

(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, 2019 and 2018**

**Address: 10FL, No. 36, Lane 513, Rui Guang Road, Nei Hu Dist., Taipei, Taiwan, R.O.C.**

**Telephone: 886-2-7726-5111**

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

## Table of contents

<b>Contents</b>	<b>Page</b>
1、Cover Page	1
2、Table of Contents	2
3、Independent Auditors' Review Report	3
4、Consolidated Balance Sheets	4
5、Consolidated Statements of Comprehensive Income	5
6、Consolidated Statements of Changes in Equity	6
7、Consolidated Statements of Cash Flows	7
8、Notes to the Consolidated Financial Statements	
(1) Overview	8
(2) Financial Statements Authorization Date and Authorization Process	8
(3) New Accounting Standards, amendments and Interpretations adopted	8~11
(4) Summary of Significant Accounting Policies	11~14
(5) Significant Accounting Judgments, Estimations, Assumptions, and Sources of Estimation Uncertainty	14
(6) Explanation to Significant Accounts	14~36
(7) Related Party Transaction	36~39
(8) Pledged Assets	39
(9) Commitments and Contingencies	39
(10) Losses Due to Major Disasters	39
(11) Subsequent Events	39
(12) Others	39~40
(13) Other disclosures	
a. Information on significant transactions	40
b. Information on investees	42
c. Information on investment in mainland China	42
(14) Segment Information	42~44

## **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, 2019 and 2018, and the related consolidated statements of comprehensive income for the three and the six months ended June 30, 2019 and 2018, and the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 \$50,420 thousand and \$42,163 thousand, constituting 4.07% and 3.66% of consolidated total assets as of June 30, 2019 and 2018 respectively, total liabilities amounting to \$14,622 thousand and \$11,881 thousand, constituting 2.78% and 3.19% of consolidated total liabilities as of June 30, 2019 and 2018 respectively, and total comprehensive income (loss) to \$1,184 thousand, \$(1,545) thousand, \$2,973 thousand and \$(362) thousand, constituting (11.16)%, 7.74%, (27.34)% and 0.65% of consolidated total comprehensive income (loss) for the three months and the six months ended June 30, 2019 and 2018 respectively.

Furthermore, as stated in Note 6(f), the other equity accounted investments of Inventec Besta Co., Ltd. and its subsidiaries in its investee companies of \$6,433 thousand and \$8,389 thousand as of June 30, 2019 and 2018 respectively, and the share of profit (loss) of associates accounted for the using equity method of \$(564) thousand, \$(1,529) thousand, \$(1,435) thousand and \$(2,493) thousand for the three months and the six months ended June 30, 2019 and 2018 respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

### **Qualified Conclusion**

Except for the adjustments, if any as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in

the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Inventec Besta Co., Ltd. and its subsidiaries as of June 30, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three months and the six months ended June 30, 2019 and 2018 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.

**Emphasis of Matter**

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

KPMG

Taipei, Taiwan (Republic of China) Aug 12, 2019



**INVENTEC BESTA CO., LTD. AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**For the Three and the Six Months Ended June 30, 2019 and 2018**

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

	For the three months ended June 30				For the six months ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Sales revenue (Notes 6(q) and 7)	\$ 310,303	100	237,426	100	659,636	100	695,642	100
5000 Operating costs (Note 6 (e))	(262,373)	(85)	(201,342)	(85)	(558,134)	(85)	(605,144)	(87)
<b>Gross profit from operations</b>	<b>47,930</b>	<b>15</b>	<b>36,084</b>	<b>15</b>	<b>101,502</b>	<b>15</b>	<b>90,498</b>	<b>13</b>
5910 Less: Unrealized profit (loss) from sales	-	-	45	-	-	-	(537)	-
5920 Add: Realized profit (loss) on from sales	-	-	-	-	389	-	836	-
	<b>47,930</b>	<b>15</b>	<b>36,129</b>	<b>15</b>	<b>101,891</b>	<b>15</b>	<b>90,797</b>	<b>13</b>
<b>Operating expenses :</b>								
6100 Selling expenses	(32,459)	(10)	(27,413)	(12)	(63,765)	(10)	(61,458)	(9)
6200 Administrative expenses	(13,783)	(4)	(14,632)	(6)	(28,377)	(4)	(29,345)	(4)
6300 Research and development expenses	(21,250)	(7)	(24,787)	(10)	(42,472)	(6)	(48,871)	(7)
6450 Expected credit gain (loss)	109	-	335	-	(78)	-	335	-
<b>Total operating expenses</b>	<b>(67,383)</b>	<b>(21)</b>	<b>(66,497)</b>	<b>(28)</b>	<b>(134,692)</b>	<b>(20)</b>	<b>(139,339)</b>	<b>(20)</b>
<b>Net-operating loss</b>	<b>(19,453)</b>	<b>(6)</b>	<b>(30,368)</b>	<b>(13)</b>	<b>(32,801)</b>	<b>(5)</b>	<b>(48,542)</b>	<b>(7)</b>
<b>Non-operating income and expenses :</b>								
7010 Other income (Note 6 (s))	3,630	1	4,846	2	6,993	1	8,203	1
7020 Other gains and losses (Note 6 (s))	5,645	2	15,029	6	14,137	2	6,379	1
7050 Finance costs (Note 6 (s))	(352)	-	(16)	-	(640)	-	(71)	-
7060 Share of loss of associates accounted for using equity method (Note 6 (f))	(564)	-	(1,529)	(1)	(1,435)	-	(2,493)	-
<b>Total non-operating income and expenses</b>	<b>8,359</b>	<b>3</b>	<b>18,330</b>	<b>7</b>	<b>19,055</b>	<b>3</b>	<b>12,018</b>	<b>2</b>
7900 <b>Loss from continuing operations before tax</b>	<b>(11,094)</b>	<b>(3)</b>	<b>(12,038)</b>	<b>(6)</b>	<b>(13,746)</b>	<b>(2)</b>	<b>(36,524)</b>	<b>(5)</b>
7950 <b>Less: Tax expense (Note 6 (n))</b>	<b>(62)</b>	<b>-</b>	<b>(7)</b>	<b>-</b>	<b>(145)</b>	<b>-</b>	<b>(224)</b>	<b>-</b>
<b>Loss for the period</b>	<b>(11,156)</b>	<b>(3)</b>	<b>(12,045)</b>	<b>(6)</b>	<b>(13,891)</b>	<b>(2)</b>	<b>(36,748)</b>	<b>(5)</b>
<b>Other comprehensive income (loss):</b>								
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	1,663	-	(6,648)	(3)	2,638	-	(19,431)	(3)
8349 Less : Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
<b>Total items that will not be reclassified subsequently to profit or loss</b>	<b>1,663</b>	<b>-</b>	<b>(6,648)</b>	<b>(3)</b>	<b>2,638</b>	<b>-</b>	<b>(19,431)</b>	<b>(3)</b>
8360 Components of other comprehensive income that will be reclassified to profit or loss								
8361 Foreign operations – foreign currency translation differences	(1,437)	-	(828)	-	1,112	-	990	-
8370 Share of other comprehensive income of associates accounted for using equity method	64	-	66	-	158	-	40	-
8399 Income tax related to components of other comprehensive income that will be reclassified to loss	261	-	(495)	-	(890)	-	(818)	-
<b>Total items that may be reclassified subsequently to profit or loss</b>	<b>(1,112)</b>	<b>-</b>	<b>(1,257)</b>	<b>-</b>	<b>380</b>	<b>-</b>	<b>212</b>	<b>-</b>
<b>Other comprehensive income (loss) for the year net of tax</b>	<b>551</b>	<b>-</b>	<b>(7,905)</b>	<b>(3)</b>	<b>3,018</b>	<b>-</b>	<b>(19,219)</b>	<b>(3)</b>
8500 <b>Total comprehensive loss for the period</b>	<b>\$ (10,605)</b>	<b>(3)</b>	<b>(19,950)</b>	<b>(9)</b>	<b>(10,873)</b>	<b>(2)</b>	<b>(55,967)</b>	<b>(8)</b>
<b>Earnings per share (Note 6 (p))</b>								
9750 <b>Basic earnings per share (dollars)</b>	<b>\$ (0.18)</b>		<b>(0.19)</b>		<b>(0.22)</b>		<b>(0.59)</b>	

