu Ta-Cheng applied for retirement and were relieved of their positions on May 1, 2021.

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 |           |
|--|-------------|-----------|-----------------------------------|-----------|
|  | 2019        | 2020      | 2019                              | 2020      |
| Remuneration of Directors                        | 87,414      | 133,554   | 87,534                            | 133,794   |
| Ratio of total to net income                     | 1.59%       | 1.77%     | 1.59%                             | 1.77%     |
| Remuneration of the President and Vice President | 200,621     | 164,899   | 201,071                           | 165,324   |
| Ratio of total to net income                     | 3.64%       | 2.18%     | 3.65%                             | 2.19%     |
| Net income                                       | 5,507,960   | 7,547,985 | 5,507,960                         | 7,547,985 |

Note: The Company's audit committee is established on June 16, 2017. The compensation to directors in 2020 was increased compared to 2019 due to increased net income after tax. The total compensation of the president and vice presidents was to less than in 2019 because the number of persons and bonus payments were decreased.

2.2.3.5 The Policies, Standards, and Combinations of Remuneration Paid to Directors, 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. The standard shall be based on the degree of participation in the Company's business and the value of contribution, taking into account the general level of the industry. Procedures for the determination of directors' remuneration shall be submitted to the board of directors for resolutions made by the remuneration committee's recommendations, and assessed in accordance with the Board Performance Evaluation Method and the Remuneration Method for Directors and Managers. The remuneration of directors shall fully reflect their personal performance and the long-term business performance of the Company, and shall comprehensively consider the operational risks of the Company. For independent directors, a reasonable remuneration differing from that of ordinary directors may be prescribed. The independent directors of the Company shall be paid a fixed amount monthly and shall be compensated for travelling expenses according to the number of times they actually attend board, audit committee and remuneration committee meetings. The independent directors of the Company shall not participate in the remuneration distribution of directors. The remuneration of the remaining directors shall include compensation, salary, bonus and retirement pension. In addition, they shall be

compensated for travelling expenses according to the number of times they actually attend board meetings, and shall participate in the remuneration distribution of directors.

- (2). Procedures for the determination of President and Vice Presidents' remuneration shall be submitted to the board of directors for resolutions made by the remuneration committee's recommendations. The procedure is based on the "Remuneration Regulations of the Board of Directors and Manager". The Company takes into account the usual level of the industry, and considers the time invested by the individual, the responsibilities assumed, the achievement of personal goals, performance in other positions, and the salary that the company has given to those in the same position in recent years. It should be based on the company's short-term and long-term business goals and financial status, etc., and the reasonableness of the relationship between personal performance, the company's operating performance and future risks, etc. shall also be assessed. The remuneration of managers shall include salary, bonus and retirement pension, and they shall participate in the reward distribution of employees.
- (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 Corporate Governance Practices

### 2.3.1 Information of Board Meeting Operation

(1). A total of 15 (A) meetings of the board of directors were held in 2020. Directors' attendance status is as follows:

| Title                | Name              | Attendance in person (B) | By proxy | Attendance rate (%) B/A | Remarks                              |
|----------------------|-------------------|--------------------------|----------|-------------------------|--------------------------------------|
| Chairman             | Cho, Tom-Hwar     | 15                       | 0        | 100%                    | Reelection on 2020.06.12             |
| Director             | Yeh, Kuo-I        | 15                       | 0        | 100%                    | Reelection on 2020.06.12             |
| Director             | Wen, Shih-Chih    | 15                       | 0        | 100%                    | Reelection on 2020.06.12             |
| Director             | Lee, Tsu-Chin     | 15                       | 0        | 100%                    | Reelection on 2020.06.12             |
| Director             | Chang, Ching-Sung | 15                       | 0        | 100%                    | Reelection on 2020.06.12             |
| Director             | Huang, Kuo-Chun   | 6                        | 0        | 100%                    | Removal on 2020.06.12                |
| Director             | Yeh, Li-Cheng     | 9                        | 0        | 100%                    | Newly appointed on 2020.06.12        |
| Independent Director | Chang, Chang-Pang | 15                       | 0        | 100%                    | No more than three consecutive terms |
| Independent Director | Chen, Ruey-Long   | 14                       | 1        | 93%                     | No more than three consecutive terms |
| Independent Director | Shyu, Jyuo-Min    | 6                        | 0        | 100%                    | Removal on 2020.06.12                |
| Independent Director | Wea, Chi-Lin      | 9                        | 0        | 100%                    | Newly appointed on 2020.06.12        |

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  |
|--|---|---|---|
| The 36th time of the 15th term<br>2020.03.24 | Cho, Tom-Hwar<br>Yeh, Kuo-I<br>Wen, Shih-Chih,<br>Lee, Tsu-Chin,<br>Chang, Ching-Sung,<br>Huang, Kuo-Chun | Discuss the remuneration of the Company's employees and directors in 2019 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. |
| The 2nd time of the 16th term<br>2020.06.12  | Chang, Chang-Pang<br>Chen, Ruey-Long<br>Wea, Chi-Lin  | Appointment of members of the 4th Remuneration Committee.   | Except for the directors prohibited from discussion and voting, the other attending directors have no objection, and this resolution is approved.   |
| The 3rd time of the 16th term<br>2020.06.30  | Yeh, Li-Cheng   | Manager appointment   | Except for the directors prohibited from discussion and voting, the other attending directors have no objection, and this resolution is approved.   |

|   |  |   |   |
|---|--|---|---|
| The 8th time of the 16th term<br>2020.11.10 | Yeh, Kuo-I<br>Lee, Tsu-Chin,<br>Yeh, Li-Cheng<br>Chang, Chang-Pang,<br>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.   |
| The 9th time of the 16th term<br>2020.12.29 | Cho, Tom-Hwar<br>Yeh, Kuo-I<br>Wen, Shih-Chih,<br>Lee, Tsu-Chin,<br>Chang, Ching-Sung<br>Yeh, Li-Cheng | The remuneration and year-end bonus plan for directors and managers of the Company and the proportion of compensation allocation for employees and directors of the Company | This resolution proposes the directors' remunerations and, except for the directors prohibited from discussion and voting according to law, the other attending directors have no objection, and this resolution is approved. |

III. 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       | 2020                | 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> |

|  |  |  |  |   |
|--|--|--|--|---|
|  |  |  |  | (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. |
|--|--|--|--|---|

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: In 2020, the Corporate Governance Best Practice Principles and Corporate Social Responsibility Best Practice Principles was revised, risk management policies and procedures and smart property management plans were formulated, and operations shall be regularly reported to the board of directors every year. In addition, the performance evaluation method of the board of directors was revised to enhance operational efficiency.

#### 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 2020 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                            |
| Yeh, Li-Cheng                                | 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                            |
| Wea, Chi-Lin                                 | R.O.C       | Male   | -   | V                      | 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 7 years, 2020/06/12 one seat / term of 1 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 business management, 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; Wea, Chi-Lin had served as Chairman of Land Bank of Taiwan, Secretary-General of Executive Yuan Administrative Deputy and Adjunct Professor, Business Administration, National Taiwan University. 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 2020 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 | 14 | 15 |
|----------------------------|---|---|---|---|---|---|---|---|---|----|----|----|----|----|----|
| Chang, Chang-Pang          | ● | ● | ● | ● | ● | ● | ● | ● | ● | ●  | ●  | ●  | ●  | ●  | ●  |
| Chen, Ruey-Long            | ● | ● | ● | ● | ● | ● | ● | ● | ◎ | ●  | ●  | ●  | ●  | ●  | ●  |
| Shyu, Jyuo-Min             | ● | ● | ● | ● | ● | ● |   |   |   |    |    |    |    |    |    |
| Wea, Chi-Lin               |   |   |   |   |   |   | ● | ● | ● | ●  | ●  | ●  | ●  | ●  | ●  |

Note 1: On June 12, 2020, Independent Director Shyu, Jyuo-Min was discharged after his term expires.

Note 2: On June 12, 2020 directors were re-elected, Wea, Chi-Lin was elected as the new Independent Director

## 2.3.2 Operation of the Audit Committee :

A total of 4 (A) meetings of the audit committee were held in 2020. 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%                    | Reelection on 2020.06.12      |
| Committee member | Chen, Ruey-Long   | 4                        | 0        | 100%                    | Reelection on 2020.06.12      |
| Committee member | Shyu, Jyuo-Min    | 2                        | 0        | 100%                    | Removal on 2020.06.12         |
| Committee member | Wea, Chi-Lin      | 2                        | 0        | 100%                    | Newly appointed on 2020.06.12 |

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    |
|-----------------|---|--|--|---|
| 2020.03.24      | 1. 2019 statement of internal control system  | 14-5-11  | N  | The matter is approved by all the attendees |
|                 | 2. 2019 financial report and business report  | 14-5-10  | N  | The matter is approved by all the attendees |
|                 | 3. Profit distribution of 2019  | 14-5-11  | N  | The matter is approved by all the attendees |
|                 | 4. Appointment of certified public accountant.                                      | 14-5-8   | N  | The matter is approved by all the attendees |
|                 | 5. Modification of the Rules of Procedure for Shareholders Meetings                 | 14-5-11  | N  | The matter is approved by all the attendees |
|                 | 6. Modification of the Procedures for Acquisition or Disposal of Assets             | 14-5-3   | N  | The matter is approved by all the attendees |
|                 | 7. Modification of the Corporate Governance Best Practice Principles                | 14-5-11  | N  | The matter is approved by all the attendees |
|                 | 8. Modification of the Corporate Social Responsibility Best Practice Principles     | 14-5-11  | N  | The matter is approved by all the attendees |
| 2020.5.12       | 1. 2020 Q1 consolidated financial report  | 14-5-10  | N  | The matter is approved by all the attendees |
| 2020.8.11       | 1. 2020 Q2 consolidated financial report  | 14-5-10  | N  | The matter is approved by all the attendees |
|                 | 2. Modification of the Rules of Procedure for Director of board Meetings.           | 14-5-11  | N  | The matter is approved by all the attendees |
|                 | 3. Modification of the Rules Governing the Scope of Powers of Independent Directors | 14-5-11  | N  | The matter is approved by all the attendees |
|                 | 4. Modification of the Procedures for Election of Directors                         | 14-5-11  | N  | The matter is approved by all the attendees |
|                 | 5. Modification of the Codes of Ethical Conduct                                     | 14-5-11  | N  | The matter is approved by all the attendees |

|            |  |         |   |   |
|------------|--|---------|---|---|
| 2020.11.10 | 1. Revision of the Internal Control System of the Company. | 14-5-1  | N | The matter is approved by all the attendees |
|            | 2. 2021 Internal Audit Plan.                               | 14-5-2  | N | The matter is approved by all the attendees |
|            | 3. 2020 Q3 consolidated financial report.                  | 14-5-10 | N | The matter is approved by all the attendees |
|            | 4. Accountant's fees of 2020                               | 14-5-8  | N | The matter is approved by all the attendees |

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

B. Regarding execution by independent board directors preventing cases of conflict of interest, name of independent board director, motion content, case of conflict of interest avoided, and voting participation should be described: None

C. Communication of independent board directors with the 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 chief audit officer should report to Independent 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 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 Director and the CPA 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        |
|--|----------------------------|--|---|
| 2020.03.24<br>Audit Committee              | CPA<br>Chief audit officer | <ol style="list-style-type: none"> <li>1. Statement of 2019 internal control system</li> <li>2. 2019 financial report and business report</li> <li>3. 2019 profit distribution</li> <li>4. Appointment of certified public accountant</li> <li>5. Modification of the Rules of Procedure for Shareholders Meetings</li> <li>6. Modification of the Procedures for Acquisition or Disposal of Assets</li> <li>7. Modification of the Corporate Governance Best Practice Principles.</li> <li>8. Modification of the Corporate Social Responsibility Best Practice Principles</li> </ol> | Submit to the Board for resolution.             |
| 2020.03.24<br>Corporate governance meeting | CPA<br>Chief audit officer | <ol style="list-style-type: none"> <li>1. Audit range and opinion of 2019 financial report</li> <li>2 Description of Key Audit Matters</li> <li>3. Financial statement and major accounting item analysis description</li> <li>4. Contingencies</li> <li>5. Subsequent events</li> </ol>   | The directors have no objection at the meeting. |
| 2020.05.12<br>Audit Committee              | CPA                        | <ol style="list-style-type: none"> <li>1. 2020 Q1 consolidated financial report</li> </ol>   | Submit to the Board for resolution.             |
| 2020.05.12<br>Corporate governance meeting | CPA<br>Chief audit officer | <ol style="list-style-type: none"> <li>1. Audit range and opinion of 2020 Q1 financial report</li> <li>2. Financial statement and major accounting item analysis description</li> <li>3. Important law updates</li> </ol>  | The directors have no objection at the meeting. |

|  |                            |  |   |
|--|----------------------------|--|---|
| 2020.08.11<br>Audit Committee              | CPA<br>Chief audit officer | 1. 2020 Q2 consolidated financial report<br>2. Modification of the Rules of Procedure for Director of board Meetings<br>3. Modification of the Rules Governing the Scope of Powers of Independent Directors.<br>4. Modification of the Procedures for Election of Directors.<br>5. Modification of the Codes of Ethical Conduct. | Submit to the Board for resolution.             |
| 2020.08.11<br>Corporate governance meeting | CPA<br>Chief audit officer | 1. Audit range and opinion of 2020 Q2 financial report<br>2. Financial statement and major accounting item analysis description<br>3. Important law updates  | The directors have no objection at the meeting. |
| 2020.11.10<br>Audit Committee              | CPA<br>Chief audit officer | 1. 2020 Q3 consolidated financial report<br>2. Modification of internal control system<br>3. 2021 Internal Audit Plan.<br>4. CPA's fees of 2020  | Submit to the Board for resolution.             |
| 2020.11.10<br>Corporate governance meeting | CPA<br>Chief audit officer | 1. Audit range and opinion of 2020 Q3 financial report<br>2. Analysis of financial statements and important accounting items<br>3. Key Audit Matters   | The directors have no objection at the meeting. |

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 reports signed or sealed by the chairman of the board of directors, the manager and accountant in charge, and the second quarter financial report subject to audit and certification by the accountant
11. Other major issues stipulated by the company or the competent authority

F. Business performance of the audit committee in 2020

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 2020
3. Review of financial reports.
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.

**2.3.3 Participation of Supervisor in Board Meeting: NA. The Company has established the audit committee on June 16, 2017.**

### 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. Does Company follow “Taiwan Corporate Governance Implementation” to establish and disclose its corporate governance practices?   | ✓                     |   | 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. | No difference.                       |
| 2. Shareholding Structure and Shareholders’ Rights  |                       |   |  |                                      |
| (1) Does Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented 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) Does Company possess a list of major shareholders and beneficial 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) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates?  | ✓                     |   | (3) The Company has established regulations governing internal control and subsidiaries to establish and implement the risk control of affiliates and a fire wall mechanism.   | No difference.                       |

| Item  | Implementation status |   |  | Non-implementation and its reason(s) |
|---|-----------------------|---|--|--------------------------------------|
|   | Y                     | N | Summary  |                                      |
| (4) Has the Company established internal policies that forbid insiders from trading based on non-disclosed information?   | ✓                     |   | (4) The Company has formulated the "Codes of Ethical Conduct" and "Insider Trading Prevention Management Operation Procedure", among others, to prohibit company insiders from utilizing information undisclosed to the market to transact negotiable securities; internal literature is carried out regularly.  | No difference.                       |
| 3. Composition and responsibilities of the Board of Directors   |                       |   |  |                                      |
| (1) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?                     | ✓                     |   | (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 (The fulfillment of member diversification of the Board) for the implementation status. | No difference.                       |
| (2) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?                | ✓                     |   | (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 "Information on operation of Audit Committee" and "Status of Remuneration Committee", respectively. The Company has a "Social Responsibility Group" to promote matters related to corporate social responsibilities.   | No difference.                       |
| (3) Has the Company established a performance assessment method and the assessment method for the Board of Directors, conducted the performance assessment annually | ✓                     |   | (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 third amendment was approved by the Board of Directors on December 29, 2020. The director of corporate governance shall be responsible for the implementation and completion of annual performance evaluations. The scope  | No difference.                       |

| Item   | Implementation status |   |  | Non-implementation and its reason(s) |
|--|-----------------------|---|--|--------------------------------------|
|  | Y                     | N | Summary  |                                      |
| 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? |                       |   | <p>of the 2020 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 2020, 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 2020 internal board performance appraisal were reported to the Board of Directors in January 2021 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 scholars. The latest external evaluation was carried out in 2018 by KPMG Advisory Services Co Ltd., an external professional independent organization. The project leader</p> |                                      |

| Item | Implementation status |   |   | Non-implementation and its reason(s) |
|------|-----------------------|---|---|--------------------------------------|
|      | Y                     | N | Summary   |                                      |
|      |                       |   | <p>was Zhu Chengguang, executive deputy general manager, and the operation period assessed was from September 4, 2018 to January 9, 2019. The evaluation scope included the overall board of directors, functional committees and individual directors. The evaluation was conducted through data analysis, questionnaires and interviews, and the performance evaluation report was issued based on the results. The evaluation contents of the board of directors included the construction of an effective board of directors, the effective operation of the board of directors, professional development and further training, enterprise foresight, the performance of duties, management at management level, the creation of a corporate culture, communication with stakeholders, and performance evaluation. The evaluation contents of the directors included the mastery of the Company's goals and tasks, the cognition of directors' responsibilities, professional development and further training, the performance of duties, the degree of participation in the Company's operation and internal relationship operation, and communication. The performance evaluation of the audit committee included the construction of an effective audit committee, the effective operation of the audit committee, professional development and further training, the performance of duties, the establishment of a complaint pipeline, the relationship with the board of directors, and performance evaluation. The performance evaluation of the compensation committee included the construction of an effective remuneration committee, the effective operation of the compensation committee, professional development and further training, the performance of duties, relationship with the board of directors, and performance evaluation. In 2018, the results of the performance evaluation of the board of directors, functional committee and board members were "between good and excellent". Optimization suggestions included increasing the quantity of female directors, strengthening the professional development course of directors and the compliance framework of the audit committee to supervise global operations and the reporting process.</p> |                                      |

| Item  | Implementation status |   |   | Non-implementation and its reason(s) |
|---|-----------------------|---|---|--------------------------------------|
|   | Y                     | N | Summary   |                                      |
| (4) Does the Company regularly evaluate its external auditors' independence?  | ✓                     |   | <p>The results and suggestions of the performance evaluation of the board of directors in 2018 were reported in the board meeting in January 2019. The next external evaluation shall be executed in 2022 covering the 2021 performance period.</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 24, 2020 approved the designation and independence evaluation of the independent auditor for 2020.</p> | No difference.                       |
| 4. Does the Company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by | ✓                     |   | <p>The Board meeting dated February 26, 2019 resolved to specify the corporate governance officer position served by CFO Yu, Chin-Pao with more than three years of work experience in finance, stock affairs and rules of procedure. 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</p>   | No difference.                       |

| Item  | Implementation status |   |   | Non-implementation and its reason(s) |
|---|-----------------------|---|---|--------------------------------------|
|   | Y                     | N | Summary   |                                      |
| directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)? |                       |   | <p>law compliance. 6. Other matters as stipulated by the Articles of Incorporation or contracts.</p> <p>The 2020 business implementation status was as follows:</p> <ol style="list-style-type: none"> <li>1. Assist directors in executing business, provide necessary information and arrange study for directors: (1) The revision and development of the latest laws and regulations related to the business and corporate governance shall be provided to the board members upon taking office, and shall be updated regularly. (2) Provide Company information required by directors, and maintain smooth communication between the directors and business supervisors. (3) Assist in arranging meetings with independent directors, chief audit officer or a certified public accountant. (4) Assist the directors in formulating the annual study plan and arranging courses.</li> <li>2. Assist the board of directors and shareholders' meeting with procedures and resolutions: (1). Report on corporate governance to the board of directors. (2). Assist and remind directors of the laws and regulations to be followed in the execution of business.</li> <li>3. Formulate the meeting schedule of directors and inform the directors 7 days prior, convene the meeting, and provide meeting data. Remind in advance of the requirement to issue information of interest and complete the minutes of the meeting within 20 days after the meeting.</li> <li>4. Handle relevant change registration of the shareholders' meeting in accordance with the law.</li> <li>5. Executive board performance evaluation.</li> <li>6. The items as stipulated in the Articles of Incorporation and contracts have been implemented.</li> </ol> |                                      |

| Item   | Implementation status |   |   | Non-implementation and its reason(s) |
|--|-----------------------|---|---|--------------------------------------|
|  | Y                     | N | Summary   |                                      |
| 5. Has 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 for reference. | No difference.                       |
| 6. Has the Company appointed a professional registrar for its Shareholders' Meetings?  | ✓.                    |   | The Company has appointed the stock affairs agency department of "Taishin International Bank Co., Ltd." to be responsible for serving shareholders and handling affairs of the Shareholders' Meetings.  | No difference.                       |
| 7. Information Disclosure<br>(1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?   | ✓                     |   | (1) Chinese and English websites of the Company are available to update and disclose financial business and corporate governance information at any time.   | No difference.                       |
| (2) Dose the Company adopt any other information disclosure channels (e.g., maintaining an English-language website, appointing designated personnel to handle information collection and disclosure, appointing   | ✓                     |   | (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, and provide information on the corporate briefing session on the company website to which investors may refer.   | No difference.                       |

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

| Item | Implementation status |   |  | Non-implementation and its reason(s) |
|------|-----------------------|---|--|--------------------------------------|
|      | Y                     | N | Summary  |                                      |
|      |                       |   | <p>sense and smooth two-way communication channel.</p> <p>3. Investor relations: The Company takes guaranteeing shareholders' rights and interests as its main objective, and instantly announces relevant significant Company information, such as finance and business.</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. The implementation of risk management policies and risk measurement standards: please refer to the Analysis of Risk Management in annual report and Evaluation of Risk Matters and Inventec Risk Management of the Inventec Corporate Social Responsibility Report 2020.</p> <p>7. Execution circumstance of customer policy: The Company has formulated an appropriate customer policy and operation target and adjusts its operation strategy in a timely manner to achieve the target</p> <p>8. Circumstances of buying liability insurance for directors: The Company has</p> |                                      |

| Item   | Implementation status |   |  | Non-implementation and its reason(s) |
|--|-----------------------|---|--|--------------------------------------|
|  | Y                     | N | Summary  |                                      |
|  |                       |   | bought relevant liability insurance for its directors. Related liability insurance for directors is purchased up to January 1, 2022, 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. |                                      |
| 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). | ✓                     |   | The Company has formulated a risk management policy in 2020 and will continuously promote improvement for items not yet scored.  | No difference                        |

10. Continuing professional education hours for directors in 2020

| Title    | Name           | Date       | Course  | Hours | Institute                                   |
|----------|----------------|------------|---|-------|---|
| Chairman | Cho, Tom-Hwar  | 2020.03.24 | A brief introduction to the Code of Good Faith for Listings and OTC Listings and the ISO 37001 Anti-Bribery Management System | 1.5   | The Taiwan Corporate Governance Association |
|          |                | 2020.05.12 | Impact of COVID-19 on the economic industry and its future prospects  | 1.5   | The Taiwan Corporate Governance Association |
|          |                | 2020.08.11 | A study of the small blue cup from the perspective of corporate governance - Luckin coffee                                    | 1.5   | The Taiwan Corporate Governance Association |
|          |                | 2020.11.10 | New generation consumption behaviors create economic model  | 1.5   | The Taiwan Corporate Governance Association |
| Director | Yeh, Kuo-I     | 2020.03.24 | A brief introduction to the Code of Good Faith for Listings and OTC Listings and the ISO 37001 Anti-Bribery Management System | 1.5   | The Taiwan Corporate Governance Association |
|          |                | 2020.05.12 | Impact of COVID-19 on the economic industry and its future prospects  | 1.5   | The Taiwan Corporate Governance Association |
|          |                | 2020.08.11 | A study of the small blue cup from the perspective of corporate governance - Luckin coffee                                    | 1.5   | The Taiwan Corporate Governance Association |
|          |                | 2020.11.10 | New generation consumption behaviors create economic model  | 1.5   | The Taiwan Corporate Governance Association |
| Director | Wen, Shih-Chih | 2020.03.24 | A brief introduction to the Code of Good Faith for Listings and OTC Listings and the ISO 37001 Anti-Bribery Management System | 1.5   | The Taiwan Corporate Governance Association |
|          |                | 2020.05.12 | Impact of COVID-19 on the economic industry and its future prospects  | 1.5   | The Taiwan Corporate Governance Association |
|          |                | 2020.08.11 | A study of the small blue cup from the  | 1.5   | The Taiwan Corporate Governance Association |

| Title    | Name              | Date       | Course  | Hours | Institute                                   |
|----------|-------------------|------------|---|-------|---|
|          |                   |            | perspective of corporate governance - Luckin coffee   |       |   |
|          |                   | 2020.11.10 | New generation consumption behaviors create economic model  | 1.5   | The Taiwan Corporate Governance Association |
| Director | Lee, Tsu-Chin     | 2020.03.24 | A brief introduction to the Code of Good Faith for Listings and OTC Listings and the ISO 37001 Anti-Bribery Management System | 1.5   | The Taiwan Corporate Governance Association |
|          |                   | 2020.05.12 | Impact of COVID-19 on the economic industry and its future prospects  | 1.5   | The Taiwan Corporate Governance Association |
|          |                   | 2020.08.11 | A study of the small blue cup from the perspective of corporate governance - Luckin coffee                                    | 1.5   | The Taiwan Corporate Governance Association |
|          |                   | 2020.11.10 | New generation consumption behaviors create economic model  | 1.5   | The Taiwan Corporate Governance Association |
| Director | Chang, Ching-Sung | 2020.03.24 | A brief introduction to the Code of Good Faith for Listings and OTC Listings and the ISO 37001 Anti-Bribery Management System | 1.5   | The Taiwan Corporate Governance Association |
|          |                   | 2020.05.12 | Impact of COVID-19 on the economic industry and its future prospects  | 1.5   | The Taiwan Corporate Governance Association |
|          |                   | 2020.08.11 | A study of the small blue cup from the perspective of corporate governance - Luckin coffee                                    | 1.5   | The Taiwan Corporate Governance Association |
|          |                   | 2020.11.10 | New generation consumption behaviors create economic model  | 1.5   | The Taiwan Corporate Governance Association |
| Director | Yeh, Li-Cheng     | 2020.03.23 | A brief introduction to the Code of Good Faith for Listings and OTC Listings and the ISO 37001 Anti-Bribery Management        | 1.5   | The Taiwan Corporate Governance Association |

| Title                | Name              | Date       | Course  | Hours | Institute                                   |
|----------------------|-------------------|------------|---|-------|---|
|                      |                   |            | System  |       |   |
|                      |                   | 2020.05.11 | Impact of COVID-19 on the economic industry and its future prospects  | 1.5   | The Taiwan Corporate Governance Association |
|                      |                   | 2020.08.10 | A study of the small blue cup from the perspective of corporate governance - Luckin coffee                                    | 1.5   | The Taiwan Corporate Governance Association |
|                      |                   | 2020.11.09 | New generation consumption behaviors create economic model  | 1.5   | The Taiwan Corporate Governance Association |
| Independent Director | Chang, Chang-Pang | 2020.03.24 | A brief introduction to the Code of Good Faith for Listings and OTC Listings and the ISO 37001 Anti-Bribery Management System | 1.5   | The Taiwan Corporate Governance Association |
|                      |                   | 2020.05.12 | Impact of COVID-19 on the economic industry and its future prospects  | 1.5   | The Taiwan Corporate Governance Association |
|                      |                   | 2020.08.11 | A study of the small blue cup from the perspective of corporate governance - Luckin coffee                                    | 1.5   | The Taiwan Corporate Governance Association |
|                      |                   | 2020.11.10 | New generation consumption behaviors create economic model  | 1.5   | The Taiwan Corporate Governance Association |
| Independent Director | Chen, Ruey-Long   | 2020.03.24 | A brief introduction to the Code of Good Faith for Listings and OTC Listings and the ISO 37001 Anti-Bribery Management System | 1.5   | The Taiwan Corporate Governance Association |
|                      |                   | 2020.05.12 | Impact of COVID-19 on the economic industry and its future prospects  | 1.5   | The Taiwan Corporate Governance Association |
|                      |                   | 2020.08.11 | A study of the small blue cup from the perspective of corporate governance - Luckin coffee                                    | 1.5   | The Taiwan Corporate Governance Association |
|                      |                   | 2020.09.04 | The responsibility of directors and   | 3.0   | The Taiwan Corporate Governance Association |

| Title                | Name         | Date       | Course   | Hours | Institute                                   |
|----------------------|--------------|------------|--|-------|---|
|                      |              |            | supervisors in mergers and acquisitions  |       |   |
|                      |              | 2020.11.10 | New generation consumption behaviors create economic model   | 1.5   | The Taiwan Corporate Governance Association |
| Independent Director | Wea, Chi-Lin | 2020.03.23 | A brief introduction to the Code of Good Faith for Listings and OTC Listings and the ISO 37001 Anti-Bribery Management System      | 1.5   | The Taiwan Corporate Governance Association |
|                      |              | 2020.05.11 | Impact of COVID-19 on the economic industry and its future prospects   | 1.5   | The Taiwan Corporate Governance Association |
|                      |              | 2020.08.11 | A study of the small blue cup from the perspective of corporate governance - Luckin coffee   | 1.5   | The Taiwan Corporate Governance Association |
|                      |              | 2020.08.11 | Disclosure of the major information of the Company and the responsibilities of directors and supervisors                           | 3.0   | The Taiwan Corporate Governance Association |
|                      |              | 2020.08.11 | The influence of new company laws on directors, supervisors and shareholders   | 3.0   | The Taiwan Corporate Governance Association |
|                      |              | 2020.09.29 | The new trend of corporate governance, the transparency of legal persons, and the regulation of money-laundering prevention in M&A | 3.0   | Securities and Futures Institute            |
|                      |              | 2020.11.10 | New generation consumption behaviors create economic model   | 1.5   | The Taiwan Corporate Governance Association |
|                      |              | 2020.11.27 | Economic outlook and industry trends in 2021   | 3.0   | Securities and Futures Institute            |
|                      |              | 2020.11.27 | The role of organizational investors in improving corporate governance   | 3.0   | The Taiwan Corporate Governance Association |

## 11. Continuing professional education hours for managers in 2020

| Title  | Name             | Date           | Course  | Hours | Institute                                      |
|--|------------------|----------------|---|-------|--|
| President  | Wu,<br>Yung-Tsai | 2020.07.12     | Breaking chains: The integration of the science and technology industry chain   | 2.0   | Inventec Corporation                           |
|  |                  | 2020.08.25     | Digital Ambition Analyst Workshop   | 2.0   | Inventec Corporation                           |
| Business Group President                               | Chang,<br>Hui    | 2020.10.29     | Development trends and application of artificial intelligence   | 2.0   | Inventec Corporation                           |
| Business Group President                               | Tsai,<br>Chih-An | 2020.01.08     | Intelligent manufacturing drives the digital transformation   | 2.0   | Inventec Corporation                           |
| Vice President<br>(Chief Corporate Governance Officer) | Yu, Chin-Pao     | 2020.03.23     | A brief introduction to the Code of Good Faith for Listings and OTC Listings and the ISO 37001 Anti-Bribery Management System | 1.5   | The Taiwan Corporate Governance Association    |
|  |                  | 2020.05.11     | Impact of COVID-19 on the economic industry and its future prospects  | 1.5   | The Taiwan Corporate Governance Association    |
|  |                  | 2020.08.11     | A study of the small blue cup from the perspective of corporate governance - Luckin coffee                                    | 1.5   | The Taiwan Corporate Governance Association    |
|  |                  | 2020.8.24-8.25 | Issuer, securities firm, stock exchange accounting director continuous advanced training course                               | 12.0  | Accounting Research and Development Foundation |
|  |                  | 2020.11.10     | New generation consumption behaviors create economic model  | 1.5   | The Taiwan Corporate Governance Association    |
|  |                  | 2020.12.31     | The impact and response of cross-border transactions in line with international tax   | 3.0   | The Taiwan Corporate Governance Association    |

| Title  | Name          | Date             | Course  | Hours | Institute                                   |
|--|---------------|------------------|---|-------|---|
|  |               |                  | trends  |       |   |
|  |               | 2020.12.31       | Common tax disputes and tax governance strategies of group enterprises  | 3.0   | The Taiwan Corporate Governance Association |
| Vice President                                   | Hsu, Ching-Wu | 2020.06.11       | Practice Discussion on the Introduction of the Code of Integrity Management of Listed OTC Companies - ISO37001 Bribery Prevention Management System | 6.0   | Securities and Futures Institute            |
|  |               | 2020.09.08       | The competent authority requires the establishment of "Statutory Supervisors and Personnel" for compliance audits                                   | 6.0   | Securities and Futures Institute            |
| Vice President                                   | Lin, Shu-Ju   | 2020.09.08       | Performance management  | 3.0   | Inventec Corporation                        |
| Vice President                                   | Li, Jui-Chin  | 2020.09.08       | Team leader   | 3.0   | Inventec Corporation                        |
| Senior Director of Information Technology Center | Yu, Win-Chee  | 2020.06.19       | Leadership and management   | 3.0   | Inventec Corporation                        |
| Senior Director of Talent Center                 | Lin, Shih-Pin | 2020.09.18       | 2020 MAP Open class of the management ability exploration course  | 7.0   | GPM Co., Ltd.                               |
|  |               | 2020.11.12-11.13 | MAP Certification class of the management ability evaluation coach  | 14.0  | GPM Co., Ltd.                               |

| Title                      | Name           | Date       | Course   | Hours | Institute            |
|----------------------------|----------------|------------|--|-------|----------------------|
| Director of Finance Center | Liang, Wen-Jan | 2020.08.13 | 5G application and industry development trends in 2020 | 2.0   | Inventec Corporation |
| Director of Finance Center | Hsiao, I-Ying  | 2020.09.17 | Lectures on economic analysis                          | 2.0   | Inventec Corporation |

## 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 | Certification in Control Self-Assessment |
|----------------------|------------|-----|------------|--|-------------------------|--------------------------------|---|--------------------------------|--|--|
| The Number of People | 5          | 4   | 5          | 1  | 2                       | 2                              | 5   | 1                              | 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 in May every year, 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 2020, two group management meetings, two executive meetings, and nineteen senior management training courses were held. The company's regular shareholders' meeting on June 12, 2020 elected nine directors (including three independent directors). The elected directors were Chao, Tom-Hwar; Yeh, Kuo-I; Wen, Shih-Chih; Lee, Tsu-Chin; Chang, Ching-Sung; and Yeh, Li-Cheng. The first five directors were re-appointed as directors and are familiar with the operation of the company's board of directors, each having their own strengths in industry, marketing or technology. The new director, Yeh, Li-Cheng, has complete academic experience in the fields of information engineering and asset management. The independent directors elected are Chen, Ruey-Long, Chang, Chang-Pang, and Wea, Chi-Lin. The first two of whom are re-appointed as independent directors, each with their respective strengths in law and economy. Wea, Chi-Lin has complete academic experience in the fields of economics and business administration, and has more than five years of work experience required by the company's business, which will be beneficial to the company.

## 2.3.5 Status of Remueration Committee

### 2.3.5.1 Remueration Committee

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

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

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 June 12, 2020 to June 11, 2023. A total of 2 (A) meetings of the remuneration committee were held in 2020, the status of attendance is as follows:

| Title  | Name              | Attendance in person<br>(B) | By proxy | Attendance rate (%)<br>B/A | Remarks                       |
|--|-------------------|-----------------------------|----------|----------------------------|-------------------------------|
| Chairman   | Chang, Chang-Pang | 2                           | 0        | 100%                       | Reelection on 2020.06.12      |
| Member   | Chen, Ruey-Long   | 2                           | 0        | 100%                       | Reelection on 2020.06.12      |
| Member   | Shyu, Jyuo-Min    | 1                           | 0        | 100%                       | Removal on 2020.06.12         |
| Member   | Wea, Chi-Lin      | 1                           | 0        | 100%                       | Newly appointed on 2020.06.12 |
| <p>Other information to be disclosed:</p> <p>1. If Board of Directors did not adopt or revise the proposal made by the Remuneration Committee, please specify the date, session, agendas and resolutions of the Board of Directors meeting and how the Company handled the proposal made by the Remuneration Committee ( If amount of the compensation approved by the Board of Directors is higher than that proposed by the Remuneration Committee, please specify the reasons and differences in proposals.): None.</p> <p>2. If any members of the Remuneration Committee were against or reserved their opinions towards the resolutions, please specify the date, session, agendas, opinions of all members and how the opinions were handled: None.</p> |                   |                             |          |                            |                               |

Note: The Company 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 2020

| Date       | Contents Pproposed  | Result of Resolution                                     | Company's Disposal of the Salary and Committee's Suggestion                            |
|------------|---|--|--|
| 2020.03.24 | <ol style="list-style-type: none"> <li>1. Approve the revised Remuneration Committee Charter</li> <li>2. 2019 remuneration distribution to employees, and board directors</li> </ol>  | All members of the committee agree to adopt the proposal | Submitted to the board of directors; all present directors agree to adopt the proposal |
| 2020.12.29 | <ol style="list-style-type: none"> <li>1. Approve the revised Remuneration Committee Charter</li> <li>2. Approve the revised board performance evaluation method.</li> <li>3. Discuss the performance evaluation and compensation policy, system, standards and structure of the current director and manager.</li> <li>4. 2020 employee compensation and director compensation ratio.</li> <li>5. Manager compensation and year-end bonus planning.</li> </ol> | 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 Corporate Social Responsibility and Deviations from “The Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

| 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 board of directors of the Company approved the revision of the Code of Practice for Corporate Social Responsibility in March 2020, conducted a risk assessment on environmental, social and corporate governance issues related to the Company's operations in accordance with the principle of materiality, and formulated risk management policies. In May 2020, the risk management policy was drafted and submitted to the board of directors, and risk management operations shall be regularly reported to the board of directors every year to strengthen the implementation of the risk management system. The audit committee shall review the effectiveness of the internal control system (including control environment, risk assessment, control operations, information and communication, and supervision operations) and the audit report annually, which shall be then approved by the board of directors.</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: Each unit shall conduct a regular evaluation every year, implement various internal risk control procedures and take occurrence probabilities and risk impact as the standard to measure risk, and effectively control risk within the acceptable range. All risk management procedures shall be included in the compulsory courses for new recruits to strengthen their awareness of operational risk. Risk management operations shall be reported to the board of directors every year to strengthen the implementation of the risk management</p> | No difference                        |

| Item  | Implementation status (Note1) |   |  | Non-implementation and its reason(s) |
|---|-------------------------------|---|--|--------------------------------------|
|   | Y                             | N | Summary (Note2)  |                                      |
|   |                               |   | <p>system.</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>   |                                      |
| 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   | ✓                             |   | (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. The green design   | No difference                        |

| Item  | Implementation status (Note1) |   |  | Non-implementation and its reason(s) |
|---|-------------------------------|---|--|--------------------------------------|
|   | Y                             | N | Summary (Note2)  |                                      |
| the environment?  |                               |   | 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.  |                                      |
| (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?  | ✓                             |   | (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. For details, please refer to the 2020 Inventec Corporate Social Responsibilities Report.   | No difference                        |
| (4).Has the Company calculated greenhouse gas emission, water consumption and total weight of wastes in previous two years and established policies for energy saving and carbon reduction, greenhouse gas reduction, reduced water consumption or other wastes management? | ✓                             |   | (4) a. The major greenhouse gas emission of Inventec (scopes 1 and 2) was 132,920 tons of CO2 equivalent in 2020. In 2019, the major greenhouse gas emission was 132,114 tons of CO2 equivalent. In 2020, Inventec's main source of contribution to greenhouse gas emissions was indirect greenhouse gas emissions from imported energy (Scope 2), accounting for 94.64% of total emissions. In 2020, the emission volumes of Scope 3 was 359,646 metric tons of carbon dioxide equivalent, which was 58,050 tons in 2019. The reason for the increase is mainly related to the newly added inventory calculation items. There are five new items in total : (1) staff commuting, (2) waste treatment, (3) product use stage, (4) purchasing goods and services, and (5) investment<br><br>b. With regard to energy saving and carbon reduction, the Sector Based Approach of Science Based Target (SBT) version 1.2.1 is adopted to calculate the greenhouse gas reduction target. The greenhouse gas reduction targets are “with benchmark of 2015, the greenhouse gas emission within scopes 1 and 2, shall be reduced 37.5% by 2030”, and “with benchmark of 2020, the greenhouse gas emission within scopes 3, shall be reduced 37.5% by 2035”. Seven | No difference                        |

| Item   | Implementation status (Note1) |   |   | Non-implementation and its reason(s) |
|--|-------------------------------|---|---|--------------------------------------|
|  | Y                             | N | Summary (Note2)   |                                      |
|  |                               |   | <p>major energy saving projects were promoted in 2020, and more than 1.06 million degrees of electricity were saved, which is equal to reducing 737 tons of CO2 equivalent. 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 water resources management goal is to take 2012 as the base year and reduce water intensity by 24% by 2024. The water consumption in 2020 was 1307.1 thousand tons, which was a 12.76% decrease compared to 1498.2 thousand tons in 2019. The average water consumption per person per year was 65.10 tons in 2020, which was 17.55% decrease compared to 78.95 tons in 2019. 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 goal is to use 2014 as the base year to reduce waste by 25% by 2025. The waste volume was 23.5 thousand tons in 2020, a 7.99% increase compared to 21.8 thousand tons in 2019. All of the above data have been verified by an independent third party verification institution (SGS). For details, please refer to the 2020 Inventec Corporate Social Responsibilities Report.</p> |                                      |
| <p>4. Social issues</p> <p>(1) If the Company followed relevant labor laws, and internationally recognized human rights principal, and established appropriate management policies and procedures?</p> | ✓                             |   | <p>(1) The Company has established “working rules”, “regulations for the code of conduct of global employees”, and “employee complaints and external reporting rules” 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.</p>  | No difference                        |

| Item  | Implementation status (Note1) |   |  | Non-implementation and its reason(s) |
|---|-------------------------------|---|--|--------------------------------------|
|   | Y                             | N | Summary (Note2)  |                                      |
| (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 remuneration? | ✓                             |   | (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                        |
| (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                        |

| Item  | Implementation status (Note1) |   |  | Non-implementation and its reason(s) |
|---|-------------------------------|---|--|--------------------------------------|
|   | Y                             | N | Summary (Note2)  |                                      |
| (4) If the Company provided career planning, relevant training and skill development for employees?   | ✓                             |   | <p>(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.</p> <p>(A) Talent asset appreciation: Encourage employees to take in-service training in English and Japanese courses in order to be in line with international norms.</p> <p>(B) Corporate culture communication: After reporting for duty, new employees will receive new employee training to become familiar with internal personnel regulation systems, corporate culture, work environment, etc. All kinds of employee assemblies and communication meetings will be held regularly, in which the senior supervisor will directly deliver Company operation philosophy and operation direction and describe the strategic policy of each department.</p> <p>(C) Supervisor cultivation plan: Basic supervisor training, regular basic/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> | No difference                        |
| (5) Does the Company comply with relevant laws and regulations and international standards regarding customer health and safety, customer privacy, marketing, and | ✓                             |   | <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</p>   | No difference                        |

| Item   | Implementation status (Note1) |   |   | Non-implementation and its reason(s) |
|--|-------------------------------|---|---|--------------------------------------|
|  | Y                             | N | Summary (Note2)   |                                      |
| labeling of products and services? Does it develop relevant consumer protection policies and complaint procedures?   |                               |   | 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 departments and dedicated contact service have established and customer service website, and provide instant services and response mechanisms through a stationed service mechanism at 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. |                                      |
| (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? | ✓                             |   | (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, ISO 45001, 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   | No difference                        |

| Item   | Implementation status (Note1) |   |   | Non-implementation and its reason(s) |
|--|-------------------------------|---|---|--------------------------------------|
|  | Y                             | N | Summary (Note2)   |                                      |
|  |                               |   | 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.                |                                      |
| 5. Does the Company refer to internationally applicable reporting standards or guidelines to prepare 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?   | ✓                             |   | In order to improve the transparency, completeness, and reliability of information disclosure, for the "2020 Inventec Corporate Social Responsibility Report", the Company designated a third party unit (SGS) to carry out substantial examination and assurance operations on the contents and data in the report according to GRI sustainability report criteria "core option" in order to conform to the GRI core option and AA1000 AS v3 second type high assurance level. | No difference                        |
| <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 third amendment was approved by the Board of Directors on March 24, 2020.</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</p>  |                               |   |   |                                      |

| Item  | Implementation status (Note1) |   |                 | Non-implement-ation and its reason(s) |
|---|-------------------------------|---|-----------------|---------------------------------------|
|   | Y                             | N | Summary (Note2) |                                       |
| policies, the Company has set Inventec's environmental objectives, environmental policies, and environmental projects in order to guide the overall power of our colleagues to move towards a new vision of green sustainability.   |                               |   |                 |                                       |
| (2). Community participation:   |                               |   |                 |                                       |
| 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.   |                               |   |                 |                                       |
| (3). Social contribution:   |                               |   |                 |                                       |
| 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 sus-tainability report – platinum award” issued by Taiwan Institute for Corporate Sustainability.   |                               |   |                 |                                       |
| (4). Social benefit:  |                               |   |                 |                                       |
| 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 60 social welfare organizations received donations from the Company in 2020. 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. |                               |   |                 |                                       |

| Item   | Implementation status (Note1) |   |                 | Non-implement-ation and its reason(s) |
|--|-------------------------------|---|-----------------|---------------------------------------|
|  | Y                             | N | Summary (Note2) |                                       |
| <p>(5). Consumer rights and interests:</p> <p>The Company has provided product liability insurance.</p> <p>(6). Human rights:</p> <p>The Company has provided public accidental insurance and employee group insurance.</p> <p>(7). Safety and health:</p> <p>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 (ISO 45001), implements all kinds of safety and health business management.</p> <p>The corporate social responsibility related information of the Company, such as corporate governance implementation, sustainable environment development, social benefits, etc., are disclosed on the Company website and <a href="http://mops.twse.com.tw">mops.twse.com.tw</a>.</p> |                               |   |                 |                                       |

### 2.3.7 Ethical Corporate Management and Deviations from “The Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

| Items  | Implementation status |   |   | Non-implementation and its reason(s) |
|--|-----------------------|---|---|--------------------------------------|
|  | Y                     | N | Summary   |                                      |
| 1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures<br>(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.   | No difference                        |
| (2) Has the Company established an assessment mechanism for 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   | ✓                     |   | (2) The Company implemented a working plan to ensure honest operations, which is to establish effective accounting and internal control systems through the identification of laws and regulations, the formulation of norms, self-assessments and inspections, smooth reporting channels, including the participation of new employees in the Implementation of the Internal Control System and related legal training course, the signing of all colleagues to the Code of Conduct for Employees, and regular education and training, and the signing of contracts with suppliers to prohibit purchases of improper interests. The responsible unit shall set up an evaluation system to assess the risk of dishonest behavior, and shall annually check and assess whether the preventive measures established for the implementation of honest operations are effective in accordance with the detailed | No difference                        |

| Items   | Implementation status |   |  | Non-implementation and its reason(s) |
|---|-----------------------|---|--|--------------------------------------|
|   | Y                     | N | Summary  |                                      |
| <p>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>responsibilities in the Operation Procedures and Behavior Guidelines for Honest Operations of each unit, 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 and 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 counterparty holds any record of unethical misconduct and if the contract terms required the compliance of ethical corporate management policy?</p>   | ✓                     |   | <p>(1) In addition to formulating the "Codes of Ethical Conduct" and "Global Employee Code of Conduct Management Measures", the Company has also formulated "New Manufacturer Assessment Management Measures" that require new manufacturers to have good business reputations and conform to the ethical requirements of the Company. In "Purchase Contracts", it shall explicitly stipulate that the supplier shall abide by the special guarantee clause, in which the payment of commission, proportion commission, brokerage fees, tail end fees, or other beneficial behaviors are prohibited. In case of violation, the Company is entitled to terminate the contract immediately, and the supplier shall unconditionally cooperate to ask such</p>   | No difference                        |

| Items   | Implementation status |   |  | Non-implementation and its reason(s) |
|---|-----------------------|---|--|--------------------------------------|
|   | Y                     | N | Summary  |                                      |
| (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? | ✓                     |   | <p>person that received benefits for compensation.</p> <p>(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 which is responsible for promoting honest management in the enterprise 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.</p>  | No difference                        |
| (3) If the Company established a policy on prevention of conflict of interests, provided appropriate reporting channel and executed rigorously and thoroughly?  | ✓                     |   | <p>(3) The Company has formulated the "Codes of Ethical Conduct", "Global Employee Code of Conduct Management Measures", and "Employee Complaints and External Reporting Management Specifications" to standardize the prevention of the occurrence of conflict of interest circumstances, explicitly stipulating that directors, managers, and all employees must not accept any gift or business entertaining and prohibiting transactions or business contact between the Company and relatives of colleagues in order to avoid the impact of personal improper interests on company rights and interests. The Company has formulated a conflict of interest prevention policy in the "Code of Integrity Operations" and provides proper channel for directors, supervisors, managers, and other interested parties attending Board of Directors meetings to actively describe whether they have any potential conflict of interest with the Company, which they shall evade.</p> | No difference                        |
| (4) Has the Company established an effective accounting system and internal control system to implement good faith operations,  | ✓                     |   | <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</p>  | No difference                        |

| Items  | Implementation status |   |  | Non-implementation and its reason(s) |
|--|-----------------------|---|--|--------------------------------------|
|  | Y                     | N | Summary  |                                      |
| 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>Company was formulated pursuant to relevant laws and decrees and principles, such as the Securities Exchange Act, Company Act, Business Accounting Act, Securities Issuer Financial Statement Preparation Standards and International Financial Reporting Standards recognized by the Financial Supervisory Commission, International Accounting Standards, interpretation and interpretation announcements, etc., and was designed in accordance with company regulations, aiming at meeting actual operation requirements.</p> <p>(B) Internal control system: In order to implement integrity operations, the internal control system of the Company is the management process following the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and was designed by its managers, Consent of audit committee, passed by its board of directors, and implemented by the board of directors, managers, and other employees for purpose of promoting sound operations of the Company, so as to reasonably ensure that the following objectives are achieved: (1). Effectiveness and efficiency of operations. (2). Reliability, timeliness, transparency, and regulatory compliance of reporting. (3). Compliance with applicable laws, regulations, and bylaws. Components of Inventec's internal control system include: (1). control environment, (2). risk assessment, (3). control activities, (4). Information and communication, and (5). monitoring activities. The prevention (risk control) internal control system of Inventec includes: (1). prevention (risk control) risk assessment, (2). prevention (risk control) internal control, (3). prevention (risk control) internal audit, and (4).prevention (risk control) self-assessment result.</p> <p>(C) Internal audit: Preventive audit (risk control) plans are performed according to the audit policy for the following 11 high risks Reported by the board of directors in 2020: ethics, audit authority, inventory management, receivables, costs and expenses, asset preservation, industrial safety and environmental protection, information security, financial reporting (IFRS), financial</p> |                                      |

| Items | Implementation status |   |   | Non-implementation and its reason(s) |
|-------|-----------------------|---|---|--------------------------------------|
|       | Y                     | N | Summary   |                                      |
|       |                       |   | <p>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 optimize the internal control system, implement risk management, and take preventive measures in advance, and continuously improve the contribution and value of internal audits to Inventec and its subsidiaries. Internal prevention audit (risk control) plan: The 2020 internal audit plan approved by the board of directors covers: factories (Shilin Factory, Taoyuan Factory, Inventec Computer Factory), subsidiaries (PSG Group, EBG Group, Other Group, a total of 23 and Inventec Appliances Group, a total of 14). The internal audit report and the follow-up report are submitted to the audit committee for inspection prior to the end of the following month after the completion of the audit project 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 proposes setting up project audit/supervision in board meetings to expand the scope of audits, conduct in-depth investigations, and put forward project audit/supervision reports based on the audit to enhance the comprehensiveness and contribution of internal audits. The audit center also checks the " Ethical Corporate Management Best Practice Principles " specified operation procedures, propaganda, 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</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>Inventec" approved by the Board of Directors, in view of the three high-risk factories and 11 high-risk subsidiaries.</p> <p>(5) To implement integrity management, the responsible unit shall promote the advocacy education of all colleagues, collect and draft important norms, such as the Code of Integrity Management, Operation Procedures and Conduct Guidelines, and Code of Conduct for Global Employees, and advocate matters that colleagues should pay attention to in the implementation of business activities. The integrity management training results from 2020 demonstrate integrity behavior related advocacy and the training ratio in Taiwan as 100%. Training hours totaled 61,991 hours and training expenditure was \$7,812,039. There were no major breaches of the principle of good faith this year.</p> | No difference                        |
| 3.Implementation of whistleblowing system  |                       |   |   |                                      |
| (1) If the Company established a whistleblowing and reward system? Upon receiving a reported case, is there a dedicated personnel handling the reported case?  | ✓                     |   | (1) System management and special personnel for special responsibilities: In order to solve major violations or misconduct, etc. complained about by employees, the Company has set up external and internal complaint management. When employees suffer from improper, illegal, or unreasonable events, they can submit a complaint according to the complaint system. There were no employee complaints or labor cases opened in 2020.  | No difference                        |
| (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 2020  | No difference                        |

| Items  | Implementation status |   |  | Non-implementation and its reason(s) |
|--|-----------------------|---|--|--------------------------------------|
|  | Y                     | N | Summary  |                                      |
| (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<br>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.  | No difference                        |
| <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>                               |                       |   |  |                                      |

| Items   | Implementation status |   |         | Non-implementation<br>and its reason(s) |
|---|-----------------------|---|---------|---|
|   | Y                     | N | Summary |   |
| <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> |                       |   |         |   |

### 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. 30, 2021

Based on the findings of self-assessment, the Company states the following with regard to its internal control system in 2020:

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, 2020, 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. 30, 2021 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 Resolutions Reached in the Shareholders' Meeting or by the Board of Directors in the Most Recent Years and up to the Date of the Annual Report Printed:**

2.3.12.1 The important resolutions of the general shareholder meeting:

| Meeting date | Abstract of Important Proposals  | Implementation Status  |
|--------------|--|--|
| 2020.06.12   | 1. Proposal for the acknowledgment of the 2019 Business Report and financial statement of the Company. | Approved by 2,656,537,220 voting rights (among which, 1,290,885,944 voting rights were exercised electronically), accounting for 89.69% 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 2019.                | Approved by 2,663,374,307 voting rights (among which, 1,297,723,031 voting rights were exercised electronically), accounting for 89.92% of the total voting rights. The approved voting rights exceed the statutory amount, and this proposal is passed. NT\$1.3 cash dividend is allotted per share.<br>Ex-dividend base date: July 21, 2020.<br>Date of cash dividend distribution: August 11, 2020. |
|              | 3. Proposal to revise some articles of Rules of Procedure for Shareholders Meetings.                   | Approved by 2,649,252,050 voting rights (among which, 1,283,600,774 voting rights were exercised electronically), accounting for 89.45% of the total voting rights. The approved voting rights exceed the statutory amount, and this proposal is passed.<br>The revised edition has been published on the company website.   |
|              | 4. Proposal to revise some articles of Procedures for Acquisition or Disposal of Assets.               | Approved by 2,327,693,756 voting rights (among which, 962,042,480 voting rights were exercised electronically), accounting for 78.59% of the total voting rights. The approved voting rights exceed the statutory amount, and this proposal is passed.<br>The revised edition has been published on the company website.   |

|  |  |  |
|--|--|--|
|  | 5. Proposal to propose to elect new directors.   | <p>The approved voting rights exceed the statutory amount, and this proposal is passed.</p> <p>The election result: The name of the board-elect are Cho Tom-Hwa, Yeh Kuo-I, Wen Shih-Chih, Lee Tsu-Chin, Chang Ching-Sung, Yeh Li-Cheng, Chang Chang-Pang (Independent Director), Chen Ruey-Long (Independent Director), and Wea Chi-Lin (Independent Director). The term will start from June 12, 2020 and conclude on June 11, 2023.</p> |
|  | 6. Proposal for release the prohibition on new directors and their representatives from participation in competitive business. | <p>Approved by 2,119,614,354 voting rights (among which, 1,201,049,260 voting were exercised electronically), accounting for 84.29% of the total voting rights. The approved voting rights exceed the statutory amount, and this proposal is passed.</p>   |

#### 2.3.12.2 The important resolutions of the Board of Directors:

| Meeting Date | Important Resolution Matters  |
|--------------|---|
| 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. de R.L. de C.V.   |
| 2020.02.25   | Passed to extend the bank quotas.   |
| 2020.03.24   | Passed Inventec Holding (North America) Corp. to increase capital in IEC Technologies, S. de R.L. de C.V., and acquisition of land through IEC Technologies, S. de R.L. de C.V. |
|              | 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  |
|              | Passed to remove the restriction of the board directors   |

| Meeting Date | Important Resolution Matters   |
|--------------|--|
|              | 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.        |
|              | Passed the revision of some articles of Remuneration Committee Charter                               |
|              | Passed the revision of some articles of Corporate Governance Best Practice Principles                |
|              | Passed the revision of some articles of Corporate Social Responsibility Best Practice Principles     |
|              | Passed to extend the bank quotas.  |
| 2020.04.28   | Passed to extend the bank quotas.  |
| 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.  |
| 2020.06.12   | Passed to election of the chairman.  |
| 2020.06.12   | Passed appointment of general manager and removal of competition restrictions.                       |
|              | Passed the appointment of members of the 4th Salary and Compensation Committee                       |
|              | Passed the investment in Chainwin Agriculture & Animal Technology (Cayman Islands) LTD.              |
| 2020.06.30   | Passed to stipulate the ex-dividend base date of the cash dividend.                                  |
|              | Passed to appoint managers.  |
|              | Passed Inventec (Pudong) Corp lend money to Inventec Hi-Tech Corp.                                   |
| 2020.07.28   | Passed transfer investment company legal person designation.   |
| 2020.8.11    | Passed the 2020 Q2 consolidated financial statement of the Company.                                  |
|              | Passed the revision of “2020 Internal Audit Plan (2nd Edition)”.                                     |
|              | Passed the revision of some articles of Rules Governing the Scope of Powers of Independent Directors |
|              | Passed the revision of some articles of Rules of Procedure for Board Meetings.                       |
|              | Passed the revision of some articles of Procedures for Election of Directors                         |
|              | Passed the revision of some articles of Codes of Ethical Conduct                                     |
| 2020.09.29   | Passed the investment in Shanghai Shun Chuan Technology Corp.  |
| 2020.10.27   | Passed to extend the bank quotas.  |

| Meeting Date | Important Resolution Matters   |
|--------------|--|
| 2020.11.10   | Passed the "2021 Internal Audit Plan".   |
|              | Passed the revision of some articles of the internal control system.   |
|              | Passed the 2020 Q3 consolidated financial statement of the Company.  |
|              | Passed the CPA's fees  |
|              | Passed the donation of TWD 10 million to Inventec Group Charity Foundation   |
| 2020.12.29   | Passed the revision of some articles of Remuneration Committee Charter   |
|              | Passed the revision of some articles of Evaluation of the Board of Directors   |
|              | Passed 2021 business plan  |
|              | Passed the participation in the capital increase of the reinvestment company AIMobile Co., Ltd.                                    |
|              | Passed the Company's director and manager remuneration, and year-end bonus plan and employee and director remuneration proportion. |
|              | Passed the Company's independent director remuneration   |
| 2021.01.26   | Passed Inventec (Chongqing) Corp. 's plans to purchase equipment.  |
| 2021.01.29   | Passed Inventec (Pudong) Technology Corp.'s and Inventec Hi-Tech Corp.'s asset disposal plan proposal.                             |
| 2021.02.23   | Passed manager dismissal.  |
| 2021.03.30   | Passed to issue the 2020 "Inventec Corporation Internal Control System Statement".   |
|              | Passed the 2020 employees', and directors' rewards distribution  |
|              | Passed the 2020 individual and consolidated financial statement, and business report of the Company.                               |
|              | Passed the 2020 surplus distribution proposal of the Company.  |
|              | Passed the appointment of the certified public accountant.   |
|              | Passed to agree upon relevant matters of the 2021 general meeting of the Company.  |
|              | Passed the revision of some articles of the Rules of Procedure for Shareholders Meetings.  |
|              | Passed the revision of some articles of the Procedures for Election of Directors.  |
|              | Passed to remove the restriction of the board directors, Yeh, Li-Cheng   |
| 2021.04.27   | Passed Inventec (Pudong) Technology Corp. and Inventec Hi-Tech Corp. idle asset disposal proposal                                  |
|              | Passed manager dismissal   |
|              | Passed Inventec (Pudong) Corp lend money to Inventec Asset-Management (Shanghai) Corporation.                                      |

| Meeting Date | Important Resolution Matters  |
|--------------|---|
| 2021.05.11   | Passed the 2021 Q1 consolidated financial statement of the Company. |

**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 Chairman, President, and Heads of Accounting, Finance, Internal Audit and R&D during 2019 and as of the Annual Report Printing Date: None.**

## **2.4. Certified Public Accountant (CPA) Fee Information**

### **2.4.1 Range of CPAs' Fee**

| CPA Firm | CPA         |                 | Auditing Period       | Remark |
|----------|-------------|-----------------|-----------------------|--------|
| KPMG     | Lin Wan-Wan | Yang, Liu-Fong, | 2020.01.01~2020.12.31 | -      |

Unit: NT\$ Thousands

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

Unit: NT\$ Thousands

| CPA Firm | CPA            | Auditing Fees | Non-Auditing Fees |  |    |        |       | Auditing Period       | Note   |
|----------|----------------|---------------|-------------------|--|----|--------|-------|-----------------------|--|
|          |                |               | System Design     | Industrial and Commercial Registration | HR | Others | Total |                       |  |
| KPMG     | Lin Wan-Wan    | 9,050         | 0                 | 0                                      | 0  | 7,510  | 7,510 | 2020.01.01~2020.12.31 | Other non-auditing costs primarily include such tax consulting fees as transfer pricing and special method of fund remittance. |
|          | Yang, Liu-Fong |               |                   |  |    |        |       | 2020.01.01~2020.12.31 |  |

**2.4.2 For the Non-Audit Fee Paid to CPA, CPA Firm, and Its Affiliate Greater than 25% of the Audit Fee, the Amount of Audit and Non-Audit Fee and Content of Non-Audit Service Should Be Disclosed:**

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 If the CPA Firm Changes, and the Audit Fee Paid in the Year of such Change is Reduced from the Audit Fee of the Previous Year, the Amounts of the Audit Fees Before and After such Change and the Reason of such Change Should Be Disclosed: None**

**2.4.4 If the Audit Fee Is Reduced by More than 10% from Last Year, the Amount, Ratio, and Reason for the Reduction of the Audit Fee Should Be Disclosed: None**

## 2.5 Information Regarding the Replacement of CPA:

As part of the internal rotation of the accounting department, from the first quarter of 2021, certified public accountants changes from CPA Lin Wan-Wan and CPA Yang, Liu-Fong to CPA Lin Wan-Wan and CPA Kuo, Rou-Lan, hence it is not applicable.

