Stock Code:8201

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

INVENTEC BESTA CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

With Independent Auditors' Review Report

For the Six Months Ended June 30, 2018 and 2017

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Independent Auditors' Review Report

To the Board of Directors of Inventec Besta Co., Ltd.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Inventec Besta Co., Ltd. and its subsidiaries as of June 30, 2018 and 2017, and the related consolidated statements of comprehensive income for the three and the six months ended June 30, 2018 and 2017, and the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement on Auditing Standard No. 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non- significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to $42,163 thousand and $52,260 thousand, constituting 3.66% and 4.21% of consolidated total assets as of June 30, 2018 and 2017, respectively, total liabilities amounting to $11,881 thousand and $18,266 thousand, constituting 3.19% and 5.28% of consolidated total liabilities as of June 30, 2018 and 2017, respectively, and total comprehensive income (loss) to $(1,545) thousand, $595 thousand, $(362) thousand and $(721) thousand, constituting 7.74%, (2.66%), 0.65% and 1.04%, respectively, of consolidated total comprehensive income (loss) for the three months and the six months ended June 30, 2018 and 2017, respectively.

Furthermore, as stated in Note 6(g), the other equity accounted investments of Inventec

Besta Co., Ltd. and its subsidiaries in its investee companies of $8,389 thousand and $16,103 thousand as of June 30, 2018 and 2017, respectively, and the share of profit(loss) of associates accounted for the using equity method of $(1,529) thousand, $(661) thousand, $(2,493) thousand and $(1,471) thousand for the three months and the six months ended June 30, 2018 and 2017, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Inventec Besta Co., Ltd. and its subsidiaries as of June 30, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three months and the six months ended June 30, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, “Interim Financial Reporting” endorsed by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Shu-Ling Lien and Wan-Wan Lin.

KPMG

Taipei, Taiwan (Republic of
China) August 13, 2018

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A REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS

INVENTEC BESTA CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

June 30, 2018, December 31, 2017, and June 30, 2017

(Expressed in Thousands of New Taiwan Dollars)

		2018.6.30		2017.12.31		2017.6.30	
	ASSETS	Amount	%	Amount	%	Amount	%
	Current Assets：						
1100	Cash and cash equivalents (Note (6)(a))	$ 325,865	28	390,490	31	381,211	31
1150	Notes receivable, net(Note (6)(d))	18,408	2	16,980	1	934	-
1170	Accounts receivable, net (Note (6)(d))	188,781	16	151,032	12	191,951	15
1180	Accounts receivable due from related parties, net (Notes (6)(e) and 7)	5,925	1	1,904	-	5,200	-
1200	Other receivables, net(Notes (6) (e) and 7)	118,604	10	145,517	12	105,689	9
1220	Current tax assets	179	-	294	-	256	-
130X	Inventories(Note (6)(f))	50,400	4	51,090	4	55,712	5
1479	Other current assets, others	25,625	2	36,677	3	18,119	1
1476	Other current financial assets (Note 8)	-	-	-	-	2,017	-
		733,787	63	793,984	63	761,089	61
	Non-current assets：						
1517	Non-current financial assets at fair value through other comprehensive income (Notes 4 and (6)(b))	102,857	9	-	-	-	-
1543	Non-current financial assets at cost (Notes 4 and (6)(c))	-	-	155,400	12	155,400	13
1550	Investments accounted for using equity method(Note (6)(g))	8,389	1	10,841	1	16,103	1
1600	Property, plant and equipment (Note (6)(h))	286,122	25	287,864	23	288,168	24
1780	Intangible assets (Note (6)(i))	10,304	1	11,240	1	12,451	1
1840	Deferred tax assets	3,063	-	3,000	-	3,000	-
1980	Other non-current financial assets (Note 8)	6,293	1	7,132	-	5,338	-
1990	Other non-current assets, others	-	-	606	-	1,159	-
		417,028	37	476,083	37	481,619	39
	TOTAL ASSETS	$ 1,150,815	100	1,270,067	100	1,242,708	100

		2018.6.30		2017.12.31		2017.6.30	
	LIABILITIES AND EQUITY	Amount	%	Amount	%	Amount	%
	Current Liabilities：						
2130	Current contract liabilities (Note (6)(o))	18,774	2	-	-	-	-
2150	Notes payable	14,648	1	6,140	-	-	-
2170	Accounts payable(Note 7)	206,370	18	222,179	17	193,668	16
2200	Other payables (Note 7)	45,138	4	54,473	5	45,877	4
2230	Current tax liabilities	-	-	576	-	95	-
2250	Current provisions	1,346	-	1,220	-	1,152	-
2300	Other current liabilities	13,787	1	43,784	4	16,401	1
		300,063	26	328,372	26	257,193	21
	Non-current Liabilities：						
2570	Deferred tax liabilities	12,699	1	11,819	1	11,518	1
2640	Net defined benefit liability, non-current	57,688	5	59,730	5	74,294	6
2670	Other non-current liabilities, others	1,618	-	2,320	-	3,025	-
		72,005	6	73,869	6	88,837	7
	Total Liabilities	372,068	32	402,241	32	346,030	28
	Equity attributable to owners of parent：(Note (6)(m))						
3100	Ordinary share	623,663	55	623,663	49	623,663	50
3200	Capital surplus	198,959	17	296,189	23	296,189	23
3300	Retained earnings	(36,748)	(3)	(97,230)	(8)	(66,909)	(5)
3400	Other equity interest	(7,127)	(1)	45,204	4	43,735	4
	Total Equity	778,747	68	867,826	68	896,678	72
	TOTAL LIABILITIES AND EQUITY	$ 1,150,815	100	1,270,067	100	1,242,708	100

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

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REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS

INVENTEC BESTA CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Three and the Six Months Ended June 30, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		For the three Months ended June 30,				For the six Months ended June 30,			
		2018		2017		2018		2017	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Sales revenue (Notes 4,(6)(p) and 7)	$ 237,426	100	238,758	100	695,642	100	624,687	100
5000	Operating costs (Notes (6)(f))	(201,342)	(85)	(192,896)	(81)	(605,144)	(87)	(541,284)	(87)
	Gross profit from operations	36,084	15	45,862	19	90,498	13	83,403	13
5910	Less :Unrealized profit (loss) from sales	(45)	-	204	-	(537)	-	(967)	-
5920	Add: Realized profit (loss) on from sales	-	-	-	-	836	-	763	-
		36,129	15	46,066	19	90,797	13	83,199	13
	Operating expenses:								
6100	Selling expenses	(27,413)	(12)	(30,245)	(12)	(61,458)	(9)	(60,467)	(10)
6200	Administrative expenses	(14,632)	(6)	(18,609)	(8)	(29,345)	(4)	(36,957)	(6)
6300	Research and development expenses	(24,787)	(10)	(23,830)	(10)	(48,871)	(7)	(44,950)	(7)
6450	Expected credit gain (loss)	335	-	-	-	335	-	-	-
	Total operating expenses	(66,497)	(28)	(72,684)	(30)	(139,339)	(20)	(142,374)	(23)
	Net-operating loss	(30,368)	(13)	(26,618)	(11)	(48,542)	(7)	(59,175)	(10)
	Non-operating income and expenses:								
7010	Other income (Note (6)(r))	4,846	2	2,960	1	8,203	1	6,825	1
7020	Other gains and losses(Note (6)(r))	15,029	6	626	-	6,379	1	(12,585)	(2)
7050	Finance costs(Note (6)(r))	(16)	-	(9)	-	(71)	-	(12)	-
7060	Share of loss of associates accounted for using equity method(Note (6)(g))	(1,529)	(1)	(661)	-	(2,493)	-	(1,471)	-
	Total non-operating income and expenses	18,330	7	2,916	1	12,018	2	(7,243)	(1)
7900	Loss from continuing operations before tax	(12,038)	(6)	(23,702)	(10)	(36,524)	(5)	(66,418)	(11)
7950	Less: Tax expense (Note (6)(l))	(7)	-	(103)	-	(224)	-	(491)	-
	Loss for the period	(12,045)	(6)	(23,805)	(10)	(36,748)	(5)	(66,909)	(11)
	Other comprehensive income (loss):								
8310	Items that will never be reclassified to profit or loss								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(6,648)	(3)	-	-	(19,431)	(3)	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Total items that will not be reclassified subsequently to profit or loss	(6,648)	(3)	-	-	(19,431)	(3)	-	-
8360	Components of other comprehensive income that will be reclassified to profit or loss								
8361	Foreign operations – foreign currency translation differences	(828)	-	1,468	1	990	-	(3,106)	-
8370	Share of other comprehensive income of associates accounted for using equity method	66	-	269	-	40	-	(191)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(495)	-	(297)	-	(818)	-	559	-
	Total items that may be reclassified subsequently to profit or loss	(1,257)	-	1,440	1	212	-	(2,738)	-
	Other comprehensive income (loss) for the year net of tax	(7,905)	(3)	1,440	1	(19,219)	(3)	(2,738)	-
8500	Total comprehensive loss for the period	$ (19,950)	(9)	(22,365)	(9)	(55,967)	(8)	(69,647)	(11)
	Earnings per share (Note (6)(n))								
9750	Basic earnings per share (dollars)	$	(0.19)		(0.38)		(0.59)		(1.07)

