Stock Code:2356

INVENTEC CORPORATION

PARENT COMPANY ONLY FINANCIAL STATEMENTS

With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017

Address: **No.66, Hougang Street, Shinlin District, Taipei City, Taiwan, R.O.C.**
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The independent auditors' 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' report and parent company only financial statements, the Chinese version shall prevail.

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KPMG

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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, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, 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, 2018 and 2017, and its financial performance and its cash flows for the years ended December 31, 2018 and 2017 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), and Note 6(e) for accounting policies, and related disclosure information for inventory, respectively.

   Description of the key audit matter:

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

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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 soley 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.

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Taipei, Taiwan (Republic of China)
March 26, 2019

Notes to Readers

The accompanying parent company only financial statements are intended only to present the statement of 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' 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' 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, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	ASSETS	2018.12.31 Amount	%	2017.12.31 Amount	%
	Current Assets :				
1100	Cash and cash equivalents (Notes (4) and (6)(a))	$ 2,373,511	1	5,205,101	3
1110	Current financial assets at fair value through profit or loss (Notes (4) and (6)(b))	71,557	-	23,286	-
1120	Current financial assets at fair value through other comprehensive income (Notes (4) and (6)(b))	479,397	-	-	-
1125	Current available-for-sale financial assets, net (Notes (4) and (6)(b))	-	-	1,149,740	1
1170	Accounts receivable, net (Note (4) and (6)(c))	48,804,422	27	28,112,409	18
1180	Accounts receivable due from related parties, net (Notes (4), (6)(c) and (7))	28,667,039	16	40,524,564	26
1200	Other receivables, net (Notes (4), (6)(d) and (7))	52,978,971	30	28,735,991	19
1310	Inventories, manufacturing business, net (Notes (4) and (6)(e))	2,183,875	1	2,337,142	2
1479	Other current assets, others (Notes (4) and (6)(i))	1,166,284	1	101,953	-
		136,725,056	76	106,190,186	69
	Non-current assets :				
1517	Non-current financial assets at fair value through other comprehensive income (Notes 4 and 6(b))	312,865	-	-	-
1523	Non-current available-for-sale financial assets, net (Notes (4) and (6)(b))	-	-	171,327	-
1543	Non-current financial assets at cost, net (Notes (4) and (6)(b))	-	-	370,916	-
1550	Investments accounted for using equity method, net (Notes (4) and (6)(f))	29,375,472	16	33,309,968	22
1600	Property, plant and equipment (Notes (4) and (6)(g))	11,531,196	7	12,407,998	8
1780	Intangible assets (Notes (4) and (6)(h))	74,619	-	80,691	-
1900	Other non-current assets (Notes (4), (6)(i), (6)(m), (7) and (8))	1,662,425	1	1,223,820	1
		42,956,577	24	47,564,720	31
	TOTAL ASSETS	$ 179,681,633	100	153,754,906	100

	LIABILITIES AND EQUITY	2018.12.31 Amount	%	2017.12.31 Amount	%
	Current Liabilities :				
2100	Short-term borrowings (Note (6)(j))	$ 25,244,660	14	14,167,878	9
2120	Current financial liabilities at fair value through profit or loss (Notes (4) and (6)(b))	4,958	-	21,669	-
2130	Current contract liabilities (Note (6)(p))	5,850,432	3	-	-
2170	Accounts payable	32,507,121	18	30,096,212	20
2180	Accounts payable due to related parites net (Note (7))	42,944,150	24	30,844,738	20
2230	Current tax liabilities	954,793	1	318,516	-
2200	Other payables (Note (7))	5,767,304	3	5,265,263	3
2322	Long-term borrowings, current portion (Note (6)(j))	250,000	-	-	-
2399	Other current liabilities	5,506,148	3	8,523,323	6
2313	Deferred income	-	-	3,628,059	2
		119,029,566	66	92,865,658	60
	Non-current Liabilities :				
2540	Long-term borrowings (Note (6)(j))	3,350,000	2	3,600,000	2
2640	Net defined benefit liability, non-current (Notes (4) and (6)(l))	633,815	-	657,784	1
2670	Other non-current liabilities, others (Notes (4) and (6)(m))	1,303,771	1	948,627	1
		5,287,586	3	5,206,411	4
	Total Liabilities	124,317,152	69	98,072,069	64
	Equity:				
3110	Ordinary share (Note (6)(n))	35,874,751	20	35,874,751	23
3200	Capital surplus (Note (6)(n))	2,912,889	2	2,913,096	2
	Retained earnings (Note (6)(n)):				
3310	Legal reserve	10,149,619	6	9,474,128	6
3320	Special reserve	107,546	-	-	-
3350	Unappropriated retained earnings (deficit to be offset)	7,966,033	4	7,528,408	5
3400	Other equity interest (Note (6)(n))	(1,646,357)	(1)	(107,546)	-
	Total Equity	55,364,481	31	55,682,837	36
	TOTAL LIABILITIES AND EQUITY	$ 179,681,633	100	153,754,906	100

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

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

INVENTEC CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		2018		2017	
		Amount	%	Amount	%
4110	**Total sales revenue (Notes (4), (6)(p), (6)(q) and (7))**	$ 348,798,356	100	323,126,751	100
5000	**Total operating costs (Notes (4), (6)(e) and (7))**	334,753,253	96	309,064,140	96
	Gross profit from operations	14,045,103	4	14,062,611	4
5910	Less:Unrealized profit (loss) from sales (Note (7))	18,889	-	13,751	-
5920	Add:Realized profit (loss) from sales (Note (7))	13,751	-	15,140	-
	Gross profit from operations	14,039,965	4	14,064,000	4
	Operating expenses (Notes (4)(r)):				
6100	Selling expenses	1,595,103	-	1,764,145	-
6200	Administrative expenses	1,794,062	1	1,970,354	1
6300	Research and development expenses	5,036,707	1	4,770,947	1
6450	Expected credit loss (gain)	6,267	-	-	-
	Total operating expenses	8,432,139	2	8,505,446	2
	Net operating income	5,607,826	2	5,558,554	2
	Non-operating income and expenses (Notes (4), (6)(f) and (6)(s)):				
7010	Other income	63,464	-	44,445	-
7020	Other gains and losses, net	1,093,732	-	(7,797)	-
7050	Finance costs, net	(1,151,655)	-	(737,112)	-
7775	Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	1,978,533	-	3,053,598	-
	Total non-operating income and expenses	1,984,074	-	2,353,134	-
7900	**Profit from continuing operations before tax**	7,591,900	2	7,911,688	2
7950	**Less: Tax expense (Notes (4) and (6)(m))**	1,092,044	-	1,156,776	-
	Profit for the period	6,499,856	2	6,754,912	2
	Other comprehensive income (loss):				
8310	**Items that will not be reclassified subsequently to profit and loss**				
8311	Remeasurements of defined benefit plans	(15,243)	-	(23,969)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(844,849)	-	-	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(25,100)	-	(16,956)	-
8349	Less: Income tax benefit (expense) related to items that will not be reclassified subsequently	3,049	-	4,075	-
	Total items that will not be reclassified subsequently to profit and loss	(882,143)	-	(36,850)	-
8360	**Items that will be reclassified to profit or loss**				
8361	Exchange differences on translation	47,215	-	(111,394)	-
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	-	-	486,121	-
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	(65,106)	-	(1,000,986)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Total items that will be reclassified subsequently to profit and loss	(17,891)	-	(626,259)	-
	Other comprehensive income (net of tax)	(900,034)	-	(663,109)	-
8500	**Total comprehensive income**	$ 5,599,822	2	6,091,803	2
	Earnings per share attributable to stockholders of parent (Notes (4) and (6)(o))				
9750	**Basic earnings per share (NT dollars)**	$	1.81		1.88
9850	**Diluted earnings per share (NT dollars)**	$	1.80		1.87

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, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Capital Stock		Retained Earnings			Other Equity Interest			
	Share Capital	Capital Surplus	Legal Reserve	Special reserve	Unappropriated Retained Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized Gains (Losses) on Available for Sale Financial Assets	Total Equity
Balance at January 1, 2017	$ 35,874,751	2,913,096	8,910,416	-	6,575,897	222,227	-	296,486	54,792,873
Net income (loss) for the period	-	-	-	-	6,754,912	-	-	-	6,754,912
Other comprehensive income (loss) for the period	-	-	-	-	(36,850)	(1,194,586)	-	568,327	(663,109)
Total comprehensive income (loss) for the period	-	-	-	-	6,718,062	(1,194,586)	-	568,327	6,091,803
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	563,712	-	(563,712)	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(5,201,839)	-	-	-	(5,201,839)
Balance at December 31, 2017	35,874,751	2,913,096	9,474,128	-	7,528,408	(972,359)	-	864,813	55,682,837
Effects of retrospective application	-	-	-	-	647,702	-	218,474	(864,813)	1,363
Equity at beginning of period after adjustments	35,874,751	2,913,096	9,474,128	-	8,176,110	(972,359)	218,474	-	55,684,200
Net income (loss) for the period	-	-	-	-	6,499,856	-	-	-	6,499,856
Other comprehensive income (loss) for the period	-	-	-	-	(7,562)	(17,891)	(874,581)	-	(900,034)
Total comprehensive income (loss) for the period	-	-	-	-	6,492,294	(17,891)	(874,581)	-	5,599,822
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	675,491	-	(675,491)	-	-	-	-
Special reserve appropriated	-	-	-	107,546	(107,546)	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(5,919,334)	-	-	-	(5,919,334)
Changes in share of associates and joint ventures accounted for using equity method	-	(207)	-	-	-	-	-	-	(207)
Balance at December 31, 2018	$ 35,874,751	2,912,889	10,149,619	107,546	7,966,033	(990,250)	(656,107)	-	55,364,481

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 CASH FLOWS

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		2018	2017
Cash flows from operating activities:			
Profit before income tax	$	7,591,900	7,911,688
Adjustments:			
Adjustments to reconcile profit before income tax to net cash provided by operating activities			
Depreciation expense		347,395	297,436
Amortization expense		542,980	540,161
Expected credit loss (gain) / provisions for bad debt expenses		6,267	331,955
Interest expense		1,151,655	737,112
Interest income		(63,464)	(44,445)
Dividend income		(28,866)	(36,502)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method		(1,978,533)	(3,053,598)
Loss on disposal of property, plant and equipment		7,218	11,748
Gain on disposal of investments		(64)	(1,094,768)
Unrealized foreign exchange (gain) loss		(253,809)	413,931
Total adjustments to reconcile profit		(269,221)	(1,896,970)
Changes in operating assets and liabilities:			
Changes in operating assets:			
Decrease in financial assets held for trading		-	68,130
Decrease in financial assets at fair value through profit or loss, mandatorily measured at fair value		40,555	-
Increase in accounts receivable		(9,178,676)	(9,933,366)
Increase in other receivables		(24,117,175)	(1,588,814)
Decrease (increase) in inventories		153,267	(1,673,331)
(Increase) decrease in other current assets		(60,079)	23,695
Total changes in operating assets		(33,162,108)	(13,103,686)
Changes in operating liabilities:			
(Decrease) increase in financial liabilities held for trading		(16,711)	21,669
Increase in contract liabilities		547,683	-
Decrease in notes payable		-	(12,132)
Increase in accounts payable		14,829,831	1,402,495
Increase in other payables		444,183	86,358
Decrease in other current liabilities		(1,619,093)	(172,927)
Decrease in net defined benefit liabilities		(39,212)	(75,350)
Increase in deferred income		-	660,388
Total changes in operating liabilities		14,146,681	1,910,501
Total changes in operating assets and liabilities		(19,015,427)	(11,193,185)
Total adjustments		(19,284,648)	(13,090,155)
Cash outflow generated from operations		(11,692,748)	(5,178,467)
Interest received		63,445	44,700
Dividends received		5,849,682	2,512,095
Interest paid		(1,068,934)	(724,523)
Income taxes paid		(207,354)	(1,211,682)
Net cash flows used in operating activities		(7,055,909)	(4,557,877)

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

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

INVENTEC CORPORATION

STATEMENTS OF CASH FLOWS (CONT'D)

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from investing activities:		
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	2,765	-
Proceeds from disposal of available-for-sale financial assets	-	1,206,773
Proceeds from capital reduction of available-for-sale financial assets	-	11,264
Acquisition of financial assets at cost	-	(15,425)
Proceeds from disposal of investments accounted for using equity method	64	-
Proceeds from liquidation of investments accounted for using equity method	13,660	116
Acquisition of property, plant and equipment	(241,683)	(422,222)
Proceeds from disposal of property, plant and equipment	2,554	1,441
Acquisition of intangible assets	(252,421)	(284,870)
Proceeds from disposal of intangible assets	127	-
Increase in other non-current assets	(619,095)	(192,509)
Net cash flows (used in) from investing activities	(1,094,029)	304,568
Cash flows from financing activities:		
Increase in short-term borrowings	11,233,940	4,491,382
Proceeds from long-term borrowings	12,145,000	8,481,600
Repayments of long-term borrowings	(12,145,000)	(8,481,600)
Increase in other non-current liabilities	3,742	(7,185)
Cash dividends paid	(5,919,334)	(5,201,839)
Net cash flows from (used in) financing activities	5,318,348	(717,642)
Net decrease in cash and cash equivalents	(2,831,590)	(4,970,951)
Cash and cash equivalents at beginning of period	5,205,101	10,176,052
Cash and cash equivalents at end of period	$ 2,373,511	5,205,101

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

(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 26, 2019.