### 2.5.1 Former CPA Information:

|  |  |  |                                    |
|--|--|--|------------------------------------|
| Date of alternation  | March 30, 2021 (Approved by board meetings)  |  |                                    |
| Reason for alternation   | As part of the internal rotation of the accounting department                              |  |                                    |
| Please specify where the appointment is terminated or unaccepted by the appointer or CPA     | Related parties  |  | CPA                                |
|  | Situation  |  | Appointer                          |
|  | Voluntary termination of appointment   |  | Not Applicable                     |
|  | No further acceptance (continuation) of appointment  |  | Not Applicable                     |
| Opinion and reason for any audit report other than unqualified opinion in the last two years | Not Applicable   |  |                                    |
| Any disagreement with the issuer   | Yes  |  | Accounting principles or practices |
|  |  |  | Discloser of financial statement   |
|  |  |  | Scope or steps of the audit        |
|  |  |  | Others                             |
|  | No   |  |                                    |
|  | Remarks : Not Applicable   |  |                                    |
| Other disclosures  | As part of the internal rotation of the accounting department, hence it is not applicable. |  |                                    |

### **2.5.2 Successor CPA Information:**

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

**2.5.3 Reply of the Previous Accountant: As part of the internal rotation of the accounting department, hence it is not applicable.**

### **2.6 Information on Services of the Company's Chairman, Presidents, Financial or Accounting Managers at the Accounting Firm or Its Affiliates**

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 Change in Shareholding of Directors, Managers and Major Shareholders Who Own 10% or More of Invnetec Corporation Shares

Unit: Thousand shares

| Title                         | Name              | 2020                           |  | 2021/1/1~2020/05/12            |  |
|-------------------------------|-------------------|--------------------------------|--|--------------------------------|--|
|                               |                   | Holding Increase<br>(Decrease) | Pledged Holding<br>Increase (Decrease) | Holding Increase<br>(Decrease) | Pledged Holding<br>Increase (Decrease) |
| Chairman                      | Cho, Tom-Hwar     | 0                              | 0                                      | 0                              | 0                                      |
| Director                      | Yeh, Kuo-I        | (50,000)                       | 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 (Note2)              | Huang, Kuo-Chun   | 0                              | 0                                      | Not Applicable                 | Not Applicable                         |
| Director (Note3)              | Yeh, Li-Cheng     | 50,000                         | 0                                      | 0                              | 0                                      |
| Independent Director          | Chang, Chang-Pang | 0                              | 0                                      | 0                              | 0                                      |
| Independent Director          | Chen, Ruey-Long   | 0                              | 0                                      | 0                              | 0                                      |
| Independent Director (Note2)  | Shyu, Jyuo-Min    | 0                              | 0                                      | Not Applicable                 | Not Applicable                         |
| Independent Director (Note3)  | Wea, Chi-Lin      | 0                              | 0                                      | 0                              | 0                                      |
| President                     | Wu, Yung-Tsai     | 0                              | 0                                      | 0                              | 0                                      |
| Business Group President      | Chang, Hui        | 0                              | 0                                      | 0                              | 0                                      |
| Business Group President      | Tsai, Chih-An     | 0                              | 0                                      | 0                              | 0                                      |
| Senior Vice President         | Chiu, ChuiI-Kuan  | 0                              | 0                                      | 0                              | 0                                      |
| Senior Vice President         | Chen, Yea-Ping    | 0                              | 0                                      | 0                              | 0                                      |
| Senior Vice President         | Yi, Fu-Ming       | 0                              | 0                                      | 0                              | 0                                      |
| Senior Vice President (Note4) | Chen, Wei-Chao    | 0                              | 0                                      | 0                              | 0                                      |
| Vice President                | Chang, Nai-Wen    | 0                              | 0                                      | 0                              | 0                                      |
| Vice President                | Hong, Kuo-Ching   | 0                              | 0                                      | 0                              | 0                                      |
| Vice President                | Chang Yiu-Lang    | 0                              | 0                                      | 0                              | 0                                      |
| Vice President                | Yu, Chin-Pao      | 0                              | 0                                      | 0                              | 0                                      |
| Vice President                | Chien, Kuei-Fen   | 0                              | 0                                      | 0                              | 0                                      |
| Vice President (Note6)        | Lou, Jin-Pang     | 0                              | 0                                      | Not Applicable                 | Not Applicable                         |
| Vice President                | Tsai, Yuh-Chen    | 0                              | 0                                      | 0                              | 0                                      |
| Vice President                | Hsu, Ching-Wu     | 0                              | 0                                      | 0                              | 0                                      |
| Vice President (Note5)        | Chou, Shao-Hsin   | 0                              | 0                                      | Not Applicable                 | Not Applicable                         |

| Title   | Name            | 2020                           |  | 2021/1/1~2020/05/12            |  |
|---|-----------------|--------------------------------|--|--------------------------------|--|
|   |                 | Holding Increase<br>(Decrease) | Pledged Holding<br>Increase (Decrease) | Holding Increase<br>(Decrease) | Pledged Holding<br>Increase (Decrease) |
| Vice President                                      | Lin, Shu-Ju     | 0                              | 0                                      | 0                              | 0                                      |
| Vice President (Note6)                              | Liu, Ta-Cheng   | 0                              | 0                                      | Not Applicable                 | Not Applicable                         |
| 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                                      |
| Senior Director of Information<br>Technology Center | Yu, Win-Chee    | (80)                           | 0                                      | 0                              | 0                                      |
| Senior Director of Talent Center                    | Lin, Shih-Pin   | 0                              | 0                                      | 0                              | 0                                      |
| Director of Finance Center                          | Liang, Wen-Jan  | 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: Director Huang, Kuo-Chun and independent director Shyu, Jyuo-Min resigned upon expiration of their terms on June 12, 2020.

Note 3: Directors were re-elected on June 12, 2020; Yeh, Li-Cheng is the new director and Wea, Chi-Lin is the new independent director.

Note 4: On June 30, 2020, Chen, Wei-Chao was appointed as the senior vice president, which took effect on July 1, 2020.

Note 5: On February 23, 2021, vice president, Chou, Shao-Hsin applied for retirement and was relieved of his managerial position on March 1, 2021.

Note 6: On April 27, 2021, vice president, Lou, Jin-Pang and Liu, Ta-Cheng applied for retirement and were relieved of their managerial positions on May 1, 2021.

Note 7: The date of formulating data is the date of publication.

## 2.7.1 Information of Shares Transferred

2021/05/12

Unit: Share

| Name         | The reason | Date       | Trading counterparties | Relation            | Shares | Price |
|--------------|------------|------------|------------------------|---------------------|--------|-------|
| Yu, Win-Chee | Endowment  | 2020/07/06 | Yu, Pei-Lun            | Father and daughter | 80,000 | 25.80 |

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 Ten Shareholders as Related Parties, Spouses, or Blood Relatives within Two Degrees

2021.04.20

Unit: Share

| Name   | Shareholding |       | Spouse and Minor |       | Shareholding by Nominee Arrangement |   | The Relationship  |  | Note |
|--|--------------|-------|------------------|-------|-------------------------------------|---|---|--|------|
|  | Shares       | %     | Shares           | %     | Shares                              | % | Name  | Relations  |      |
| Yeh, Kuo-I   | 176,361,330  | 4.92% | 69,314,117       | 1.93% | -                                   | - | Yeh, Li-Chuan<br>Yeh, Li-Cheng<br>Kuo Hsieh Investment Co., Ltd.<br>Fu Tai Investment Co., Ltd.<br>Wang, Fu-Tai | Relative within the second degree of kinship<br>Relative within the second degree of kinship<br>Director<br>Director<br>Spouse |      |
| Shyh Shiunn Investment Corp.                                 | 139,416,690  | 3.89% | -                | -     | -                                   | - | Wen, Shih-Chih  | Chairman   |      |
| Shyh Shiunn Investment Corp.: Representative, Wen, Shih-Chih | 35,685,590   | 0.99% | 37,399           | 0.00% | -                                   | - |   |  |      |
| Lai-Chu Investment Co., Ltd.                                 | 136,721,634  | 3.81% | -                | -     | -                                   | - | Yang, Yuan-Yuan   | Chairman   |      |
| Lai-Chu Investment Co., Ltd. Representative Yang, Yuan-Yuan  | -            | -     | -                | -     | -                                   | - | -   | -  |      |

| Name   | Shareholding |       | Spouse and Minor |       | Shareholding by Nominee Arrangement |   | The Relationship  |  | Note |
|--|--------------|-------|------------------|-------|-------------------------------------|---|---|--|------|
|  | Shares       | %     | Shares           | %     | Shares                              | % | Name  | Relations  |      |
| Fu Tai Investment Co., Ltd.  | 126,781,074  | 3.53% | -                | -     | -                                   | - | Yeh, Li-Cheng<br>Yeh, Kuo-I<br>Wang, Fu-Tai   | Chairman<br>Director<br>Director   |      |
| Fu Tai Investment Co., Ltd.<br>Representative,<br>Yeh, Li-Cheng    | 117,412,472  | 3.27% | 600,000          | 0.02% | -                                   | - | Yeh, Kuo-I<br>Wang, Fu-Tai<br>Yeh, Li-Quan<br>Kuo Hsieh Investment Co., Ltd..                               | Relative within the second degree of kinship<br>Relative within the second degree of kinship<br>Relative within the second degree of kinship<br>Chairman             |      |
| Kuo Hsieh Investment Co., Ltd.                                     | 126,752,558  | 3.53% | -                | -     | -                                   | - | Yeh, Li- Cheng<br>Yeh, Kuo-I<br>Wang, Fu-Tai  | Chairman<br>Director<br>Director   |      |
| Kuo Hsieh Investment Co., Ltd.<br>Representative,<br>Yeh, Li-Cheng | 117,412,472  | 3.27% | 600,000          | 0.02% | -                                   | - | Yeh, Kuo-I<br>Wang, Fu-Tai<br>Yeh, Li-Quan<br>Kuo Hsieh Investment Co., Ltd.<br>Fu Tai Investment Co., Ltd. | Relative within the second degree of kinship<br>Relative within the second degree of kinship<br>Relative within the second degree of kinship<br>Chairman<br>Chairman |      |
| Yeh, Li-Cheng  | 117,412,472  | 3.27% | 600,000          | 0.02% | -                                   | - | Yeh, Kuo-I<br>Wang, Fu-Tai<br>Yeh, Li-Quan  | Relative within the second degree of kinship<br>Relative within the second degree of kinship<br>Relative within the second degree of kinship                         |      |

| Name                                     | Shareholding |       | Spouse and Minor |       | Shareholding by Nominee Arrangement |   | The Relationship   |  | Note |
|--|--------------|-------|------------------|-------|-------------------------------------|---|--|--|------|
|  | Shares       | %     | Shares           | %     | Shares                              | % | Name   | Relations  |      |
|  |              |       |                  |       |                                     |   | Kuo Hsieh Investment Co., Ltd.<br>Fu Tai Investment Co., Ltd.                                | Chairman<br>Chairman   |      |
| Yuanta/P-shares Taiwan Dividend Plus ETF | 117,274,250  | 3.27% | -                | -     | -                                   | - | -  | -  |      |
| Lee, Tsu-Chin                            | 115,833,835  | 3.23% | -                | -     | -                                   | - | -  | -  |      |
| Yeh, Li-Quan                             | 93,398,405   | 2.60% | 2,511,196        | 0.07% | -                                   | - | Yeh, Kuo-I<br>Wang, Fu-Tai<br>Yeh, Li-Cheng  | Relative within the second degree of kinship<br>Relative within the second degree of kinship<br>Relative within the second degree of kinship |      |
| Wang, Fu-Tai                             | 69,314,117   | 1.93% | 176,361,330      | 4.92% | -                                   | - | Yeh, Li-Chuan<br>Kuo Hsieh Investment Co., Ltd.<br>Fu Tai Investment Co., Ltd.<br>Yeh, Kuo-I | Relative within the second degree of kinship<br>Director<br>Director<br>Spouse   |      |

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

2021.04.20

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%  | 2,840   | 4.55%  | 26,245  | 42.08%  |
| Inventec Investment Corporation   | 108,800               | 100.00% | -   | -      | 108,800 | 100.00% |
| Inventec Solar Energy Corporation | 108,150               | 33.45%  | 59,574  | 18.43% | 167,724 | 51.88%  |
| AIMobile Co., Ltd.                | 18,250                | 73.00%  | -   | -      | 18,250  | 73.00%  |

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

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

## III. Capital Overview

### 3.1 Capital and shares

#### 3.1.1 Capital and Shares

05/12/2021

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

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

Unit: Share; 05/12/2021

| 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

04/20/2021

| Item                   | Government Agencies | Financial Institutions | Other Juridical Person | Domestic Natural Persons | Foreign Institutions and Natural Persons | Total         |
|------------------------|---------------------|------------------------|------------------------|--------------------------|--|---------------|
| Number of Shareholders | 10                  | 76                     | 202                    | 135,784                  | 836                                      | 136,908       |
| Shareholding (shares)  | 15,145,555          | 347,803,295            | 742,418,848            | 1,633,227,124            | 848,880,244                              | 3,587,475,066 |
| Percentage             | 0.42%               | 9.70%                  | 20.69%                 | 45.53%                   | 23.66%                                   | 100.00%       |

### 3.1.3 Shareholding Distribution Status

04/20/2021

| Class of Shareholding (Unit : Share) | Number of Shareholders | Shareholding (Shares) | Percentage |
|--------------------------------------|------------------------|-----------------------|------------|
| 1~ 999                               | 29,792                 | 8,622,008             | 0.24%      |
| 1,000~ 5,000                         | 76,423                 | 168,750,331           | 4.70%      |
| 5,001~ 10,000                        | 16,210                 | 124,723,393           | 3.48%      |
| 10,001~ 15,000                       | 4,856                  | 60,815,365            | 1.70%      |
| 15,001~ 20,000                       | 2,975                  | 55,053,563            | 1.53%      |
| 20,001~ 30,000                       | 2,416                  | 61,761,339            | 1.72%      |
| 30,001~ 40,000                       | 1,050                  | 37,609,994            | 1.05%      |
| 40,001~ 50,000                       | 719                    | 33,696,941            | 0.94%      |
| 50,001~ 100,000                      | 1,196                  | 85,971,626            | 2.40%      |
| 100,001~ 200,000                     | 567                    | 80,481,723            | 2.24%      |
| 200,001~ 400,000                     | 261                    | 74,132,783            | 2.07%      |
| 400,001~ 600,000                     | 102                    | 50,314,593            | 1.40%      |
| 600,001~ 800,000                     | 57                     | 39,713,539            | 1.11%      |
| 800,001~1,000,000                    | 31                     | 28,101,234            | 0.78%      |
| 1,000,001~999,999,999                | 253                    | 2,677,726,634         | 74.64%     |
| Total                                | 136,908                | 3,587,475,066         | 100.00%    |

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

### 3.1.4 List of Major Shareholder

04/20/2021

| Shareholder's Name                       | Shareholding |            |
|--|--------------|------------|
|  | Shares       | Percentage |
| Yeh, Kuo-I                               | 176,361,330  | 4.92%      |
| 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%      |
| Yeh, Li-Cheng                            | 117,412,472  | 3.27%      |
| Yuanta/P-shares Taiwan Dividend Plus ETF | 117,274,250  | 3.27%      |
| Lee, Tsu-Chin                            | 115,833,835  | 3.23%      |
| Yeh, Li-Quan                             | 93,398,405   | 2.60%      |
| Wang, Fu-Tai                             | 69,314,117   | 1.93%      |

### 3.1.5 Market Price Per Share, Net Value, Earnings and Dividends for Latest Two Years

Unit : NT\$ ; Thousand shares

| Item \ Year                    |                                     | 2019                             | 2020          | 01/01/2021<br>~03/31/2021 |
|--------------------------------|-------------------------------------|----------------------------------|---------------|---------------------------|
| Market Price per Share (Note1) | Highest Market Price                | 25.55                            | 28.40         | 28.00                     |
|                                | Lowest Market Price                 | 20.50                            | 18.75         | 22.65                     |
|                                | Average Market Price                | 23.10                            | 23.46         | 25.29                     |
| Net Worth Per Share            | Before Distribution                 | 15.41                            | 16.16         | 14.65                     |
|                                | After Distribution                  | 14.11                            | 14.31 (Note5) | —                         |
| Earnings Per Share             | Weighted Average Share Numbers      | 3,587,475                        | 3,587,475     | 3,587,475                 |
|                                | Earnings Per Share                  | 1.54                             | 2.10          | 0.32                      |
| Dividends Per Share            | Cash Dividends                      |                                  | 1.30          | 1.85 (Note5)              |
|                                | Stock Dividend                      | Dividends from Retained Earnings | —             | —                         |
|                                |                                     | Dividends from Capital Surplus   | —             | —                         |
|                                | Accumulated Undistributed Dividends |                                  | —             | —                         |
| Return on Investment           | Price / Earnings Ratio (Note2)      |                                  | 15.00         | 11.17                     |
|                                | Price / Dividend Ratio (Note3)      |                                  | 17.77         | 12.68 (Note5)             |
|                                | Cash Dividend Yield Rate (Note4)    |                                  | 6%            | 8% (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 2020 dividend amount resolved by the Board on March 30, 2021

### 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           | 2016 | 2017 | 2018 | 2019 | 2020 |
|----------------|------|------|------|------|------|
| Cash Dividend  | 1.45 | 1.65 | 1.50 | 1.30 | 1.85 |
| 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 (2021) 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 2020 is NT\$ 675,529,321, and the remuneration of directors in 2020 is NT\$ 123,673,830, which are the same as the recognized expense amount in 2020.
- (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 2019, the relevant information on the employee and director remuneration is summarized below: Employee bonus distribution: NT\$ 424,704,269; director remuneration distribution: NT\$ 77,753,550 and the total distribution amount is NT\$ 502,457,819. It is the same as the recognized expense amount in 2019.

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 Depositary 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, as well as the assembly and sale of communication and digital assistant products, etc.

##### 2. Proportion of consolidated business

| Item \ Year | 2019    | 2020    |
|-------------|---------|---------|
| IT Product  | 99.18%  | 99.77%  |
| Others      | 0.82%   | 0.23%   |
| 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.

#### 4.1.2 Industry Overview

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

###### (1) Notebook computers

Although the delivery momentum of notebook computers globally has been slow in recent years, the demand for notebook computers surged in the second quarter due to the popularization of telecommuting and remote teaching caused by the global epidemic in 2020 (according to statistics from the Institute for Information Industry (III)). The purchase boom of notebook computers in the second half of the year remained strong due to the delayed delivery of orders caused by the shortage of some parts and components, as well as the increased demand for online entertainment and home economy due to the limitation of people's daily activities. In addition, notebook sales continued to flourish in the fourth quarter due to increased e-commerce and the Christmas shopping season. In 2020, shipments of notebook computers in Taiwan was about 161 million, a sharp increase of 24.81% from the previous year.

Looking to 2021, the COVID-19 epidemic is still not completely eliminated, so remote work, classes and online entertainment have become daily activities in many sectors. Although the demand for notebook computers remains optimistic, the serious shortage of materials has led to the postponement of orders. Moreover, transportation costs and time have increased significantly due to the impact of the epidemic, so it is still difficult for consumers to buy notebook computers. Affected by Covid-19, the global political environment and the unstable economic situation will become the norm and will test how major factories face the fluctuation of supply and demand in the short term, and the adjustment of the long-term global layout and supply chains.

(2) Servers and Cloud computing

In response to the demand of recent years to store large amounts of digital data, manufacturers from all around the world have successively joined the field of cloud computing and driven various innovative services. With the constant ramp-up of output value of the cloud industry as a whole, the number of companies investing in cloud services is increasing. The growth momentum of global servers is mainly from large data centers in the US. Meanwhile, telecom and internet service providers in mainland China are also growing, the demand for data processing and storage is rising, and shipments from mainland China data centers are continuously increasing.

In terms of server shipments in 2020, DIGITIMES Research analyzed that while shipments dropped sharply in the first quarter due to the Covid-19 outbreak, they peaked in the second quarter as the supply chain resumed normal operations. In the second half of the year, the high demand for cloud services due to remote working and learning continued as the global epidemic swept the globe, and the overall server market remained hot. It is estimated that shipments of servers increased by 7.9% year on year to 16 million units in 2020. Looking ahead to 2021, Covid-19 will continue having an impact on supply chain component acquisition, assembly and testing operations. However, the demand for large data centers for cloud services, online shopping, video and audio platforms will continue to expand in response to new lifestyles derived from the epidemic. In addition, the launch of new generation CPU platforms of two major brands will trigger a replacement trend, so server shipments worldwide will hopefully maintain growth momentum in 2021; volumes in Taiwan plants alone are expected to grow by nearly 6%.

(3) Smart device

According to data from the III, global shipments of smart phones in 2020 were around the 1.239 billion mark; a decrease of 13.7% compared to that in 2019. Affected by Covid-19, the supply chain was shut down for a period in the first half of the year and the subsequent supply of raw materials and components was tight. Countries also suffered at economic level and the demand for consumer products was severely impacted. Due to the low comparative base period, it is estimated that the number of smart phones globally will reach 1.352 billion in 2021, with an annual growth rate of 9.1%.

Furthermore, the increased emphasis on health surveillance and the need for close monitoring of health conditions due to the Covid-19 outbreak, coupled with the greater

reliance of consumers on smart watches and earwear devices for remote work, fitness activities and health tracking, have boosted sales of wearable devices. Wearables sales overall reached \$69 billion in 2020, up 49.3% from 2019, according to research firm Gartner, among which earwear devices topped the list, followed by smart watches. This market is expected to continue to grow to US \$81.5 billion in 2021; an annual increase of 18%.

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

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

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

### (1) Notebook computers

In the face of the highly competitive situation in the notebook computer market, brand manufacturers continue to launch products combining all kinds of new technology applications. As a highly mature product market, low prices are not the main consideration of consumers, but rather function and quality. In addition to the development of high-price and high-standard game e-sports notebook computers, mainstream ones of major manufacturers also actively introducing new applications such as dual screens, folding functions, 5G communications and AI chips. Niche products are one of the development priorities of notebook computers. After the COVID-19 epidemic, remote work environments are expected to become an important part of the future for governments, businesses and schools around the world, which is particularly beneficial to the development of the notebook computers market. Commercial computers focus on high efficiency, high endurance, light weight and good online ability. Additionally, the importance of asset security has been highlighted due to remote working. AI technology helps to improve asset security protection and optimize the user experience.

## (2) Server and cloud computing

As for cloud services, it also focuses on the development of emerging technologies with the continuous growth of demand in addition to the transfer of basic services. Meanwhile, hardware also needs to be improved so that software and hardware can be integrated to support the application of related technologies. To meet the needs of the cloud market, manufacturers are actively developing new technologies to meet this market demand, such as introducing edge computing driven by the development of 5G and the Internet of Things to solve real-time demand and apply blockchain technology gradually in commercial fields. Technologies such as AI, and Container and Quantum Computing are also subjects for sustainable development.

With the rise of large-scale data centers and white box servers, manufacturers are actively exploring new markets and customers, providing more value-added service solutions that rely on the excellent production base of terminal products, including storage, software and services as part of the overall server bundling model, all of which helps solve local data center hardware integration problems. To fulfill market demand, server computing capacity needs to be enhanced. A single CPU has been unable to meet the current computing market in recent years. A server with GPU (a graphics processor unit), FPGA (a field programmable logic gate array), and ASIC (a special application integrated circuit) has become the focus of development following the gradual increase in demand of the artificial intelligence computing market. This trend is also expected to increase the growth force of the overall cloud server market as demand for the construction of artificial intelligence server infrastructure grows.

## (3) Smart devices

Faced with a mature industry environment, smartphone manufacturers continue to improve hardware specifications and cost performance as part of the strategy to increase market share through lower-tier models. In terms of product line planning, hardware and software specifications are enhanced, while panel and memory specifications are continuously improved. Industrial competitiveness is not only reflected in the research and development of high-speed computing capabilities of basic products, but also through the introduction of new technologies such as 3D sensing, wireless and fast charging functions, AI chips and multi-lens configuration. Manufacturers are also actively engaged in the research and development of folding panels and 5G related technologies, which are expected to offer consumers a better experience.

In addition to the continuous development of wearable devices in watches, wireless earphones and head-mounted cameras, the application of related products in cross-industries are also expanding, such as heart rate sensors in sports and medical fields, noise reduction of hearing aids, and sleep measurement devices. In medical treatments, smart patches with non-invasive health monitoring and sensing is a growing rapidly area; devices can be applied on the surface of the skin to measure body vitals such as temperature, heartbeat, and blood glucose levels. Some products can even inject insulin for diabetic patients with better effects than other wearable devices; this is expected to become a new trend in the wearable device market in the future.

The development of 5G worldwide has brought a new wave of demand for the Internet of Things. Connectivity and remote-control terminals in the smart home is the future trend. Additionally, intelligent medical and automotive electronics will also gain new growth momentum. Since wearable devices can meet the needs of consumers in various markets and users are categorized into more and more detailed groups, the design and development of products are gradually diversified to present a small number of verified competitors. In the future, a company must have good product design, and production and marketing capabilities to gain an advantage in this market.

### 4.1.3 Overview of Technology and Research and Development

Table of research and development expenditure investment by the Group in the past two years

| Year                               | 2019      | 2020      |
|------------------------------------|-----------|-----------|
| R&D Expenses (Unit: NT\$ Thousand) | 9,523,033 | 9,715,204 |
| R&D Expenses to Revenue (%)        | 1.90      | 1.91      |
| Growth Rate (%)                    | 8.14      | 2.02      |

"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 research and development expenditure of the Group in the past two years reaching NT\$9.52 billion and NT\$9.72 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) Research and develop demand-oriented products and expand the depth and width of product research and development level.
  - (2) Starting with "innovation", "quality", "open mind" and "execution" management ideas, the Company's operation technology and management tools are integrated to improve business performance.
  - (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) Establish three technology development centers to deploy AI, Industry 4.0 and 5G.
  - (2) Combine industry trends, continue the transformation of laptops, and continue to develop four major areas (servers, industrial Internet of Things, smart devices, and smart homes).
  - (3) Focus on new business opportunities for long-term development; automotive electronics and medical care.
  - (4) Under omni-directional thinking, carry out enterprise innovation and strategic layout to achieve the goal of sustainable growth, protect employees' rights and interests, and implement corporate social responsibility.

## 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

Due to the Covid-19 outbreak, remote environments have become an important trend of the future of work. Compared to desktop computers, light and convenient notebook computers are more flexible and meet market preferences. The development of the notebook computer industry in Taiwan is strongly connected with global industrial development factors and deeply affected by the outsourcing strategy of customers. With

continuous emphasis on efficiency and specification improvement by major brands, Taiwan leads the world in design and manufacturing technology, and still has considerable advantages in contract manufacturing of mid-to-high end notebook computers. Moreover, due to their global operational capability, rapid response and economic scale, Taiwan OEM manufacturers are still commissioned with design and manufacturing contracts by international brands with a leading global market share. Adhering to the concept of continuous innovation, the Group has won customers' favor for its technical strength of notebook computer research and design by providing customers with a full range of product specifications, solutions, and services, and investing in a professional research and development team to drive excellent product design and quality assurance. By virtue of this excellent global operation and research service capacity, the most flexible production modes, and localization of customer production modes, it has become the world's leading manufacturer of notebook computers. Looking to 2021, the market remains uncertain due to Covid-19, and the consequential problem of component availability, which will affect the overall sales of notebook computers.

(2) Servers and Cloud computing

Cloud computing and mobile devices have developed rapidly in recent years, and the growing demand for new technology applications has promoted the growth of the whole cloud market. In addition to the traditional server business, manufacturers in Taiwan are actively accelerating transformation and upgrading to provide software and hardware integrated data center solutions in addition to hardware OEM, and are strengthening the competitiveness of the whole cloud data center market. The Group has actively developed cloud services for the past few years, focusing on the Internet of Things, big data and cloud technologies to promote the development of the industry. It also continues to further increase research and development investment to link servers and artificial intelligence to the Internet of Things. Furthermore, it has also introduced smart factories combined with 5G for the server production line, and carries out related solution development to continuously improve on its competitive advantages and business performance; paying particular attention to customer development and research and development. Recently, new platforms have been launched in two major CPU manufacturers and the long-distance demand brings business opportunities to the commercial, educational and consumer markets. It is expected that cloud computing demand will continue on this upward trajectory, and large data center servers will benefit. The future operation performance of the Group will continue to be enhanced.

### (3) Smart devices

The penetration rate of smart phones in the market is high and growth rate flat. The sales volume in the future will mainly depend on replacement trends when contracts expire or products fail, but growth momentum looks optimistic thanks to 5G mobile communication technology. With the introduction of 5G mobile phones, new products launched by brand manufacturers are gradually marked at affordable prices, which is conducive to further promoting the general public to upgrade 5G terminals and adopt services in the process of 5G commercialization. On the whole, the cooperative relationship between mobile phone brand manufacturers and OEM is stable, but both stakeholders need to pay close attention to market development trends to meet the challenge of intense competition. By continuously innovating customer value, the Group is committed to strengthening design, testing and manufacturing capabilities, and is actively integrating design and OEM processes. With the maturity of research and development, testing technology and product design capabilities, the Group will no doubt occupy a place in the field of smart phone manufacturing.

Smart wearable devices have grown significantly in recent years and come in various forms. Major brands are committed to designing wearable devices independent of smart phones, and are actively combining the data collected by wearable devices with user information. Suggestions to increase product differentiation and practicality will enhance its added value. Smart wearables, smart speakers, smart homes, and 5G modules and devices are expected to maintain steady growth in the next few years. With existing design and manufacturing advantages as well as long-term accumulated technology development and service experiences in the fields of intelligent terminal, broadband and acoustics from software to hardware, testing, verification, design, and production, intelligent devices and other application products produced can meet customer needs and create maximum value. In the future, the Group will continue to focus on new business opportunities for long-term development, such as smart home and medical care products, and aim to continue enterprise innovation and strategic planning to achieve sustainable growth goals.

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

#### (1) Favorable factors

##### A. Smart production becomes a trend

With the advent of the 5G era, 5G smart manufacturing is expected to provide faster and more flexible production capacity for the production line, which is a key business opportunity for the manufacturing industry to actively deploy. The Group continued to expand its resources, actively develop 5G private network system integration and architecture capabilities, and successfully transformed its manufacturing factory into a 5G smart factory. By combining Industry 4.0 and 5G applications, we will move towards building a global smart manufacturing factory.

##### 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 rapid expansion of low-cost computers, and the development of leading industry standards by suppliers and brand manufacturers, and the pulsation of mastering channels have squeezed downstream manufacturer profits.

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.

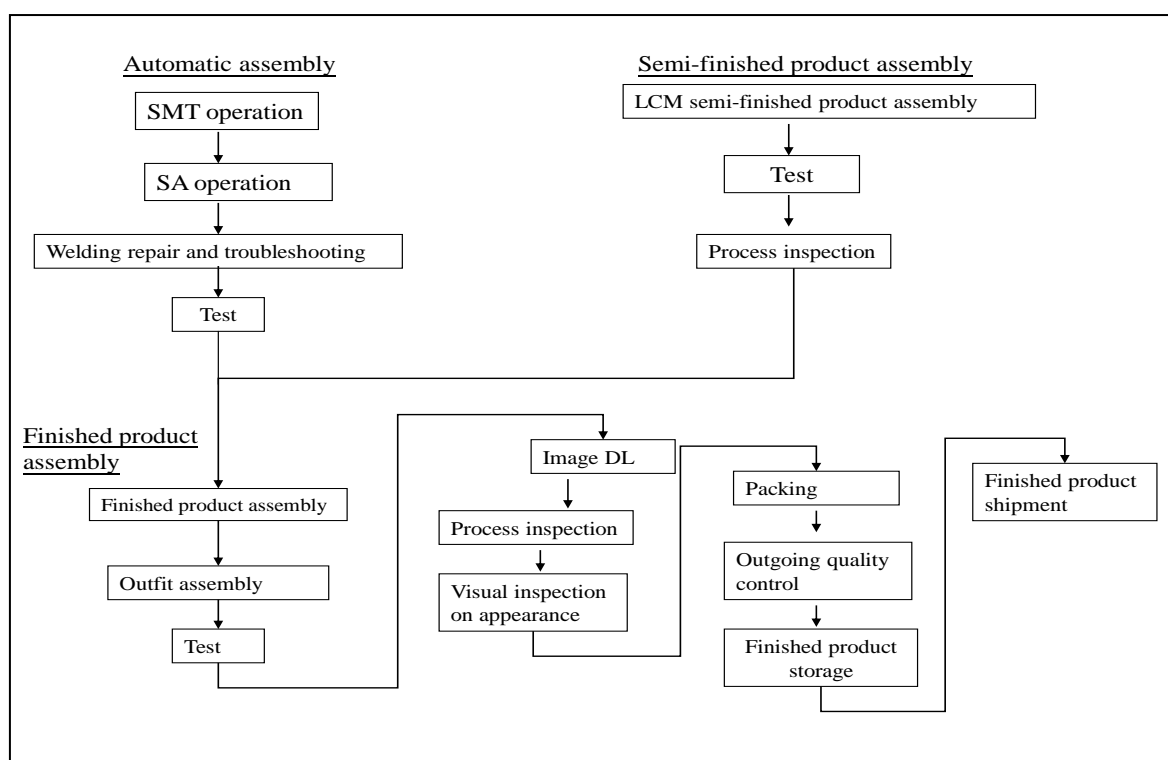
Solution: Most of the important components of the Company are purchased and imported overseas and priced with foreign currency, and the sales are mostly priced with foreign currency, which can naturally offset the impact of change of exchange rate on revenue and cost. Furthermore, taking currency hedging 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   | KIOXIA  | WD      |
|           | AMD   | BOE   | SAMSUNG | TOSHIBA |
|           | -     | INX   | WD      | SEAGATE |

## 4.2.4 Major Accounts in the Past Two Years

### A. Major Suppliers

Unit: NT\$ Thousand

|      | 2019                |             |                                   |                              | 2020                |             |                                   |                              | As of end of Q1, 2021 |             |                                   |                              |
|------|---------------------|-------------|-----------------------------------|------------------------------|---------------------|-------------|-----------------------------------|------------------------------|-----------------------|-------------|-----------------------------------|------------------------------|
| 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                   | 250,974,024 | 54                                | Nil                          | A                   | 256,448,318 | 52                                | Nil                          | A                     | 57,879,701  | 52                                | Nil                          |
| 2    | Others              | 213,631,093 | 46                                | -                            | Others              | 237,960,604 | 48                                | -                            | Others                | 53,236,560  | 48                                | -                            |
|      | Total Net Purchases | 464,605,117 | 100                               | -                            | Total Net Purchases | 494,408,922 | 100                               | -                            | Total Net Purchases   | 111,116,261 | 100                               | -                            |

### B. Major Clients

Unit: NT\$ Thousand

|      | 2019            |             |                               |                              | 2020            |             |                               |                              | As of end of Q1, 2021 |             |                               |                              |
|------|-----------------|-------------|-------------------------------|------------------------------|-----------------|-------------|-------------------------------|------------------------------|-----------------------|-------------|-------------------------------|------------------------------|
| 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               | 325,666,020 | 65                            | Nil                          | A               | 333,461,728 | 66                            | Nil                          | A                     | 74,512,281  | 67                            | Nil                          |
| 2    | Others          | 175,286,793 | 35                            | -                            | Others          | 174,832,470 | 34                            | -                            | Others                | 37,335,908  | 33                            | -                            |
|      | Total Net Sales | 500,952,813 | 100                           | -                            | Total Net Sales | 508,294,198 | 100                           | -                            | Total Net Sales       | 111,848,189 | 100                           | -                            |

## 4.2.5 Production Value in the Most Recent Years

Unit: 1,000 pcs, NT\$ Thousand

| Quantity and Value<br>Major Product | 2019     |          |             | 2020     |          |             |
|-------------------------------------|----------|----------|-------------|----------|----------|-------------|
|                                     | Capacity | Quantity | Value       | Capacity | Quantity | Value       |
| IT Product                          | 251,095  | 209,386  | 408,547,923 | 268,023  | 158,256  | 422,513,853 |
| Others                              | 254,087  | 181,396  | 4,201,914   | 129,600  | 45,437   | 1,367,828   |
| Total                               | 505,182  | 390,782  | 412,749,837 | 397,623  | 203,693  | 423,881,681 |

## 4.2.6 Sales Value in the Most Recent Years

Unit: 1,000 pcs, NT\$ Thousand

| Quantity and Value<br>Major Product | 2019     |           |          |             | 2020     |            |          |             |
|-------------------------------------|----------|-----------|----------|-------------|----------|------------|----------|-------------|
|                                     | Domestic |           | Export   |             | Domestic |            | Export   |             |
|                                     | Quantity | Value     | Quantity | Value       | Quantity | Value      | Quantity | Value       |
| IT Product                          | 5,989    | 8,091,536 | 265,901  | 488,746,660 | 7,094    | 32,249,613 | 444,605  | 474,864,408 |
| Others                              | 56,661   | 1,454,292 | 127,840  | 2,660,325   | 30,768   | 767,482    | 23,535   | 412,695     |
| Total                               | 62,650   | 9,545,828 | 393,741  | 491,406,985 | 37,862   | 33,017,095 | 468,140  | 475,277,103 |

## 4.3 Human Resources

| Year                           |                            | 2019   | 2020   | Up to<br>Mar. 31, 2021 |
|--------------------------------|----------------------------|--------|--------|------------------------|
| Employee<br>Number             | Direct Labor               | 33,995 | 20,637 | 19,625                 |
|                                | Indirect Labor             | 12,412 | 11,982 | 11,946                 |
|                                | Total                      | 46,407 | 32,619 | 31,509                 |
| Average Age                    |                            | 30.03  | 31.90  | 31.68                  |
| Average Seniority              |                            | 4.00   | 4.66   | 4.48                   |
| Education<br>Distribution<br>% | PhD Degree                 | 0.15%  | 0.15%  | 0.15%                  |
|                                | Master Degree              | 7.30%  | 7.65%  | 7.58%                  |
|                                | College                    | 33.96% | 33.20% | 32.72%                 |
|                                | High School<br>(and below) | 58.58% | 59.00% | 59.54%                 |

## **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 2020, the environmental protection expenditures of Inventec were more than TWD one hundred and forty 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 2020 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 (scope 2), as well as the project (scope 1 and 3)</p> <p>*Inventec strategies:</p> <ul style="list-style-type: none"> <li>•Develop low carbon products, encourage green development</li> <li>•Energy conversion performance, invest in renewable energy</li> <li>•Be dedicated to a low carbon environment and carbon reduction for all people</li> <li>•Promote clean production, implement a green factory</li> <li>•Connect with a circular</li> </ul> | <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<br/>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"> <li>1. Identify risk issues</li> <li>2.Determine material risks</li> <li>3.Identify opportunities</li> <li>4.Study mediation/adaptation measures</li> </ol> <p>*Mediation/adaptation management</p> <ul style="list-style-type: none"> <li>-Introduce ISO50001 energy management system</li> <li>-Encourage green development</li> <li>-Energy conversion performance</li> <li>-Green building management</li> <li>-Clean production</li> <li>- Expand sustainable supply chain management</li> </ul> <p>*Adaptation</p> <ul style="list-style-type: none"> <li>-Promote engineering technology</li> <li>-Acquire infrastructure</li> <li>-Develop low carbon products</li> <li>-Invest in renewable energy</li> </ul> | <p>*Greenhouse gas physical taking indicator<br/>Disclose greenhouse gas emissions (scope 1, 2, and 3)</p> <p>*Science-based reduction target:<br/>With the benchmark year 2015, the target is to reduce 37.5% of greenhouse gas emissions in scope 1 and 2 in 2030<br/>With the benchmark year 2020, the target is to reduce 37.5% of greenhouse gas emissions in scope 3 in 2035</p> <p>*Reclaimable energy target<br/>Expand reclaimable energy conversion facilities to continuously increase reclaimable energy by 5%</p> <p>*Energy saving target<br/>-HQ energy saving (EUI)<br/>With the benchmark year 2014, the unit area electric consumption will be reduced by 10% in 2024.</p> <p>-Energy saving for information center control room (PUE)<br/>With the benchmark year 2019, the target is to reduce 11% by 2025.</p> <p>-Plant energy saving (EI)<br/>With the benchmark year 2018, the target is to reduce 5% by 2025.</p> <p>*Water resources management target<br/>Taking 2012 as the base year, water intensity will be reduced by 24% by 2024.</p> <p>*Waste management target<br/>Taking 2014 as the base year, waste will be reduced by 25% by 2025.</p> <p>*Product energy saving design target<br/>-Computers Specification Version 8.0 25%</p> |

|  |                               |  |  |
|--|-------------------------------|--|--|
|  | economy, promote green living |  | <p>The energy saving design target for notebooks: the energy use efficiency shall be 25% higher than the latest ENERGY STAR Computers Specification Version 8.0</p> <p>-Server energy saving design target: the energy use efficiency meets ENERGY STAR Computer Servers Specification Version 3.0</p> |
|--|-------------------------------|--|--|

To ensure the enterprise's sustainable development, Inventec continuously optimizes existing whole green 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 2020 was 5,392,295 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 to 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.

The Company has acquired all kinds of certifications in safety, health, and environment energy systems, including "TOSHMS Taiwan Occupational Safety and Health Management System", "ISO-45001 International Occupational Health and Safety Assessment Series", "ISO-14001 Environmental Management System", and "ISO-50001 Energy Management System" certification. 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 (ISO 45001), taking them as the highest criteria for guaranteeing employees' work safety.
2. 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.
3. 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.

4. 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.
5. 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.
6. 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.
7. Hazard risk assessment identification: Pursuant to the Taiwan Occupational Safety and Health Management System "TOSHMS" and International Occupational Health and Safety Assessment Series "ISO 45001", 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.
8. 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.
9. 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.

10. 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.
11. 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 2020, the expenditures related to employee training were NT\$7,812,039, and the total training hours were 61,991 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.**

No violations were detected in labor inspections in 2020. There were two violations of the Labor Standard Law in 2021 (the date of disciplinary action was 2021/01/12 (Beishi Labor No. 10961190201), and the violation of regulations fall under Item 2 of Article 32 of the Labor Standard Law; and Item 1 of Article 24 of the Labor Standard Law). 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 |
| Syndicated Loans Contract     | Syndicated Loans banks             | 2020/10/14~2022/10/13. An extension of three years may be applied for in writing within nine months from the date of signing the contract to three months before the expiration of the contract. Such an extension may only be implemented once. | 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

Unit: NT\$ Thousands

| Year<br>Item                                  |                     | Five-Year Financial Summary |             |             |             |             | 01/01/2021<br>~3/31/2021 |
|---|---------------------|-----------------------------|-------------|-------------|-------------|-------------|--------------------------|
|   |                     | 2016                        | 2017        | 2018        | 2019        | 2020        |                          |
| Current Assets                                |                     | 136,793,121                 | 168,324,564 | 167,904,434 | 152,167,709 | 173,469,952 | 177,171,452              |
| Property, Plant and Equipment                 |                     | 38,666,219                  | 33,351,252  | 30,324,516  | 30,729,458  | 28,004,583  | 27,975,741               |
| Intangible Assets                             |                     | 890,024                     | 892,416     | 885,307     | 880,774     | 875,801     | 925,498                  |
| Other Assets                                  |                     | 6,023,853                   | 6,199,595   | 6,689,665   | 9,314,912   | 11,811,101  | 11,550,531               |
| Total Assets                                  |                     | 182,373,217                 | 208,767,827 | 205,803,922 | 193,092,853 | 214,161,437 | 217,623,222              |
| Current Liabilities                           | Before Distribution | 115,082,956                 | 142,830,554 | 140,692,415 | 127,046,276 | 140,543,688 | 152,152,447              |
|   | After Distribution  | 120,284,795                 | 148,749,888 | 146,073,628 | 131,709,994 | 147,180,517 | -                        |
| Non-Current Liabilities                       |                     | 6,782,999                   | 7,006,659   | 7,389,990   | 9,075,349   | 15,727,006  | 13,066,625               |
| Total Liabilities                             | Before Distribution | 121,865,955                 | 149,837,213 | 148,082,405 | 136,121,625 | 156,270,694 | 165,219,072              |
|   | After Distribution  | 127,067,794                 | 155,756,547 | 153,463,618 | 140,785,343 | 162,907,523 | -                        |
| Total Equity Attributable to Owners of Parent |                     | 54,792,873                  | 55,682,837  | 55,364,481  | 55,271,148  | 57,984,659  | 52,567,564               |
| Share Capital                                 |                     | 35,874,751                  | 35,874,751  | 35,874,751  | 35,874,751  | 35,874,751  | 35,874,751               |
| Capital Surplus                               |                     | 2,913,096                   | 2,912,889   | 2,913,461   | 2,913,461   | 2,899,284   | 2,899,284                |
| Retained Earnings                             | Before Distribution | 15,486,313                  | 17,002,536  | 18,223,198  | 18,304,941  | 21,112,549  | 15,620,439               |
|   | After Distribution  | 10,284,474                  | 11,083,202  | 12,841,985  | 13,641,223  | 14,475,720  | -                        |
| Other Equity Interest                         |                     | 518,713                     | -107,546    | -1,646,357  | -1,822,005  | -1,901,925  | -1,826,910               |
| Treasury Stock                                |                     | -                           | -           | -           | -           | -           | -                        |
| Non-Controlling Interests                     |                     | 5,714,389                   | 3,247,777   | 2,357,036   | 1,700,080   | -93,916     | -163,414                 |
| Total Equity                                  | Before Distribution | 60,507,262                  | 58,930,614  | 57,721,517  | 56,971,228  | 57,890,743  | 52,404,150               |
|   | After Distribution  | 55,305,423                  | 53,011,280  | 52,340,304  | 52,307,510  | 51,253,914  | -                        |

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 of item “After Distribution” was resolved by the Board on March 30, 2021.

Five Year Financial Summary - Individual Balance Sheet

Unit: NT\$ Thousands

| <div> <div>Year</div> <div>Item</div> </div>  |                     | Five-Year Financial Summary |             |             |             |             |
|---|---------------------|-----------------------------|-------------|-------------|-------------|-------------|
|   |                     | 2016                        | 2017        | 2018        | 2019        | 2020        |
| Current Assets                                |                     | 99,131,197                  | 106,190,186 | 136,725,056 | 131,882,962 | 154,010,745 |
| Property, Plant and Equipment                 |                     | 12,310,646                  | 12,407,998  | 11,531,196  | 13,225,283  | 13,535,629  |
| Intangible Assets                             |                     | 73,653                      | 80,691      | 74,619      | 71,210      | 66,262      |
| Other Assets                                  |                     | 35,829,227                  | 35,076,031  | 31,350,762  | 31,071,775  | 38,630,013  |
| Total Assets                                  |                     | 147,344,723                 | 153,754,906 | 179,681,633 | 176,251,230 | 206,242,649 |
| Current Liabilities                           | Before Distribution | 87,388,360                  | 92,865,658  | 119,029,566 | 116,006,733 | 135,951,357 |
|   | After Distribution  | 92,590,199                  | 98,784,992  | 124,410,779 | 120,670,451 | 142,588,186 |
| Non-current liabilities                       |                     | 5,163,490                   | 5,206,411   | 5,287,586   | 4,973,349   | 12,306,633  |
| Total Liabilities                             | Before Distribution | 92,551,850                  | 98,072,069  | 124,317,152 | 120,980,082 | 148,257,990 |
|   | After Distribution  | 97,753,689                  | 103,991,403 | 129,698,365 | 125,643,800 | 154,894,819 |
| Total Equity Attributable to Owners of Parent |                     | 54,792,873                  | 55,682,837  | 55,364,481  | 55,271,148  | 57,984,659  |
| Share Capital                                 |                     | 35,874,751                  | 35,874,751  | 35,874,751  | 35,874,751  | 35,874,751  |
| Capital Surplus                               |                     | 2,913,096                   | 2,913,096   | 2,912,889   | 2,913,461   | 2,899,284   |
| Retained Earnings                             | Before Distribution | 15,486,313                  | 17,002,536  | 18,223,198  | 18,304,941  | 21,112,549  |
|   | After Distribution  | 10,284,474                  | 11,083,202  | 12,841,985  | 13,641,223  | 14,475,720  |
| Other Equity Interest                         |                     | 518,713                     | -107,546    | -1,646,357  | -1,822,005  | -1,901,925  |
| Treasury Stock                                |                     | -                           | -           | -           | -           | -           |
| Non-Controlling Interests                     |                     | -                           | -           | -           | -           | -           |
| Total Equity                                  | Before Distribution | 54,792,873                  | 55,682,837  | 55,364,481  | 55,271,148  | 57,984,659  |
|   | After Distribution  | 49,591,034                  | 49,763,503  | 49,983,268  | 50,607,430  | 51,347,830  |

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

Note 2: The amount of item “After Distribution” was resolved by the Board on March 30, 2021.

## 5.1.2 Five Year Financial Summary-Consolidated Statement of Comprehensive Income

Unit: NT\$ Thousands

| Item \ Year  | Five-Year Financial Summary |             |             |             |             | 01/01/2021<br>~<br>03/31/2021 |
|--|-----------------------------|-------------|-------------|-------------|-------------|-------------------------------|
|  | 2016                        | 2017        | 2018        | 2019        | 2020        |                               |
| Sales Revenues   | 428,466,015                 | 467,512,347 | 506,884,018 | 500,952,813 | 508,294,198 | 111,848,189                   |
| Gross Profit from Operation                                    | 23,957,770                  | 25,039,143  | 23,881,584  | 22,831,095  | 21,112,917  | 5,120,184                     |
| Operating Profit   | 8,184,463                   | 8,729,569   | 7,490,715   | 6,403,495   | 4,441,086   | 981,348                       |
| Non-Operating Income and Expenses                              | -1,094,554                  | -1,543,121  | 642,547     | 105,566     | 5,904,619   | 423,881                       |
| Profit before Income Tax                                       | 7,089,909                   | 7,186,448   | 8,133,262   | 6,509,061   | 10,345,705  | 1,405,229                     |
| Profit for the Period  | 4,971,373                   | 4,337,038   | 5,318,996   | 4,836,997   | 6,572,978   | 1,077,147                     |
| Loss from Discontinued Operations                              | -                           | -           | -           | -           | -           | -                             |
| Profit (Loss) for the Period                                   | 4,971,373                   | 4,337,038   | 5,318,996   | 4,836,997   | 6,572,978   | 1,077,147                     |
| Other Comprehensive Income (Loss) for the Period, Net of Tax   | -2,315,310                  | -659,830    | -914,777    | -252,094    | -152,304    | 73,089                        |
| Total Comprehensive Income for the Period                      | 2,656,063                   | 3,677,208   | 4,404,219   | 4,584,903   | 6,420,674   | 1,150,236                     |
| Profit Attributable to Owners of Parent                        | 5,637,120                   | 6,754,912   | 6,499,856   | 5,507,960   | 7,547,985   | 1,144,719                     |
| Profit Attributable to Non-Controlling Interests               | -665,747                    | -2,417,874  | -1,180,860  | -670,963    | -975,007    | -67,572                       |
| Comprehensive Income Attributable to Owners of Parent          | 3,334,322                   | 6,091,803   | 5,599,822   | 5,287,308   | 7,391,406   | 1,219,734                     |
| Comprehensive Income Attributable to Non-Controlling Interests | -678,259                    | -2,414,595  | -1,195,603  | -702,405    | -970,732    | -69,498                       |
| Basic Earnings Per Share                                       | 1.57                        | 1.88        | 1.81        | 1.54        | 2.10        | 0.32                          |

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 |             |             |             |             |
|--|-----------------------------|-------------|-------------|-------------|-------------|
|  | 2016                        | 2017        | 2018        | 2019        | 2020        |
| Sales Revenues   | 308,709,688                 | 323,126,751 | 348,798,356 | 357,462,052 | 407,434,848 |
| Gross Profit from Operation                                    | 12,856,696                  | 14,062,611  | 14,045,103  | 12,523,082  | 11,783,972  |
| Operating Profit   | 5,219,930                   | 5,558,554   | 5,607,826   | 3,619,693   | 2,259,187   |
| Non-Operating Income and Expenses                              | 1,305,987                   | 2,353,134   | 1,984,074   | 2,411,761   | 7,334,369   |
| Profit before Income Tax                                       | 6,525,917                   | 7,911,688   | 7,591,900   | 6,031,454   | 9,593,556   |
| Profit for the Period  | 5,637,120                   | 6,754,912   | 6,499,856   | 5,507,960   | 7,547,985   |
| Loss from Discontinued Operations                              | -                           | -           | -           | -           | -           |
| Profit (Loss) for the Period                                   | 5,637,120                   | 6,754,912   | 6,499,856   | 5,507,960   | 7,547,985   |
| Other Comprehensive Income (Loss) for the Period, Net of Tax   | -2,302,798                  | -663,109    | -900,034    | -220,652    | -156,579    |
| Total Comprehensive Income for the Period                      | 3,334,322                   | 6,091,803   | 5,599,822   | 5,287,308   | 7,391,406   |
| Profit Attributable to Owners of Parent                        | 5,637,120                   | 6,754,912   | 6,499,856   | 5,507,960   | 7,547,985   |
| Profit Attributable to Non-Controlling Interests               | -                           | -           | -           | -           | -           |
| Comprehensive Income Attributable to Owners of Parent          | 3,334,322                   | 6,091,803   | 5,599,822   | 5,287,308   | 7,391,406   |
| Comprehensive Income Attributable to Non-Controlling Interests | -                           | -           | -           | -           | -           |
| Basic Earnings Per Share                                       | 1.57                        | 1.88        | 1.81        | 1.54        | 2.10        |

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                                    |
|------|----------|----------------------------------|------------------|--|
| 2016 | KPMG     | Chen, Ying-Ju and Yang, Liu-Fong | Unqualified      |  |
| 2017 | KPMG     | Lin, Wan-Wan and Yang, Liu-Fong  | Unqualified      | Internal Adjustment in the Accounting Firm |
| 2018 | KPMG     | Lin, Wan-Wan and Yang, Liu-Fong  | Unqualified      |  |
| 2019 | KPMG     | Lin, Wan-Wan and Yang, Liu-Fong  | Unqualified      |  |
| 2020 | KPMG     | Lin, Wan-Wan and Yang, Liu-Fong  | Unqualified      |  |

## 5.2 Five-Year Financial Analysis

| Item \ Year           |   | Five-Year Financial Analysis |        |        |        |        | 01/01/2021~<br>03/31/2021 |
|-----------------------|---|------------------------------|--------|--------|--------|--------|---------------------------|
|                       |   | 2016                         | 2017   | 2018   | 2019   | 2020   |                           |
| Capital structure (%) | Debt ratio  | 66.82                        | 71.77  | 71.95  | 70.50  | 72.97  | 75.92                     |
|                       | Ratio of long-term capital to property, plant and equipment | 174.03                       | 197.71 | 214.72 | 214.93 | 262.88 | 234.03                    |
| Solvency (%)          | Current ratio   | 118.86                       | 117.85 | 119.34 | 119.77 | 123.43 | 116.44                    |
|                       | Quick ratio   | 90.95                        | 89.96  | 88.69  | 90.28  | 93.85  | 86.43                     |
|                       | Times interest earned (Times)                               | 12.83                        | 6.25   | 5.60   | 4.70   | 10.81  | 9.46                      |
| Operating ability     | Accounts receivable turnover (Times)                        | 6.48                         | 6.22   | 5.92   | 5.54   | 5.63   | 4.99                      |
|                       | Average collection period                                   | 56                           | 59     | 62     | 66     | 65     | 73                        |
|                       | Inventory turnover (Times)                                  | 12.60                        | 11.82  | 11.21  | 11.32  | 11.81  | 9.46                      |
|                       | Accounts payable turnover (Times)                           | 6.34                         | 6.22   | 6.45   | 6.47   | 6.69   | 5.63                      |
|                       | Average days in sales                                       | 28.96                        | 30.87  | 32.56  | 32.24  | 30.90  | 38.58                     |
|                       | Property, plant, and equipment turnover (Times)             | 11.08                        | 14.02  | 16.72  | 16.30  | 18.15  | 15.99                     |
|                       | Total assets turnover (Times)                               | 2.35                         | 2.24   | 2.46   | 2.59   | 2.37   | 2.06                      |
| Profitability         | Return on total assets (%)                                  | 3.05                         | 2.80   | 3.25   | 3.13   | 3.64   | 2.24                      |
|                       | Return on stockholders' equity (%)                          | 8.06                         | 7.26   | 9.12   | 8.43   | 11.45  | 7.81                      |
|                       | To pay-in Capital (%)                                       | Operating income             | 22.81  | 24.33  | 20.88  | 17.85  | 12.38                     |
|                       |   | PBT                          | 19.76  | 20.03  | 22.67  | 18.14  | 28.84                     |
|                       | Net profit margin (%)                                       | 1.16                         | 0.93   | 1.05   | 0.97   | 1.29   | 0.96                      |
|                       | Basic earnings per share (\$)                               | 1.57                         | 1.88   | 1.81   | 1.54   | 2.10   | 0.32                      |
| Cash flow             | Cash flow ratio (%)   | 7.58                         | 1.59   | -3.93  | 9.64   | 3.08   | 2.50                      |
|                       | Cash flow adequacy ratio (%)                                | 115.45                       | 73.92  | 33.25  | 49.19  | 29.74  | 29.82                     |
|                       | Cash reinvestment ratio (%)                                 | 0.03                         | -0.03  | -0.11  | 0.06   | -0.00  | 0.04                      |
| Leverage              | Operating leverage  | 2.51                         | 2.93   | 4.72   | 6.01   | 5.59   | 3.62                      |
|                       | Financial leverage  | 1.08                         | 1.19   | 1.31   | 1.38   | 1.31   | 1.20                      |

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

1. Ratio of long-term capital to property, plant and equipment: Mainly due to the growth of revenue and increase of long-term liabilities.
2. Times interest earned: Mainly due to the decrease in capital costs and increase of net profit before tax in the current period.
3. Return on stockholders' equity: This has mainly been caused by the increase in net gains on financial assets (liabilities) measured at fair value through profit or loss, and gain on disposal of property, plant and equipment.
4. Operating income to pay-in capital: Mainly due to the influence of COVID-19, the decrease in operating margin ratio.
5. PBT to pay-in capital: This has mainly been caused by the increase in net gains on financial assets (liabilities) measured at fair value through profit or loss, and gain on disposal of property, plant and equipment.
6. Net profit margin: This has mainly been caused by the increase in net gains on financial assets (liabilities) measured at fair value through profit or loss, and gain on disposal of property, plant and equipment.
7. Basic earnings per share: This has mainly been caused by the increase in net gains on financial assets (liabilities) measured at fair value through profit or loss, and gain on disposal of property, plant and equipment.
8. Cash flow ratio: The decrease in operating cash flow is mainly due to the tight supply of raw materials and prosperous shipments, strategic material preparation in line with customer demand, and the payment of accounts payable.
9. Cash flow adequacy ratio: The decrease in operating cash flow is mainly due to the tight supply of raw materials and prosperous shipments, strategic material preparation in line with customer demand, and the payment of accounts payable.
10. Cash reinvestment ratio: The decrease in operating cash flow is mainly due to the tight supply of raw materials and prosperous shipments, strategic material preparation in line with customer demand, and the payment of accounts payable.