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

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REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS

INVENTEC BESTA CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the six months ended June 30, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of Parent					
				Other Equity Interest		
	Capital Stock Share Capital	Capital Surplus	Retained Earnings 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	Total Equity
Balance at January 1, 2017	$ 623,663	390,839	(94,650)	46,473	-	966,325
Net income loss	-	-	(66,909)	-	-	(66,909)
Other comprehensive loss for the period	-	-	-	(2,738)	-	(2,738)
Total comprehensive income (loss) for the period	-	-	(66,909)	(2,738)	-	(69,647)
Other changes in capital surplus:						
Capital surplus used to offset accumulated deficits	-	(94,650)	94,650	-	-	-
Balance at June 30, 2017	**$ 623,663**	**296,189**	**(66,909)**	**43,735**	**-**	**896,678**
Balance at January 1, 2018	$ 623,663	296,189	(97,230)	45,204	-	867,826
Effects of retrospective application	-	-	-	-	(33,112)	(33,112)
Adjusted Balance as of January 1, 2018	623,663	296,189	(97,230)	45,204	(33,112)	834,714
Net income loss	-	-	(36,748)	-	-	(36,748)
Other comprehensive loss for the period	-	-	-	212	(19,431)	(19,219)
Total comprehensive loss for the period	-	-	(36,748)	212	(19,431)	(55,967)
Other changes in capital surplus:						
Capital surplus used to offset accumulated deficits	-	(97,230)	97,230	-	-	-
Balance at June 30, 2018	**$ 623,663**	**198,959**	**(36,748)**	**45,416**	**(52,543)**	**778,747**

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

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INVENTEC BESTA CO., LTD. AND ITS SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended June 30, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30,	
	2018	2017
Cash flows from operating activities:		
Loss before income tax	$ (36,524)	(66,418)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	3,497	5,158
Amortization expense	3,830	13,587
Expected credit loss / provisions for bad debt expenses	(335)	2,655
Interest expense	71	12
Interest income	(2,031)	(2,190)
Share of losses of associates and joint ventures accounted for using equity method	2,493	1,471
(Gain) loss on disposal of property, plant and equipment	-	27
Total adjustments to reconcile profit	7,525	20,720
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in notes receivable	(1,435)	4,023
Increase in accounts receivable	(36,858)	(95,444)
Decrease (increase) in accounts receivable due from related parties	(4,021)	2,282
Decrease (increase) in other receivable	27,928	(42,986)
Decrease (increase) in inventories	690	(14,160)
Decrease (increase) in other current assets	12,124	(5,779)
Total changes in operating assets	(1,572)	(152,064)
Changes in operating liabilities:		
Increase in notes payable	8,507	-
Increase (decrease) in accounts payable	(15,876)	105,614
Decrease in other payable	(10,492)	(364)
Increase in current provisions	125	594
Decrease in contract liabilities	(15,656)	-
Increase (decrease) in other current liabilities	3,549	(12,775)
Decrease in net defined benefit liabilities, non-current	(2,042)	(7,625)
Increase (decrease) in deferred credits	(299)	204
Total changes in operating liabilities	(32,184)	85,648
Total changes in operating assets and liabilities	(33,756)	(66,416)
Total adjustments	(26,231)	(45,696)
Cash inflow (outflow) generated from operations	(62,755)	(112,114)
Interest received	1,966	2,161
Interest paid	(61)	(12)
Income taxes paid	(686)	(8,589)
Net cash flows from (used in) operating activities	(61,536)	(118,554)
Cash flows from investing activities:		
Disposal of available-for-sale financial assets	-	15,935
Acquisition of property, plant and equipment	(2,382)	(1,668)
Proceeds from disposal of property, plant and equipment	-	33
Decrease(increase)in refundable deposits	840	(225)
Acquisition of intangible assets	(2,032)	(2,539)
Increase in other financial assets	-	(22)
Decrease(increase) in other non-current assets	606	(1,159)
Net cash flows from (used in) from investing activities	(2,968)	10,355
Cash flows from financing activities:		
Decrease in other non-current liabilities	(404)	(404)
Net cash flows (used in) from financing activities	(404)	(404)
Effect of exchange rate changes on cash and cash equivalents	283	(2,404)
Net Increase (decrease) in cash and cash equivalents	(64,625)	(111,007)
Cash and cash equivalents at beginning of period	390,490	492,218
Cash and cash equivalents at end of period	$ 325,865	381,211

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

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

(1) Overview

Inventec Besta Co., Ltd. ("the Company") was incorporated on February 17, 1989 as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company's registered office is 10F, No.36, Ln. 513, Ruiguang Rd., Neihu Dist., Taipei City, Taiwan. The Company and its subsidiaries ("the Group") were engaged primarily in the design, research, development, and sale of electronic dictionaries, electrical dictionaries, digital products, ect, and cloud business. On August 21, 2007, the Taiwan Stock Exchange Corporation (TWSE) approved the IPO of the Company, and the Company's first trading began on October 29 of the same year.

(2)Financial Statements Authorization Date and Authorization Process

The consolidated financial statements were authorized for issuance by the Board of Directors on August 13, 2018.

(3)New Standards, amendments and Interpretations 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 "Clarifications of 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 Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 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 Group 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 Group 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 when the goods loaded on board the ship, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is 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 some made-to-order paper product contracts, the customer controls all of the work in progress as the products are being manufactured. When this is the case, revenue will be recognized as the products are being manufactured. This will result in revenue, and some associated costs, for these contracts being recognized earlier than at present – i.e. before the goods loaded on board the ship

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.

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

Otherwise, 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 will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Group sells the services in separate transactions.

The Group compares with the fair value and the stand-alone selling prices of the services, these amounts are broadly similar, the Group does not expect significant differences in the timing of revenue recognition for these services.