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
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, 2019 and 2018**

(Expressed in Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of Parent					Total Equity
	Capital Stock		Retained Earnings	Other equity interest		
	Share Capital	Capital Surplus	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	
<b>Balance at January 1, 2018</b>	\$ 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 income (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	-	-	-
<b>Balance at June 30, 2018</b>	<b>\$ 623,663</b>	<b>198,959</b>	<b>(36,748)</b>	<b>45,416</b>	<b>(52,543)</b>	<b>778,747</b>
<b>Balance at January 1, 2019</b>	\$ 623,663	198,959	(31,101)	45,923	(113,567)	723,877
Net income loss	-	-	(13,891)	-	-	(13,891)
Other comprehensive loss for the period	-	-	-	380	2,638	3,018
Total comprehensive loss for the period	-	-	(13,891)	380	2,638	(10,873)
Other changes in capital surplus:						
Capital surplus used to offset accumulated deficits	-	(31,101)	31,101	-	-	-
<b>Balance at June 30, 2019</b>	<b>\$ 623,663</b>	<b>167,858</b>	<b>(13,891)</b>	<b>46,303</b>	<b>(110,929)</b>	<b>713,004</b>

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

**INVENTEC BESTA CO., LTD. AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**June 30, 2019 and 2018**

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

	<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities :</b>		
Loss before income tax	\$ (13,746)	(36,524)
<b>Adjustments :</b>		
<b>Adjustments to reconcile profit (loss)</b>		
Depreciation expense	8,496	3,497
Amortization expense	3,640	3,830
Expected credit loss / provisions for bad debt expenses	78	(335)
Interest expense	640	71
Interest income	(2,076)	(2,022)
Share of losses of associates and joint ventures accounted for using equity method	1,435	2,493
(Gain) on disposal of property, plant and equipment	(4,141)	-
Other adjustments	(3)	(9)
<b>Total adjustments to reconcile profit</b>	<u>8,069</u>	<u>7,525</u>
<b>Changes in operating assets and liabilities :</b>		
<b>Changes in operating assets :</b>		
Increase in Current contract assets	(1,354)	-
Increase in notes receivable	(5,497)	(1,435)
Increase in accounts receivable	(34,049)	(36,858)
Increase in accounts receivable due from related parties	(12,206)	(4,021)
Decrease in other receivables	12,667	27,928
Decrease in inventories	9,821	690
(Increase)decrease in other current assets	(41,261)	12,124
<b>Total changes in operating assets</b>	<u>(71,879)</u>	<u>(1,572)</u>
<b>Changes in operating liabilities :</b>		
(Decrease) Increase in notes payable	(20,419)	8,507
Decrease in accounts payable	(64,444)	(15,876)
Decrease in other payables	(9,419)	(10,492)
Decrease in contract liabilities	(5,037)	(15,656)
(Decrease)increase in other current liabilities	(2,839)	3,674
Decrease in net defined benefit liabilities	(964)	(2,042)
Decrease in deferred credits	(389)	(299)
<b>Total changes in operating liabilities</b>	<u>(103,511)</u>	<u>(32,184)</u>
<b>Total changes in operating assets and liabilities</b>	<u>(175,390)</u>	<u>(33,756)</u>
<b>Total adjustments</b>	<u>(167,321)</u>	<u>(26,231)</u>
Cash inflow (outflow) generated from operations	(181,067)	(62,755)
Interest received	2,085	1,966
Interest paid	(605)	(61)
Income taxes paid	(11)	(686)
<b>Net cash flows used in operating activities</b>	<u>(179,598)</u>	<u>(61,536)</u>
<b>Cash flows from investing activities :</b>		
Acquisition of property, plant and equipment	(3,664)	(2,382)
Processes from disposal of property, plant and equipment	18,392	-
Acquisition of intangible assets	(2,478)	(2,032)
(Increase) decrease in other financial assets	(12,592)	840
(Increase)decrease in other non-current assets	(186)	606
Increase in other non-current assets liabilities	7,477	-
<b>Net cash flows used in investing activities</b>	<u>6,949</u>	<u>(2,968)</u>
<b>Cash flows used in financing activities:</b>		
Increase in short-term loans	108,500	-
Payment of lease liabilities	(2,679)	-
Increase (Decrease) in other non-current liabilities	527	(404)
<b>Net cash flows used in financing activities</b>	<u>106,348</u>	<u>(404)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	1,015	283
<b>Net decrease in cash and cash equivalents</b>	(65,286)	(64,625)
<b>Cash and cash equivalents at beginning of period</b>	330,231	390,490
<b>Cash and cash equivalents at end of period</b>	<u>\$ 264,945</u>	<u>325,865</u>

See accompanying notes to financial statements.