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

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

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

Note4: Equations:

(1). Capital Structure:

Debt ratio = Total liability / Total assets

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

(2). Solvency:

Current ratio = Current assets / Current liability

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

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

(3). Operating ability:

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

Days sales in accounts receivable = 365 / Account receivable turnover

Inventory turnover = Cost of goods sold / Average inventory amount

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

Average days in sales = 365 / Inventory turnover

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

Total assets turnover = Net sales / Average total assets

(4). Profitability:

Return on assets = [ Net income (loss) + Interest expense × ( 1 – Tax rate ) ] / Average total assets

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

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

Profit ratio = Net income (loss) / Net sales

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

(5). Cash flow:

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

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

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

(6). Leverage:

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

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

### Five-Year Individual Financial Analysis

| <div> <div></div> <div>Item</div> <div>Year</div> </div> |   |                  | Five-Year Financial Analysis |        |        |        |        |
|--|---|------------------|------------------------------|--------|--------|--------|--------|
|  |   |                  | 2016                         | 2017   | 2018   | 2019   | 2020   |
| Capital structure (%)                                    | Debt ratio  |                  | 62.81                        | 63.78  | 69.19  | 68.64  | 71.89  |
|  | Ratio of long-term capital to property, plant and equipment |                  | 487.03                       | 490.73 | 525.98 | 455.53 | 519.31 |
| Solvency ( % )   | Current ratio   |                  | 113.44                       | 114.35 | 114.87 | 113.69 | 113.28 |
|  | Quick ratio   |                  | 112.59                       | 111.78 | 112.98 | 110.31 | 111.47 |
|  | Times interest earned (Times)                               |                  | 18.25                        | 11.73  | 7.59   | 6.00   | 14.47  |
| Operating ability  | Accounts receivable turnover (Times)                        |                  | 5.66                         | 5.01   | 4.76   | 4.72   | 5.06   |
|  | Average collection period                                   |                  | 64                           | 73     | 77     | 77     | 72     |
|  | Inventory turnover (Times)                                  |                  | 378.68                       | 198.41 | 144.21 | 111.91 | 123.89 |
|  | Accounts payable turnover (Times)                           |                  | 5.43                         | 5.10   | 4.91   | 4.52   | 4.72   |
|  | Average days in sales                                       |                  | 0.96                         | 1.84   | 2.53   | 3.26   | 2.95   |
|  | Property, plant, and equipment turnover (Times)             |                  | 25.08                        | 26.04  | 30.25  | 27.03  | 30.10  |
|  | Total assets turnover (Times)                               |                  | 2.10                         | 2.10   | 1.94   | 2.03   | 1.98   |
| Profitability  | Return on total assets (%)                                  |                  | 4.20                         | 4.89   | 4.45   | 3.64   | 4.24   |
|  | Return on stockholders' equity (%)                          |                  | 10.13                        | 12.23  | 11.71  | 9.96   | 13.33  |
|  | To pay-in Capital (%)                                       | Operating income | 14.55                        | 15.49  | 15.63  | 10.09  | 6.30   |
|  |   | PBT              | 18.19                        | 22.05  | 21.16  | 16.81  | 26.74  |
|  | Net profit margin (%)                                       |                  | 1.83                         | 2.09   | 1.86   | 1.54   | 1.85   |
|  | Basic earnings per share (\$)                               |                  | 1.57                         | 1.88   | 1.81   | 1.54   | 2.10   |
| Cash flow  | Cash flow ratio (%)   |                  | 19.19                        | -4.91  | -5.93  | 12.88  | -0.52  |
|  | Cash flow adequacy ratio (%)                                |                  | 142.21                       | 83.50  | 75.93  | 83.15  | 46.29  |
|  | Cash reinvestment ratio (%)                                 |                  | 0.19                         | -0.15  | -0.20  | 0.15   | -0.07  |
| Leverage   | Operating leverage  |                  | 2.71                         | 3.09   | 4.34   | 7.58   | 8.82   |
|  | Financial leverage  |                  | 1.08                         | 1.15   | 1.26   | 1.50   | 1.46   |

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: Mainly due to the decrease in capital costs and increase of net profit before tax in the current period.
2. Return on stockholders' equity: This has mainly been caused by the increase in share of loss of subsidiaries, associates and joint ventures accounted for using equity method.
3. Operating income to pay-in capital: Mainly due to the influence of COVID-19, the decrease in operating margin ratio.
4. PBT to pay-in capital: This has mainly been caused by the increase in share of loss of subsidiaries, associates and joint ventures accounted for using equity method.
5. Net profit margin: This has mainly been caused by the increase in Share of loss of subsidiaries, associates and joint ventures accounted for using equity method.
6. Basic earnings per share: This has mainly been caused by the increase in Share of loss of subsidiaries, associates and joint ventures accounted for using equity method.
7. Cash flow ratio: The decrease in operating cash flow is mainly due to the tight supply of raw materials and prosperous shipments, strategic material preparation in line with customer demand, and the payment of accounts payable.
8. Cash flow adequacy ratio: The decrease in operating cash flow is mainly due to the tight supply of raw materials and prosperous shipments, strategic material preparation in line with customer demand, and the payment of accounts payable.
9. Cash reinvestment ratio: The decrease in operating cash flow is mainly due to the tight supply of raw materials and prosperous shipments, strategic material preparation in line with customer demand, and the payment of accounts payable.

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

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

## **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 2020 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 30, 2021

## **5.4 Individual Financial Statements for the Years Ended December 31, 2020 and 2019, and Independent Auditors' Report**

Please refer to Appendix I .

## **5.5 Consolidated Financial Statements for the Years Ended December 31, 2020 and 2019, and Independent Auditors' Report**

Please refer to Appendix II.

## **5.6 The Effect on Company or its Affiliates have Experienced Financial Difficulties:**

In 2020, reinvestment company, Inventec Solar Energy Corporation entered into bank credit and debit negotiations for a loan repayment period extension of long-term and short-term loans by one year. On June 10, 2020, Inventec obtained the approval of more than half of the total debt amount of the creditor bank. The extension period ends on May 31, 2021. In 2021, the bank filed another application for bank creditor and debt negotiation, but it was unsuccessful as of the date of publication of the annual report.

## 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                                   | 2020        | 2019        | Difference |        |
|---|-------------|-------------|------------|--------|
|   |             |             | Amount     | %      |
| Current assets                                | 173,469,952 | 152,167,709 | 21,302,243 | 14.00% |
| Property, plant and equipment                 | 28,004,583  | 30,729,458  | -2,724,875 | -8.87% |
| Intangible assets                             | 875,801     | 880,774     | -4,973     | -0.56% |
| Other assets                                  | 11,811,101  | 9,314,912   | 2,496,189  | 26.80% |
| Total assets                                  | 214,161,437 | 193,092,853 | 21,068,584 | 10.91% |
| Current liabilities                           | 140,543,688 | 127,046,276 | 13,497,412 | 10.62% |
| Non-current liabilities                       | 15,727,006  | 9,075,349   | 6,651,657  | 73.29% |
| Total liabilities                             | 156,270,694 | 136,121,625 | 20,149,069 | 14.80% |
| Share capital                                 | 35,874,751  | 35,874,751  | -          | -      |
| Capital surplus                               | 2,899,284   | 2,913,461   | -14,177    | -0.49% |
| Retained earnings                             | 21,112,549  | 18,304,941  | 2,807,608  | 15.34% |
| Total equity attributable to owners of parent | 57,984,659  | 55,271,148  | 2,713,511  | 4.91%  |

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 Non-current financial assets at fair value through other comprehensive income.
2. Non-current liabilities: Mainly due to the revenue growth and increase in long-term borrowings

### 6.1.2. Individual

Unit: NT\$Thousand

| Item \ Year                  | 2020        | 2019        | Difference |         |
|------------------------------|-------------|-------------|------------|---------|
|                              |             |             | Amount     | %       |
| Current assets               | 154,010,745 | 131,882,962 | 22,127,783 | 16.78%  |
| Property, plant and quipment | 13,535,629  | 13,225,283  | 310,346    | 2.35%   |
| Intangible assets            | 66,262      | 71,210      | -4,948     | -6.95%  |
| Other assets                 | 38,630,013  | 31,071,775  | 7,558,238  | 24.33%  |
| Total assets                 | 206,242,649 | 176,251,230 | 29,991,419 | 17.02%  |
| Current liabilities          | 135,951,357 | 116,006,733 | 19,944,624 | 17.19%  |
| Non-current liabilities      | 12,306,633  | 4,973,349   | 7,333,284  | 147.45% |
| Total liabilities            | 148,257,990 | 120,980,082 | 27,277,908 | 22.55%  |
| Share capital                | 35,874,751  | 35,874,751  | -          | -       |
| Capital surplus              | 2,899,284   | 2,913,461   | -14,177    | -0.49%  |
| Retained earnings            | 21,112,549  | 18,304,941  | 2,807,608  | 15.34%  |
| Total equity                 | 57,984,659  | 55,271,148  | 2,713,511  | 4.91%   |

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 investments accounted for using equity method.
2. Non-current liabilities: Mainly due to the revenue growth and increase in long-term borrowings

### 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   | 2020         | 2019         | Amount changed | Change percentage (%) |
|---|--------------|--------------|----------------|-----------------------|
|   | Amount       | Amount       |                |                       |
| Gross Sales Revenue                                       | 508,294,198  | 500,952,813  | 7,341,385      | 1.47%                 |
| Less : Sales Discounts and Allowances                     | -            | -            | -              | -                     |
| Net Sales Revenue   | 508,294,198  | 500,952,813  | 7,341,385      | 1.47%                 |
| Operating Costs   | -487,181,281 | -478,121,718 | -9,059,563     | 1.89%                 |
| Gross Profit from Operation                               | 21,112,917   | 22,831,095   | -1,718,178     | -7.53%                |
| Operating Expense   | -16,671,831  | -16,427,600  | -244,231       | 1.49%                 |
| Operating Profit  | 4,441,086    | 6,403,495    | -1,962,409     | -30.65%               |
| Non-operating Income and Expense                          | 5,904,619    | 105,566      | 5,799,053      | -5493.30%             |
| Income from Operations of continued segments - before tax | 10,345,705   | 6,509,061    | 3,836,644      | 58.94%                |
| Less: Income Tax (Expense)                                | -3,772,727   | -1,672,064   | -2,100,663     | 125.63%               |
| Profit attributable to owners of parent                   | 7,547,985    | 5,507,960    | 2,040,025      | 37.04%                |
| Profit attributable to non-controlling interests          | -975,007     | -670,963     | -304,044       | 45.31%                |
| Income from Operations of continued segments - after tax  | 6,572,978    | 4,836,997    | 1,735,981      | 35.89%                |

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

1. Operating Profit: Mainly due to the influence of COVID-19, the rise in operating costs and decrease in operating margins.
2. Non-operating Income and Expense: This has mainly been caused by the increase in net gains (losses) on financial assets (liabilities) measured at fair value through profit or loss, and gain on disposal of property, plant and equipment.
3. Income from Operations of Continued Segments - Before tax: This has mainly been caused by the increase in non-operating Income.
4. Income Tax: This has mainly been caused by the increase in the pre-tax net profit of the continuous business department.
5. Profit Attributable to Owners of Parent: This has mainly been caused by the increase in the pre-tax net profit of the continuous business department.
6. Profit Attributable to Non-Controlling Interests: This has mainly been caused by the increase in asset impairment.
7. Income from Operations of Continued Segments - After Tax: This has mainly been caused by the increase in the pre-tax net profit of the continuous business department.

## Individual

Unit: NT\$ Thousand

| Item \ Year   | 2020         | 2019         | Amount changed | Change percentage (%) |
|---|--------------|--------------|----------------|-----------------------|
|   | Amount       | Amount       |                |                       |
| Gross Sales Revenue                                       | 407,434,848  | 357,462,052  | 49,972,796     | 13.98%                |
| Less : Sales Discounts and Allowances                     | -            | -            | -              | -                     |
| Net Sales Revenue   | 407,434,848  | 357,462,052  | 49,972,796     | 13.98%                |
| Operating Costs   | -395,650,876 | -344,938,970 | -50,711,906    | 14.70%                |
| Gross Profit from operation                               | 11,783,972   | 12,523,082   | -739,110       | -5.90%                |
| Less : Unrealized Profit(Loss) from Sales                 | -11,807      | -14,174      | 2,367          | -16.70%               |
| Plus : Realized Profit(Loss) from Sales                   | 14,174       | 18,889       | -4,715         | -24.96%               |
| Realized Gross Profit from operation                      | 11,786,339   | 12,527,797   | -741,458       | -5.92%                |
| Operating Expense   | -9,527,152   | -8,908,104   | -619,048       | 6.95%                 |
| Operating Profit  | 2,259,187    | 3,619,693    | -1,360,506     | -37.59%               |
| Non-operating Income and Expense                          | 7,334,369    | 2,411,761    | 4,922,608      | 204.11%               |
| Income from operations of continued segments - before tax | 9,593,556    | 6,031,454    | 3,562,102      | 59.06%                |
| Less: Income Tax Expense                                  | -2,045,571   | -523,494     | -1,522,077     | 290.75%               |
| Income from operations of continued segments - after tax  | 7,547,985    | 5,507,960    | 2,040,025      | 37.04%                |

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

1. Realized Profit (Loss) from Sales: This has mainly been caused by the advanced customer shipment at the end of the year.
2. Operating Income: Mainly due to the influence of COVID-19, the rise in operating costs and decrease in operating margins.
3. Non-Operating Income and Expense: This has mainly been caused by the increase of investment income by adopting the equity method.
4. Income from Operations of Continued Segments - Before Tax: This has mainly been caused by the increase in non-operating income.
5. Income Tax Expense: This has mainly been caused by the increase in the pre-tax net profit of the continuous business department.
6. Income from Operations of Continued Segments - After Tax: This has mainly been caused by the increase in the pre-tax net profit of the continuous business department.

## **6.2.2 Expected Sales Volume and its Basis**

The COVID-19 epidemic spread around the world in 2020, remote working and teaching increased, and the replacement of commercial type machines was rolled out in favor of shipments of notebook computers; a trend that will continue to grow in 2021. However, there is still a shortage and pressure on key components and economic recovery after the epidemic, and overall shipments of notebook computers are expected to rise slightly. The Company will continue to be committed to product innovation and emerging applications such as the Internet of things and e-sport products, which will hopefully bring sustainable growth momentum to personal computer products.

People's lifestyles changed dramatically due to the impact of the epidemic in 2020, and server shipments grew with the demand for cloud services driven by remote work and teaching. Looking to the year 2021, although corporate customers are likely to cut back on server expenditure due to the impact of epidemic, the overall market demand is still showing growth as demand for cloud services and remote office services continues to increase. Moreover, Intel and AMD new generation server CPU platforms will move to mass production, which is expected to drive part of replacement trends. Overall, the shipments of servers in 2021 can be viewed optimistically. However, the development of the epidemic and economic recovery are not yet clear, so the Company will still tread cautiously and flexibly so it can respond and adapt quickly to developments and market changes.

The overall smart device industry declined in 2020 due to the epidemic, together with a high penetration rate of smart phones, prolonged replacement cycle, and reduced degree of innovation, which is likely to recover in 2021. Shipments are expected to grow due to the replacement trend driven by 5G. However, the degree of recovery is not yet clear, and the epidemic situation remains unclear and uncontrollable, hence the Company will strive to maintain small, stable growth.

## **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 |
| 32,951,595               | 3,848,350  | 10,822,206            | 25,977,739                               | —                                    | —                         |

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

Operating activity: The overall gross profit rate was affected by the epidemic in 2020. 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\$ 32,951,595 thousand

Expected annual net cash flow from operating activity (B): NT\$ 3,848,350 thousand

Expected annual cash outflow (C): NT\$ 10,822,206 thousand

Expected cash surplus (insufficient) amount (A+B-C): NT\$ 25,977,739 thousand

Looking into 2021, 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 |           |           |           |
|---|-----------------------------------|------------------------------------|----------------------|---|-----------|-----------|-----------|
|   |                                   |                                    |                      | 2020  | 2021      | 2022      | 2023      |
| Purchase more plant space and equipment | Own capital                       | Current year                       | 14,433,923           | 2,433,923   | 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 research and development 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

Since its establishment in 1975, Inventec has laid a deep and stable foundation by focusing on the production and OEM of calculators, and later notebook computers, electronic dictionaries, servers and intelligent devices. It has stepped into the popular 5G applications market, medical treatment and vehicle applications. The increasingly updated multi-faceted layout has created a new situation for the Group. 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. In the future, Besta will continue to develop cloud-related products to reach a new peak. The solar energy company faced the unbalanced issue of market supply and demand, striving for modification of active operational strategy.

## 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:

| 2020                | Net amount of interest income (expenditure) | Net amount of exchange (loss) profit |
|---------------------|---|--------------------------------------|
| Unit: NT\$ thousand | 132,385                                     | (461,964)                            |

2. Future resolutions:

- A. Interest rate: The COVID-19 epidemic caused a sharp decline in global economic development in 2020. Early this year, thanks to the arrival of vaccines and strong post-pandemic demand, the battered economy has begun to show signs of life. To reduce the potential risk of the epidemic to the economy, the US Federal Reserve announced that it will maintain low interest rates and implement a quantitative easing policy, while the central bank is expected to maintain a loose monetary policy to keep domestic capital flow stable 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: Bailouts and fiscal expansions in major economies have led to higher investments, trade and consumption, but have also resulted in the spillover of capital, thus redirecting international capital movements and affecting national monetary policy. Taiwan has been export-oriented for a long time; the central bank has been trying to prevent the flow of hot capital in the United States in the face of the uncertainties caused by the trade war between China and the United States, the global epidemic, global financial vulnerability changes, and geopolitical risk. Taiwan has been export-oriented, and the central bank is bound to keep the exchange rate dynamic 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. Although the quantitative easing policy of the United States may result in inflation, the central bank expects domestic inflation to be moderate, and so there is no urgent risk to economic activities of our country. The situation is expected to remain relatively stable in 2021. 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 been focusing on research and development of notebook computers for a long time. Due to the residential economy effect derived from the epidemic in 2020, overall shipments still grew under the support of remote business opportunities. In response to the new models of medium- and high-level hybrid business laptops launched by brand manufacturers, it will introduce mobile CPU equipped with Intel's new generation Tiger Lake platform in addition to strengthening the application fields of sound effect technology, AI and video in 2021 to offer even more outstanding innovative and high-quality products.
  - B. Servers and cloud services: With the rise of artificial intelligence and changes to industrial modes, major data centers have expanded their cloud demand and invested in related development fields. The so-called mastery of the cloud can connect the world. The Company has strong hardware, software, and research and development 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 provide customers with high quality, short delivery times, low cost and excellent service products. In 2021, the server and cloud business of the Company is expected to grow in accordingly with the launch of the server CPU of Intel's new generation Whitley Ice lake platform.

C. Smart devices: The future holds an era with the digital economy at the core. [The development of 5G, AI and Internet of Things will connect everything intelligently and accelerate the digital transformation of the industry. 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\$ 10.2 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  | Research and Development 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\$ 2.6 billion                                 | 2022                                      | Provision of long-term accumulated software and hardware technology and customized overall solutions                        |
| Server and cloud computing                     | Under development | NT\$ 4.3 billion                                 | 2022                                      | Provision of long-term accumulated software and hardware technology and customized overall solutions                        |
| Smart phone and wireless communication devices | Under development | NT\$ 1.2 billion                                 | 2022                                      | 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.

#### **6.6.5 The Impact of Technology Change and Industry Change on Company Financial Operations and Resolutions:**

5G has led to a new trend in global science and technology, enabling more alliances between different industries to create unique competitiveness. The digital economy will be the core of the future. Inventec intends to build AI Internet of Things products, combining digital technology with its own technology in cloud computing and AI applications, and actively engage in the development of 5G. To connect world-class management, it has set up short-, medium- and long-term business goals through digital transformation blueprints, improved quality, and optimized the process to realize intelligent production links via the collection, application and analysis of big data in tandem with the Internet of Things and artificial intelligence technology. Thus, the 5G intelligent factory came into being. In addition, it is expected to serve as the best management tool for technological and industrial change through active and effective use of financial and IT digitization.

#### **6.6.6 The Impact of Corporate Image Change on Corporate Crisis Management and Resolutions:**

Corporate governance focuses on autonomy and self-examination to achieve the goal of self-discipline through standardization, while sustainable operations emphasize people and the environment to fulfill corporate social responsibility through continuous efforts. Inventec has always adhered to the concept of integrity and sustainable management, encourages colleagues to face these challenges head-on, and join the company to enhance strength and sense of identity through the core values of "innovation, quality, open mind and execution" to further increase the Company's 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 2020 and as of the publication date of this annual report, the Company has no circumstances related to conducting a merger.

### **6.6.8 Expected Benefits of Plant Expansion, Possible Risks, and Resolutions:**

The revision of the trade map has brought about a fair-trade battle. In response to the changing trade environment and the increasing flexibility of orders, the Group has expanded its production base overseas by adjusting operation planning to reduce the risk of production concentration. The Company has also carefully evaluated its plant expansion plan in accordance with the economic environment and market demand, and also disposed of part of the Shanghai Pudong subsidiary plant through the activation of assets in early 2021 to reduce capital exposure risk. With the reallocation of production capacity, a win-win situation will be created.

### **6.6.9 Risks Faced in Centralized Goods Purchase and Sales and Resolutions:**

In the era of Sino-US trade barriers and the post-epidemic situation, the manufacturing industry needs to build a highly resilient supply chain to face the risk of supply chains breaking and strengthen demand forecasts, procurement bargaining and supplier management mechanisms globally. These actions will disperse the risk of product manufacturing, and raw material supply and distribution from regional customer demand. 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: None
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: None.

### **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 and 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. Weakness management and vulnerability repair: regularly use the vulnerability scanning system to check for vulnerabilities in the external service host, strengthen system patch updates

management, assess the system software update status every month and report to the General Manager, to mitigate weakness management and take necessary vulnerability repair and protection measures.

F. 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: The computer room and CTM (Common Tracking Management) system maintenance and operation in Shilin factory.
- (B). Taoyuan factory: The computer room, computer room maintenance and operation, IT information, testing technology, MES service units, EBM (Engineering BOM Management) system, and PEN (Process Engineering Notice) system.
- (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).
- (E). Czech factory: Server Assembly and Services, PC Assembly and Services.

G. 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.

H. 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.

(F). Guard against hacker phishing email attacks, enable email protection mechanisms, filter malicious attachments and phishing links, and avoid social engineering attacks that will cause harm to the Company.

2. Climate change risk: Following the TCFD climate change governance framework for mitigation and adjustment practices, according to climate action practices, define the risk assessment and identification procedures, policies and regulations, technology, market, goodwill and extreme weather, assess the potential niche opportunities, search for opportunities in new energy resources, markets, products/services, and resource efficiency, developing new businesses and services, and integrate them into the Company's operating procedures.

3. Legal changes: Immediately grasp changes in laws, policies and litigation practices related to the Company's operations in real time; implement the U.S. Export Control Act, confidential information, and copyright compliance programs; take measures to respond to the legal risks associated with the COVID-19 outbreak; and conduct seminars on intellectual rights in legal affairs and educational training for new recruits, to facilitate risk management and intellectual property protection.

4. Risk of operational suspension due to the COVID-19 epidemic: In response to the COVID-19 epidemic, adjust production strategies and strengthen business continuity management. Due to the spread and impact of COVID-19, there may be a risk of plant operations being suspended. In order to ensure continuous operation, Inventec has set up an epidemic prevention response team in each plant to formulate epidemic prevention plans, implement epidemic prevention measures, schedule staff epidemic prevention life, deploy the value chain in advance, serve customers without interruption, and ensure continuous operation.

A. Externally:

(A). Uninterrupted customer service:

- a. Responding to Inventec's Epidemic Prevention Plan in accordance with the customer supply chain BCP plan.
- b. Participating in the training of COVID-19 prevention measures held by customers, and cooperating with customers in epidemic prevention and response.
- c. According to the requirements of the customer value chain, adjust the production of products in off-site factories to ensure fulfilment of local customer demands.

(B). Continuous supply chain management:

- a. Confirming the detailed material status of raw materials through the Inventec e-Supply Chain information system
- b. When the epidemic situation is critical, the purchasing staff cooperate with the Company HR's work-from-home plan to maintain operations.
- c. In line with customer value chain requirements, increase raw material inventory management to ensure the fulfilment of customer demand.

(C). Group companies are unaffected

- a. Purchase of video and hardware equipment, and connecting with each factory team to achieve project tasks.
- b. AR augmented real-time communication and intuitive remote guidance to improve the efficiency of remote communication.

B. Internally:

(A). Epidemic prevention and taking care of health

- a. Rolling adjustment of epidemic prevention policies.
- b. Switching to telephone or video conferencing.
- c. Wearing masks during the whole process to ensure the health and safety of employees.

(B). Two programs for travel and attendance management

- a. Remote workplace.
- b. Work from home.

(C). Steady growth in operation management

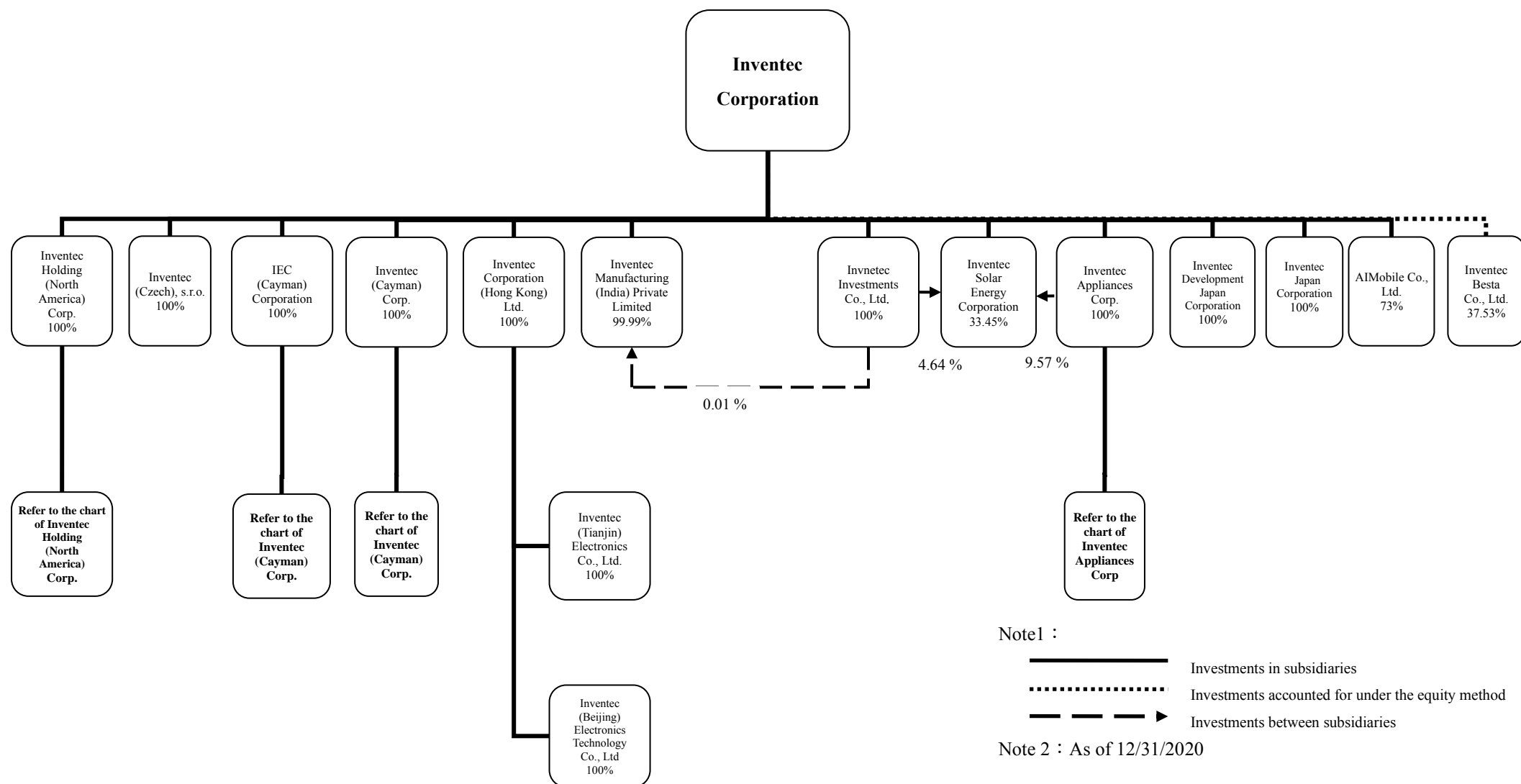
- a. Digital transformation.
- b. Industrial upgrading: combining smart factory to create the world's first open-architecture 5G independent enterprise private network.

## **6.7 Other Important Matters: None.**

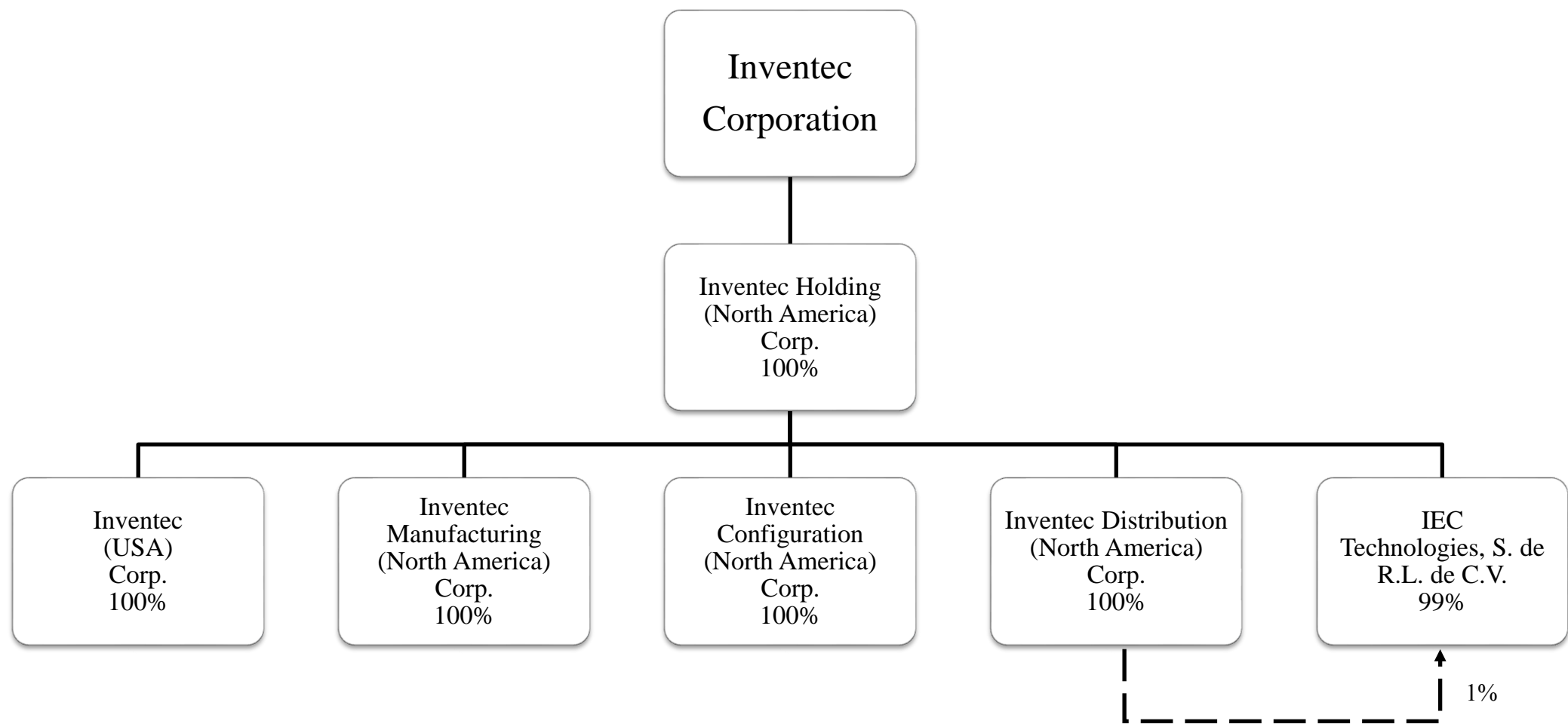
## VII. Special Disclosure

### 7.1 Summary of Affiliated Companies

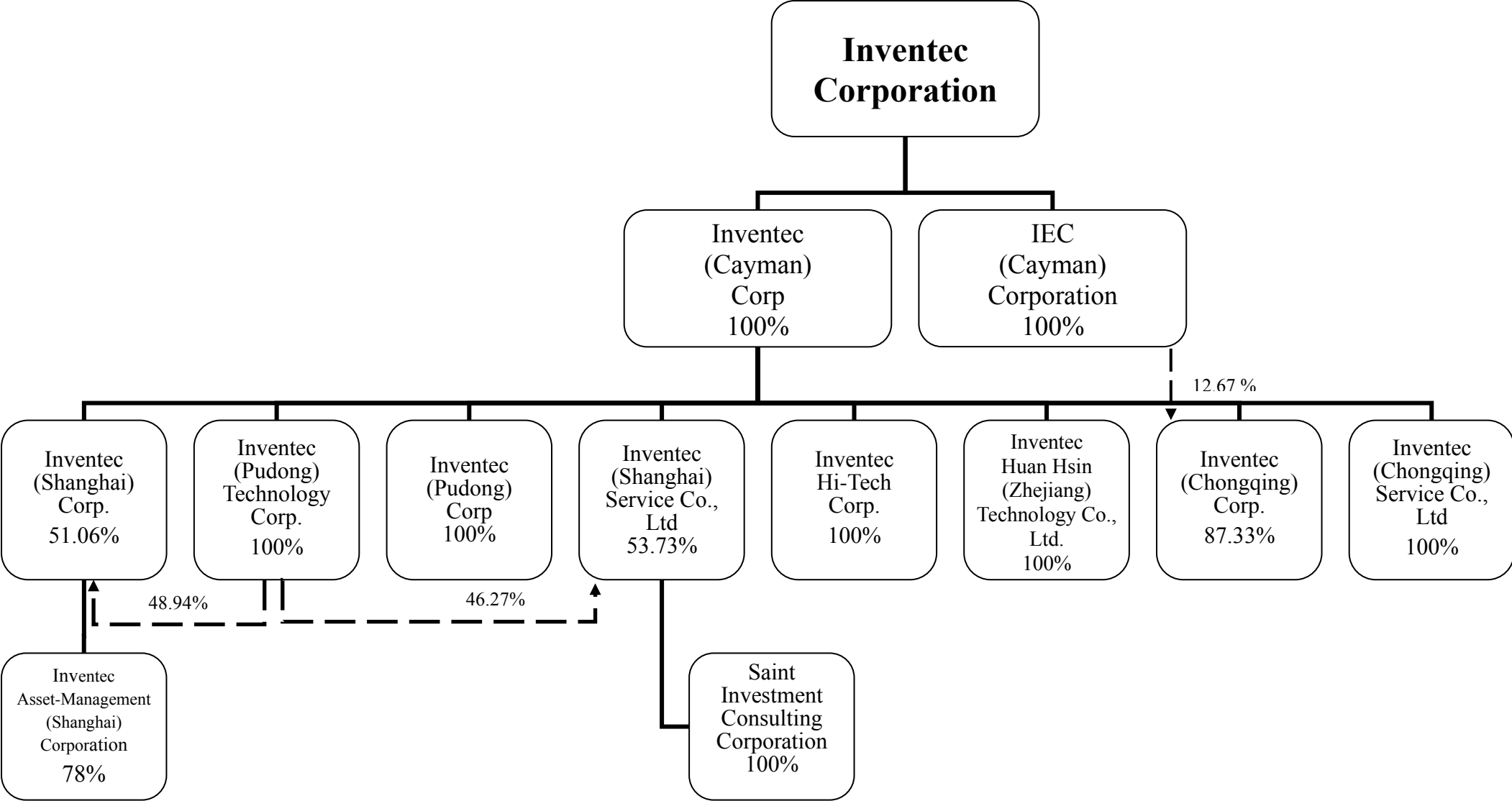
#### 7.1.1 The Chart of Inventec Corporation



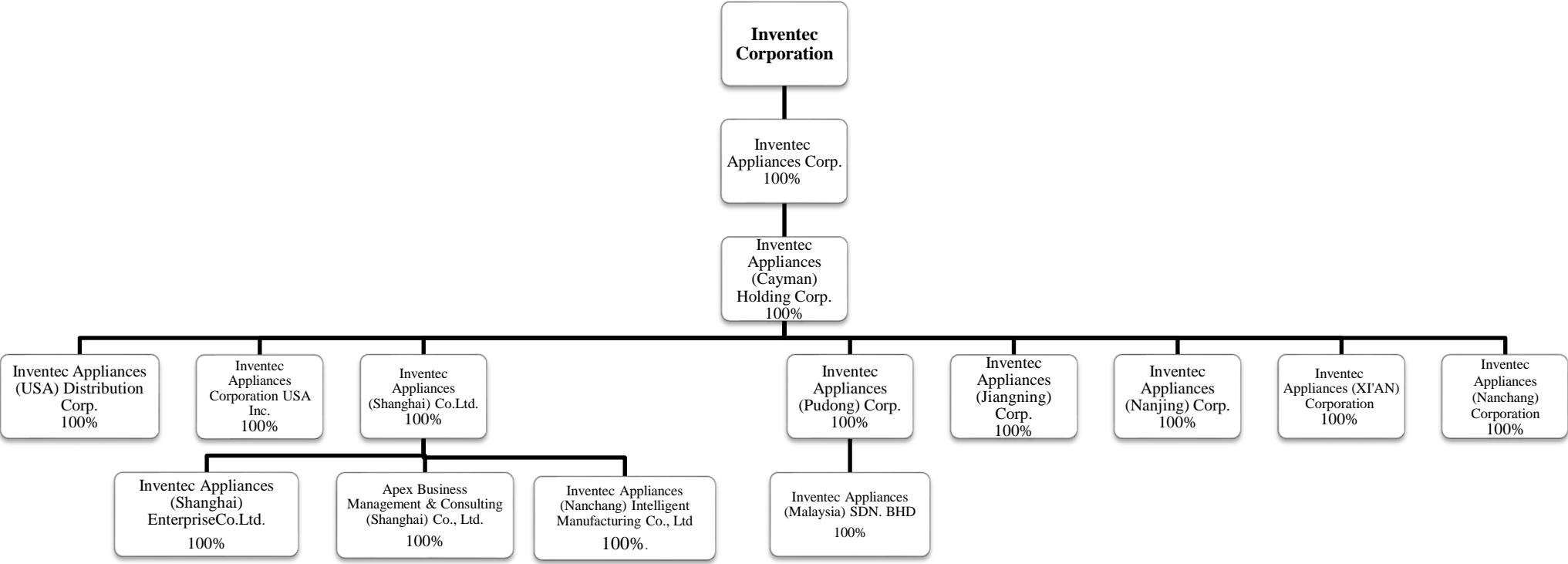
The Chart of Inventec Holding (North America) Corp.



The Chart of Inventec (Cayman) Corp.



The Chart of Inventec Appliances Corp.



## 7.1.2 Inventec Corporation Subsidiaries

Unit: NT\$ Thousands, As of 12/31/2020

| Company   | Date of Incorporation | Place of Registration  | Capital Stock    | Business Activities  |
|---|-----------------------|--|------------------|--|
| <b>Inventec Corporation (Hong Kong) Ltd.</b>        | <b>1990.08</b>        | <b>Level 54 Hopewell Centre 183 Queen's Road East, Hong Kong</b>                                       | <b>9,163</b>     | <b>Investing in Mainland China and import and export business</b>  |
| Inventec (Tianjin) Electronics Co., Ltd.            | 1993.11               | Room 401-410, Wanzhao Smart Valley Building, No. 218 Hongqi Road, Nankai District, Tianjin, China      | 142,400          | Electronic products hardware and software development and manufacturing.   |
| Inventec (Beijing) Electronics Technology Co., Ltd. | 1994.07               | A206-207, Information Center, Zhongguancun Software Park, Beijing, China.                              | 41,296           | Production of computer-related products and after-sale services; sale of self-produced products; business information consultation |
| <b>Inventec (Cayman) Corp.</b>                      | <b>2000.06</b>        | <b>Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands</b>     | <b>9,812,963</b> | <b>Holding Company</b>   |
| Inventec (Shanghai) Corp                            | 2000.10               | Room 402-4, Building 6, No.789 Puxing Road, Minhang District, Shanghai, China                          | 2,087,127        | Computer product assembly and sale of accessories  |
| Inventec Asset-Management (Shanghai) Corporation    | 2014.06               | Commercial 08, 1st Floor, Building 7, No. 1528, Gumei Road, Xuhui District, Shanghai, China            | 1,869,030        | Real estate development and management   |
| Inventec (Pudong) Corp.                             | 2003.01               | Building 1, No.789, Puxing Road (5/1 Hill, Block 105, Pujiang Town), Minhang District, Shanghai, China | 1,424,000        | Computer product assembly and sale   |
| Inventec (Pudong) Technology Corp.                  | 2004.04               | Building 6, No.789, Puxing Road(2/2 Hill, Block 106, Pujiang Town), Minhang District, Shanghai, China  | 1,668,692        | Computer products and accessories production and marketing   |
| Inventec (Shanghai) Service Co., Ltd                | 2004.03               | Room 402-5, Building 6, No.789 Puxing Road, Minhang District, Shanghai, China                          | 188,679          | Software product development services and sales  |
| Saint Investment Consulting Corporation             | 2019.09               | Room C224, Building 2, No.1628 Suzhao Road, Minhang District, Shanghai, China                          | 87,296           | Business management consulting   |
| Inventec Hi-Tech Corp.                              | 2004.09               | Building 2, No.789, Puxing Road (5/1 Hill, Block 105, Pujiang Town), Minhang District, Shanghai, China | 1,424,000        | 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                              | 817,376          | Production and sale of electronic calculators and external equipment   |
| Inventec (Chongqing) Corp.                          | 2010.05               | No.66, Xiqu Second Road, Shapingba District, ChongQing, China  | 2,136,000        | Computer products assembly operations and sale   |
| Inventec (Chongqing) Service Co., Ltd.              | 2010.05               | 3F Building No.98, Xiqu Second Road, Shapingba District, ChongQing, China                              | 28,480           | Computer products assembly operations and sale   |

| Company  | Date of Incorporation | Place of Registration   | Capital Stock    | Business Activities   |
|--|-----------------------|---|------------------|---|
| <b>IEC (Cayman) Corporation</b>                            | <b>2013.11</b>        | <b>Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands</b>                            | <b>739,500</b>   | <b>Holding Company</b>  |
| <b>Inventec Holding (North America) Corp.</b>              | <b>1997.09</b>        | <b>11450 Compaq Center Dr. West Suite 200, Houston, TX 77070</b>  | <b>142,400</b>   | <b>Holding company in America</b>   |
| Inventec (USA) Corp.                                       | 1997.02               | 11450 Compaq Center Dr. West Suite 200, Houston, TX 77070   | 14,240           | Computer product assembles and warranty services                              |
| Inventec Manufacturing (North America) Corp.               | 1997.09               | 11450 Compaq Center Dr. West Suite 200, Houston, TX 77070   | 56,960           | Technical and Marketing support service                                       |
| Inventec Distribution (North America) Corp.                | 1998.08               | 11450 Compaq Center Dr. West Suite 200, Houston, TX 77070   | 14,240           | Sale of computer products   |
| Inventec Configuration (North America) Corp.               | 1998.08               | 11450 Compaq Center Dr. West Suite 200, Houston, TX 77070   | 56,960           | 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                                  | 57,124           | Assembly of computer and related.   |
| <b>Inventec (Czech), s.r.o.</b>                            | <b>2004.02</b>        | <b>Modrice, Central Trade Park Evropska 863 664 42 Modrice, Czech Republic</b>  | <b>90,576</b>    | <b>Assembly of computer products and after-sale services</b>                  |
| <b>Inventec Development Japan Corporation</b>              | <b>2004.12</b>        | <b>7F, No.1 Shinbashi-Ekimae BL.,2-20-15 Shinbashi, Minakotu-ku, Tokyo, Japan</b>   | <b>10,984</b>    | <b>Development, design, and sale of computer accessories</b>                  |
| <b>Inventec Manufacturing (India) Private Limited</b>      | <b>2015.04</b>        | <b>Old No. 3, New No.5 Vanitha 3rd Avenue, Besant Nagar, Chennai Chennai TN 600090 INDIA</b>                                  | <b>218,288</b>   | <b>Computer product assembly and after-sale services</b>                      |
| <b>Invnetec Investments Co., Ltd.</b>                      | <b>2009.08</b>        | <b>3F-1, No.166, Sec. 4, Chengde Rd., Shilin Dist., Taipei City, Taiwan</b>   | <b>1,088,000</b> | <b>Investment activities</b>  |
| <b>Inventec Solar Energy Corporation</b>                   | <b>2010.10</b>        | <b>No.349, Sec 2, Renhe Rd., Daxi Township, Taoyuan City, Taiwan.</b>   | <b>3,233,548</b> | <b>Research and development, production, and sale of solar cells</b>          |
| <b>Inventec Appliances Corp.</b>                           | <b>2000.05</b>        | <b>No.37, Wugong 5th Road, Wugu District, New Taipei City, Taiwan</b>   | <b>5,368,573</b> | <b>Wireless terminal products</b>   |
| Inventec Appliances (Cayman) Holding Corp.                 | 2000.06               | The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands. | 5,693,864        | Holding Company   |
| Inventec Appliances (USA) Distribution Corp.               | 2000.07               | 5700 Tennyson Parkway Suite 300, Plano, Texas 75024   | 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.  | 1,469,568        | 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.   | 34,919           | 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.  | 2,190            | 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 | 261,889       | 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               | Building 1-3, No.789 Puxing Road, Minhang District, Shanghai, China                                       | 2,192,960     | Development, design, and manufacturing of wireless communication products and mobile communication equipment   |
| Inventec Appliances (Malaysia) SDN. BHD                            | 2018.09               | 253G-4-3A, Premier Centre, Jalan Burma, 10350 Penang, Malaysia  | 501,784       | Sale of related electronic materials and products  |
| Inventec Appliances (Nanjing) Corp.                                | 1993.10               | No.100 Xian He Street, Nanjing, China   | 142,400       | Real Estate Rental and Leasing   |
| Inventec Appliances (Jiangning) Corp.                              | 2004.02               | No.133, Jiang-Jun Road, Jiangning Economic and Technological Development Zone, Nanjing, China.            | 1,936,640     | 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                                  | 113,920       | 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.                         | 59,808        | Development, design, and sale of communication and electronic-related products and software  |
| AIMobile Co., Ltd.   | 2016.05               | 6F, No.166 Chengde Rd Sec 4, Shilin District, Taipei City, Taiwan   | 250,000       | <b>Research and development, production, and sale of intelligent mobile devices</b>  |
| Inventec Japan Corporation   | 2019.08               | 7F, No.1 Shinbashi-Ekimae BL.,2-20-15 Shinbashi, Minakotoku-ku, Tokyo, Japan                              | 2,746         | <b>Commercial trade and management</b>   |

### 7.1.3 Shareholders in Common of Inventec Corporation and Its Subsidiaries with Deemed Control and Subordination: None.

### 7.1.4 Industrial Classification in Inventec Corporation Subsidiaries

| Industrial Classification              | Company   | Relationships to Related Party  |
|--|---|---|
| <b>Holding company</b>                 | <b>Inventec Corporation (HongKong) Ltd.</b>           | <b>Direct investment in Inventec (Beijing) Electronics Technology Co., Ltd. and Inventec (Tianjin) Electronics Co., Ltd.</b>                    |
| Electric Product Manufacturing         | Inventec (Tianjin) Electronics Co., Ltd.              | Research, manufacture, sale and warranty services of electronic products and related.   |
| Electric Product Manufacturing         | Inventec (Beijing) Electronics Technology Co., Ltd.   | Manufacture, and warranty services of computers and related, sales of self-manufactured products; as well as business information consultation. |
| <b>Holding company</b>                 | <b>Inventec (Cayman) Corp.</b>                        | <b>Direct investment in Inventec (Shanghai) Corp. etc.</b>  |
| Electric Product Manufacturing         | Inventec (Shanghai) Corp.                             | 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         | Saint Investment Consulting Corporation               | Business management consulting  |
| 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.                | Computer products assembly operations and sale  |
| <b>Holding company</b>                 | <b>IEC (Cayman) Corporation</b>                       | <b>Direct investment in Inventec Technology (Chongqing) Corp.</b>   |
| <b>Holding company</b>                 | <b>Inventec Holding (North America) Corp.</b>         | <b>Direct investment in Inventec (USA) Corp. etc.</b>   |
| Electric Products Manufacturing        | Inventec (USA) Corp.                                  | Computer product assembles and warranty services  |
| Electric Product Manufacturing         | Inventec Manufacturing (North America) Corp.          | Technical and Marketing support service   |
| Electric Product Manufacturing         | Inventec Distribution (North America) Corp.           | Computer product assembles and sales  |
| Electric Products Manufacturing        | Inventec Configuration (North America) Corp.          | Computer product assembles  |
| Electric Products Manufacturing        | IEC Technologies, S. de R.L. de C.V.                  | Assembly of servers and related.  |
| <b>Electric Products Manufacturing</b> | <b>Inventec (Czech), s.r.o.</b>                       | <b>Computer product assembles and warranty services</b>   |
| <b>Electric Product Manufacturing</b>  | <b>Inventec Development Japan Corporation</b>         | <b>Developing, designing and selling computer peripherals</b>   |
| <b>Electric Product Manufacturing</b>  | <b>Inventec Manufacturing (India) Private Limited</b> | <b>Computer product assembles and warranty services</b>   |
| <b>Investment</b>                      | <b>Invnetec Investments Co., Ltd.</b>                 | <b>Investment activities</b>  |

| Industrial Classification             | Company  | Relationships to Related Party  |
|---------------------------------------|--|---|
| <b>Energy Technical Services</b>      | <b>Inventec Solar Energy Corporation</b>                           | <b>Developing, production and selling of solar cells.</b>                           |
| <b>Electric Product Manufacturing</b> | <b>Inventec Appliances Corp.</b>                                   | <b>Communication and digital accessory product assembles and sales</b>              |
| 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 (Malaysia) SDN. BHD                            | 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                     |
| <b>Electric Product Manufacturing</b> | <b>AIMobile Co., Ltd.</b>  | <b>Research and development, production, and sale of intelligent mobile devices</b> |
| <b>Electric Product Manufacturing</b> | <b>Inventec Japan Corporation</b>                                  | <b>Commercial trade and management</b>  |

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

Unit: Shares ; % As of 12/31/2020

| Company   | Title  | Name   | Shareholding       |                        |
|---|--|--|--------------------|------------------------|
|   |  |  | Shares             | Investment Holding (%) |
| <b>Inventec Corporation (Hong Kong) Ltd.</b>        | <b>Director<br/>Director</b>   | <b>Representative of Inventec Corporation :<br/>Yeh, Kuo-I<br/>Cho, Tom-Hwar</b>   | <b>2,500,000</b>   | <b>100%</b>            |
| Inventec (Tianjin) Electronics Co., Ltd.            | Chairman<br>Director<br>Director<br>Supervisor<br>*General manager     | Representative of Inventec Corporation (Hong Kong) Ltd. :<br>Tsai, Chih-An<br>Yen, Cheng-Lung<br>Fan, Kang<br>Chen, Pei-Chia<br>Fan, Kang  | N/A                | 100%                   |
| Inventec (Beijing) Electronics Technology Co., Ltd. | Chairman<br>Supervisor<br>*General manager                             | Representative of Inventec Corporation (HongKong) Ltd. :<br>Wu, Yung-Tsai<br>Chen, Pei-Chia<br>Chiu, Chuan-Cheng   | N/A                | 100%                   |
| <b>Inventec (Cayman) Corp.</b>                      | <b>Director</b>  | <b>Representative of Inventec Corporation :<br/>Cho, Tom-Hwar</b>  | <b>301,768,161</b> | <b>100%</b>            |
| Inventec (Shanghai) Corp.                           | Chairman<br>Supervisor<br>*General manager                             | Representative of Inventec (Cayman) Corp. :<br>Wu, Yung-Tsai<br>Chen, Pei-Chia<br>Wu, Yung-Tsai  | N/A                | 51.06%                 |
| Inventec Asset-Management (Shanghai) Corporation.   | Chairman<br>Director<br>Supervisor<br><br>Director<br>*General manager | Representative of Inventec (Shanghai) Corp. :<br>Wu, Yung-Tsai<br>Wang, Tien-Hui<br>Chen, Pei-Chia<br>Representative of Shanghai Caohejing Hi-Tech Park Development Corp. : Hsueh, Han<br>Wang, Tien-Hui | N/A                | 78%<br><br>22%         |
| Inventec (Pudong) Corp.                             | Chairman<br>Supervisor<br>*General manager                             | Representative of Inventec (Cayman) Corp. :<br>Wu, Yung-Tsai<br>Chen, Pei-Chia<br>Wang, Tien-Hui   | N/A                | 100%                   |
| Inventec (Pudong) Technology Corp.                  | Chairman<br>Director<br>Director<br>Supervisor<br>*General manager     | Representative of Inventec (Cayman) Corp. :<br>Tsai, Chih-An<br>Yen, Cheng-Lung<br>Liao, Meng-Chieh<br>Chen, Pei-Chia<br>Liao, Meng-Chieh  | N/A                | 100%                   |
| Inventec (Shanghai) Service Co., Ltd                | Chairman<br>Supervisor<br>*General manager                             | Representative of Inventec (Cayman) Corp. :<br>Tsai, Chih-An<br>Chen, Pei-Chia<br>Liao, Meng-Chieh   | N/A                | 53.73%                 |

| Company  | Title  | Name  | Shareholding     |                        |
|--|--|---|------------------|------------------------|
|  |  |   | Shares           | Investment Holding (%) |
| Saint Investment Consulting Corporation            | Chairman<br>Supervisor<br>*General manager                                       | Representative of Inventec (Shanghai) Service Co., Ltd :<br>Tsai, Chih-An<br>Chen, Pei-Chia<br>Yeh, Li-Cheng  | N/A              | 100%                   |
| Inventec Hi-Tech Corp.                             | Chairman<br>Supervisor<br>*General manager                                       | Representative of Inventec (Cayman) Corp. :<br>Tsai, Chih-An<br>Chen, Pei-Chia<br>Liao, Meng-Chieh  | N/A              | 100%                   |
| Inventec Huan Hsin (Zhejiang) Technology Co., Ltd. | Liquidator<br>Liquidator<br>Liquidator   | Huang, Kuo-Chun<br>Chen, Pei-Chia<br>Kang, Chien-Ming   | N/A              | 100%                   |
| Inventec (Chongqing) Corp.                         | Chairman<br>Director<br>Supervisor<br><br>Director<br>*General manager           | Representative of Inventec (Cayman) Corp. :<br>Chang, Hui<br>Yin, Fu-Ming<br>Chen, Pei-Chia<br>Representative of IEC (Cayman) Corporation :<br>Yu, Sa-Hua<br>Yu, Sa-Hua | N/A              | 87.33%<br><br>12.67%   |
| Inventec (Chongqing) Service Co., Ltd.             | Chairman<br>Supervisor<br>*General manager                                       | Representative of Inventec (Cayman) Corp. :<br>Chang, Hui<br>Chen, Pei-Chia<br>Yu, Sa-Hua   | N/A              | 100%                   |
| IEC (Cayman) Corporation                           | Director   | Representative of Inventec Corporation :<br>Cho, Tom-Hwar   | 25,000,000       | 100%                   |
| <b>Inventec Holding (North America) Corp.</b>      | <b>Director</b><br><b>Director</b><br><b>Director</b><br><b>*General manager</b> | <b>Representative of Inventec Corporation :</b><br><b>Cho, Tom-Hwar</b><br><b>Wu, Yung-Tsai</b><br><b>Tsai, Chih-An</b><br><b>Tsai, Chih-An</b>                         | <b>5,000,000</b> | <b>100%</b>            |
| Inventec (USA) Corp.                               | Director<br>Director<br>Director<br>*General manager                             | Representative of Inventec Holding (North America) Corp. :<br>Cho, Tom-Hwar<br>Wu, Yung-Tsai<br>Tsai, Chih-An<br>Tsai, Chih-An  | 500,000          | 100%                   |
| Inventec Manufacturing (North America) Corp.       | Director<br>Director<br>Director<br>*General manager                             | Representative of Inventec Holding (North America) Corp. :<br>Cho, Tom-Hwar<br>Wu, Yung-Tsai<br>Tsai, Chih-An<br>Tsai, Chih-An  | 2,000,000        | 100%                   |
| Inventec Distribution (North America) Corp.        | Director<br>Director<br>Director<br>*General manager                             | Representative of Inventec Holding (North America) Corp. :<br>Cho, Tom-Hwar<br>Wu, Yung-Tsai<br>Tsai, Chih-An<br>Tsai, Chih-An  | 500,000          | 100%                   |

| Company   | Title   | Name  | Shareholding   |   |
|---|---|---|--|---|
|   |   |   | Shares   | Investment Holding (%)  |
| Inventec Configuration (North America) Corp.          | Director<br>Director<br>Director<br>*General manager  | Representative of Inventec Holding (North America) Corp. :<br>Cho, Tom-Hwar<br>Wu, Yung-Tsai<br>Tsai, Chih-An<br>Tsai, Chih-An  | 2,000,000  | 100%  |
| IEC Technologies, S. de R.L. de C.V.                  | Director<br>Director<br>*General manager  | Representative of Inventec Holding (North America) Corp. :<br>Cho, Tom-Hwar<br>Wu, Yung-Tsai<br>Tsai, Chih-An   | 2  | 100%  |
| <b>Inventec (Czech), s.r.o.</b>                       | <b>Representative<br/>Representative<br/>Representative</b>   | <b>Representative of Inventec Corporation :<br/>Tsai, Chih-An<br/>John William Busby<br/>Tseng, Kuang-Chao</b>  | <b>68,000,000</b>  | <b>100%</b>   |
| <b>Inventec Development Japan Corporation</b>         | <b>Representative<br/>Supervisor</b>  | <b>Representative of Inventec Corporation :<br/>Cho, Tom-Hwar<br/>Yu, Chin-Pao</b>  | <b>45,100</b>  | <b>100%</b>   |
| <b>Inventec Manufacturing (India) Private Limited</b> | <b>Director<br/>Director<br/>Director</b>   | <b>Representative of Inventec Corporation :<br/>Wu, Yung-Tsai<br/>Chang, Hui<br/>Wu, Hsiang-Chin</b>  | <b>55,994,400</b><br><br><b>NA</b>   | <b>99.99%</b><br><br><b>NA</b>  |
| <b>Invetec Investments Co., Ltd.</b>                  | <b>Chairman<br/>Director<br/>Director<br/>Supervisor<br/>*General manager</b>                                 | <b>Representative of Inventec Corporation :<br/>Cho, Tom-Hwar<br/>Wu, Yung-Tsai<br/>Yu, Chin-Pao<br/>Cheng, Hsien-Ho<br/>Yu, Chin-Pao</b>   | <b>108,800,000</b>   | <b>100%</b>   |
| <b>Inventec Solar Energy Corporation</b>              | <b>Director<br/>Chairman<br/><br/>Director<br/>Director<br/>Supervisor<br/>Supervisor<br/>General manager</b> | <b>Inventec Corporation<br/>Hsieh, Jui-Hai<br/>Representative of Invnetec Investments Co., Ltd. :<br/>Yu, Chin-Pao<br/>Yen, Hao<br/>Cheng, Hsien-Ho<br/>Hsu, Shen-Chun<br/>Yen, Hao</b> | <b>108,150,000<br/>7,291,760<br/>15,000,000<br/>2,378,000<br/>530,000<br/>79,500<br/>2,378,000</b> | <b>33.45%<br/>2.26%<br/>4.64%<br/>0.74%<br/>0.16%<br/>0.02%<br/>0.74%</b> |
| <b>Inventec Appliances Corp.</b>                      | <b>Chairman<br/>Director<br/>Director<br/>Director<br/>Director<br/>Supervisor<br/>*General manager</b>       | <b>Representative of Inventec Corporation :<br/>Chang, Ching-Sung<br/>Ho, Tai-Shui<br/>Yeh, Li-Cheng<br/>Chang, Hui<br/>Tsai, Chih-An<br/>Yu, Chin-Pao<br/>Ho, Tai-Shui</b>             | <b>536,857,254</b>   | <b>100%</b>   |
| Inventec Appliances (Cayman) Holding Corp.            | Director  | Representative of Inventec Appliances Corporation :<br>Chang, Ching-Sung  | <b>199,574,638</b>   | <b>100%</b>   |

| Company  | Title  | Name  | Shareholding |                        |
|--|--|---|--------------|------------------------|
|  |  |   | Shares       | Investment Holding (%) |
| Inventec Appliances (USA) Distribution Corp.                       | Director<br>*General manager   | Representative of Inventec Appliances (Cayman) Holding Corp. :<br>Chang, Ching-Sung<br>Wang, Po-Hung  | 400,000      | 100%                   |
| Inventec Appliances Corporation USA Inc.                           | Director<br>*General manager   | Representative of Inventec Appliances (Cayman) Holding Corp. :<br>Chang, Ching-Sung<br>Wang, Po-Hung  | 10,000       | 100%                   |
| Inventec Appliances (Shanghai) Co.Ltd.                             | Chairman<br>Director<br>Director<br>Supervisor<br>*General manager                         | Representative of Inventec Appliances (Cayman) Holding Corp. :<br>Chang, Ching-Sung<br>Tsai, Shih-Kuang<br>Ho, Tai-Shui<br>Tseng, Ching-An<br>Tsai, Shih-Kuang                                | N/A          | 100%                   |
| Inventec Appliances (Shanghai) Enterprise Co.Ltd.                  | Chairman<br>Supervisor<br>*General manager   | Representative of Inventec Appliances (Shanghai) Co.Ltd. :<br>Chang, Ching-Sung<br>Tseng, Ching-An<br>Tsai, Shih-Kuang  | N/A          | 100%                   |
| Apex Business Management & Consulting (Shanghai) Co., Ltd.         | Chairman<br>Supervisor<br>*General manager   | Representative of Inventec Appliances (Shanghai) Co.Ltd. :<br>Chang, Ching-Sung<br>Chang, Shu-Ching<br>Tsai, Shih-Kuang   | N/A          | 100%                   |
| Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd. | Chairman<br>Director<br>Director<br>Supervisor<br>*General manager                         | Representative of Inventec Appliances (Shanghai) Co.Ltd. :<br>Ho, Tai-Shui<br>Chang, Ching-Sung<br>Chang, Ju-Nan<br>Chang, Shu-Ching<br>Chang, Ju-Nan   | N/A          | 100%                   |
| Inventec Appliances (Pudong) Corp.                                 | Chairman<br>Director<br>Director<br>Director<br>Director<br>Supervisor<br>*General manager | Representative of Inventec Appliances (Cayman) Holding Corp. :<br>Chang, Ching-Sung<br>Lin, Wen-Yao<br>Chen, Kun-Hui<br>Ho, Tai-Shui<br>Wang, Hung-Hsiang<br>Tseng, Ching-An<br>Chen, Kun-Hui | N/A          | 100%                   |
| Inventec Appliances (Malaysia) SDN. BHD                            | Representative<br>Director<br>Director<br>*General manager                                 | Representative of Inventec Appliances (Pudong) Corp. :<br>Chang, Ching-Sung<br>Lee, Huai-En<br>Lee, Tee-Hiang<br>Lee, Huai-En   | 71,000,000   | 100%                   |
| Inventec Appliances (Nanjing) Corp.                                | Chairman<br>Director<br>Director<br>Supervisor<br>*General manager                         | Representative of Inventec Appliances (Cayman) Holding Corp. :<br>Chang, Ching-Sung<br>Kao, Chao-Yang<br>Chen, Po-Cheng<br>Chang, Shu-Ching<br>Kao, Chao-Yang                                 | N/A          | 100%                   |

| Company                                    | Title  | Name  | Shareholding      |                        |
|--|--|---|-------------------|------------------------|
|  |  |   | Shares            | Investment Holding (%) |
| Inventec Appliances (Jiangning) Corp.      | Chairman<br>Director<br>Director<br>Supervisor<br>*General manager | Representative of Inventec Appliances (Cayman) Holding Corp. :<br>Chang, Ching-Sung<br>Kao, Chao-Yang<br>Chen, Po-Cheng<br>Chang, Shu-Ching<br>Kao, Chao-Yang   | N/A               | 100%                   |
| Inventec Appliances (XI'AN) Corporation    | Chairman<br>Director<br>Director<br>Supervisor<br>*General manager | Representative of Inventec Appliances (Cayman) Holding Corp. :<br>Chang, Ching-Sung<br>Kao, Chao-Yang<br>Pien, Yung-Tsai<br>Chang, Shu-Ching<br>Pien, Yung-Tsai | N/A               | 100%                   |
| Inventec Appliances (Nanchang) Corporation | Chairman<br>Director<br>Director<br>Supervisor<br>*General manager | Representative of Inventec Appliances (Cayman) Holding Corp. :<br>Chang, Ching-Sung<br>Chen, Kun-Hui<br>Chang, Ju-Nan<br>Chang, Shu-Ching<br>Chang, Ju-Nan      | N/A               | 100%                   |
| AIMobile Co., Ltd.                         | Chairman   | <b>Representative of Inventec Corporation :</b><br><b>Chang, Yu-Lien</b>  | <b>18,250,000</b> | <b>73.00%</b>          |
|  | Director   | <b>Wu, Yung-Tsai</b>  |                   |                        |
|  | Director   | <b>Yeh, Li-Cheng</b>  |                   |                        |
|  | Director   | <b>Representative of Advantech Co., Ltd. :</b><br><b>Liu, Ke-Chen</b>   | <b>6,750,000</b>  | <b>27.00%</b>          |
|  | Director   | <b>Chiang, Ming-Chih</b>  |                   |                        |
|  | Supervisor   | <b>Yu, Chin-Pao</b>   | <b>0</b>          | <b>0.00%</b>           |
|  | Supervisor   | <b>Tsai, Shu-Mei</b>  | <b>0</b>          | <b>0.00%</b>           |
|  | General manager  | <b>Chang, Kuo-Pin</b>   | <b>0</b>          | <b>0.00%</b>           |
| <b>Inventec Japan Corporation</b>          | <b>Representative Supervisor</b>                                   | <b>Representative of Inventec Corporation :</b><br><b>Cho, Tom-Hwar</b><br><b>Yu, Chin-Pao</b>  | <b>200</b>        | <b>100%</b>            |