(3)Impacts on financial statements

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

	2018.6.30			2018.1.1		
Impacted line items on the consolidated balance sheet	Balances prior to the adoption of IFRS 15	Impact of changes in accounting policies	Balance upon adoption of IFRS15	Balance prior adoption of IFRS15	Impact of changes in accounting policies	Balance upon adoption of IFRS15
Accounts receivable	$ 212,345	769	213,114	169,916	884	170,800
Impact on assets		769			884	
Current contract liabilities	$ -	(18,774)	(18,774)	-	(34,430)	(34,430)
Other current liabilities	(31,792)	18,005	(13,787)	(43,784)	33,546	(10,238)
Impact on liabilities		(769)			(884)	
Impact on liabilities		(769)			(884)	

(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 Group 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 Group's approach was to include the impairment of trade receivables in operating expenses. Additionally, the Group 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 significant changes in accounting policies due to the application of IFRS 9 are as follows:

(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 Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see Note 4(c).

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(c).

(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 reserves 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 Group 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 Group's financial assets as of January 1, 2018. (no change in measurement categories and carrying amounts for financial liabilities)

	IAS39	IFRS9

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

	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Investments in equity instruments	Financial assets measured at cost (note1)	155,400	FVOCI	122,288
Receivables, net	Loans and receivables (note 2)	315,433	Amortized cost	315,433
Other financial assets (including refundable deposits and restricted cash in banks)	Loans and receivables	7,132	Amortized cost	7,132

(Note1) These equity securities (including financial assets measured at cost) represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI, resulting in a decrease of $33,112 thousand in other equity interest in those assets re- cognized, and a decrease of $33,112 thousand in other equity interest, was recognized 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.

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 other comprehensive income						
Beginning balance of available for sale (including measured at cost) (IAS 39)	$ 155,400	(155,400)	-		-	-
Addition -To FVOCT -Reclassification from available for sales (including measured at cost)	-	155,400	(33,112)		-	(33,112)
Total	$ 155,400	-	(33,112)	122,288	-	(33,112)

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

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

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

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

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements.

The extent and impact of signification changes are as follows:

(i) IFRS 16 "Leases"

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

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.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements, wherein the detailed assessment has yet to be completed. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's discounting rate, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

So far, the most significant impact identified is that the Group will have to recognize a right-of-use asset and a lease liability for its operating leases of offices, plant and warehouse. The related impact for adoption of IFRS 16 by the Company will be disclosed when the Company completes the assessment. No significant impact is expected for the Group's finance leases.

(1) Determining whether an arrangement contains a lease

The Group has an arrangement that was not in the legal form of a lease, for which it concluded that the arrangement contains a lease of equipment under IFRIC 4. On transition to IFRS 16, the Group can choose whether to:

- apply the IFRS 16 definition of a lease to all its contracts; Or
- apply a practical expedient and not reassess whether a contract is, or contains, a lease.

The Group 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.

(2) Transition

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

- retrospective approach; Or・modified retrospective approach with optional practical expedients.
- modified retrospective approach with optional practical expedients. The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, 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 Group is assessing the potential impact of using these practical expedients.

The Group is not required to make any adjustments for leases in which the Group is the lessor except where the Group is the intermediate lessor in a sub-lease.

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

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

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

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

(4) Significant Accounting Policies

(a) Statement of compliance

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated interim financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2017. For the related information, please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2017.

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

(b) Basis of consolidation

1. List of subsidiaries in the consolidated financial statements

Investor	Name of Subsidiary	Primary Business	Shareholding Ratio 2018.6.30	2017.12.31	2017.6.30	Note
The Company	INVENTEC BESTA (BVI) CO., LTD.	Investment management	100%	100%	100%	
〃	BESTA (CAYMAN) CO., LTD.	Investment management	100%	100%	100%	
INVENTEC BESTA (BVI) CO., LTD.	Inventec Besta (XiAn) Co., Ltd.	Design, research and sale of electronic products	100%	100%	100%	(note2)
BESTA (CAYMAN) CO., LTD.	PILOT SUCCESS LTD.	Investment management and import/export trade	100%	100%	100%	(note3)
〃	iSing Music Technology(Beijing) Co., Ltd.	Design, research and sale of online calculator platform software of online calculator	100%	100%	100%	(note1)
〃	Besta (Kunshan) Co., Ltd	Manufacture and sale of consumer electronics and related products	100%	100%	100%	(note2)
PILOT SUCCESS LTD.	Besta Digital Technology Co., Ltd	Sale of electronic dictionaries and PDA-related products	100%	100%	100%	
Besta (Kunshan) Co., Ltd	Kunshan Besta Electronics Limited	Sale of electronic dictionaries and PDA-related products	100%	100%	100%	(note2)

Note 1：Liquidation process of iSing Music Technology (Beijing) Co., Ltd. was completed on May 21, 2018.

Note 2:The Company is an non-significant subsidiaries, its financial statements have not been reviewed.

Note 3：The boards of directors resolved to liquidate PILOT SUCCESS LTD on July 23, 2018. The liquidation is still in process. PILOT SUCCESS LTD.

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

(c) Financial assets (applicable from January 1, 2018)

1. Financial assets

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI). The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets/them.

(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 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 amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an 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 equity investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of debt investments are reclassified to retain earnings instead of profit or loss.

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

(3)Impairment of financial assets

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

The Group 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 Group 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 Group considers reasonable and supportable information that is relevant and available (without undue cost or effort). This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 180 days past due or the borrower is unlikely to pay its credit obligations to the Group 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 Group in accordance with the contract and the cash flows that the Group expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset 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 180 days 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 Group 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 Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets On partial derecognition of a financial assets, 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 account unrealized gains or losses from available for sale financial assets is reclassified to profit or loss, under "other gains and losses, net".

The Group separates the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is charged to profit or loss.

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

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer.

The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below

1. Sale of goods - consumer electronics

The group manufactures and sells a range of consumer electronics in the wholesale market.

Revenue is recognized when the control over a product has been transferred to the customer. The transfer of control refers to the product has been delivered to and accepted by the customer without remaining performance obligations from the Company. Delivery occurs when a product is shipped to the specified location and the risk of loss over the product has been transferred to the customer, as well as when the product is accepted by the customer according to the terms of sales contract, or when the Company has objective evidence that all the acceptance conditions are satisfied.

For certain contracts with volume discounts to customers, revenue are recognized on a net basis of contract price less estimated volume discount. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and only to the extent that it is highly probable that a significant that a significant reversal will not occur.

A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 60 days, which is consistent with market practice.

The group's obligation to provide a refund for faulty products under the standard warranty terms is recognized as a provision details.

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

2. Consulting services and Management services

The IT consulting division provides business IT management, design, implementation and support services. Revenue from providing services is recognized in the accounting period in which the services are rendered.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by VALUE IFRS Plc exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

3. Construction contracts

The Group is engaged in contract of digital computer science and information engineering. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both, the customer pays the fixed amount based on a payment schedule. The consideration is paid by the customer according to the agreed payment terms.

The excess of the amount that has been recognized as revenue over the amount that the Company has issued a bill is recognized as a contract asset. When the entitlement to the payment becomes unconditional, the contract asset is transferred to receivables.

When the outcome of a construction contract cannot be estimated reliably, revenue shall be recognized only to the extent of contract costs incurred that it is probable will be recoverable.

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by the management.

(e) Income taxes

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

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period (and allocated to current and deferred taxes based on its proportionate size).