## INVENTEC BESTA CO., LTD. AND ITS SUBSIDIARIES

### Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(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 12, 2019.

#### (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, 2019.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date<sup>↔</sup> per IASB</u>
IFRS 16 “Leases”	January 1, 2019 <sup>↔</sup>
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 <sup>↔</sup>

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

##### (i) IFRS 16 “Leases”

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

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below:

(1) Definition of a lease

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

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

(2) As a lessee

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

A. Leases classified as operating leases under IAS 17

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

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

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

(3) As a lessor

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

(4) Impacts on financial statements

On transition to IFRS 16, the Group recognized additional \$38,970 thousands of right- of-use assets and lease liabilities. When measuring lease liabilities, the Group

discounted lease payments using its incremental borrowing rate as of January 1, 2019. The weighted-average rate applied is 2.04%.

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

	<b>January 1, 2019</b>
<b>Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements</b>	\$ 9,821
<b>Recognition exemption for :</b>	
Short-term leases	(62)
Extension and termination options reasonably certain to exercised	30,558
Others	(43)
	<u>40,274</u>
<b>Discounted using the incremental borrowing rate at January 1, 2019</b>	38,970
<b>Finance lease liabilities recognized at December 31, 2018</b>	-
<b>Lease liabilities recognized at January 1, 2019</b>	<u>38,970</u>

**(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 as of or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC as of July 29, 2019:

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

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

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate of Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1,2020

Those which may not be relevant to the Group.

**(4) Summary of 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, 2018. For the related information, please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2018.

(b) Basis of consolidation

1. List of subsidiaries in the consolidated financial statements

Investor	Name of Subsidiary	Primary Business	Shareholding Ratio			Note
			2019.6.30	2018.12.31	2018.6.30	
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%	(note 3)
BESTA (CAYMAN) CO., LTD.	PILOT SUCCESS LTD.	Investment management	100%	100%	100%	(note 1)
"	Besta (Kunshan) Co., Ltd	Manufacture and sale of consumer electronics and related products	100%	100%	100%	(note 3)
"	Besta Digital Technology Co., Ltd	Sale of electronic dictionaries and PDA-related products	100%	100%	100%	(note 2)
Besta (Kunshan) Co., Ltd	Kunshan Besta Electronics Limited	Sale of electronic dictionaries and PDA-related products	100%	100%	100%	(note 3)

Note 1 : The boards of directors resolved to liquidate PILOT SUCCESS LTD on July 23, 2018. The liquidation is still in process.

Note 2 : The boards of directors resolved to adjust the investment of Besta Digital Technology Co., Ltd as of July 23, 2018. In which, Besta Digital Technology Co., Ltd changed to be invested by Besta (Cayman) Co., Ltd from Pilot Success Ltd in May, 2019.

Note 3 : The Company is an non-significant subsidiaries, its financial statements have not been reviewed.

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

1. Identifying a lease

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

the use of an identified asset, the Group assesses whether:

- (1) The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- (2) The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- (3) The Group has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of an asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

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

## 2. As a lessee

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

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

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

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

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

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

- (1) There is a change in future lease payments arising from the change in an index or rate; or

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

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

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

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

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

### 3. As a lessor

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

#### (d) Income taxes

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

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management.

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.

(e) 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 Judgments, Assumptions 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, 2018.

**(6) Explanation to Significant Accounts**

(a) Cash and cash equivalents

	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Cash on hand	\$ 467	494	476
Demand deposits	44,919	42,555	25,137
Foreign currency deposits	60,692	118,013	71,182
Cash equivalents -Time deposits	146,386	144,446	195,414
Cash equivalents -Bond	12,481	24,723	33,656
Total	<u>\$ 264,945</u>	<u>330,231</u>	<u>325,865</u>

Refer to Note 6(t) 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

	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Equity investments at fair value through other comprehensive income :			
Stocks not listed on domestic market	<u>\$ 44,471</u>	<u>41,833</u>	<u>102,857</u>

1. Equity investments at fair value through other comprehensive income

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.

No strategic investments were disposed as of June 30, 2019 and 2018, therefore there were no transfers of any cumulative gain or loss within equity relating to these investments.

2. For credit risk, Please refer to Note 6(t), it's also including impairment of debt instruments, and market risk of the Group.

3. The aforesaid financial assets were not pledged as collateral.

## (c) Notes and accounts receivable, net

	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Notes receivable	\$ 9,161	3,664	18,452
Account receivable	376,012	329,694	194,870
Long-term accounts (under Other non-current financial assets)	2,523	2,712	-
Less : Allowance for impairment	(663)	(691)	(208)
Unrealized Interest Revenue	(87)	(111)	-
	<u><u>\$ 386,946</u></u>	<u><u>335,268</u></u>	<u><u>213,114</u></u>

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. 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, 2019, December 31, 2018 and June 30, 2018 were determined as follows:

	<u>2019.6.30</u>		
	<u>Gross carrying amount</u>	<u>Expected loss rate</u>	<u>Loss allowance provision</u>
Not past due	\$ 371,713	0.00%~0.84%	501
Under 30 days	13,811	0.00%~1.72%	122
Overdue 31 to 180day	1,330	0.00%~2.32%	22
Over 181 days past due	842	1.92%~2.52%	18
	<u><u>\$ 387,696</u></u>		<u><u>663</u></u>
	<u>2018.12.31</u>		
	<u>Gross carrying amount</u>	<u>Expected loss rate</u>	<u>Loss allowance provision</u>
Not past due	\$ 326,162	0.00%~0.84%	560
Under 30 days	6,880	0.00%~1.72%	80
Overdue 31 to 180day	2,212	0.00%~2.32%	35
Over 181 days past due	816	1.92%~2.52%	16
	<u><u>\$ 336,070</u></u>		<u><u>691</u></u>
	<u>2018.6.30</u>		
	<u>Gross carrying amount</u>	<u>Expected loss rate</u>	<u>Loss allowance provision</u>
Not past due	\$ 197,315	0.00%~0.84%	128
Under 30 days	7,139	0.00%~1.72%	50
Overdue 31 to 180day	8,694	0.00%~2.32%	27
Over 181 days past due	174	1.92%~2.52%	3
	<u><u>\$ 213,322</u></u>		<u><u>208</u></u>