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

## 7.1.6 Operational highlights of Inventec company subsidiaries

Unit: NT\$ Thousands (Except EPS) ; As of 12/31/2020

| Company   | Capital          | Total Assets       | Total Liabilities  | Total Stockholders' Equity | Sales Revenue      | Operating Income | Income after Tax | EPS after Tax |
|---|------------------|--------------------|--------------------|----------------------------|--------------------|------------------|------------------|---------------|
| <b>Inventec Corporation (Hong Kong) Ltd.</b>        | <b>9,163</b>     | <b>102,166,465</b> | <b>101,800,851</b> | <b>365,614</b>             | <b>299,226,353</b> | <b>(1,128)</b>   | <b>10,896</b>    | —             |
| Inventec (Tianjin) Electronics Co., Ltd.            | 142,400          | 333,598            | 103,030            | 230,567                    | 200,432            | 3,775            | 2,345            | —             |
| Inventec (Beijing) Electronics Technology Co., Ltd. | 41,296           | 96,539             | 19,181             | 77,358                     | 24,509             | 48               | 1,516            | —             |
| <b>Inventec (Cayman) Corp.</b>                      | <b>9,812,963</b> | <b>21,100,327</b>  | <b>0</b>           | <b>21,100,327</b>          | <b>0</b>           | <b>(281)</b>     | <b>7,722,888</b> | —             |
| Inventec (Shanghai) Corp.                           | 2,087,127        | 13,739,021         | 11,879,905         | 1,859,116                  | 50,278,916         | 123,021          | 93,305           | —             |
| Inventec Asset-Management (Shanghai) Corporation    | 1,869,030        | 3,597,855          | 1,835,813          | 1,762,043                  | 0                  | (22,599)         | (22,349)         | —             |
| Inventec (Pudong) Corp.                             | 1,424,000        | 4,881,143          | 754,471            | 4,126,672                  | 0                  | (131,706)        | 3,550,998        | —             |
| Inventec (Pudong) Technology Corp.                  | 1,668,692        | 40,830,639         | 34,208,342         | 6,622,297                  | 91,653,022         | 940,839          | 2,274,369        | —             |
| Inventec (Shanghai) Service Co., Ltd                | 188,679          | 126,529            | 3,322              | 123,206                    | 0                  | (1,310)          | (971)            | —             |
| Saint Investment Consulting Corporation             | 87,296           | 87,331             | 2                  | 87,330                     | 0                  | (1)              | 33               | —             |
| Inventec Hi-Tech Corp.                              | 1,424,000        | 1,557,867          | 419,473            | 1,138,394                  | 1,867              | (81,598)         | (57,017)         | —             |
| Inventec Huan Hsin (Zhejiang) Technology Co., Ltd.  | 817,376          | 4,087              | 251                | 3,837                      | 0                  | (2,134)          | (2,120)          | —             |
| Inventec (Chongqing) Corp.                          | 2,136,000        | 57,008,792         | 49,047,660         | 7,961,132                  | 268,159,240        | 1,618,719        | 2,365,436        | —             |
| Inventec (Chongqing) Service Co., Ltd.              | 28,480           | 116,155            | 76,113             | 40,042                     | 44,241             | (358)            | (1,330)          | —             |
| <b>IEC (Cayman) Corporation</b>                     | <b>739,500</b>   | <b>1,178,105</b>   | <b>0</b>           | <b>1,178,105</b>           | <b>0</b>           | <b>0</b>         | <b>273,585</b>   | —             |
| <b>Inventec Holding (North America) Corp.</b>       | <b>142,400</b>   | <b>1,281,813</b>   | <b>0</b>           | <b>1,281,813</b>           | <b>0</b>           | <b>0</b>         | <b>62,310</b>    | —             |
| Inventec (USA) Corp.                                | 14,240           | 213,258            | 0                  | 213,258                    | 0                  | 0                | (1)              | —             |
| Inventec Manufacturing (North America) Corp.        | 56,960           | 277,274            | 19,242             | 258,032                    | 307,383            | 17,399           | 12,595           | —             |
| Inventec Distribution (North America) Corp.         | 14,240           | 18,266,141         | 17,861,742         | 404,399                    | 75,557,607         | 14,886           | 33,230           | —             |
| Inventec Configuration (North America) Corp.        | 56,960           | 338,820            | 145,361            | 193,459                    | 654,907            | 2,036            | 1,121            | —             |
| IEC Technologies, S. de R.L. de C.V.                | 57,124           | 435,158            | 138,240            | 296,917                    | 615,757            | 33,106           | 15,028           | —             |
| <b>Inventec (Czech), s.r.o.</b>                     | <b>90,576</b>    | <b>12,171,145</b>  | <b>12,056,601</b>  | <b>114,544</b>             | <b>29,262,612</b>  | <b>30,817</b>    | <b>78,541</b>    | —             |
| <b>Inventec Development Japan Corporation</b>       | <b>10,984</b>    | <b>17,742</b>      | <b>65</b>          | <b>17,677</b>              | <b>0</b>           | <b>(986)</b>     | <b>(1,036)</b>   | —             |

| Company  | Capital          | Total Assets      | Total Liabilities | Total Stockholders' Equity | Sales Revenue     | Operating Income | Income after Tax   | EPS after Tax |
|--|------------------|-------------------|-------------------|----------------------------|-------------------|------------------|--------------------|---------------|
| <b>Inventec Manufacturing (India) Private Limited</b>              | <b>218,288</b>   | <b>14,688</b>     | <b>613</b>        | <b>14,075</b>              | <b>0</b>          | <b>(688)</b>     | <b>34,347</b>      | <b>—</b>      |
| <b>Inventec Investments Co., Ltd.</b>                              | <b>1,088,000</b> | <b>125,093</b>    | <b>170</b>        | <b>124,923</b>             | <b>0</b>          | <b>(241)</b>     | <b>(52,959)</b>    | <b>(0.49)</b> |
| <b>Inventec Solar Energy Corporation</b>                           | <b>3,233,548</b> | <b>1,387,603</b>  | <b>2,347,744</b>  | <b>(960,141)</b>           | <b>1,180,176</b>  | <b>(715,894)</b> | <b>(1,695,966)</b> | <b>(5.24)</b> |
| <b>Inventec Appliances Corp.</b>                                   | <b>5,368,573</b> | <b>28,682,573</b> | <b>20,205,607</b> | <b>8,476,966</b>           | <b>35,940,116</b> | <b>937,622</b>   | <b>679,517</b>     | <b>1.27</b>   |
| Inventec Appliances (Cayman) Holding Corp.                         | 5,693,864        | 16,545,017        | 0                 | 16,545,017                 | 0                 | 0                | (300,331)          | —             |
| Inventec Appliances (USA) Distribution Corp.                       | 130              | 169,363           | 76,676            | 92,687                     | 4,064,325         | 1,389            | 1,127              | —             |
| Inventec Appliances Corporation USA Inc.                           | 33               | 27,330            | 14,327            | 13,003                     | 20,304            | 1,895            | 885                | —             |
| Inventec Appliances (Shanghai) Co.Ltd.                             | 1,469,568        | 1,953,387         | 181,555           | 1,771,832                  | 4,488             | (115,498)        | (34,975)           | —             |
| Inventec Appliances (Shanghai) EnterpriseCo.Ltd.                   | 34,919           | 27,257            | 1,872             | 25,385                     | 0                 | (6,307)          | (2,026)            | —             |
| Apex Business Management & Consulting (Shanghai) Co., Ltd.         | 2,190            | 93,206            | 9,170             | 84,036                     | 81,804            | 30,541           | 25,252             | —             |
| Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd. | 261,889          | 849,568           | 743,874           | 105,694                    | 665,129           | (110,358)        | (81,203)           | —             |
| Inventec Appliances (Pudong) Corp.                                 | 2,192,960        | 16,877,166        | 8,019,430         | 8,857,736                  | 35,309,933        | (664,669)        | (569,471)          | —             |
| Inventec Appliances (Malaysia) SDN. BHD                            | 501,784          | 828,649           | 346,309           | 482,340                    | 5,536             | (17,538)         | (19,102)           | —             |
| Inventec Appliances (Nanjing) Corp.                                | 142,400          | 350,412           | 6,590             | 343,822                    | 0                 | (3,437)          | 12,695             | —             |
| Inventec Appliances (Jiangning) Corp.                              | 1,936,640        | 6,642,008         | 1,347,812         | 5,294,196                  | 4,709,356         | 222,099          | 308,573            | —             |
| Inventec Appliances (XI'AN) Corporation                            | 113,920          | 126,745           | 75,988            | 50,757                     | 0                 | (14,789)         | 10,358             | —             |
| Inventec Appliances (Nanchang) Corporation                         | 59,808           | 90,894            | 9,636             | 81,258                     | 0                 | (51,993)         | (50,163)           | —             |
| <b>AIMobile Co., Ltd.</b>  | <b>250,000</b>   | <b>372,102</b>    | <b>204,633</b>    | <b>167,469</b>             | <b>243,433</b>    | <b>(85,012)</b>  | <b>(81,693)</b>    | <b>(3.27)</b> |
| <b>Inventec Japan Corporation</b>                                  | <b>2,746</b>     | <b>3,910</b>      | <b>729</b>        | <b>3,181</b>               | <b>11,266</b>     | <b>623</b>       | <b>414</b>         | <b>—</b>      |

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

### **Representation Letter**

The entities that are required to be included in the combined financial statements of Inventec Corporation as of and for the year ended December 31, 2020 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: Cho, Tom-Hwar

Date: March 30, 2021

## **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 2020**

## **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, 2020 and 2019, 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, 2020 and 2019, and its financial performance and its cash flows for the years ended December 31, 2020 and 2019 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.
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 30, 2021

#### **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, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

| ASSETS                      |  | 2020.12.31            |            | 2019.12.31         |            | LIABILITIES AND EQUITY              |   | 2020.12.31            |            | 2019.12.31         |            |
|-----------------------------|--|-----------------------|------------|--------------------|------------|-------------------------------------|---|-----------------------|------------|--------------------|------------|
|                             |  | Amount                | %          | Amount             | %          |                                     |   | Amount                | %          | Amount             | %          |
| <b>Current Assets :</b>     |  |                       |            |                    |            | <b>Current Liabilities :</b>        |   |                       |            |                    |            |
| 1100                        | Cash and cash equivalents (Notes (4) and (6)(a))   | \$ 5,266,122          | 3          | 4,698,660          | 3          | 2100                                | Short-term borrowings (Note (6)(l))   | \$ 24,193,173         | 12         | 21,453,043         | 12         |
| 1110                        | Current financial assets at fair value through profit or loss (Notes (4) and (6)(b))                 | 267,589               | -          | 182,104            | -          | 2120                                | Current financial liabilities at fair value through profit or loss (Notes (4) and (6)(b)) | 182,068               | -          | 108,175            | -          |
| 1120                        | Current financial assets at fair value through other comprehensive income (Notes (4) and (6)(b))     | 1,405,689             | 1          | 1,194,430          | 1          | 2130                                | Current contract liabilities (Note (6)(s))  | 6,236,379             | 3          | 5,554,820          | 3          |
| 1170                        | Accounts receivable, net (Note (4) and (6)(c))   | 59,166,735            | 29         | 46,901,062         | 27         | 2170                                | Accounts payable  | 42,861,735            | 21         | 33,426,844         | 19         |
| 1180                        | Accounts receivable due from related parties, net (Notes (4), (6)(c) and (7))                        | 27,718,823            | 13         | 27,188,723         | 15         | 2180                                | Accounts payable due to related parties, net (Note (7))                                   | 47,377,719            | 23         | 43,827,529         | 25         |
| 1200                        | Other receivables, net (Notes (4), (6)(d) and (7))   | 54,926,635            | 27         | 47,453,959         | 27         | 2230                                | Current tax liabilities   | 1,295,766             | -          | 1,046,130          | 1          |
| 1310                        | Inventories, manufacturing business, net (Notes (4) and (6)(e))                                      | 2,387,945             | 1          | 3,878,921          | 2          | 2200                                | Other payables (Note (7))   | 5,644,166             | 3          | 5,332,183          | 3          |
| 1470                        | Total other current assets (Notes (4) and (6)(k))  | 2,871,207             | 1          | 385,103            | -          | 2280                                | Current lease liabilities (Note (6)(m))   | 4,152                 | -          | 5,483              | -          |
|                             |  | 154,010,745           | 75         | 131,882,962        | 75         | 2322                                | Long-term borrowings, current portion (Note (6)(l))                                       | 300,000               | -          | 300,000            | -          |
| <b>Non-current assets :</b> |  |                       |            |                    |            | 2399                                | Other current liabilities   | 7,856,199             | 4          | 4,952,526          | 3          |
| 1510                        | Non-current financial assets at fair value through profit or loss (Notes 4 and 6(b))                 | 821,436               | -          | -                  | -          |                                     |   | 135,951,357           | 66         | 116,006,733        | 66         |
| 1517                        | Non-current financial assets at fair value through other comprehensive income (Notes (4) and (6)(b)) | 2,215,585             | 1          | 2,074,739          | 1          | <b>Non-current Liabilities :</b>    |   |                       |            |                    |            |
| 1550                        | Investments accounted for using equity method, net (Notes (4) and (6)(f))                            | 33,775,936            | 16         | 27,383,652         | 16         | 2540                                | Long-term borrowings (Note (6)(l))  | 8,446,000             | 4          | 3,050,000          | 2          |
| 1600                        | Property, plant and equipment (Notes (4) and (6)(h))   | 13,535,629            | 7          | 13,225,283         | 7          | 2580                                | Non-current lease liabilities (Note (6)(m))   | 5,024                 | -          | 7,557              | -          |
| 1755                        | Right-of-use assets (Notes (4) and (6)(h))   | 9,057                 | -          | 13,036             | -          | 2640                                | Net defined benefit liability, non-current (Notes (4) and (6)(o))                         | 656,171               | -          | 640,401            | -          |
| 1780                        | Intangible assets (Notes (4) and (6)(j))   | 66,262                | -          | 71,210             | -          | 2670                                | Other non-current liabilities, others (Notes (4) and (6)(p))                              | 3,199,438             | 2          | 1,275,391          | 1          |
| 1900                        | Other non-current assets (Notes (4), (6)(k), (6)(p), (7) and (8))                                    | 1,807,999             | 1          | 1,600,348          | 1          |                                     |   | 12,306,633            | 6          | 4,973,349          | 3          |
|                             |  | 52,231,904            | 25         | 44,368,268         | 25         | <b>Total Liabilities</b>            |   | 148,257,990           | 72         | 120,980,082        | 69         |
|                             |  |                       |            |                    |            | <b>Equity:</b>                      |   |                       |            |                    |            |
|                             |  |                       |            |                    |            | 3110                                | Ordinary share (Note (6)(q))  | 35,874,751            | 17         | 35,874,751         | 20         |
|                             |  |                       |            |                    |            | 3200                                | Capital surplus (Note (6)(q))   | 2,899,284             | 1          | 2,913,461          | 2          |
|                             |  |                       |            |                    |            |                                     | Retained earnings (Note (6)(q)):  |                       |            |                    |            |
|                             |  |                       |            |                    |            | 3310                                | Legal reserve   | 11,345,901            | 6          | 10,799,605         | 6          |
|                             |  |                       |            |                    |            | 3320                                | Special reserve   | 1,822,004             | 1          | 1,646,357          | 1          |
|                             |  |                       |            |                    |            | 3350                                | Unappropriated retained earnings  | 7,944,644             | 4          | 5,858,979          | 3          |
|                             |  |                       |            |                    |            | 3400                                | Other equity interest (Note (6)(q))   | (1,901,925)           | (1)        | (1,822,005)        | (1)        |
|                             |  |                       |            |                    |            | <b>Total Equity</b>                 |   | 57,984,659            | 28         | 55,271,148         | 31         |
| <b>TOTAL ASSETS</b>         |  | <b>\$ 206,242,649</b> | <b>100</b> | <b>176,251,230</b> | <b>100</b> | <b>TOTAL LIABILITIES AND EQUITY</b> |   | <b>\$ 206,242,649</b> | <b>100</b> | <b>176,251,230</b> | <b>100</b> |

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

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

**STATEMENTS OF COMPREHENSIVE INCOME**

**For the Years Ended December 31, 2020 and 2019**

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

|      |  | <b>2020</b>    |          | <b>2019</b>   |          |
|------|--|----------------|----------|---------------|----------|
|      |  | <b>Amount</b>  | <b>%</b> | <b>Amount</b> | <b>%</b> |
| 4110 | <b>Total sales revenue (Notes (4), (6)(s) and (7))</b>   | \$ 407,434,848 | 100      | 357,462,052   | 100      |
| 5000 | <b>Total operating costs (Notes (4), (6)(e) and (7))</b>   | 395,650,876    | 97       | 344,938,970   | 96       |
|      | <b>Gross profit from operations</b>  | 11,783,972     | 3        | 12,523,082    | 4        |
| 5910 | Less: Unrealized profit (loss) from sales (Note (7))   | 11,807         | -        | 14,174        | -        |
| 5920 | Add: Realized profit (loss) from sales (Note (7))  | 14,174         | -        | 18,889        | -        |
|      | <b>Gross profit from operations</b>  | 11,786,339     | 3        | 12,527,797    | 4        |
|      | <b>Operating expenses (Notes (4)(q)):</b>  |                |          |               |          |
| 6100 | Selling expenses   | 1,760,505      | -        | 1,512,265     | -        |
| 6200 | Administrative expenses  | 1,895,856      | 1        | 1,804,654     | 1        |
| 6300 | Research and development expenses  | 5,826,007      | 1        | 5,586,067     | 2        |
| 6450 | Expected credit loss (gain)  | 44,784         | -        | 5,118         | -        |
|      | <b>Total operating expenses</b>  | 9,527,152      | 2        | 8,908,104     | 3        |
|      | <b>Net operating income</b>  | 2,259,187      | 1        | 3,619,693     | 1        |
|      | <b>Non-operating income and expenses (Notes (4), (6)(f) and (6)(u)):</b>   |                |          |               |          |
| 7100 | Interest income  | 26,738         | -        | 68,002        | -        |
| 7010 | Other income   | 62,496         | -        | 95,853        | -        |
| 7020 | Other gains and losses, net  | (226,992)      | -        | 488,838       | -        |
| 7050 | Finance costs, net   | (712,190)      | -        | (1,207,015)   | -        |
| 7775 | Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method  | 8,184,317      | 2        | 2,966,083     | 1        |
|      | <b>Total non-operating income and expenses</b>   | 7,334,369      | 2        | 2,411,761     | 1        |
| 7900 | <b>Profit (loss) from continuing operations before tax</b>   | 9,593,556      | 3        | 6,031,454     | 2        |
| 7950 | <b>Less: Income tax expenses (Notes (4) and (6)(p))</b>  | 2,045,571      | 1        | 523,494       | -        |
| 8200 | <b>Profit</b>  | 7,547,985      | 2        | 5,507,960     | 2        |
|      | <b>Other comprehensive income:</b>   |                |          |               |          |
| 8310 | <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>  |                |          |               |          |
| 8311 | Gains (losses) on remeasurements of defined benefit plans  | (63,130)       | -        | (50,641)      | -        |
| 8316 | Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income   | 352,106        | -        | 830,368       | -        |
| 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 | 4,050          | -        | 4,377         | -        |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss   | (12,626)       | -        | (10,128)      | -        |
|      | <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>  | 305,652        | -        | 794,232       | -        |
| 8360 | <b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>   |                |          |               |          |
| 8361 | Exchange differences on translation of foreign financial statements  | (65,492)       | -        | (32,310)      | -        |
| 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     | (396,739)      | -        | (982,574)     | -        |
| 8399 | Income tax related to components of other comprehensive income that will be reclassified to profit or loss   | -              | -        | -             | -        |
|      | <b>Components of other comprehensive income that will be reclassified to profit or loss</b>  | (462,231)      | -        | (1,014,884)   | -        |
|      | <b>Other comprehensive income, net</b>   | (156,579)      | -        | (220,652)     | -        |
| 8500 | <b>Total comprehensive income</b>  | \$ 7,391,406   | 2        | 5,287,308     | 2        |
|      | <b>Earnings per share attributable to stockholders of parent (Notes (4) and (6)(r))</b>  |                |          |               |          |
| 9750 | <b>Basic earnings per share (NT dollars)</b>   | \$ 2.10        |          | 1.54          |          |
| 9850 | <b>Diluted earnings per share (NT dollars)</b>   | \$ 2.08        |          | 1.53          |          |

**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, 2020 and 2019**

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

|   | <b>Capital Stock</b> |                        | <b>Retained Earnings</b> |                        |   | <b>Other Equity Interest</b>   |  | <b>Total Equity</b> |
|---|----------------------|------------------------|--------------------------|------------------------|---|--|--|---------------------|
|   | <b>Share Capital</b> | <b>Capital Surplus</b> | <b>Legal Reserve</b>     | <b>Special reserve</b> | <b>Unappropriated Retained Earnings</b> | <b>Exchange Differences on Translation of Foreign Financial Statements</b> | <b>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</b> |                     |
| <b>Balance at January 1, 2019</b>   | \$ 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 shares   | -                    | -                      | -                        | -                      | (5,381,213)                             | -  | -  | (5,381,213)         |
| 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   | -                   |
| <b>Balance at December 31, 2019</b>   | 35,874,751           | 2,913,461              | 10,799,605               | 1,646,357              | 5,858,979                               | (2,005,134)  | 183,129  | 55,271,148          |
| Net income (loss) for the period  | -                    | -                      | -                        | -                      | 7,547,985                               | -  | -  | 7,547,985           |
| Other comprehensive income (loss) for the period  | -                    | -                      | -                        | -                      | (43,201)                                | (462,231)  | 348,853  | (156,579)           |
| Total comprehensive income (loss) for the period  | -                    | -                      | -                        | -                      | 7,504,784                               | (462,231)  | 348,853  | 7,391,406           |
| Appropriation and distribution of retained earnings:  |                      |                        |                          |                        |   |  |  |                     |
| Legal reserve appropriated  | -                    | -                      | 546,296                  | -                      | (546,296)                               | -  | -  | -                   |
| Special reserve appropriated  | -                    | -                      | -                        | 175,647                | (175,647)                               | -  | -  | -                   |
| Cash dividends of ordinary share  | -                    | -                      | -                        | -                      | (4,663,718)                             | -  | -  | (4,663,718)         |
| Changes in equity of associates and joint ventures accounted for using equity method                      | -                    | 679                    | -                        | -                      | -                                       | -  | -  | 679                 |
| Disposal of subsidiaries or investments accounted for using equity method                                 | -                    | -                      | -                        | -                      | (19,258)                                | -  | 19,258   | -                   |
| Changes in ownership interests in subsidiaries  | -                    | (14,856)               | -                        | -                      | -                                       | -  | -  | (14,856)            |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | -                    | -                      | -                        | -                      | (14,200)                                | -  | 14,200   | -                   |
| <b>Balance at December 31, 2020</b>   | <b>\$ 35,874,751</b> | <b>2,899,284</b>       | <b>11,345,901</b>        | <b>1,822,004</b>       | <b>7,944,644</b>                        | <b>(2,467,365)</b>   | <b>565,440</b>   | <b>57,984,659</b>   |

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

## INVENTEC CORPORATION

## STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

|   | 2020                | 2019              |
|---|---------------------|-------------------|
| <b>Cash flows from operating activities:</b>  |                     |                   |
| <b>Profit before income tax</b>   | \$ 9,593,556        | 6,031,454         |
| <b>Adjustments:</b>   |                     |                   |
| <b>Adjustments to reconcile profit before income tax to net cash provided by operating activities</b> |                     |                   |
| Depreciation expense  | 561,757             | 408,792           |
| Amortization expense  | 578,179             | 667,744           |
| Expected credit loss  | 44,784              | 5,118             |
| Interest expense  | 712,190             | 1,207,015         |
| Interest income   | (26,738)            | (68,002)          |
| Dividend income   | (30,069)            | (20,301)          |
| Share of profit of subsidiaries, associates and joint ventures accounted for using equity method      | (8,184,317)         | (2,966,083)       |
| Gain on disposal of property, plant and equipment   | (52)                | (248)             |
| Gain on disposal of non-current assets held for sale  | -                   | (628,983)         |
| Gain on disposal of investments accounted for using equity method                                     | (20,602)            | -                 |
| Unrealized foreign exchange loss  | 647,091             | 747,858           |
| <b>Total adjustments to reconcile profit</b>  | <u>(5,717,777)</u>  | <u>(647,090)</u>  |
| <b>Changes in operating assets and liabilities:</b>   |                     |                   |
| <b>Changes in operating assets:</b>   |                     |                   |
| Increase in financial assets at fair value through profit or loss, mandatorily measured at fair value | (277,459)           | (113,791)         |
| (Increase) decrease in accounts receivable  | (13,264,562)        | 2,404,374         |
| (Increase) decrease in other receivable   | (7,651,920)         | 4,559,761         |
| Decrease (increase) in inventories  | 1,490,976           | (1,695,046)       |
| Decrease (increase) in other current assets   | <u>(2,486,104)</u>  | <u>437,151</u>    |
| <b>Total changes in operating assets</b>  | <u>(22,189,069)</u> | <u>5,592,449</u>  |
| <b>Changes in operating liabilities:</b>  |                     |                   |
| Increase in financial liabilities held for trading  | 73,893              | 103,217           |
| Increase (decrease) in contract liabilities   | 681,559             | (295,612)         |
| Increase in accounts payable  | 13,020,360          | 2,804,027         |
| Increase (decrease) in other payables   | 372,754             | (445,168)         |
| Increase (decrease) in other current liabilities  | 2,903,673           | (553,622)         |
| Decrease in net defined benefit liabilities   | <u>(47,360)</u>     | <u>(44,055)</u>   |
| <b>Total changes in operating liabilities</b>   | <u>17,004,879</u>   | <u>1,568,787</u>  |
| <b>Total changes in operating assets and liabilities</b>  | <u>(5,184,190)</u>  | <u>7,161,236</u>  |
| <b>Total adjustments</b>  | <u>(10,901,967)</u> | <u>6,514,146</u>  |
| Cash (outflow) inflow generated from operations   | (1,308,411)         | 12,545,600        |
| Interest received   | 27,158              | 67,911            |
| Dividends received  | 1,367,069           | 4,026,222         |
| Interest paid   | (702,702)           | (1,279,274)       |
| Income taxes paid   | <u>(94,652)</u>     | <u>(423,450)</u>  |
| <b>Net cash flows (used in) from operating activities</b>   | <u>(711,538)</u>    | <u>14,937,009</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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

|  | 2020                       | 2019                    |
|--|----------------------------|-------------------------|
| <b>Cash flows from investing activities:</b>   |                            |                         |
| 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                  |
| Acquisition of financial assets at fair value through profit or loss                                 | (214,979)                  | -                       |
| Acquisition of investments accounted for using equity method   | (100,000)                  | (57,954)                |
| Proceeds from disposal of non-current assets held for sale   | -                          | 931,655                 |
| Acquisition of property, plant and equipment   | (1,023,258)                | (2,016,289)             |
| Proceeds from disposal of property, plant and equipment  | 90,301                     | 248                     |
| Acquisition of intangible assets   | (117,321)                  | (225,618)               |
| Increase in other non-current assets   | (740,559)                  | (353,905)               |
| <b>Net cash flows used in investing activities</b>   | <u>(2,105,816)</u>         | <u>(3,365,157)</u>      |
| <b>Cash flows from financing activities:</b>   |                            |                         |
| Increase (decrease) in short-term borrowings   | 2,732,587                  | (3,602,533)             |
| Proceeds from long-term borrowings   | 19,343,800                 | -                       |
| Repayments of long-term borrowings   | (14,019,800)               | (250,000)               |
| Decrease in other non-current liabilities  | (2,243)                    | (8,676)                 |
| Cash dividends paid  | (4,663,718)                | (5,381,213)             |
| Payment of lease liabilities   | (5,810)                    | (4,281)                 |
| <b>Net cash flows from (used in) financing activities</b>  | <u>3,384,816</u>           | <u>(9,246,703)</u>      |
| <b>Net increase in cash and cash equivalents</b>   | 567,462                    | 2,325,149               |
| <b>Cash and cash equivalents at beginning of period</b>  | <u>4,698,660</u>           | <u>2,373,511</u>        |
| <b>Cash and cash equivalents at end of period</b>  | <u><b>\$ 5,266,122</b></u> | <u><b>4,698,660</b></u> |

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

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

**INVENTEC CORPORATION**

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

**For the years ended December 31, 2020 and 2019**

**(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 30, 2021.

**(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 Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”

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

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”

(English Translation of Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION**

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

**For the years ended December 31, 2020 and 2019**

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

- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

**(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 Note 3, 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.

(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.

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(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.

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

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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.

(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

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- 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.

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.

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**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.

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 months 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 asset is credit-impaired includes the following observable data:

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- 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 charged 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.

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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.

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.

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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.

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.

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**(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 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 straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

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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.

(l) Leases

(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.

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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.

(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:

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

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 Company'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

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- 4) there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- 5) there are any lease modifications

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

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the 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.

(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.

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**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 year~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.

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.

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(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.

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.

**INVENTEC CORPORATION**

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

**For the years ended December 31, 2020 and 2019**

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(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.

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.

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(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 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.

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
  - 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.

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

**For the years ended December 31, 2020 and 2019**

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**(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, 2020 and 2019 for operating segments information.

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

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

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

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

**INVENTEC CORPORATION****NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)****For the years ended December 31, 2020 and 2019****(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

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, Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

**(a) Valuation of inventories**

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

**(6) Explanation to Significant Accounts****(a) Cash and cash equivalents**

|  | <b>2020.12.31</b>   | <b>2019.12.31</b> |
|--|---------------------|-------------------|
| Cash   | \$ 1,072            | 1,021             |
| Demand deposits and checking accounts                | 4,536,510           | 3,969,817         |
| Time deposits  | 728,540             | 727,822           |
| Cash and cash equivalents in statement of cash flows | <b>\$ 5,266,122</b> | <b>4,698,660</b>  |

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

**(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**

|  | <b>2020.12.31</b>   | <b>2019.12.31</b> |
|--|---------------------|-------------------|
| 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                                 | \$ 13,606           | -                 |
| Foreign exchange swap                                      | 237,568             | 125,305           |
| Non-derivative financial assets                            |                     |                   |
| Emerging stock   | 232,340             | -                 |
| Unquoted financial instruments                             | 589,096             |                   |
| Unsecured convertible bonds                                | 16,415              | 56,799            |
| Total  | <b>\$ 1,089,025</b> | <b>182,104</b>    |

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|  | <u>2020.12.31</u> | <u>2019.12.31</u> |
|--|-------------------|-------------------|
| Financial liabilities at fair value through profit or loss |                   |                   |
| Held-for-trading financial liabilities                     |                   |                   |
| Forward exchange contracts                                 | \$ 142,530        | 108,175           |
| Foreign exchange swap                                      | 39,538            | -                 |
| Total  | <u>\$ 182,068</u> | <u>108,175</u>    |

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, 2020 and 2019:

1) Financial assets:

|                       |                    | 2020.12.31 |            |                       |
|-----------------------|--------------------|------------|------------|-----------------------|
|                       | Contract<br>Amount |            | Currency   | Maturity<br>Period    |
| Foreign exchange swap | USD                | 715,000    | USD to TWD | 2021.01.06-2021.06.11 |
| Forward               | USD                | 214,000    | USD to TWD | 2021.01.07-2021.06.09 |
|                       |                    | 2019.12.31 |            |                       |
|                       | Contract<br>Amount |            | Currency   | Maturity<br>Period    |
| Foreign exchange swap | USD                | 335,000    | USD to TWD | 2020.02.18-2020.03.18 |

2) Financial liabilities:

|                       |                    | 2020.12.31 |            |                       |
|-----------------------|--------------------|------------|------------|-----------------------|
|                       | Contract<br>Amount |            | Currency   | Maturity<br>Period    |
| Foreign exchange swap | USD                | 114,000    | USD to TWD | 2021.01.06-2021.03.25 |
| Forward               | USD                | 615,000    | USD to TWD | 2021.01.07-2021.06.11 |
|                       |                    | 2019.12.31 |            |                       |
|                       | Contract<br>Amount |            | Currency   | Maturity<br>Period    |
| Forward               | USD                | 335,000    | USD to TWD | 2020.02.18-2020.03.18 |

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2. Financial assets at fair value through other comprehensive income

|   | <u>2020.12.31</u>          | <u>2019.12.31</u>       |
|---|----------------------------|-------------------------|
| Equity investments at fair value through other comprehensive income |                            |                         |
| Stocks listed on domestic markets                                   | \$ 1,496,291               | 1,323,650               |
| Stocks not listed on domestic markets                               | <u>2,124,983</u>           | <u>1,945,519</u>        |
| Total   | <u><u>\$ 3,621,274</u></u> | <u><u>3,269,169</u></u> |

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.

Global Strategic Venture Capital Co., Ltd. was liquidated on November 17, 2020. The fair value of the residual property received by the Company was \$14,150, resulting in the Company to realize a loss of \$14,200, which was recognized as other comprehensive income, then later on, was reclassified to retained earnings.

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(v).

3) As of December 31, 2020 and 2019, the aforesaid financial assets were not pledged as collateral.

(c) Trade receivables

|   | <u>2020.12.31</u>           | <u>2019.12.31</u>        |
|---|-----------------------------|--------------------------|
| Accounts receivable due from related parties      | \$ 27,718,823               | 27,188,723               |
| Accounts receivables due from non-related parties | 59,201,602                  | 46,929,348               |
| Less: Loss allowance                              | <u>(34,867)</u>             | <u>(28,286)</u>          |
|   | <u><u>\$ 86,885,558</u></u> | <u><u>74,089,785</u></u> |

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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:

|                             | <b>2020.12.31</b>            |                              |                                 |
|-----------------------------|------------------------------|------------------------------|---------------------------------|
|                             | <b>Gross carrying amount</b> | <b>Weighted-average rate</b> | <b>Loss allowance provision</b> |
| Current                     | \$ 79,817,018                | 0.00%~0.50%                  | 33,572                          |
| 1 to 180 days past due      | 7,102,984                    | 0.04%~0.50%                  | 872                             |
| More than 180 days past due | 423                          | 0.04%~100%                   | 423                             |
|                             | <b><u>\$ 86,920,425</u></b>  |                              | <b><u>34,867</u></b>            |

As of the end of February 28, 2021, the amount that received by the Company is \$48,381,015.

|                             | <b>2019.12.31</b>            |                              |                                 |
|-----------------------------|------------------------------|------------------------------|---------------------------------|
|                             | <b>Gross carrying amount</b> | <b>Weighted-average rate</b> | <b>Loss allowance provision</b> |
| 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                           |
|                             | <b><u>\$ 74,118,071</u></b>  |                              | <b><u>28,286</u></b>            |

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

|                                       | <b>For the years ended December 31,</b> |                      |
|---------------------------------------|---|----------------------|
|                                       | <b>2020</b>                             | <b>2019</b>          |
| Balance at January 1, 2020 and 2019   | \$ 28,286                               | 23,168               |
| Impairment losses                     | 7,567                                   | 5,118                |
| Amounts written off                   | (986)                                   | -                    |
| Balance at December 31, 2020 and 2019 | <b><u>\$ 34,867</u></b>                 | <b><u>28,286</u></b> |

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

As of December 31, 2020 and 2019, none of the receivables above are pledged as collateral for loans and borrowings.

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As of December 31, 2020 and 2019, the Company sold its accounts receivable without recourse as follows:

| <b>2020.12.31</b>   |                                |                          |                            |   |                                   |  |
|---------------------|--------------------------------|--------------------------|----------------------------|---|-----------------------------------|--|
| <b>Purchaser</b>    | <b>Amount<br/>Derecognized</b> | <b>Credit<br/>Unused</b> | <b>Credit<br/>Advanced</b> | <b>Amount<br/>Recognized<br/>in Other<br/>Receivables</b> | <b>Range of<br/>Interest Rate</b> | <b>Significant<br/>Transferring<br/>Terms</b>  |
| Non-related parties | <u>\$ 15,566,808</u>           | <u>USD 153,413</u>       | <u>USD 546,587</u>         | -   | 0.99%~1.05%                       | The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency. |
| <b>2019.12.31</b>   |                                |                          |                            |   |                                   |  |
| <b>Purchaser</b>    | <b>Amount<br/>Derecognized</b> | <b>Credit<br/>Unused</b> | <b>Credit<br/>Advanced</b> | <b>Amount<br/>Recognized<br/>in Other<br/>Receivables</b> | <b>Range of<br/>Interest Rate</b> | <b>Significant<br/>Transferring<br/>Terms</b>  |
| 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. |

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

|                                       | <b>2020.12.31</b>    | <b>2019.12.31</b> |
|---------------------------------------|----------------------|-------------------|
| Other receivables—related parties     | \$ 54,723,480        | 47,376,952        |
| Other receivables—non-related parties | 237,797              | 77,007            |
| Less: Loss allowance                  | (34,642)             | -                 |
|                                       | <u>\$ 54,926,635</u> | <u>47,453,959</u> |

The movement in the allowance for impairment with respect to other receivables was as follows:

|                              | <b>For the years<br/>ended<br/>December 31,<br/>2020</b> |
|------------------------------|--|
| Impairment losses recognized | \$ 37,217  |
| Written off                  | (2,575)  |
| Ending balance               | <u>\$ 34,642</u>   |

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(e) Inventories

|                               | <b>2020.12.31</b>          | <b>2019.12.31</b>       |
|-------------------------------|----------------------------|-------------------------|
| Raw materials and consumables | \$ 1,182,506               | 1,661,656               |
| Work in process               | 675,657                    | 1,250,578               |
| Finished goods                | 529,782                    | 966,687                 |
|                               | <b><u>\$ 2,387,945</u></b> | <b><u>3,878,921</u></b> |

For the years ended December 31, 2020 and 2019, the write-up of inventories amounted to \$11,198 and \$6,913, respectively, due to obsolescence or out of use, which causes the net realizable value to be lower than the cost. For the years ended December 31, 2020 and 2019, expenses of idle capacity amounted to \$26,306 and \$3,132, respectively.

As of December 31, 2020 and 2019, the aforesaid inventories were not pledged as collateral.

(f) Investments accounted for using equity method

The investment using equity method was as follows:

|              | <b>2020.12.31</b>           | <b>2019.12.31</b>        |
|--------------|-----------------------------|--------------------------|
| Subsidiaries | \$ 33,565,625               | 27,138,165               |
| Associates   | 210,311                     | 245,487                  |
|              | <b><u>\$ 33,775,936</u></b> | <b><u>27,383,652</u></b> |

1.Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2020.

2.Associates

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

|   | <b>2020.12.31</b>                              | <b>2019.12.31</b>      |
|---|--|------------------------|
| Individually insignificant associates                   | <b><u>\$ 210,311</u></b>                       | <b><u>245,487</u></b>  |
|   | <b><u>For the years ended December 31,</u></b> | <b><u>2020</u></b>     |
| The Company' s share of profit (loss) of the associates | <b><u>2019</u></b>                             |                        |
| Loss from continuing operations                         | \$ (17,891)                                    | (24,518)               |
| Other comprehensive income                              | (17,285)                                       | (1,653)                |
| Total comprehensive income                              | <b><u>\$ (35,176)</u></b>                      | <b><u>(26,171)</u></b> |

As of December 31, 2020 and 2019, the Company' s investments under equity method has not been pledged as collaterals.

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As of December 31, 2020 and 2019, the Company's investments under equity method has not been pledged as collaterals.

**3. Judgment on whether the invested company has substantial control**

1) For whether the invested company has substantial control, refer to the consolidated financial report for the years ended December 31, 2020.

2) Judgment on existence of substantial control over investee

The Company holds 37.528% of the outstanding voting shares of Inventec Besta Co., Ltd. (Besta) and obtains only one seat among all six board directors. Therefore, the Company does not have existing rights and the current ability to direct the investee's relevant activities, thus, the Company does not have control over Besta.

**(g) Loss control of subsidiaries**

The meeting of shareholders of E-Ton Solar Tech. Co., Ltd. ("E-ton") decided to dismiss their respective companies in 2020. It is currently in liquidation process. As a result, The Company lose control of these subsidiaries.

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

|   |           |                         |
|---|-----------|-------------------------|
| Cash and cash equivalents                             | \$        | 5,710                   |
| Property, plant and equipment                         |           | 302,951                 |
| Investment property                                   |           | 1,026,336               |
| Other receivables                                     |           | 40                      |
| Other current assets                                  |           | 27,253                  |
| Other assets  |           | 239,358                 |
| Notes payable   |           | (395)                   |
| Other payables  |           | (19,369)                |
| Long-term payable                                     |           | (190,000)               |
| Other liabilities                                     |           | <u>(109,093)</u>        |
| Carrying amount of net asset of the former subsidiary | <b>\$</b> | <b><u>1,282,791</u></b> |

**(h) Property, plant and equipment**

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2020 and 2019 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, 2020   | \$ 7,641,024        | 5,134,289                 | 609,833                 | 25,691                   | 2,089,631        | 981,709          | 349,747        | 16,831,924        |
| Additions                    | -                   | -                         | 460,993                 | 107                      | 248,294          | 139,746          | 112,984        | 962,124           |
| Disposals                    | -                   | -                         | (122,054)               | -                        | (91,356)         | (8,256)          | -              | (221,666)         |
| Other                        | -                   | -                         | 188,085                 | -                        | 8,927            | 142,093          | (348,230)      | (9,125)           |
| Balance at December 31, 2020 | <b>\$ 7,641,024</b> | <b>5,134,289</b>          | <b>1,136,857</b>        | <b>25,798</b>            | <b>2,255,496</b> | <b>1,255,292</b> | <b>114,501</b> | <b>17,563,257</b> |

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|                                     | Land                | Building and construction | Machinery and equipment | Transportation equipment | Office equipment | Other facilities | Others         | Total             |
|-------------------------------------|---------------------|---------------------------|-------------------------|--------------------------|------------------|------------------|----------------|-------------------|
| 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> |
| Depreciation and impairment losses: |                     |                           |                         |                          |                  |                  |                |                   |
| Balance at January 1, 2020          | \$ -                | 832,640                   | 274,525                 | 15,457                   | 1,902,450        | 581,569          | -              | 3,606,641         |
| Depreciation for the period         | -                   | 119,987                   | 148,772                 | 3,260                    | 141,882          | 141,931          | -              | 555,832           |
| Disposals                           | -                   | -                         | (51,857)                | -                        | (74,731)         | (8,257)          | -              | (134,845)         |
| Balance at December 31, 2020        | <u>\$ -</u>         | <u>952,627</u>            | <u>371,440</u>          | <u>18,717</u>            | <u>1,969,601</u> | <u>715,243</u>   | <u>-</u>       | <u>4,027,628</u>  |
| 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>  |
| Carrying amounts:                   |                     |                           |                         |                          |                  |                  |                |                   |
| Balance at December 31, 2020        | <u>\$ 7,641,024</u> | <u>4,181,662</u>          | <u>765,417</u>          | <u>7,081</u>             | <u>285,895</u>   | <u>540,049</u>   | <u>114,501</u> | <u>13,535,629</u> |
| 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 January 1, 2019          | <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> |

As of December 31, 2020 and 2019, the property, plant and equipment were pledged as collateral, please refer to Note 8.

## (i) 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, 2020 | \$ 6,348        | 10,973        | 17,321        |
| Additions                              | -               | 1,946         | 1,946         |
| Balance as of December 31, 2020        | <u>\$ 6,348</u> | <u>12,919</u> | <u>19,267</u> |
| Original balance as of January 1, 2019 | \$ 6,348        | 4,248         | 10,596        |
| Additions                              | -               | 6,725         | 6,725         |
| Balance as of December 31, 2019        | <u>\$ 6,348</u> | <u>10,973</u> | <u>17,321</u> |

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|   | <u>Land</u>     | <u>Vehicles</u> | <u>Total</u>  |
|---|-----------------|-----------------|---------------|
| Accumulated depreciation and impairment losses: |                 |                 |               |
| Original balance as of January 1, 2020          | \$ 1,270        | 3,015           | 4,285         |
| Depreciation for the year                       | 1,270           | 4,655           | 5,925         |
| Balance as of December 31, 2020                 | <u>\$ 2,540</u> | <u>7,670</u>    | <u>10,210</u> |
| Original balance as of January 1, 2019          | \$ -            | -               | -             |
| Depreciation for the year                       | 1,270           | 3,015           | 4,285         |
| Balance as of December 31, 2019                 | <u>\$ 1,270</u> | <u>3,015</u>    | <u>4,285</u>  |
| Carrying amounts:                               |                 |                 |               |
| Balance at December 31, 2020                    | <u>\$ 3,808</u> | <u>5,249</u>    | <u>9,057</u>  |
| Balance at December 31, 2019                    | <u>\$ 5,078</u> | <u>7,958</u>    | <u>13,036</u> |
| Balance at January 1, 2019                      | <u>\$ 6,348</u> | <u>4,248</u>    | <u>10,596</u> |

(j) Intangible assets

The costs of intangible assets and amortization of the Company for the years ended December 31, 2020 and 2019 were as follows:

|                                     | <u>Software cost</u> |
|-------------------------------------|----------------------|
| Cost:                               |                      |
| Balance at January 1, 2020          | \$ 1,106,016         |
| Additions                           | 117,321              |
| Disposals                           | (68,586)             |
| Balance at December 31, 2020        | <u>\$ 1,154,751</u>  |
| Balance at January 1, 2019          | \$ 999,782           |
| Additions                           | 225,618              |
| Disposals                           | (119,384)            |
| Balance at December 31, 2019        | <u>\$ 1,106,016</u>  |
| Amortization and impairment losses: |                      |
| Balance at January 1, 2020          | \$ 1,034,806         |
| Amortization for the period         | 122,269              |
| Disposals                           | (68,586)             |
| Balance at December 31, 2020        | <u>\$ 1,088,489</u>  |

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|                              | <b>Software cost</b>       |
|------------------------------|----------------------------|
| Balance at January 1, 2019   | \$ 925,163                 |
| Amortization for the period  | 229,027                    |
| Disposals                    | <u>(119,384)</u>           |
| Balance at December 31, 2019 | <b><u>\$ 1,034,806</u></b> |
| Carrying amounts:            |                            |
| Balance at December 31, 2020 | <b><u>\$ 66,262</u></b>    |
| Balance at December 31, 2019 | <b><u>\$ 71,210</u></b>    |
| Balance at January 1, 2019   | <b><u>\$ 74,619</u></b>    |

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

|                    | <b>For the years ended December 31,</b> |                       |
|--------------------|---|-----------------------|
|                    | <b>2020</b>                             | <b>2019</b>           |
| Operating costs    | \$ 7,408                                | 107,336               |
| Operating expenses | <u>114,861</u>                          | <u>121,691</u>        |
| Total              | <b><u>\$ 122,269</u></b>                | <b><u>229,027</u></b> |

As of December 31, 2020 and 2019, 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 Company were as follows:

|                             | <b>2020.12.31</b>          | <b>2019.12.31</b>       |
|-----------------------------|----------------------------|-------------------------|
| Refundable deposits         | \$ 28,930                  | 25,855                  |
| Asset for recovery          | 260,999                    | 208,022                 |
| Restricted assets           | 132,954                    | -                       |
| Deferred tax assets         | 1,172,586                  | 1,234,583               |
| Payment on behalf of others | 2,511,971                  | -                       |
| Prepayments for investments | -                          | 15,000                  |
| Others                      | <u>571,766</u>             | <u>501,991</u>          |
|                             | <b><u>\$ 4,679,206</u></b> | <b><u>1,985,451</u></b> |

The Company determines the substance of the transaction in terms of sales and production, as well as production of the same target, to complete its sales contract. The Company has the nature of an agent, and so the transaction is reflected as the net amount after the purchases and sales are written off. The unused inventory of purchases is listed as payments from others.

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(I) Long-term and short-term borrowings

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

| <b>2020.12.31</b>    |                      |                 |                       |                      |
|----------------------|----------------------|-----------------|-----------------------|----------------------|
|                      | <b>Interest Rate</b> | <b>Currency</b> | <b>Maturity Date</b>  | <b>Amount</b>        |
|                      |                      | <b>y</b>        |                       |                      |
| Unsecured bank loans | 0.48%~1.01%          | TWD             | 2021.01.07~2021.03.26 | \$ 4,900,000         |
|                      | %%                   | USD             | 2021.01.06~2022.10.14 | 24,989,173           |
| Secured bank loans   | 1.19%%               | TWD             | 2031.02.26            | 3,050,000            |
| Total                |                      |                 |                       | <b>\$ 32,939,173</b> |
| Current              |                      |                 |                       | \$ 24,493,173        |
| Non-current          |                      |                 |                       | 8,446,000            |
| Total                |                      |                 |                       | <b>\$ 32,939,173</b> |
| Unused credit line   |                      |                 |                       | <b>\$ 32,100,467</b> |

| <b>2019.12.31</b>    |                      |                 |                       |                      |
|----------------------|----------------------|-----------------|-----------------------|----------------------|
|                      | <b>Interest Rate</b> | <b>Currency</b> | <b>Maturity Date</b>  | <b>Amount</b>        |
|                      |                      | <b>y</b>        |                       |                      |
| 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                |                      |                 |                       | <b>\$ 24,803,043</b> |
| Current              |                      |                 |                       | \$ 21,753,043        |
| Non-current          |                      |                 |                       | 3,050,000            |
| Total                |                      |                 |                       | <b>\$ 24,803,043</b> |
| Unused credit line   |                      |                 |                       | <b>\$ 34,772,437</b> |

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

2. Important borrowing restrictions

The Company entered into syndicated credit agreements with a number of financial institutions. Under these agreements, the Company shall adhere to certain financial provisions such as current ratios, leverage ratios, interest coverage ratios and tangible net worth in the annual report on the balance sheet date. Otherwise, the borrowings will be considered due and payable immediately. As of December 31, 2020 and 2019, the Company was in compliance with the above financial covenants.

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(m) Lease liabilities

The Company lease liabilities were as follows:

|             | <b>2020.12.31</b> | <b>2019.12.31</b> |
|-------------|-------------------|-------------------|
| Current     | <b>\$ 4,152</b>   | <b>5,483</b>      |
| Non-current | <b>\$ 5,024</b>   | <b>7,557</b>      |

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

The amounts recognized in profit or loss were as follows:

|   | <b>For the years ended December 31,</b> | <b>For the years ended December 31,</b> |
|---|---|---|
|   | <b>2020</b>                             | <b>2019</b>                             |
| Interest on lease liabilities   | <b>\$ 123</b>                           | <b>124</b>                              |
| Expenses relating to short-term leases  | <b>\$ 1,666</b>                         | <b>1,203</b>                            |
| Expenses relating to leases of low-value, excluding short-term leases of low-value assets | <b>\$ 208</b>                           | <b>425</b>                              |

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

|                               | <b>For the years ended December 31,</b> | <b>For the years ended December 31,</b> |
|-------------------------------|---|---|
|                               | <b>2019</b>                             | <b>2019</b>                             |
| Total cash outflow for leases | <b>\$ 7,807</b>                         | <b>6,033</b>                            |

**1. Real estate leases**

The Company leases land for its office and plants. 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 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 lessee 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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(n) Operating Leases

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

|                                      | <b>2020.12.31</b> | <b>2019.12.31</b> |
|--------------------------------------|-------------------|-------------------|
| Less than one year                   | \$ 20,116         | 15,951            |
| One to two years                     | 11,040            | 4,877             |
| Two to three years                   | 862               | 3,490             |
| Three to four years                  | -                 | 142               |
| Total undiscounted lease receivables | <b>\$ 32,018</b>  | <b>24,460</b>     |

The rental revenues incurred by leasing land, offices and plants were \$32,427 and \$75,552 for the years ended December 31, 2020 and 2019, 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:

|  | <b>2020.12.31</b> | <b>2019.12.31</b> |
|--|-------------------|-------------------|
| Present value of the defined benefit obligations | \$ 1,400,254      | 1,336,939         |
| Fair value of plan assets                        | (744,083)         | (696,538)         |
| Net defined benefit liabilities                  | <b>\$ 656,171</b> | <b>640,401</b>    |

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 \$740,284 at the end of December 31, 2020. 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 Company on 2020 and 2019 were as follows:

|   | <b>For the years ended December 31,</b> |                  |
|---|---|------------------|
|   | <b>2020</b>                             | <b>2019</b>      |
| Defined benefit obligation at January 1                               | \$ 1,336,939                            | 1,289,116        |
| Current service costs and interest                                    | 20,948                                  | 25,096           |
| Remeasurement on the net defined benefit liability                    |   |                  |
| — Experience adjustments arising on the actuarial gain or loss        | 50,016                                  | 18,913           |
| — Actuarial loss (gain) arising from changes in financial assumptions | 35,562                                  | 53,137           |
| Benefits paid by the plan assets                                      | (43,211)                                | (49,323)         |
| Defined benefit obligation at December 31                             | <b>\$ 1,400,254</b>                     | <b>1,336,939</b> |

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company on 2020 and 2019 were as follows:

|  | <b>For the years ended December 31,</b> |                |
|--|---|----------------|
|  | <b>2020</b>                             | <b>2019</b>    |
| Fair value of plan assets at January 1               | \$ 696,538                              | 655,301        |
| Interest income                                      | 5,460                                   | 7,711          |
| Remeasurement on the net defined benefit liability   |   |                |
| — Return on plan assets (excluding current interest) | 22,448                                  | 21,409         |
| Contributions made                                   | 62,848                                  | 61,440         |
| Benefits paid by the plan assets                     | (43,211)                                | (49,323)       |
| Fair value of plan assets at December 31             | <b>\$ 744,083</b>                       | <b>696,538</b> |

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company on 2020 and 2019 were as follows:

|   | <b>For the years ended December 31,</b> |               |
|---|---|---------------|
|   | <b>2020</b>                             | <b>2019</b>   |
| Current service costs   | \$ 10,921                               | 10,602        |
| Net interest of net liabilities for defined benefit obligations | 4,567                                   | 6,783         |
|   | <b>\$ 15,488</b>                        | <b>17,385</b> |

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|                                   | <b>For the years ended December 31,</b> |               |
|-----------------------------------|---|---------------|
|                                   | <b>2020</b>                             | <b>2019</b>   |
| Operating cost                    | \$ 1,712                                | 1,831         |
| Selling expenses                  | 1,711                                   | 1,903         |
| Administration expenses           | 3,605                                   | 4,151         |
| Research and development expenses | 8,460                                   | 9,500         |
|                                   | <b>\$ 15,488</b>                        | <b>17,385</b> |

5) Actuarial assumptions

The following are the Company's principal actuarial assumptions:

Present Value of defined benefit obligations:

|                              | <b>For the years ended December 31,</b> |             |
|------------------------------|---|-------------|
|                              | <b>2020</b>                             | <b>2019</b> |
| Discount rate                | 0.500%%                                 | 0.750%%     |
| Future salary increases rate | 1.625%%                                 | 1.625%%     |

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date was \$64,113.

The weighted-average duration of the defined benefit obligation is 10.50.0 years.

6) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation for 2020 and 2019 shall be as follows:

|                   | <b>Influences of defined benefit obligations</b> |                            |
|-------------------|--|----------------------------|
|                   | <b>Increased<br/>0.25%</b>                       | <b>Decreased<br/>0.25%</b> |
| December 31, 2020 |  |                            |
| Discount rate     | \$ (35,562)                                      | 36,934                     |
| December 31, 2019 |  |                            |
| Discount rate     | (35,766)   | 37,185                     |

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 2020 and 2019.

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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 Labor Insurance amounted to \$213,407 and \$194,780 for the years ended December 31, 2020 and 2019, respectively. Except for the accounts payable of \$57,639 and \$54,044 respectively, the Company have been contributed to the Bureau of Labor Insurance.

(p) Income taxes

1. The components of income tax expense (gain) in the years 2020 and 2019 were as follows:

|   | <b>For the years ended December 31,</b> |                |
|---|---|----------------|
|   | <b>2020</b>                             | <b>2019</b>    |
| Current tax expense                               |   |                |
| Current period                                    | \$ 423,773                              | 514,786        |
| Adjustment for prior periods                      | (79,484)                                | 41,017         |
|   | <u>344,289</u>                          | <u>555,803</u> |
| Deferred tax expense                              |   |                |
| Origination and reversal of temporary differences | 1,701,282                               | (32,309)       |
| Income tax expense from continuing operations     | <u>\$ 2,045,571</u>                     | <u>523,494</u> |

The amount of income tax recognized in other comprehensive income for 2020 and 2019 was as follows:

|   | <b>For the years ended December 31,</b> |               |
|---|---|---------------|
|   | <b>2020</b>                             | <b>2019</b>   |
| Items that will not be reclassified subsequently to profit or loss: |   |               |
| Remeasurement from defined benefit plans                            | <u>\$ 12,626</u>                        | <u>10,128</u> |

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

|   | <b>For the years ended December 31,</b> |                  |
|---|---|------------------|
|   | <b>2020</b>                             | <b>2019</b>      |
| Income before tax                               | <b>\$ 9,593,556</b>                     | <b>6,031,454</b> |
| Income tax using the statutory tax rate         | 1,918,711                               | 1,206,291        |
| Permanent differences                           | (97,100)                                | (308,822)        |
| Tax credits                                     | (86,797)                                | (73,685)         |
| Change in unrecognized temporary differences    | 178,946                                 | (105,032)        |
| (Over) under provision of temporary differences | 207,430                                 | (236,275)        |
| Other   | (79,484)                                | 41,017           |
| Undistributed earnings additional tax           | 3,865                                   | -                |
| Income tax expense                              | <b>\$ 2,045,571</b>                     | <b>523,494</b>   |

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

**2. Deferred tax assets and liabilities**

**1) Unrecognized deferred tax assets**

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

|  | <b>2020.12.31</b> | <b>2019.12.31</b> |
|--|-------------------|-------------------|
| Tax effect of deductible temporary differences | <b>\$ 928,929</b> | <b>749,983</b>    |

**2) Recognized deferred tax assets and liabilities**

The movements in deferred tax assets and liabilities for the years ended December 31, 2020 and 2019 were as follows:

|                                  | <b>Gain (loss) on investment</b> | <b>Other</b> | <b>Total</b>     |
|----------------------------------|----------------------------------|--------------|------------------|
| <b>Deferred Tax Liabilities:</b> |                                  |              |                  |
| Balance at January 1, 2020       | \$ 1,239,155                     | -            | 1,239,155        |
| Recognized in profit or loss     | 1,626,659                        | -            | 1,626,659        |
| Balance at December 31, 2020     | <b>\$ 2,865,814</b>              |              | <b>2,865,814</b> |
| 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     | <b>\$ 1,239,155</b>              | <b>-</b>     | <b>1,239,155</b> |

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|  | Deferred<br>Income | Defined<br>Benefit Plans | Others         | Total            |
|--|--------------------|--------------------------|----------------|------------------|
| <b>Deferred Tax Assets:</b>              |                    |                          |                |                  |
| Balance at January 1, 2020               | \$ 770,799         | 71,736                   | 392,048        | 1,234,583        |
| Recognized in profit or loss             | 37,318             | (9,472)                  | (102,469)      | (74,623)         |
| Recognized in other comprehensive income | -                  | 12,626                   | -              | 12,626           |
| Balance at December 31, 2020             | <b>\$ 808,117</b>  | <b>74,890</b>            | <b>289,579</b> | <b>1,172,586</b> |
| 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             | <b>\$ 770,799</b>  | <b>71,736</b>            | <b>392,048</b> | <b>1,234,583</b> |

3.The Company's income tax returns through 2018 have been examined and approved by the Tax Authority.

(q) Capital and reserves

As of December 31, 2020 and 2019, 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:

|               | 2020.12.31          | 2019.12.31       |
|---------------|---------------------|------------------|
| Share capital | \$ 2,891,959        | 2,891,959        |
| Other         | 7,325               | 21,502           |
|               | <b>\$ 2,899,284</b> | <b>2,913,461</b> |

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. Surplus distribution based on issuance of new shares approved by the Board of Directors, should be resolved during the shareholder's meeting. In consideration of the Company's long-term operating plan, funding needs, and

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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. In accordance with Article 240 of the ROC Company Act, the Company authorizes the distribution of dividends and bonuses or its legal reserve and capital reserve, according to Article 241 of the ROC Company Act, in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors; then such distribution shall be submitted to the shareholder's meeting.