When tax rate changes during the interim period, the effect of the change in tax rate relating to transactions recognized outside scope of profit or loss is recognized in full in the period in which the change in tax rate occurs. The effect of the change in tax rate relating to transactions recognized in profit or loss is incorporated into estimation of the average annual income tax rate, with corresponding effect recognized throughout the interim periods. Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the effective tax rate at time of realization or liquidation and recognized directly in equity or other comprehensive income as tax expense.

(f)Employee benefits

The pension cost in the consolidated interim financial statements was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

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

The preparation of the consolidated interim financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The principles of preparation of the consolidated interim financial statements and the related significant estimates and underlying assumptions are consistent with Note 5 of the consolidated interim financial statements for the year ended December 31, 2017.

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

(6) Summary of Major Accounts

(a)Cash and cash equivalents

	2018.6.30	2017.12.31	2017.6.30
Cash on hand	$ 476	664	415
Demand deposits	25,137	34,698	17,389
Foreign currency deposits	71,182	45,851	38,800
Time deposits	195,414	208,025	262,913
Cash equivalents	33,656	101,252	61,694
Total	$ 325,865	390,490	381,211

Refer to Note 6(s) for the disclosure of interest rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

(b) Non-current financial assets at fair value through other comprehensive income

	2018.6.30
Equity investments at fair value through other comprehensive income	
Stocks not listed on domestic market	$ 102,857

The Group holds these equity instruments, which are not held for trading at designated fair value through other comprehensive income, for long-term strategic purposes. These investments were recognized at financial assets measured at cost on December 31, 2017 and June 30, 2017.

No strategic investments were disposed as of June 30, 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

Please refer to Note 6(s) for credit risk, including impairment of debt instruments, and market risk of the Group.

The aforesaid financial assets were not pledged as collateral.

(c) Non-current financial assets at cost

1. Details were as follows:

(1) Non-current financial assets at cost

	2018.6.30	2017.12.31	2017.6.30
Domestic stock of non-listed company	$ -	155,400	155,400

The aforementioned investments held by the Group were measured at cost less impairment as of December 31 and June 30, 2017, given that the probabilities for each assumption in the range of estimated fair value of the aforementioned investments held by the Company cannot be reasonably determined, the Company had determined that the fair value thereof could not be reliably measured and therefore were measured at cost less any impairment loss as of December 31, 2017 and June 30, 2017. Those investments were presented under financial assets measured at financial assets measured at FVTOCI as of June 30, 2018.

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

Please refer to Note 6(s) for credit risk and market risk of the Group.

As of December 31 and June 30, 2017, the aforesaid financial assets measured at cost, the Group were not pledged as collateral.

(d) Notes and accounts receivable, net

	2018.6.30	2017.12.31	2017.6.30
Notes receivable	$ 18,452	17,017	934
Account receivable	194,870	153,923	204,179
Less：Allowance for impairment	(208)	(140)	(5,280)
Allowance for sales returns and discounts	-	(884)	(1,748)
	$ 213,114	169,916	198,085

The Group applies the simplified approach to provide for the loss allowance used for expected credit losses, which permit the use of lifetime expected loss provision for all receivables on June 30, 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 incorporate forward looking information. The loss allowance provision as of June 30, 2018 was determined as follows:

	Gross carrying amount	Expected loss rate	Loss allowance provision
Not past due	$ 197,315	0.00%~0.84%	128
Overdue 0 to 30 days	7,139	0.00%~1.72%	50
Overdue 30 to 180days	8,694	0.00%~2.32%	27
Over 181 days past due	174	1.92%~2.52%	3

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

	$ 213,322	208

As of December 31 and June 30, 2017, the Group applies incurred loss model to consider the loss allowance provision of notes and trade receivable. As of December 31 and June 30, 2017, the aging analysis of notes and trade receivable which were past due but not impaired was as follows:

	Gross carrying amount	Expected loss rate	Loss allowance provision
Not past due	$ 197,315	0.00%~0.84%	128
Overdue 0 to 30 days	7,139	0.00%~1.72%	50
Overdue 30 to 180days	8,694	0.00%~2.32%	27
Over 181 days past due	174	1.92%~2.52%	3
	$ 213,322		208

The movement in the allowance for notes and trade receivable were as follow:

		2017	
	2018	Individually assessed impairment	Collectively assessed impairment
balance on January 1, 2018 and 2017(Under IAS 39)	$ 140	4,928	74
Adjustment on initial application of IFRS 9	-		
Balance on January 1, 2018(Under IFRS 9)	140		
Impairment losses recognized	622	520	32
Amounts written off	(554)	(274)	-
Balance on June 30, 2018 and 2017	$ 208	5,174	106

(e) Other receivables, net

	2018.6.30	2017.12.31	2017.6.30
Other receivables	$ 118,993	146,864	108,240
Less: Allowance for impairment loss	(389)	(1,347)	(2,551)
	$ 118,604	145,517	105,689

As of December 31 and June 30, 2017, the aging analysis of other receivable which was past due but not impaired was as follows:

	2017.12.31	2017.6.30
Overdue 1 to 30 days	$ -	-

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

Over 181 days past due		1,004	1
	$	1,004	1

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

		Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2017	$	312	136	448
Impairment loss recognized		1,990	113	2,103
Balance at June 31, 2017	$	2,302	249	2,551

(f) Inventories

		2018.6.30	2017.12.31	2017.6.30
Raw materials and consumables	$	10,237	16,627	9,679
Work in process		5,811	2,754	1,302
Finished goods and supplies in transit		10,960	11,132	22,975
Materials		23,392	20,577	21,756
	$	50,400	51,090	55,712

For the three months and the six months ended June 30, 2018 and 2017, the components of cost:

	For the three months	ended June 30	For the six months	ended June 30
	2018	2017	2018	2017
Cost of goods sold	$199,389	193,605	602,613	542,458
Provision for inventory market price decline	1,953	(709)	2,531	(1,174)
Total	$ 201,342	192,896	605,144	541,284

The allowance for inventory valuation and obsolescence loss was due to the decline of inventory to net realizable value or obsolescence, which was recognized as cost of goods sold. However, its reversal was due to the disappearance of the inventories abandoned that resulted in net realizable value which was lower than the costs, and the increase in net realizable value was due to the decrease of the operation costs.

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

As of June 30, 2018, December 31, 2017, and June 30, 2017 pledged as collateral.

(g)Investments accounted for using equity method

The investment under equity method is as follows:

	2018.6.30	2017.12.31	2017.6.30
1.Associate	$ 8,389	10,841	16,103

Associates consisted of the following:

Associates	Nature of the relationship with the Group	Main operating location/ Registered Country of the Company	Proportion of shareholding and voting rights 2018.6.30	2017.12.31	2017.6.30
IKNOW PTE. LTD.	Associate under equity method	Singapore	47%	47%	47%

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

	107.6.30	106.12.31	106.6.30
Summarized financial information to the carrying amount of Individually insignificant associates	$ 8,389	10,841	16,103

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
The Company' s share of				
Profit for the period	($1,529)	($661)	(2,493)	(1,471)
Other comprehensive income (loss) for the period	66	269	40	(191)
Total comprehensive income for the period	**($1,463)**	**($392)**	**(2,453)**	**(1,662)**

In order to develop the market in Singapore, Malaysia, and Indonesia, the Group invested in Iknow Pte. Ltd. and owns 47% shares of Iknow Pte.Ltd. In 2010.The investment cost was SGD 2,749 (approximately $62,641) as of June

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

30, 2018.

2. Pledged

As of June 30, 2018, December 31, 2017 and June 30, 2017, the investments accounted for using equity method were not pledged as collateral

3. The unviewed financial statements of investments accounted for using equity method Investments were accounted for by the equity method

The share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed.