## (d) Other receivables, net

	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Other receivables	\$ 119,257	131,890	118,993
Less: Allowance for impairment loss	<u>(623)</u>	<u>(515)</u>	<u>(389)</u>
	<u><b>\$ 118,634</b></u>	<u><b>131,375</b></u>	<u><b>118,604</b></u>

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 Other receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporate forward looking information. The loss allowance provision as of June 30, 2019, December 31, 2018 and June 30, 2018 were determined as follows:

	<u>2019.6.30</u>		
	<u>Gross carrying amount</u>	<u>Expected loss rate</u>	<u>Loss allowance provision</u>
Overdue 1 to 30 days	\$ 34,521	0.00%~1.95%	80
Overdue 31 to 180 days	59,627	0.00%~1.95%	171
Over 181 days past due	<u>25,109</u>	<u>1.12%~4.35%</u>	<u>372</u>
	<u><b>\$ 119,257</b></u>		<u><b>623</b></u>
	<u>2018.12.31</u>		
	<u>Gross carrying amount</u>	<u>Expected loss rate</u>	<u>Loss allowance provision</u>
Overdue 1 to 30 days	\$ 57,613	0.00%~1.95%	137
Overdue 31 to 180 days	65,725	0.00%~1.95%	208
Over 181 days past due	<u>8,552</u>	<u>1.12%~4.35%</u>	<u>170</u>
	<u><b>\$ 131,890</b></u>		<u><b>515</b></u>
	<u>2018.6.30</u>		
	<u>Gross carrying amount</u>	<u>Expected loss rate</u>	<u>Loss allowance provision</u>
Overdue 1 to 30 days	\$ 33,729	0.00%~0.84%	79
Overdue 31 to 180 days	73,119	0.00%~0.84%	175
Over 181 days past due	<u>12,145</u>	<u>1.12%~1.72%</u>	<u>135</u>
	<u><b>\$ 118,993</b></u>		<u><b>389</b></u>

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

	<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>
Balance at January 1, 2019 and 2018	\$ 515	1,347
Impairment losses (recognized) reversed	106	(958)
exchange gains and losses	<u>2</u>	<u>-</u>
Balance at June 30, 2019 and 2018	<u><b>\$ 623</b></u>	<u><b>389</b></u>

(e) Inventories

	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Raw materials and consumables	\$ 9,656	27,699	10,237
Work in process	3,045	2,917	5,811
Finished goods	9,586	6,786	10,960
Merchandise	26,316	20,999	23,392
	<u>\$ 48,603</u>	<u>58,401</u>	<u>50,400</u>

For the three months and the six months ended June 30, 2019 and 2018, the components of cost of goods sold were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Cost of goods sold	\$ 261,154	199,389	555,233	602,613
Provision for inventory market price decline	(9,111)	1,953	(7,429)	2,531
Inventories obsolescence loss	10,330	-	10,330	-
Total	<u>\$ 262,373</u>	<u>201,342</u>	<u>558,134</u>	<u>605,144</u>

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.

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

(f) Investments accounted for using equity method

A summary of the Group's financial information for investments accounted for using the equity method at the reporting date is as follows:

	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Associates	<u>\$ 6,433</u>	<u>7,710</u>	<u>8,389</u>

1. Associates

Affiliates to the Group consisted of the followings:

Name of affiliates	Nature of the relationship with the Group	Main operating location / Registered Country of the Company	Proportion of shareholding and voting rights		
			<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
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. This financial information is included in the consolidated financial statements.

	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>	
Summarized financial information to the carrying amount of Individually insignificant associates	<u>\$ 6,433</u>	<u>7,710</u>	<u>8,389</u>	
	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
The Group's share of associates	\$ (564)	(1,529)	(1,435)	(2,493)
Other comprehensive income for the period	<u>64</u>	<u>66</u>	<u>158</u>	<u>40</u>
Total comprehensive income for the period	<u>\$ (500)</u>	<u>(1,463)</u>	<u>(1,277)</u>	<u>(2,453)</u>

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 30, 2019.

## 2. Pledged

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

## (g) Property, Plant and Equipment

	<u>Land</u>	<u>Building and Construction</u>	<u>Machinery and Equipment</u>	<u>Other Facilities</u>	<u>Total</u>
Carrying amounts :					
Balance at January 1, 2019	<u>\$ 154,042</u>	<u>113,526</u>	<u>1,887</u>	<u>14,966</u>	<u>284,421</u>
Balance at June 30, 2019	<u>\$ 146,274</u>	<u>105,652</u>	<u>1,777</u>	<u>12,732</u>	<u>266,435</u>
Balance at January 1, 2018	<u>\$ 154,042</u>	<u>125,012</u>	<u>1,878</u>	<u>6,932</u>	<u>287,864</u>
Balance at June 30, 2018	<u>\$ 154,042</u>	<u>123,520</u>	<u>1,672</u>	<u>6,888</u>	<u>286,122</u>

As of February 15, 2019, the Board of the Directors of the company resolved to sell its real estate and signed the agreement. The net disposal proceeds are amounted to \$18,363 and all receivables had been received. The gain on disposal which is amounted to \$4,112 reported as other gains and losses.

There were no significant additions, disposal, or impairment in property, plant and equipment for the six months ended June 30, 2019 and 2018. The details of depreciation are disclosed in note 12(a). For other information about the property, plant and equipment, please refer to note 6(h) of the consolidated financial statements for the year ended December 31, 2018.

(h) Right-of-use assets

The movements in the cost and depreciation of the leased buildings and construction and equipment were as follows:

	<u>Buildings and Construction</u>	<u>Machinery and equipment</u>	<u>Total</u>
Cost:			
Balance at January 1, 2019	\$ 20,195	18,775	38,970
Leases reducing	(2,045)	(8,891)	(10,936)
Effect of changes in foreign exchange rates	60	-	60
Balance at June 30,2019	<u>\$ 18,210</u>	<u>9,884</u>	<u>28,094</u>
Accumulated depreciation and impairment losses :			
Balance at January 1, 2019	\$ -	-	-
Depreciation for the year	1,564	2,475	4,039
Effect of changes in foreign exchange rates	3	-	3
Balance at June 30,2019	<u>\$ 1,567</u>	<u>2,475</u>	<u>4,042</u>
Carrying amount:			
Balance at June 30,2019	<u>\$ 16,643</u>	<u>7,409</u>	<u>24,052</u>

The Company adjusted part of the amount of the lease contract as of March 31, 2019, in which right-of-use assets on a reassessment were reduced to \$10,936.