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.

3) Earnings Distribution

On March 24, 2020, the Company's Board and Directors resolved to distribute the 2019 earnings. On June 14, 2019, the shareholder's meetings resolve to distribute the 2018 earnings. These earnings were appropriated for distribution as follows:

|  | <b>2019</b>                    |                         | <b>2018</b>                    |                         |
|--|--------------------------------|-------------------------|--------------------------------|-------------------------|
|  | <b>Dividend per share (\$)</b> | <b>Amount</b>           | <b>Dividend per share (\$)</b> | <b>Amount</b>           |
| Dividends distributed to common shareholders |                                |                         |                                |                         |
| Cash   | \$ 1.30                        | <u><b>4,663,718</b></u> | 1.50                           | <u><b>5,381,213</b></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 30, 2021, the Company's Board of Directors resolved to appropriate the 2020 earnings respectively, as follows:

|  | <b>2020</b>                    |                         |
|--|--------------------------------|-------------------------|
|  | <b>Dividend per share (\$)</b> | <b>Amount</b>           |
| Dividends distributed to common shareholders |                                |                         |
| Cash   | \$ 1.85                        | <u><b>6,636,829</b></u> |

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**3. Other equity (net of taxes)**

|  | Exchange differences<br>on translation of<br>foreign financial<br>statements | Unrealized gains<br>(losses) from<br>financial assets<br>measured at fair<br>value through other<br>comprehensive<br>income |
|--|--|---|
| Balance at January 1, 2020   | \$ (2,005,134)   | 183,129   |
| Exchange differences on foreign operations   | (65,492)   | -   |
| Exchange differences on associates accounted for using equity method   | (396,739)  | -   |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income  | -  | 352,106   |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, associates and joint ventures accounted for using equity method | -  | (3,253)   |
| Disposal of investments accounted for using equity method  | -  | 19,258  |
| Disposal of investments in equity instruments designed at fair value through other comprehensive income  | -  | 14,200  |
| Balance at December 31, 2020   | <u>\$ (2,467,365)</u>  | <u>565,440</u>  |
| Balance at January 1, 2019   | \$ (990,250)   | (656,107)   |
| Exchange differences on foreign operations   | (32,310)   | -   |
| Exchange differences on associates accounted for using equity method   | (982,574)  | -   |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income  | -  | 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)  |
| Disposal of investments in equity instruments designed at fair value through other comprehensive income  | -  | 20,036  |
| Balance at December 31, 2019   | <u>\$ (2,005,134)</u>  | <u>183,129</u>  |

**(r) Earnings per share**

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

|   | <b>For the years ended December 31,</b> |                  |
|---|---|------------------|
|   | <b>2020</b>                             | <b>2019</b>      |
| <b>Basic earnings per share:</b>                                |   |                  |
| Profit attributable to ordinary shareholders                    | <u>\$ 7,547,985</u>                     | <u>5,507,960</u> |
| Weighted average number of ordinary shares<br>(thousand shares) | <u>3,587,475</u>                        | <u>3,587,475</u> |
| Basic earnings per share (NT dollars)                           | <u>\$ 2.10</u>                          | <u>1.54</u>      |

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|  | <b>For the years ended December 31,</b> |                  |
|--|---|------------------|
|  | <b>2020</b>                             | <b>2019</b>      |
| <b>Diluted earnings per share:</b>   |   |                  |
| Profit attributable to ordinary shareholders of the Company (adjusted for the effects of all dilutive potential ordinary shares) | <b>\$ 7,547,985</b>                     | <b>5,507,960</b> |
| Weighted average number of ordinary shares (thousand shares)   | 3,587,475                               | 3,587,475        |
| Effect of dilutive potential common shares (thousand shares)   |   |                  |
| profit sharing to employees  | 32,907                                  | 23,150           |
| Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)                  | 3,620,382                               | 3,610,625        |
| Diluted earnings per share (NT dollars)  | <b>\$ 2.08</b>                          | <b>1.53</b>      |

(s) Revenue from contracts with customers

1. Disaggregation of revenue

|                                     | <b>For the years ended December 31,</b> |                    |
|-------------------------------------|---|--------------------|
|                                     | <b>2020</b>                             | <b>2019</b>        |
| Primary geographical markets        |   |                    |
| Taiwan                              | \$ 31,704,545                           | 6,364,849          |
| USA                                 | 321,088,197                             | 289,742,413        |
| Japan                               | 5,970,995                               | 11,423,674         |
| Hong Kong, Macao and Mainland China | 8,317,851                               | 9,869,620          |
| Other countries                     | 40,353,260                              | 40,061,496         |
|                                     | <b>\$ 407,434,848</b>                   | <b>357,462,052</b> |
| Major products                      |   |                    |
| Computer product                    | \$ 407,113,297                          | 357,056,883        |
| Rendering of services               | 321,551                                 | 405,169            |
|                                     | <b>\$ 407,434,848</b>                   | <b>357,462,052</b> |

2. Contract balances

|                      | <b>2020.12.31</b>   | <b>2019.12.31</b> | <b>2019.1.1</b>  |
|----------------------|---------------------|-------------------|------------------|
| Contract liabilities | <b>\$ 6,236,379</b> | <b>5,554,820</b>  | <b>5,850,432</b> |

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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, 2020 and 2019 were \$1,683,970 and \$2,064,774, 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 \$675,529 and \$424,704 and the remuneration of directors amounted to \$123,674 and \$77,754 for the years ended December 31, 2020 and 2019, 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 2020 and 2019. 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 2020 and 2019 and the amounts stated in the individual reports.

**(u) Non-operating income and expenses**

**1. Interest income**

The details of interest income were as follows:

|                                    | <b>For the years ended December 31,</b> |               |
|------------------------------------|---|---------------|
|                                    | <b>2020</b>                             | <b>2019</b>   |
| Interest income from bank deposits | <b>\$ 26,738</b>                        | <b>68,002</b> |

**2. Other income**

The details of other income were as follows:

|                 | <b>For the years ended December 31,</b> |               |
|-----------------|---|---------------|
|                 | <b>2020</b>                             | <b>2019</b>   |
| Rent income     | \$ 32,427                               | 75,552        |
| Dividend income | 30,069                                  | 20,301        |
|                 | <b>\$ 62,496</b>                        | <b>95,853</b> |

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3. Other income and losses

The details of other income and losses were as follows:

|   | <b>For the years ended December 31,</b> |                       |
|---|---|-----------------------|
|   | <b>2020</b>                             | <b>2019</b>           |
| Gains on disposal of investments  | \$ 20,602                               | -                     |
| Gains on disposal of assets held-for-sale   | -                                       | 628,983               |
| Foreign exchange (losses) gains   | (1,490,122)                             | (520,088)             |
| Net gains (losses) on financial assets (liabilities)<br>measured at fair value through profit or loss | 715,969                                 | 130,758               |
| Other income and losses   | 526,559                                 | 249,185               |
| Net other income and losses   | <b><u>\$ (226,992)</u></b>              | <b><u>488,838</u></b> |

4. Finance costs

The details of finance expenses were as follows:

|                   | <b>For the years ended December 31,</b> |                         |
|-------------------|---|-------------------------|
|                   | <b>2020</b>                             | <b>2019</b>             |
| Interest expenses |   |                         |
| Bank borrowings   | \$ 460,522                              | 688,460                 |
| Others            | 251,668                                 | 518,555                 |
|                   | <b><u>\$ 712,190</u></b>                | <b><u>1,207,015</u></b> |

(v) 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.

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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, 2020 and 2019, 68% and 72% 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<br>amount    | Contractual<br>cash flows | Less than<br>6 months | 6 to 12<br>months | 1 to 2 years     | 2 to 5 years     | More than<br>5 years |
|---|-----------------------|---------------------------|-----------------------|-------------------|------------------|------------------|----------------------|
| <b><u>December 31, 2020</u></b>                           |                       |                           |                       |                   |                  |                  |                      |
| <b>Non-derivative financial liabilities</b>               |                       |                           |                       |                   |                  |                  |                      |
| Unsecured bank loans                                      | \$ 29,889,173         | 30,010,610                | 24,240,024            | 29,234            | 5,741,352        | -                | -                    |
| Secured bank loans  | 3,050,000             | 3,236,011                 | 167,775               | 166,883           | 331,089          | 971,846          | 1,598,418            |
| Accounts payable  | 90,239,454            | 90,239,454                | 90,239,454            | -                 | -                | -                | -                    |
| Other payables  | 5,644,166             | 5,644,166                 | 5,644,166             | -                 | -                | -                | -                    |
| Lease liabilities   | 9,176                 | 9,285                     | 2,765                 | 1,465             | 3,375            | 1,680            | -                    |
| <b>Derivative financial liabilities</b>                   |                       |                           |                       |                   |                  |                  |                      |
| Forward exchange contracts not<br>used for hedging:       |                       |                           |                       |                   |                  |                  |                      |
| Outflow   | 142,530               | (17,205,665)              | (17,205,665)          | -                 | -                | -                | -                    |
| Inflow  | -                     | 17,063,135                | 17,063,135            | -                 | -                | -                | -                    |
| Foreign exchange swap contracts<br>not used for hedging : |                       |                           |                       |                   |                  |                  |                      |
| Outflow   | 39,538                | (3,209,668)               | (3,209,668)           | -                 | -                | -                | -                    |
| Inflow  | -                     | 3,170,130                 | 3,170,130             | -                 | -                | -                | -                    |
|   | <b>\$ 129,014,037</b> | <b>128,957,458</b>        | <b>120,112,116</b>    | <b>197,582</b>    | <b>6,075,816</b> | <b>973,526</b>   | <b>1,598,418</b>     |
| <b><u>December 31, 2019</u></b>                           |                       |                           |                       |                   |                  |                  |                      |
| <b>Non-derivative financial liabilities</b>               |                       |                           |                       |                   |                  |                  |                      |
| 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            | -                    |
| Foreign exchange contracts<br>not used for hedging:       |                       |                           |                       |                   |                  |                  |                      |
| Outflow   | 108,175               | (10,119,285)              | (10,119,285)          | -                 | -                | -                | -                    |
| Inflow  | -                     | 10,011,110                | 10,011,110            | -                 | -                | -                | -                    |
|   | <b>\$ 104,701,022</b> | <b>104,835,714</b>        | <b>101,378,394</b>    | <b>174,590</b>    | <b>345,537</b>   | <b>1,003,943</b> | <b>1,933,250</b>     |

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

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3.Currency risks

1) Exposure to currency risks

The Company's exposures to significant currency risk were those from its foreign currency denominated financial assets and liabilities as follows:

| <b>2020.12.31</b>            |   |                      |             |
|------------------------------|---|----------------------|-------------|
|                              | <b>Foreign<br/>currency (In<br/>thousand)</b> | <b>Exchange rate</b> | <b>TWD</b>  |
| <u>Financial assets</u>      |   |                      |             |
| <u>Monetary items</u>        |   |                      |             |
| USD                          | \$ 5,103,055                                  | USD : TWD 28.48      | 145,335,006 |
| <u>Non-monetary items</u>    |   |                      |             |
| USD                          | 57,844  | USD : TWD 28.48      | 1,647,427   |
| <u>Financial Liabilities</u> |   |                      |             |
| <u>Monetary items</u>        |   |                      |             |
| USD                          | 4,092,120                                     | USD : TWD 28.48      | 116,543,578 |
| <b>2019.12.31</b>            |   |                      |             |
|                              | <b>Foreign<br/>currency (In<br/>thousand)</b> | <b>Exchange rate</b> | <b>TWD</b>  |
| <u>Financial assets</u>      |   |                      |             |
| <u>Monetary items</u>        |   |                      |             |
| USD                          | \$ 4,158,034                                  | USD : TWD 30.08      | 125,073,663 |
| <u>Non-monetary items</u>    |   |                      |             |
| USD                          | 54,667  | USD : TWD 30.08      | 1,644,385   |
| <u>Financial Liabilities</u> |   |                      |             |
| <u>Monetary items</u>        |   |                      |             |
| USD                          | 3,194,435                                     | USD : TWD 30.08      | 96,088,605  |

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, 2020 and 2019 would have increased or decreased the net profit after tax by \$115,155 and \$115,940, respectively. The analysis is performed on the same basis for both periods.

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3) Gains or losses on foreign exchange

For the years ended December 31, 2020 and 2019, the foreign exchange loss, including realized and unrealized, amounted to \$1,490,122 and \$520,088, respectively. As Company deals with diverse foreign currencies, therefore, the gains or losses on foreign exchange cannot 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 \$12,200 and \$13,400 for the years ended December 31, 2020 and 2019, respectively, assuming all other variable factors remain constant. This is mainly due to the Company's variable rate in borrowings.

5. Fair value of financial instruments

1) Fair value hierarchy

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

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

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:

|   | 2020.12.31 |            |         |         |           |
|---|------------|------------|---------|---------|-----------|
|   |            | Fair Value |         |         |           |
|   | Book Value | Level 1    | Level 2 | Level 3 | Total     |
| Financial assets at fair value through profit or loss   |            |            |         |         |           |
| Derivative financial assets   | \$ 251,174 | -          | 251,174 | -       | 251,174   |
| Current financial assets at fair value through profit or loss, mandatorily measured at fair value | 837,851    | 232,340    | -       | 605,511 | 837,851   |
| Subtotal  | 1,089,025  | 232,340    | 251,174 | 605,511 | 1,089,025 |

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| 2020.12.31  |                       |                  |                |                  |                  |
|---|-----------------------|------------------|----------------|------------------|------------------|
|   | Book Value            | Fair Value       |                |                  | Total            |
|   |                       | Level 1          | Level 2        | Level 3          |                  |
| <b>Financial assets at fair value through other comprehensive income</b>                  |                       |                  |                |                  |                  |
| Stocks of listed companies  | 1,420,469             | 1,420,469        | -              | -                | 1,420,469        |
| Unquoted equity instruments measured at fair value  | 2,200,805             | -                | 75,822         | 2,124,983        | 2,200,805        |
| Subtotal  | 3,621,274             | 1,420,469        | 75,822         | 2,124,983        | 3,621,274        |
| <b>Financial assets at amortized cost</b>   |                       |                  |                |                  |                  |
| Cash and cash equivalents   | 5,266,122             | -                | -              | -                | -                |
| Accounts receivable and other receivables   | 141,812,193           | -                | -              | -                | -                |
| Refundable deposits   | 28,930                | -                | -              | -                | -                |
| Subtotal  | 147,107,245           | -                | -              | -                | -                |
| <b>Total</b>  | <b>\$ 151,817,544</b> | <b>1,652,809</b> | <b>326,996</b> | <b>2,730,494</b> | <b>4,710,299</b> |
| <b>Financial liabilities at fair value through profit or loss</b>                         |                       |                  |                |                  |                  |
| Derivative financial liabilities  | \$ 182,068            | -                | 182,068        | -                | 182,068          |
| <b>Financial liabilities at amortized cost</b>  |                       |                  |                |                  |                  |
| Bank loans  | 32,939,173            | -                | -              | -                | -                |
| Notes payable and accounts payable  | 90,239,454            | -                | -              | -                | -                |
| Other payables  | 5,644,166             | -                | -              | -                | -                |
| Lease liabilities   | 9,176                 | -                | -              | -                | -                |
| Subtotal  | 128,831,969           | -                | -              | -                | -                |
| <b>Total</b>  | <b>\$ 129,014,037</b> | <b>-</b>         | <b>182,068</b> | <b>-</b>         | <b>182,068</b>   |
| 2019.12.31  |                       |                  |                |                  |                  |
|   | Book Value            | Fair Value       |                |                  | Total            |
|   |                       | Level 1          | Level 2        | Level 3          |                  |
| <b>Financial assets at fair value through profit or loss</b>                              |                       |                  |                |                  |                  |
| Derivative financial assets   | \$ 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          |
| <b>Financial assets at fair value through other comprehensive income</b>                  |                       |                  |                |                  |                  |
| Stocks of listed companies  | 1,194,430             | 1,194,430        | -              | -                | 1,194,430        |
| Unquoted equity instruments measured at fair value  | 2,074,739             | -                | 129,220        | 1,945,519        | 2,074,739        |
| Subtotal  | 3,269,169             | 1,194,430        | 129,220        | 1,945,519        | 3,269,169        |

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|   | 2019.12.31            |                  |                |                  |                  |
|---|-----------------------|------------------|----------------|------------------|------------------|
|   | Book Value            | Fair Value       |                |                  | Total            |
|   |                       | Level 1          | Level 2        | Level 3          |                  |
| <b>Financial assets at amortized cost</b>                         |                       |                  |                |                  |                  |
| Cash and cash equivalents   | 4,698,660             | -                | -              | -                | -                |
| Accounts receivable and other receivables                         | 121,543,744           | -                | -              | -                | -                |
| Refundable deposit  | 25,855                | -                | -              | -                | -                |
| Subtotal  | 126,268,259           | -                | -              | -                | -                |
| Total   | <u>\$ 129,719,532</u> | <u>1,194,430</u> | <u>254,525</u> | <u>2,002,318</u> | <u>3,451,273</u> |
| <b>Financial liabilities at fair value through profit or loss</b> |                       |                  |                |                  |                  |
| Derivative financial liabilities                                  | \$ 108,175            | -                | 108,175        | -                | 108,175          |
| <b>Financial liabilities at amortized cost</b>                    |                       |                  |                |                  |                  |
| 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>   |

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, 2020 and 2019.

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

|  | <b>At fair value<br/>through profit or<br/>loss</b> | <b>Fair value<br/>through other<br/>comprehensive<br/>income</b> |
|--|---|--|
| <b>Balance as of January 1, 2020</b>   | \$ 56,799   | 1,945,519  |
| Total gains and losses recognized in   |   |  |
| Profit or loss                         | (5,770)   | -  |
| Other comprehensive income             | -   | 193,614  |
| Purchase                               | 629,462   | -  |
| Disposals                              | -   | (14,150)   |
| Effect of movements in exchange rate   | (74,980)  | -  |
| <b>Balance as of December 31, 2020</b> | <b>\$ 605,511</b>                                   | <b>2,124,983</b>   |
| <b>Balance as of January 1, 2019</b>   | \$ 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)   |
| <b>Balance as of December 31, 2019</b> | <b>\$ 56,799</b>                                    | <b>1,945,519</b>   |

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

For the years ended December 31, 2020 and 2019, 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:

|  | <b>For the years ended December 31,</b> |             |
|--|---|-------------|
|  | <b>2020</b>                             | <b>2019</b> |
| Total gains and losses recognized in:  |   |             |
| In profit or loss, and including “other gains and losses”  | \$ (5,770)                              | (4,509)     |
| In other comprehensive income, and presented in<br>“unrealized gains and losses from financial assets at<br>fair value through other comprehensive income” ) | 193,614                                 | 47,835      |

- 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.

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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 profit or loss—financial instruments 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 price of earnings ratio multiple is higher (lower) and the marketability discount is lower (higher) |
| Financial assets at fair value through profit or loss—equity instruments investments without an active market               | Net Asset Value Method             | • Net Asset Value                                | • Not applicable  |
| Financial assets at fair value through profit or loss—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:

|   | 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, 2020   |                 |           |   |                    |   |                    |
| Financial assets at fair value through profit or loss             |                 |           |   |                    |   |                    |
| Financial instruments without an active market                    | Discount Rate   | 0.5%      | \$ 2,945  | (2,945)            | -   | -                  |
| Financial assets at fair value through other comprehensive income |                 |           |   |                    |   |                    |
| Equity instruments without an active market                       | Market Multiple | 0.5%      | -   | -                  | 10,625  | (10,625)           |
| 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)           |

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.

| <b>2020.12.31</b>   |   |  |   |                                 |                    |
|---|---|--|---|---------------------------------|--------------------|
| <b>Financial assets that are offset which have an exercisable master netting arrangement or similar agreement</b> |   |  |   |                                 |                    |
| <b>Gross amounts of recognized financial assets</b>   | <b>Gross amounts of financial liabilities offset in the balance sheet</b> | <b>Net amount of financial assets presented in the balance sheet</b> | <b>Amounts not off set in the balance sheet (d)</b> |                                 | <b>Net amount</b>  |
| <b>(a)</b>  | <b>(b)</b>  | <b>(c)=(a)-(b)</b>   | <b>Financial instruments (Note)</b>                 | <b>Cash collateral received</b> | <b>(e)=(c)-(d)</b> |
| Derivative financial instruments  | \$ 72,194   | -  | 72,194  | -                               | 72,194             |

| <b>2020.12.31</b>  |  |   |   |                                 |                    |
|--|--|---|---|---------------------------------|--------------------|
| <b>Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement</b> |  |   |   |                                 |                    |
| <b>Gross amounts of recognized financial liabilities</b>   | <b>Gross amounts of financial assets offset in the balance sheet</b> | <b>Net amount of financial liabilities presented in the balance sheet</b> | <b>Amounts not off set in the balance sheet (d)</b> |                                 | <b>Net amount</b>  |
| <b>(a)</b>   | <b>(b)</b>   | <b>(c)=(a)-(b)</b>  | <b>Financial instruments (Note)</b>                 | <b>Cash collateral received</b> | <b>(e)=(c)-(d)</b> |
| Derivative financial instruments   | \$ 182,068   | -   | 182,068   | -                               | 182,068            |

| <b>2019.12.31</b>   |   |  |   |                                 |                    |
|---|---|--|---|---------------------------------|--------------------|
| <b>Financial assets that are offset which have an exercisable master netting arrangement or similar agreement</b> |   |  |   |                                 |                    |
| <b>Gross amounts of recognized financial assets</b>   | <b>Gross amounts of financial liabilities offset in the balance sheet</b> | <b>Net amount of financial assets presented in the balance sheet</b> | <b>Amounts not off set in the balance sheet (d)</b> |                                 | <b>Net amount</b>  |
| <b>(a)</b>  | <b>(b)</b>  | <b>(c)=(a)-(b)</b>   | <b>Financial instruments (Note)</b>                 | <b>Cash collateral received</b> | <b>(e)=(c)-(d)</b> |
| Derivative financial instruments  | \$ 33,069   | -  | 33,069  | -                               | 33,069             |

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| 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                |

Note: Master netting arrangements are included.

(w) 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 risk 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 follow 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(v) 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, 2020, 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, 2020 and 2019, the Company's unused credit line were amounted to \$32,100,467 and \$34,772,437, 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.

(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 of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Company's objective for managing capitals is to maintain investor, creditor and market confidence, and to sustain future development of the business by making debts and capital the most suitable capital structure and optimizing the best of it based on industrial scales, future growth development, and capital expenditures needed for plants and equipment. Thus, the Company calculates the operating funds based on the life cycle of the products, plans for the development in the long run, and then decides the most suitable capital structure considering the business cycle.

The Company ensures the financial resources and the operating plan are sufficient to support the future needs of operating funds, capital expenditures, debt refunding and dividend distribution.

The Company's debt to equity ratio at the reporting date was as follows:

|                                 | <b>2020.12.31</b>    | <b>2019.12.31</b> |
|---------------------------------|----------------------|-------------------|
| Total Liabilities               | \$ 148,257,990       | 120,980,082       |
| Less: cash and cash equivalents | (5,266,122)          | (4,698,660)       |
| Net debt                        | 142,991,868          | 116,281,422       |
| Total Equity                    | <b>\$ 57,984,659</b> | <b>55,271,148</b> |
| Debt to equity ratio            | <b>246.60%</b>       | <b>210.38%</b>    |

According to the Company's management, there were no changes in the Company's approach to capital management as of December 31, 2020.

(y) 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, 2020.

1. For right-of-use assets under leases, please refer to Note 6(i).

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2.Reconciliation of liabilities arising from financing activities was as follows:

|  | <b>January 1, 2020</b> | <b>Cash flows</b> | <b>Non-cash changes</b> |                                  | <b>December 31, 2020</b> |
|--|------------------------|-------------------|-------------------------|----------------------------------|--------------------------|
|  |                        |                   | <b>Reclassification</b> | <b>Foreign exchange movement</b> |                          |
| Long-term borrowings   | \$ 3,050,000           | 5,624,000         | (300,000)               | 72,000                           | 8,446,000                |
| Short-term borrowings(including current portion of long-term borrowings) | 21,753,043             | 2,432,588         | 300,000                 | 7,542                            | 24,493,173               |
| Lease liabilities (note)   | 13,040                 | (5,810)           | 1,946                   | -                                | 9,176                    |
| Total liabilities from financing activities                              | <b>\$ 24,816,083</b>   | <b>8,050,778</b>  | <b>1,946</b>            | <b>79,542</b>                    | <b>32,948,349</b>        |

|  | <b>January 1, 2019</b> | <b>Cash flows</b>  | <b>Non-cash changes</b> |                                  | <b>December 31, 2019</b> |
|--|------------------------|--------------------|-------------------------|----------------------------------|--------------------------|
|  |                        |                    | <b>Reclassification</b> | <b>Foreign exchange movement</b> |                          |
| 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               |
|  | 10,596                 | (4,281)            | 6,725                   | -                                | 13,040                   |
| Total liabilities from financing activities                              | <b>\$ 28,855,256</b>   | <b>(3,856,814)</b> | <b>6,725</b>            | <b>(189,084)</b>                 | <b>24,816,083</b>        |

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.

| <b>Name of related party</b>                   | <b>Relationship with the Company</b>                          |
|--|---|
| Inventec Besta Co., Ltd.                       | Associates  |
| Inventec Group Charity Foundation              | Over one-third of total amount of fund donated by the Company |
| Inventec Corporation (Hong Kong) Ltd.          | Subsidiary  |
| Inventec Holding (North America) Corp.         | Subsidiary  |
| Inventec (Czech), s.r.o                        | Subsidiary  |
| Inventec Development Japan Corporation         | Subsidiary  |
| Inventec Japan Corporation                     | Subsidiary  |
| Inventec Investment Co., Ltd.                  | Subsidiary  |
| AIMobile Co., Ltd.                             | Subsidiary  |
| Inventec Solar Energy Corporation              | Subsidiary  |
| Inventec Appliances Corp.                      | Subsidiary  |
| Inventec Manufacturing (India) Private Limited | Subsidiary  |
| Inventec Appliances (Jiangning) Corp.          | Indirect holding subsidiary                                   |

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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, |                   |
|--|----------------------------------|-------------------|
|  | 2020                             | 2019              |
| Subsidiaries                           |                                  |                   |
| Inventec Holding (North America) Corp. | \$ 71,105,867                    | 59,284,144        |
| Inventec (Czech), s.r.o                | 26,100,876                       | 28,950,547        |
| Other subsidiaries                     | 265,992                          | 97,127            |
| Associates                             | 1,027                            | 1,720             |
|  | <u>\$ 97,473,762</u>             | <u>88,333,538</u> |

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 90~105 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, 2020 and 2019 were \$11,807 and \$14,174, respectively.

2. Purchase

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

|                                       | For the years ended December 31, |                    |
|---------------------------------------|----------------------------------|--------------------|
|                                       | 2020                             | 2019               |
| Subsidiaries                          |                                  |                    |
| Inventec Corporation (Hong Kong) Ltd. | 299,231,642                      | 264,957,998        |
| Other subsidiaries                    | 1,909,549                        | 1,554,271          |
| Associates                            | 4,227                            | -                  |
|                                       | <u>\$ 301,145,418</u>            | <u>266,512,269</u> |

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 60~105 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:

| <b>Financial Statement<br/>Account</b> | <b>Related Party<br/>Categories</b>    | <b>2020.12.31</b>           | <b>2019.12.31</b>        |
|--|--|-----------------------------|--------------------------|
| Accounts receivable                    | Subsidiaries                           |                             |                          |
|  | Inventec Holding (North America) Corp. | \$ 16,589,292               | 15,937,407               |
|  | Inventec (Czech), s.r.o                | 10,953,538                  | 11,231,269               |
|  | Other subsidiaries                     | 175,993                     | 20,047                   |
| Other receivables                      | Subsidiaries                           |                             |                          |
|  | Inventec Corporation (Hong Kong) Ltd.  | 54,544,416                  | 47,244,779               |
|  | Other subsidiaries                     | 144,356                     | 130,868                  |
|  | Associates                             | 66                          | 1,305                    |
|  |  | <u><b>\$ 82,407,661</b></u> | <u><b>74,565,675</b></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:

| <b>Financial Statement<br/>Account</b> | <b>Related Party<br/>Categories</b>   | <b>2020.12.31</b>           | <b>2019.12.31</b>        |
|--|---------------------------------------|-----------------------------|--------------------------|
| Accounts payable                       | Subsidiaries                          |                             |                          |
|  | Inventec Corporation (Hong Kong) Ltd. | \$ 47,083,769               | 43,413,344               |
|  | Other subsidiaries                    | 293,272                     | 414,185                  |
| Accounts payable                       | Associates                            | 678                         | -                        |
| Other payables                         | Subsidiary                            | 68,559                      | 143,278                  |
|  | Associates                            | 994                         | 340                      |
|  |                                       | <u><b>\$ 47,447,272</b></u> | <u><b>43,971,147</b></u> |

Note: Other payables are mainly the payments of computer software, toolings, payment on behalf of others and software development.

**INVENTEC CORPORATION**

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

**For the years ended December 31, 2020 and 2019**

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

**5. Property transactions**

**1) Acquisition of property, plant, equipment**

For the years ended December 31, 2020 and 2019, the Company purchased property, plant, equipment from subsidiaries, and associates and paid the amount \$9,976 and \$52,919, respectively.

**2) Disposal of property, plant and equipment**

For the year ended December 31, 2020, the Company sold machinery, office equipment and software to subsidiaries. The total prices and gain on property disposal were \$90,104 and \$3,427, respectively.

3) For the year ended December 31, 2019, the Company purchased software for products from Inventec Corporation (Hong Kong) Ltd., amounted to \$103,995. The price and term were determined in accordance with mutual agreements with payment term within three months.

4) In 2000, the Company paid property, deferred assets, assets stated under expense to investment Inventec Appliances Corp. resulting in gain on disposal of \$103,713 and other revenue of \$31,693. In addition, selling of property, plant and equipment, deferred assets and assets stated under expense has generated gain on disposal of \$5,829 and other revenue of \$6,427. As of December 31, 2020 and 2019, the unrealized gain on property disposal were \$18,886 and \$19,649, respectively.

5) In 1999, the Company sold property, deferred assets, assets stated under expense and trademarks to Inventec Besta Co., Ltd., resulting in a gain on property disposal of \$51,712 and other revenue of \$40,453. As of December 31, 2020 and 2019, the unrealized other revenues are both \$1,211.

**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:

|  | <b>For the years ended December 31,</b> |                |
|--|---|----------------|
|  | <b>2020</b>                             | <b>2019</b>    |
| <b>Subsidiaries</b>                    |   |                |
| Inventec Holding (North America) Corp. | \$ 311,221                              | 432,424        |
| Inventec Corporation (Hong Kong) Ltd.  | 322,021                                 | 346,668        |
| Other subsidiaries                     | 559,735                                 | 129,588        |
|  | <b>\$ 1,192,977</b>                     | <b>908,680</b> |

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**INVENTEC CORPORATION**

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

**For the years ended December 31, 2020 and 2019**

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

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.

In March, 2016, the company reinvested \$165,000 in AIMobile Co., Ltd., with a shareholding ratio of 55%. In addition, AIMobile Co., Ltd. was approved by the Board of Directors to handle cash capital on August 24, 2018. Taking 25 January, 2018 as the base date for capital increase, the company's investment amounted to 5,500 thousands of shares, totaling \$55,000.

AIMobile Co., Ltd., through a resolution of the Board of Directors, made a cash capital increase on 2 December, 2020. With December 31, 2020 as the base date for capital increase, the Company invested 10,000 shares, \$100,000, the shareholding ratio increased to 73%.

8. Others

1) Rental and building management fee collected from and related parties were as follows:

|              | <b>For the years ended December 31,</b> |               |
|--------------|---|---------------|
|              | <b>2020</b>                             | <b>2019</b>   |
| Subsidiaries | \$ 9,517                                | 58,876        |
| Associates   | 5,336                                   | 7,099         |
|              | <b>\$ 14,853</b>                        | <b>65,975</b> |

2) For the years ended December 31, 2020 and 2019, the amount of donation for other related parties were \$10,000 and \$10,000, respectively.

(c) Key management personnel compensation

Key management personnel compensation includes:

|                              | <b>For the years ended December 31,</b> |                |
|------------------------------|---|----------------|
|                              | <b>2020</b>                             | <b>2019</b>    |
| Short-term employee benefits | \$ 383,258                              | 347,602        |
| Post-employment benefit      | 4,524                                   | 2,038          |
|                              | <b>\$ 387,782</b>                       | <b>349,640</b> |

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**INVENTEC CORPORATION**

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

**For the years ended December 31, 2020 and 2019**

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

**(8) Pledged Assets**

The carrying values of pledged assets were as follows:

| <b>Pledged assets</b>   | <b>Object</b>                                     | <b>2020.12.31</b>          | <b>2019.12.31</b>       |
|---|---|----------------------------|-------------------------|
| Refundable deposits (Other non-current assets)  | Customs duty guarantee and membership card        | \$ 28,930                  | 25,855                  |
| Restricted assets (Other non-current assets)  | The fund remitted back to special-purpose account | 132,954                    | -                       |
| Land, buildings, structures, machinery and equipment, net (Property, plant and equipment) | Long-term borrowings                              | 5,840,331                  | 5,893,692               |
| Total   |   | <u><b>\$ 6,002,215</b></u> | <u><b>5,919,547</b></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 and MOEA TDP performance guarance were as follows:

|     | <b>2020.12.31</b> | <b>2019.12.31</b> |
|-----|-------------------|-------------------|
| TWD | \$ 15,898,550     | 15,890,600        |
| USD | 1,643,000         | 1,356,000         |

(b) Contingencies: None.

**(10) Losses Due to Major Disasters : None.**

**(11) Subsequent Events : None.**

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**INVENTEC CORPORATION**

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

**For the years ended December 31, 2020 and 2019**

**(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<br>By item     | For the years ended December 31, 2020 |                                     |           | For the years ended December 31, 2019 |                                     |           |
|----------------------------|---------------------------------------|-------------------------------------|-----------|---------------------------------------|-------------------------------------|-----------|
|                            | Operating costs                       | Operating and non-operating expense | Total     | Operating costs                       | Operating and non-operating expense | Total     |
| Employee benefits          |                                       |                                     |           |                                       |                                     |           |
| Salary                     | 1,072,516                             | 4,758,618                           | 5,831,134 | 715,810                               | 4,368,055                           | 5,083,865 |
| Labor and health insurance | 98,114                                | 331,473                             | 429,587   | 57,625                                | 317,725                             | 375,350   |
| Pension                    | 34,265                                | 194,630                             | 228,895   | 25,265                                | 186,900                             | 212,165   |
| Remuneration of directors  | -                                     | 133,554                             | 133,554   | -                                     | 87,414                              | 87,414    |
| Others                     | 48,350                                | 146,321                             | 194,671   | 31,621                                | 164,352                             | 195,973   |
| Depreciation               | 247,106                               | 314,651                             | 561,757   | 100,248                               | 308,544                             | 408,792   |
| Amortization               | 71,623                                | 506,556                             | 578,179   | 176,000                               | 491,744                             | 667,744   |

The Company For the years ended December 31, 2020 and 2019 employees and employee benefits expenses were as follows:

|   | 2020            | 2019         |
|---|-----------------|--------------|
| Number of employees                               | <u>5,635</u>    | <u>4,704</u> |
| Number of directors who were not employees        | <u>4</u>        | <u>4</u>     |
| The average employee benefit                      | <u>\$ 1,187</u> | <u>1,248</u> |
| The average salaries and wages                    | <u>\$ 1,036</u> | <u>1,082</u> |
| Average adjustment of employee salaries and wages | <u>(4.25)%</u>  |              |
| Remuneration received by supervisors              | <u>\$ -</u>     | <u>-</u>     |

The Company's salary and remuneration policy (including directors, supervisors, managers and employees) is as follows:

The Company's salary and remuneration policy is committed to link with performance and to implement a performance-oriented remuneration system.

The remuneration system considers the Company's operating objectives along with financial status and comprehensively evaluates various categories such as performance and makes differentiated assessments based on individual contributions.

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# INVENTEC CORPORATION

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

For the years ended December 31, 2020 and 2019

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

- 1.Regardless operating profit or loss of the Company' s business, the Company shall pay remuneration regularity to all directors. The remuneration is determined by the participation to the Company's operating performance of directors, the value of directors' contribution to the Company's operations, and peer salary levels, then are reviewed by the remuneration committee and are submitted to the board of directors for further decision.
- 2.The individual salary and remuneration of directors and managers shall refer to the general salary level of peers. It should also consider personal duties contributions, performance, and conjunct with the company' s operating goals and performance. Policies should be reviewed by the remuneration committee and sent to the Board of Directors for further decision.
- 3.The employee's remuneration includes monthly salary based on job grades, bonuses in accordance to performance, and remuneration measured on the level of Company's profitability.

Note: The Company's Articles of Association specify that no less than 3% of profit shall be allocated for employees' remuneration and no more than 3% of profit shall be allocated for directors' remuneration.

### (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, 2020:

#### 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 Asset-Management (Shanghai) Corporation                   | Other receivables | Y             | 523,800   | -              | -                                     | -   | 2   | -   | Working Capital                  | -                      | None       | -     | 3,184,453                      | 3,184,453                       |
| 2      | Inventec Appliances (Nanjing) Corp.(Note 3)      | Inventec Appliances (XT'AN) Corporation                            | "                 | Y             | 100,395   | 82,935         | 56,745                                | 3.045%                                    | 2   | -   | "                                | -                      | "          | -     | 343,822                        | 343,822                         |
| 3      | Inventec Appliances (Shanghai) Co., Ltd.(Note 3) | Inventec Appliances (Shanghai) Enterprise                          | "                 | Y             | 30,555  | -              | -                                     | -   | 2   | -   | "                                | -                      | "          | -     | 1,771,832                      | 1,771,832                       |
| 3      | "  | Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd. | "                 | Y             | 131,400   | 130,950        | 130,950                               | 3.045%                                    | 2   | -   | "                                | -                      | "          | -     | 1,771,832                      | 1,771,832                       |
| 4      | Inventec Appliances Corp. (Note 3)               | Inventec Appliances (Malaysia) SDN. BHD.                           | "                 | Y             | 800,000   | 800,000        | 328,409                               | 1.95%                                     | 2   | -   | "                                | -                      | "          | -     | 8,476,966                      | 8,476,966                       |

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## INVENTEC CORPORATION

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

For the years ended December 31, 2020 and 2019

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

| Number | Name of lender                   | Name of borrower                                 | Account name      | Related party | Highest balance of financing to other parties during the period | Ending balance | Actual usage amount during the period | Range of interest rates during the period | Purposes of fund financing for the borrower | Transaction amount for business between two parties | Reasons for short-term financing | Allowance for bad debt | Collateral |       | Individual funding loan limits | Maximum limit of fund financing |
|--------|----------------------------------|--|-------------------|---------------|---|----------------|---------------------------------------|---|---|---|----------------------------------|------------------------|------------|-------|--------------------------------|---------------------------------|
|        |                                  |  |                   |               |   |                |                                       |   |   |   |                                  |                        | Item       | Value |                                |                                 |
| 5      | Inventec (Pudong) Corp. (Note 4) | Inventec Hi-Tech Corp.                           | Other receivables | Y             | 87,600  | 87,300         | -                                     | -   | 2   | -   | Working Capital                  | -                      | None       | -     | 4,126,672                      | 4,126,672                       |
| 5      | "                                | Inventec Asset-Management (Shanghai) Corporation | "                 | Y             | 1,401,600   | 1,396,800      | 1,163,567                             | 5.225%                                    | 2   | -   | "                                | -                      | "          | -     | 1,650,669                      | 1,650,669                       |

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

Note 3: 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 4: 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 100 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 the company's net worth as stated in its latest financial report, and each amount of loans shall not exceed 100 percent of the permitted aggregate amount of loans of the company.

Note 5: The transactions in foreign currencies were exchanged to New Taiwan Dollars in spot rate at the date of the audited entity's financial reports.

## 2. Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

| No. | Name of guarantor         | Counter-party of guarantee and endorsement |                               | Limitation on amount of guarantees and endorsements for a specific enterprise | Highest balance for guarantees and endorsements during the period | Balance of guarantees and endorsements as of reporting date | Actual usage amount during the period | Property pledged for guarantees and endorsements (Amount) | Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements | Maximum amount for guarantees and endorsements | Parent company endorsements /guarantees to third parties on behalf of subsidiary | Subsidiary endorsements /guarantees to third parties on behalf of parent company | Endorsement s/guarantees to third parties on behalf of companies in Mainland China |
|-----|---------------------------|--|-------------------------------|---|---|---|---------------------------------------|---|---|--|--|--|--|
|     |                           | Name                                       | Relationship with the Company |   |   |   |                                       |   |   |  |  |  |  |
| 1   | Inventec Appliances Corp. | Inventec Appliances (Jiangning) Corp.      | 2                             | 4,238,483   | 1,163,146   | 1,163,146   | -                                     | -   | 13.72%  | 4,238,483                                      | N  | N  | N  |

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

1.The Company has business relationship.

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

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

Note 2: The total amount of guarantees and endorsements cannot exceed 50 percent of the Company's net asset value for the current year; the amount of each guarantee and endorsement cannot exceed 50 percent of the Company's net asset value for the current year.

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

For the years ended December 31, 2020 and 2019

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

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                      | 5,084          | 1.52%                       | 5,084              |      |
| "              | Amphastar Pharmaceuticals Inc.                       | -                         | "   | 26                       | 14,780         | 0.05%                       | 14,780             |      |
| "              | Arima Communications Corp.                           | -                         | "   | 21,114                   | 75,822         | 10.15%                      | 75,822             |      |
| "              | WIN Semiconductors Corp.                             | -                         | Current financial assets at fair value through other comprehensive income     | 4,063                    | 1,405,689      | 0.96%                       | 1,405,689          |      |
| "              | Tomorrow Studio Co., Ltd                             | -                         | Non-current financial assets at fair value through other comprehensive income | 29                       | 166            | 0.20%                       | 166                |      |
| "              | Tai Yi Precision Corporation                         | -                         | "   | 2,540                    | -              | 6.67%                       | -                  |      |
| "              | New E Materials Co., Ltd.                            | -                         | "   | 1,760                    | 12,197         | 16.00%                      | 12,197             |      |
| "              | Rasilient Systems, Inc. preference share             | -                         | "   | 3,632                    | -              | 6.20%                       | -                  |      |
| "              | SKSpruce Holding Limited preferred stock             | -                         | "   | 3,746                    | 41,755         | 3.72%                       | 41,755             |      |
| "              | CloudMosa Technologies, Inc. preferred stock         | -                         | "   | 235                      | -              | 2.95%                       | -                  |      |
| "              | QEEXO, Co. preferred stock                           | -                         | "   | 568                      | 15,923         | 3.09%                       | 15,923             |      |
| "              | Rescale, Inc. preferred stock                        | -                         | "   | 355                      | 26,544         | 1.37%                       | 26,544             |      |
| "              | Sensel, Inc. preferred stock                         | -                         | "   | 532                      | 12,370         | 3.38%                       | 12,370             |      |
| "              | ZT Group Int'l, Inc.                                 | -                         | "   | 70                       | 2,010,944      | 10.00%                      | 2,010,944          |      |
| "              | SKSpruce Holding Limited convertible short-term note | -                         | Current financial assets at fair value through profit or loss                 | -                        | 16,415         | -                           | 16,415             |      |
| "              | Empass Technology                                    | -                         | Non-current financial assets at fair value through profit or loss             | 450                      | 19,184         | 6.80%                       | 19,184             |      |
| "              | Entire Technology Co., Ltd.                          | -                         | "   | 3,260                    | 232,340        | 4.50%                       | 232,340            |      |
| "              | E-TON Solar Tech. Co., Ltd                           | -                         | "   | 94,889                   | 452,619        | 29.70%                      | 452,619            |      |
| "              | Imedtac Co., Ltd.                                    | -                         | "   | 1,000                    | 59,350         | 10.19%                      | 59,350             |      |
| "              | TMY Technology Inc.                                  | -                         | "   | 2,857                    | 57,943         | 8.00%                       | 57,943             |      |

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

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

| Name of holder                                      | Category and name of security  | Relationship with company | Account title   | Ending balance           |                |                             |                    | Note |
|---|--|---------------------------|---|--------------------------|----------------|-----------------------------|--------------------|------|
|   |  |                           |   | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | Fair value (Note1) |      |
| Inventec (Cayman) Corp.                             | Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.                         | -                         | Non-current financial assets at fair value through other comprehensive income | 20,000                   | 1,175,931      | 12.10%                      | 1,175,931          |      |
| Saint Investment Consulting Corporation             | Testron Technology (Jiangsu) Co., Ltd.   | -                         | "   | 2,778                    | 68,964         | 10.00%                      | 68,964             |      |
| Inventec (Chongqing) Corp.                          | Kunshan Joing Technology Co., Ltd.   | -                         | Current financial assets at fair value through profit or loss                 | 5,948                    | 207,736        | 2.96%                       | 207,736            |      |
| Inventec (Beijing) Electronics Technology Co., Ltd. | Bank of Communications Pension CNY Financial products                            | -                         | "   | -                        | 52,379         | - %                         | 52,379             |      |
| Inventec Electronics (Tianjin) Co., Ltd.            | ICBC Wealth Management Corporation Tian Libao No. 2 Net Worth Management Product | -                         | "   | -                        | 109,120        | - %                         | 109,120            |      |
| Inventec Development Japan Corporation              | Famm Co., Ltd.   | -                         | Non-current financial assets at fair value through other comprehensive income | 100                      | 9,192          | 16.00%                      | 9,192              |      |
| Inventec Investments Co., Ltd.                      | EPISTAR Corporation  | -                         | Current financial assets at fair value through profit or loss                 | 1,761                    | 72,911         | 0.16%                       | 72,911             |      |
| "   | UCFUNNEL CO LTD  | -                         | Non-current financial assets at fair value through other comprehensive income | 83                       | 9,653          | 5.00%                       | 9,653              |      |
| "   | Sagacity Tech. Co., Ltd.   | -                         | "   | 79                       | -              | 15.00%                      | -                  |      |
| "   | Living Pattern Technology Inc.   | -                         | "   | 4                        | 626            | 13.70%                      | 626                |      |
| "   | E-TON Solar Tech. Co., Ltd.  | -                         | Non-current financial assets at fair value through profit or loss             | 15,813                   | 75,429         | 4.95%                       | 75,429             |      |
| Inventec Appliances Corp.                           | SCOPE INDUSTRIES BERHAD  | -                         | Current financial assets at fair value through profit or loss                 | 32,000                   | 72,549         | 4.16%                       | 72,549             |      |
| "   | 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%                       | -                  |      |
| "   | All People Health Social Enterprise Co., Ltd.                                    | -                         | "   | 100                      | 1,000          | 11.76%                      | 1,000              |      |
| "   | GCT Semiconductor, Inc.  | -                         | "   | 93                       | -              | 0.12%                       | -                  |      |
| "   | Pandigital Worldwide, Ltd.   | -                         | "   | 939                      | -              | 4.80%                       | -                  |      |
| "   | 3GTMobile Corporation  | -                         | "   | 314                      | -              | 2.88%                       | -                  |      |
| "   | Linc Global Inc. (Proxiant, Inc.)  | -                         | "   | 594                      | -              | 5.30%                       | -                  |      |
| "   | Molekule, Inc.   | -                         | "   | 1,603                    | 152,800        | 1.57%                       | 152,800            |      |
| "   | XMEMS LABS INC   | -                         | "   | 1,778                    | 24,057         | 3.05%                       | 24,057             |      |

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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 Appliances Corp.                  | Cardio Ring Technologies, Inc. convertible long-term note | -                         | Non-current financial assets at fair value through profit or loss | -                        | 14,795         | - %                         | 14,795             |      |
| 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%                       | -                  |      |

Note 1: The value of publicly traded company is market value, and the value of private entity is net asset value. The net asset value was calculated based on audited financial statements or non audited financial statements.

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

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

(Amounts Expressed in Thousands of New Taiwan Dollars)

| Name of company                        | Category and name of security (Note 1)                                 | Account name (Note 1)   | Name of counter-party | Relationship with the company | Beginning Balance |           | Purchases |           | Sales  |           |           |                         | Ending Balance |           |
|--|--|---|-----------------------|-------------------------------|-------------------|-----------|-----------|-----------|--------|-----------|-----------|-------------------------|----------------|-----------|
|  |  |   |                       |                               | Shares            | Amount    | Shares    | Amount    | Shares | Price     | Cost      | Gain (loss) on disposal | Shares         | Amount    |
| Inventec (Cayman) Corp.                | Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd. common shares | Non-current financial assets at fair value through other comprehensive income | Cash Capital Increase | Non-related parties           | -                 | -         | 20,000    | 1,175,931 | -      | -         | -         | -                       | 20,000         | 1,175,931 |
| Inventec (Chongqing) Corp.             | CMBC Wealth Management Services  | Current financial assets at fair value through profit or loss                 | CMBC                  | -                             | -                 | 862,093   | -         | -         | -      | 870,449   | 862,093   | 8,356                   | -              | -         |
| Inventec Appliances (Shanghai) Corp.   | SCSB Winners CNY Financial Product                                     | "   | Bank of Shanghai      | -                             | -                 | 325,959   | -         | 955,947   | -      | 1,292,301 | 1,281,906 | 10,395                  | -              | -         |
| "                                      | Bank of China  | "   | Bank of China         | -                             | -                 | 301,853   | -         | 296,370   | -      | 605,403   | 598,223   | 7,180                   | -              | -         |
| Inventec Appliances (Nanjing) Co. Ltd. | SCSB Winners CNY Financial Product                                     | "   | Bank of Shanghai      | -                             | -                 | 152,006   | -         | 198,382   | -      | 355,752   | 350,388   | 5,364                   | -              | -         |
| Inventec Appliances (Jiangning) Corp.  | "  | "   | "                     | -                             | -                 | 1,893,146 | -         | 4,781,313 | -      | 6,723,267 | 6,674,459 | 48,808                  | -              | -         |

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.

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## INVENTEC CORPORATION

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

For the years ended December 31, 2020 and 2019

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

5. Acquisition of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None.
6. Disposal of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock:

(Amounts Expressed in Thousands of New Taiwan Dollars)

| Name of company             | Types of property | Transaction Date | Original Acquisition Date | Book value | Transaction amount | Receipt Terms | Gain (loss) on disposal | Counter-party   | Relationship        | Purpose of disposal | Price reference  | Other terms |
|-----------------------------|-------------------|------------------|---------------------------|------------|--------------------|---------------|-------------------------|---|---------------------|---------------------|--|-------------|
| Inventec (Pudong) Co., Ltd. | Land and Building | 2020.01.06       | 2003.06.27~2007.12.31     | 740,483    | 5,912,920          | 100%          | 4,890,869               | Shanghai Jingshuo Data Science & Technology Co., Ltd. | Non-related parties | Optimize assets     | Negotiated based on the valuation report with the amounts of RMB1,340,170 and RMB1,364,810 | None        |

Note 1: The price has been included tax, and the transfer has been completed.

7. Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

| Name of company                        | Related party                          | Nature of relationship | Transaction details |             |                                    |               | Transactions with terms different from others |   | Notes/Accounts receivable (payable) |   | Note |
|--|--|------------------------|---------------------|-------------|------------------------------------|---------------|---|---|-------------------------------------|---|------|
|  |  |                        | Purchase/Sale       | Amount      | Percentage of total purchases/sale | Payment terms | Unit price                                    | Payment terms                               | Ending balance                      | Percentage of total notes/accounts receivable (payable) |      |
| The Company                            | Inventec Holding (North America) Corp. | Subsidiary             | Sales               | 71,105,867  | 17.45%                             | 90-105 days   | -   | No general trading partner can be compared. | 16,589,292                          | 19.09%  |      |
| "                                      | Inventec (Czech), s.r.o.               | "                      | Sales               | 26,100,876  | 6.41%                              | 90-105 days   | -   | "   | 10,953,538                          | 12.61%  |      |
| "                                      | AIMobile Co., Ltd.                     | "                      | Sales               | 190,326     | 0.05%                              | 60 days       | -   | "   | 108,031                             | 0.12%   |      |
| "                                      | Inventec Corporation (Hong Kong) Ltd.  | "                      | Purchases           | 299,231,642 | 76.45%                             | 90-105 days   | -   | "   | (47,083,769)                        | 52.18%  |      |
| "                                      | Inventec Appliances (Jiangning) Corp.  | "                      | Purchases           | 344,879     | 0.09%                              | 90 days       | -   | "   | (92,431)                            | 0.10%   |      |
| "                                      | Inventec Holding (North America) Corp. | "                      | Purchases           | 800,083     | 0.20%                              | 90-105 days   | -   | "   | (62,178)                            | 0.07%   |      |
| "                                      | Inventec (Czech), s.r.o.               | "                      | Purchases           | 764,846     | 0.20%                              | 90-105 days   | -   | "   | (138,655)                           | 0.15%   |      |
| Inventec Holding (North America) Corp. | The Company                            | Parent                 | Purchases           | 71,105,867  | 89.75%                             | 90-105 days   | -   | "   | (16,589,292)                        | 93.30%  |      |
| "                                      | The Company                            | "                      | Sales               | 800,083     | 1.05%                              | 90-105 days   | -   | "   | 62,178                              | 0.97%   |      |
| "                                      | Inventec (Pudong) Technology Corp.     | Associates             | Sales               | 647,061     | 0.85%                              | 90-105 days   | -   | "   | 112,290                             | 1.75%   |      |
| "                                      | Inventec (Czech), s.r.o.               | "                      | Sales               | 1,125,297   | 1.48%                              | 90-105 days   | -   | "   | 242,702                             | 3.77%   |      |
| "                                      | Inventec (Czech), s.r.o.               | "                      | Purchases           | 289,861     | 0.37%                              | 90-105 days   | -   | "   | (31,241)                            | 0.18%   |      |

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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 (Czech), s.r.o.              | The Company  | Parent                 | Purchases           | 26,100,876  | 92.80%                             | 90-105 days   | -   | No general trading partner can be compared. | (10,953,538)                        | 96.76%  |      |
| "                                     | The Company  | "                      | Sales               | 764,846     | 2.61%                              | 90-105 days   | -   | "   | 138,655                             | 1.65%   |      |
| "                                     | Inventec Holding (North America) Corp.                             | Associates             | Purchases           | 1,125,297   | 4.28%                              | 90-105 days   | -   | "   | (242,702)                           | 2.14%   |      |
| "                                     | Inventec Holding (North America) Corp.                             | "                      | Sales               | 289,861     | 0.99%                              | 90-105 days   | -   | "   | 31,241                              | 0.37%   |      |
| "                                     | Inventec (Pudong) Technology Corp.                                 | "                      | Sales               | 131,200     | 0.45%                              | 90-105 days   | -   | "   | 18,675                              | 0.22%   |      |
| Inventec Corporation (Hong Kong) Ltd. | The Company  | Parent                 | Sales               | 299,231,642 | 100.00%                            | 90-105 days   | -   | "   | 47,083,769                          | 46.27%  |      |
| "                                     | Inventec (Pudong) Technology Corp.                                 | Associates             | Purchases           | 36,587,835  | 12.23%                             | 90-105 days   | -   | "   | (8,339,964)                         | 8.20%   |      |
| "                                     | Inventec (Chongqing) Corp.   | "                      | Purchases           | 262,643,807 | 87.77%                             | 90 days       | -   | "   | (38,743,806)                        | 38.07%  |      |
| Inventec (Pudong) Technology Corp.    | Inventec Corporation (Hong Kong) Ltd.                              | "                      | Sales               | 36,587,835  | 39.92%                             | 90-105 days   | -   | "   | 8,339,964                           | 42.29%  |      |
| "                                     | Inventec (Shanghai) Corp.  | "                      | Sales               | 50,835,082  | 55.46%                             | 90-105 days   | -   | "   | 10,882,010                          | 55.18%  |      |
| "                                     | Inventec Holding (North America) Corp.                             | "                      | Purchases           | 647,061     | 0.68%                              | 90-105 days   | -   | "   | (112,290)                           | 0.35%   |      |
| "                                     | Inventec (Czech), s.r.o.   | "                      | Purchases           | 131,200     | 0.14%                              | 90-105 days   | -   | "   | (18,675)                            | 0.06%   |      |
| Inventec (Shanghai) Corp.             | Inventec (Pudong) Technology Corp.                                 | "                      | Purchases           | 50,835,082  | 100.00%                            | 90-105 days   | -   | "   | (10,882,010)                        | 100.00%   |      |
| Inventec (Chongqing) Corp.            | Inventec Corporation (Hong Kong) Ltd.                              | "                      | Sales               | 262,643,807 | 97.94%                             | 90 days       | -   | "   | 38,743,806                          | 98.81%  |      |
| "                                     | Inventec Appliances (Pudong) Corp.                                 | "                      | Sales               | 3,461,826   | 1.29%                              | 60 days       | -   | "   | -                                   | -   | %    |
| "                                     | Inventec Appliances (Pudong) Corp.                                 | "                      | Purchases           | 3,680,438   | 1.38%                              | 60 days       | -   | "   | -                                   | -   | %    |
| Inventec Appliances Corp.             | Inventec Appliances (Pudong) Corp.                                 | "                      | Purchases           | 30,918,894  | 89.13%                             | 1-2 months    | -   | "   | (9,058,738)                         | 89.80%  |      |
| "                                     | Inventec Appliances (Jiangning) Corp.                              | "                      | Purchases           | 1,046,079   | 3.02%                              | 1-2 months    | -   | "   | (256,111)                           | 2.54%   |      |
| "                                     | Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd. | "                      | Purchases           | 658,785     | 1.90%                              | 1-2 months    | -   | "   | (153,221)                           | 1.52%   |      |
| "                                     | Inventec Appliances (USA) Distribution Corp.                       | "                      | Sales               | 3,466,765   | 9.65%                              | 1-2 months    | -   | "   | 76,546                              | 1.34%   |      |

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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 Appliances (USA) Distribution Corp.                       | Inventec Appliances Corp.  | Associates             | Purchases           | 3,466,765  | 100.00%                            | 1-2 months    | -   | No general trading partner can be compared. | (76,546)                            | 100.00%   |      |
| Inventec Appliances (Pudong) Corp.                                 | Inventec Appliances Corp.  | "                      | Sales               | 30,918,894 | 87.33%                             | 1-2 months    | -   | "   | 9,058,738                           | 96.10%  |      |
| "  | Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd. | "                      | Sales               | 679,313    | 1.70%                              | 1-2 months    | -   | "   | 374,674                             | 3.90%   |      |
| "  | Inventec (Chongqing) Corp.   | "                      | Sales               | 3,680,438  | 10.40%                             | 60 days       | -   | "   | -                                   | -   | %    |
| "  | Inventec (Chongqing) Corp.   | "                      | Purchases           | 3,461,826  | 12.72%                             | 60 days       | -   | "   | -                                   | -   | %    |
| Inventec Appliances (Jiangning) Corp.                              | Inventec Appliances Corp.  | "                      | Sales               | 1,046,079  | 22.07%                             | 1-2 months    | -   | "   | 256,111                             | 23.67%  |      |
| "  | The Company  | Parent                 | Sales               | 344,879    | 7.31%                              | 90 days       | -   | "   | 92,431                              | 8.54%   |      |
| Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd. | Inventec Appliances Corp.  | Associates             | Sales               | 658,785    | 98.89%                             | 1-2 months    | -   | "   | 153,221                             | 98.48%  |      |
| "  | Inventec Appliances (Pudong) Corp.                                 | "                      | Purchases           | 679,313    | 98.65%                             | 1-2 months    | -   | "   | (374,674)                           | 99.67%  |      |
| AlMobile Co., Ltd.   | The Company  | Parent                 | Purchases           | 190,326    | 87.80%                             | 60 days       | -   | "   | (108,031)                           | (94.17)%  |      |

Note 1: Based on the negotiated price while trading.

8. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock:

(Expressed in Thousands of New Taiwan Dollars)

| Name of company                        | Counter party                                | Relationship | Ending balance | Turnover balance | Overdue    |                                   | Amounts received in subsequent period | Allowance for bad debts |
|--|--|--------------|----------------|------------------|------------|-----------------------------------|---------------------------------------|-------------------------|
|  |  |              |                |                  | Amount     | Action taken                      |                                       |                         |
| The Company                            | Inventec Holding (North America) Corp.       | Subsidiary   | 16,589,292     | 4.37             | 2,693,480  | Received in the subsequent period | 7,473,792                             | -                       |
| "                                      | AlMobile Co., Ltd.                           | Subsidiary   | 108,031        | 2.97             | 30,878     | Received in the subsequent period | 63,923                                | -                       |
| "                                      | Inventec (Czech), s.r.o.                     | Subsidiary   | 10,953,538     | 2.35             | 3,978,775  | Received in the subsequent period | 5,083,626                             | -                       |
| "                                      | Inventec Corporation (Hong Kong) Ltd. (Note) | Subsidiary   | 54,544,416     | -                | 11,228,394 | Received in the subsequent period | 37,115,539                            | -                       |
| Inventec Holding (North America) Corp. | Inventec (Czech), s.r.o.                     | Associates   | 242,702        | 4.53             | -          |                                   | -                                     | -                       |
| "                                      | Inventec (Pudong) Technology Corp.           | Associates   | 112,290        | 9.03             | -          |                                   | -                                     | -                       |

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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 (Czech), s.r.o.   | The Company  | Parent       | 138,655        | 7.60             | -          |                                   | 138,655                               | -                       |
| Inventec Corporation (Hong Kong) Ltd.                              | The Company  | Parent       | 47,083,769     | 6.61             | -          | Received in the subsequent period | 37,733,251                            | -                       |
| "  | Inventec (Pudong) Technology Corp. (Note)                          | Associates   | 23,828,947     | -                | 11,205,570 | Received in the subsequent period | 6,402,488                             | -                       |
| "  | Inventec (Chongqing) Corp. (Note)                                  | Associates   | 30,715,470     | -                | 22,824     | Received in the subsequent period | 30,713,051                            | -                       |
| Inventec (Pudong) Technology Corp.                                 | Inventec Corporation (Hong Kong) Ltd.                              | Associates   | 8,339,964      | 2.82             | -          |                                   | 1,565,414                             | -                       |
| "  | Inventec (Shanghai) Corp.  | Associates   | 10,882,010     | 5.29             | 32,561     | Received in the subsequent period | 5,171,927                             | -                       |
| Inventec (Chongqing) Corp.   | Inventec Corporation (Hong Kong) Ltd.                              | Associates   | 38,743,806     | 8.15             | -          |                                   | 36,167,837                            | -                       |
| Inventec Appliances (Pudong) Corp.                                 | Inventec Appliances Corp.  | Associates   | 9,058,738      | 2.61             | -          |                                   | 3,853,102                             | -                       |
| "  | Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd. | Associates   | 374,674        | 3.63             | -          |                                   | 30,551                                | -                       |
| Inventec Appliances (Jiangning) Corp.                              | Inventec Appliances Corp.  | Associates   | 256,111        | 4.78             | -          |                                   | 256,111                               | -                       |
| Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd. | Inventec Appliances Corp.  | Associates   | 153,221        | 8.60             | -          |                                   | 153,221                               | -                       |

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)(v).