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

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

(i) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Company applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Company recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sale of products, revenue was recognized depending on the individual terms of sales agreement, at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue was recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

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

Under IFRS 15, revenue is currently recognized for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

A refund liability and an asset for recovery will be recognized for these contracts and presented separately in the statement of financial position.

2) Rending of services

Under IFRS 15, the total consideration in the service contracts is allocated to all services based on their stand-alone selling prices. The stand-alone selling prices is determined based on the list prices at which the Company sells the services in separate transactions.

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

3) Impacts on financial statements

The following tables summarize the impacts of adopting IFRS15 on the Company's financial statements:

Impacted line items on the balance sheet	December 31, 2018 Balances prior to the adoption of IFRS 15	December 31, 2018 Impact of changes in accounting policies	December 31, 2018 Balance upon adoption of IFRS 15	January 1, 2018 Balances prior to the adoption of IFRS 15	January 1, 2018 Impact of changes in accounting policies	January 1, 2018 Balance upon adoption of IFRS 15
Accounts receivable	$ 77,460,403	11,058	77,471,461	68,636,973	11,065	68,648,038
Other current assets	900,872	265,412	1,166,284	101,953	265,543	367,496
Impact on assets		276,470			276,608	
Other current liabilities	$ 6,814,969	(1,308,821)	5,506,148	8,523,323	(1,398,082)	7,125,241
Deferred income	4,265,141	(4,265,141)	-	3,628,059	(3,628,059)	-
Current contract liabilities	-	5,850,432	5,850,432	-	5,302,749	5,302,749
Impact on liabilities		276,470			276,608	

(ii) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company's approach was to include the impairment of trade receivables in operating expenses. Additionally, the Company adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(f).

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(f).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and other equity as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

  – The determination of the business model within which a financial asset is held.

  – The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

  – The designation of certain investments in equity instruments not held for trading as at FVOCI.

- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Company assumed that the credit risk on its asset will not increase significantly since its initial recognition.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as of January 1, 2018.

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

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and equivalents	Loans and receivables	5,205,101	Amortized cost	5,205,101
Derivative instruments	Held-for-trading	23,286	Mandatorily at FVTPL	23,286
Debt securities and equity instruments	Available-for-sale (note 1)	1,321,067	FVOCI	1,321,067
	Financial assets carried at cost (note 1)	370,916	FVOCI	407,635
Trade and other receivables	Loans and receivables (note 2)	97,372,964	Amortized cost / FVOCI	97,372,964
Other financial assets and guarantee deposits paid	Loans and receivables	21,470	Amortized cost	21,470

Note1: These debt and equity securities (including Available-for-sale and financial assets carried at cost) represent investments that the Company intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as measured at FVOCI, resulting in an increase of $36,719 in those assets recognized, and a decrease of $193,157 in other equity, as well as an increase of $229,876 in retained earnings; also a decrease of $453,182 in other equity and an increase of $417,826 in retained earnings, due to the use of equity method that took effect on January 1, 2018.

Note2: Trade, lease and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost and FVOCI.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
Fair value through profit or loss						
Beginning balance of FVTPL (IAS 39)	$ 23,286	-	-		-	-
Additions – financial instruments:						
From available for sale	-	88,826	-		-	-
Total	$ 23,286	88,826	-	112,112	-	-
Fair value through other comprehensive income						
Beginning balance of available for sale (including measured at cost) (IAS 39)	$ 1,691,983	-	-		-	-
Available for sale to FVOCI	-	-	36,719		229,876	(193,157)
Subtraction – financial instruments:						
To FVTPL – required reclassification	-	(88,826)	-		-	-
Total	$ 1,691,983	(88,826)	36,719	1,639,876	229,876	(193,157)

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

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Company present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(x).

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

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

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

(i) IFRS 16"Leases"

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

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company can choose to apply either of the following:

—IFRS 16 definition of a lease to all its contracts; or

— a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Company plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Company can apply the standard using either of the following:

—retrospective approach; or

—modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Company plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized in profit or loss in 2019 and going on years, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company chooses to elect the following practical expedients:

—apply a single discount rate to a portfolio of leases with similar characteristics.

— adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.

— apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.

— exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.

— use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Company will have to recognize the new assets and liabilities for the operating leases of its land and equipments. The Company estimated that both of the right-of-use assets and the lease liabilities to increase by 10,596 on January 1, 2019. No significant impact is expected for the Company's finance leases. Besides, The Company does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant. Also, the Company is not required to make any adjustments for leases where the Company is the intermediate lessor in a sub-lease.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

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

As of the date, the following IFRSs have been issued by the IASB, but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

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

(4) Significant Accounting Policies

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

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

(a) Statement of compliance

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

(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 measured at fair value through profit or loss are measured at fair value;

2) Fair value through other comprehensive income (Available-for-sale financial assets) are measured at fair value;

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

2.Functional and presentation currency

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

(c) Foreign currencies

1.Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Company at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for Fair value through other comprehensive income (Available for sale) equity investment, which are recognized in other comprehensive income.

2.Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated at the average exchange rate. Translation differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the 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, foreign exchange gains and losses arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

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

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

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

An entity shall classify a liability as current when:

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

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in bank, and 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

1.Financial assets (policy applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

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.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, 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 accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Company, therefore, those receivables are measured at FVOCI and presented as accounts receivable.

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 investment-by-investment basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, derived from debt investments are recognized in profit or loss; whereas dividends derived from equity investments 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 of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

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 otherwise 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.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

4) Impairment of financial assets

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

The Company measures loss allowances at an amount equal to lifetime expected credit loss (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.

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

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

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

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 and 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 1 year past due or the borrower is unlikely to pay its credit obligations to the Company in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. 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. ECLs are discounted at the effective interest rate of the financial asset.

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

·significant financial difficulty of the borrower or issuer;

·a breach of contract such as a default or being more than 1 year past due;

·the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

·it is probable that the borrower will enter bankruptcy or other financial reorganization; or

·the disappearance of an active market for a security because of financial difficulties.

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 recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

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 Company 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 Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

2.Financial assets (policy applicable before January 1, 2018)

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

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term. The Company designates financial assets, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations：

- Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- Performance of the financial asset is evaluated on a fair value basis;
- A hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and included in statement of comprehensive income. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

2) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and included in non-operating income and expense. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in non-operating income and expenses.

3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, other receivables, and investment in debt security with no active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

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

4) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management' s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount, except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before the impairment was recognized at the reversal date.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Impairment losses and recoveries of accounts receivable are recognized in selling expense; impairment losses and recoveries of other financial assets are recognized in profit or loss under non-operating income and expenses.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses on available-for-sale financial assets" in profit or loss is under non-operating income and expenses.

3.Financial liabilities and equity instruments

1) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition.

Financial liabilities are classified as held-for-trading if it is acquired principally for the purpose of selling in the short term. The Company designates financial liabilities, other than those classified as held-for-trading, as at fair value through profit or loss at initial recognition under one of the following situations：

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis;
- Performance of the financial liabilities is evaluated on a fair value basis; or
- A hybrid instrument contains one or more embedded derivatives.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, under non-operating income and expenses.

The Company issues financial guarantee contracts and loan commitments and designates them as at fair value through profit or loss. Any gains and losses are recognized in profit or loss, under non-operating income and expenses.

2) Other financial liabilities

Financial liabilities not classified as held-for-trading, or designated as at fair value through profit or loss, which comprise of loans and borrowings, and trade and other payables, are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in non-operating income and expenses.

3) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

4) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

4.Derivative financial instruments (policy applicable from January 1, 2018)

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Any attributable transaction costs thereof are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and are included in the line item of non-operating income and expenses in the statement of comprehensive income. When the fair value of a derivative instrument is positive, it is classified as a financial asset, whereas when the fair value is negative, it is classified as a financial liability.

5.Derivative financial instruments (policy applicable before January 1, 2018)

Except for the following items, the Group applies the same accounting policies as applicable from January 1, 2018.

For derivatives that are linked to investments in equity instruments that do not have a quoted market price in an active market and must be settled by delivery of such an unquoted equity instrument, such derivatives that are classified as financial assets are measured at cost; and derivatives that are classified as financial liabilities are measured at cost.

(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) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale or distribution rather than through continuing use, are reclassified as held for sale or held for distribution to owners. Immediately before classification as held for sale or held for distribution to owners, the assets, or components of a disposal group, are remeasured in accordance with the Company' s accounting policies. Thereafter, generally, the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group will first be allocated to goodwill, and then to remaining assets and liabilities will be apportioned on a pro rata basis, except that no loss is allocated to assets not within the scope of IAS 36 – Impairment of Assets. Such assets will continue to be measured in accordance with the Company's accounting policies.

Impairment losses on assets initially classified as held for sale or held for distribution to owners and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

When the assets classified as held for sale or held for distribution to owners are intangible assets or property, plant and equipment, they are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(i) Investment in associates

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

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

The financial statements include the Company's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. The Company recognizes any changes, proportionately with shareholding ratio under additional-paid-in capital, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual controlling power.

Unrealized profits resulting from the transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Company's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent the Company has an obligation or has made payments on behalf of the investee.

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

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 shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

The Company ceases to have a significant influence over an associate and shall account for the investment in accordance with IAS 9 and IAS 39 from that date, provided the associate does not become a subsidiary or a joint venture as defined in IAS 31. On the loss of significant influence, the investor shall measure at fair value any investment the investor retains in the former associate. The investor shall recognize in profit or loss any difference between:

1. The fair value of any retained investment and any proceeds from disposing of the part interest in the associate; and

2. The carrying amount of the investment at the date when significant influence is lost.

(j) 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.

(k) Joint Arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. The IFRS classifies joint arrangements into two types-joint operations and joint ventures, and have the following characteristics: (a) The participants are bound by a contractual arrangement; (b) The contractual arrangement gives two or more of those parties joint control of the arrangement. IFRS 11 "Joint Arrangements" defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (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 parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. A joint venturer shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures", unless, the entity is exempted from applying the equity method as specified in that Standard.

When assessing the classification of a joint arrangement, the Company shall consider the structure and legal form of the arrangement, the terms in the contractual arrangement and other facts and circumstances. The Company had previously reviewed the contractual structure of the joint arrangement, and has now decided to reclassify the investments in 「Jointly Controlled Entities」 to 「Joint Venturers」. Although the investments have been reclassified, they are still recorded under the equity method. Thus, there is no effect in the recognized assets, liabilities and other comprehensive income.

(I) Property, plant, and equipment

1. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under other gains and losses.

2. Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance is expensed as incurred.

3. Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated.

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

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

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

(m) Leases

1. Lessor

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

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

2. Lessee

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

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

(n) Intangible assets

1.Research and development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.

2) Its intention to complete the intangible asset and use or sell it.

3) Its ability to use or sell the intangible asset.

4) How the intangible asset will generate probable future economic benefits.

5) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

6) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

2.Other intangible assets

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

3.Subsequent expenditure

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

Depreciable amount of intangible asset is calculated based on the cost of an asset less its residual values.

4.Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with all indefinite useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Computer software cost	1 ~ 6years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates.

(o) Impairment of non-financial assets

The Company assesses non-financial assets, other than the following assets for impairment and estimates the recoverable amounts for any impaired assets at the end of each reporting period:

·Inventories

·Deferred tax assets

·Assets arising from employee benefit

If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for an individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use are required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units.

If the carrying amount of the cash-generating units exceeds the recoverable amount of the unit, the entity shall recognize the impairment loss, and the impairment loss shall be allocated to reduce the carrying amount of each asset in the unit.

Reversal of an impairment loss for goodwill is prohibited.

The Company assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset' s recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount, as a reversal of a previously recognized impairment loss.

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

(p) Provisions

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

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

(q) Treasury stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax. Gains on disposal of treasury shares should be recognized under Capital Reserve – Treasury Shares Transactions; Losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average of different types of repurchase.

During the cancellation of treasury shares, Capital Reserve – Share Premiums and Share Capital should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital reserves arising from similar types of treasury shares; Losses on cancellation of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

(r) Revenue

1.Revenue from contracts with customers (policy applicable from January 1, 2018)

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.

2.Revenue (policy applicable before January 1, 2018)

1) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

2) Service

Revenue from services rendered including consulting and management is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

3) Commissions

When the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission made by the Company.

(s) Employee benefits

1.Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

2.Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the 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. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company reclassified the amounts recognized in other comprehensive income to retained earnings.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, and any change in the present value of the defined benefit obligation.

3.Terminated benefits

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. The Company is required to recognize the termination benefits at the earlier of when the Company can no longer withdraw the offer of those benefits and when it recognizes any related restructuring costs. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

4.Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the 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.

(t) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or these recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, they also include tax adjustments related to prior years.

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

1.Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

2.Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

3.Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

1.The entity has the legal right to settle tax assets and liabilities on a net basis; and

2.the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be 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 profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that the future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(u) Business combination

For those business acquisitions occurring goodwill is measured as the aggregation of the consideration transferred (which generally is measured at fair value at the acquisition date) and the amount of any non-controlling interest in the acquiree, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the residual balance is negative, the Company shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain on the bargain purchase thereafter.

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

The Company shall measure any non-controlling equity interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the shareholder of non-controlling equity interest has the right to claim ownership of the acquiree's net assets when the acquiree is liquidated.

Other non-controlling interest is evaluated by its fair value or by other basis permitted by IFRSs endorsed by F.S.C..

(v) 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 employee bonus and employee compensation.