The Group leases offices, warehouses and factory facilities under an operating lease, please refer to note 6(l).

(i) Intangible assets

	<u>Goodwill</u>	<u>Royalties</u>	<u>Software</u>	<u>Total</u>
Carrying amounts:				
Balance at January 1, 2019	<u>\$ 6,312</u>	<u>3,335</u>	<u>717</u>	<u>10,364</u>
Balance at June 30, 2019	<u>\$ 6,312</u>	<u>2,614</u>	<u>281</u>	<u>9,207</u>
Balance at January 1, 2018	<u>\$ 6,312</u>	<u>4,478</u>	<u>450</u>	<u>11,240</u>
Balance at June 30, 2018	<u>\$ 6,312</u>	<u>3,605</u>	<u>387</u>	<u>10,304</u>

1. Amortization and Impairment

For six months ended June 30, 2019 and 2018, the amortization of intangible assets was respectively included in the statement of comprehensive income:

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Operating costs	\$ 5	-	11	-
Operating expenses	\$ 2,123	2,229	3,629	3,830

2. Impairment loss and subsequent reversal

The Group conducts impairment tests where there is an indication of impairment of intangible assets. The recoverable amount is determined based on the value in use. The accumulated impairment losses on other royalties to \$47,865 as of June 30, 2019.

(j) Short-term borrowings

	2019.6.30	2018.12.31	2018.6.30
Unsecured bank loans	\$ 108,500	-	-
Unused credit facility	\$ 187,040	243,709	180,570
Range of interest rates	1.43%~1.45%	-	-

The Group's short-term borrowing were not pledged as collateral; the interest expense, please refer to note 6(s).

(k) Lease liabilities

	2019.6.30		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	\$ 8,998	307	8,691
Between one and five years	15,800	666	15,134
More than five years	1,605	19	1,586
	\$ 26,403	992	25,411
Current	\$ 8,998	307	8,691
Non-current	\$ 17,405	685	16,720

There were no significant issues, repurchases and repayments of lease liabilities for the six months ended June 30, 2019.

The company adjusted part of the amount of the lease contract as of March 31, 2019, in which the lease liabilities on a reassessment were reduced to \$10,936.

The amounts recognized in profit or loss were as follows:

	<b>For the three months ended June 30, 2019</b>	<b>For the six months ended June 30, 2019</b>
Interest on lease liabilities	<u>\$ 78</u>	<u>145</u>
Expenses relating to short-term leases	<u>\$ 82</u>	<u>151</u>

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

	<b>For the six months ended June 30, 2019</b>
Total cash outflow for leases	<u>\$ 2,975</u>

1. Real estate leases

As of June 30, 2019, the Group leases buildings for its office space. The leases of office space typically run of a period for 1 to 5 year. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

2. Other lease information

The Group leases machinery equipment. The leases of machinery equipment typically run of a period for 1 year. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(l) Operating leases

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

(m) Employee benefits

1. Defined benefit plans

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

The details of the Group's expenses were as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Operating cost	\$ 10	9	19	18
Selling expenses	121	132	241	264
Administration expenses	61	62	121	124
Research and development expenses	86	147	172	294
Total	<u>\$ 278</u>	<u>350</u>	<u>553</u>	<u>700</u>

## 2. Defined contribution plans

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Operating cost	\$ 82	83	165	156
Selling expenses	859	739	2,474	1,969
Administration expenses	271	409	690	818
Research and development expenses	1,478	1,566	2,673	2,647
Total	<u>\$ 2,690</u>	<u>2,797</u>	<u>6,002</u>	<u>5,590</u>

### (n) Income taxes

#### 1. Income tax expense

The details of the Group's income tax expenses were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current income tax expense				
Current period incurred	\$ 62	7	145	224
Prior years income tax adjustment				
Income tax expense	<u>\$ 62</u>	<u>7</u>	<u>145</u>	<u>224</u>

The amount of income tax expense recognized in other comprehensive income was as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Items that be reclassified subsequently to profit or loss :				
Exchange differences on translation of foreign financial statements	\$ (261)	495	890	818

#### 2. Status of approval of income tax

The Company's tax returns for the years through 2017 were examined and approved by the Taipei National Tax Administration.

### (0) 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, 2019 and 2018. For other information about the stockholders' equity please refer to note 6(m) of the consolidated financial statements for the year ended December 31, 2018.

#### 1. Capital surplus

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.

As of June 18, 2019, the shareholder's meeting resolved to offset accumulated deficits the 2018 deficits. As of June 27, 2018, the shareholders' meeting resolved to offset accumulated deficits the 2017 deficits. These deficits were offset as follows :

	<u>2018</u>	<u>2017</u>
Offset accumulated deficits:		
Capital surplus used to offset accumulated deficits	<u>\$ 31,101</u>	<u>97,230</u>

2. Other equity, net of tax

	<u>Exchange difference on translation of foreign financial statements</u>	<u>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</u>
Balance at January 1, 2019	\$ 45,923	(113,567)
Exchange differences on foreign operations	270	-
Exchange differences on associates accounted for using equity method	110	-
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	2,638
Balance at June 30, 2019	<u>\$ 46,303</u>	<u>(110,929)</u>
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 associates accounted for using equity method	16	-
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(19,431)
Balance at June 30, 2018	<u>\$ 45,416</u>	<u>(52,543)</u>



(p) Earnings per share

The basic earnings per share was calculated as follows:

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
<b>Basic earnings per share</b>				
(Loss) profit attributable to common stockholders of the Company	\$ (11,156)	(12,045)	(13,891)	(36,748)
Weighted-average number of ordinary shares (thousand shares)	62,366	62,366	62,366	62,366
Basic earnings per share (NT dollars)	\$ (0.18)	(0.19)	(0.22)	(0.59)