## (b) Information on investment:

The following is the information on investees for the year ended December 31, 2020 (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, 2020 |                         |                | Net income (loss) of the investee | Share of profits/losses of investee | Note                          |
|------------------|--|-----------------|--|----------------------------|-------------------|---------------------------------|-------------------------|----------------|-----------------------------------|-------------------------------------|-------------------------------|
|                  |  |                 |  | December 31, 2020          | December 31, 2019 | 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%                  | 210,311        | (47,675)                          | (17,892)                            | 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%                 | 365,614        | 10,896                            | 10,896                              | Subsidiary                    |
| "                | Inventec Holding (North America) Corp. | USA             | Investment of holding company in America                   | 159,003                    | 159,003           | 5,000                           | 100.00%                 | 1,281,813      | 62,310                            | 62,310                              | "                             |
| "                | Inventec Appliances Corp.              | New Taipei City | Wireless terminal products                                 | 9,656,877                  | 9,656,877         | 536,857                         | 100.00%                 | 9,246,421      | 679,517                           | 679,517                             | "                             |
| "                | Inventec (Cayman) Corp.                | Cayman          | Holding Company  | 9,812,963                  | 9,812,963         | 301,768                         | 100.00%                 | 21,100,327     | 7,722,888                         | 7,722,888                           | "                             |

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| Investor company              | Investee company                               | Location | Main businesses and products                                       | Original investment amount |                   | Balance as of December 31, 2020 |                         |                | Net income (loss) of the investee | Share of profits/losses of investee | Note                          |
|-------------------------------|--|----------|--|----------------------------|-------------------|---------------------------------|-------------------------|----------------|-----------------------------------|-------------------------------------|-------------------------------|
|                               |  |          |  | December 31, 2020          | December 31, 2019 | Shares/Units (In thousands)     | Percentage of ownership | Carrying value |                                   |                                     |                               |
| The Company                   | IEC (Cayman) Corporation                       | Cayman   | Holding Company  | 739,500                    | 739,500           | 25,000                          | 100.00%                 | 1,178,105      | 273,585                           | 273,585                             | Subsidiary                    |
| "                             | Inventec (Czech), S.R.O.                       | Czech    | Computer products assembly operations                              | 85,921                     | 85,921            | -                               | 100.00%                 | 114,544        | 78,541                            | 78,541                              | "                             |
| "                             | Inventec Investment Co., Ltd.                  | Taipei   | Investment Company   | 1,000,000                  | 1,000,000         | 108,800                         | 100.00%                 | 124,923        | (52,959)                          | (52,959)                            | "                             |
| "                             | Inventec Solar Energy Corporation              | Taoyuan  | Developing, production and selling of multicrystalline solar cells | 1,087,800                  | 1,087,800         | 108,150                         | 33.45%                  | (296,204)      | (1,695,966)                       | (546,206)                           | "                             |
| "                             | Inventec Development Japan Corporation         | Japan    | Developing, designing and selling computer peripherals             | 630,845                    | 630,845           | 45                              | 100.00%                 | 17,677         | (1,036)                           | (1,036)                             | "                             |
| "                             | Inventec Japan Corporation                     | Japan    | Trading and management service                                     | 2,954                      | 2,954             | -                               | 100.00%                 | 3,181          | 414                               | 414                                 | "                             |
| "                             | AIMobile Co., Ltd.                             | Taipei   | Developing, production and selling of intelligent mobile device    | 182,500                    | 220,000           | 18,250                          | 73.00%                  | 122,282        | (81,693)                          | (44,924)                            | "                             |
| "                             | Inventec Manufacturing (India) Private Limited | India    | Computer products assembly operations                              | 281,691                    | 281,691           | 55,994                          | 99.99%                  | 10,738         | 34,347                            | 35,455                              | "                             |
| 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%                   | (44,540)       | (1,695,966)                       | -                                   | Associate Company             |
| "                             | Inventec Manufacturing (India) Private Limited | India    | Computer products assembly operations                              | 28                         | 28                | 6                               | 0.01%                   | 1              | 34,347                            | -                                   | "                             |
| Inventec Appliances Corp.     | Inventec Appliances (Cayman) Holding Corp.     | Cayman   | Holding Company  | 5,683,886                  | 5,683,886         | 199,575                         | 100.00%                 | 16,545,017     | (300,331)                         | -                                   | "                             |
| "                             | Gainia Intellectual Asset Services, Inc.       | Taipei   | Intellectual property rights integrative services                  | 6,400                      | 6,400             | 205                             | 38.90%                  | 1,332          | (1,096)                           | -                                   | 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%                   | (91,841)       | (1,695,966)                       | -                                   | Associate Company             |

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| Investor company                           | Investee company                             | Location | Main businesses and products                              | Original investment amount |                   | Balance as of December 31, 2020 |                         |                | Net income (loss) of the investee | Share of profits/losses of investee | Note              |
|--|--|----------|---|----------------------------|-------------------|---------------------------------|-------------------------|----------------|-----------------------------------|-------------------------------------|-------------------|
|  |  |          |   | December 31, 2020          | December 31, 2019 | Shares/Units (In thousands)     | Percentage of ownership | Carrying value |                                   |                                     |                   |
| Inventec Appliances (Cayman) Holding Corp. | Inventec Appliances (USA) Distribution Corp. | USA      | Selling of MP3 Player, PDA and science plotter            | 22,784                     | 22,784            | 400                             | 100.00%                 | 92,687         | 1,127                             | -                                   | Associate Company |
| "  | Inventec Appliances Corporation USA, Inc.    | USA      | Selling services  | 1,424                      | 1,424             | 10                              | 100.00%                 | 13,003         | 885                               | -                                   | "                 |
| Inventec Appliances (Pudong) Corp.         | Inventec Appliances (Malaysia) SDN. BHD.     | Malaysia | Manufacture and sale of electronic materials and products | 501,784                    | -                 | 71,000                          | 100.00%                 | 482,340        | (19,102)                          | -                                   | "                 |

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..

(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, 2020 | Investment flows |        | Accumulated outflow of investment from Taiwan as of December 31, 2020 | Net income (losses) of the investee | Percentage of ownership | Investment income (losses) (Note 2) | Book value | Accumulated remittance of earnings in current period (Note 6) |
|---|---|---------------------------------|-------------------------------|---|------------------|--------|---|-------------------------------------|-------------------------|-------------------------------------|------------|---|
|   |   |                                 |                               |   | Out-flow         | Inflow |   |                                     |                         |                                     |            |   |
| Inventec (Shanghai) Service Co., Ltd                | Multimedia computer and system parts assembling | 188,679                         | (2)                           | 56,960  | -                | -      | 56,960  | (971)                               | 100.00%                 | (971)                               | 123,206    | 30,234  |
| Inventec (ChongQing) Service Co., Ltd               | Multimedia computer and system parts assembling | 28,480                          | (2)                           | 28,480  | -                | -      | 28,480  | (1,330)                             | 100.00%                 | (1,330)                             | 40,042     | -   |
| Inventec (Pudong) Co., Ltd.                         | Multimedia computer and system parts assembling | 1,424,000                       | (2)                           | 1,424,000   | -                | -      | 1,424,000   | 3,550,998                           | 100.00%                 | 3,550,998                           | 4,126,672  | -   |
| Inventec (Shanghai) Co., Ltd.                       | Multimedia computer and system parts assembling | 2,087,127                       | (2)                           | 840,160   | -                | -      | 840,160   | 93,305                              | 100.00%                 | 93,305                              | 1,859,116  | -   |
| Inventec (ChongQing) Corporation                    | Multimedia computer and system parts assembling | 2,136,000                       | (2)                           | 2,136,000   | -                | -      | 2,136,000   | 2,365,436                           | 100.00%                 | 2,365,436                           | 7,961,132  | 2,242,107   |
| Inventec (Pudong) Technology Corp.                  | Multimedia computer and system parts assembling | 1,668,692                       | (2)                           | 1,424,000   | -                | -      | 1,424,000   | 2,274,369                           | 100.00%                 | 2,273,877                           | 6,615,064  | 321,599   |
| Inventec Electronics (Tianjin) Co., Ltd.            | Software production                             | 142,400                         | (2)                           | 121,040   | -                | -      | 121,040   | 2,345                               | 100.00%                 | 2,345                               | 230,567    | 149,517   |
| Inventec (Beijing) Electronics Technology Co., Ltd. | Software production                             | 41,296                          | (2)                           | 41,296  | -                | -      | 41,296  | 1,516                               | 100.00%                 | 1,516                               | 77,358     | -   |
| Inventec Hi-Tech Corporation                        | Multimedia computer and system parts assembling | 1,424,000                       | (2)                           | 1,424,000   | -                | -      | 1,424,000   | (57,017)                            | 100.00%                 | (57,017)                            | 1,138,394  | -   |

## (English Translation of Financial Statements Originally Issued in Chinese)

## INVENTEC CORPORATION

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

For the years ended December 31, 2020 and 2019

(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, 2020 | Investment flows |        | Accumulated outflow of investment from Taiwan as of December 31, 2020 | Net income (losses) of the investee | Percentage of ownership | Investment income (losses) (Note 2) | Book value | Accumulated remittance of earnings in current period (Note 6) |
|--|--|---------------------------------|-------------------------------|---|------------------|--------|---|-------------------------------------|-------------------------|-------------------------------------|------------|---|
|  |  |                                 |                               |   | Out-flow         | Inflow |   |                                     |                         |                                     |            |   |
| Inventec Huan Hsin (Zhejiang) Technology Co., Ltd.                 | Complete of the electronic computer and product and sale of external equipment                   | 817,376                         | (2)                           | 822,474   | -                | -      | 822,474   | (2,120)                             | 100.00%                 | (2,120)                             | 3,837      | -   |
| Inventec Asset-Management (Shanghai) Corporation                   | Equipment leasing, storage, technological development and sale of computer                       | 1,869,030                       | (3)                           | -   | -                | -      | -   | (22,349)                            | 78.00%                  | (17,432)                            | 1,374,393  | -   |
| Saint Investment consulting corporation                            | Business management consulting   | 87,296                          | (3)                           | -   | -                | -      | -   | 33                                  | 100.00%                 | 33                                  | 87,330     | -   |
| Inventec Appliances (Shanghai) Co., Ltd.                           | Electronic communication and products assemble   | 1,469,568                       | (2)                           | 1,370,401   | -                | -      | 1,370,401   | (34,975)                            | 100.00%                 | (34,975)                            | 1,771,832  | 1,535,981   |
| Inventec Appliances (Pudong) Corp.                                 | Electronic communication and products assemble   | 2,192,960                       | (2)                           | 2,192,960   | -                | -      | 2,192,960   | (569,471)                           | 100.00%                 | (545,196)                           | 8,854,398  | 2,297,117   |
| Inventec Appliances (Jiangning) Corp.                              | Electronic communication and products assemble   | 1,936,640                       | (2)                           | 1,196,160   | -                | -      | 1,196,160   | 308,573                             | 100.00%                 | 306,693                             | 5,291,450  | 1,636,736   |
| Inventec Appliances (Nanjing) Corp.                                | House leasing  | 142,400                         | (2)                           | 255,793   | -                | -      | 255,793   | 12,695                              | 100.00%                 | 12,695                              | 382,786    | 85,353  |
| Inventec Appliances (XI'AN) Corporation                            | Electronic communication and products assemble   | 113,920                         | (2)                           | 113,920   | -                | -      | 113,920   | 10,358                              | 100.00%                 | 10,358                              | 50,757     | -   |
| Inventec Appliances (Nanchang) Corp.                               | Electronic communication and products assemble   | 59,808                          | (2)                           | 59,808  | -                | -      | 59,808  | (50,163)                            | 100.00%                 | (50,163)                            | 81,258     | -   |
| APEX Business Management & Consulting (Shanghai) Co., Ltd.         | Business Management  | 2,190                           | (3)                           | -   | -                | -      | -   | 25,252                              | 100.00%                 | 25,252                              | 84,036     | -   |
| Inventec Appliances (Shanghai) Enterprise                          | Development and consultation on software and hardware; as well as selling of electronic products | 34,919                          | (3)                           | -   | -                | -      | -   | (2,026)                             | 100.00%                 | (2,026)                             | 25,385     | -   |
| Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd. | Electronic communication and products assemble   | 261,889                         | (3)                           | -   | -                | -      | -   | (81,203)                            | 100.00%                 | (81,203)                            | 105,694    | -   |

## 2. Limitation on investment in Mainland China:

| Name of Company           | Accumulated Investment in Mainland China as of December 31, 2020 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment (Note 3,4,7) |
|---------------------------|--|--|--|
| The Company               | 8,378,214  | 8,378,214  | -                                      |
| Inventec Appliances Corp. | 5,252,510  | 5,252,510  | 5,086,180                              |

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

(English Translation of Financial Statements Originally Issued in Chinese)

**INVENTEC CORPORATION**

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

**For the years ended December 31, 2020 and 2019**

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

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, 2020, 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, 2020, are disclosed in "Information on significant transactions" .

(d) Major shareholders: No shareholders hold more than 5% shares.

**(14) Segment Information**

Please refer to consolidated financial report of Inventec Corporation for the year ended December 31, 2020.

**INVENTEC CORPORATION**  
**Statement of Cash and Cash Equivalents**  
**December 31, 2020**  
(In Thousands of New Taiwan Dollars)

| <b>Item</b>  | <b>Description</b>           | <b>Amount</b>       |
|--------------|------------------------------|---------------------|
| Cash         | Petty cash                   | \$ 450              |
|              | Foriegn cash                 | 622                 |
|              | Subtotal                     | 1,072               |
| Cash in bank | Checking accounts            | 1,384               |
|              | Demand deposits              | 90,112              |
|              | Foriegn deposits USD 156,034 | 4,445,014           |
|              | JPY 3,822                    |                     |
|              | CNY 17                       |                     |
|              | EUR 1                        |                     |
|              | Time deposits                | 728,540             |
|              | Subtotal                     | 5,265,050           |
|              |                              | <b>\$ 5,266,122</b> |

**INVENTEC CORPORATION**

**Statement of Changes in Financial Assets Measured at Fair Value**  
**through Other Comprehensive Income - Current**

**For the year ended December 31, 2020**

**(In Thousands of New Taiwan Dollars)**

| Name of<br>financial<br>instrument | Description | Share<br>or units | Par value | Total<br>amount         | Interest<br>rate | Acquisition<br>cost   | Accumulate<br>d<br>impairment | Fair value    |                         | Note |
|------------------------------------|-------------|-------------------|-----------|-------------------------|------------------|-----------------------|-------------------------------|---------------|-------------------------|------|
|                                    |             |                   |           |                         |                  |                       |                               | Unit<br>price | Total<br>amount         |      |
| WIN<br>Semiconductors<br>Corp.     | Stock       | 4,063             | \$ 40,630 | <u><u>1,405,689</u></u> | - %              | <u><u>113,690</u></u> | <u><u>-</u></u>               | 346.00        | <u><u>1,405,689</u></u> |      |

# INVENTEC CORPORATION

## Statement of Trade Receivables

December 31, 2020

(In Thousands of New Taiwan Dollars)

| Client Name                            | Description | Amount                      | Note  |
|--|-------------|-----------------------------|---|
| <u>Non-related parties:</u>            |             |                             |   |
| HP                                     |             | \$ 42,557,810               |   |
| ASUSTEK                                |             | 8,522,803                   |   |
| Other                                  |             |                             | The year-end balance of each client doesn't exceed 5% of the account balance. |
|  |             | <u>8,120,989</u>            |   |
| Subtotal                               |             | 59,201,602                  |   |
| Less: Allowance for impairment         |             | <u>(34,867)</u>             |   |
| Net amount                             |             | <u>59,166,735</u>           |   |
| <u>Related parties:</u>                |             |                             |   |
| Inventec Holding (North America) Corp. |             | 16,589,292                  |   |
| Inventec (Czech), S.R.O.               |             | 10,953,538                  |   |
| Other                                  |             |                             | The year-end balance of each client doesn't exceed 5% of the account balance. |
|  |             | <u>175,993</u>              |   |
| Subtotal                               |             | <u>27,718,823</u>           |   |
| Less: Allowance for impairment         |             | -                           |   |
| Net amount                             |             | <u>27,718,823</u>           |   |
| Total                                  |             | <u><u>\$ 86,885,558</u></u> |   |

# INVENTEC CORPORATION

## Statement of Other Receivables

December 31, 2020

(In Thousands of New Taiwan Dollars)

| Item                      | Description                              | Amount               | Note |
|---------------------------|--|----------------------|------|
| Non-related parties       | Payment on behalf of others              | \$ 236,116           |      |
| Related parties           | Payment of materials on behalf of others | 54,688,838           |      |
| Earned revenue receivable | Interest receivable from bank            | 1,681                |      |
| Total                     |  | <u>\$ 54,926,635</u> |      |

## Statement of Inventory

| Item  | Amount              |                    | Note |
|---|---------------------|--------------------|------|
|   | Cost                | Net realized value |      |
| Raw materials   | \$ 1,225,291        | 1,171,277          |      |
| Work in process   | 691,631             | 683,313            |      |
| Finished goods  | 536,647             | 526,593            |      |
| Subtotal  | 2,453,569           | <u>2,381,183</u>   |      |
| Less: Allowance for inventory market decline and obsolescence | (65,624)            |                    |      |
| Total   | <u>\$ 2,387,945</u> |                    |      |

**INVENTEC CORPORATION**  
**Statement of Other Current Assets**  
**December 31, 2020**  
(In Thousands of New Taiwan Dollars)

| <b>Item</b>                 | <b>Description</b> | <b>Amount</b>              | <b>Note</b> |
|-----------------------------|--------------------|----------------------------|-------------|
| Prepayments                 | Premium            | \$ 863                     |             |
|                             | Other              | <u>74,913</u>              |             |
|                             | Subtotal           | 75,776                     |             |
| Payment on behalf of others | Other              | 2,511,971                  |             |
| Asset for recovery          |                    | 260,999                    |             |
| Other                       | Other              | <u>22,461</u>              |             |
|                             |                    | <u><b>\$ 2,871,207</b></u> |             |

**Inventec Corporation**  
**Statement of Non-current financial assets at fair value through**  
**profit or loss**

**For the year ended December 31, 2020**

**(In Thousands of New Taiwan Dollars)**

| Name of financial instrument | Beginning Balance    |             | Addition             |                | Decrease             |          | Ending balance       |                | Collateral | Note |
|------------------------------|----------------------|-------------|----------------------|----------------|----------------------|----------|----------------------|----------------|------------|------|
|                              | Shares/(in thousand) | Fair value  | Shares/(in thousand) | Amount         | Shares/(in thousand) | Amount   | Shares/(in thousand) | Fair value     |            |      |
| <u>Common Stock</u>          |                      |             |                      |                |                      |          |                      |                |            |      |
| Empass Technology Inc        | -                    | \$ -        | 450                  | 19,184         | -                    | -        | 450                  | 19,184         | None       |      |
| Entire Technology Co., Ltd.  | -                    | -           | 3,260                | 232,340        | -                    | -        | 3,260                | 232,340        | "          |      |
| E-Ton Solar Tech Co., LTD    | -                    | -           | 94,889               | 452,619        | -                    | -        | 94,889               | 452,619        | "          |      |
| Imedtac Co., Ltd.            | -                    | -           | 1,000                | 59,350         | -                    | -        | 1,000                | 59,350         | "          |      |
| Tmy Technology Inc.          | -                    | -           | 2,857                | 57,943         | -                    | -        | 2,857                | 57,943         | "          |      |
| Total                        |                      | <u>\$ -</u> |                      | <u>821,436</u> |                      | <u>-</u> |                      | <u>821,436</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, 2020

(In Thousands of New Taiwan Dollars)

| Name of financial instrument                | Beginning Balance    |                     | Addition             |                | Decrease             |                | Ending balance       |                  | Collateral | Note |
|---|----------------------|---------------------|----------------------|----------------|----------------------|----------------|----------------------|------------------|------------|------|
|   | Shares (in thousand) | Fair value          | Shares (in thousand) | Amount         | Shares (in thousand) | Amount         | Shares (in thousand) | Fair value       |            |      |
| <u>Common Stock</u>                         |                      |                     |                      |                |                      |                |                      |                  |            |      |
| WK Technology Fund IV Corp.                 | 645                  | \$ 5,632            | -                    | -              | -                    | 548            | 645                  | 5,084            | None       |      |
| Global Strategy Venture Capital Corporation | 2,835                | 14,940              | -                    | -              | 2,835                | 14,940         | -                    | -                | "          |      |
| Arima Communications Corp.                  | 21,114               | 129,221             | -                    | -              | -                    | 53,399         | 21,114               | 75,822           | "          |      |
| Tomorrow Studio Co., Ltd.                   | 29                   | 176                 | -                    | -              | -                    | 10             | 29                   | 166              | "          |      |
| Tai Yi Precision Corporation                | 2,540                | -                   | -                    | -              | -                    | -              | 2,540                | -                | "          |      |
| New E Materials Co., Ltd.                   | 1,760                | 14,555              | -                    | -              | -                    | 2,358          | 1,760                | 12,197           | "          |      |
| ZT Group Int'l, Inc.                        | 70                   | 1,699,658           | -                    | 311,286        | -                    | -              | 70                   | 2,010,944        | "          |      |
| Amphastar Pharmaceuticals Inc.              | -                    | -                   | 26                   | 14,780         | -                    | -              | 26                   | 14,780           | "          |      |
| Subtotal                                    |                      | <u>1,864,182</u>    |                      | <u>326,066</u> |                      | <u>71,255</u>  |                      | <u>2,118,993</u> |            |      |
| <u>Preferred Stock</u>                      |                      |                     |                      |                |                      |                |                      |                  |            |      |
| CloudMosa Technologies, Inc.                | 235                  | 11,150              | -                    | -              | -                    | 11,150         | 235                  | -                | "          |      |
| Rasilient Systems, Inc.                     | 3,632                | -                   | -                    | -              | -                    | -              | 3,632                | -                | "          |      |
| SKSpruce Holding Limited                    | 3,746                | 138,701             | -                    | -              | -                    | 96,946         | 3,746                | 41,755           | "          |      |
| QEEXO Co.                                   | 568                  | 27,703              | -                    | -              | -                    | 11,780         | 568                  | 15,923           | "          |      |
| Rescale Inc.                                | 355                  | 26,637              | -                    | -              | -                    | 93             | 355                  | 26,544           | "          |      |
| Sensel Inc.                                 | 532                  | <u>6,366</u>        | -                    | <u>6,004</u>   | -                    | <u>-</u>       | 532                  | <u>12,370</u>    | "          |      |
| Subtotal                                    |                      | <u>210,557</u>      |                      | <u>6,004</u>   |                      | <u>119,969</u> |                      | <u>96,592</u>    |            |      |
| Total                                       |                      | <u>\$ 2,074,739</u> |                      | <u>332,070</u> |                      | <u>191,224</u> |                      | <u>2,215,585</u> |            |      |

**INVENTEC CORPORATION**  
**Statement of Changes in Investments Accounted for Using the**  
**Equity Method**

**For the Year Ended December 31, 2020**

**(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.               | 23,405               | \$ 245,487           | -                    | -                | -                    | 35,176         | 23,405               | 37.53%                  | 210,311           | 9.83                             | 230,071           | None       | Note   |
| Inventec Corporation (Hong Kong) Ltd.  | 2,500                | 354,041              | -                    | 11,573           | -                    | -              | 2,500                | 100.00%                 | 365,614           | -                                | 365,614           | "          | "      |
| Inventec Holding (North America) Corp. | 5,000                | 1,290,344            | -                    | -                | -                    | 8,531          | 5,000                | 100.00%                 | 1,281,813         | -                                | 1,281,813         | "          | "      |
| Inventec Appliances Corp.              | 536,857              | 9,714,377            | -                    | -                | -                    | 467,956        | 536,857              | 100.00%                 | 9,246,421         | -                                | 9,246,421         | "          | "      |
| Inventec (Cayman) Corp.                | 301,768              | 13,887,270           | -                    | 7,213,057        | -                    | -              | 301,768              | 100.00%                 | 21,100,327        | -                                | 21,100,327        | "          | "      |
| IEC (Cayman) Corporation               | 25,000               | 958,568              | -                    | 219,537          | -                    | -              | 25,000               | 100.00%                 | 1,178,105         | -                                | 1,178,105         | "          | "      |
| Inventec (Czech), S.R.O.               | -                    | 32,250               | -                    | 82,294           | -                    | -              | -                    | 100.00%                 | 114,544           | -                                | 114,544           | "          | "      |
| Inventec Development Japan Corporation | 45                   | 17,630               | -                    | 47               | -                    | -              | 45                   | 100.00%                 | 17,677            | -                                | 17,677            | "          | "      |
| Inventec Japan Cororation              | -                    | 2,774                | -                    | 407              | -                    | -              | -                    | 100.00%                 | 3,181             | -                                | 3,181             | "          | "      |
| Inventec Investment Co., Ltd.          | 108,800              | 178,323              | -                    | -                | -                    | 53,400         | 108,800              | 100.00%                 | 124,923           | -                                | 124,923           | "          | "      |
| E-Ton Solar Tech. Co., Ltd.            | 94,889               | 396,783              | -                    | -                | 94,889               | 396,783        | -                    | %                       | -                 | -                                | -                 | "          | "      |
| Manufacturing (India) Private Limited  | 55,994               | (25,580)             | -                    | 36,318           | -                    | -              | 55,994               | 99.99%                  | 10,738            | -                                | 10,738            | "          | "      |
| AI Mobile Co., Ltd.                    | 22,000               | 81,383               | 10,000               | 40,899           | 13,750               | -              | 18,250               | 73.00%                  | 122,282           | -                                | 122,282           | "          | "      |
|  |                      | <u>\$ 27,133,650</u> |                      | <u>7,604,132</u> |                      | <u>961,846</u> |                      |                         | <u>33,775,936</u> |                                  | <u>33,795,696</u> |            |        |
| Inventec Solar Energy Corporation      | 108,150              | \$ <u>250,002</u>    | -                    | <u>-</u>         | -                    | <u>546,206</u> | 108,150              | 33.45%                  | <u>(296,204)</u>  | -                                | <u>(296,204)</u>  | "          | Note 1 |

Note : The value of listed company is market value, and the value of private entity is net equity.

Note1: Other non-current liabilities, others.

**INVENTEC CORPORATION**  
**Statement of Other Non-current Assets**  
**December 31, 2020**  
(In Thousands of New Taiwan Dollars)

| <b>Item</b>                     | <b>Description</b>                         | <b>Amount</b>              | <b>Note</b> |
|---------------------------------|--|----------------------------|-------------|
| Deferred expense                | Toolings                                   | \$ 2,776,909               |             |
| Less: Accumulated, depreciation |  | (2,337,485)                |             |
| Deferred tax assets             |  | 1,172,586                  |             |
| Restricted assets               |  | 132,954                    |             |
| Refundable deposits             | Membership card and customs duty guarantee | 28,930                     |             |
| Other assets                    |  | 34,105                     |             |
|                                 |  | <u><u>\$ 1,807,999</u></u> |             |

**INVENTEC CORPORATION**  
**Statement of Short-term Borrowings**  
**December 31, 2020**  
(In Thousands of New Taiwan Dollars)

| Type                  | Description        | Ending balance              | Contract Period       | Range of interest rate | Loan commitment | Collateral | Note |
|-----------------------|--------------------|-----------------------------|-----------------------|------------------------|-----------------|------------|------|
| Short-term borrowings | Citi Bank          | \$ 5,919,969                | 2020.11.05-2021.03.10 | 0.48%-0.61%            | USD 223,000     | None       |      |
|                       | DBS Bank           | 5,259,907                   | 2020.10.08-2021.03.26 | 0.74%-0.85%            | USD 250,000     | "          |      |
|                       | Bank of Taiwan     | 4,260,116                   | 2020.11.11-2021.01.15 | 0.50%-0.51%            | USD 150,000     | "          |      |
|                       | Hua Nan Bank       | 2,191,639                   | 2020.10.29-2021.01.27 | 0.63%                  | TWD 2,325,000   | "          |      |
|                       | Mega Bank          | 1,708,206                   | 2020.12.03-2021.06.01 | 0.70%                  | USD 80,000      | "          |      |
|                       | Taishin Bank       | 1,704,372                   | 2020.11.04-2021.01.13 | 0.67%                  | USD 80,000      | "          |      |
|                       | Land Bank          | 1,448,964                   | 2020.12.17-2021.03.17 | 0.73%                  | TWD 1,800,000   | "          |      |
|                       | Mizuho Bank        | 1,000,000                   | 2020.11.27-2021.02.26 | 0.80%                  | USD 60,000      | "          |      |
|                       | Sumito Mitsui Bank | 400,000                     | 2020.10.07-2021.01.07 | 0.68%                  | USD 80,000      | "          |      |
|                       | OCBC Bank          | 300,000                     | 2020.11.13-2021.01.13 | 0.85%                  | USD 30,000      | "          |      |
|                       |                    | <u><u>\$ 24,193,173</u></u> |                       |                        |                 |            |      |

# INVENTEC CORPORATION

## Statement of Accounts Payable

December 31, 2020

(In Thousands of New Taiwan Dollars)

| Vendor name                              | Description | Amount                      | Note  |
|--|-------------|-----------------------------|---|
| <u>Non-related parties:</u>              |             |                             |   |
| HP International Pte. Ltd.               |             | \$ 15,992,173               |   |
| Asustek Computer<br>Incorporation        |             | 6,795,321                   |   |
| Other                                    |             |                             | The year-end balance of each client doesn't exceed 5% of the account balance. |
|  |             | <u>20,074,241</u>           |   |
| Subtotal                                 |             | <u>42,861,735</u>           |   |
| <u>Related parties:</u>                  |             |                             |   |
| Inventec Corporation (Hong<br>Kong) Ltd. |             | 47,083,769                  |   |
| Other                                    |             |                             | The year-end balance of each client doesn't exceed 5% of the account balance. |
|  |             | <u>293,950</u>              |   |
| Subtotal                                 |             | <u>47,377,719</u>           |   |
| Total                                    |             | <u><u>\$ 90,239,454</u></u> |   |

# INVENTEC CORPORATION

## Statement of Other Payables

December 31, 2020

(In Thousands of New Taiwan Dollars)

| Item           | Description                       | Amount                     |
|----------------|-----------------------------------|----------------------------|
| Other payables | Payables for salary and bonus     | \$ 2,700,935               |
|                | Payables for purchasing softwares | 22,439                     |
|                | Inventory processing fee          | 563,559                    |
|                | Other                             | <u>2,357,233</u>           |
| Total          |                                   | <u><u>\$ 5,644,166</u></u> |

## Statement of Other Current Liabilities

| Item                      | Description            | Amount                     | Note |
|---------------------------|------------------------|----------------------------|------|
| Other current liabilities | Advance receipts       | \$ 746                     |      |
|                           | Receipts under custody | 56,604                     |      |
|                           | Temporary credits      | 4,557,593                  |      |
|                           | Other                  | <u>3,241,256</u>           |      |
|                           |                        | <u><u>\$ 7,856,199</u></u> |      |

**INVENTEC CORPORATION**  
**Statement of Long-term Borrowings**  
**December 31, 2020**  
(In Thousands of New Taiwan Dollars)

| <b>Creditor</b>   | <b>Description</b> | <b>Amount</b>              | <b>Term of contract</b> | <b>Interest rate</b> | <b>Collateral</b> | <b>Note</b>             |
|---|--------------------|----------------------------|-------------------------|----------------------|-------------------|-------------------------|
| Syndicated agreement with Hua Nan Bank and other 13 participating banks | -                  | \$ 5,696,000               | 2020.10.14-2022.10.14   | 1.01%                | None              | With financial covenant |
| Hua Nan Bank  | Secured borrowings | 2,033,333                  | 2016.02.26-2031.02.26   | 1.19%                | Land and building | No financial covenant   |
| Bank of Taiwan  | "                  | 1,016,667                  | 2016.02.26-2031.02.26   | 1.19%                | "                 | "                       |
| Less: Long-term Borrowings, current portion                             |                    | (300,000)                  |                         |                      |                   |                         |
| Total   |                    | <u><u>\$ 8,446,000</u></u> |                         |                      |                   |                         |

**INVENTEC CORPORATION**  
**Statement of Other Non-current Liabilities**  
**December 31, 2020**  
(In Thousands of New Taiwan Dollars)

| <b>Item</b>                   | <b>Description</b>  | <b>Amount</b>                     | <b>Note</b> |
|-------------------------------|---|-----------------------------------|-------------|
| Other non-current liabilities | Deferred tax liabilities  | \$ 2,865,814                      |             |
|                               | Deferred credits  | 36,859                            |             |
|                               | Gaurantee deposits received                                     | 561                               |             |
|                               | Credit balance of investments accounted for using equity method | 296,204                           |             |
|                               |   | <u><u><b>\$ 3,199,438</b></u></u> |             |

**INVENTEC CORPORATION**  
**Statement of Operating Costs**  
**For the year ended December 31, 2020**  
(In Thousands of New Taiwan Dollars)

| Item                                      | Amount      |                           |
|---|-------------|---------------------------|
|   | Subtotal    | Total                     |
| Cost of goods sold from manufacturing     | \$          | 29,147,821                |
| Direct material                           | 13,592,903  |                           |
| Add: Raw material, January 1              | 1,706,188   |                           |
| Purchase                                  | 14,139,890  |                           |
| Gain on physical inventory                | 35,119      |                           |
| Less: Raw material, December 31           | (1,225,291) |                           |
| Transferred to expense                    | (89,335)    |                           |
| Sale                                      | (932,473)   |                           |
| Loss on physical inventory                | (41,195)    |                           |
| Direct labor                              | 748,072     |                           |
| Manufacturing expenses                    | 1,796,817   |                           |
| Cost of manufacturing                     | 16,137,792  |                           |
| Add: Work in process, January 1           | 1,255,327   |                           |
| Purchase                                  | 12,570,148  |                           |
| Gain on physical inventory                | 386         |                           |
| Less: Work in process, December 31        | (691,631)   |                           |
| Transferred to expense                    | (167,077)   |                           |
| Loss on physical inventory                | (687)       |                           |
| Transferred to warranty                   | (159)       |                           |
| Cost of finished goods                    | 29,104,099  |                           |
| Add: Finished goods, January 1            | 971,832     |                           |
| Gain on physical inventory                | 3,484       |                           |
| Less: Finished goods, December 31         | (536,647)   |                           |
| Loss on inventory                         | (4,054)     |                           |
| Transferred to expense                    | (382,894)   |                           |
| Transferred to warranty                   | (7,999)     |                           |
| Cost of material sold                     |             | 932,473                   |
| Cost of merchandise sold (triangle trade) |             | 364,989,767               |
| Loss of inventory valuation               |             | 11,198                    |
| Cost of warranty                          |             | 589,340                   |
| Expense of idle capacity                  |             | 26,306                    |
| Loss on physical inventory                |             | 6,947                     |
| Cost of provision of sales return         |             | (52,976)                  |
| Total operating costs                     | \$          | <u><u>395,650,876</u></u> |

**INVENTEC CORPORATION**  
**Statement of Selling Expenses**  
**For the year ended December 31, 2020**  
(In Thousands of New Taiwan Dollars)

| <b>Item</b>              | <b>Description</b> | <b>Amount</b>              | <b>Note</b> |
|--------------------------|--------------------|----------------------------|-------------|
| Salary and wages expense |                    | \$ 486,323                 |             |
| Amortization expense     |                    | 390,190                    |             |
| Freight                  |                    | 474,956                    |             |
| Miscellaneous expense    |                    | 104,666                    |             |
| Other expense            |                    | <u>304,370</u>             |             |
|                          |                    | <u><b>\$ 1,760,505</b></u> |             |

**Statement of Administrative Expenses**

| <b>Item</b>               | <b>Description</b> | <b>Amount</b>              | <b>Note</b> |
|---------------------------|--------------------|----------------------------|-------------|
| Salary and wages expense  |                    | \$ 941,120                 |             |
| Miscellaneous expense     |                    | 255,266                    |             |
| Depreciation expense      |                    | 140,401                    |             |
| Repair expense            |                    | 118,094                    |             |
| Professional service fees |                    | 103,152                    |             |
| Other expense             |                    | <u>337,823</u>             |             |
|                           |                    | <u><b>\$ 1,895,856</b></u> |             |

**INVENTEC CORPORATION**  
**Statement of Research and Development Expenses**  
**December 31, 2020**  
(In Thousands of New Taiwan Dollars)

| <b>Item</b>              | <b>Description</b> | <b>Amount</b>              | <b>Note</b> |
|--------------------------|--------------------|----------------------------|-------------|
| Salary and wages expense |                    | \$ 3,649,479               |             |
| Supplies                 |                    | 661,063                    |             |
| Examination expense      |                    | 315,530                    |             |
| Other expense            |                    | <u>1,199,935</u>           |             |
|                          |                    | <u><b>\$ 5,826,007</b></u> |             |

**Appendix II: Consolidated financial statements with subsidiaries  
audited by CPA of 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, 2020 and 2019, 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2020 and 2019 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(x) for accounting policy and detailed information on the agreements of financial assets and liabilities offsetting.

Description of the key audit matter:

In order to use fund flexibly, the Group handled multiple kinds of financial instruments which IAS was endorsed by FSC to offset financial assets and liabilities and be reported in the balance sheet. The disclosure of financial instruments which are not expired on the reporting date would influence the judgment of report reader.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included examining whether the amount of the signed contract were within the scope authorized by the Board of Directors; sampling transactions in 2020 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.

## **3. Disposal of property, plant and equipment of subsidiary**

Please refer to Note 4(l), 4(m), 6(h) and 6(i) for accounting policy and detailed information for disposal of property, plant and equipment of subsidiary.

Description of the key audit matter:

For optimizing idled assets and lowering the Group's operating costs, the Group disposed the idled assets. Due to the significance of amount, the disposal of property, plant and equipment 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 include examining whether the disposal of property, plant and equipment has been approved by the Board of Directors; in accordance with the Company's acquisition and disposal of assets processing procedures to obtain the professional valuation report; verifying the sale documents, confirming and calculating whether the gains and losses on the disposal are appropriate; examining whether depreciation recognition has been terminated at the asset disposal date, and that the cost and accumulated depreciation have been removed from the account.

## **Other Matter**

Inventec Corporation has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2020 and 2019, 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 30, 2021

#### **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, 2020 and 2019**  
(Expressed in Thousands of New Taiwan Dollars)

| ASSETS                      |  | 2020.12.31            |            | 2019.12.31         |            | LIABILITIES AND EQUITY       |   | 2020.12.31            |            | 2019.12.31         |            |
|-----------------------------|--|-----------------------|------------|--------------------|------------|------------------------------|---|-----------------------|------------|--------------------|------------|
|                             |  | Amount                | %          | Amount             | %          |                              |   | Amount                | %          | Amount             | %          |
| <b>Current Assets :</b>     |  |                       |            |                    |            | <b>Current Liabilities :</b> |   |                       |            |                    |            |
| 1100                        | Cash and cash equivalents (Notes (6)(a))   | \$ 32,951,595         | 16         | 18,952,967         | 10         | 2100                         | Short-term borrowings (Note (6)(m))   | \$ 31,890,755         | 15         | 25,166,518         | 13         |
| 1110                        | Current financial assets at fair value through profit or loss (Notes (6)(b))                 | 782,284               | -          | 3,958,468          | 2          | 2120                         | Current financial liabilities at fair value through profit or loss (Notes (6)(b)) | 250,136               | -          | 108,175            | -          |
| 1120                        | Current financial assets at fair value through other comprehensive income (Notes (6)(b))     | 1,405,689             | 1          | 1,194,430          | 1          | 2130                         | Current contract liabilities (Note (6)(u))  | 7,828,232             | 4          | 6,449,213          | 4          |
| 1170                        | Accounts receivable, net (Notes (6)(c) and (7))  | 91,811,309            | 43         | 88,491,343         | 46         | 2170                         | Accounts payable (Note (7))   | 74,370,226            | 35         | 71,342,557         | 37         |
| 1200                        | Other receivables, net (Notes (6)(d) and (7))  | 844,441               | -          | 754,975            | -          | 2230                         | Current tax liabilities   | 2,296,677             | 1          | 2,319,023          | 1          |
| 1310                        | Inventories, manufacturing business, net (Notes (6)(e))                                      | 41,416,323            | 19         | 37,345,542         | 19         | 2200                         | Other payables (Note (7))   | 11,595,245            | 5          | 11,571,105         | 6          |
| 1470                        | Other current assets (Notes (6)(l))  | 4,258,311             | 2          | 1,469,984          | 1          | 2322                         | Long-term borrowings, current portion (Note (6)(m))                               | 330,744               | -          | 359,061            | -          |
|                             |  | 173,469,952           | 81         | 152,167,709        | 79         | 2280                         | Current lease liabilities (Notes (4) and (6)(n))                                  | 216,479               | -          | 200,289            | -          |
| <b>Non-current assets :</b> |  |                       |            |                    |            | 2399                         | Other current liabilities, others   | 11,765,194            | 6          | 9,530,335          | 5          |
| 1510                        | Non-current financial assets at fair value through profit or loss (Notes (6)(b))             | 911,660               | -          | -                  | -          |                              |   | 140,543,688           | 66         | 127,046,276        | 66         |
| 1517                        | Non-current financial assets at fair value through other comprehensive income (Notes (6)(b)) | 3,657,808             | 2          | 2,243,738          | 1          | 2540                         | Long-term borrowings (Note (6)(m))  | 8,990,825             | 4          | 3,883,134          | 2          |
| 1550                        | Investments accounted for using equity method, net (Notes (6)(f))                            | 211,643               | -          | 247,194            | -          | 2640                         | Net defined benefit liability, non-current (Notes (4) and (6)(p))                 | 656,171               | -          | 640,401            | -          |
| 1600                        | Property, plant and equipment (Notes (6)(h))   | 28,004,583            | 13         | 30,729,458         | 16         | 2580                         | Non-current lease liabilities (Notes (4) and (6)(n))                              | 748,035               | -          | 976,791            | -          |
| 1755                        | Right-of-use assets (Notes (6)(i))   | 3,403,891             | 2          | 3,546,126          | 2          | 2670                         | Other non-current liabilities, others (Notes (6)(q))                              | 5,331,975             | 3          | 3,575,023          | 2          |
| 1760                        | Investment property, net (Notes (6)(j))  | -                     | -          | 693,315            | -          |                              |   | 15,727,006            | 7          | 9,075,349          | 4          |
| 1780                        | Intangible assets (Notes (6)(k))   | 875,801               | -          | 880,774            | 1          |                              | <b>Total Liabilities</b>  | 156,270,694           | 73         | 136,121,625        | 70         |
| 1900                        | Other non-current assets (Notes (4), (6)(l) and (6)(q))                                      | 3,626,099             | 2          | 2,584,539          | 1          |                              |   |                       |            |                    |            |
|                             |  | 40,691,485            | 19         | 40,925,144         | 21         |                              | <b>Equity attributable to owners of parent :</b>                                  |                       |            |                    |            |
|                             |  |                       |            |                    |            | 3110                         | Ordinary share (Note (6)(r))  | 35,874,751            | 17         | 35,874,751         | 19         |
|                             |  |                       |            |                    |            | 3200                         | Capital surplus (Note (6)(r))   | 2,899,284             | 1          | 2,913,461          | 2          |
|                             |  |                       |            |                    |            | 3300                         | Retained earnings (Note (6)(r))   | 21,112,549            | 10         | 18,304,941         | 9          |
|                             |  |                       |            |                    |            | 3400                         | Other equity interest (Note (6)(r))   | (1,901,925)           | (1)        | (1,822,005)        | (1)        |
|                             |  |                       |            |                    |            |                              | <b>Total equity attributable to owners of parent</b>                              | 57,984,659            | 27         | 55,271,148         | 29         |
|                             |  |                       |            |                    |            | 36XX                         | Non-controlling interests   | (93,916)              | -          | 1,700,080          | 1          |
|                             |  |                       |            |                    |            |                              | <b>Total Equity</b>   | 57,890,743            | 27         | 56,971,228         | 30         |
| <b>TOTAL ASSETS</b>         |  | <b>\$ 214,161,437</b> | <b>100</b> | <b>193,092,853</b> | <b>100</b> |                              | <b>TOTAL LIABILITIES AND EQUITY</b>   | <b>\$ 214,161,437</b> | <b>100</b> | <b>193,092,853</b> | <b>100</b> |

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**INVENTEC CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

|      |  | For the years ended December 31, |     |             |     |
|------|--|----------------------------------|-----|-------------|-----|
|      |  | 2020                             |     | 2019        |     |
|      |  | Amount                           | %   | Amount      | %   |
| 4110 | Total sales revenue (Notes (4), (6)(u) and (7))  | \$ 508,294,198                   | 100 | 500,952,813 | 100 |
| 5000 | Total operating costs (Notes (4) and (7))  | 487,181,281                      | 96  | 478,121,718 | 95  |
|      | Gross profit from operations   | 21,112,917                       | 4   | 22,831,095  | 5   |
|      | Operating expenses (Notes (6)(c), (6)(d) and (6)(v)):  |                                  |     |             |     |
| 6100 | Selling expenses   | 2,795,370                        | -   | 2,607,083   | 1   |
| 6200 | Administrative expenses  | 4,190,267                        | 1   | 4,303,565   | 1   |
| 6300 | Research and development expenses  | 9,715,204                        | 2   | 9,523,033   | 2   |
| 6450 | Expected credit reversal gain  | (29,010)                         | -   | (6,081)     | -   |
| 6400 | Total operating expenses   | 16,671,831                       | 3   | 16,427,600  | 4   |
|      | Net operating income   | 4,441,086                        | 1   | 6,403,495   | 1   |
|      | Non-operating income and expenses:   |                                  |     |             |     |
| 7100 | Interest income (Note (6)(w))  | 1,186,629                        | -   | 1,347,043   | -   |
| 7010 | Other income (Note (6)(w))   | 276,301                          | -   | 312,249     | -   |
| 7020 | Other gains and losses, net (Note (6)(w))  | 5,514,251                        | 1   | 231,833     | -   |
| 7050 | Finance costs, net (Notes (6)(w))  | (1,054,244)                      | -   | (1,761,100) | -   |
| 7060 | Share of profit (loss) of associates and joint ventures accounted for using equity method, net (Note (4) and (6)(f))   | (18,318)                         | -   | (24,459)    | -   |
|      | Total non-operating income and expenses  | 5,904,619                        | 1   | 105,566     | -   |
|      | Profit from continuing operations before tax   | 10,345,705                       | 2   | 6,509,061   | 1   |
| 7950 | Less: Income tax expenses (Note (6)(q))  | 3,772,727                        | 1   | 1,672,064   | -   |
|      | Profit   | 6,572,978                        | 1   | 4,836,997   | 1   |
|      | Other comprehensive income:  |                                  |     |             |     |
|      | Components of other comprehensive income that will not be reclassified to profit or loss   |                                  |     |             |     |
| 8310 | Gains (losses) on remeasurements of defined benefit plans  | (53,824)                         | -   | (29,862)    | -   |
| 8316 | Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income   | 365,376                          | -   | 799,514     | -   |
| 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 | (16,646)                         | -   | (56)        | -   |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss   | (10,746)                         | -   | (6,757)     | -   |
|      | Components of other comprehensive income that will not be reclassified to profit or loss   | 305,652                          | -   | 776,353     | -   |
| 8360 | Components of other comprehensive income (loss) that will be reclassified to profit or loss  |                                  |     |             |     |
| 8361 | Exchange differences on translation of foreign financial statements  | (457,317)                        | -   | (1,026,850) | -   |
| 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     | (639)                            | -   | (1,597)     | -   |
| 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   | (457,956)                        | -   | (1,028,447) | -   |
|      | Other comprehensive income   | (152,304)                        | -   | (252,094)   | -   |
| 8500 | Total comprehensive income   | \$ 6,420,674                     | 1   | 4,584,903   | 1   |
|      | Profit (loss), attributable to:  |                                  |     |             |     |
| 8610 | Profit (loss), attributable to owners of parent  | \$ 7,547,985                     | 1   | 5,507,960   | 1   |
| 8620 | Profit (loss), attributable to non-controlling interests   | (975,007)                        | -   | (670,963)   | -   |
|      |  | \$ 6,572,978                     | 1   | 4,836,997   | 1   |
|      | Comprehensive income attributable to:  |                                  |     |             |     |
| 8710 | Comprehensive income, attributable to owners of parent   | \$ 7,391,406                     | 1   | 5,287,308   | 1   |
| 8720 | Comprehensive income, attributable to non-controlling interests  | (970,732)                        | -   | (702,405)   | -   |
|      |  | \$ 6,420,674                     | 1   | 4,584,903   | 1   |
|      | Earnings per share attributable to stockholders of parent (Notes (4) and (6)(t))   |                                  |     |             |     |
| 9750 | Basic earnings per share (NT dollars)  | \$ 2.10                          |     | 1.54        |     |
| 9850 | Diluted earnings per share (NT dollars)  | \$ 2.08                          |     | 1.53        |     |

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 CHANGES IN EQUITY**  
**For the Years Ended December 31, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

|   | Equity attributable to owners of parent |                   |                   |                  |                                  |   |   |   |                             |                   |
|---|---|-------------------|-------------------|------------------|----------------------------------|---|---|---|-----------------------------|-------------------|
|   | Equity attributable to owners of parent |                   |                   |                  |                                  | Other Equity Interest   |   | Equity attributable to owners of parent | Non - controlling interests | Total Equity      |
|   |   |                   |                   |                  |                                  | Exchange Differences on Translation of Foreign Financial Statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income |   |                             |                   |
|   | Capital Stock                           | Retained Earnings |                   |                  |                                  |   |   |   |                             |                   |
|   | Share Capital                           | Capital Surplus   | Legal Reserve     | Special Reserve  | Unappropriated Retained Earnings |   |   |   |                             |                   |
| <b>Balance at January 1, 2019</b>   | \$ 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             |
| <b>Balance at December 31, 2019</b>   | 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        |
| Net income (loss) for the period  | -                                       | -                 | -                 | -                | 7,547,985                        | -   | -   | 7,547,985                               | (975,007)                   | 6,572,978         |
| Other comprehensive income (loss) for the period  | -                                       | -                 | -                 | -                | (43,201)                         | (462,231)   | 348,853   | (156,579)                               | 4,275                       | (152,304)         |
| Total comprehensive income (loss) for the period  | -                                       | -                 | -                 | -                | 7,504,784                        | (462,231)   | 348,853   | 7,391,406                               | (970,732)                   | 6,420,674         |
| Appropriation and distribution of retained earnings:  |   |                   |                   |                  |                                  |   |   |   |                             |                   |
| Legal reserve appropriated  | -                                       | -                 | 546,296           | -                | (546,296)                        | -   | -   | -                                       | -                           | -                 |
| Special reserve appropriated  | -                                       | -                 | -                 | 175,647          | (175,647)                        | -   | -   | -                                       | -                           | -                 |
| Cash dividends of ordinary shares   | -                                       | -                 | -                 | -                | (4,663,718)                      | -   | -   | (4,663,718)                             | -                           | (4,663,718)       |
| Disposal of investments accounted for using equity method   | -                                       | -                 | -                 | -                | (19,258)                         | -   | 19,258  | -                                       | -                           | -                 |
| Changes in ownership interests in subsidiaries  | -                                       | (14,856)          | -                 | -                | -                                | -   | -   | (14,856)                                | -                           | (14,856)          |
| Changes in non-controlling interests  | -                                       | -                 | -                 | -                | -                                | -   | -   | -                                       | (823,820)                   | (823,820)         |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | -                                       | -                 | -                 | -                | (14,200)                         | -   | 14,200  | -                                       | -                           | -                 |
| Others  | -                                       | 679               | -                 | -                | -                                | -   | -   | 679                                     | 556                         | 1,235             |
| <b>Balance at December 31, 2020</b>   | <b>\$ 35,874,751</b>                    | <b>2,899,284</b>  | <b>11,345,901</b> | <b>1,822,004</b> | <b>7,944,644</b>                 | <b>(2,467,365)</b>  | <b>565,440</b>  | <b>57,984,659</b>                       | <b>(93,916)</b>             | <b>57,890,743</b> |

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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

|   | 2020          | 2019        |
|---|---------------|-------------|
| <b>Cash flows from operating activities:</b>  |               |             |
| <b>Profit before tax</b>  | \$ 10,345,705 | 6,509,061   |
| <b>Adjustments:</b>   |               |             |
| <b>Adjustments to reconcile profit:</b>   |               |             |
| Depreciation expense  | 2,901,598     | 3,188,382   |
| Amortization expense  | 951,942       | 965,340     |
| Expected credit reversal gain   | (29,010)      | (6,081)     |
| Interest expense  | 1,054,244     | 1,761,100   |
| Interest income   | (1,186,629)   | (1,347,043) |
| Dividend income   | (30,069)      | (20,979)    |
| Share-based payments transactions   | 1,234         | 1,040       |
| Share of losses of associates and joint ventures accounted for using equity method                    | 18,318        | 24,459      |
| Gain on disposal of property, plant and equipment   | (4,773,910)   | (69,439)    |
| Gain on disposal of non-current assets held-for-sale  | -             | (628,476)   |
| Gain on disposal of investments accounted for using equity method                                     | (24,435)      | -           |
| Impairment loss on non-financial assets   | 952,222       | 344,916     |
| Unrealized foreign exchange loss  | 908,619       | 30,968      |
| Others  | (774)         | (46,194)    |
| <b>Total adjustments to reconcile profit</b>  | 743,350       | 4,197,993   |
| <b>Changes in operating assets and liabilities:</b>   |               |             |
| <b>Changes in operating assets:</b>   |               |             |
| Increase in financial assets at fair value through profit or loss, mandatorily measured at fair value | (409,902)     | (266,204)   |
| (Increase) decrease in accounts receivable  | (3,405,318)   | 1,763,074   |
| (Increase) decrease in other receivables  | (4,664)       | 1,772,736   |
| (Increase) decrease in inventories  | (5,753,543)   | 4,904,540   |
| (Increase) decrease in other current assets   | (2,711,422)   | 176,779     |
| <b>Total changes in operating assets</b>  | (12,284,849)  | 8,350,925   |
| <b>Changes in operating liabilities:</b>  |               |             |
| Increase in financial liabilities held for trading  | 144,351       | 103,217     |
| Increase (decrease) in contract liabilities   | 1,367,153     | (256,236)   |
| Increase (decrease) in accounts payable   | 4,008,134     | (3,043,534) |
| Decrease in other payables  | (54,069)      | (434,046)   |
| Increase (decrease) in other current liabilities  | 2,249,990     | (1,076,565) |
| Decrease in net defined benefit liabilities, non-current  | (47,360)      | (44,055)    |
| <b>Total changes in operating liabilities</b>   | 7,668,199     | (4,751,219) |
| <b>Total changes in operating assets and liabilities</b>  | (4,616,650)   | 3,599,706   |
| <b>Total adjustments</b>  | (3,873,300)   | 7,797,699   |
| Cash inflow generated from operations   | 6,472,405     | 14,306,760  |
| Interest received   | 926,665       | 1,367,420   |
| Dividends received  | 30,069        | 20,979      |
| Interest paid   | (974,169)     | (1,995,909) |
| Income taxes paid   | (2,127,658)   | (1,449,100) |
| <b>Net cash flows from operating activities</b>   | 4,327,312     | 12,250,150  |

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**INVENTEC CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)**  
**For the Years Ended December 31, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

|  | <u>2020</u>                 | <u>2019</u>              |
|--|-----------------------------|--------------------------|
| <b>Cash flows from investing activities:</b>   |                             |                          |
| Acquisition of financial assets at fair value through other comprehensive income                     | (1,258,524)                 | (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                   |
| Acquisition of financial assets at fair value through profit or loss                                 | (7,136,355)                 | (14,206,762)             |
| Proceeds from disposal of financial assets at fair value through profit or loss                      | 10,245,574                  | 12,852,650               |
| Proceeds from disposal of non-current assets held for sale   | -                           | 967,538                  |
| Acquisition of property, plant and equipment   | (2,433,923)                 | (3,818,085)              |
| Proceeds from disposal of property, plant and equipment  | 5,821,830                   | 102,894                  |
| Acquisition of intangible assets   | (118,581)                   | (226,789)                |
| Effect on loss of control over subsidiary's cash   | (5,710)                     | -                        |
| Acquisition of investment properties   | (345,283)                   | (2,062)                  |
| (Increase) decrease in other financial assets  | (781,915)                   | 132,325                  |
| Increase in other non-current assets   | (1,177,205)                 | (829,098)                |
| <b>Net cash flows from (used in) investing activities</b>  | <u>2,809,908</u>            | <u>(6,823,483)</u>       |
| <b>Cash flows from financing activities:</b>   |                             |                          |
| Increase (decrease) in short-term borrowings   | 6,830,904                   | (5,941,567)              |
| Proceeds from long-term borrowings   | 19,473,486                  | 865,440                  |
| Repayments of long-term borrowings   | (14,470,076)                | (556,670)                |
| Payment of lease liabilities   | (199,245)                   | (196,978)                |
| Increase (decrease) in other non-current liabilities   | 175,204                     | (27,383)                 |
| Cash dividends paid  | (4,663,718)                 | (5,381,213)              |
| Change in non-controlling interests  | -                           | 44,981                   |
| <b>Net cash flows from (used in) financing activities</b>  | <u>7,146,555</u>            | <u>(11,193,390)</u>      |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>                                  | (285,147)                   | (342,821)                |
| <b>Net increase (decrease) in cash and cash equivalents</b>  | 13,998,628                  | (6,109,544)              |
| <b>Cash and cash equivalents at beginning of period</b>  | <u>18,952,967</u>           | <u>25,062,511</u>        |
| <b>Cash and cash equivalents at end of period</b>  | <u><b>\$ 32,951,595</b></u> | <u><b>18,952,967</b></u> |

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

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

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2020 and 2019**

**(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, 2020 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 30, 2021.

**(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 details of impact on the Group’s adoption of the new amendments beginning January 1, 2020 are as follows:

**(i) Amendments to IFRS 16 “COVID-19-Related Rent Concessions”**

As a practical expedient, a lessee may elect not to assess whether a rent concession that meets certain conditions is a lease modification, rather any changes in lease liability are recognized in profit or loss. The amendments have been endorsed by the Financial Supervisory Commission, R.O.C. ( “FSC” ) in July 2020, earlier application from January 1, 2020 is permitted. Related accounting policy is explained in Note 4(m).

The Group has elected to apply the practical expedient for all rent concessions that meet the criteria beginning January 1, 2020, with early adoption. No adjustment was made upon the initial application of the amendments. The amounts recognized in profit or loss for the year ended December 31, 2020 was \$6,203 thousand.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**INVENTEC CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**For the years ended December 31, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

(ii) Other amendments

The following new amendments, effective January 1, 2020, do not have a significant impact on the Group's consolidated financial statements:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform — Phase 2"

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

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 "Insurance Contracts" and amendments to IFRS 17 "Insurance Contracts"
- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
- Amendments to IAS 16 "Property, Plant and Equipment—Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts—Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"
- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"

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**INVENTEC CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**For the years ended December 31, 2020 and 2019**  
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

**(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.

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

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2020 and 2019**

**(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   |
|-------------|--|--|--------------------|------------|--|
|             |  |  | 2020.12.31         | 2019.12.31 |  |
| 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 | 73.00%             | 55.00%     |  |
| "           | Inventec Japan Corporation             | Trading and management services                                  | 100.00%            | 100.00%    | The subsidiary was established on August 29, 2019. |
| "           | Inventec Appliances Corp.              | Wireless terminal products                                       | 100.00%            | 100.00%    |  |

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

**INVENTEC CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**For the years ended December 31, 2020 and 2019**

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

| Investor   | Name of Subsidiary                                  | Principal activity   | Shareholding Ratio |            | Note  |
|--|---|--|--------------------|------------|---|
|  |   |  | 2020.12.31         | 2019.12.31 |   |
| 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%     | E-ton decided to dismiss on March 26, 2020. It is currently in liquidation process.   |
| "  | Inventec Manufacturing (India) Private Limited      | Computer product assembles and warranty services                               | 100.00%            | 100.00%    |   |
| Inventec Corporation (Hong Kong) Ltd.  | Inventec Electronics (Tianjin) Co., Ltd.            | Electronic product software and hardware development manufacturing             | 100.00%            | 100.00%    |   |
| "  | Inventec (Beijing) Electronics Technology Co., Ltd. | "  | 100.00%            | 100.00%    |   |
| Inventec (Cayman) Corp. and Inventec (Pudong) Technology Corp.                               | Inventec (Shanghai) Corp.                           | Electronic product software and hardware development manufacturing             | 100.00%            | 100.00%    |   |
| "  | Inventec (Shanghai) Service Co., Ltd.               | "  | 100.00%            | - %        |   |
| 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%    |   |
| "  | 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%    | The cancellation of registration process was completed in January 18, 2021.   |
| "  | Inventec (Chongqing) Service Co., Ltd.              | Electronic product software and hardware development manufacturing             | 100.00%            | 100.00%    |   |
| "  | TPV-Inventa Holding Ltd.                            | Holding Company  | - %                | 90.00%     | The cancellation of registration process was completed in March 27, 2020.   |
| 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 (Shanghai) Service Co., Ltd.  | Saint Investment Consulting Corporation             | Business management consulting   | 100.00%            | - %        | The subsidiary was established on September 4, 2019, and Inventec (Shanghai) Service Co., Ltd. invested it on April 30, 2020. |
| Inventec Holding (North America) Corp.   | Inventec (USA) Corporation                          | Computer product assembles   | 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%    |   |
| Inventec Holding (North America) Corp. and Inventec Distribution (North America) Corporation | 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%    |   |

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| Investor                                   | Name of Subsidiary   | Principal activity   | Shareholding Ratio |            | Note   |
|--|--|--|--------------------|------------|--|
|  |  |  | 2020.12.31         | 2019.12.31 |  |
| Inventec Appliances (Cayman) Holding Corp. | Inventec Appliances (USA) Distribution Corp.                       | Marketing promotion  | 100.00%            | 100.00%    |  |
| "  | Inventec Appliances Corporation USA, Inc.                          | Sale of electronics products   | 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%    | Transferred 100% shares to Inventec Appliances (Pudong) Corp. on July 20, 2020.        |
| 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. | Manufacture of wearable devices and developing, design, manufacture and sale of telecommunications | 100.00%            | 100.00%    |  |
| Inventec Appliances (Pudong) Corp.         | Inventec Appliances (Malaysia) SDN. BHD.                           | Manufacture and sale of electronic materials and products  | 100.00%            | - %        | Acquired 100% shares from Inventec Appliances (Cayman) Holding Corp. on July 20, 2020. |

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.