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

(w) Operating segments

Please refer to the consolidated financial report of Inventec Corporation for the years ended December 31, 2018 and 2017 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.

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

(a) Valuation of inventories

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

(6) Explanation to Significant Accounts

(a) Cash and cash equivalents

	2018.12.31	2017.12.31
Cash	$ 1,065	1,120
Demand deposits and checking accounts	1,645,592	4,477,144
Time deposits	726,854	726,837
Cash and cash equivalents in statement of cash flows	$ 2,373,511	5,205,101

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

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

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

On December 31, 2017, the financial assets which were classified as measured at fair value through profit or loss, held for trading, available-for-sale financial assets and financial assets carried at cost under IAS 39 "Financial Instruments: Recognition and Measurement" were reclassified as mandatorily measured at fair value through profit or loss and at fair value through other comprehensive income under IFRS 9. Please refer to Note 3(a) for the impact of changes and details of conversation.

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

	2018.12.31	2017.12.31
Financial assets at fair value through profit or loss		
Mandatorily measured at fair value through profit or loss:		
Derivative instruments not used for hedging		
Forward exchange contracts	$ 3,997	-
Foreign exchange swap	3,007	
Non-derivative financial assets		
Unsecured convertible bonds	64,553	
Financial assets held-for-trading		
Derivative instruments not used for hedging		
Foreign exchange swap	-	23,286
Total	$ 71,557	23,286
Financial liabilities at fair value through profit or loss		
Held-for-trading financial liabilities		
Forward exchange contracts	$ 3,398	18,613
Foreign exchange swap	1,560	3,056
Total	$ 4,958	21,669

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

The Company holds 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 not applied hedge accounting were classified as held-for-trading financial instruments on December 31, 2018 and 2017:

1) Financial assets:

	2018.12.31			
	Contract Amount		Currency	Maturity Period
Forward	USD	20,000	USD to RMB	2019.02.15
Forward	USD	40,000	USD to TWD	2019.01.07-2019.01.09
Foreign exchange swap	USD	40,000	USD to TWD	2019.01.18-2019.02.01

	2017.12.31			
	Contract Amount		Currency	Maturity Period
Foreign exchange swap	USD	100,000	USD to TWD	2018.01.12-2018.02.07

2) Financial liabilities:

	2018.12.31			
	Contract Amount		Currency	Maturity Period
Foreign exchange swap	USD	40,000	USD to TWD	2019.01.07-2019.01.09
Forward	USD	40,000	USD to TWD	2019.01.18-2019.02.01

	2017.12.31			
	Contract Amount		Currency	Maturity Period
Forward	USD	100,000	USD to TWD	2018.01.12-2018.02.07
Foreign exchange swap	USD	20,000	USD to TWD	2018.02.26

2.Financial assets at fair value through other comprehensive income

		2018.12.31
Equity investments at fair value through other comprehensive income		
Stocks listed on domestic markets	$	574,327
Stocks not listed on domestic markets		217,935
Total	$	792,262

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

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

3.Available-for-sale financial assets and financial assets carried at cost

		2017.12.31
Financial assets:		
Available-for-sale financial assets	$	1,321,067
Financial assets carried at cost		370,916
Total	$	1,691,983
Current	$	1,149,740
Non-current		542,243
Total	$	1,691,983

All of the abovementioned investments in common stock and preferred stock which do not have quoted market prices in an active market and whose fair value cannot be reliably measured were reflected as non-current financial assets carried at cost on initial recognition and subsequently at cost less accumulated impairment losses. There were objective evidences indicating that some financial assets were impaired, and the Company recognized impairment loss for the asset whose carrying value is higher than the recoverable amount.

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

(c) Trade receivables

		2018.12.31	2017.12.31
Accounts receivable due from related parties	$	28,667,039	40,862,216
Accounts receivables due from non-related parties		48,827,590	28,140,375
Less: Allowance for impairment		(23,168)	(354,553)
Allowance for sales returns and discounts		-	(11,065)
	$	77,471,461	68,636,973

The Company has assessed a portion of its trade receivables that was held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; therefore, such trade receivables were measured at fair value through other comprehensive income on January 1, 2018, with the amount of $8,592,912 disclosed on December 31, 2018.

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

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 on December 31, 2018. 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. The loss allowance provision as of December 31, 2018 was determined as follows:

	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Not past due	$ 71,259,806	0.00%~0.50%	22,688
Past due up to 180 days	6,131,309	0.04%~0.5%	438
Past due over 180 days	103,514	0.04%~0.5%	42
	$ 77,494,629		23,168

As of the end of February 28, 2019, the amount that received by the Company is $59,688,767.

As of December 31, 2017, the Company applies the incurred loss model to consider the loss allowance provision of trade receivables, and the aging analysis of trade receivables were as follows:

	2017.12.31	
	Total amount	Impairment
Not past due	$ 55,873,357	15,218
Past due up to 180 days	12,714,456	300
Past due over 180 days	414,778	339,035
	$ 69,002,591	354,553

The movement in the allowance for notes and trade receivables were as follows:

		For the years ended December 31, 2017	
	2018	Individually assessed impairment	Collectively assessed impairment
Balance on January 1, 2018 and 2017 per IAS 39	$ 354,553	6,694	15,904
Adjustment on initial application of IFRS 9	-		
Balance on January 1, 2018 per IFRS 9	354,553		
Impairment losses recognized	6,267	330,961	994
Amount written off	(337,652)	-	-
Balance on December 31, 2018 and 2017	$ 23,168	337,655	16,898

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, 2018 and 2017, none of the receivables above are pledged as collateral for loans and borrowings.

As of December 31, 2018 and 2017, the Company sold its accounts receivable without recourse as follows:

(Unit: Foreign currency/TWD in Thousands)

2018.12.31

Purchaser	Assignment Facility	Factoring Line	Advanced Amount	Range of Interest Rate	Collateral	Significant Transferring Terms	Derecognition Amount
Non-related parties	$ 15,836,237	Note	USD 516,343	3.2200%~ 3.3900%	None	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.	15,836,237

2017.12.31

Purchaser	Assignment Facility	Factoring Line	Advanced Amount	Range of Interest Rate	Collateral	Significant Transferring Terms	Derecognition Amount
Non-related parties	$ 29,517,623	Note	USD 992,856	2.0855%~ 2.5175%	None	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.	29,517,623

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

	2018.12.31	2017.12.31
Other receivables－related parties	$ 52,909,391	28,629,853
Other receivables－non-related parties	69,580	106,138
	$ 52,978,971	28,735,991

As of December 31, 2017, the aging analysis of other receivables was as follows:

	2017.12.31	
	Total amount	Impairment
Not past due	$ 18,712,504	-
Past due up to 180 days	9,517,594	-
Past due over 180 days	505,893	-
	$ 28,735,991	-

(e) Inventories

	2018.12.31	2017.12.31
Raw materials and consumables	$ 491,780	472,535
Work in process	577,460	984,637
Finished goods	1,114,635	879,970
	$ 2,183,875	2,337,142

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

For the years ended December 31, 2018 and 2017, the write-down (write-up) of inventories amounted to $26,563 and $(33,722), respectively. Loss on inventory valuation and obsolescence is due to obsolessence or out of use, which causes the net realizable value to be lower than the cost. Loss on inventory valuation and obsolescence is recognized in operating cost. In addition, when the factor causing the net realizable value to be lower than the cost is disappeared due to obsolescence or disposal, increase of the net realizable value is recognized in deduction of operating cost. For the years ended December 31, 2018 and 2017, expenses of idle capacity amounted to $15,535 and $1,900, respectively.

As of December 31, 2018 and 2017, the aforesaid inventories were not pledged as collateral.

(f) Investments accounted for using equity method

The investment using equity method was as follows:

	2018.12.31	2017.12.31
Subsidiaries	$ 29,103,814	32,984,288
Associates	271,658	325,680
	$ 29,375,472	33,309,968

1.Subsidiaries

Please refer to the consolidated financial statments for the year ended December 31, 2018.

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.

	2018.12.31	2017.12.31
Individually insignificant associates	$ 271,658	325,680

	For the years ended December 31,	
	2018	2017
The Company's share of profit (loss) of the associates		
Profit (loss) from continuing operations	$ (11,000)	(36,666)
Other comprehensive income	(30,595)	(299)
Total comprehensive income	$ (41,595)	(36,965)

As of December 31, 2018 and 2017, the Company's investments under equity method has not been pledged as collaterals.

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

(g) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2018 and 2017 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, 2018	$ 7,140,268	5,372,060	233,886	22,278	2,021,218	894,455	112,902	15,797,067
Additions	-	-	4,907	8,850	46,103	8,908	148,051	216,819
Disposals	-	(10,029)	(652)	(5,105)	(66,483)	(104,974)	-	(187,243)
Other	(660,224)	(249,581)	-	-	48,922	111,154	(244,536)	(994,265)
Balance at December 31, 2018	$ 6,480,044	5,112,450	238,141	26,023	2,049,760	909,543	16,417	14,832,378
Balance at January 1, 2017	$ 7,140,268	5,023,477	232,956	24,917	1,972,459	605,106	540,162	15,539,345
Additions	-	59,243	3,530	4,600	102,698	231,562	6,344	407,977
Disposals	-	-	(2,600)	(7,239)	(53,939)	(86,477)	-	(150,255)
Other	-	289,340	-	-	-	144,264	(433,604)	-
Balance at December 31, 2017	$ 7,140,268	5,372,060	233,886	22,278	2,021,218	894,455	112,902	15,797,067
Depreciation and impairment losses:								
Balance at January 1, 2018	$ -	854,776	228,299	15,650	1,860,823	429,521	-	3,389,069
Depreciation for the period	-	118,519	2,210	4,176	101,078	121,412	-	347,395
Disposals	-	(10,029)	(653)	(5,105)	(66,422)	(97,175)	-	(179,384)
Other	-	(246,062)	-	-	-	(9,836)	-	(255,898)
Balance at December 31, 2018	$ -	717,204	229,856	14,721	1,895,479	443,922	-	3,301,182
Balance at January 1, 2017	$ -	733,671	228,669	21,326	1,824,671	420,362	-	3,228,699
Depreciation for the period	-	121,105	1,864	1,563	89,943	82,961	-	297,436
Disposals	-	-	(2,234)	(7,239)	(53,791)	(73,802)	-	(137,066)
Balance at December 31, 2017	$ -	854,776	228,299	15,650	1,860,823	429,521	-	3,389,069
Carrying amounts:								
Balance at December 31, 2018	$ 6,480,044	4,395,246	8,285	11,302	154,281	465,621	16,417	11,531,196
Balance at December 31, 2017	$ 7,140,268	4,517,284	5,587	6,628	160,395	464,934	112,902	12,407,998
Balance at January 1, 2017	$ 7,140,268	4,289,806	4,287	3,591	147,788	184,744	540,162	12,310,646

As of December 31, 2018 and 2017, the property, plant and equipment were pledged as collateral, please refer to Note 8.

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

(h) Intangible assets

The costs of intangible assets and amortization of the Company for the years ended December 31, 2018 and 2017 were as follows:

		Software cost
Cost:		
Balance at January 1, 2018	$	922,718
Additions		252,421
Disposals		(175,357)
Balance at December 31, 2018	$	999,782
Balance at January 1, 2017	$	883,720
Additions		284,870
Disposals		(245,872)
Balance at December 31, 2017	$	922,718
Amortization and impairment losses:		
Balance at January 1, 2018	$	842,027
Amortization for the period		258,366
Disposals		(175,230)
Balance at December 31, 2018	$	925,163
Balance at January 1, 2017	$	810,067
Amortization for the period		277,832
Disposals		(245,872)
Balance at December 31, 2017	$	842,027
Carrying amounts:		
Balance at December 31, 2018	$	74,619
Balance at December 31, 2017	$	80,691
Balance at January 1, 2017	$	73,653

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

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

	For the years ended December 31,	
	2018	2017
Operating costs	$ 152,448	172,318
Operating expenses	105,918	105,514
Total	$ 258,366	277,832

As of December 31, 2018 and 2017, the aforesaid intangible assets were not pledged as collateral.

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

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

	2018.12.31	2017.12.31
Refundable deposits	$ 33,747	21,470
Non-current asset held-for-sale	738,367	-
Asset for recovery	265,412	-
Deferred Tax Assets	1,211,850	1,107,725
Others	579,333	196,578
	$ 2,828,709	1,325,773

On June 26, 2018, in pursuant to the resolution approved by the Board of the Directors, the Company decided to sell its land and plant, and signed the contract. The related legal transferring process of land and plant, which has yet to be completed on December 31, 2018, was classified as non-current assets held-for-sale, with the selling price of $1,380,000.

As of December 31, 2018 and 2017, the other non-current assets were pledged as collateral, please refer to Note 8.

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

(j) Long-term and short-term borrowings

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

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

	2017.12.31			
	Interest Rate	**Currency**	**Maturity Date**	**Amount**
Unsecured bank loans	0.60%~2.00%	TWD	2018.01.05~2018.01.15	$ 2,500,000
		USD	2018.01.05~2018.02.14	11,667,878
Secured bank loans	1.44%	TWD	2031.02.26	3,600,000
Total				$ 17,767,878
Current				$ 14,167,878
Non-current				3,600,000
Total				$ 17,767,878
Unused credit line				$ 34,946,672

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

(k) Operating Leases

1.Leases as lessee

Non-cancellable operating lease payable were as follows:

	2018.12.31	2017.12.31
Within 1 year	$ 1,300	1,263
Period after 1 to 5 years	4,983	-
	$ 6,283	1,263

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

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

For the years ended December 31, 2018 and 2017, expenses recognized in profit or loss in respect of operating leases were $1,265 and $1,268.