(q) Revenue from contracts with customers

1. Disaggregation of revenue

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Primary geographical markets :				
Taiwan	\$ 154,688	114,512	335,591	256,397
Japan	73,911	61,512	205,150	313,147
Mainland China	16,201	7,641	31,430	23,226
Singapore and Malaysia	21,210	16,938	28,957	24,069
Czechia	20,769	14,170	22,373	14,170
Other Countries	23,524	22,653	36,135	64,633
	<b>\$ 310,303</b>	<b>237,426</b>	<b>659,636</b>	<b>695,642</b>
Major products :				
Dictionaries	\$ 45,783	24,356	71,136	64,211
Learning Machines	73,920	61,777	205,140	324,125
Digital Products	1,938	3,675	5,078	6,041
calculator	32,383	31,711	42,054	49,844
Auto parts	5,917	11,688	22,569	23,698
Business Services	134,388	88,205	276,566	176,724
Others	15,974	16,014	37,093	50,999
	<b>\$ 310,303</b>	<b>237,426</b>	<b>659,636</b>	<b>695,642</b>

## 2. Contract balances

	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Accounts receivable	\$ 387,609	335,959	213,322
Less: Allowance for impairment	(663)	(691)	(208)
Total	<u>\$ 386,946</u>	<u>335,268</u>	<u>213,114</u>
Contract asset	<u>\$ 1,354</u>	-	-
Contract liabilities	<u>\$ 7,071</u>	<u>12,079</u>	<u>18,774</u>

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

The amounts of revenue recognized for the three months and six months ended June 30, 2019 and 2018 that were included in the contract liability balance at the beginning of the period were \$2,851, \$5,168, \$8,673 and \$ 21,584, respectively.

The major changes in the balance of contract assets and liabilities were the difference between the time frame in performance obligation to be satisfied and the payment to be received. There were no other significant changes for the six months ended June 30, 2019 and 2018.

### (r) 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 incurred losses before tax for the six months ended June 30, 2019 and 2018, therefore, there were no remuneration allocated to employees, directors and supervisors. Related information would be available at the Market Observation Post System.

### (s) Non-operating income and expenses

#### 1. Other income

The details of other income are as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Interest income				
Bank deposit	\$ 961	907	1,722	1,570
Other income	212	137	354	452
Rental income	2,457	3,802	4,917	6,181
	<u>\$ 3,630</u>	<u>4,846</u>	<u>6,993</u>	<u>8,203</u>

2. Other gains and losses

The details of other gains and losses are as follows:

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Foreign exchange gains (losses), net	\$ 1,403	9,395	1,707	874
Gains on disposal of property, plant and equipment	-	-	4,141	-
Others	4,242	5,634	8,289	5,505
	<b>\$ 5,645</b>	<b>15,029</b>	<b>14,137</b>	<b>6,379</b>

3. Finance costs

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Interest expense				
Bank borrowings	\$ 271	7	492	62
Others	81	9	148	9
	<b>\$ 352</b>	<b>16</b>	<b>640</b>	<b>71</b>

(t) Financial instruments

Except as described in the following paragraph, there were no significant changes in the Group's fair value of financial instruments exposed to credit risk and market risk. For other information about the fair value of financial instruments, please refer to note 6(s) of the consolidated financial statements for the year ended December 31, 2018.

1. Credit risk

(1) Credit risk of accounts receivable and equity security

Please refer to Note 6(c) for notes and accounts receivable of credit risk exposure. Please refer to Note 6(d) for impairment of financial assets at amortized cost including other receivables, etc.

Please refer to Note 6(b) of details on investments and financial instruments at fair value through other comprehensive income including private stock, etc.

2. Liquidity risk

The following are the contractual maturities of financial liabilities of the Group, including estimated interest payments and excluding the impact of netting arrangements:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12months</u>	<u>1-2years</u>	<u>2-5years</u>	<u>More than 5 years</u>
<b>Balance at June 30, 2019</b>							
Non-derivative financial liabilities							
Unsecured bank loans	\$ 108,500	108,500	108,500	-	-	-	-
Notes payable	4,677	4,677	4,677	-	-	-	-
Accounts payable	253,184	253,184	253,184	-	-	-	-
Other payables	15,046	15,046	15,046	-	-	-	-
Lease Liabilities	25,411	26,403	5,159	3,839	6,181	9,619	1,605
Receipts under custody(accounting for other current liabilities))	1,254	1,254	1,254	-	-	-	-
Refund liabilities (accounting for other non-current liabilities)	1,608	1,608	530	6	348	724	-
	<b>\$ 409,680</b>	<b>410,672</b>	<b>388,350</b>	<b>3,845</b>	<b>6,529</b>	<b>10,343</b>	<b>1,605</b>

**Balance at December 31, 2018**

Non-derivative financial liabilities							
Notes payable	\$ 25,096	25,096	25,096	-	-	-	-
Accounts payable	317,615	317,615	317,615	-	-	-	-
Other payables	19,515	19,515	19,515	-	-	-	-
Receipts under custody (accounting for other current liabilities)	1,186	1,186	1,186	-	-	-	-
Refund liabilities (accounting for other non-current liabilities)	1,080	1,080	-	-	1,080	-	-
	<b>\$ 364,492</b>	<b>364,492</b>	<b>363,412</b>	<b>-</b>	<b>1,080</b>	<b>-</b>	<b>-</b>

**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	-	-
	<b>\$ 241,266</b>	<b>241,266</b>	<b>240,184</b>	<b>-</b>	<b>1,082</b>	<b>-</b>	<b>-</b>

### 3. Market risk

#### (1) Currency risk

The Group's significant exposures to foreign currency risk was as follows:

<b>2019.6.30</b>					
		<b>Foreign currency (In thousand)</b>	<b>Exchange rate</b>		<b>TWD</b>
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$	11,391	USD : TWD	31.0800	354,032
		288	USD : CNY	6.8731	8,951
CNY		31	CNY : TWD	4.5220	140
<u>Financial Liabilities</u>					
<u>Monetary items</u>					
USD		5,474	USD : TWD	31.0800	170,132
		138	USD : CNY	6.8731	4,289
<b>2018.12.31</b>					
		<b>Foreign currency (In thousand)</b>	<b>Exchange rate</b>		<b>TWD</b>
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$	13,020	USD : TWD	30.7900	400,886
		411	USD : CNY	6.8743	12,655
CNY		33	CNY : TWD	4.4790	148
<u>Financial Liabilities</u>					
<u>Monetary items</u>					
USD		7,193	USD : TWD	30.7900	221,472
		168	USD : CNY	6.8743	5,173
<b>2018.6.30</b>					
		<b>Foreign currency (In thousand)</b>	<b>Exchange rate</b>		<b>TWD</b>
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$	8,798	USD : TWD	30.5700	268,955
		357	USD : CNY	6.6384	10,913
CNY		35	CNY : TWD	4.6050	161
<u>Financial Liabilities</u>					
<u>Monetary items</u>					
USD		5,719	USD : TWD	30.5700	174,830
		53	USD : CNY	6.6384	1,620

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, accounts payable and other payments that are denominated in foreign currency. A 0.5% appreciation or depreciation of the TWD against the USD as of June 30, 2019 and 2018, would have increased or decreased net income by \$945 and \$519 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, 2019 and 2018.