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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 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.

(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 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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(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.

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.

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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.

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.

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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.

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 months 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 charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

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

5) Derecognition of financial assets

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.

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(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.

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.

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If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group shall continue to apply the equity method without remeasuring the retained interest.

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

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When the use of an investment property changes such that it is reclassified as property, plant and equipment, its book value at the date of reclassification becomes its cost for subsequent accounting.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

|           |         |
|-----------|---------|
| Buildings | 25years |
|-----------|---------|

(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 straight-line 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

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.

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.

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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 are any lease modifications.

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

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

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

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.

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.

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As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- 1) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- 2) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- 3) any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021; and
- 4) there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

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'.

(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.

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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 year~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.

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.

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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.

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.

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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.

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.

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**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.

**(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;

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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 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.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, 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.

**(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..

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(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.

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 assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(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.

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**(6) Explanation to Significant Accounts**

(a) Cash and cash equivalents

|   | <u>2020.12.31</u>           | <u>2019.12.31</u>        |
|---|-----------------------------|--------------------------|
| Cash  | \$ 7,013                    | 9,416                    |
| Demand deposits and checking accounts                             | 27,934,618                  | 16,249,163               |
| Time deposits   | 5,009,964                   | 2,694,388                |
| Cash and cash equivalents in consolidated statement of cash flows | <u><u>\$ 32,951,595</u></u> | <u><u>18,952,967</u></u> |

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

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

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

|  | <u>2020.12.31</u>          | <u>2019.12.31</u>       |
|--|----------------------------|-------------------------|
| Financial assets at fair value through profit or loss      |                            |                         |
| Derivative instruments not used for hedging                |                            |                         |
| Forward exchange contracts                                 | \$ 13,606                  | -                       |
| Foreign exchange swap                                      | 237,568                    | 125,305                 |
| Non-derivative financial assets                            |                            |                         |
| Stocks of listed companies                                 | 145,460                    | 115,909                 |
| Emerging stock   | 232,340                    | -                       |
| Unquoted financial instruments                             | 1,033,760                  | 3,660,455               |
| Unsecured convertible bonds                                | 31,210                     | 56,799                  |
| Total  | <u><u>\$ 1,693,944</u></u> | <u><u>3,958,468</u></u> |
| Financial liabilities at fair value through profit or loss |                            |                         |
| Held-for-trading financial liabilities                     |                            |                         |
| Forward exchange contracts                                 | \$ 210,598                 | 108,175                 |
| Foreign exchange swap                                      | 39,538                     | -                       |
| Total  | <u><u>\$ 250,136</u></u>   | <u><u>108,175</u></u>   |

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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:

| <b>2020.12.31</b>     |                        |         |                 |                        |
|-----------------------|------------------------|---------|-----------------|------------------------|
|                       | <b>Contract Amount</b> |         | <b>Currency</b> | <b>Maturity Period</b> |
| Foreign exchange swap | USD                    | 715,000 | USD to TWD      | 2021.01.07~2021.06.11  |
| Forward               | USD                    | 214,000 | USD to TWD      | 2021.01.06-2021.06.09  |

| <b>2019.12.31</b>     |                        |         |                 |                        |
|-----------------------|------------------------|---------|-----------------|------------------------|
|                       | <b>Contract Amount</b> |         | <b>Currency</b> | <b>Maturity Period</b> |
| Foreign exchange swap | USD                    | 335,000 | USD to TWD      | 2020.02.18-2020.03.18  |

2) Financial liabilities:

| <b>2020.12.31</b>     |                        |         |                 |                        |
|-----------------------|------------------------|---------|-----------------|------------------------|
|                       | <b>Contract Amount</b> |         | <b>Currency</b> | <b>Maturity Period</b> |
| Foreign exchange swap | USD                    | 114,000 | USD to TWD      | 2021.01.06-2021.03.25  |
| Forward               | USD                    | 615,000 | USD to TWD      | 2021.01.07~2021.06.11  |
| Forward               | USD                    | 28,306  | USD to CNY      | 2021.07.05             |

| <b>2019.12.31</b> |                        |         |                 |                        |
|-------------------|------------------------|---------|-----------------|------------------------|
|                   | <b>Contract Amount</b> |         | <b>Currency</b> | <b>Maturity Period</b> |
| Forward           | USD                    | 335,000 | USD to TWD      | 2020.02.18-2020.03.18  |

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2. Financial assets at fair value through other comprehensive income

|   | <u>2020.12.31</u>          | <u>2019.12.31</u>       |
|---|----------------------------|-------------------------|
| Equity investments at fair value through other comprehensive income |                            |                         |
| Stocks listed on domestic markets                                   | \$ 1,496,291               | 1,323,651               |
| Stocks not listed on domestic markets                               | <u>3,567,206</u>           | <u>2,114,517</u>        |
| Total   | <u><u>\$ 5,063,497</u></u> | <u><u>3,438,168</u></u> |

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.

Global Strategic Venture Capital Co., Ltd. was liquidated on November 17, 2020. The fair value of the residual property received by the Group was \$14,150, resulting in the Group to realize a loss of \$14,200, which was recognized as other comprehensive income, then later on, was reclassified to retained earnings.

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(x).

3) As of December 31, 2020, the aforesaid financial assets were not pledged as collateral.

(c) Note and trade receivables

|  | <u>2020.12.31</u>           | <u>2019.12.31</u>        |
|--|-----------------------------|--------------------------|
| Accounts receivable- non-related parties | \$ 91,807,993               | 88,594,198               |
| Accounts receivable- related parties     | 75,749                      | -                        |
| Less: Loss allowance                     | <u>(72,433)</u>             | <u>(102,855)</u>         |
|  | <u><u>\$ 91,811,309</u></u> | <u><u>88,491,343</u></u> |

The Group has assessed a portion of its trade receivables that was held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; therefore, such trade receivables were measured at fair value through other comprehensive income. As of December 31, 2020 and 2019, the amounts of trade receivables measured at fair value through other comprehensive income were \$2,035,693 and \$3,061,165, respectively.

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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 was determined as follows:

|                             | <b>2020.12.31</b>            |                              |                                 |
|-----------------------------|------------------------------|------------------------------|---------------------------------|
|                             | <b>Gross carrying amount</b> | <b>Weighted-average rate</b> | <b>Loss allowance provision</b> |
| Current                     | \$ 90,849,182                | 0%~0.5%                      | 57,719                          |
| 1 to 180 days past due      | 1,031,417                    | 0.04%~10%                    | 11,802                          |
| More than 180 days past due | 3,143                        | 0.04%~100%                   | 2,912                           |
|                             | <b><u>\$ 91,883,742</u></b>  |                              | <b><u>72,433</u></b>            |

As of the end of February 28, 2021, the amount that received by the Group is \$59,848,686.

|                             | <b>2019.12.31</b>            |                              |                                 |
|-----------------------------|------------------------------|------------------------------|---------------------------------|
|                             | <b>Gross carrying amount</b> | <b>Weighted-average rate</b> | <b>Loss allowance provision</b> |
| 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                           |
|                             | <b><u>\$ 88,594,198</u></b>  |                              | <b><u>102,855</u></b>           |

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

|  | <b>For the years ended December 31,</b> |                       |
|--|---|-----------------------|
|  | <b>2020</b>                             | <b>2019</b>           |
| Balance at January 1, 2020 and 2019    | \$ 102,855                              | 120,009               |
| Gains on reversal of impairment losses | (29,537)                                | (6,081)               |
| Amounts written off                    | (986)                                   | (10,903)              |
| Foreign exchange gains (losses)        | 101                                     | (170)                 |
| Balance at December 31, 2020 and 2019  | <b><u>\$ 72,433</u></b>                 | <b><u>102,855</u></b> |

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

As of December 31, 2020 and 2019, none of the receivables above are pledged as collateral for loans and borrowings.

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As of December 31, 2020 and 2019, the Group sold its accounts receivable without recourse as follows:

(Unit: Foreign currency/TWD in Thousands)

| <b>2020.12.31</b>   |                                |                           |                           |  |                                   |  |
|---------------------|--------------------------------|---------------------------|---------------------------|--|-----------------------------------|--|
| <b>Purchaser</b>    | <b>Amount<br/>Derecognized</b> | <b>Amount Advanced</b>    |                           | <b>Amount<br/>Recognized<br/>in other<br/>Receivable</b> | <b>Range of<br/>Interest Rate</b> | <b>Significant<br/>Transferring<br/>Terms</b>  |
|                     |                                | <b>Unpaid</b>             | <b>Paid</b>               |  |                                   |  |
| Non-related parties | <u><b>\$ 26,692,929</b></u>    | <u><b>USD 153,413</b></u> | <u><b>USD 937,252</b></u> | -  | 0.99%~1.45%                       | The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency. |
|                     |                                | Note                      |                           |  |                                   |  |
| <b>2019.12.31</b>   |                                |                           |                           |  |                                   |  |
| <b>Purchaser</b>    | <b>Amount<br/>Derecognized</b> | <b>Amount Advanced</b>    |                           | <b>Amount<br/>Recognized<br/>in other<br/>Receivable</b> | <b>Range of<br/>Interest Rate</b> | <b>Significant<br/>Transferring<br/>Terms</b>  |
|                     |                                | <b>Unpaid</b>             | <b>Paid</b>               |  |                                   |  |
| Non-related parties | <u><b>\$ 25,959,896</b></u>    | Note                      | <u><b>USD 863,028</b></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. |

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

|   | <b>2020.12.31</b>        | <b>2019.12.31</b>     |
|---|--------------------------|-----------------------|
| Other accounts receivable—related parties     | \$ 66                    | 1,305                 |
| Other accounts receivable—non-related parties | 844,375                  | 753,670               |
|   | <u><b>\$ 844,441</b></u> | <u><b>754,975</b></u> |

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(e) Inventories

|                                   | <u>2020.12.31</u>           | <u>2019.12.31</u>        |
|-----------------------------------|-----------------------------|--------------------------|
| Raw materials and consumables     | \$ 28,128,939               | 24,313,559               |
| Work in process                   | 6,541,004                   | 8,709,279                |
| Finished goods                    | 5,518,187                   | 4,288,687                |
| Materials and supplies in transit | 1,228,193                   | 34,017                   |
|                                   | <u><u>\$ 41,416,323</u></u> | <u><u>37,345,542</u></u> |

For the years ended December 31, 2020 and 2019, the write-up of inventories amounted to \$204,495 and \$170,081, respectively. When the factor causing the net realizable value to be lower than the cost is disappeared due to obsolescence or disposal, the increase of the net realizable value is recognized in deduction of operating cost. For the years ended December 31, 2020 and 2019, expenses of idle capacity amounted to \$177,928, and \$189,385, respectively.

As of December 31, 2020 and 2019, the aforesaid inventories were not pledged as collateral.

(f) Investments accounted for using equity method

The investment using equity method was as follows:

|           | <u>2020.12.31</u>        | <u>2019.12.31</u>     |
|-----------|--------------------------|-----------------------|
| Associate | <u><u>\$ 211,643</u></u> | <u><u>247,194</u></u> |

1. Associate

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

|                                       | <u>2020.12.31</u>        | <u>2019.12.31</u>     |
|---------------------------------------|--------------------------|-----------------------|
| Individually insignificant associates | <u><u>\$ 211,643</u></u> | <u><u>247,194</u></u> |

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|   | <b>For the years ended December 31,</b> |                 |
|---|---|-----------------|
|   | <b>2020</b>                             | <b>2019</b>     |
| The Group' s share of profit (loss) of the associates |   |                 |
| Loss from continuing operations                       | \$ (18,318)                             | (24,459)        |
| Other comprehensive income                            | (17,285)                                | (1,653)         |
| Total comprehensive income                            | <b>\$ (35,603)</b>                      | <b>(26,112)</b> |

As of December 31, 2020 and 2019, the Group' s investments under equity method has not been pledged as collaterals.

**2.Judgment on existence of substantial control over investee**

The Group holds 37.528% of the outstanding voting shares of Inventec Besta Co., Ltd. (Besta) and obtains only one seat among all six board directors. Therefore, the Group does not have existing rights and the current ability to direct the investee's relevant activities, thus, the Group does not have control over Besta.

**(g) Loss control of subsidiaries**

The meeting of shareholders of E-Ton Solar Tech. Co., Ltd ("E-Ton") decided to dismiss their respective companies in 2020. It is currently in liquidation process. As a result, The Group lose control of these subsidiaries.

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

|   |                     |
|---|---------------------|
| Cash and cash equivalents                             | \$ 5,710            |
| Property, plant and equipment                         | 302,951             |
| Investment property                                   | 1,026,336           |
| Other receivables                                     | 40                  |
| Other current assets                                  | 27,253              |
| Other assets  | 239,358             |
| Notes payable   | (395)               |
| Other payables  | (19,369)            |
| Long-term payable                                     | (190,000)           |
| Other liabilities                                     | (109,093)           |
| Carrying amount of net asset of the former subsidiary | <b>\$ 1,282,791</b> |

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(h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2020 and 2019 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, 2020           | \$ 7,884,298        | 20,800,616                | 24,774,688              | 103,832                  | 5,325,639        | 10,517,913        | 665,838                | 1,851,731        | 71,924,555        |
| Additions                            | -                   | 3,730                     | 928,886                 | 261                      | 379,645          | 201,185           | 11,323                 | 1,019,096        | 2,544,126         |
| Disposals                            | -                   | (1,934,553)               | (2,728,309)             | (535)                    | (427,344)        | (1,941,375)       | (2,372)                | -                | (7,034,488)       |
| Other                                | (99,541)            | (1,413,577)               | (2,147,735)             | -                        | 3,293            | 107,073           | (268,277)              | (734,064)        | (4,552,828)       |
| Effect of movements in exchange rate | -                   | (111,783)                 | (252,331)               | (304)                    | (101,365)        | (80,994)          | (10,119)               | 23,961           | (532,935)         |
| Balance at December 31, 2020         | <u>\$ 7,784,757</u> | <u>17,344,433</u>         | <u>20,575,199</u>       | <u>103,254</u>           | <u>5,179,868</u> | <u>8,803,802</u>  | <u>396,393</u>         | <u>2,160,724</u> | <u>62,348,430</u> |
| 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> |
| Depreciation and impairment losses:  |                     |                           |                         |                          |                  |                   |                        |                  |                   |
| Balance at January 1, 2020           | \$ 10,231           | 6,653,767                 | 20,714,397              | 71,883                   | 4,683,815        | 8,540,656         | 520,348                | -                | 41,195,097        |
| Depreciation for the period          | -                   | 390,371                   | 1,248,589               | 11,787                   | 379,979          | 527,463           | 46,496                 | -                | 2,604,685         |
| Disposals                            | -                   | (1,357,351)               | (2,426,248)             | (535)                    | (455,805)        | (1,902,176)       | (2,043)                | -                | (6,144,158)       |
| Impairment loss                      | -                   | -                         | 800,125                 | -                        | -                | 149,690           | -                      | -                | 949,815           |
| Other                                | (10,231)            | (1,199,936)               | (2,338,422)             | -                        | (16,142)         | (13,414)          | (6,996)                | -                | (3,585,141)       |
| Effect of movements in exchange rate | -                   | (26,203)                  | (200,414)               | (130)                    | (82,070)         | (76,162)          | (291,472)              | -                | (676,451)         |
| Balance at December 31, 2020         | <u>\$ -</u>         | <u>4,460,648</u>          | <u>17,798,027</u>       | <u>83,005</u>            | <u>4,509,777</u> | <u>7,226,057</u>  | <u>266,333</u>         | <u>-</u>         | <u>34,343,847</u> |
| 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> |
| Carrying amounts:                    |                     |                           |                         |                          |                  |                   |                        |                  |                   |
| Balance at December 31, 2020         | <u>\$ 7,784,757</u> | <u>12,883,785</u>         | <u>2,777,172</u>        | <u>20,249</u>            | <u>670,091</u>   | <u>1,577,745</u>  | <u>130,060</u>         | <u>2,160,724</u> | <u>28,004,583</u> |
| Balance at January 1, 2019           | <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> |
| 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> |

As of December 31, 2020 and 2019, the property, plant and equipment were pledged as collateral, please refer to Note 8. The Group performed an impairment test on its property, plant and equipment, based on the experience of the past and actual operating result, the discontinued rate used in for the years ended December 31, 2020 and 2019 were 11.40% and 10.50%. 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, 2020 and 2019, the impairment losses were \$949,815 and \$30,256, respectively.

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The meeting of shareholders of E-Ton decided to discontinue its business of solar cell manufacturing and dispose of related assets on June 21, 2019. Besides, E-Ton reassessed the impairment and additionally recognized \$263,603 on impairment loss of related assets for the ended December 31, 2019.

Inventec (Pudong) Co., Ltd. disposed its plant and property on January 16, 2020, please refer to Note 13 for related information.

(i) 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:

|   | <b>Land</b>         | <b>Buildings</b> | <b>Vehicles</b> | <b>Other</b> | <b>Total</b>     |
|---|---------------------|------------------|-----------------|--------------|------------------|
| Cost:   |                     |                  |                 |              |                  |
| Original balance as of January 1, 2020          | \$ 2,594,248        | 1,199,936        | 15,368          | 5,087        | 3,814,639        |
| Additions                                       | 4,427               | 96,228           | 3,193           | -            | 103,848          |
| Termination before the expiration               | (188,602)           | (17,578)         | (181)           | (4,432)      | (210,793)        |
| Others  | 76,078              | 103,651          | (2,914)         | -            | 176,815          |
| Effect of changes in foreign exchange rates     | 15,100              | (9,360)          | (115)           | (35)         | 5,590            |
| Balance as of December 31, 2020                 | <u>\$ 2,501,251</u> | <u>1,372,877</u> | <u>15,351</u>   | <u>620</u>   | <u>3,890,099</u> |
| Balance as of January 1, 2019                   | \$ 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, 2020          | \$ 87,481           | 174,934          | 4,658           | 1,440        | 268,513          |
| Depreciation for the year                       | 70,875              | 207,032          | 5,682           | 1,062        | 284,651          |
| Termination before the expiration               | (32,698)            | (16,597)         | (181)           | (1,862)      | (51,338)         |
| Others  | (10,768)            | -                | (1,053)         | -            | (11,821)         |
| Effect of changes in foreign exchange rates     | 826                 | (4,529)          | (64)            | (30)         | (3,797)          |
| Balance as of December 31, 2020                 | <u>\$ 115,716</u>   | <u>360,840</u>   | <u>9,042</u>    | <u>610</u>   | <u>486,208</u>   |
| Balance as of January 1, 2019                   | \$ -                | -                | -               | -            | -                |
| Depreciation for the year                       | 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 at December 31, 2020                    | <u>\$ 2,385,535</u> | <u>1,012,037</u> | <u>6,309</u>    | <u>10</u>    | <u>3,403,891</u> |
| Balance at January 1, 2019                      | <u>\$ 2,834,870</u> | <u>739,876</u>   | <u>8,232</u>    | <u>6,126</u> | <u>3,589,104</u> |
| Balance at 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> |

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(j) Investment property

|                                     | <b><u>Building and<br/>construction</u></b> |
|-------------------------------------|---|
| Cost or deemed cost:                |   |
| Balance at January 1, 2020          | \$ 1,569,906                                |
| Others                              | <u>(1,569,906)</u>                          |
| Balance at December 31, 2020        | <b><u>\$ -</u></b>                          |
| Balance at January 1, 2019          | \$ 1,567,942                                |
| Reclassification                    | <u>1,964</u>                                |
| Balance at December 31, 2019        | <b><u>\$ 1,569,906</u></b>                  |
| Depreciation and impairment losses: |   |
| Balance at January 1, 2020          | \$ 876,591                                  |
| Depreciation for the period         | 12,262                                      |
| Others                              | <u>(888,853)</u>                            |
| Balance at December 31, 2020        | <b><u>\$ -</u></b>                          |
| Balance at January 1, 2019          | \$ 827,673                                  |
| Depreciation for the period         | <u>48,918</u>                               |
| Balance at December 31, 2019        | <b><u>\$ 876,591</u></b>                    |
| Carrying amounts:                   |   |
| Balance at December 31, 2020        | <b><u>\$ -</u></b>                          |
| Balance at January 1, 2019          | <b><u>\$ 740,269</u></b>                    |
| Balance at December 31, 2019        | <b><u>\$ 693,315</u></b>                    |
| Fair value:                         |   |
| Balance at December 31, 2020        | <b><u>\$ -</u></b>                          |
| Balance at December 31, 2019        | <b><u>\$ 1,121,740</u></b>                  |

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

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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, E-ton resolved to apply for the purchase of land No. 455 and 455-1 in the Science and Technology Section of Annan District. 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. The Group has loss control over E-ton on March 26, 2020, therefore all investment properties are eliminated.

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

(k) Intangible assets

The costs of intangible assets, amortization, and impairment loss of the Group for the years ended December 31, 2020 and 2019 were as follows:

|                                      | <b>Goodwill</b>   | <b>Patent and<br/>trademark<br/>right</b> | <b>Software<br/>cost</b> | <b>Total</b>     |
|--------------------------------------|-------------------|---|--------------------------|------------------|
| Cost:                                |                   |   |                          |                  |
| Balance at January 1, 2020           | \$ 980,719        | 456                                       | 1,122,935                | 2,104,110        |
| Additions                            | -                 | -   | 118,581                  | 118,581          |
| Disposals                            | -                 | -   | (68,586)                 | (68,586)         |
| Reclassification                     | -                 | (456)                                     | -                        | (456)            |
| Effect of movements in exchange rate | -                 | -   | 84                       | 84               |
| Balance at December 31, 2020         | <b>\$ 980,719</b> | <b>-</b>                                  | <b>1,173,014</b>         | <b>2,153,733</b> |
| 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         | <b>\$ 980,719</b> | <b>456</b>                                | <b>1,122,935</b>         | <b>2,104,110</b> |

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|   | <b>Goodwill</b>   | <b>Patent and<br/>trademark<br/>right</b> | <b>Software<br/>cost</b> | <b>Total</b>     |
|---|-------------------|---|--------------------------|------------------|
| Amortization and impairment losses:     |                   |   |                          |                  |
| Balance at January 1, 2020              | \$ 172,299        | 456                                       | 1,050,581                | 1,223,336        |
| Amortization for the period             | -                 | -   | 123,559                  | 123,559          |
| Disposals                               | -                 | -   | (68,586)                 | (68,586)         |
| Reclassification                        | -                 | (456)                                     | -                        | (456)            |
| Effect of movements in exchange<br>rate | -                 | -   | 79                       | 79               |
| Balance at December 31, 2020            | <b>\$ 172,299</b> | <b>-</b>                                  | <b>1,105,633</b>         | <b>1,277,932</b> |
| 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<br>rate | -                 | -   | (192)                    | (192)            |
| Balance at December 31, 2019            | <b>\$ 172,299</b> | <b>456</b>                                | <b>1,050,581</b>         | <b>1,223,336</b> |
| Carrying amounts:                       |                   |   |                          |                  |
| Balance at December 31, 2020            | <b>\$ 808,420</b> | <b>-</b>                                  | <b>67,381</b>            | <b>875,801</b>   |
| Balance at January 1, 2019              | <b>\$ 808,420</b> | <b>-</b>                                  | <b>76,887</b>            | <b>885,307</b>   |
| Balance at December 31, 2019            | <b>\$ 808,420</b> | <b>-</b>                                  | <b>72,354</b>            | <b>880,774</b>   |

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

|                    | <b>For the years ended December<br/>31,</b> |                |
|--------------------|---|----------------|
|                    | <b>2020</b>                                 | <b>2019</b>    |
| Operating costs    | \$ 7,466                                    | 107,840        |
| Operating expenses | 116,093                                     | 123,459        |
| Total              | <b>\$ 123,559</b>                           | <b>231,299</b> |

As of December 31, 2020 and 2019, the aforesaid intangible assets were not pledged as collateral.

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

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

|                             | <b>2020.12.31</b>          | <b>2019.12.31</b>       |
|-----------------------------|----------------------------|-------------------------|
| Refundable deposits         | \$ 69,662                  | 173,802                 |
| Prepayments to suppliers    | 21,581                     | 6,724                   |
| Restricted assets           | 1,127,892                  | 64,081                  |
| Payment on behalf of others | 2,511,971                  | -                       |
| Deferred Tax assets         | 1,767,526                  | 1,653,148               |
| Others                      | 2,385,778                  | 2,156,768               |
|                             | <b><u>\$ 7,884,410</u></b> | <b><u>4,054,523</u></b> |

The Group determines the substance of the transaction in terms of sales and production, as well as production of the same target, to complete its sales contract. The Group has the nature of an agent, and so the transaction is reflected as the net amount after the purchases and sales are written off. The unused inventory of purchases is listed as payments from others.

As of December 31, 2020 and 2019, the details of other non-current assets were pledged as collateral, please refer to Note 8.

(m) Long-term and short-term borrowings

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

|                      |                      | <b>2020.12.31</b> |                       |                             |
|----------------------|----------------------|-------------------|-----------------------|-----------------------------|
|                      | <b>Interest Rate</b> | <b>Currency</b>   | <b>Maturity Date</b>  | <b>Amount</b>               |
| Secured bank loans   | 1.19%~5.23%          | TWD               | 2031.02.26            | \$ 3,050,000                |
|                      |                      | CNY               | 2024.02.14            | 544,825                     |
| Unsecured bank loans | 0.48%~2.90%          | TWD               | 2021.01.06~2021.05.31 | 9,320,106                   |
|                      |                      | USD               | 2021.01.06~2022.10.14 | 28,293,818                  |
|                      |                      | EUR               | 2021.05.31            | 3,575                       |
| Total                |                      |                   |                       | <b><u>\$ 41,212,324</u></b> |
| Current              |                      |                   |                       | \$ 32,221,499               |
| Non-current          |                      |                   |                       | 8,990,825                   |
| Total                |                      |                   |                       | <b><u>\$ 41,212,324</u></b> |
| Unused credit line   |                      |                   |                       | <b><u>\$ 70,541,804</u></b> |

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| <b>2019.12.31</b>    |                      |                 |                       |                             |
|----------------------|----------------------|-----------------|-----------------------|-----------------------------|
|                      | <u>Interest Rate</u> | <u>Currency</u> | <u>Maturity Date</u>  | <u>Amount</u>               |
| 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                |                      |                 |                       | <b><u>\$ 29,408,713</u></b> |
| Current              |                      |                 |                       | \$ 25,525,579               |
| Non-current          |                      |                 |                       | 3,883,134                   |
| Total                |                      |                 |                       | <b><u>\$ 29,408,713</u></b> |
| Unused credit line   |                      |                 |                       | <b><u>\$ 75,851,186</u></b> |

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

2. Important borrowing restrictions

The Group entered into syndicated credit agreements with a number of financial institutions. Under these agreements, the Group shall adhere to certain financial provisions such as current ratios, leverage ratios, interest coverage ratios and tangible net worth in the annual report on the balance sheet date. Otherwise, the borrowings will be considered due and payable immediately. As of December 31, 2020 and 2019, the Group was in compliance with the above financial covenants.

3. Contract of bank loans

According to the “Key points for the Ministry of Economic Affairs to Assist Enterprises in Bank Credit and Debt Negotiations”, Inventec Solar Energy Corporation applied to the Industrial Development Bureau for Claims and liability negotiation on April 7, 2020, requesting a one year extension of repayment period for its long and short-term loans. The approval of more than half of the total creditor bank claims on June 10, 2020 was based on the bank meetings held on April 30, and May 18, 2020.

During the extension period due on May 31, 2021, the financial restraints will not be calculated. On the other hand, the interest rate for borrowing in Taiwan dollars is calculated at the rate of 1.50% (but not lower than the interest on advances from major shareholders), and the interest rate for borrowing in US dollars is calculated at the rate of 2.20%.

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(n) Lease liabilities

The Group lease liabilities were as follows:

|             | <u>2020.12.31</u> | <u>2019.12.31</u> |
|-------------|-------------------|-------------------|
| Current     | <u>\$ 216,479</u> | <u>200,289</u>    |
| Non-current | <u>\$ 748,035</u> | <u>976,791</u>    |

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

The amounts recognized in profit or loss were as follows:

|  | <u>For the years ended December 31,</u> | <u>2020</u>    | <u>2019</u> |
|--|---|----------------|-------------|
| Interest on lease liabilities  | <u>\$ 29,006</u>                        | <u>33,318</u>  |             |
| Variable lease payments not included in the measurement of lease liabilities                     | <u>\$ 44,532</u>                        | <u>138,426</u> |             |
| Expenses relating to short-term leases   | <u>\$ 29,999</u>                        | <u>77,005</u>  |             |
| Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets | <u>\$ 52,154</u>                        | <u>8,969</u>   |             |
| Covid-19-related rent concessions (recognized as deduction of depreciation expenses)             | <u>\$ 6,203</u>                         | <u>-</u>       |             |

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

|                               | <u>For the years ended December 31,</u> | <u>2020</u>    | <u>2019</u> |
|-------------------------------|---|----------------|-------------|
| Total cash outflow for leases | <u>\$ 354,936</u>                       | <u>454,696</u> |             |

1. Real estate leases

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 lessee 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 other 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.

(o) Operating Leases

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

|                                      | <u>2020.12.31</u>        | <u>2019.12.31</u>     |
|--------------------------------------|--------------------------|-----------------------|
| Less than one year                   | \$ 296,860               | 178,121               |
| One to two years                     | 211,283                  | 137,669               |
| Two to three years                   | 137,976                  | 99,733                |
| Three to four years                  | 59,269                   | 69,278                |
| Four to five years                   | 55,332                   | 34,846                |
| More than five years                 | <u>13,965</u>            | <u>41,354</u>         |
| Total undiscounted lease receivables | <u><u>\$ 774,685</u></u> | <u><u>561,001</u></u> |

The rental revenues incurred by leasing plants were \$246,232 and \$291,270 for the years ended December 31, 2020 and 2019, respectively.

(p) Employee benefits

1. Defined benefit plans

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

|  | <u>2020.12.31</u>        | <u>2019.12.31</u>     |
|--|--------------------------|-----------------------|
| Present value of the defined benefit obligations | \$ 1,768,018             | 1,736,857             |
| Fair value of plan assets                        | <u>(1,192,773)</u>       | <u>(1,155,255)</u>    |
| Net defined benefit liabilities                  | <u><u>\$ 575,245</u></u> | <u><u>581,602</u></u> |

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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, 2020 and 2019, the defined benefit plans amounted to \$80,926 and \$58,799, 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 \$1,186,634 at the end of December 31, 2020. For information on the utilization of the labor pension fund assets including the assets allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

**2) Movements in present value of the defined benefit obligations**

The movements in present value of defined benefit obligations for the Group on 2020 and 2019 were as follows:

|   | <b>For the years ended December 31,</b> |                  |
|---|---|------------------|
|   | <b>2020</b>                             | <b>2019</b>      |
| Defined benefit obligation at January 1                               | \$ 1,736,857                            | 1,698,756        |
| Current service costs and interest                                    | 26,212                                  | 31,862           |
| Remeasurement on the net defined benefit liability                    |   |                  |
| — Actuarial loss (gain) arising from changes in demography assumption | -                                       | 157              |
| — Experience adjustments arising on the actuarial gain or loss        | 47,255                                  | 6,237            |
| — Actuarial loss (gain) arising from changes in financial assumptions | 43,393                                  | 62,157           |
| Benefits paid by the plan assets                                      | (85,189)                                | (62,312)         |
| Settlement  | (510)                                   | -                |
| Defined benefit obligation at December 31                             | <b>\$ 1,768,018</b>                     | <b>1,736,857</b> |

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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 Group on 2020 and 2019 were as follows:

|  | <b>For the years ended December 31,</b> |                  |
|--|---|------------------|
|  | <b>2020</b>                             | <b>2019</b>      |
| Fair value of plan assets at January 1               | \$ 1,155,255                            | 1,083,799        |
| Interest income                                      | 8,910                                   | 12,136           |
| Remeasurement on the net defined benefit liability   |   |                  |
| — Return on plan assets (excluding current interest) | 36,920                                  | 36,268           |
| Contributions made                                   | 85,974                                  | 85,364           |
| Benefits paid by the plan assets                     | (85,189)                                | (62,312)         |
| Settlement   | (9,097)                                 | -                |
| Fair value of plan assets at December 31             | <b>\$ 1,192,773</b>                     | <b>1,155,255</b> |

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group on 2020 and 2019 were as follows:

|   | <b>For the years ended December 31,</b> |               |
|---|---|---------------|
|   | <b>2020</b>                             | <b>2019</b>   |
| Current service costs   | \$ 13,202                               | 13,268        |
| Net interest of net liabilities for defined benefit obligations | 4,100                                   | 6,458         |
|   | <b>\$ 17,302</b>                        | <b>19,726</b> |
| Operating cost  | \$ 1,757                                | 1,877         |
| Selling expenses  | 1,907                                   | 2,172         |
| Administration expenses   | 4,367                                   | 5,096         |
| Research and development expenses                               | 9,271                                   | 10,581        |
|   | <b>\$ 17,302</b>                        | <b>19,726</b> |

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5) Actuarial assumptions

The following are the Group's principal actuarial assumptions:

Present Value of defined benefit obligations:

|                              | <b>2020.12.31</b> | <b>2019.12.31</b> |
|------------------------------|-------------------|-------------------|
| Discount rate                | 0.50%%            | 0.75%~0.80%       |
| Future salary increases rate | 1.63%~2.00%       | 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 \$86,982.

The weighted-average duration of the defined benefit obligation is 8.7~12.5 years.

6) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation for 2020 and 2019 shall be as follows:

|                               | <b>Influences of defined<br/>benefit obligations</b> |                            |
|-------------------------------|--|----------------------------|
|                               | <b>Increased<br/>0.25%</b>                           | <b>Decreased<br/>0.25%</b> |
| December 31, 2020             |  |                            |
| Discount rate                 | (43,393)   | 45,029                     |
| Future salary increasing rate | 43,681   | (42,320)                   |
| December 31, 2019             |  |                            |
| Discount rate                 | (44,775)   | 46,506                     |
| Future salary increasing rate | 45,239   | (43,785)                   |

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 2020 and 2019.

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2. Defined contribution plans

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

The pension costs incurred from the contributions to the to the Bureau of Labor Insurance amounted to \$256,097 and \$252,488 for the years ended December 31, 2020 and 2019, respectively.

The pension expenses contributed by the foreign entities following the local regulations amounted to \$756,918 and \$1,606,987 for the years ended December 31, 2020 and 2019, respectively.

(q) Income taxes

1. The components of income tax expense (gain) for the years ended December 31, 2020 and 2019 were as follows:

|   | <b>For the years ended December 31,</b> |                         |
|---|---|-------------------------|
|   | <b>2020</b>                             | <b>2019</b>             |
| Current tax expense                                     |   |                         |
| Current period  | \$ 1,588,272                            | 1,421,969               |
| Other   | 816,680                                 | 41,017                  |
| Adjustment for prior periods                            | (114,742)                               | (10,265)                |
|   | <u>2,290,210</u>                        | <u>1,452,721</u>        |
| Deferred tax expense                                    |   |                         |
| Origination and reversal of temporary differences       | 1,303,593                               | 219,343                 |
| Change in unrecognized deductible temporary differences | 178,946                                 | -                       |
| Recognition of previously unrecognized tax losses       | (22)                                    | -                       |
|   | <u>1,482,517</u>                        | <u>219,343</u>          |
| Income tax expense from continuing operations           | <u><b>\$ 3,772,727</b></u>              | <u><b>1,672,064</b></u> |

The amount of income tax recognized in other comprehensive income for 2020 and 2019 was as follows:

|   | <b>For the years ended December 31,</b> |                     |
|---|---|---------------------|
|   | <b>2020</b>                             | <b>2019</b>         |
| Items that will not be reclassified subsequently to profit or loss: |   |                     |
| Remeasurement from defined benefit plans                            | <u><b>\$ 10,746</b></u>                 | <u><b>6,757</b></u> |

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

|  | <b>For the years ended December 31,</b> |                  |
|--|---|------------------|
|  | <b>2020</b>                             | <b>2019</b>      |
| Income before tax  | <b>\$ 10,345,705</b>                    | <b>6,509,061</b> |
| Income tax using the Company's domestic tax rate                   | 3,592,046                               | 2,323,999        |
| Permanent differences  | (202,801)                               | (664,387)        |
| Tax-exempt income  | (7,272)                                 | (8,067)          |
| Tax credits and use of tax losses                                  | (86,797)                                | (54,072)         |
| Recognition of previously recognized tax losses                    | -                                       | 27,846           |
| Current-year losses for which no deferred tax asset was recognized | (1,076,571)                             | 254,967          |
| Change in unrecognized temporary differences                       | 1,149,848                               | (171,871)        |
| (Over) under provision in prior periods                            | (114,742)                               | (10,265)         |
| Over provision of temporary differences                            | 334,433                                 | (245,188)        |
| Undistributed earnings additional tax                              | 3,865                                   | 26               |
| Other  | 180,718                                 | 219,076          |
| Income tax expense   | <b>\$ 3,772,727</b>                     | <b>1,672,064</b> |

2. Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

|  | <b>2020.12.31</b>   | <b>2019.12.31</b> |
|--|---------------------|-------------------|
| Tax effect of deductible temporary differences | \$ 1,117,423        | 2,307,990         |
| The carryforward of unused tax losses          | 774,311             | 3,059,605         |
|  | <b>\$ 1,891,734</b> | <b>5,367,595</b>  |

The carryforward of unused tax credits was 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, 2020 and 2019, 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, 2020, the company that have loss carry forwards which can be used to offset profit were as follow. Among the taxable losses, \$0 were recognized as deferred tax assets.

As of December 31, 2020, 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>\$ 3,972,301</u></u> | 2021~2029          |

Due to the unstable economic environment recovery, the realizability of tax assets of the tax losses, which amounted to \$3,972,301, 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, 2020 and 2019 were as follows:

|                                  | <u>Gain (loss) on investment</u> | <u>Other</u>         | <u>Total</u>            |
|----------------------------------|----------------------------------|----------------------|-------------------------|
| <b>Deferred Tax Liabilities:</b> |                                  |                      |                         |
| Balance at January 1, 2020       | \$ 3,320,241                     | 8,375                | 3,328,616               |
| Recognized in profit or loss     | 1,566,594                        | 21,488               | 1,588,082               |
| Balance at December 31, 2020     | <u><u>\$ 4,886,835</u></u>       | <u><u>29,863</u></u> | <u><u>4,916,698</u></u> |
| 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> |

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|  | Warranty<br>expense      | Defined Benefit<br>Plans | Others                | Total                   |
|--|--------------------------|--------------------------|-----------------------|-------------------------|
| <b>Deferred Tax Assets:</b>              |                          |                          |                       |                         |
| Balance at January 1, 2020               | \$ 846,426               | 73,545                   | 733,177               | 1,653,148               |
| Recognized in profit or loss             | 50,088                   | (9,472)                  | 64,949                | 105,565                 |
| Recognized in other comprehensive income | -                        | 10,746                   | -                     | 10,746                  |
| Effect of movements in exchange rate     | -                        | -                        | (1,933)               | (1,933)                 |
| Balance at December 31, 2020             | <u><u>\$ 896,514</u></u> | <u><u>74,819</u></u>     | <u><u>796,193</u></u> | <u><u>1,767,526</u></u> |
| 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><u>\$ 846,426</u></u> | <u><u>73,545</u></u>     | <u><u>733,177</u></u> | <u><u>1,653,148</u></u> |

### 3. Income Tax approval

The Company's income tax returns through 2018 have been examined and approved by the Tax Authority.

### 4. Business income tax administrative remedies

The Group adopted the transfer pricing method on income tax declaration from year 2013 to 2014. As the calculation had a conflict with the opinion of the tax authority, the Group applied for administrative relief after paying the approved additional tax. The administrative appeal and litigation procedures are in progress.

### (r) Capital and reserves

As of December 31, 2020 and 2019, 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>2020.12.31</u>          | <u>2019.12.31</u>       |
|---------------|----------------------------|-------------------------|
| Share capital | \$ 2,891,959               | 2,891,959               |
| Other         | 7,325                      | 21,502                  |
|               | <u><u>\$ 2,899,284</u></u> | <u><u>2,913,461</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.

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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. Surplus distribution based on issuance of new shares approved by the Board of Directors, should be resolved during the shareholder's meeting. 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. In accordance with Article 240 of the ROC Company Act, the Company authorizes the distribution of dividends and bonuses or its legal reserve and capital reserve, according to Article 241 of the ROC Company Act, in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors; then such distribution shall be submitted to the shareholder's meeting.

**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 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**

On March 24, 2020, the Company's Board of Directors resolved to distribute the 2019 earnings. On June 14, 2019, the shareholder's meetings resolved to distribute the 2018 earnings. These earnings were appropriated for distribution as follows:

|   | <b>2019</b>                        |                         | <b>2018</b>                        |                         |
|---|------------------------------------|-------------------------|------------------------------------|-------------------------|
|   | <b>Dividend<br/>per share (\$)</b> | <b>Amount</b>           | <b>Dividend<br/>per share (\$)</b> | <b>Amount</b>           |
| Dividends distributed to<br>common shareholders |                                    |                         |                                    |                         |
| Cash  | \$ 1.30                            | <u><b>4,663,718</b></u> | 1.50                               | <u><b>5,381,213</b></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 30, 2021, the Company's Board of Directors resolved to appropriate the 2020 earnings respectively, as follows:

|  | <b>2020</b>                    |                         |
|--|--------------------------------|-------------------------|
|  | <b>Dividend per share (\$)</b> | <b>Amount</b>           |
| Dividends distributed to common shareholders |                                |                         |
| Cash   | \$ 1.85                        | <u><u>6,636,829</u></u> |

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

|  | <b>Exchange differences on translation of foreign financial statements</b> | <b>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</b> | <b>Non-controlling interests</b> |
|--|--|--|----------------------------------|
| Balance, January 1, 2020   | \$ (2,005,134)   | 183,129  | 1,700,080                        |
| Exchange differences on foreign operations   | (461,592)  | -  | 4,275                            |
| Exchange differences on subsidiaries accounted for using equity method   | (639)  | -  | -                                |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income  | -  | 365,376  | -                                |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, associates and joint ventures accounted for using equity method | -  | (16,523)   | -                                |
| Disposal of investments accounted for using equity method  | -  | 19,258   | -                                |
| Disposal of investments in equity instruments designed at fair value through other comprehensive income  | -  | 14,200   | -                                |
| Profit attributable to non-controlling interest  | -  | -  | (975,007)                        |
| Others (Note)  | -  | -  | (823,264)                        |
| Balance, December 31, 2020   | <u><u>\$ (2,467,365)</u></u>   | <u><u>565,440</u></u>  | <u><u>(93,916)</u></u>           |
| Balance, January 1, 2019   | (990,250)  | (656,107)  | 2,357,036                        |
| Exchange differences on foreign operations   | (1,013,287)  | -  | (13,563)                         |
| Exchange differences on subsidiaries accounted for using equity method   | (1,597)  | -  | -                                |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income  | -  | 818,376  | (18,862)                         |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, associates and joint ventures accounted for using equity method | -  | 824  | -                                |
| Disposal of investments in equity instruments designed at fair value through other comprehensive income  | -  | 20,036   | -                                |
| Profit attributable to non-controlling interest  | -  | -  | (670,963)                        |
| Actuarial gains and losses   | -  | -  | 983                              |
| Others   | -  | -  | 45,449                           |
| Balance, December 31, 2019   | <u><u>\$ (2,005,134)</u></u>   | <u><u>183,129</u></u>  | <u><u>1,700,080</u></u>          |

Note: Due to losing control over the subsidiary, the impact amounted to \$838,676.

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(s) Share-Based payments

1. AIMobile Co. Ltd

As of December 31, 2020, share-based payments of AIMobile Co. Ltd are as follows:

|                          | <b>Equity transaction</b>        |
|--------------------------|----------------------------------|
|                          | <b>Employee Stock</b>            |
|                          | <b>Option Plan</b>               |
| Grant date               | March 25, 2019                   |
| Number of shares granted | 1,605 thousand units             |
| Contractual life         | 5 year                           |
| Grant target             | Employees of<br>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:

|                                    | <b>2020</b>                 |
|------------------------------------|-----------------------------|
|                                    | <b>Employee Stock</b>       |
|                                    | <b>Option Plan</b>          |
| 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.

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2) Expenses and liabilities resulted from share-based payments

As of December 31, 2020 and 2019, expense and liability resulted from share-based payments are accounted as follow:

|                          | <b>2020</b>            | <b>2019</b>         |
|--------------------------|------------------------|---------------------|
| Expenses and liabilities | <u><u>\$ 1,234</u></u> | <u><u>1,040</u></u> |

(t) Earnings per share

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

|  | <b>For the years ended December 31,</b> |                         |
|--|---|-------------------------|
|  | <b>2020</b>                             | <b>2019</b>             |
| <b>Basic earnings per share:</b>   |   |                         |
| Profit attributable to ordinary shareholders   | <u><u>\$ 7,547,985</u></u>              | <u><u>5,507,960</u></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><u>\$ 2.10</u></u>                   | <u><u>1.54</u></u>      |
| <b>Diluted earnings per share:</b>   |   |                         |
| Profit attributable to ordinary shareholders of the Company (adjusted for the effects of all dilutive potential ordinary shares) | <u><u>\$ 7,547,985</u></u>              | <u><u>5,507,960</u></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>32,907</u>                           | <u>23,150</u>           |
| Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)                  | <u>3,620,382</u>                        | <u>3,610,625</u>        |
| Diluted earnings per share (NT dollars)  | <u><u>\$ 2.08</u></u>                   | <u><u>1.53</u></u>      |

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(u) Revenue from contracts with customers

1. Disaggregation of revenue

|  | <b>For the years ended December 31, 2020</b> |                  |                    |
|--|--|------------------|--------------------|
|  | <b>Core</b>                                  | <b>Others</b>    | <b>Total</b>       |
| Primary geographical markets           |  |                  |                    |
| Taiwan                                 | \$ 32,249,613                                | 767,482          | 33,017,095         |
| USA                                    | 345,570,121                                  | 104,146          | 345,674,267        |
| Japan                                  | 7,723,625                                    | -                | 7,723,625          |
| Hong Kong, Macao and<br>Mainland China | 68,334,265                                   | 212,354          | 68,546,619         |
| Other countries                        | 53,236,397                                   | 96,195           | 53,332,592         |
|  | <b>\$ 507,114,021</b>                        | <b>1,180,177</b> | <b>508,294,198</b> |

|                  |                       |                  |                    |
|------------------|-----------------------|------------------|--------------------|
| Major products   |                       |                  |                    |
| Computer product | \$ 506,413,658        | -                | 506,413,658        |
| Service          | 700,363               | -                | 700,363            |
| Others           | -                     | 1,180,177        | 1,180,177          |
|                  | <b>\$ 507,114,021</b> | <b>1,180,177</b> | <b>508,294,198</b> |

|  | <b>For the years ended December 31, 2019</b> |                  |                    |
|--|--|------------------|--------------------|
|  | <b>Core</b>                                  | <b>Others</b>    | <b>Total</b>       |
| 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<br>Mainland China | 66,912,430                                   | 1,009,619        | 67,922,049         |
| Other countries                        | 68,492,986                                   | 91,656           | 68,584,642         |
|  | <b>\$ 496,838,196</b>                        | <b>4,114,617</b> | <b>500,952,813</b> |

|                  |                       |                  |                    |
|------------------|-----------------------|------------------|--------------------|
| Major products   |                       |                  |                    |
| Computer product | \$ 495,945,745        | -                | 495,945,745        |
| Service          | 892,451               | -                | 892,451            |
| Others           | -                     | 4,114,617        | 4,114,617          |
|                  | <b>\$ 496,838,196</b> | <b>4,114,617</b> | <b>500,952,813</b> |

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2. Contract balances

|   | <u>2020.12.31</u>              | <u>2019.12.31</u>           | <u>2019.1.1</u>             |
|---|--------------------------------|-----------------------------|-----------------------------|
| Notes and Accounts receivable<br>(included related parties) | \$ 91,883,742                  | 88,594,198                  | 92,354,729                  |
| Less: Loss allowance  | <u>(72,433)</u>                | <u>(102,855)</u>            | <u>(120,009)</u>            |
| Total   | <u><u>\$ 91,811,309</u></u>    | <u><u>88,491,343</u></u>    | <u><u>92,234,720</u></u>    |
| <br>Contract liabilities                                    | <br><u><u>\$ 7,828,232</u></u> | <br><u><u>6,449,213</u></u> | <br><u><u>6,717,641</u></u> |

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

The amount of revenue recognized for the years ended December 31, 2020 and 2019 were \$7,431,819 and \$9,863,711, 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.

(v) 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 \$675,529 and \$424,704 and the remuneration of directors amounted to \$123,674 and \$77,754 for the years ended December 31, 2020 and 2019, 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 2020 and 2019. 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 2020 and 2019 and the amounts stated in the individual reports.

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(w) Non-operating income and expenses

1. Interest income

The details of interest income were as follows:

|                                    | <b>For the years ended December 31,</b> |                  |
|------------------------------------|---|------------------|
|                                    | <b>2020</b>                             | <b>2019</b>      |
| Interest income from bank deposits | <b>\$ 1,186,629</b>                     | <b>1,347,043</b> |

2. Other income

The details of other income were as follows:

|                 | <b>For the years ended December 31,</b> |                |
|-----------------|---|----------------|
|                 | <b>2020</b>                             | <b>2019</b>    |
| Rent income     | \$ 246,232                              | 291,270        |
| Dividend income | 30,069                                  | 20,979         |
|                 | <b>\$ 276,301</b>                       | <b>312,249</b> |

3. Other income and losses

The details of other income and losses were as follows:

|   | <b>For the years ended December 31,</b> |                |
|---|---|----------------|
|   | <b>2020</b>                             | <b>2019</b>    |
| Foreign exchange losses   | \$ (461,964)                            | (999,798)      |
| Gains on disposal of investments  | 24,435                                  | -              |
| Net gains on financial assets (liabilities) measured at fair value through profit or loss | 1,114,261                               | 240,750        |
| Gains on disposal of property, plant and equipment  | 4,773,910                               | 69,439         |
| Gains on non-current assets held-for-sell   | -                                       | 628,476        |
| Impairment loss on property, plant and equipment  | (949,815)                               | (293,859)      |
| Other impairment loss   | (2,407)                                 | (51,057)       |
| Other   | 1,015,831                               | 637,882        |
|   | <b>\$ 5,514,251</b>                     | <b>231,833</b> |

4. Finance costs

The details of finance expenses were as follows:

|                   | <b>For the years ended December 31,</b> |                  |
|-------------------|---|------------------|
|                   | <b>2020</b>                             | <b>2019</b>      |
| Interest expenses |   |                  |
| Bank borrowings   | \$ 609,087                              | 936,338          |
| Others            | 445,157                                 | 824,762          |
|                   | <b>\$ 1,054,244</b>                     | <b>1,761,100</b> |

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(x) Financial instruments

1. Credit risks

1) Credit risks exposure

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

2) Condition of credit risk concentration

Implicit credit risk of the Group is inherent in its cash and accounts receivable. The cash is deposited in different financial institutions. The Company manages the credit risk exposure with each of these financial institutions and believes that cash do not have a significant credit risk concentration.

The major customers of the Group are centralized in the high-tech computer industry. To minimize credit risk, the Company periodically evaluates the Company's financial positions and the possibility of collecting trade receivables.

Besides, the Consolidated Company monitors and reviews the recoverable amount of the trade receivables to ensure the uncollectible amount are recognized appropriately as impairment loss. Therefore, the executives evaluate the Group's credit risk to be limited.

As of December 31, 2020 and 2019, 63% and 65% of accounts receivable were attributable to two major customers. Thus, credit risk is significantly centralized.

2. Liquidity risks

The following are the contractual maturities of financial liabilities of the Group, including estimation of interest, but excluding the impact of netting arrangements:

|   | Carrying<br>amount    | Contractual<br>cash flows | Less than<br>6 months | 6 to 12<br>months | 1 to 2 years     | 2 to 5 years     | More than<br>5 years |
|---|-----------------------|---------------------------|-----------------------|-------------------|------------------|------------------|----------------------|
| <b>December 31, 2020</b>                                  |                       |                           |                       |                   |                  |                  |                      |
| <b>Non-derivative financial liabilities</b>               |                       |                           |                       |                   |                  |                  |                      |
| Secured bank loans  | \$ 3,594,825          | 3,871,406                 | 182,167               | 181,354           | 447,247          | 1,462,220        | 1,598,418            |
| Unsecured bank loans                                      | 37,617,499            | 39,026,892                | 33,256,306            | 29,234            | 5,741,352        | -                | -                    |
| Accounts payable  | 74,370,226            | 74,370,226                | 74,370,226            | -                 | -                | -                | -                    |
| Other payables  | 11,595,245            | 11,595,245                | 11,595,245            | -                 | -                | -                | -                    |
| Lease liabilities   | 964,514               | 1,100,855                 | 115,403               | 134,958           | 171,981          | 394,867          | 283,646              |
| <b>Derivative financial liabilities</b>                   |                       |                           |                       |                   |                  |                  |                      |
| Forward exchange contracts not<br>used for hedging:       |                       |                           |                       |                   |                  |                  |                      |
| Outflow   | 210,598               | (18,092,129)              | (18,092,129)          | -                 | -                | -                | -                    |
| Inflow  | -                     | 17,881,531                | 17,881,531            | -                 | -                | -                | -                    |
| Foreign exchange swap contracts<br>not used for hedging : |                       |                           |                       |                   |                  |                  |                      |
| Outflow   | 39,538                | (3,209,668)               | (3,209,668)           | -                 | -                | -                | -                    |
| Inflow  | -                     | 3,170,130                 | 3,170,130             | -                 | -                | -                | -                    |
|   | <b>\$ 128,392,445</b> | <b>129,714,488</b>        | <b>119,269,211</b>    | <b>345,546</b>    | <b>6,360,580</b> | <b>1,857,087</b> | <b>1,882,064</b>     |

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|  | Carrying<br>amount    | Contractual<br>cash flows | Less than<br>6 months | 6 to 12<br>months | 1 to 2 years   | 2 to 5 years     | More than<br>5 years |
|--|-----------------------|---------------------------|-----------------------|-------------------|----------------|------------------|----------------------|
| <b>December 31, 2019</b>                             |                       |                           |                       |                   |                |                  |                      |
| <b>Non-derivative financial liabilities</b>          |                       |                           |                       |                   |                |                  |                      |
| 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              |
| <b>Derivative financial liabilities</b>              |                       |                           |                       |                   |                |                  |                      |
| Forward exchange contracts not<br>used for hedging : |                       |                           |                       |                   |                |                  |                      |
| Outflow  | 108,175               | (10,119,285)              | (10,119,285)          | -                 | -              | -                | -                    |
| Inflow   | -                     | 10,011,110                | 10,011,110            | -                 | -              | -                | -                    |
|  | <b>\$ 108,206,014</b> | <b>109,694,784</b>        | <b>104,045,492</b>    | <b>327,298</b>    | <b>563,725</b> | <b>2,387,205</b> | <b>2,371,064</b>     |

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

### 3. Currency risks

#### 1) Exposure to currency risks

The Group's exposures to significant currency risk were those from its foreign currency denominated financial assets and liabilities as follows:

|                       | 2020.12.31                           |           |               |       |             |
|-----------------------|--------------------------------------|-----------|---------------|-------|-------------|
|                       | Foreign<br>currency (In<br>thousand) |           | Exchange rate |       | TWD         |
| Financial assets      |                                      |           |               |       |             |
| Monetary items        |                                      |           |               |       |             |
| USD                   | \$                                   | 5,480,099 | USD : TWD     | 28.48 | 156,073,220 |
|                       |                                      | 433,993   | USD : CNY     | 6.52  | 12,360,121  |
|                       |                                      | 317,555   | USD : CZK     | 21.38 | 9,043,960   |
| CNY                   |                                      | 3,553,701 | CNY : USD     | 0.15  | 15,511,194  |
| JPY                   |                                      | 7,167     | JPY : TWD     | 0.27  | 1,935       |
| Non-monetary items    |                                      |           |               |       |             |
| USD                   |                                      | 57,844    | USD : TWD     | 28.48 | 1,647,427   |
| Financial Liabilities |                                      |           |               |       |             |
| Monetary items        |                                      |           |               |       |             |
| USD                   |                                      | 4,480,491 | USD : TWD     | 28.48 | 127,604,384 |
|                       |                                      | 242,494   | USD : CNY     | 6.52  | 6,906,229   |
|                       |                                      | 396,525   | USD : CZK     | 21.38 | 11,293,032  |
| CNY                   |                                      | 345,548   | CNY : USD     | 0.15  | 1,508,248   |

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|------------------------------|---|-----------------------|--|-------------|
|                              | <b>Foreign<br/>currency (In<br/>thousand)</b> | <b>Exchange rate</b>  |  | <b>TWD</b>  |
| <u>Financial assets</u>      |   |                       |  |             |
| <u>Monetary items</u>        |   |                       |  |             |
| USD                          | \$ 4,595,867                                  | 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 30.08~32.19 |  | 1,785,737   |
| <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   |

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, 2020 and 2019 would have increased or decreased the net profit after tax by \$179,933 and \$158,427, 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, 2020 and 2019, the foreign exchange loss, including realized and unrealized, amounted to \$(461,964) and \$(999,798), 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.

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If the interest rate increases or decreases by 0.5%, the Group's profit will decrease or increase by \$12,200 and \$14,290 for the years ended December 31, 2020 and 2019, respectively, assuming all other variable factors remain constant. This is mainly due to the Group's variable rate in borrowings and time deposits.

5. Fair value of financial instruments

1) Fair value hierarchy

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

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

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 :

|   | 2020.12.31            |                  |                |                  |                  |
|---|-----------------------|------------------|----------------|------------------|------------------|
|   | Book Value            | Fair Value       |                |                  | Total            |
|   |                       | Level 1          | Level 2        | Level 3          |                  |
| <b>Financial assets at fair value through profit or loss</b>                              |                       |                  |                |                  |                  |
| Derivative financial assets   | \$ 251,174            | -                | 251,174        | -                | 251,174          |
| Non-derivative financial assets mandatorily measured at fair value through profit or loss | 1,442,770             | 377,800          | -              | 1,064,970        | 1,442,770        |
| Subtotal  | 1,693,944             | 377,800          | 251,174        | 1,064,970        | 1,693,944        |
| <b>Financial assets at fair value through other comprehensive income</b>                  |                       |                  |                |                  |                  |
| Stocks of listed companies  | 1,420,469             | 1,420,469        | -              | -                | 1,420,469        |
| Unquoted equity instruments   | 3,643,028             | -                | 75,822         | 3,567,206        | 3,643,028        |
| Subtotal  | 5,063,497             | 1,420,469        | 75,822         | 3,567,206        | 5,063,497        |
| <b>Financial assets at amortized cost</b>   |                       |                  |                |                  |                  |
| Cash and cash equivalents   | 32,951,595            | -                | -              | -                | -                |
| Accounts receivable and other receivables   | 92,655,750            | -                | -              | -                | -                |
| Subtotal  | 125,607,345           | -                | -              | -                | -                |
| <b>Total</b>  | <b>\$ 132,364,786</b> | <b>1,798,269</b> | <b>326,996</b> | <b>4,632,176</b> | <b>6,757,441</b> |

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|   | 2020.12.31     |            |         |           |           |
|---|----------------|------------|---------|-----------|-----------|
|   |                | Fair Value |         |           |           |
|   | Book Value     | Level 1    | Level 2 | Level 3   | Total     |
| Financial liabilities at fair value through profit or loss                                |                |            |         |           |           |
| Derivative financial liabilities  | \$ 250,136     | -          | 250,136 | -         | 250,136   |
| Financial liabilities at amortized cost   |                |            |         |           |           |
| Bank loans  | 41,212,324     | -          | -       | -         | -         |
| Accounts payable  | 74,370,226     | -          | -       | -         | -         |
| Other payables  | 11,595,245     | -          | -       | -         | -         |
| Lease liabilities   | 964,514        | -          | -       | -         | -         |
| Subtotal  | 128,142,309    | -          | -       | -         | -         |
| Total   | \$ 128,392,445 | -          | 250,136 | -         | 250,136   |
|   |                |            |         |           |           |
|   | 2019.12.31     |            |         |           |           |
|   |                | Fair Value |         |           |           |
|   | Book Value     | Level 1    | Level 2 | Level 3   | Total     |
| Financial assets at fair value through profit or loss                                     |                |            |         |           |           |
| Derivative financial assets   | \$ 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 |                |          | Total          |
|   |                       | Level 1    | Level 2        | Level 3  |                |
| <b>Financial liabilities at fair value through profit or loss</b> |                       |            |                |          |                |
| Derivative financial liabilities                                  | \$ 108,175            | -          | 108,175        | -        | 108,175        |
| <b>Financial liabilities at amortized cost</b>                    |                       |            |                |          |                |
| Bank loans  | 29,408,713            | -          | -              | -        | -              |
| Accounts payable  | 71,342,557            | -          | -              | -        | -              |
| Other payables  | 11,571,105            | -          | -              | -        | -              |
| Lease liabilities   | 1,177,080             | -          | -              | -        | -              |
| Subtotal  | 113,499,455           | -          | -              | -        | -              |
| <b>Total</b>  | <b>\$ 113,607,630</b> | <b>-</b>   | <b>108,175</b> | <b>-</b> | <b>108,175</b> |

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

The fair value of financial assets and liabilities was 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 was 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 was 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, 2020 and 2019.