(h) Property, Plant and Equipment

	Land	Building and Construction	Machinery Building and equipment	Other Facilities	Leasehold Improvements	Total
Carrying amounts:						
Balance at January 1, 2018	$ 154,042	125,012	1,878	6,932	-	287,864
Balance at June 30, 2018	$ 154,042	123,520	1,672	6,888	-	286,122
Balance at January 1, 2017	$ 154,042	128,629	2,592	7,048	-	292,311
Balance at June 30, 2017	$ 154,042	126,396	2,190	5,540	-	288,168

There were no significant additions, disposal, or impairment in property, plant and equipment for the six months ended June 30, 2018 and 2017. The details of depreciation are disclosed in Note 12(a). For other information about the property, plant and equipment, please refer to Note 6(f) of the consolidated financial statements for the year ended December 31, 2017.

(i) Intangible assets

	Goodwill	Royalties	Software	Total
Carrying amounts:				
Balance at January 1, 2018	$ 6,312	4,478	450	11,240
Balance at June 30, 2018	$ 6,312	3,605	387	10,304
Balance at January 1, 2017	$ 6,312	7,837	9,202	23,351
Balance at June 30, 2017	$ 6,312	5,181	958	12,451

1. Amortization and Impairment

For six months ended June 30, 2018 and 2017, the amortization of intangible assets was respectively included in the statement of comprehensive income:

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

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Operating costs	$ -	$5,383	-	6,956
Operating expenses	$2,229	3,177	3,830	6,579

2. Impairment loss and subsequent reversal

The Group performs the impairment test of intangible assets and the recoverable amount is determined based on the value in use. The accumulated impairment losses on electronic dictionary royalties and other royalties amounted to $41,056 and $47,865, respectively, as of June 30, 2018.

(j) Operating leases

For the six months ended June 30, 2018 and 2017, there were no significant changes on lease contracts. Please refer to Note 6(h) of the consolidated financial statements for the year ended December 31, 2017 for other related information.

(k) Employee benefits

1. Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material onetime events since prior fiscal year. As a result, the pension cost in the accompanying interim consolidated financial statements was measured and disclosed according to the actuarial report as of December 31, 2017 and 2016.

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

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Operating cost	$9	9	18	18
Selling expenses	132	199	264	397
Administration expenses	62	91	124	182
Research and	147	158	294	316

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

development expenses				
	$350	**457**	**700**	**913**

2. Defined contribution plans

	For the three months ended June 30		For the six months ended June 30	
	2018	**2017**	**2018**	**2017**
Operating cost	$83	55	156	110
Selling expenses	739	698	1,969	1,290
Administration expenses	409	475	818	945
Research and development expenses	1,566	1,007	2,647	1,984
	$2,797	**2,235**	**5,590**	**4,329**

(1) Income taxes

1. Income tax expense

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. The group recognized the effect of the change in the tax rate all at once in the interim periods.

The Group's income tax expenses were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2018	**2017**	**2018**	**2017**
Current income tax expense				
Current period	**$7**	**103**	**$224**	**491**

The details of income taxes expense (benefit) recognized in other comprehensive income were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2018	**2017**	**2018**	**2017**
Components of other comprehensive income that will not be reclassified subsequently to profit or loss:				
Foreign currency translation	**$495**	**297**	**818**	**-559**

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

differences for foreign operations

2. Status of approval of income tax

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

(m) Capital and other equity

Except as described in the following paragraph, there were no significant changes in the Company's capital stock and other equity components for the six months ended June 30, 2018 and 2017. For other information about the stockholders' equity please refer to Note 6(11) of the consolidated financial statements for the year ended December 31, 2017.

1.Retained earnings

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

On June 27, 2018, the Company's board of directors resolved to offset accumulated deficits the 2017 deficits. On June 20, 2017, the shareholders' meeting resolved to offset accumulated deficits the 2016 deficits. These deficits e were offside as follows：

	2017	2016
Offset accumulated deficits:		
Capital surplus used to offset accumulated deficits	$ 97,230	94,650

2.Other equity, net of tax

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

	Exchange differences on translation of foreign financial statements	Unrealized gains(losses) on financial assets at FVTOCI
Balance at January 1, 2018	$ 45,204	-
Effects of retrospective application	-	(33,112)
Balance at January 1, 2018 after adjustments	45,204	(33,112)
Exchange differences on foreign operations	196	-
Exchange differences on subsidiaries accounted for using equity method	16	-
Unrealized gain (loss) on financial assets at FVTOCI	-	(19,431)
Balance at June 30, 2018	$ 45,416	(52,543)
Balance at January 1, 2017	$ 46,473	-
Exchange differences on foreign operations	(2,578)	-
Exchange differences on subsidiaries accounted for using equity method	(160)	-
Balance at June 30, 2017	$ 43,735	-

(n) Earnings per share

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

	For the three months ended June 30		For the six months ended June 30	
	2018	**2017**	**2018**	**2017**
Basic earnings per share				
Loss attributable to ordinary shareholders	**($12,045)**	**(23,805)**	**(36,748)**	**(66,909)**
Weighted average number of ordinary shares(thousand shares)	**62,366**	**62,366**	**62,366**	**62,366**
Basic earnings per share (NT dollars)	**($0.19)**	**(0.38)**	**(0.59)**	**(1.07)**

(o) Revenue from contracts with customers

(1) Disaggregation of revenue

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

	For the three months ended June 30	For the six months ended June 30
	2018	
Primary geographical markets：		
Taiwan	$114,512	256,397
Mainland China	7,641	23,226
Japan	61,512	313,147
Singapore and Malaysia	16,938	24,069
Hong Kong	2	10,694
Other Countries	36,821	68,109
	$237,426	**695,642**
Major products：		
Dictionaries	$24,356	64,211
Learning Machines	61,777	324,125
Digital Products	3,675	6,041
Auto parts	11,688	23,698
Business Services	88,205	176,724
Others	16,014	50,999
	$237,426	**695,642**

For details on revenue for the six months ended June 30, 2017, please refer to Notes 6(p) and 7.

(2)Contract balances

	2018.6.30	2018.1.1
Accounts receivable	$ 213,322	170,940
Allowance for impairment loss	(208)	(140)
Total	**$ 213,114**	**170,800**

	2018.6.30	2018.1.1
Contract liabilities	**$ 18,774**	**34,430**

Please refer to Note 6(d) for details on accounts receivable and allowance for impairment.

The amount of revenue recognized for the six months ended June 30, 2018 that was included in the contract liability balance at the beginning of the period was $21,584 thousand.

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

(p) Revenue

The details of revenue for the six months ended June 30, 2017 were as follows:

	For the three months ended June 30	For the six months ended June 30
	2017	
Sale of goods	$216,588	590,440
Rendering of services	5,862	5,862
Development revenue	2,543	9,984
Repairs revenue	354	774
Royalty revenue	7,107	11,323
Others revenue	6,304	6,304
	$238,758	**624,687**

Please refer to Note 6(o) for details on revenue for the six months ended June 30, 2018.

(q) Remuneration of employees and directors

In accordance with the Articles of incorporation the Company should contribute no less than 3% of the profit as employee compensation and less than 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the board of directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

The Group had losses before tax for the six months ended June 30, 2018 and 2017. There are no estimate expense of rewards of employees, directors and supervisors.