2.Leases as Lessor

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

	2018.12.31	2017.12.31
Within 1 year	$ 84,325	104,159
Period after 1 to 5 years	76,645	155,565
	$ 160,970	259,724

The rental revenues incurred by leasing land, offices and plants were $100,037 and $108,392 for the years ended December 31, 2018 and 2017, respectively.

(l) Employee benefits

1.Defined benefit plans

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

	2018.12.31	2017.12.31
Present value of the defined benefit obligations	$ 1,289,116	1,259,244
Fair value of plan assets	(655,301)	(601,460)
Net defined benefit liabilities	$ 633,815	657,784

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 $651,258 at the end of December 31, 2018. 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.

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

2) Movements in present value of the defined benefit obligations

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

	For the years ended December 31, 2018	2017
Defined benefit obligation at January 1	$ 1,259,244	1,252,905
Current service costs and interest	28,214	23,470
Remeasurement on the net defined benefit liability		
—Experience adjustments arising on the actuarial gain or loss	(4,374)	(65,833)
—Actuarial loss (gain) arising from changes in financial assumptions	35,385	70,449
—Actuarial loss (gain) arising from changes in demography assumptions	-	17,888
Benefits paid by the plan assets	(29,353)	(39,635)
Defined benefit obligation at December 31	$ 1,289,116	1,259,244

3) Movements of defined benefit plan assets

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

	For the years ended December 31, 2018	2017
Fair value of plan assets at January 1	$ 601,460	543,740
Interest income	7,890	6,797
Remeasurement on the net defined benefit liability		
—Return on plan assets (excluding current interest)	15,768	(1,465)
Contributions made	59,536	92,023
Benefits paid by the plan assets	(29,353)	(39,635)
Fair value of plan assets at December 31	$ 655,301	601,460

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

4) Expenses recognized in profit or loss

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

	For the years ended December 31,	
	2018	2017
Current service costs	$ 12,473	7,808
Net interest of net liabilities for defined benefit obligations	7,851	8,865
	$ 20,324	16,673
Operating cost	$ 1,963	1,402
Selling expenses	2,198	1,876
Administration expenses	5,227	4,588
Research and development expenses	10,936	8,807
	$ 20,324	16,673

5) Remeasurement on the net defined benefit liability recognized in other comprehensive income

The Company' s remeasurement on the net defined benefit liability recognized in other comprehensive income were as follows:

	For the years ended December 31,	
	2018	2017
Cumulative amount at January 1	$ (137,591)	(113,622)
Recognized during the period	(15,243)	(23,969)
Cumulative amount at December 31	$ (152,834)	(137,591)

6) Actuarial assumptions

The following are the Company's principal actuarial assumptions:

Present Value of defined benefit obligations:

	2018.12.31	2017.12.31
Discount rate	1.125%	1.25%
Future salary increases rate	1.625%	1.50%

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date was $61,652.

The weighted-average duration of the defined benefit obligation is 11.4 years.

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

7) Sensitivity analysis

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

	Influences of defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2018		
Discount rate	$ (35,699)	37,152
December 31, 2017		
Discount rate	(36,575)	38,113

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 2018 and 2017.

2.Defined contribution plans

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

The pension costs incurred from the contributions to the to the Bureau of the Labour Insurance amounted to \$176,514 and \$162,646 for the years ended December 31, 2018 and 2017, respectively. Except for the accounts payable of \$51,003 and \$48,144 respectively, the Company have been contributed to the Bureau of the Labour Insurance.

(m) Income taxes

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018.

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

1.The components of income tax expense (gain) in the years 2018 and 2017 were as follows:

	For the years ended December 31, 2018	2017
Current tax expense		
Current period	$ 314,187	954,567
Adjustment for prior periods	529,444	3,283
	843,631	957,850
Deferred tax expense		
Origination and reversal of temporary differences	283,417	198,926
Adjustment in tax rate	(35,004)	-
	248,413	198,926
Income tax expense from continuing operations	$ 1,092,044	1,156,776

The amount of income tax recognized in other comprehensive income for 2018 and 2017 was as follows:

	For the years ended December 31, 2018	2017
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	$ 3,049	4,075

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

	For the years ended December 31, 2018	2017
Income before tax	$ 7,591,900	7,911,688
Income tax using the statutory tax rate	1,518,380	1,344,987
Permanent differences	(360,212)	(335,688)
Tax credits	(60,000)	(60,000)
Foreign tax credit	-	(104,286)
Change in unrecognized temporary differences	(533,951)	338,274
Under provision in prior periods	529,444	3,283
Under (over) provision of temporary differences	31,818	(29,794)
Adjustment in tax rate	(35,004)	-
10% surtax on undistributed earnings	1,569	-
Income tax expense	$ 1,092,044	1,156,776

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

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:

	2018.12.31	2017.12.31
Tax effect of deductible Temporary Differences	$ 855,015	1,180,621

2) Recognized Deferred Tax Assets and Liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2018 and 2017 were as follows:

	Gain (loss) on investment	Other	Total
Deferred Tax Liabilities:			
Balance at January 1, 2018	$ 909,370	-	909,370
Recognized in profit or loss	301,264	48,225	349,489
Balance at December 31, 2018	$ 1,210,634	48,225	1,258,859
Balance at January 1, 2017	$ 746,208	61,674	807,882
Recognized in profit or loss	163,162	(61,674)	101,488
Balance at December 31, 2017	$ 909,370	-	909,370

	Deferred Income	Defined Benefit Plans	Others	Total
Deferred Tax Assets:				
Balance at January 1, 2018	$ 616,770	63,932	427,023	1,107,725
Recognized in profit or loss	236,258	3,438	(138,620)	101,076
Recognized in other comprehensive income	-	3,049	-	3,049
Balance at December 31, 2018	$ 853,028	70,419	288,403	1,211,850
Balance at January 1, 2017	$ 504,504	72,666	623,918	1,201,088
Recognized in profit or loss	112,266	(12,809)	(196,895)	(97,438)
Recognized in other comprehensive income	-	4,075	-	4,075
Balance at December 31, 2017	$ 616,770	63,932	427,023	1,107,725

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

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

(n) Capital and reserves

As of December 31, 2018 and 2017, 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:

	2018.12.31	2017.12.31
Share capital	$ 2,891,959	2,891,959
Other	20,930	21,137
	$ 2,912,889	2,913,096

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

2.Retained earnings

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

1) Legal reserve

In accordance with the ROC Company Act, 10 percent of net income should be set aside as legal reserve, until it is equal to share capital. If the Company experienced profit for the year, the meeting of shareholders shall decide on the distribution of the statutory earnings reserve either by new shares or by cash, of up to 25 percent of the actual share capital.

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

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

During the meeting of shareholders on June 14, 2018 and June 16, 2017, the shareholders approved to distribute the 2017 and 2016 earnings, respectively, as follows:

	2017		2016	
	Dividend per share ($)	Amount	Dividend per share ($)	Amount
Dividends distributed to common shareholders				
Cash	$ 1.65	5,919,334	1.45	5,201,839

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

3.Other equity (net of taxes)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total
Balance, January 1, 2018	$ (972,359)	-	864,813	(107,546)
Effects of retrospective application	-	218,474	(864,813)	(646,339)
Balance at January 1, 2018 after adjustments	(972,359)	218,474	-	(753,885)
Exchange differences on foreign operations	47,215	-	-	47,215
Exchange differences on subsidiaries accounted for using equity method	(65,106)	-	-	(65,106)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(844,849)	-	(844,849)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, associates and joint ventures accounted for using equity method	-	(29,732)	-	(29,732)
Balance, December 31, 2018	$ (990,250)	(656,107)	-	(1,646,357)

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

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total
Balance, January 1, 2017	$ 222,227	296,486	518,713
Exchange differences on foreign operations	(111,394)	-	(111,394)
Exchange differences on subsidiaries accounted for using equity method	(1,083,192)	-	(1,083,192)
Unrealized gains (losses) on available-for-sale financial assets	-	486,121	486,121
Unrealized gains (losses) on available-for-sale financial assets of associates accounted for using equity method	-	82,206	82,206
Balance, December 31, 2017	$ (972,359)	864,813	(107,546)

(o) Earnings per share

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

	For the years ended December 31, 2018	2017
Basic earnings per share:		
Profit attributable to ordinary shareholders	$ 6,499,856	6,754,912
Weighted average number of ordinary shares (thousand shares)	3,587,475	3,587,475
Basic earnings per share (NT dollars)	$ 1.81	1.88
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (adjusted for the effects of all dilutive potential ordinary shares)	$ 6,499,856	6,754,912
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	26,691	21,135
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)	3,614,166	3,608,610
Diluted earnings per share (NT dollars)	$ 1.80	1.87

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

(p) Revenue from contracts with customers

1.Disaggregation of revenue

	For the years ended December 31, 2018
Primary geographical markets	
Taiwan	$ 1,151,999
USA	284,349,970
Japan	9,867,553
Hong Kong, Macao and Mainland China	10,360,256
Other countries	43,068,578
	$ 348,798,356
Major products	
Computer product	$ 348,207,598
Rendering of services	590,758
	$ 348,798,356

For details on revenue for the year ended December 31, 2017, please refer to Note 6(q).

2.Contract balances

	2018.12.31	2018.1.1
Contract liabilities	$ 5,850,432	5,302,749

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

The amount of revenue recognized for the year ended December 31, 2018 that was included in the contract liability balance at the beginning of the period was $1,600,517.

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

(q) Revenue

The details of revenue for the year ended December 31, 2017 was as follows:

	For the year ended December 31, 2017
Sale of goods	$ 322,521,196
Rendering of services	605,555
	$ 323,126,751

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

For details on revenue for the year ended December 31, 2018, please refer to Note 6(p).

(r) 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 $490,803 and $422,633 and the remuneration of directors amounted to $97,342 and $118,337 for the years ended December 31, 2018 and 2017, respectively. These amounts are calculated using the Company's profit before tax for each period described above, and are determined using the earnings allocation method which stated under the Company's article. These remuneration were expensed under operating cost or expenses in 2018 and 2017. 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 2018 and 2017 and the amounts stated in the individual reports.

(s) Non-operating income and expenses

1.Other income

The details of other income for the years ended December 31, 2018 and 2017, were as follows:

	For the years ended December 31,	
	2018	2017
Interest income		
Bank deposits	$ 63,464	44,445

2.Other income and losses

The details of other income and losses for the years ended December 31, 2018 and 2017, were as follows:

	For the years ended December 31,	
	2018	2017
Gains on disposal of investments	$ 64	1,094,768
Foreign exchange gains (losses)	821,241	(1,405,437)
Net gains (losses) on financial assets (liabilities) measured at fair value through profit or loss	(46,259)	(25,502)
Other income and losses	318,686	328,374
Net other income and losses	$ 1,093,732	(7,797)

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

3.Finance costs

The details of finance expenses for the years ended December 31, 2018 and 2017, were as follows:

	For the years ended December 31,	
	2018	2017
Interest expenses		
Bank borrowings	$ 623,708	327,091
Others	527,947	410,021
	$ 1,151,655	737,112

(t) Reclassification adjustments of components of other comprehensive income

For the year ended December 31, 2017, the reclassification adjustments of components of other comprehensive income amounted for $1,100,201.

(u) Financial instruments

1.Credit risks

1) Credit risks exposure

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

2) Condition of credit risk concentration

Implicit credit risk of the Company is inherent in its cash and accounts receivable. The cash is deposited in different financial institutions. The Company manages the credit risk exposure with each of these financial institutions and believes that cash do not have a significant credit risk concentration.

The major customers of the Company are centralized in the high-tech computer industry. To minimize credit risk, the Company periodically evaluates the Company's financial positions and the possibility of collecting trade receivables.

Besides, the Company monitors and reviews the recoverable amount of the trade receivables to ensure the uncollectible amount are recognized appropriately as impairment loss.

As of December 31, 2018 and 2017, 71% and 61% of accounts receivable were attributable to two major customers. Thus, credit risk is significantly centralized.