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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<br>through profit or<br>loss | Fair value<br>through other<br>comprehensive<br>income |
|--|--|--|
| <b>Balance as of January 1, 2020</b>   | \$ 3,717,254                               | 2,114,517  |
| Total gains and losses recognized in   |  |  |
| Profit or loss                         | 78,434                                     | -  |
| Other comprehensive income             | -  | 206,885  |
| Purchase                               | 7,617,410                                  | 1,258,524  |
| Disposals                              | (10,159,972)                               | (14,150)   |
| Transfers out of Level 3               | (74,980)                                   | -  |
| Effect of movements in exchange rate   | (113,176)                                  | 1,431  |
| <b>Balance as of December 31, 2020</b> | <b>\$ 1,064,970</b>                        | <b>3,567,207</b>                                       |
| <b>Balance as of January 1, 2019</b>   | \$ 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  |
| <b>Balance as of December 31, 2019</b> | <b>\$ 3,717,254</b>                        | <b>2,114,517</b>                                       |

For the years ended December 31, 2020 and 2019, 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:

|  | <b>For the years ended December 31,</b> |             |
|--|---|-------------|
|  | <b>2020</b>                             | <b>2019</b> |
| Total gains and losses recognized in:  |   |             |
| In profit or loss, and included “other gains and losses”   | \$ (5,737)                              | 4,752       |
| In other comprehensive income, and presented in<br>“unrealized gains and losses from financial assets at<br>fair value through other comprehensive income” | 206,885                                 | 16,981      |

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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 profit or loss—financial instruments without an active market                        | Discounted Cash Flow Method        | <ul style="list-style-type: none"> <li>Discounted Rate (3.20% on December 31, 2020 and 3.20%~4.00% on December 31, 2019)</li> </ul>       | <ul style="list-style-type: none"> <li>The higher the discount rate, the lower the fair value</li> </ul>  |
| Financial assets at fair value through profit or loss—equity instruments investments without an active market               | Net Asset Value Method             | <ul style="list-style-type: none"> <li>Net Asset Value</li> </ul>   | <ul style="list-style-type: none"> <li>Not applicable</li> </ul>  |
| Financial assets at fair value through profit or loss—equity instruments investments without an active market               | Comparable Listed Companies Method | <ul style="list-style-type: none"> <li>Discount due to Lack of Market liquidity (30%)</li> </ul>  | <ul style="list-style-type: none"> <li>The estimated fair value would increase (decrease) if the price of earnings ratio multiple is higher (lower) and the marketability discount is lower (higher)</li> </ul> |
| Financial assets at fair value through other comprehensive income—equity instruments investments without an active market   | Comparable Listed Companies Method | <ul style="list-style-type: none"> <li>Market Multiple (0.85~1.92)</li> <li>Discount due to Lack of Market liquidity (20%~30%)</li> </ul> | <ul style="list-style-type: none"> <li>The estimated fair value would increase (decrease) if the price of earnings ratio multiple is higher (lower) and the marketability discount is lower (higher)</li> </ul> |
| Financial assets at fair value through other comprehensive income — equity instruments investments without an active market | Net Asset Value Method             | <ul style="list-style-type: none"> <li>Net Asset Value</li> </ul>   | <ul style="list-style-type: none"> <li>Not applicable</li> </ul>  |

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

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

|   | Input           | Variation | Impact on Fair Value Change on Net income or loss |                    | Impact on Fair Value Change on Other Comprehensive income or loss |                    |
|---|-----------------|-----------|---|--------------------|---|--------------------|
|   |                 |           | Favorable Change                                  | Unfavorable Change | Favorable Change  | Unfavorable Change |
|   |                 |           |   |                    |   |                    |
| December 31, 2020   |                 |           |   |                    |   |                    |
| Financial assets at fair value through profit or loss             |                 |           |   |                    |   |                    |
| Financial instruments without an active market                    | Discount Rate   | 0.5%      | \$ 13,709   | (13,709)           | -   | -                  |
| Financial assets at fair value through other comprehensive income |                 |           |   |                    |   |                    |
| Equity instruments without an active market                       | Market Multiple | 0.5%      | -   | -                  | 17,790  | (17,790)           |

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|   | Input           | Variation | Impact on Fair Value Change on |                    | Impact on Fair Value Change on     |                    |
|---|-----------------|-----------|--------------------------------|--------------------|------------------------------------|--------------------|
|   |                 |           | Net income or loss             |                    | 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)           |

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.

| 2020.12.31   |  |  |   |  |                          |                        |
|--|--|--|---|--|--------------------------|------------------------|
| 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   | \$ 390,039,674                                   | 389,593,639  | 446,035   | -  | -                        | 446,035                |
| Derivative financial instruments   | 72,194   | -  | 72,194  | -  | -                        | 72,194                 |
| Total  | <b>\$ 390,111,868</b>                            | <b>389,593,639</b>   | <b>518,229</b>  | <b>-</b>                                     | <b>-</b>                 | <b>518,229</b>         |

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| <b>2020.12.31</b>  |   |   |  |                          |                           |
|--|---|---|--|--------------------------|---------------------------|
| <b>Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement</b> |   |   |  |                          |                           |
| Gross amounts of recognized financial liabilities<br>(a)   | Gross amounts of financial assets offset in the balance sheet<br>(b)      | Net amount of financial liabilities presented in the balance sheet<br>(c)=(a)-(b) | Amounts not off set in the balance sheet (d) |                          | Net amount<br>(e)=(c)-(d) |
|  |   |   | Financial instruments<br>(Note)              | Cash collateral received |                           |
| Derivative financial instruments   | \$ 182,068  | -   | 182,068                                      | -                        | 182,068                   |
|  |   |   |  |                          |                           |
| <b>2019.12.31</b>  |   |   |  |                          |                           |
| <b>Financial assets that are offset which have an exercisable master netting arrangement or similar agreement</b>      |   |   |  |                          |                           |
| Gross amounts of recognized financial assets<br>(a)  | Gross amounts of financial liabilities offset in the balance sheet<br>(b) | Net amount of financial assets presented in the balance sheet<br>(c)=(a)-(b)      | Amounts not off set in the balance sheet (d) |                          | Net amount<br>(e)=(c)-(d) |
|  |   |   | Financial instruments<br>(Note)              | Cash collateral received |                           |
| Offsetting agreement   | \$ 413,711,801  | 413,317,202   | 394,599                                      | -                        | 394,599                   |
| Derivative financial instruments   | 33,069  | -   | 33,069                                       | -                        | 33,069                    |
| Total  | <b>\$ 413,744,870</b>   | <b>413,317,202</b>  | <b>427,668</b>                               | <b>-</b>                 | <b>427,668</b>            |
|  |   |   |  |                          |                           |
| <b>2019.12.31</b>  |   |   |  |                          |                           |
| <b>Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement</b> |   |   |  |                          |                           |
| Gross amounts of recognized financial liabilities<br>(a)   | Gross amounts of financial assets offset in the balance sheet<br>(b)      | Net amount of financial liabilities presented in the balance sheet<br>(c)=(a)-(b) | Amounts not off set in the balance sheet (d) |                          | Net amount<br>(e)=(c)-(d) |
|  |   |   | Financial instruments<br>(Note)              | Cash collateral received |                           |
| Derivative financial instruments   | \$ 108,175  | -   | 108,175                                      | -                        | 108,175                   |

Note: Master netting arrangements are included.

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(y) Financial risk management

1. Overview

The Group have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Group' s objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying consolidated financial statements.

2. Risk management framework

The group are exposed to credit risk, market risk, operating risk and liquidity risk due to its operating activities. To lower the latent unfavorable effects of changing market to the Group's financial performance, the Group have made efforts in identifying and evaluating the risks and avoiding the uncertainty of the market through derivative financial instruments.

The Board of Directors has the overall responsibility for the establishment and oversight of the Group' s risk management framework. The financial units follow the risk management policies, and report the operating status to the Board of Directors regularly. The internal auditors perform regular reviews by taking risk management control procedures and report to the Board of Directors.

3. Credit risk

Please refer to Note 6(x) for the analysis of credit risk of cash, cash equivalent and accounts receivable.

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, 2020, 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, 2020 and 2019, the Group's unused credit line were amounted to \$70,541,804 and \$75,851,186, respectively.

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**5. Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate, and equity prices which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Group.

**1) Currency risk**

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan Dollars (TWD), US Dollars (USD), Czech Koruna (CZK), Japanese Yen (JPY) and China Yuan (CNY). The currencies used in these transactions are denominated in TWD, USD, JPY and CNY.

The Group often uses the principle of natural hedging as its basis, and proceed supplemented by derivative instruments for hedging exchange rate risk.

The interest is denominated in the same currency as borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group. This provides an economic hedge without derivatives being entered into, and therefore, hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

**2) Interest rate risk**

The Group's interest rate risk arises from long-term borrowings bearing floating interest rates. The fluctuation of the market interest rate changes the floating interest rates of the long-term borrowings, and thus affect the future cash flow. In order to decrease the effect of the market interest rate fluctuation on to the future cash flow, the Group periodically evaluates bank and currency borrowing rate to hedge the cash flow risk caused by the market interest rate fluctuation.

**(z) Capital Management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, additional paid-in capital, retained earnings, other equity interest and non-controlling interests of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

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The group's objective for managing capitals is to maintain investor, creditor and market confidence, and to sustain future development of the business by making debts and capital the most suitable capital structure and optimizing the best of it based on industrial scales, future growth development, and capital expenditures needed for plants and equipment. Thus, the Group calculates the operating funds based on the life cycle of the products, plans for the development in the long run, and then decides the most suitable capital structure considering the business cycle.

The Group ensures the financial resources and the operating plan are sufficient to support the future needs of operating funds, capital expenditures, debt refunding and dividend distribution.

The Group's debt to equity ratio at the reporting date was as follows:

|                                 | <b>2020.12.31</b>            | <b>2019.12.31</b>         |
|---------------------------------|------------------------------|---------------------------|
| Total Liabilities               | \$ 156,270,694               | 136,121,625               |
| Less: cash and cash equivalents | <u>(32,951,595)</u>          | <u>(18,952,967)</u>       |
| Net debt                        | <b><u>\$ 123,319,099</u></b> | <b><u>117,168,658</u></b> |
| Total Equity                    | \$ 57,890,743                | 56,971,228                |
| Adjusted Capital                | <b><u>\$ 57,890,743</u></b>  | <b><u>56,971,228</u></b>  |
| Debt to capital ratio           | <b><u>213.02%</u></b>        | <b><u>205.66%</u></b>     |

According to the Company's management, there were no changes in the Group's approach to capital management as of December 31, 2020.

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

The Group investing and financing activities which did not affect the current cash flow in the years ended December 31, 2020 and 2019, were as follows:

1. For right-of-use assets under leases, please refer to Note 6(i).

2. Reconciliation of liabilities arising from financing activities was as follows:

|   |                             |                          | <b>Non-cash changes</b> |                                  |                          |
|---|-----------------------------|--------------------------|-------------------------|----------------------------------|--------------------------|
|   | <b>January 1, 2020</b>      | <b>Cash flows</b>        | <b>Reclassification</b> | <b>Foreign exchange movement</b> | <b>December 31, 2020</b> |
| Long-term borrowings  | \$ 3,883,134                | 5,331,728                | (300,000)               | 75,963                           | 8,990,825                |
| Short-term borrowings (including current portion of long-term borrowings) | 25,525,579                  | 6,502,586                | 300,000                 | (106,666)                        | 32,221,499               |
| Lease liabilities (Note)  | 1,177,080                   | (199,245)                | (6,985)                 | (6,336)                          | 964,514                  |
| Total liabilities from financing activities                               | <b><u>\$ 30,585,793</u></b> | <b><u>11,635,069</u></b> | <b><u>(6,985)</u></b>   | <b><u>(37,039)</u></b>           | <b><u>42,176,838</u></b> |

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|   |                      |                    | 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> |

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                          |
| Ching-Sung Chang                         | Director of the board of the Company                          |
| Li-Cheng Yeh                             | Director of the board of the Company                          |

**(b) Significant transactions with related parties**

**1. Sale revenue**

The amounts of significant sales transactions and outstanding balances between the Group and related parties were as follows:

|                       | <u>For the years ended December 31,</u> |              |
|-----------------------|---|--------------|
|                       | <u>2020</u>                             | <u>2019</u>  |
| Associates            | \$ 88,274                               | 1,805        |
| Other related parties | 310                                     | -            |
|                       | <u>\$ 88,584</u>                        | <u>1,805</u> |

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

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2. Purchase

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

|            | <b>For the years ended December 31,</b> |             |
|------------|---|-------------|
|            | <b>2020</b>                             | <b>2019</b> |
| Associates | <b>\$ 6,672</b>                         | <b>-</b>    |

There is no other vendor as comparison for the above purchases, and the purchase prices are based on the settling price agreed by both sides. The payment term is 30~75 days °

3. Accounts receivable from related parties

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

| <b>Financial Statement Account</b> | <b>Related Party Categories</b> | <b>2020.12.31</b> | <b>2019.12.31</b> |
|------------------------------------|---------------------------------|-------------------|-------------------|
| Accounts receivables               | Associates                      | \$ 75,749         | -                 |
| Other receivables                  | Associates                      | 66                | 1,305             |
|                                    |                                 | <b>\$ 75,815</b>  | <b>1,305</b>      |

4. Accounts payable to Related Parties

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

| <b>Financial Statement Account</b> | <b>Related Party Categories</b> | <b>2020.12.31</b> | <b>2019.12.31</b> |
|------------------------------------|---------------------------------|-------------------|-------------------|
| Accounts payable                   | Associates                      | \$ 678            | -                 |
| Other payables                     | Associates                      | 1,046             | 2,477             |
| "                                  | Other related parties           | 300,000           | 250,000           |
|                                    |                                 | <b>\$ 301,724</b> | <b>252,477</b>    |

As of December 31, 2020 and 2019, the Group borrowed the amount of \$300,000 and \$250,000 from shareholders, respectively, which were accounted as other payables. The borrowing interest rate were 1.50% and 2.13%.

5. Property transactions

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

For the years ended December 31, 2020 and 2019, the Group purchased equipment, intangible assets and other assets from Inventec Besta Co., Ltd. and paid the amount of \$12,620 and \$29,479, respectively.

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- 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, 2020 and 2019, the unrealized other revenues are both \$1,211.

6. Others

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

|            | <b>For the years ended December 31,</b> |              |
|------------|---|--------------|
|            | <b>2020</b>                             | <b>2019</b>  |
| Associates | <b>\$ 6,206</b>                         | <b>8,009</b> |

- 2) Donations for other related parties were as follows:

|                       | <b>For the years ended December 31,</b> |               |
|-----------------------|---|---------------|
|                       | <b>2020</b>                             | <b>2019</b>   |
| Other related parties | <b>\$ 10,000</b>                        | <b>10,000</b> |

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

|            | <b>For the years ended December 31,</b> |              |
|------------|---|--------------|
|            | <b>2020</b>                             | <b>2019</b>  |
| Associates | <b>\$ 3,935</b>                         | <b>7,281</b> |

(c) Key management personnel compensation

Key management personnel compensation includes:

|                              | <b>For the years ended December 31,</b> |                |
|------------------------------|---|----------------|
|                              | <b>2020</b>                             | <b>2019</b>    |
| Short-term employee benefits | \$ 494,902                              | 530,154        |
| Post-employment benefit      | 6,192                                   | 4,361          |
|                              | <b>\$ 501,094</b>                       | <b>534,515</b> |

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**(8) Pledged Assets**

The carrying values of pledged assets were as follows:

| <u>Pledged assets</u>   | <u>Object</u>   | <u>2020.12.31</u>   | <u>2019.12.31</u> |
|---|---|---------------------|-------------------|
| Refundable deposits<br>(Other non-current assets)   | Membership guarantee and rental deposit   | \$ 69,662           | 173,802           |
| Restricted cash in banks<br>(Other current assets and Other non-current assets)   | Guarantee and the account of repatriated offshore funds                               | 1,127,892           | 64,081            |
| Land, buildings, structures, machinery and equipment, net<br>(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 | 8,438,458           | 8,395,434         |
| Total   |   | <u>\$ 9,636,012</u> | <u>8,633,317</u>  |

**(9) Significant Commitments and Contingencies**

(a) Major Commitments:

1.Unused standby letters of credit were as follows:

|     | <u>2020.12.31</u> | <u>2019.12.31</u> |
|-----|-------------------|-------------------|
| EUR | \$ 360            | 67                |
| USD | 56                | 3,795             |
| TWD | 25,345            | 13,461            |

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

|     | <u>2020.12.31</u> | <u>2019.12.31</u> |
|-----|-------------------|-------------------|
| TWD | \$ 21,940,262     | 22,379,023        |
| USD | 1,776,400         | 1,464,400         |

(b) Contingencies: None.

**(10) Losses Due to Major Disasters: None.**

**(11) Subsequent Events: None.**

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**(12) Other**

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

| By item                    | By function | For the years ended December 31, 2020 |                                     |            | For the years ended December 31, 2019 |                                     |            |
|----------------------------|-------------|---------------------------------------|-------------------------------------|------------|---------------------------------------|-------------------------------------|------------|
|                            |             | Operating costs                       | Operating and non-operating expense | Total      | Operating costs                       | Operating and non-operating expense | Total      |
| Employee benefits          |             |                                       |                                     |            |                                       |                                     |            |
| Salary                     |             | 8,860,268                             | 8,666,824                           | 17,527,092 | 13,153,184                            | 8,531,621                           | 21,684,805 |
| Labor and health insurance |             | 778,575                               | 696,797                             | 1,475,372  | 1,219,787                             | 728,830                             | 1,948,617  |
| Pension                    |             | 608,446                               | 421,871                             | 1,030,317  | 1,385,171                             | 494,030                             | 1,879,201  |
| Others                     |             | 506,400                               | 268,056                             | 774,456    | 652,059                               | 327,926                             | 979,985    |
| Depreciation               |             | 1,894,677                             | 1,006,921                           | 2,901,598  | 2,062,583                             | 1,125,799                           | 3,188,382  |
| Amortization               |             | 220,322                               | 731,620                             | 951,942    | 388,711                               | 576,629                             | 965,340    |

**(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, 2020:

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 Asset-Management (Shanghai) Corporation                   | Other receivables | Y             | 523,800   | -              | -                                     | -   | 2   | -   | Working Capital                  | -                      | None       | -     | 3,184,453                      | 3,184,453                       |
| 2      | Inventec Appliances (Nanjing) Corp.(Note 3)      | Inventec Appliances (XTAN) Corporation                             | "                 | Y             | 100,395   | 82,935         | 56,745                                | 3.045%                                    | 2   | -   | "                                | -                      | "          | -     | 343,822                        | 343,822                         |
| 3      | Inventec Appliances (Shanghai) Co., Ltd.(Note 3) | Inventec Appliances Enterprise                                     | "                 | Y             | 30,555  | -              | -                                     | -   | 2   | -   | "                                | -                      | "          | -     | 1,771,832                      | 1,771,832                       |
| 3      | "  | Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd. | "                 | Y             | 131,400   | 130,950        | 130,950                               | 3.045%                                    | 2   | -   | "                                | -                      | "          | -     | 1,771,832                      | 1,771,832                       |
| 4      | Inventec Appliances Corp.(Note 3)                | Inventec Appliances (Malaysia) SDN. BHD.                           | "                 | Y             | 800,000   | 800,000        | 328,409                               | 1.95%                                     | 2   | -   | "                                | -                      | "          | -     | 8,476,966                      | 8,476,966                       |

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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 |                                |                                 |
| 5      | Inventec (Pudong) Corp.(Note 4) | Inventec Hi-Tech Corp.                           | Other receivables | Y             | 87,600  | 87,300         | -                                     | -   | 2   | -   | Working Capital                  | -                      | None       | -     | 4,126,672                      | 4,126,672                       |
| 5      | "                               | Inventec Asset-Management (Shanghai) Corporation | "                 | Y             | 1,401,600   | 1,396,800      | 1,163,567                             | 5.225%                                    | 2   | -   | "                                | -                      | "          | -     | 1,650,669                      | 1,650,669                       |

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

Note 3: 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 4: 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 100 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 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:

(In Thousands of New Taiwan Dollars)

| No. | Name of guarantor         | Counter-party of guarantee and endorsement |                               | Limitation on amount of guarantees and endorsements for a specific enterprise | Highest balance for guarantees and endorsements during the period | Balance of guarantees and endorsements as of reporting date | Actual usage amount during the period | Property pledged for guarantees and endorsements (Amount) | Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements | Maximum amount for guarantees and endorsements | Parent company endorsements /guarantees to third parties on behalf of subsidiary | Subsidiary endorsements /guarantees to third parties on behalf of parent company | Endorsement /guarantees to third parties on behalf of companies in Mainland China |
|-----|---------------------------|--|-------------------------------|---|---|---|---------------------------------------|---|---|--|--|--|---|
|     |                           | Name                                       | Relationship with the Company |   |   |   |                                       |   |   |  |  |  |   |
| 1   | Inventec Appliances Corp. | Inventec Appliances (Jiangning) Corp.      | 2                             | 4,238,483   | 1,163,146   | 1,163,146   | -                                     | -   | 13.72%  | 4,238,483                                      | N  | N  | Y   |

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

- 1.The Company has business relationship.
- 2.Subsidiaries in which the Company holds more than 50 percent of its voting power.
- 3.An investee in which the Company and subsidiary holds more than 50 percent of its voting shares.
- 4.Subsidiaries in which the Company holds more than 90 percent of its voting power.
- 5.Companies in accordance with contractual provisions established by mutual applicants or in need of project.
- 6.Companies that are endorsed and guaranteed by all capital shareholders based on their shareholding ratio due to a joint investment relationship.
- 7.The performance of pre-sale house sales contract between intra-industry companies in accordance with the Consumer Protection Law requires joint guarantees.

Note 2: Both the aggregate amount of endorsements/guarantees and the amount of endorsements/guarantees for a single enterprise by Inventec Appliance Corp. cannot exceed 50 percent of its net worth as stated in its latest financial statement.

Note 3: The transactions with the Group were eliminated in the consolidated financial statements.

Note 4: 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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3. Securities held as of 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                      | 5,084          | 1.52%                       | 5,084              | 1.52%   |      |
| "              | Amphastar Pharmaceuticals Inc.               | -                         | "   | 26                       | 14,780         | 0.05%                       | 14,780             | 0.05%   |      |
| "              | Arima Communications Corp.                   | -                         | "   | 21,114                   | 75,822         | 10.15%                      | 75,822             | 10.15%  |      |
| "              | WIN Semiconductors Corp.                     | -                         | Current financial assets at fair value through other comprehensive income     | 4,063                    | 1,405,689      | 0.96%                       | 1,405,689          | 0.96%   |      |
| "              | Tomorrow Studio Co., Ltd                     | -                         | Non-current financial assets at fair value through other comprehensive income | 29                       | 166            | 0.20%                       | 166                | 0.20%   |      |
| "              | Tai Yi Precision Corporation                 | -                         | "   | 2,540                    | -              | 6.67%                       | -                  | 6.67%   |      |
| "              | New E Materials Co., Ltd.                    | -                         | "   | 1,760                    | 12,197         | 16.00%                      | 12,197             | 16.00%  |      |
| "              | Rasilient Systems, Inc. preference share     | -                         | "   | 3,632                    | -              | 6.20%                       | -                  | 6.20%   |      |
| "              | SKSpruce Holding Limited preferred stock     | -                         | "   | 3,746                    | 41,755         | 3.72%                       | 41,755             | 3.72%   |      |
| "              | CloudMosa Technologies, Inc. preferred stock | -                         | "   | 235                      | -              | 2.95%                       | -                  | 2.95%   |      |
| "              | QEEXO, Co. preferred stock                   | -                         | "   | 568                      | 15,923         | 3.09%                       | 15,923             | 3.09%   |      |
| "              | Rescale, Inc. preferred stock                | -                         | "   | 355                      | 26,544         | 1.37%                       | 26,544             | 1.37%   |      |
| "              | Sensel, Inc. preferred stock                 | -                         | "   | 532                      | 12,370         | 3.38%                       | 12,370             | 3.38%   |      |
| "              | ZT Group Int'l, Inc.                         | -                         | "   | 70                       | 2,010,944      | 10.00%                      | 2,010,944          | 10.00%  |      |

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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   | SKSpruce Holding Limited convertible short-term note                             | -                         | Current financial assets at fair value through profit or loss                 | -                        | 16,415         | - %                         | 16,415             | - %   |      |
| "   | Empass Technology  | -                         | Non-current financial assets at fair value through profit or loss             | 450                      | 19,184         | 6.80%                       | 19,184             | 6.80%   |      |
| "   | Entire Technology Co., Ltd.  | -                         | "   | 3,260                    | 232,340        | 4.50%                       | 232,340            | 4.50%   |      |
| "   | E-TON Solar Tech. Co., Ltd.  | -                         | "   | 94,889                   | 452,619        | 29.70%                      | 452,619            | 29.70%  |      |
| "   | Imedtac Co., Ltd.  | -                         | "   | 1,000                    | 59,350         | 10.19%                      | 59,350             | 10.19%  |      |
| "   | TMY Technology Inc.  | -                         | "   | 2,857                    | 57,943         | 8.00%                       | 57,943             | 8.00%   |      |
| Inventec (Cayman) Corp.                             | Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.                         | -                         | Non-current financial assets at fair value through other comprehensive income | 20,000                   | 1,175,931      | 12.10%                      | 1,175,931          | 12.10%  |      |
| Saint Investment Consulting Corporation             | Testron Technology (JiangSu) Co., Ltd.   | -                         | "   | 2,778                    | 68,964         | 10.00%                      | 68,964             | 10.00%  |      |
| Inventec (Chongqing) Corp.                          | Kunshan Joing Technology Co., Ltd.   | -                         | Current financial assets at fair value through profit or loss                 | 5,948                    | 207,736        | 2.96%                       | 207,736            | 2.96%   |      |
| Inventec (Beijing) Electronics Technology Co., Ltd. | Bank of Communications Pension CNY Financial products                            | -                         | "   | -                        | 52,379         | - %                         | 52,379             | - %   |      |
| Inventec Electronics (Tianjin) Co., Ltd.            | ICBC Wealth Management Corporation Tian Libao No. 2 Net Worth Management Product | -                         | "   | -                        | 109,120        | - %                         | 109,120            | - %   |      |
| Inventec Development Japan Corporation              | Famm Co., Ltd.   | -                         | Non-current financial assets at fair value through other comprehensive income | 100                      | 9,192          | 16.00%                      | 9,192              | 16.00%  |      |
| Inventec Investments Co., Ltd.                      | EPSTAR Corporation   | -                         | Current financial assets at fair value through profit or loss                 | 1,761                    | 72,911         | 0.16%                       | 72,911             | 0.16%   |      |
| "   | UCFUNNEL CO LTD  | -                         | Non-current financial assets at fair value through other comprehensive income | 83                       | 9,653          | 5.00%                       | 9,653              | 0.05%   |      |
| "   | Sagacity Tech. Co., Ltd.   | -                         | "   | 79                       | -              | 15.00%                      | -                  | 15.00%  |      |
| "   | Living Pattern Technology Inc.   | -                         | "   | 4                        | 626            | 13.70%                      | 626                | 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) |   |      |
| Inventec Investments Co., Ltd.             | E-TON Solar Tech. Co., Ltd                                | -                         | Non-current financial assets at fair value through profit or loss             | 15,813                   | 75,429         | 4.95%                       | 75,429             | 4.95%   |      |
| "  | SCOPE INDUSTRIES BERHAD                                   | -                         | Current financial assets at fair value through profit or loss                 | 32,000                   | 72,549         | 4.16%                       | 72,549             | 4.16%   |      |
| "  | 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%   |      |
| Inventec Appliances Corp.                  | All People Health Social Enterprise Co., Ltd.             | -                         | Non-current financial assets at fair value through other comprehensive income | 100                      | 1,000          | 11.76%                      | 1,000              | 11.76%  |      |
| "  | GCT Semiconductor, Inc.                                   | -                         | "   | 93                       | -              | 0.12%                       | -                  | 0.12%   |      |
| "  | Pandigital Worldwide, Ltd.                                | -                         | "   | 939                      | -              | 4.80%                       | -                  | 4.80%   |      |
| "  | 3GTMobile Corporation                                     | -                         | "   | 314                      | -              | 2.88%                       | -                  | 2.88%   |      |
| "  | Linc Global Inc. (Proximiant, Inc.)                       | -                         | "   | 594                      | -              | 5.30%                       | -                  | 5.30%   |      |
| "  | Molekule, Inc.  | -                         | "   | 1,603                    | 152,800        | 1.57%                       | 152,800            | 1.75%   |      |
| "  | XMEMS LABS INC  | -                         | "   | 1,778                    | 24,056         | 3.05%                       | 24,057             | 3.49%   |      |
| "  | Cardio Ring Technologies, Inc. convertible long-term note | -                         | Non-current financial assets at fair value through profit or loss             | -                        | 14,795         | - %                         | 14,795             | - %   |      |
| 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%   |      |

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    |
| Inventec (Cayman) Corp.                | Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd. common shares | Non-current financial assets at fair value through other comprehensive income | Cash Capital Increase | Non-related parties           | -                 | -         | 20,000    | 1,175,931 | -      | -         | -         | -                       | 20,000         | 1,175,931 |
| Inventec (Chongqing) Corp.             | CMBC Wealth Management Services  | Current financial assets at fair value through profit or loss                 | CMBC                  | -                             | -                 | 862,093   | -         | -         | -      | 870,449   | 862,093   | 8,356                   | -              | -         |
| Inventec Appliances (Shanghai) Corp.   | SCSB Winners CNY Financial Product                                     | "   | Bank of Shanghai      | -                             | -                 | 325,959   | -         | 955,947   | -      | 1,292,301 | 1,281,906 | 10,395                  | -              | -         |
| "                                      | Bank of China  | "   | Bank of China         | -                             | -                 | 301,853   | -         | 296,370   | -      | 605,403   | 598,223   | 7,180                   | -              | -         |
| Inventec Appliances (Nanjing) Co. Ltd. | SCSB Winners CNY Financial Product                                     | "   | Bank of Shanghai      | -                             | -                 | 152,006   | -         | 198,382   | -      | 355,752   | 350,388   | 5,364                   | -              | -         |
| Inventec Appliances (Jiangning) Corp.  | "  | "   | "                     | -                             | -                 | 1,893,146 | -         | 4,781,313 | -      | 6,723,267 | 6,674,459 | 48,808                  | -              | -         |

Note 1: The amounts above are valued at exchange rate.

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

5. Acquisition of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None.
6. Disposal of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock:

(Amounts Expressed in Thousands of New Taiwan Dollars)

| Name of company             | Types of property | Transaction Date | Original Acquisition Date | Book value | Transaction amount | Receipt Terms | Gain (loss) on disposal | Counter-party   | Relationship        | Purpose of disposal | Price reference   | Other terms |
|-----------------------------|-------------------|------------------|---------------------------|------------|--------------------|---------------|-------------------------|---|---------------------|---------------------|---|-------------|
| Inventec (Pudong) Co., Ltd. | Land and Building | 2020.01.16       | 2003.06.27~2007.12.31     | 740,483    | 5,912,920          | 100%          | 4,890,869               | Shanghai Jingshuo Data Science & Technology Co., Ltd. | Non-related parties | Optimize assets     | Negotiated based on the valuation report with the amounts of RMB1,340,170 and RMB 1,364,810 | None        |

Note 1: The price has been included tax, and the transfer has been completed.

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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               | 71,105,867  | 17.45%                             | 90-105 days   | -   | No general trading partner can be compared. | 16,589,292                          | 19.09%  |      |
| "                                      | Inventec (Czech), s.r.o.               | "                      | Sales               | 26,100,876  | 6.41%                              | 90-105 days   | -   | "   | 10,953,538                          | 12.61%  |      |
| "                                      | AIMobile Co., Ltd.                     | "                      | Sales               | 190,326     | 0.05%                              | 60 days       | -   | "   | 108,031                             | 0.12%   |      |
| "                                      | Inventec Corporation (Hong Kong) Ltd.  | "                      | Purchases           | 299,231,642 | 76.45%                             | 90-105 days   | -   | "   | (47,083,769)                        | 52.18%  |      |
| "                                      | Inventec Appliance                     | "                      | Purchases           | 344,879     | 0.09%                              | 90 days       | -   | "   | (92,431)                            | 0.10%   |      |
| "                                      | Inventec Holding (North America) Corp. | "                      | Purchases           | 800,083     | 0.20%                              | 90-105 days   | -   | "   | (62,178)                            | 0.07%   |      |
| "                                      | Inventec (Czech), s.r.o.               | "                      | Purchases           | 764,846     | 0.20%                              | 90-105 days   | -   | "   | (138,655)                           | 0.15%   |      |
| Inventec Holding (North America) Corp. | The Company                            | Parent                 | Purchases           | 71,105,867  | 89.75%                             | 90-105 days   | -   | "   | (16,589,292)                        | 93.30%  |      |
| "                                      | The Company                            | "                      | Sales               | 800,083     | 1.05%                              | 90-105 days   | -   | "   | 62,178                              | 0.97%   |      |
| "                                      | Inventec (Pudong) Technology Corp.     | Associates             | Sales               | 647,061     | 0.85%                              | 90-105 days   | -   | "   | 112,290                             | 1.75%   |      |
| "                                      | Inventec (Czech), s.r.o.               | "                      | Sales               | 1,125,297   | 1.48%                              | 90-105 days   | -   | "   | 242,702                             | 3.77%   |      |
| "                                      | Inventec (Czech), s.r.o.               | "                      | Purchases           | 289,861     | 0.37%                              | 90-105 days   | -   | "   | (31,241)                            | 0.18%   |      |
| Inventec (Czech), s.r.o.               | The Company                            | Parent                 | Purchases           | 26,100,876  | 92.80%                             | 90-105 days   | -   | "   | (10,953,538)                        | 96.76%  |      |
| "                                      | The Company                            | "                      | Sales               | 764,846     | 2.61%                              | 90-105 days   | -   | "   | 138,655                             | 1.65%   |      |
| "                                      | Inventec Holding (North America) Corp. | Associates             | Purchases           | 1,125,297   | 4.28%                              | 90-105 days   | -   | "   | (242,702)                           | 2.14%   |      |
| "                                      | Inventec Holding (North America) Corp. | "                      | Sales               | 289,861     | 0.99%                              | 90-105 days   | -   | "   | 31,241                              | 0.37%   |      |
| "                                      | Inventec (Pudong) Technology Corp.     | "                      | Sales               | 131,200     | 0.45%                              | 90-105 days   | -   | "   | 18,675                              | 0.22%   |      |
| Inventec Corporation (Hong Kong) Ltd.  | The Company                            | Parent                 | Sales               | 299,231,642 | 100.00%                            | 90-105 days   | -   | "   | 47,083,769                          | 46.27%  |      |
| "                                      | Inventec (Pudong) Technology Corp.     | Associates             | Purchases           | 36,587,835  | 12.23%                             | 90-105 days   | -   | "   | (8,339,964)                         | 8.20%   |      |
| "                                      | Inventec (Chongqing) Corp.             | "                      | Purchases           | 262,643,807 | 87.77%                             | 90 days       | -   | "   | (38,743,806)                        | 38.07%  |      |

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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               | 36,587,835  | 39.92%                             | 90-105 days   | -   | No general trading partner can be compared. | 8,339,964                           | 42.29%  |      |
| "  | Inventec (Shanghai) Corp.  | "                      | Sales               | 50,835,082  | 55.46%                             | 90-105 days   | -   | "   | 10,882,010                          | 55.18%  |      |
| "  | Inventec Holding (North America) Corp.                             | "                      | Purchases           | 647,061     | 0.68%                              | 90-105 days   | -   | "   | (112,290)                           | 0.35%   |      |
| "  | Inventec (Czech), s.r.o.   | "                      | Purchases           | 131,200     | 0.14%                              | 90-105 days   | -   | "   | (18,675)                            | 0.06%   |      |
| Inventec (Shanghai) Corp.                    | Inventec (Pudong) Technology Corp.                                 | "                      | Purchases           | 50,835,082  | 100.00%                            | 90-105 days   | -   | "   | (10,882,010)                        | 100.00%   |      |
| Inventec (Chongqing) Corp.                   | Inventec Corporation (Hong Kong) Ltd.                              | "                      | Sales               | 262,643,807 | 97.94%                             | 90 days       | -   | "   | 38,743,806                          | 98.81%  |      |
| "  | Inventec Appliances (Pudong) Corp.                                 | "                      | Sales               | 3,461,826   | 1.29%                              | 60 days       | -   | "   | -                                   | -   | %    |
| "  | Inventec Appliances (Pudong) Corp.                                 | "                      | Purchases           | 3,680,438   | 1.38%                              | 60 days       | -   | "   | -                                   | -   | %    |
| Inventec Appliances Corp.                    | Inventec Appliances (Pudong) Corp.                                 | "                      | Purchases           | 30,918,894  | 89.13%                             | 1-2 months    | -   | "   | (9,058,738)                         | 89.80%  |      |
| "  | Inventec Appliances (Jiangning) Corp.                              | "                      | Purchases           | 1,046,079   | 3.02%                              | 1-2 months    | -   | "   | (256,111)                           | 2.54%   |      |
| "  | Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd. | "                      | Purchases           | 658,785     | 1.90%                              | 1-2 months    | -   | "   | (153,221)                           | 1.52%   |      |
| "  | Inventec Appliances (USA) Distribution Corp.                       | "                      | Sales               | 3,466,765   | 9.65%                              | 1-2 months    | -   | "   | 76,546                              | 1.34%   |      |
| Inventec Appliances (USA) Distribution Corp. | Inventec Appliances Corp.  | "                      | Purchases           | 3,466,765   | 100.00%                            | 1-2 months    | -   | "   | (76,546)                            | 100.00%   |      |
| Inventec Appliances (Pudong) Corp.           | Inventec Appliances Corp.  | "                      | Sales               | 30,918,894  | 87.33%                             | 1-2 months    | -   | "   | 9,058,738                           | 96.10%  |      |
| "  | Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd. | "                      | Sales               | 679,313     | 1.70%                              | 1-2 months    | -   | "   | 374,674                             | 3.90%   |      |
| "  | Inventec (Chongqing) Corp.   | "                      | Sales               | 3,680,438   | 10.40%                             | 60 days       | -   | "   | -                                   | -   | %    |
| "  | Inventec (Chongqing) Corp.   | "                      | Purchases           | 3,461,826   | 12.72%                             | 60 days       | -   | "   | -                                   | -   | %    |
| Inventec Appliances (Jiangning) Corp.        | Inventec Appliances Corp.  | "                      | Sales               | 1,046,079   | 22.07%                             | 1-2 months    | -   | "   | 256,111                             | 23.67%  |      |
| "  | The Company  | Parent                 | Sales               | 344,879     | 7.31%                              | 90 days       | -   | "   | 92,431                              | 8.54%   |      |

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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 Appliances (Nanchang) Intelligent Manufacturing Co., Ltd. | Inventec Appliances Corp.          | Associates             | Sales               | 658,785 | 98.89%                             | 1-2 months    | -   | No general trading partner can be compared. | 153,221                             | 98.48%  |      |
| "  | Inventec Appliances (Pudong) Corp. | "                      | Purchases           | 679,313 | 98.65%                             | 1-2 months    | -   | "   | (374,674)                           | 99.67%  |      |
| AIMobile Co., Ltd.   | The Company                        | Parent                 | Purchases           | 190,326 | 87.80%                             | 60 days       | -   | "   | (108,031)                           | (94.17)%  |      |

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   | 16,589,292     | 4.37             | 2,693,480  | Received in the subsequent period | 7,473,792                             | -                       |
| "                                      | AIMobile Co., Ltd.   | Subsidiary   | 108,031        | 2.97             | 30,878     | Received in the subsequent period | 63,923                                | -                       |
| "                                      | Inventec (Czech), s.r.o.   | Subsidiary   | 10,953,538     | 2.35             | 3,978,775  | Received in the subsequent period | 5,083,626                             | -                       |
| "                                      | Inventec Corporation (Hong Kong) Ltd. (Note)                       | Subsidiary   | 54,544,416     | -                | 11,228,394 | Received in the subsequent period | 37,115,539                            | -                       |
| Inventec Holding (North America) Corp. | Inventec (Czech), s.r.o.   | Associates   | 242,702        | 4.53             | -          |                                   | -                                     | -                       |
| "                                      | Inventec (Pudong) Technology Corp.                                 | Associates   | 112,290        | 9.03             | -          |                                   | -                                     | -                       |
| Inventec (Czech), s.r.o.               | The Company  | Parent       | 138,655        | 7.60             | -          |                                   | 138,655                               | -                       |
| Inventec Corporation (Hong Kong) Ltd.  | The Company  | Parent       | 47,083,769     | 6.61             | -          | Received in the subsequent period | 37,733,251                            | -                       |
| "                                      | Inventec (Pudong) Technology Corp. (Note)                          | Associates   | 23,828,947     | -                | 11,205,570 | Received in the subsequent period | 6,402,488                             | -                       |
| "                                      | Inventec (Chongqing) Corp. (Note)                                  | Associates   | 30,715,470     | -                | 22,824     | Received in the subsequent period | 30,713,051                            | -                       |
| Inventec (Pudong) Technology Corp.     | Inventec Corporation (Hong Kong) Ltd.                              | Associates   | 8,339,964      | 2.82             | -          |                                   | 1,565,414                             | -                       |
| "                                      | Inventec (Shanghai) Corp.  | Associates   | 10,882,010     | 5.29             | 32,561     | Received in the subsequent period | 5,171,927                             | -                       |
| Inventec (Chongqing) Corp.             | Inventec Corporation (Hong Kong) Ltd.                              | Associates   | 38,743,806     | 8.15             | -          |                                   | 36,167,837                            | -                       |
| Inventec Appliances (Pudong) Corp.     | Inventec Appliances Corp.  | Associates   | 9,058,738      | 2.61             | -          |                                   | 3,853,102                             | -                       |
| "                                      | Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd. | Associates   | 374,674        | 3.63             | -          |                                   | 30,551                                | -                       |

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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 Appliances (Jiangning) Corp.                              | Inventec Appliances Corp. | Associates   | 256,111        | 4.78             | -       |              | 256,111                               | -                       |
| Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd. | Inventec Appliances Corp. | Associates   | 153,221        | 8.60             | -       |              | 153,221                               | -                       |

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

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

9. Trading in derivative instruments: Please refer to notes (6)(b) and (6)(x).

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              | 71,105,867  | Negotiated price | 14%  |
|     | "                                     | "                                      | 1  | Account Receivable | 16,589,292  | 90-105 days      | 8%   |
|     | "                                     | Inventec (Czech), s.r.o.               | 1  | Sales              | 26,100,876  | Negotiated price | 5%   |
|     | "                                     | "                                      | 1  | Account Receivable | 10,953,538  | 90-105 days      | 5%   |
|     | "                                     | Inventec Corporation (Hong Kong) Ltd.  | 1  | Purchases          | 299,231,642 | Negotiated price | 59%  |
|     | "                                     | "                                      | 1  | Other Receivable   | 54,544,416  | 90-105 days      | 25%  |
|     | "                                     | "                                      | 1  | Account Payable    | 47,083,769  | "                | 22%  |
| 1   | Inventec Corporation (Hong Kong) Ltd. | Inventec (Pudong) Technology Corp.     | 3  | Purchases          | 36,587,835  | Negotiated price | 7%   |
|     | "                                     | "                                      | 3  | Account Payable    | 8,339,964   | 90-105 days      | 4%   |
|     | "                                     | "                                      | 3  | Account Receivable | 23,828,947  | "                | 11%  |
|     | "                                     | Inventec (Chongqing) Corp.             | 3  | Purchases          | 262,643,807 | Negotiated price | 52%  |
|     | "                                     | "                                      | 3  | Account Payable    | 38,743,806  | 90 days          | 18%  |
|     | "                                     | "                                      | 3  | Account Receivable | 30,715,470  | "                | 14%  |
| 2   | Inventec Appliances Corp.             | Inventec Appliances (Pudong) Corp.     | 3  | Purchases          | 30,918,894  | Negotiated price | 6%   |
|     | "                                     | "                                      | 3  | Account Payable    | 9,058,738   | 1-2 months       | 4%   |

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.

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(b) Information on investment:

The following is the information on investees for the year ended December 31, 2020 (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, 2020 |                         |                | Highest percentage of ownership during the year | Net income (loss) of the investee | Share of profits/losses of investee | Note                          |
|------------------|--|-----------------|--|----------------------------|-------------------|---------------------------------|-------------------------|----------------|---|-----------------------------------|-------------------------------------|-------------------------------|
|                  |  |                 |  | December 31, 2020          | December 31, 2019 | 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%                  | 210,311        | 37.53%  | (47,675)                          | (17,892)                            | 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%                 | 365,614        | 100.00%   | 10,896                            | 10,896                              | Subsidiary                    |
| "                | Inventec Holding (North America) Corp.         | USA             | Investment of holding company in America                           | 159,003                    | 159,003           | 5,000                           | 100.00%                 | 1,281,813      | 100.00%   | 62,310                            | 62,310                              | "                             |
| "                | Inventec Appliances Corp.                      | New Taipei City | Wireless terminal products   | 9,656,877                  | 9,656,877         | 536,857                         | 100.00%                 | 9,246,421      | 100.00%   | 679,517                           | 679,517                             | "                             |
| "                | Inventec (Cayman) Corp.                        | Cayman          | Holding Company  | 9,812,963                  | 9,812,963         | 301,768                         | 100.00%                 | 21,100,327     | 100.00%   | 7,722,888                         | 7,722,888                           | "                             |
| "                | IEC (Cayman) Corporation                       | Cayman          | Holding Company  | 739,500                    | 739,500           | 25,000                          | 100.00%                 | 1,178,105      | 100.00%   | 273,585                           | 273,585                             | "                             |
| "                | Inventec (Czech), S.R.O.                       | Czech           | Computer products assembly operations                              | 85,921                     | 85,921            | -                               | 100.00%                 | 114,544        | 100.00%   | 78,541                            | 78,541                              | "                             |
| "                | Inventec Investment Co., Ltd.                  | Taipei          | Investment Company   | 1,000,000                  | 1,000,000         | 108,800                         | 100.00%                 | 124,923        | 100.00%   | (52,959)                          | (52,959)                            | "                             |
| "                | Inventec Solar Energy Corporation              | Taoyuan         | Developing, production and selling of multicrystalline solar cells | 1,087,800                  | 1,087,800         | 108,150                         | 33.45%                  | (296,204)      | 33.45%  | (1,695,966)                       | (546,206)                           | "                             |
| "                | Inventec Development Japan Corporation         | Japan           | Developing, designing and selling computer peripherals             | 630,845                    | 630,845           | 45                              | 100.00%                 | 17,677         | 100.00%   | (1,036)                           | (1,036)                             | "                             |
| "                | Inventec Japan Corporation                     | Japan           | Trading and management service                                     | 2,954                      | 2,954             | -                               | 100.00%                 | 3,181          | 100.00%   | 414                               | 414                                 | "                             |
| "                | AIMobile Co., Ltd.                             | Taipei          | Developing, production and selling of intelligent mobile device    | 182,500                    | 220,000           | 18,250                          | 73.00%                  | 122,282        | 73.00%  | (81,693)                          | (44,924)                            | "                             |
| "                | Inventec Manufacturing (India) Private Limited | India           | Computer products assembly operations                              | 281,691                    | 281,691           | 55,994                          | 99.99%                  | 10,738         | 99.99%  | 34,347                            | 35,455                              | "                             |

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| Investor company                           | Investee company                               | Location | Main businesses and products                                       | Original investment amount |                   | Balance as of December 31, 2020 |                         |                | Highest percentage of ownership during the year | Net income (loss) of the investee | Share of profits/losses of investee | Note                          |
|--|--|----------|--|----------------------------|-------------------|---------------------------------|-------------------------|----------------|---|-----------------------------------|-------------------------------------|-------------------------------|
|  |  |          |  | December 31, 2020          | December 31, 2019 | Shares/Units (In thousands)     | Percentage of ownership | Carrying value |   |                                   |                                     |                               |
| 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%                   | (44,540)       | 4.64%   | (1,695,966)                       | -                                   | Associate Company             |
| "  | Inventec Manufacturing (India) Private Limited | India    | Computer products assembly operations                              | 28                         | 28                | 6                               | 0.01%                   | 1              | 0.01%   | 34,347                            | -                                   | "                             |
| Inventec Appliances Corp.                  | Inventec Appliances (Cayman) Holding Corp.     | Cayman   | Holding Company  | 5,683,886                  | 5,683,886         | 199,575                         | 100.00%                 | 16,545,017     | 100.00%   | (300,331)                         | -                                   | "                             |
| "  | Gainia Intellectual Asset Services, Inc.       | Taipei   | Intellectual property rights integrative services                  | 6,400                      | 6,400             | 205                             | 38.90%                  | 1,332          | 38.90%  | (1,096)                           | -                                   | 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%                   | (91,841)       | 9.57%   | (1,695,966)                       | -                                   | Associate Company             |
| Inventec Appliances (Cayman) Holding Corp. | Inventec Appliances (USA) Distribution Corp.   | USA      | Selling of MP3 Player, PDA and science plotter                     | 22,784                     | 22,784            | 400                             | 100.00%                 | 92,687         | 100.00%   | 1,127                             | -                                   | "                             |
| "  | Inventec Appliances Corporation USA, Inc.      | USA      | Selling services   | 1,424                      | 1,424             | 10                              | 100.00%                 | 13,003         | 100.00%   | 885                               | -                                   | "                             |
| Inventec Appliances (Pudong) Corp.         | Inventec Appliances (Malaysia) SDN. BHD.       | Malaysia | Manufacture and sale of electronic materials and products          | 501,784                    | -                 | 71,000                          | 100.00%                 | 482,340        | 100.00%   | (19,102)                          | -                                   | "                             |

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

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

Note 3: According to the regulations, 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, 2020 | Investment flows |        | Accumulated outflow of investment from Taiwan as of December 31, 2020 | 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 8) |
|---|--|---------------------------------|-------------------------------|---|------------------|--------|---|-------------------------------------|-------------------------|---|-------------------------------------|------------|---|
|   |  |                                 |                               |   | Out-flow         | Inflow |   |                                     |                         |   |                                     |            |   |
| Inventec (Shanghai) Service Co., Ltd.               | Multimedia computer and system parts assembling                                | 188,679                         | (2)                           | 56,960  | -                | -      | 56,960  | (971)                               | 100.00%                 | 100.00%   | (971)                               | 123,206    | 30,234  |
| Inventec (ChongQing) Service Co., Ltd.              | Multimedia computer and system parts assembling                                | 28,480                          | (2)                           | 28,480  | -                | -      | 28,480  | (1,330)                             | 100.00%                 | 100.00%   | (1,330)                             | 40,042     | -   |
| Inventec (Pudong) Co., Ltd.                         | Multimedia computer and system parts assembling                                | 1,424,000                       | (2)                           | 1,424,000   | -                | -      | 1,424,000   | 3,550,998                           | 100.00%                 | 100.00%   | 3,550,998                           | 4,126,672  | -   |
| Inventec (Shanghai) Co., Ltd.                       | Multimedia computer and system parts assembling                                | 2,087,127                       | (2)                           | 840,160   | -                | -      | 840,160   | 93,305                              | 100.00%                 | 100.00%   | 93,305                              | 1,859,116  | -   |
| Inventec (ChongQing) Corporation                    | Multimedia computer and system parts assembling                                | 2,136,000                       | (2)                           | 2,136,000   | -                | -      | 2,136,000   | 2,365,436                           | 100.00%                 | 100.00%   | 2,365,436                           | 7,961,132  | 2,242,107   |
| Inventec (Pudong) Technology Corp.                  | Multimedia computer and system parts assembling                                | 1,668,692                       | (2)                           | 1,424,000   | -                | -      | 1,424,000   | 2,274,369                           | 100.00%                 | 100.00%   | 2,273,877                           | 6,615,064  | 321,599   |
| Inventec Electronics (Tianjin) Co., Ltd.            | Software production  | 142,400                         | (2)                           | 121,040   | -                | -      | 121,040   | 2,345                               | 100.00%                 | 100.00%   | 2,345                               | 230,567    | 149,517   |
| Inventec (Beijing) Electronics Technology Co., Ltd. | Software production  | 41,296                          | (2)                           | 41,296  | -                | -      | 41,296  | 1,516                               | 100.00%                 | 100.00%   | 1,516                               | 77,358     | -   |
| Inventec Hi-Tech Corporation                        | Multimedia computer and system parts assembling                                | 1,424,000                       | (2)                           | 1,424,000   | -                | -      | 1,424,000   | (57,017)                            | 100.00%                 | 100.00%   | (57,017)                            | 1,138,394  | -   |
| Inventec Huan Hsin (Zhejiang) Technology Co., Ltd.  | Complete of the electronic computer and product and sale of external equipment | 817,376                         | (2)                           | 822,474   | -                | -      | 822,474   | (2,120)                             | 100.00%                 | 100.00%   | (2,120)                             | 3,837      | -   |
| Inventec Asset-Management (Shanghai) Corporation    | Equipment leasing, storage, technological development and sale of computer     | 1,869,030                       | (3)                           | -   | -                | -      | -   | (22,349)                            | 78.00%                  | 78.00%  | (17,432)                            | 1,374,393  | -   |
| Saint Investment consulting corporation             | Business management consulting   | 87,296                          | (3)                           | -   | -                | -      | -   | 33                                  | 100.00%                 | 100.00%   | 33                                  | 87,330     | -   |
| Inventec Appliances (Shanghai) Co., Ltd.            | Electronic communication and products assemble                                 | 1,469,568                       | (2)                           | 1,370,401   | -                | -      | 1,370,401   | (34,975)                            | 100.00%                 | 100.00%   | (34,975)                            | 1,771,832  | 1,535,981   |
| Inventec Appliances (Pudong) Corp.                  | Electronic communication and products assemble                                 | 2,192,960                       | (2)                           | 2,192,960   | -                | -      | 2,192,960   | (569,471)                           | 100.00%                 | 100.00%   | (545,196)                           | 8,854,398  | 2,297,117   |
| Inventec Appliances (Jiangning) Corp.               | Electronic communication and products assemble                                 | 1,936,640                       | (2)                           | 1,196,160   | -                | -      | 1,196,160   | 308,573                             | 100.00%                 | 100.00%   | 306,693                             | 5,291,450  | 1,636,736   |
| Inventec Appliances (Nanjing) Corp.                 | House leasing  | 142,400                         | (2)                           | 255,793   | -                | -      | 255,793   | 12,695                              | 100.00%                 | 100.00%   | 12,695                              | 382,786    | 85,353  |

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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, 2020 | Investment flows |        | Accumulated outflow of investment from Taiwan as of December 31, 2020 | 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 8) |
|---|--|---------------------------------|-------------------------------|---|------------------|--------|---|-------------------------------------|-------------------------|---|-------------------------------------|------------|---|
|   |  |                                 |                               |   | Out-flow         | Inflow |   |                                     |                         |   |                                     |            |   |
| Inventec Appliances (XTAN) Corporation                              | Electronic communication and products assemble   | 113,920                         | (2)                           | 113,920   | -                | -      | 113,920   | 10,358                              | 100.00%                 | 100.00%   | 10,358                              | 50,757     | -   |
| Inventec Appliances (Nanchang) Corp.                                | Electronic communication and products assemble   | 59,808                          | (2)                           | 59,808  | -                | -      | 59,808  | (50,163)                            | 100.00%                 | 100.00%   | (50,163)                            | 81,258     | -   |
| APEX Business Management & Consulting (Shanghai) Co., Ltd.          | Business Management  | 2,190                           | (3)                           | -   | -                | -      | -   | 25,252                              | 100.00%                 | 100.00%   | 25,252                              | 84,036     | -   |
| Inventec Appliances (Shanghai) Enterprise                           | Development and consultation on software and hardware; as well as selling of electronic products   | 34,919                          | (3)                           | -   | -                | -      | -   | (2,026)                             | 100.00%                 | 100.00%   | (2,026)                             | 25,385     | -   |
| Inventec Appliances (Nan chang) Intelligent Manufacturing Co., Ltd. | Manufacture of wearable devices and developing, design, manufacture and sale of telecommunications | 261,889                         | (3)                           | -   | -                | -      | -   | (81,203)                            | 100.00%                 | 100.00%   | (81,203)                            | 105,694    | -   |

**2. Limitation on investment in Mainland China:**

| Name of Company           | Accumulated Investment in Mainland China as of December 31, 2020 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment (Note 3,4,7) |
|---------------------------|--|--|--|
| The Company               | 8,378,214  | 8,378,214  | -                                      |
| Inventec Appliances Corp. | 5,252,510  | 5,252,510  | 5,086,180                              |

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 reviewed by CPA or book value 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 was exchanged to New Taiwan Dollars in historical exchange rates.

Note 7: After the accumulated investment in Mainland China as of December 31, 2020, 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

**3. Significant transactions:**

The significant inter-company transactions with the subsidiary in Mainland China for the year ended December 31, 2020, are disclosed in "Information on significant transactions" .

- (d) Information on major shareholder: No shareholders hold more than 5% shares.

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**(14) Segment Information**

(a) General information

The Group reportable segments: core department and other department. The core department manufactures computer products and sells them to customers. The other 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, 2020 |                    |                            |                    |
|---|--------------------------------------|--------------------|----------------------------|--------------------|
|   | Core                                 | Others             | Adjustment and Elimination | Total              |
| <b>Revenue</b>  |                                      |                    |                            |                    |
| Revenue from external customers                       | \$ 507,114,021                       | 1,180,177          | -                          | 508,294,198        |
| Intersegment revenues                                 | -                                    | -                  | -                          | -                  |
| <b>Total revenue</b>                                  | <b>\$ 507,114,021</b>                | <b>1,180,177</b>   | <b>-</b>                   | <b>508,294,198</b> |
| Interest expenses                                     | \$ 1,006,066                         | 48,178             | -                          | 1,054,244          |
| Depreciation and amortization                         | 3,383,282                            | 470,258            | -                          | 3,853,540          |
| <b>Other material non-cash item</b>                   |                                      |                    |                            |                    |
| Asset Impairment                                      | -                                    | 952,222            | -                          | 952,222            |
| <b>Reportable segment net operating income (loss)</b> | <b>\$ 12,065,474</b>                 | <b>(1,719,769)</b> | <b>-</b>                   | <b>10,345,705</b>  |
| <b>Reportable segment assets</b>                      | <b>\$ -</b>                          | <b>-</b>           | <b>-</b>                   | <b>-</b>           |
|   | For the year ended December 31, 2019 |                    |                            |                    |
|   | Core                                 | Others             | Adjustment and Elimination | Total              |
| <b>Revenue</b>  |                                      |                    |                            |                    |
| Revenue from external customers                       | \$ 496,838,196                       | 4,114,617          | -                          | 500,952,813        |
| Intersegment revenues                                 | -                                    | -                  | -                          | -                  |
| <b>Total revenue</b>                                  | <b>\$ 496,838,196</b>                | <b>4,114,617</b>   | <b>-</b>                   | <b>500,952,813</b> |
| Interest expenses                                     | \$ 1,685,343                         | 75,757             | -                          | 1,761,100          |
| Depreciation and amortization                         | 3,474,967                            | 678,755            | -                          | 4,153,722          |
| <b>Other material non-cash item</b>                   |                                      |                    |                            |                    |
| Asset Impairment                                      | -                                    | 344,916            | -                          | 344,916            |
| <b>Reportable segment net operating income (loss)</b> | <b>\$ 7,506,185</b>                  | <b>(997,124)</b>   | <b>-</b>                   | <b>6,509,061</b>   |
| <b>Reportable segment assets</b>                      | <b>\$ -</b>                          | <b>-</b>           | <b>-</b>                   | <b>-</b>           |

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

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

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

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

(c) Product and service information

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

| <b>Products and Services</b> | <b>For the years ended December 31,</b> |                    |
|------------------------------|---|--------------------|
|                              | <b>2020</b>                             | <b>2019</b>        |
| Computer product             | \$ 506,413,658                          | 495,945,745        |
| Rendering of services        | 700,363                                 | 892,451            |
| Others                       | 1,180,177                               | 4,114,617          |
| <b>Total</b>                 | <b>\$ 508,294,198</b>                   | <b>500,952,813</b> |

(d) Geographical information

In presenting information on the basis of geography, the revenue is based on the geographical location of customers and non-current assets are based on the geographical location of the assets.

| <b>By region</b>                    | <b>For the years ended December 31,</b> |                    |
|-------------------------------------|---|--------------------|
|                                     | <b>2020</b>                             | <b>2019</b>        |
| Revenue from external customers:    |   |                    |
| Taiwan                              | \$ 33,017,095                           | 9,545,828          |
| USA                                 | 345,674,267                             | 341,699,308        |
| Japan                               | 7,723,625                               | 13,200,986         |
| Hong Kong, Macao and Mainland China | 68,546,619                              | 67,922,049         |
| Other countries                     | 53,332,592                              | 68,584,642         |
| <b>Total</b>                        | <b>\$ 508,294,198</b>                   | <b>500,952,813</b> |

| <b>By region</b>   | <b>2020.12.31</b>           | <b>2019.12.31</b>        |
|--------------------|-----------------------------|--------------------------|
| Non-current assets |                             |                          |
| Taiwan             | \$ 15,677,635               | 17,738,485               |
| Mainland China     | 16,105,546                  | 17,056,370               |
| USA                | 364,272                     | 393,666                  |
| Other countries    | 1,036,387                   | 610,850                  |
| Total              | <b><u>\$ 33,183,840</u></b> | <b><u>35,799,371</u></b> |

Non-current assets include property, plant and equipment, investment property, intangible assets and other assets, not including financial instruments, deferred tax assets, pension fund assets and rights arising from an insurance contract (non-current).

(e) Major customers: Revenue

|   | <b>For the years ended December 31,</b> |                           |
|---|---|---------------------------|
|   | <b>2020</b>                             | <b>2019</b>               |
| A | <b><u>\$ 333,461,728</u></b>            | <b><u>325,666,020</u></b> |

Inventec Corporation

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