(2) Foreign gains or losses on monetary item

As Group deals with diverse foreign currencies, therefore, the gains or losses on foreign exchange were summarize as a single amount, including realized and unrealized, and uses the TWD as the parent's functional currency (the same as the reporting currency of the Group), information about exchange rate was as follows:

	<b>2019.6.30</b>		<b>2018.6.30</b>	
	<b>Foreign exchange gains</b>	<b>Average exchange rate</b>	<b>Foreign exchange gains</b>	<b>Average exchange rate</b>
TWD	\$ 1,831	1.000	652	1.000
CNY	(124)	4.5005	222	4.5800

4. Interest risk

The interest risk exposure from financial assets and liabilities has been disclosed in the note of liquidity risk management.

The following sensitivity analysis is based on the risk exposure to interest rates on the derivative and non-derivative financial instruments at the reporting date.

If the interest rate increases / decreases by 0.5%, the Group's net losses will decrease/increase by \$1 for the six months ended June 30, 2019 and 2018, assuming all other variable factors remain constant. This is mainly due to the Group's time deposits in variable rate.

5. Fair value of financial instruments

(1) Fair value hierarchy

The Group measured its financial assets at fair through other comprehensive income 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:

2019.6.30					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through other comprehensive income</b>					
Unquoted equity instruments	\$ 44,471	-	-	44,471	44,471
<b>Financial assets at amortized cost</b>					
Cash and cash equivalents	264,945	-	-	-	-
Notes receivable, accounts receivable and other receivables	503,060	-	-	-	-
Other financial assets	21,759	-	-	-	-
Subtotal	789,764	-	-	-	-
Total	<b>\$ 834,235</b>	<b>-</b>	<b>-</b>	<b>44,471</b>	<b>44,471</b>
<b>Financial liabilities at amortized cost</b>					
Bank loans	\$ 108,500	-	-	-	-
Notes payable, accounts payable and other payables	300,509	-	-	-	-
Lease liabilities	25,411	-	-	-	-
Receipts under custody(accounting for other current liabilities)	1,254	-	-	-	-
Refund liabilities (accounting for other non-current liabilities)	1,608	-	-	-	-
Total	<b>\$ 437,282</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

2018.12.31					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through other comprehensive income</b>					
Unquoted equity instruments	\$ 41,833	-	-	41,833	41,833

**Financial assets at amortized cost**

Cash and cash equivalents	330,231	-	-	-	-
Notes receivable, accounts receivable and other receivables	463,953	-	-	-	-
Other financial assets	9,167	-	-	-	-
Subtotal	803,351	-	-	-	-
Total	<u>\$ 845,184</u>	-	-	<u>41,833</u>	<u>41,833</u>

**Financial liabilities at amortized cost**

Notes payable, accounts payable and other payables	<u>\$ 398,249</u>	-	-	-	-
Receipts under custody(accounting for other current liabilities)	<u>1,186</u>	-	-	-	-
Refund liabilities (accounting for other non-current liabilities)	<u>1,081</u>	-	-	-	-
Total	<u>\$ 400,516</u>	-	-	-	-

2018.6.30

	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through other comprehensive income</b>					
Unquoted equity instruments	\$ 102,857	-	-	102,857	102,857
<b>Financial assets at amortized cost</b>					
Cash and cash equivalents	325,865	-	-	-	-
Notes receivable, accounts receivable and other receivables	331,718	-	-	-	-
Other financial assets	6,293	-	-	-	-
Subtotal	663,876	-	-	-	-
Total	<u>\$ 766,733</u>	-	-	<u>102,857</u>	<u>102,857</u>

**Financial liabilities at amortized cost**

Notes payable, accounts payable and other payables	\$ 266,156	-	-	-	-
Receipts under custody					



(accounting for other current liabilities)	2,632	-	-	-	-
Refund liabilities (accounting for other non-current liabilities)	1,082	-	-	-	-
Total	<u>\$ 269,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(2) Valuation techniques 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 and financial liabilities with standard terms which are traded in the active markets. Their fair values are based on the quoted market prices.

Equity instrument that has no quoted prices. The comparable listed companies' method is used to estimate fair values. The main assumption for the model is the earnings before interests, taxes, depreciation and amortization and the earnings multiplier derived from comparable listed companies. The estimate has adjusted the impact of the lack of market liquidity of the equity securities. °

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:

	<b>Financial assets at fair value through other comprehensive income</b>
	<b>Unquoted equity instruments</b>
<b>Balance at January 1, 2019</b>	\$ 41,833
Total gains and losses recognized	
In other comprehensive income	2,638
<b>Balance at June 30, 2019</b>	<b>\$ 44,471</b>
<b>Balance at January 1, 2018</b>	\$ 122,288
Total gains and losses recognized	
In other comprehensive income	(19,431)
<b>Balance at June 30, 2018</b>	<b>\$ 102,857</b>

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

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Total gains and losses recognized in other comprehensive income (recognized as “unrealized gains and losses from Financial assets at fair value through other comprehensive income”)	<b>\$ 1,663</b>	<b>(6,648)</b>	<b>2,638</b>	<b>(19,431)</b>

- (4) Quantified information on 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”.