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

2.Liquidity risks

The following are the contractual maturities of financial liabilities of the Company, including estimation of interest, but excluding the impact of netting arrangements:

	Carrying amount	Contractual cash flows	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
December 31, 2018							
Non-derivative financial liabilities							
Unsecured bank loans	$ 25,244,660	25,271,898	25,271,898	-	-	-	-
Secured bank loans	3,600,000	3,917,520	125,620	174,570	345,900	1,011,780	2,259,650
Accounts payable	75,451,271	75,451,271	75,451,271	-	-	-	-
Other payables	2,874,183	2,874,183	2,874,183	-	-	-	-
Forward exchange contracts not used for hedging:							
Outflow	3,398	(1,228,820)	(1,228,820)	-	-	-	-
Inflow	-	1,225,422	1,225,422	-	-	-	-
Foreign exchange swap contracts not used for hedging :							
Outflow	1,560	(1,226,840)	(1,226,840)	-	-	-	-
Inflow	-	1,225,280	1,225,280	-	-	-	-
	$ 107,175,072	107,509,914	103,718,014	174,570	345,900	1,011,780	2,259,650
December 31, 2017							
Non-derivative financial liabilities							
Unsecured bank loans	$ 14,167,878	14,181,937	14,181,937	-	-	-	-
Secured bank loans	3,600,000	3,972,240	25,920	25,920	300,390	1,025,460	2,594,550
Accounts payable	60,940,950	60,940,950	60,940,950	-	-	-	-
Other payables	2,798,792	2,798,792	2,798,792	-	-	-	-
Forward exchange swap contracts not used for hedging :							
Outflow	18,613	(2,983,860)	(2,983,860)	-	-	-	-
Inflow	-	2,965,247	2,965,247	-	-	-	-
Foreign exchange contracts not used for hedging:							
Outflow	3,056	(597,400)	(597,400)	-	-	-	-
Inflow	-	594,344	594,344	-	-	-	-
	$ 81,529,289	81,872,250	77,925,930	25,920	300,390	1,025,460	2,594,550

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

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

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:

	2018.12.31		
	Foreign currency (In thousand)	**Exchange rate**	**TWD**
Financial assets			
Monetary items			
USD	$ 4,301,987	USD：TWD 30.67	131,941,941
Non-monetary items			
USD	63,027	USD：TWD 30.67	1,933,037
	136,932	USD：CNY 4.47	611,919
Financial Liabilities			
Monetary items			
USD	3,320,293	USD：TWD 30.67	101,833,386

	2017.12.31		
	Foreign currency (In thousand)	**Exchange rate**	**TWD**
Financial assets			
Monetary items			
USD	$ 3,405,081	USD：TWD 29.73	101,233,058
Non-monetary items			
USD	59,763	USD：TWD 29.73	1,776,754
Financial Liabilities			
Monetary items			
USD	2,489,029	USD：TWD 29.73	73,998,832

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, 2018 and 2017 would have increased or decreased the net profit after tax by $120,434 and $113,022, respectively. The analysis is performed on the same basis for both periods.

3) Gains or losses on foreign exchange

For the years ended December 31, 2018 and 2017, the foreign exchange gain (loss), including realized and unrealized, amounted to $821,241 and $(1,405,437), respectively. As Company deals with diverse foreign currencies, therefore, the gains or losses on foreign exchange can not be fully disclosured 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 $14,400 and$14,940 for the years ended December 31, 2018 and 2017, 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).

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

Financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income (available-for-sale financial assets) is measured on a recurring basis. However, for financial instruments not measured at fair value whose carrying amount is estimated reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, the disclosure of their fair value information is not required :

	2018.12.31				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Derivative financial assets	$ 7,004	-	7,004	-	7,004
Non derivative financial assets mandatorily measured at fair value through profit or loss	64,553	-	-	64,553	64,553
Subtotal	71,557	-	7,004	64,553	71,557
Financial assets at fair value through other comprehensive income					
Stocks of listed companies	513,897	513,897	-	-	513,897
Unquoted equity instruments measured at fair value	278,365	-	60,430	217,935	278,365
Subtotal	792,262	513,897	60,430	217,935	792,262
Financial assets at amortized cost					
Cash and cash equivalents	2,373,511	-	-	-	-
Accounts receivable and other receivables	130,450,432	-	-	-	-
Refurdable deposit	33,747	-	-	-	-
Subtotal	132,857,690	-	-	-	-
Total	$ 133,721,509	513,897	67,434	282,488	863,819
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	$ 4,958	-	4,958	-	4,958
Financial liabilities at amortized cost					
Bank loans	28,844,660	-	-	-	-
Notes payable and accounts payable	75,451,271	-	-	-	-
Other payables	5,767,304	-	-	-	-
Subtotal	110,063,235	-	-	-	-
Total	$ 110,068,193	-	4,958	-	4,958

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

	2017.12.31				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Derivative financial assets	$ 23,286	-	23,286	-	23,286
Available-for-sale financial assets					
Stocks of listed companies	1,149,740	1,149,740	-	-	1,149,740
Unquoted equity instruments	171,327	-	148,604	22,723	171,327
Subtotal	1,321,067	1,149,740	148,604	22,723	1,321,067
Financial assets at cost	370,916	-	-	-	-
Loans and receivables					
Cash and cash equivalents	5,205,101	-	-	-	-
Accounts receivable and other receivables	97,372,964	-	-	-	-
Refundable deposits	21,470	-	-	-	-
Subtotal	102,599,535	-	-	-	-
Total	$ 104,314,804	1,149,740	171,890	22,723	1,344,353
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	$ 21,669	-	21,669	-	21,669
Financial liabilities at amortized cost					
Bank loans	17,767,878	-	-	-	-
Notes payable and accounts payable	60,940,950	-	-	-	-
Other payables	5,265,263	-	-	-	-
Total	$ 83,995,760	-	21,669	-	21,669

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.

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

(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, 2018 and 2017.

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

	At fair value through profit or loss	Fair value through other comprehensive income (Available-for-sale financial assets)
Balance as of January 1, 2018	$ 88,826	291,632
Total gains and losses recognized in		
Profit or loss	(27,477)	-
Other comprehensive income	-	(70,932)
Purchase	3,204	-
Proceeds from capital reduction	-	(2,765)
Balance as of December 31, 2018	$ 64,553	217,935
Balance as of January 1, 2017	$ -	29,517
Total gains and losses recognized in		
Other comprehensive income	-	4,470
Proceeds from capital reduction	-	(11,264)
Balance as of December 31, 2017	$ -	22,723

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

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

For the years ended December 31, 2018 and 2017, total gains and losses included in "unrealized gains and losses from available-for-sale financial assets" and "unrealized gains and losses from financial assets at fair value through other comprehensive income" were as follows:

		For the years ended December 31, 2018	2017
Total gains and losses recognized in:			
In profit or loss, and included "other gains and losses"	$	(27,477)	-
In other comprehensive income, and presented in "unrealized gains and losses from available-for-sale financial assets "		-	4,470
In other comprehensive income, and presented in "unrealized gains and losses from financial assets at fair value through other comprehensive income")		(70,932)	-

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

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation Technique	Significant Non-observable Input	The Relationship between Significant Non-observable Input and Fair Value
Financial assets at fair value through other comprehensive income－equity instruments investments without an active market	Comparable Listed Companies Method	· 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 (Available-for-sale financial assets)－equity instruments investments without an active market	Net Asset Value Method	· Net Asset Value	· No applicable

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

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

			Impact on Fair Value Change on Net income or loss		Impact on Fair Value Change on Other Comprehensive income or loss	
	Input	Variation	Favorable Change	Unfavorable Change	Favorable Change	Unfavorable Change
December 31, 2018						
Financial assets at fair value through other comprehensive income			$			
Equity instruments without an active market	Market Multiple	0.5%	-	-	507	(507)

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

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

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.

	2018.12.31					
	Financial assets that are offset which have an exercisable master netting arrangement or similar agreement					
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not off set in the balance sheet (d) Financial instruments (Note)	Amounts not off set in the balance sheet (d) Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial instruments	$ 4,238	-	4,238	-	-	4,238

	2018.12.31					
	Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement					
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not off set in the balance sheet (d) Financial instruments (Note)	Amounts not off set in the balance sheet (d) Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial instruments	$ 3,704	-	3,704	-	-	3,704

	2017.12.31					
	Financial assets that are offset which have an exercisable master netting arrangement or similar agreement					
				Amounts not off set in the balance sheet (d)		
	Gross amounts of recognized financial 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)	Financial instruments (Note)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial instruments	$ 21,669	-	21,669	-	-	21,669

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

(v) Financial risk management

1.Overview

The Company have exposures to the following risks from its financial instruments:

1) credit risk

2) liquidity risk

3) market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying parent company only financial statements.

2.Risk management framework

The Company are exposed to credit risk, market risk, operating risk and liquidity risk due to its operating activities. To lower the latent unfavorable effects of changing market to the Company's financial performance, the Company have made efforts in identifying and evaluating the risks and avoiding the uncertainty of the market through derivative financial instruments.

The Board of Directors has the overall responsibility for the establishment and oversight of the Company' s risk management framework. The financial units follows the risk management policies, and report the operating status to the Board of Directors regularly. The internal auditors perform regular reviews by taking risk management control procedures and report to the Board of Directors.

3.Credit risk

Please refer to Note 6(u) for the analysis of credit risk of cash, cash equivalent and accounts receivable.

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, 2018, 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, 2018 and 2017, the Company's unused credit line were amounted to $29,069,110 and $34,946,672, 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.

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

2) Interest rate risk

The Company' s interest rate risk arises from long-term borrowings bearing floating interest rates. The fluctuation of the market interest rate changes the floating interest rates of the long-term borrowings, and thus affect the future cash flow. In order to decrease the effect of the market interest rate fluctuation on to the future cash flow, the Company periodically evaluates bank and currency borrowing rate to hedge the cash flow risk caused by the market interest rate fluctuation.

(z) Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, additional paid-in capital, retained earnings of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

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

	2018.12.31	2017.12.31
Total Liabilities	$ 124,317,152	98,072,069
Less: cash and cash equivalents	(2,373,511)	(5,205,101)
Net debt	121,943,641	92,866,968
Total Equity	$ 55,364,481	55,682,837
Debt to equity ratio	220.26 %	166.78 %

According to the Company' s management, there were no changes in the Company' s approach to capital management as of December 31, 2018.

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

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

The Company has no investing and financing activities which did not affect the current cash flow for the year ended December 31, 2018.

Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2018	Cash flows	Non-cash changes: Reclassification	Non-cash changes: Foreign exchange movement	December 31, 2018
Long-term borrowings	$ 3,600,000	-	(250,000)	-	3,350,000
Short-term borrowings(including current portion of long-term borrowings)	14,167,878	11,233,940	250,000	(157,158)	25,494,660
Total liabilities from financing activities	$ 17,767,878	11,233,940	-	(157,158)	28,844,660

(7) Related Party Transactions

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the parent company only financial statements.

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

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

(b) Significant transactions with related parties

1.Sale revenue

The amounts of significant sales transactions and outstanding balances between the Group and related parties were as follows:

	For the years ended December 31,	
	2018	2017
Subsidiaries		
Inventec Holding (North America) Corp.	$ 65,414,426	74,029,552
Inventec (Czech), s.r.o	32,901,012	37,386,652
Other subsidiaries	164,565	29,867
Associates	8	1,139
	$ 98,480,011	111,447,210

After the Company receives the orders from all regions, the production and marketing department arranges to sell semi-finished products to the subsidiaries. The price is determined in accordance with mutual agreements. Since the subsidiaries are the overseas offices providing after-sales and assembling service, there is no other comparable objects, and the average collection terms are 90 days for sales.

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

Unrealized profit (loss) from sales to the subsidiaries of the Company for the years ended December 31, 2018 and 2017 were $18,889 and $13,751 respectively.

2.Purchase

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

	For the years ended December 31,	
	2018	2017
Subsidiaries	258,340,144	219,962,592
Inventec Corporation (Hong Kong) Ltd.		
Other subsidiaries	755,812	871,864
Associates	-	184
	$ 259,095,956	220,834,640

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

For the Company's purchase of materials used for after-sales service from subsidiaries, the price and terms were determined in accordance with mutual agreements with payment terms of 60~90 days. In addition, there is no other vendor as comparison for the Company's purchases to the associates, 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 Company and related parties were as follows:

Financial Statement Account	Related Party Categories	2018.12.31	2017.12.31
Accounts receivable	Subsidiaries		
	Inventec Holding (North America) Corp.	$ 15,381,248	25,309,516
	Inventec (Czech), s.r.o	13,173,039	15,210,478
	Other subsidiaries	112,752	341,137
Accounts receivable	Associates	-	1,085
Other receivables	Subsidiaries		
	Inventec Corporation (Hong Kong) Ltd.	52,836,155	28,548,055
	Other subsidiaries	70,459	74,193
	Associates	2,776	7,605
		$ 81,576,429	69,492,069

Note: Other receivables from subsidiaries are mainly generated from purchasing material for subsidiaries.

4.Accounts payable to Related Parties

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

Financial Statement Account	Related Party Categories	2018.12.31	2017.12.31
Accounts payable	Subsidiaries		
	Inventec Corporation (Hong Kong) Ltd.	$ 42,694,889	30,031,417
	Other subsidiaries	249,261	813,321
Other payables	Subsidiary	230,087	222,850
Other payables	Associates	881	109
		$ 43,175,118	31,067,697

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

(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, 2018 and 2017, the Company purchased property, plant, equipment from subsidiaries, and associates and paid the amount $6,177 and $4,258, respectively.

2) Disposal of property, plant and equipment

For the years ended December 31, 2018 and 2017, the Company sold machinery, office equipment and software to subsidiaries. The total prices were $2,100 and $1,912, respectively, and gain on property disposal were $755 and $388, respectively.

3) For the years ended December 31, 2018 and 2017, the Company purchased software for products from Inventec Corporation (Hong Kong) Ltd., amounted to $152,320 and $171,863, respectively. 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, 2018 and 2017, the unrealized gain on property disposal were $20,412 and $21,174, 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, 2018 and 2017, the unrealized other revenues are both $1,211.

6.After-sale service and product maintenance

The payments of after-sale service and product maintenance to related parties were as follows:

	For the years ended December 31,	
	2018	2017
Subsidiaries		
Inventec Holding (North America) Corp.	$ 436,168	464,401
Inventec Corporation (Hong Kong) Ltd.	379,411	203,516
Other subsidiaries	55,500	60,449
	$ 871,079	728,366

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

7.Others

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

	For the years ended December 31, 2018	2017
Subsidiaries	$ 95,983	101,687
Associates	9,669	13,304
	$ 105,652	114,991

2) For the years ended December 31, 2018 and 2017, the amount of donation for other related parties were $14,000 and $12,000, respectively.