(r) Non-operating income and expenses

1. Other income

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

	For the three months ended June 30		For the six months ended June 30	
	2018	**2017**	**2018**	**2017**
Interest income				
Bank deposit	$907	967	1,570	1,843
the imputed interest on the rental deposit	137	183	452	347
Rental income	3,802	1,810	6,181	4,635
	$4,846	**2,960**	**8,203**	**6,825**

2. Other income and losses

The details of other income and losses were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2018	**2017**	**2018**	**2017**
Foreign exchange gains (losses), net	$9,395	489	874	(13,246)
Gains (losses) on disposals of property, plant and equipment, net	-	-	-	(27)
Others	5,634	137	5,505	688
	$15,029	**626**	**6,379**	**(12,585)**

Finance Costs

The details of finance expenses were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2018	**2017**	**2018**	**2017**
Interest expenses				
Bank borrowings	$7	9	62	12
the imputed interest on the rental deposit	9	-	9	-
	$16	**9**	**71**	**12**

(s) Financial instruments

There were no significant differences in the Group's exposure to credit risk on financial instruments, except for the following. Please refer to Note 6(p) of the consolidated financial statements for the year ended December 31, 2017 for other related information.

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

1. Credit risks

(1) Credit risk of accounts receivable and debt security

Please refer to Note 6(d) of the exposure to credit risk of accounts receivable and notes receivable. Please refer to Note 6(e) of impairment of financial assets at amortized cost including other receivables for the year ended December 31, 2017. Please refer to Notes 6(b) and 6(c) of details on investments and financial instruments at fair value through other comprehensive income including private stock (financial assets at amortized cost for the year ended December 31, 2017.) for the year ended December 31, 2017.

(2) Liquidity risks

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

	Carrying amount	Contractual cash flows	Within 6 months	6-12months	1-2years	2-5years	More than 5 years
Balance at June 30, 2018							
Non-derivative financial liabilities							
Notes payable	$ 14,648	14,648	14,648	-	-	-	-
Accounts payable	206,370	206,370	206,370	-	-	-	-
Other payables	16,534	16,534	16,534	-	-	-	-
Receipts under custody (accounting for other current liabilities)	2,632	2,632	2,632	-	-	-	-
Refund liabilities (accounting for other non-current liabilities)	1,082	1,082	-	-	1,082	-	-
	$ 241,266	241,266	240,184	-	1,082	-	-
Balance at December 31, 2017							
Non-derivative financial liabilities							
Notes payable	$ 6,140	6,140	6,140	-	-	-	-
Accounts payable	222,179	222,179	222,179	-	-	-	-
Other payables	19,457	19,457	19,457	-	-	-	-
Receipts under custody (accounting for other current liabilities)	3,296	3,296	3,296	-	-	-	-
Refund liabilities (accounting for	1,108	1,108	-	-	1,108	-	-

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

		Carrying amount	Contractual cash flows	Within 6 months	6-12months	1-2years	2-5years	More than 5 years
other non-current liabilities)								
	$	252,180	252,180	251,072	-	1,108	-	-
Balance at June 30, 2017								
Non-derivative financial liabilities								
Accounts payable	$	193,668	193,668	193,668	-	-	-	-
Other payables		16,118	16,118	16,118	-	-	-	-
Receipts under custody (accounting for other current liabilities)		5,848	5,848	5,848	-	-	-	-
Refund liabilities (accounting for other non-current liabilities)		924	924	-	-	924	-	-
	$	216,558	216,558	215,634	-	924	-	-

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or in significantly different amounts.

2. Market risk

(1) Currency risk

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

	2018.6.30				
	Foreign currency (In thousand)		Exchange rate		TWD
Financial assets					
Monetary items					
USD	$	8,798	USD：TWD	30.5700	268,955
		357	USD：CNY	6.6384	10,913
CNY		35	CNY：TWD	4.6050	161
Financial Liabilities					
Monetary items					
USD		5,719	USD：TWD	30.5700	174,830
		53	USD：CNY	6.6384	1,620

	2017.12.31		
	Foreign currency	Exchange rate	TWD

	(In thousand)			
Financial assets				
Monetary items				
USD	$ 14,177	USD：TWD	29.7800	422,191
	329	USD：CNY	6.5379	9,798
CNY	38	CNY：TWD	4.5550	173
Financial Liabilities				
Monetary items				
USD	3,086	USD：TWD	29.7800	91,901
	225	USD：CNY	6.5379	6,701

	2017.6.30			
	Foreign currency (In thousand)	Exchange rate		TWD
Financial assets				
Monetary items				
USD	$ 11,641	USD：TWD	30.3900	353,770
	453	USD：CNY	6.7865	13,767
CNY	41	CNY：TWD	4.4780	184
Financial Liabilities				
Monetary items				
USD	4,208	USD：TWD	30.3900	127,881
	507	USD：CNY	6.7865	15,408

A 5% appreciation or depreciation of the TWD against the USD as at June 30, 2018 and 2017 would have increased or decreased net income by $519 thousand and $1,122 thousand, respectively. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for the six months ended June 30, 2018 and 2017.

(2) Gains or losses on foreign exchange

The exchange gains (losses) of the Group monetary items converted into the functional currency amount, and converted to the parent company's functional currency Taiwan Dollar exchange rate Information were as follow:

For the six months ended June 30,2018		For the six months ended June 30,2017	
Foreign	Average	Foreign	Average exchange

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

	exchange gains	exchange rate	exchange gains	rate
TWD	$ 652	1.000	(13,508)	1.000
CNY	222	4.5800	262	4.5530

4. Interest risk

Please refer to the attached note for the liquidity risk management and the Group's interest rate exposure to its financial assets and liabilities

Please refer to the attached note for the liquidity risk management and the Group's interest rate exposure to its financial assets and liabilities.

If the interest rate increases / decreases by 5%, the Group' s net losses will decrease/increase by $3,000 thousand and $16,000 thousand for the three months ended March 31, 2018 and 2017, respectively, assuming all other variable factors remain constant. This is mainly due to the Group's time deposits and borrows in variable rate.

5. Fair value of financial instruments

(1) Fair value hierarchy

The Group measured its financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income (available-for-sale financial assets) on a recurring basis.

The carrying amount and fair value of the Group' s financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is 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, disclosure of fair value information is not required:

	2018.6.30				
		Fair Value			
	Book Value	Level1	Level2	Level3	Total
Financial assets at fair value through other comprehensive income					

Unquoted equity instruments	$ 102,857	-	-	102,857	102,857
Financial assets at amortized cost					
Cash and cash equivalent	325,865	-	-	-	-
Notes receivable, accounts receivable and other receivables	331,718	-	-	-	-
Other financial assets	6,293	-	-	-	-
Subtotal	663,876	-	-	-	-
Total	**$ 766,733**	**-**	**-**	**102,857**	**102,857**
Financial liabilities at amortized cost					
Notes payable ,accounts payable and other payables	**$ 266,156**	**-**	**-**	**-**	**-**

	2017.12.31				
		Fair Value			
	Book Value	Level1	Level2	Level3	Total
Financial assets at cost	$ 155,400	-	-	-	-
Loans and receivables					
Cash and cash equivalents	390,490	-	-	-	-
Notes receivable, accounts receivable and other receivables	315,433	-	-	-	-
Other financial assets	7,132	-	-	-	-
Subtotal	713,055	-	-	-	-
Total	**$ 868,455**	**-**	**-**	**-**	**-**
Financial liabilities at amortized cost					
Notes payable ,accounts payable and other payables	**$ 282,792**	**-**	**-**	**-**	**-**

2017.6.30

		Fair Value			
	Book Value	Level1	Level2	Leve3	Total
Financial assets at cost	$ 155,400	-	-	-	-
Loans and receivables					
Cash and cash equivalents	381,211	-	-	-	-
Notes receivable, accounts receivable and other receivables	303,774	-	-	-	-
Other financial assets	7,355	-	-	-	-
Subtotal	692,340	-	-	-	-
Total	**$ 847,740**	-	-	-	-
Financial liabilities at amortized cost					
Notes payable ,accounts payable and other payables	**$ 239,545**	-	-	-	-

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

(2.1) Non-derivative financial instruments

The fair value of financial instruments are evaluated by using the valuation technique or prices of financial instruments of comparable peers that are publicly traded. The fair value acquired through valuation technique may refer to other financial instruments with substantially similar conditions and characteristics, discounted cash flow analysis or other valuation technique, including the market Information can be obtained on the consolidated balance sheet date and calculated using the model.