(c) Key management personnel compensation

Key management personnel compensation includes:

	For the years ended December 31, 2018	2017
Short-term employee benefits	$ 388,067	417,445
Post-employment benefit	1,894	4,966
	$ 389,961	422,411

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	2018.12.31	2017.12.31
Refundable deposits (Other non-current assets)	Customs duty guarantee and membership card	$ 33,747	21,470
Land, buildings, structures, machinery and equipment, net (Property, plant and equipment)	Long-term borrowings	5,947,052	6,000,413
Total		$ 5,980,799	6,021,883

(9) Significant Commitments and Contingencies

(a) Major Commitments:

1.Unused standby letters of credit were as follows: None.

2.Promissory notes issued for the bank credit were as follows:

	2018.12.31	2017.12.31
TWD	$ 15,375,000	14,075,000
USD	1,281,000	1,185,000

(b) Contingencies: None.

(10) Losses Due to Major Disasters : None.

(11) Subsequent Events : None.

(12) Other

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

By function / By item	For the years ended December 31, 2018			For the years ended December 31, 2017		
	Operating costs	**Operating and non-operating expense**	**Total**	**Operating costs**	**Operating and non-operating expense**	**Total**
Employee benefits						
Salary	482,976	4,204,510	4,687,486	396,673	4,128,549	4,525,222
Labor and health insurance	37,847	293,131	330,978	27,753	275,912	303,665
Pension	19,125	177,713	196,838	15,560	163,759	179,319
Remuneration of directors	-	122,183	122,183	-	141,388	141,388
Others	14,414	96,805	111,219	13,756	88,754	102,510
Depreciation	42,348	305,047	347,395	23,480	273,956	297,436
Amortization	179,137	363,843	542,980	177,514	362,647	540,161

In 2018 and 2017, the number of employees was 4,301 and 3,897, respectively, of which 4 directors were both not in concurrent employment.

(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, 2018:

1. Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	Inventec (Chongqing) Corp.(Note 2)	Inventec Huan Hsin (Zhejiang) Technology Co., Ltd.	Other current assets	Y	153,945	147,477	147,477	3%	2	-	Working Capital	-	None	-	6,125,735	6,806,372
1	〃	Inventec Asset-Management (Shanghai) Corporation	Other receivables	Y	1,841,600	536,280	536,280	4.6%	2	-	〃	-	〃	-	2,722,549	3,025,054

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		
2	Inventec (Pudong) Technology Corp.(Note 3)	Inventec Asset-Management (Shanghai) Corporation	Other receivables	Y	1,443,354	580,970	265,906	5.225%	2	-	Working Capital	-	〃	-	1,460,490	1,825,612
3	Inventec Appliances (Nanjing) Corp.(Note 4)	Inventec Appliances (XI'AN) Corporation	〃	Y	142,290	116.194	98,318	3.045%	2	-	〃	-	〃	-	324,421	324,421
4	Inventec Appliances (Shanghai) Co., Ltd.(Note 4)	Inventec Appliances (Jiangning) Corp.	〃	Y	835,380	-	-	-	2	-	Pay Bank Loans	-	None	-	1,896,091	1,896,091

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

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

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

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

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

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

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

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

2. Guarantees and endorsements for other parties: None.
3. Securities held as balance sheet date (excluding investment subsidiaries, associates and joint ventures) :

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value (Note1)	
The Company	WK Technology Fund IV Corp.	-	Non-current financial assets at fair value through other comprehensive income	645	4,128	1.52 %	4,128	
〃	Global Strategy Venture Capital Corporation	-	〃	2,835	15,819	6.45 %	15,819	
〃	Arima Communications Corp.	-	〃	21,114	60,430	10.15 %	60,430	
〃	WIN Semiconductors Corp.	-	Current financial assets at fair value through other comprehensive income	4,063	479,397	0.96 %	479,397	
〃	Asia Pacific Telecom Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	5,000	34,500	0.12 %	34,500	

(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, 2018 and 2017

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

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value (Note1)	
The Company	Tomorrow Studio Co., Ltd	-	Non-current financial assets at fair value through other comprehensive income	129	238	0.61 %	238	
〃	Tai Yi Precision Corporation	-	〃	2,540	-	6.67 %	-	
〃	New E Materials Co., Ltd.	-	〃	4,400	36,652	16.00 %	36,652	
〃	Rasilient Systems, Inc. preference share	-	〃	3,632	-	6.20 %	-	
〃	SKSpruce Holding Limited preferred stock	-	〃	3,070	61,340	3.49 %	61,340	
〃	CloudMosa Technologies, Inc. preferred stock	-	〃	235	17,959	2.95 %	17,959	
〃	QEEXO, Co. preferred stock	-	〃	568	9,134	3.11 %	9,134	
〃	Planetary Network Technologies, Inc. preferred stock	-	〃	915	30,670	2.97 %	30,670	
〃	Rescale, Inc. preferred stock	-	〃	355	17,589	1.53 %	17,589	
〃	Sensel, Inc. preferred stock	-	〃	532	24,406	4.23 %	24,406	
〃	SKSpruce Holding Limited convertible short-term note	-	Current financial assets at fair value through profit or loss	-	61,340	- %	61,340	
〃	Planetary Network Technologies, Inc. convertible short-term note	-	〃	-	3,213	- %	3,213	
Inventec (Beijing) Electronics Technology Co., Ltd.	Bank of Communications Pension CNY Financial products	-	〃	-	52,055	- %	52,055	
Inventec Development Japan Corporation	Famm Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	100	13,252	14.30 %	13,252	
Inventec Investments Co., Ltd.	EPISTAR Corporation	-	Current financial assets at fair value through profit or loss	1,761	45,085	0.16 %	45,085	
〃	UCFUNNEL CO LTD	-	Non-current financial assets at fair value through other comprehensive income	83	3,899	5.00 %	3,899	
〃	DIITU GLOBAL INC.	-	〃	1	10	10.00 %	10	
〃	Sagacity Tech. Co., Ltd.	-	〃	79	168	15.00 %	168	
〃	Living Pattern Technology Inc.	-	〃	4	756	13.70 %	756	
E-TON Solar Tech. Co., Ltd	Hua-chuang Automobile Information Technical Center Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	2,830	28,866	0.86 %	28,866	

(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 Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value (Note1)	Note
Inventec Appliances Corp.	EPISTAR Corporation	-	Current financial assets at fair value through profit or loss	500	12,800	0.05 %	12,800	
〃	Rong Cheng Tech. Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,950	-	9.38 %	-	
〃	Tai Yi Precision Corporation	-	〃	635	-	1.67 %	-	
〃	Siano Mobile Silicon Inc.	-	〃	461	-	0.15 %	-	
〃	GCT Semiconductor, Inc.	-	〃	93		0.12 %		
〃	Pandigital Worldwide, Ltd.	-	〃	939	-	4.80 %	-	
〃	3GTMobile Corporation	-	〃	314	-	2.88 %	-	
〃	Linc Global Inc. (Proximiant, Inc.)	-	〃	594	-	5.30 %	-	
Inventec Appliances (Cayman) Holding Corp.	Siano Mobile Silicon Inc.	-	〃	99	-	0.03 %	-	
〃	Leadtone Limited(Class B preferred stock)	-	〃	1,250	-	2.36 %	-	
〃	Digital Chaotex Holdings Ltd.(Class A2 preferred stock)	-	〃	446	-	2.08 %	-	
Inventec Appliances (Shanghai) Co., Ltd.	BOC Guaranteed CNY On Schedule Financial Product	-	Current financial assets at fair value through profit or loss	-	292,229	- %	292,229	
〃	SCSB Winners CNY Financial Product	-	〃	-	326,882	- %	326,882	
Inventec Appliances (Nanjing) Co. Ltd.	〃	-	〃	-	139,842	- %	139,842	
Inventec Appliances (Jiangning) Corp.	〃	-	〃	-	1,343,201	- %	1,343,201	
Inventec Appliances (Nanchang) Corporation	〃	-	〃	-	94,394	- %	94,394	
Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd.	〃	-	〃	-	89,434	- %	89,434	

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 (Chongqing) Corp.	CMBC Wealth Management Services	Current financial assets at fair value through profit or loss	CMBC	-	-	983,711	-	1,047,230	-	2,098,505	2,030,941	67,564	-	-
〃	Win-Win Financial product	〃	CTBC	-	-	-	-	455,100	-	460,390	455,100	5,290	-	-
Inventec (Pudong) Technology Corp.	Win-Win No.3 (Shanghai)-2017 Special Account For Legal Person Account For Legal Person	〃	ICBC	-	-	5,556,736	-	2,797	-	5,724,100	5,559,532	164,567	-	-
Inventec Appliances (Shanghai) Corp.	SCSB Winners CNY Financial Product	〃	Bank of Shanghai	-	-	-	-	1,610,268	-	1,295,685	1,283,386	12,299	-	326,882
〃	BOC Guaranteed CNY On Schedule Financial Product	〃	Bank of China	-	-	364,926	-	1,019,547	-	1,106,445	1,092,244	14,201	-	292,229
〃	BOC Guaranteed CNY Financial Product	〃	〃	-	-	320,648	-	-	-	321,510	320,648	862	-	-
Inventec Appliances (Nanjing) Co. Ltd.	SCSB Winners CNY Financial Product	〃	Bank of Shanghai	-	-	100,365	-	408,109	-	371,878	368,632	3,246	-	139,842
Inventec Appliances (Jiangning) Corp.	〃	〃	〃	-	-	665,489	-	5,702,033	-	5,050,685	5,024,321	26,364	-	1,343,201
Inventec Appliances (Nanchang) Corporation	〃	〃	〃	-	-	31,922	-	381,044	-	321,960	318,571	3,389	-	94,394

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 Corporation	Land and Building	2018.06.26	1998.09.15~2015.11.16	732,133	1,380,000	32% received by the end of 2018.12.31	Note 1	Pegavision Corporation	Non-related parties	Optimize assets	Negotiated based on the valuation report with the amounts of 1,334,816 and 1,363,088	None

Note 1: The legal transferring process has not yet been completed/

Note 2: As of January, 2019, the price has been charged 100%, 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)

			Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		
Name of company	Related party	Nature of relationship	Purchase/ Sale	Amount	Percentage of total purchases/sale	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	Note
The Company	Inventec Holding (North America) Corp.	Subsidiary	Sales	65,414,426	18.75 %	90 days	-	No general trading partner can be compared.	15,381,248	19.85 %	
〃	Inventec (Czech), s.r.o.	〃	Sales	32,901,012	9.43 %	90 days	-	〃	13,173,039	17.00 %	
〃	AIMobile Co., Ltd.	〃	Sales	158,155	0.05 %	60 days	-	〃	112,752	0.15 %	
〃	Inventec Corporation (Hong Kong) Ltd.	〃	Purchases	258,340,144	76.34 %	90 days	-	〃	(42,694,889)	56.59 %	
〃	Inventec Appliances (Jiangning) Corp.	〃	Purchases	426,624	0.13 %	60 days	-	〃	(115,649)	0.15 %	
〃	Inventec (Czech), s.r.o.	〃	Purchases	254,634	0.08 %	90 days	-	〃	(23,545)	0.03 %	
Inventec Holding (North America) Corp.	The Company	Parent	Purchases	65,414,426	90.41 %	90 days	-	〃	(15,381,248)	96.69 %	
〃	Inventec (Pudong) Technology Corp.	Associates	Sales	122,974	0.16 %	90 days	-	〃	38,028	0.56 %	
〃	Inventec (Czech), s.r.o.	〃	Sales	211,550	0.28 %	90 days	-	〃	17,927	0.26 %	
Inventec (Czech), s.r.o.	The Company	Parent	Purchases	32,901,012	94.58 %	90 days	-	〃	(13,173,039)	98.83 %	
〃	〃	〃	Sales	254,634	0.71 %	90 days	-	〃	23,545	0.21 %	
〃	Inventec Holding (North America) Corp.	Associates	Purchases	211,550	0.61 %	90 days	-	〃	(17,927)	0.13 %	
Inventec Corporation (Hong Kong) Ltd.	The Company	Parent	Sales	258,340,144	100.00 %	90 days	-	〃	42,694,889	44.59 %	
〃	Inventec (Pudong) Technology Corp.	Associates	Purchases	42,311,756	16.38 %	90 days	-	〃	(10,729,982)	11.21 %	
〃	Inventec Hi-Tech Corp.	〃	Purchases	2,527,976	0.98 %	90 days	-	〃	(1,456,292)	1.52 %	
〃	Inventec (Chongqing) Corp.	〃	Purchases	213,500,411	82.64 %	90 days	-	〃	(30,508,614)	31.86 %	
Inventec (Pudong) Technology Corp.	Inventec Corporation (Hong Kong) Ltd.	〃	Sales	42,311,756	49.18 %	90 days	-	〃	10,729,982	57.67 %	
〃	Inventec (Shanghai) Corp.	〃	Sales	42,090,474	48.92 %	90 days	-	〃	7,328,218	39.39 %	
〃	Inventec Holding (North America) Corp.	〃	Purchases	122,974	0.14 %	90 days	-	〃	(38,028)	0.00 %	
Inventec Hi-Tech Corp.	Inventec Corporation (Hong Kong) Ltd.	〃	Sales	2,527,976	96.04 %	90 days	-	〃	1,456,292	96.68 %	
〃	AIMobile Co., Ltd.	〃	Sales	109,956	4.18 %	60 days	-	〃	49,296	3.27 %	

			Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		
Name of company	Related party	Nature of relationship	Purchase/ Sale	Amount	Percentage of total purchases/sale	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	Note
Inventec (Shanghai) Corp.	Inventec (Pudong) Technology Corp.	Associates	Purchases	42,090,474	100.00 %	90 days	-	No general trading partner can be compared.	(7,328,218)	99.03 %	
Inventec (Chongqing) Corp.	Inventec Corporation (Hong Kong) Ltd.	〃	Sales	213,500,411	96.47 %	90 days	-	〃	30,508,614	91.21 %	
Inventec Appliances Corp.	Inventec Appliances (Pudong) Corp.	〃	Purchases	76,507,135	97.95 %	1-2 months	-	〃	(15,106,216)	98.69 %	
〃	Inventec Appliances (Jiangning) Corp.	〃	Purchases	1,541,701	1.97 %	1-2 months	-	〃	(196,685)	1.28 %	
〃	Inventec Appliances (USA) Distribution Corp.	〃	Sales	7,753,330	9.66 %	1-2 months	-	〃	2,602,945	17.68 %	
Inventec Appliances (USA) Distribution Corp.	Inventec Appliances Corp.	〃	Purchases	7,753,330	100.00 %	1-2 months	-	〃	(2,602,945)	100.00 %	
Inventec Appliances (Pudong) Corp.	〃	〃	Sales	76,507,135	99.56 %	1-2 months	-	〃	15,106,216	100.00 %	
Inventec Appliances (Jiangning) Corp.	The Company	Parent	Sales	426,624	5.19 %	1-2 months	-	〃	115,649	8.10 %	
〃	Inventec Appliances Corp.	Associates	Sales	1,541,701	18.67 %	1-2 months	-	〃	196,985	13.78 %	
AIMobile Co., Ltd.	The Company	Parent	Purchases	158,155	58.99 %	60 days	-	〃	(112,752)	68.94 %	
〃	Inventec Hi-Tech Corp.	Associates	Purchases	109,956	41.01 %	60 days	-	〃	(49,296)	30.14 %	

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	15,381,248	3.22	1,412,917	Received in the subsequent period	9,913,902	-
〃	Inventec (Czech), s.r.o.	Subsidiary	13,173,039	2.32	4,221,667	Received in the subsequent period	5,929,951	-
〃	Inventec Corporation (Hong Kong) Ltd. (Note)	Subsidiary	52,836,155	-	20,635,145	Received in the subsequent period	30,851,804	-
Inventec Corporation (Hong Kong) Ltd.	The Company	Parent	42,694,889	7.10	914,569	Received in the subsequent period	35,020,164	-
〃	Inventec (Pudong) Technology Corp. (Note)	Associates	25,850,397	-	19,334,903	Received in the subsequent period	5,419,378	-
〃	Inventec Hi-Tech Corp. (Note)	Associates	1,552,404	-	1,300,242	Intensive follow-up on collection	-	-
〃	Inventec (Chongqing) Corp. (Note)	Associates	25,432,426	-	-		25,432,426	-

Name of company	Counter party	Relationship	Ending balance	Turnover balance	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Inventec (Pudong) Technology Corp.	Inventec Corporation (Hong Kong) Ltd.	Associates	10,729,982	4.38	-		4,515,316	-
〃	Inventec (Shanghai) Corp.	Associates	7,328,218	6.46	86,456		6,161,083	-
Inventec Hi-Tech Corp.	Inventec Corporation (Hong Kong) Ltd.	Associates	1,456,292	1.51	914,569	Intensive follow-up on collection	67,539	-
Inventec (Chongqing) Corp.	Inventec Corporation (Hong Kong) Ltd.	Associates	30,508,614	8.57	-		30,437,308	-
Inventec Appliances Corp.	Inventec Appliances (USA) Distribution Corp.	Subsidiary	2,602,945	5.44	-		980,773	-
Inventec Appliances (Pudong) Corp.	Inventec Appliances Corp.	Associates	15,106,216	5.91	-		14,011,049	-
Inventec Appliances (Jiangning) Corp.	Inventec Appliances Corp.	Associates	196,685	4.81	-		196,225	-
Inventec Appliances (Jiangning) Corp.	The Company	Parent	115,649	3.35	-		88,607	-

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)(r).

(b) Information on investment:

The following is the information on investees for the year ended December 31, 2018 (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, 2018			Net income (loss) of the investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	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 %	271,658	(29,313)	(11,001)	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 %	661,918	75,651	75,651	Subsidiary
〃	Inventec Holding (North America) Corp.	USA	Investment of holding company in America	159,003	159,003	5,000	100.00 %	1,271,119	38,451	38,451	〃
〃	Inventec Appliances Corp.	New Taipei City	Wireless terminal products	9,656,877	9,656,877	536,857	100.00 %	11,078,816	2,194,194	2,194,194	〃
〃	Inventec (Cayman) Corp.	Cayman	Holding Company	9,812,963	9,812,963	301,768	100.00 %	14,020,459	461,980	461,980	〃
〃	IEC (Cayman) Corporation	Cayman	Holding Company	739,500	739,500	25,000	100.00 %	958,186	172,148	172,148	〃
〃	Inventec (Czech). S.R.O.	Czech	Computer products assembly operations	85,921	85,921	-	100.00 %	(143,541)	(185,241)	(185,241)	〃
〃	Inventec Investment Co., Ltd.	Taipei	Investment Company	1,000,000	1,000,000	108,800	100.00 %	212,659	(125,562)	(125,562)	〃
〃	Inventec Solar Energy Corporation	Taoyuan	Developing, production and selling of multicrystalline solar cells	1,087,800	1,087,800	108,150	33.45 %	334,211	(823,428)	(275,406)	〃

Investor company	Investee company	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Net income (loss) of the investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares/Units (In thousands)	Percentage of ownership	Carrying value			
The Company	Inventec Development Japan Corporation	Japan	Developing, designing and selling computer peripherals	630,845	644,505	45	100.00 %	24,244	31	31	Subsidiary
〃	E-TON Solar Tech. Co., Ltd.	Tainan	Manufacturing and Selling of solar cells	4,193,723	4,193,723	94,889	29.70 %	621,962	(1,094,606)	(325,132)	〃
〃	AIMobile Co., Ltd.	Taipei	Developing, production and selling of intelligent mobile device	165,000	165,000	16,500	55.00 %	79,459	(42,550)	(23,403)	〃
〃	Inventec Manufacturing (India) Private Limited	India	Computer products assembly operations	281,691	281,691	55,994	99.99 %	(15,678)	(18,180)	(18,178)	〃
Inventec (Cayman) Corp.	TPV-Inventa Holding Ltd.	Hong Kong	Holding Company	1,043,052	1,043,052	302,421	90.00 %	162	(1,446)	-	Associate Company
Inventec Investment Co., Ltd.	Inventec Solar Energy Corporation	Taoyuan	Developing, production and selling of multicrystalline solar cells	150,000	150,000	15,000	4.64 %	46,436	(823,428)	-	〃
〃	E-TON Solar Tech. Co., Ltd.	Tainan	Manufacturing and Selling of solar cells	615,050	615,050	15,813	4.95 %	103,842	(1,094,606)	-	〃
〃	Inventec Manufacturing (India) Private Limited	India	Computer products assembly operations	28	28	6	0.01 %	(2)	(18,180)	-	〃
Inventec Appliances Corp.	Inventec Appliances (Cayman) Holding Corp.	Cayman	Holding Company	6,120,954	6,115,149	199,575	100.00 %	15,884,014	1,793,244	-	Associate Company
〃	Gainia Intellectual Asset Services, Inc.	Taipei	Intellectual property rights integrative services	6,400	6,400	205	38.90 %	1,698	1,094	-	Associate under equity method
〃	Inventec Solar Energy Corporation	Taoyuan	Developing, production and selling of multicrystalline solar cells	311,160	310,800	30,930	9.57 %	95,750	(823,428)	-	Associate Company
Inventec Appliances (Cayman) Holding Corp.	Inventec Appliances (USA) Distribution Corp.	USA	Selling of MP3 Player, PDA and science plotter	24,536	24,536	400	100.00 %	96,507	1,487	-	〃
〃	Inventec Appliances Corporation USA, Inc.	〃	Selling services	1,534	1,534	10	100.00 %	12,147	701	-	〃
〃	Inventec Appliances (Malaysia) SDN. BHD.	Malaysia	Manufacture and sale of electronic materials and products	7,077	-	1,000	100.00 %	6,993	(84)	-	〃

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 required to disclose the share of income/loss of investee .

(c) Information on investment in Mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period (Note 10)
					Out-flow	Inflow						
Inventec (Shanghai) Service Co., Ltd (Note 6)	Multimedia computer and system parts assembling	88,943	(2)	61,340	-	-	61,340	(2,167)	100.00 %	(2,167)	38,045	30,234
Inventec (ChongQing) Service Co., Ltd	Multimedia computer and system parts assembling	30,670	(2)	30,670	-	-	30,670	475	100.00 %	475	45,563	-
Inventec (Pudong) Co., Ltd.	Multimedia computer and system parts assembling	1,533,500	(2)	1,533,500	-	-	1,533,500	(214,631)	100.00 %	(214,631)	643,222	-
Inventec (Shanghai) Co., Ltd. (Note 8)	Multimedia computer and system parts assembling	2,136,857	(2)	904,765	-	-	904,765	33,557	100.00 %	33,557	1,751,520	-
Inventec (ChongQing) Corporation	Multimedia computer and system parts assembling	2,300,250	(2)	2,300,250	-	-	2,300,250	1,358,707	100.00 %	1,358,707	7,562,635	819,076
Inventec (Pudong) Technology Corp.	Multimedia computer and system parts assembling	1,533,500	(2)	1,533,500	-	-	1,533,500	(524,495)	100.00 %	(524,495)	4,564,029	321,599
Inventec Electronics (Tianjin) Co., Ltd. (Note 5)	Software production	153,350	(2)	130,348	-	-	130,348	13,590	100.00 %	13,590	216,402	149,517
Inventec (Beijing) Electronics Technology Co., Ltd.	Software production	44,472	(2)	44,472	-	-	44,472	210	100.00 %	210	77,496	-
Inventec Hi-Tech Corporation	Multimedia computer and system parts assembling	1,533,500	(2)	1,533,500	-	-	1,533,500	9,228	100.00 %	9,228	1,330,851	-
Inventec Huan Hsin (Zhejiang) Technology Co., Ltd.	Complete of the electronic computer and product and sale of external equipment	880,229	(2)	885,719	-	-	885,719	(4,383)	100.00 %	(4,383)	(105,315)	-
Inventec Asset-Management (Shanghai) Corporation (Note 7)	Equipment leasing, storage, technological development and saleof computer	1,913,563	(3)	-	-	-	-	(31,677)	78.00 %	(24,708)	1,438,049	-
Inventec Appliances (Shanghai) Co., Ltd.	Electronic communication and products assemble	1,582,572	(2)	1,475,780	-	-	1,475,780	19,684	100.00 %	19,684	1,896,090	1,535,981
Inventec Appliances (Pudong) Corp.	Electronic communication and products assemble	2,361,590	(2)	2,361,590	-	-	2,361,590	1,248,858	100.00 %	1,263,779	8,634,267	2,297,117
Inventec Appliances (Jiangning) Corp.	Electronic communication and products assemble	2,085,560	(2)	1,288,140	-	-	1,288,140	472,483	100.00 %	475,336	4,691,973	1,636,736
Inventec Appliances (Nanjing) Corp.	House leasing	153,350	(2)	275,462	-	-	275,462	13,947	100.00 %	13,947	363,386	85,353
Inventec Appliances (XI'AN) Corporation	Electronic communication and products assemble	122,680	(2)	122,680	-	-	122,680	7,385	100.00 %	7,385	33,692	-

(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, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period (Note 10)
					Out-flow	Inflow						
Inventec Appliances (Nanchang) Corp.	Electronic communication and products assemble	64,407	(2)	64,407	-	-	64,407	10,948	100.00 %	10,948	148,955	-
APEX Business Management & Consulting (Shanghai) Co., Ltd.	Business Management	2,243	(3)	-	-	-	-	15,508	100.00 %	15,508	38,423	-
Inventec Appliances (Shanghai) Enterprise	Development and consultation on software and hardware; as well as selling of electronic products	1,385	(3)	-	-	-	-	(3)	100.00 %	(3)	31	-
Inventec Appliances (Nanchang) Intelligent Manufacturing Co., Ltd.	Electronic communication and products assemble	268,126	(3)	-	-	-	-	(6,530)	100.00 %	(6,530)	261,714	-

2. Limitation on investment in Mainland China:

Name of Company	Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 3,4)
The Company	9,022,466	9,022,466	-
Inventec Appliances Corp.	5,656,407	5,656,407	6,185,617

Note 1: There are three ways of investments as following:

(a) Direct investment in Mainland China.

(b) Indirect investment in Mainland china through a subsidiary in a third place.

(c) Others

Note 2: The base of recognition of investment income (loss) is the financial statement audited by CPA of the investee company.

Note 3: In accordance with the regulation of amended limitation calculation of Investment Commission in 29 August, 2008, MOEA (IDB) committed the Company were in the scope of operating headquarter; therefore there is no need to calculate the limitation.

Note 4: The upper limit on investment of Inventec Appliances Corp. is the higher of 60% of net value or 60% of consolidated net value.

Note 5: Inventec (Tianjin) Electronics Co., Ltd. increased capital USD 750 thousand dollars by retained earnings in 1996.

Note 6: Inventec (Shanghai) Service Co., Ltd. increased capital USD 900 thousand dollars by retained earnings in 1998.

Note 7: Inventec Asset-Management (Shanghai) Corporation increased its capital by CNY 300,000 thousand by cash.

Note 8: Inventec (Shanghai) Co., Ltd. increased its capital by CNY 234,000 thousand by cash.

Note 9: 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 10: The amount of foreign currencies were exchanged to New Taiwan Dollars in historical exchange rates.

3. Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China for the year ended December 31, 2018, are disclosed in "Information on significant transactions".

(14) Segment Information

Please refer to consolidated financial report of Inventec Corporation for the year ended December 31, 2018.

INVENTEC CORPORATION

Statement of Cash and Cash Equivalents

December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description			Amount
Cash	Petty cash			$ 350
	Foriegn cash			715
	Subtotal			1,065
Cash in bank	Checking accounts			535
	Demand deposits			24,645
	Foriegn deposits	USD	52,788	1,620,412
		JPY	2,330	
		EUR	22	
		CNY	1	
	Time deposits			726,854
	Subtotal			2,372,446
				$ 2,373,511

INVENTEC CORPORATION

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

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Name of financial instrument	Description	Share or units	Par value	Total amount	Interest rate	Acquisition cost	Accumulated impairment	Fair value		Note
								Unit price	Total amount	
WIN Semiconductors Corp.	Stock	4,063	$ 40,630	479,397	- %	113,690	-	118.00	479,397	

INVENTEC CORPORATION

Statement of Trade Receivables

December 31, 2018

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Non-related parties:			
HP		$ 40,006,150	
Dell		2,371,000	
Other		6,450,440	The year-end balance of each client doesn't exceed 5% of the account balance.
Subtotal		48,827,590	
Less: Allowance for impairment		(23,168)	
Net amount		48,804,422	
Related parties:			
Inventec Holding (North America) Corp.		15,381,248	
Inventec (Czech), S.R.O.		13,173,039	
Other		112,752	The year-end balance of each client doesn't exceed 5% of the account balance.
Subtotal		28,667,039	
Less: Allowance for impairment		-	
Net amount		28,667,039	
Total		$ 77,471,461	

INVENTEC CORPORATION

Statement of Other Receivables

December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Non-related parties	Payment on behalf of others	$ 67,571	
Related parties	Payment of materials on behalf of others	52,909,390	
Earned revenue receivable	Interest receivable from bank	2,010	
Total		$ 52,978,971	

Statement of Inventory

Item	Amount		Note
	Cost	Net realized value	
Raw materials	$ 529,276	502,533	
Work in process	584,044	568,760	
Finished goods	1,118,068	1,106,776	
Subtotal	2,231,388	2,178,069	
Less: Allowance for inventory market decline and obsolescence	(47,513)		
Total	$ 2,183,875		

INVENTEC CORPORATION

Statement of Other Current Assets

December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
Prepayments	Premium	$	4,106	
	Other		55,818	
	Subtotal		59,924	
Temporary payments	Other		49,015	
Payment on behalf of others	Other		35,896	
Hold-for-sale asset			738,367	
Asset for recovery			265,412	
Other	Other		17,670	
		$	1,166,284	

INVENTEC CORPORATION

Statement of Changes in Financial Assets Measured at fair Value through Other Comprehensive Income—Non-current

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Name of financial instrument	Beginning Balance		Addition		Decrease		Ending balance		Collateral	Note
	Shares (in thousand)	Fair value	Shares (in thousand)	Amount	Shares (in thousand)	Amount	Shares (in thousand)	Fair value		
Common Stock										
WK Technology Fund IV Corp.	922	$ 7,953	-	-	277	3,825	645	4,128	None	
Global Strategy Venture Capital Corporation	2,835	14,770	-	1,049	-	-	2,835	15,819	〃	
Arima Communications Corp.	42,229	148,604	-	-	21,115	88,174	21,114	60,430	〃	
Tomorrow Studio Co., Ltd.	129	347	-	-	-	109	129	238	〃	
Tai Yi Precision Corporation	2,540	-	-	-	-	-	2,540	-	〃	
Asia Pacific Telecom Co., Ltd.	5,000	49,900	-	-	-	15,400	5,000	34,500	〃	
New E Materials Co., Ltd.	4,400	45,146	-	-	-	8,494	4,400	36,652	〃	
Subtotal		266,720		1,049		116,002		151,767		
Preferred Stock										
CloudMosa Technologies, Inc.	235	59,294	-	-	-	41,335	235	17,959	〃	
Rasilient Systems, Inc.	3,632	-	-	-	-	-	3,632	-	〃	
SKSpruce Holding Limited	3,070	85,846	-	-	-	24,506	3,070	61,340	〃	
QEEXO Co.	568	16,222	-	-	-	7,088	568	9,134	〃	
Planetary Network Technologies Inc.	915	380	-	30,290	-	-	915	30,670	〃	
Rescale Inc.	355	31,943	-	-	-	14,354	355	17,589	〃	
Sensel Inc.	532	29,730	-	-	-	5,324	532	24,406	〃	
Subtotal		223,415		30,290		92,607		161,098		
Total		$ 490,135		31,339		208,609		312,865		

INVENTEC CORPORATION

Statement of Changes in Investments Accounted for Using the Equity Method

For the Year Ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Addition		Decrease		Ending balance			Market Value or Net Assets Value		Collateral	Note
	Shares (in thousand)	Amount	Shares (in thousand)	Amount	Shares (in thousand)	Amount	Shares (in thousand)	Percentage of ownership	Amount	Unit price	Total amount		
Inventec Besta Co., Ltd. (Note 1)	23,405	$ 313,253	-	-	-	41,595	23,405	37.53 %	271,658	12.75	298,414	None	Note
Inventec Corporation (Hong Kong) Ltd.	2,500	581,149	-	80,769	-	-	2,500	100.00 %	661,918	-	661,918	〃	〃
Inventec Holding (North America) Corp.	5,000	1,195,608	-	75,511	-	-	5,000	100.00 %	1,271,119	-	1,271,119	〃	〃
Inventec Appliances Corp. (Note 1)	536,857	14,982,546	-	1,917,087	-	5,820,817	536,857	100.00 %	11,078,816	-	11,078,816	〃	〃
Inventec (Cayman) Corp.	301,768	13,366,924	-	653,535	-	-	301,768	100.00 %	14,020,459	-	14,020,459	〃	〃
IEC (Cayman) Corporation	25,000	759,577	-	198,609	-	-	25,000	100.00 %	958,186	-	958,186	〃	〃
Inventec (Czech), S.R.O.	-	39,643	-	-	-	183,184	-	100.00 %	(143,541)	-	(143,541)	〃	〃
Inventec Development Japan Corporation (Note 1)	45	34,465	-	3,439	-	13,660	45	100.00 %	24,244	-	24,244	〃	〃
Inventec Investment Co., Ltd. (Note 1)	108,800	338,014	-	-	-	125,355	108,800	100.00 %	212,659	-	212,659	〃	〃
Inventec Solar Energy Corporation	108,150	609,617	-	-	-	275,406	108,150	33.45 %	334,211	-	334,211	〃	〃
E-Ton Solar Tech. Co., Ltd.	231,521	948,371	-	-	136,632	326,409	94,889	29.70 %	621,962	4.20	398,533	〃	〃
Manufacturing (India) Private Limited	55,994	2,584	-	-	-	18,262	55,994	99.99 %	(15,678)	-	(15,678)	〃	〃
AI Mobile Co., Ltd.	16,500	102,861	-	-	-	23,402	16,500	55.00 %	79,459	-	79,459	〃	〃
		$ 33,274,612		2,928,950		6,828,090			29,375,472		29,178,799		

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

Note1: The beginning balances include the adjustments of IFRS 9 in retained earnings and other equity. The adjustments are (12,427), (10,529), 4,714, and (17,114), respectively.

INVENTEC CORPORATION

Statement of Other Non-current Assets

December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Deferred expense	Toolings	$ 2,259,869	
Less: Accumulated, depreciation		(1,937,836)	
Deferred tax assets		1,211,849	
Refundable deposits	Membership card and customs duty guarantee	33,747	
Other assets		94,796	
		$ 1,662,425	

INVENTEC CORPORATION

Statement of Short-term Borrowings

December 31, 2018

(In Thousands of New Taiwan Dollars)

Type	Description	Ending balance	Contract Period	Range of interest rate	Loan commitment		Collateral	Note
Short-term borrowings	Fubon Bank	$ 400,000	2018.09.28~2019.03.27	0.74%	USD	80,000	None	
	HSBC	1,993,550	2018.11.20~2019.01.18	3.14%	USD	65,000	〃	
	Citi Bank	5,091,220	2018.11.16~2019.01.23	2.94%~2.99%	USD	190,000	〃	
	DBS Bank	4,597,974	2018.10.12~2019.01.18	2.86%	USD	150,000	〃	
	Mega Bank	2,453,600	2018.11.23~2019.01.23	3.14%	USD	80,000	〃	
	E, Sun Bank	1,472,160	2018.11.05~2019.01.04	2.81%	TWD	1,500,000	〃	
	First Bank	2,300,250	2018.11.02~2019.01.02	2.91%	TWD	2,500,000	〃	
	Hua Nan Bank	2,230,928	2018.11.15~2019.01.14	3.15%	TWD	2,325,000	〃	
	Land Bank	1,226,800	2018.11.15~2019.01.15	3.12%	TWD	1,800,000	〃	
	Bank of Taiwan	3,478,178	2018.12.06~2019.01.04	3.38%	USD	150,000	〃	
		$ 25,244,660						

INVENTEC CORPORATION

Statement of Accounts Payable

December 31, 2018

(In Thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Note
Non-related parties:			
HEWLETT PACKARD INTERNATIONAL PTE LTD.		$ 17,719,284	
HEWLETT PACKARD CARIBE Y ANDINA BV LLC		2,250,321	
HEWLETT PACKARD ENTERPRISE CRL		2,248,498	
Other		10,289,018	The year-end balance of each client doesn't exceed 5% of the account balance.
Subtotal		32,507,121	
Related parties:			
Inventec Corporation (Hong Kong) Ltd.		42,694,889	
Other		249,261	The year-end balance of each client doesn't exceed 5% of the account balance.
Subtotal		42,944,150	
Total		$ 75,451,271	

INVENTEC CORPORATION

Statement of Other Payables

December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Other payables	Payables for purchasing softwares	$ 10,392
	Payables for salary and bonus	2,782,275
	Inventory processing fee	870,584
	Subtotal	2,104,053
Total		$ 5,767,304

Statement of Other Current Liabilities

Item	Description	Amount	Note
Other current liabilities	Advance receipts	$ 805	
	Receipts under custody	59,534	
	Temporary credits	1,536,707	
	Other	3,909,102	
		$ 5,506,148	

INVENTEC CORPORATION

Statement of Long-term Borrowings

December 31, 2018

(In Thousands of New Taiwan Dollars)

Creditor	Description	Amount	Term of contract	Interest rate	Collateral	Note
Hua Nan Bank	Secured borrowings	$ 2,233,333	2016.02.26~2031.02.26	1.44 %	Land and building	No financial covenant
Bank of Taiwan	〃	1,116,667	2016.02.26~2031.02.26	1.44 %	〃	〃
Total		$ 3,350,000				

INVENTEC CORPORATION

Statement of Other Non-current Liabilities

December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Other non-current liabilities	Deferred tax liabilities	$ 1,258,859	
	Unearned revenue	41,791	
	Gaurantee deposits received	3,121	
		$ 1,303,771	

INVENTEC CORPORATION

Statement of Operating Costs

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Amount Subtotal	Amount Total
Cost of goods sold from manufacturing	$	5,897,650
Direct material	521,613	
Add: Raw material, January 1	535,492	
Purchase	1,261,466	
Gain on physical inventory	3	
Less: Raw material, December 31	(529,276)	
Transferred to expense	(116,597)	
Sale	(629,475)	
Direct labor	113,381	
Manufacturing expenses	369,125	
Cost of manufacturing	1,004,119	
Add: Work in process, January 1	993,680	
Purchase	5,079,534	
Less: Work in process, December 31	(584,044)	
Transferred to expense	(69,257)	
Transferred to warranty	(3,977)	
Cost of finished goods	6,420,055	
Add: Finished goods, January 1	882,045	
Less: Finished goods, December 31	(1,118,068)	
Transferred to expense	(269,121)	
Transferred to warranty	(17,261)	
Cost of material sold		629,475
Cost of merchandise sold (triangle trade)		327,754,148
Gain from price recovery of inventory		(26,563)
Cost of warranty		748,423
Expense of idle capacity		15,535
Gain on physical inventory		(3)
Cost of provision of sales return		(265,412)
Total operating costs		$ 334,753,253

INVENTEC CORPORATION

Statement of Selling Expenses

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Decription	Amount	Note
Salary and wages expense		$ 427,230	
Amortization expense		258,037	
Freight		374,044	
Miscellaneous expense		249,586	
Other expense		286,206	
		$ 1,595,103	

Statement of Administrative Expenses

Item	Description	Amount	Note
Salary and wages expense		$ 879,512	
Depreciation expense		149,324	
Miscellaneous expense		191,398	
Other expense		573,828	
		$ 1,794,062	

INVENTEC CORPORATION

Statement of Research and Development Expenses

December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salary and wages expense		$ 3,188,144	
Supplies		471,027	
Examination expense		240,357	
Other expense		1,137,179	
		$ 5,036,707	