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.

Debit Investment Instrument that Has No Quoted Prices. The discounted cash flow model is used to estimate fair values. The main assumption for the model is to discount expected future cash flows by using a discount rate that reflects the time value of money and return on investment risk.

Fair value is a quoted price in an active market if the markets for financial instruments have quoted price.

The fair values of equity instrument listed companies and debt instruments quoted price in active market are based on published price in the mainly active securities exchange and Central Government Bonds(CGBs) in the OTC market.

If quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have quoted price in active market. If a financial instrument does not accord with the definition aforementioned, then it is considered to be without quoted price in active market. In general, market with low trading volume or high bid-ask spreads is an indication of non-active market.

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

	Financial assets at fair value through other comprehensive income
	Unquoted equity instruments
Balance at January 1, 2018	$ 122,288
Total gains and losses recognized in	
Profit or loss	
Other comprehensive income	(19,431)
Balance at June 30, 2018	**$ 102,857**

For the six months ended June 30, 2018 and 2017, total gains and losses included in "other gains and losses" and "unrealized gains and losses from financial assets at fair value through other comprehensive income were as follows:

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

	For the three months ended June 30	For the six months ended June 30
	2018	
Total gains and losses recognized in In other comprehensive income (recognized as "unrealized gains and losses from financial assets at fair value through other comprehensive income ")	($6,648)	($19,431)

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

The Group's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through other comprehensive income – equity investments"

Most of the Group' s financial assets in Level 3 have only one significant unobszile its financial assets at fair value through other comprehensive income-equity investments without an active market have more than one significant unobservable inputs.

The significant unobservable inputs of financial assets at fair value through other comprehensive income-equity investments without an active market are individually independent, and there is no correlation between them.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation Technique	Significant Non-observable Input	Inter-relationship between significant unobservable inputs and fair value measurement
Fair value through other comprehensive income-financial instruments without an active market	Comparable Listed Companies Method	The multiplier of price-to-book Ratio (As of June 30, 2018 was 1.68)	The higher the PB multiple and the control premium is higher, the higher the fair value.
		Market illiquidity discount (As of June 30, 2018 was 15%)	The higher the illiquidity discount rate, the lower the fair value.

(t) Financial risk management 財務風險管理

There were no significant changes in the Group's objectives and policies applied in the financial risk management as compared to Note 6(q) of the annual consolidated financial statements for the year ended December 31, 2017.

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

(u) Capital management

The Group's objectives, policies, and processes for capital management were consistent with the consolidated financial statements for the year ended December 31, 2017. There were no significant changes in the quantified factors of capital management as compared to the consolidated financial statements for the year ended December 31, 2017. For other information about the capital management, please refer to Note 6(r) of the consolidated financial statements for the year ended December 31, 2017.

(7) Related-Party Transactions

(a) The Company and the ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Names and relationship with related parties

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

Name of related party	Relationship with the Group
Inventec Corporation	Investor using equity-method
Da Chan Greathrall Group	Subsidiary of Inventec Corporation
Inventec Appliances Corp.	〃
E-Ton Solar Tech. Co., Ltd.	〃
Inventec Appliances (XI'AN) Corporation.	Sub-subsidiary of Inventec Corporation
IKNOW PTE. LTD.	Corporation invested using equity-method

(c) Related-party transactions

1. Sales

The amounts of significant sales by the Group to related parties were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2018	**2017**	**2018**	**2017**
Associates	$11,650	7,992	16,468	26,710
Other related-parties	2,540	730	9,268	914
	$14,190	**8,722**	**25,736**	**27,624**

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

2.Purchase

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

	For the three months ended June 30		For the six months ended June 30	
	2018	**2017**	**2018**	**2017**
Other related-parties	**2,309**	**-**	**4,286**	**-**

There is no other vendor as comparison for the above purchases, and the purchase prices are based on the settling price agreed by both sides. The payment term is under conditions of purchase。

3. Account receivables from related parties

The amounts of account receivables between the Group and related parties were as follows:

Financial Statement Account	Related Party Categories	2018.6.30	2017.12.31	2017.6.30
Accounts receivable	Associates	$4,135	100	4,491
Accounts receivable	Other related-parties	1,790	1,804	709
Other receivables	Other related-parties	-	78	-
Other receivables	Associates	-	-	36
		$5,925	**1,982**	**5,236**

4. Account payables from Related Parties

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

Financial Statement Account	Related Party Categories	2018.6.30	2017.12.31	2017.6.30
Accounts payable	Other related-parties	$3,078	8,691	-
Other payables	Other related-parties	-	71	110
		$3,078	**8,762**	**110**

5. Other expense and revenue

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

Financial Statement Account	Related Party Categories	For the three months ended June 30		For the six months ended June 30	
		2018	2017	2018	2017
Other expenses	Other related-parties	$ -	-	8	60
Rental expenses	Other related-parties	1,897	1,699	3,786	3,402
Other revenue	Associates	-	22	-	22
		$1,897	**1,721**	**3,794**	**3,484**

6. Property transactions

For the six month ended June 30, 2018, the Group purchased intangible assets from other related-parties paid the amounted $95 thousand.

7. Others

(1) The Group paid $1,207 thousand to its other related-parties for prepayment as of December 31, 2016.

(2) The Group paid $224 thousand and $222 thousand to its other related-parties for prepaid rents as of June 30, 2018 and December 31, 20

(3) The Group paid $79 thousand, $78 thousand and $76 thousand to its other related-parties for the refundable deposits as of June 30, 2018, December 31, 2017 and June 30, 2017.

(4) The Group paid $1,079 thousand, $952 thousand and $952 thousand to its other related-parties for the guaranteed notes in deposit as of June 30, 2018, December 31, 2017 and March 31, 2017.

(d) Key management personnel compensation

Key management personnel compensation includes:

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Short-term employee benefits	**$4,395**	**4,937**	**9,662**	**11,485**

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

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	2018.6.30	2017.12.31	2017.6.30
Other current financial assets	performance bond	$ -	-	2,017
Other non-current financial assets	Contract guarantee, Customs duty guarantee, performance bond and etc.	6,293	7,132	5,338
		$6,293	**7,132**	**7,355**

(9) Significant Commitments and Contingencies

(a) Major Commitments:

1. Promissory notes issued for bank credit and lease are as follows:

	2018.6.30	2017.12.31	2017.6.30
Notes issued as guarantee	$ 366,741	312,742	292,772

2. For part of the material royalty contracts, the Group paid based on sales volume and minimum guaranteed payment:

	2018.6.30	2017.12.31	2017.6.30
TWD	$ 1,123	438	1,219
USD	$ 198	209	216

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(12) Others: None.

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

By function / Nature	For the three months ended June 30, 2018			For the three months ended June 30, 2017		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	1,607	37,284	38,891	1,028	37,129	38,157
Labor and health insurance	134	3,136	3,270	91	2,778	2,869

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

By function / Nature	For the three months ended June 30, 2018			For the three months ended June 30, 2017		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Pension	92	3,055	3,147	64	2,628	2,692
Remuneration of directors	-	435	435	-	480	480
Others employee benefits	22	714	736	14	736	750
Depreciation	206	1,441	1,647	786	1,484	2,270
Amortization	-	2,229	2,229	5,383	3,177	8,560

By function / Nature	For the six months ended June 30, 2018			For the six months ended June 30, 2017		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	3,146	77,101	80,247	2,134	72,939	75,073
Labor and health insurance	254	6,099	6,353	182	5,533	5,715
Pension	174	6,116	6,290	128	5,114	5,242
Remuneration of directors	-	870	870	-	980	980
Others employee benefits	55	1,741	1,796	36	1,649	1,685
Depreciation	612	2,885	3,497	2,164	2,994	5,158
Amortization	-	3,830	3,830	6,956	6,631	13,587

(13) Other disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the six months ended June 30, 2018.

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

(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				Notes
				Shares/Unit	Carrying value	Percentage of ownership (%)	Fair value	
the Company	Da Chan Greathrall Group	Other related-parties	Non-current financial assets at fair value through other comprehensive income	15,450,000	102,857	4.78%	102,857	

4. Accumulated buying/selling of the same marketable securities for which the dollar amount reaches $300 million or 20% or more of paid-in capital: None.
5. Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million or 20% of the capital stock: None.
6. Acquisition of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None.
7. Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock: None.
8. Receivables from related parties with amounts exceeding the lower of TWD$100 million or 20% of capital stock: None.
9. Trading in derivative instruments: None.
10. Business relationships and significant intercompany transactions:

Number	Name of the company	Name of the counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	Inventec Besta Co., Ltd.	Besta (Kunshan) Co., Ltd.	1	Other receivables	15,015	The same as general counterparty	1.30 %
1	Besta (Kunshan) Co., Ltd.	Inventec Besta Co., Ltd.	2	Accounts payable	15,015	〃	1.30%
1	〃	Inventec Besta (XiAn) Co., Ltd.	3	Prepayment for purchases	15,012	〃	1.30 %
2	Inventec Besta (XiAn) Co., Ltd.	Besta (Kunshan) Co., Ltd.	3	Other payables	15,012	〃	1.30 %

Note 1: For the inter-company business relationship and transaction condition in the "No." column, the labeling method is as follows:

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

Note 2: Relationship is classified into three types:

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

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

Note 4: The Group did not disclose transactions for which the dollar amount did not reach 1% of consolidated net income or consolidated assets.

Note 5: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

(b)Information on investees:

For the six months ended June 30, 2018, the following was the information on investees (excluding investees in Mainland China):

(Expressed in thousands of dollars)

Name of the investor	Name of investee	Location	Main businesses and products	Initial investment amount		Ending balance			Net income (loss) of the investee	Investment income (losses)	Notes
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value			
The Company	INVENTEC BESTA (BVI) CO., LTD.	B.V.I.	Investment management	318,993	318,993	10,258,000	100.00%	18,162	1,136	1,136	Subsidiary (The difference is unrealized gross income from operations)
〃	BESTA (CAYMAN) CO., LTD.	Cayman	〃	1,137,242	1,137,242	35,502,000	100.00%	140,319	(87)	(87)	〃
〃	IKNOW PTE. LTD.	Singapore	Sales of electronic dictionaries and PDA-related products	62,641	62,641	683,850	47.00%	8,389	(5,305)	(5,305)	Associate under equity method
BESTA (CAYMAN) CO., LTD.	PILOT SUCCESS LTD.	B.V.I.	Investment management and import/export trade	382,968	382,968	12,002,000	100.00%	86,217	(651)	(651)	〃

Note 1: The abovementioned intercompany transactions have been eliminated in the consolidated financial statements.
Note 2: If above mention amount is related to foreign currency, it would be expressed in New Taiwan Dollar at exchange rate of reporting
date. The amount of foreign currency of investment income (loss) is expressed in New Taiwan Dollar at average exchange rate
Note 3:PILOT SUCCESS LTD. has been resolved by the board of directors for liquidation on July 23, 2018. The liquidation is still in process.

(c)Information on investment in Mainland China:

1. Information on investment in Mainland China:

(Expressed in thousands of dollars)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan(R.O.C.)	Investment flows		Accumulated Outflow of Investment from Taiwan	Net income (loss) of the investee	Percentage of Ownership	Investment Income (Loss) Recognized (Note 2(2))	Carrying Amount	Accumulated Inward Remittance of Earnings
					Out-flow	Inflow						
Inventec Besta (XiAn) Co., Ltd.	Design and research of consumer electronic products	198,705	(2)	188,006	-	-	188,006	188	100.00%	188	(8,961)	-
Besta Digital Technology Co.,	Sale of electronic dictionaries and PDA-related products	366,840	(2)	366,840	-	-	366,840	(671)	100.00%	-671	85,451	-
Besta (Kunshan) Co., Ltd.	Manufacture and sale of consumer electronics and related products	275,130	(2)	275,130	-	-	275,130	(551)	100.00%	-551	14,131	-
Kunshan Besta Electronics Limited	Sales of electronic dictionaries and PDA-related products	1,382	(3)	-	-	-	-	1,535	100.00%	1,535	3,376	-

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

2. Limitation on investment in Mainland China:

Name of company	Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by investment Commission, MOEA	Uper limit on Investment
Inventec Besta Co., Ltd.	1,548 ,371	1,548,371	-

Note 1: There are four modes of investments as following:
1. Directly invest in China Company.
2. Invest in China Company by the company which set up in third area by the Company.
3. Others, e.g., entrusted investment.

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

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

Note 4: 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 5: The abovementioned intercompany transactions have been limited in the consolidated financial statements.

(14) Segment Information

(a) General information

The Group's reportable segments are Taiwan department. Taiwan department leads the development of the Group's products and is responsible for sales in Taiwan.

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

The classification of the Group's reportable segments is based on sales regions and the function. There was no material difference between the accounting policies of the operating segment and the accounting policies.

The Group's regional financial information was as follows:

	For three months ended June 30			
	2018			
	Taiwan department	Others	Adjustment and Elimination	Total
Revenue：				
Revenue from external customers	$230,596	6,830	-	**237,426**
Total revenue	**$230,596**	**6,830**	**-**	**237,426**
Reportable segment net operating income (loss)	**($12,443)**	**1934**	**-**	(10,509)

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

	For three months ended June 30			
	2017			
	Taiwan department	Others	Adjustment and Elimination	Total
Revenue：				
Revenue from external customers	$227,082	11,676	-	**238,758**
Total revenue	**$227,082**	**11,676**	**-**	**238,758**
Reportable segment net operating income (loss)	**($23,293)**	**220**	**32**	(23,041)

	For six months ended June 30			
	2018			
	Taiwan department	Others	Adjustment and Elimination	Total
Revenue：				
Revenue from external customers	$673,246	22,396	-	**695,642**
Total revenue	**$673,246**	**22,396**	**-**	**695,642**
Reportable segment net operating income (loss)	**($35,303)**	**1,272**	**-**	(34,031)

	For six months ended June 30			
	2017			
	Taiwan department	Others	Adjustment and Elimination	Total
Revenue：				
Revenue from external customers	$589,796	34,891	-	**624,687**
Total revenue	**$589,796**	**34,891**	**-**	**624,687**
Reportable segment	**($59,413)**	**(5,563)**	**29**	(64,947)

net operating income (loss)				