The Group’s financial assets at fair value through other comprehensive income-equity investments without an active market have more than one significant unobservable

input. 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:

<u>Item</u>	<u>Valuation Technique</u>	<u>Significant Non-observable Input</u>	<u>The Relationship between Significant Non-observable Input and Fair Value measurement</u>
Financial assets at fair value through other comprehensive income - equity investments without an active market	Comparable listed companies method	<ul style="list-style-type: none"> <li>• Multiplier of price-to-book ratio (As of June 30,2019,December 31,2018 and June 30,2018,were 1.27、1.03 and 1.68)</li> <li>• Market illiquidity discount(As of June 30,2019, December 31,2018 and June 30,2018,were 15%)</li> </ul>	<ul style="list-style-type: none"> <li>• The higher the PB, the higher the fair value</li> <li>• The higher the illiquidity discount rate, the lower the fair value.</li> </ul>

(5) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

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

	<u>Input</u>	<u>Variation</u>	<u>Impact of Fair Value Change on Other Comprehensive income or loss</u>	
			<u>Favorable Change</u>	<u>Unfavorable Change</u>
<b>June 30, 2019</b>				
Financial assets at fair value through other comprehensive income				
	Equity investments without an active market	Multiplier of price-to-book ratio	5%	\$ 2,223 (2,223)
	Equity investments without an active market	Market illiquidity discount	5%	<u>2,616 (2,616)</u>

\$ 4,839 (4,839)

**December 31, 2018**

Financial assets at fair value  
through other comprehensive  
income

Equity investments without an active market	Multiplier of price- to-book ratio	5%	\$ 1,909	(1,909)
Equity investments without an active market	Market illiquidity discount	5%	<u>2,276</u>	<u>(2,276)</u>
			<u>\$ 4,185</u>	<u>(4,185)</u>

**June 30, 2018**

Financial assets at fair value  
through other comprehensive  
income

Equity investments without an active market	Multiplier of price- to-book ratio	5%	\$ 4,693	(4,693)
Equity investments without an active market	Market illiquidity discount	5%	<u>5,597</u>	<u>(5,597)</u>
			<u>\$ 10,290</u>	<u>(10,290)</u>

(u) Financial risk management

There were no significant changes in the Group's objectives and policies applied in the financial risk management as compared to Note 6(t) of the consolidated financial statements for the year ended December 31, 2018.

(v) 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, 2018. 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, 2018. For other information about the capital management, please refer to Note 6(u) of the consolidated financial statements for the year ended December 31, 2018.

(w) Investing and financing activities not effecting current cash flow

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

Reconciliation of liabilities arising from financing activities was as follows:

	2019.1.1	Cash flows	No-cash changes		2019.6.30
			other	Foreign exchange movement	
Short-term loans	\$ -	108,500	-	-	108,500
Lease liabilities	38,970	(2,679)	(10,936)	56	25,411
Total liabilities from financing activities	<b>\$ 38,970</b>	<b>105,821</b>	<b>(10,936)</b>	<b>56</b>	<b>133,911</b>

## (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.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Inventec Corporation	Investor using equity-method
Inventec Solar Energy Corporation	Subsidiary of Inventec Corporation
Inventec Appliances Corp.	"
E-Ton Solar Tech. Co., Ltd.	"
Inventec Appliances (XI'AN) Corporation.	Sub-subsidiary of Inventec Corporation
Inventec Appliances (Shanghai) 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		For the six months ended	
	June 30		June 30	
	2019	2018	2019	2018
Associates	\$ -	11,650	(234)	16,468
Other related-parties	7,943	2,540	22,975	9,268
	<b>\$ 7,943</b>	<b>14,190</b>	<b>22,741</b>	<b>25,736</b>

The sales prices and collection terms aren't the same as those with other customers. The collection terms are within 30 and 90 days except for Iknow Pte. Ltd. which is within 30 days after arrival.

### 2. Purchase

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

	For the three months ended		For the six months ended June	
	June 30		30	
	2019	2018	2019	2018
Other related-parties	\$ 586	649	1,523	2,073

### 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	2019.6.30	2018.12.31	2018.6.30
Accounts receivable	Associates			
	I KNOW PTD. LTD.	\$ -	-	4,135
Accounts receivable	Other related-parties			
	Inventec Appliances Corp.	6,981	34	327
	Inventec Corporation	6,159	881	1,378
	Other related-parties	135	154	85
		<u>\$ 13,275</u>	<u>1,069</u>	<u>5,925</u>

### 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	2019.6.30	2018.12.31	2018.6.30
Accounts payable	Other related-parties	\$ 713	3,546	3,078

### 5. Other expense and revenue

Financial Statement Account	Related Party Categories	For the three months ended		For the six months ended	
		June 30		June 30	
		2019	2018	2019	2018
Other expenses	Other related-parties	\$ -	-	102	8
Interest income	Other related-parties	\$ 30	-	69	-

### 6. Others

- (1) The Group paid \$228 and \$224 to its other related-parties for prepayment for the years ended December 31, 2018 and the six months ended June 30, 2018 respectively.
- (2) The Group paid \$81, \$80 and \$79 to its other related-parties for the refundable deposits as of June 30, 2019, December 31, 2018 and June 30, 2018.
- (3) The Group paid \$1,079 to its other related-parties for the guaranteed notes in deposit as of June 30, 2019, December 31, 2018 and June 30, 2018.

## 7. Leases

In October, 2017 and April, 2016, the company has entered into various lease contracts for buildings for its office space with Inventec Corporation. The total value of the contract amounted to \$16,716 which was determined based on nearby office rental rates. For the three months ended March 31, 2018 and the six months ended June 30, 2018, rental expenses amounted to \$1,658 and \$3,316 respectively. The Group applied IFRS 16, with a date of initial application on January 1, 2019. This lease transaction recognized additional amounts of \$9,175 of right-of-use assets and lease liabilities, respectively. For the three months ended June 30, 2019 and the six months ended June 30, 2019, the Group recognized the amount of \$32 and \$66 as interest expense. As of June 30, 2019, the balance of lease liabilities amounted to \$8,442.

The company has entered into various lease contract t for with Inventec Corporation. The total value of the contract was \$ 6,640. The leases of its offices and IDC typically run of a period for 1 year, some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term. For the three months ended June 30, 2018 and the six months ended June 30, 2018. Rental expenses amounted to \$1,660 and \$2,213(accounted in cost of good), respectively. The Group applied IFRS 16, with a date of initial application on January 1, 2019. This lease transaction recognized additional amounts of \$23,602 of right-of-use assets and lease liabilities, respectively. The company adjusted the amount of the lease contract, in which the lease liabilities reduced \$10,936. For the three months ended June 30, 2019 and the six months ended June 30, 2019, the Group recognized the amount of \$17 and \$50 as interest expense. As of June 30, 2019, the balance of lease liabilities amounted to \$11,545.

The Group entered into various lease contracts for buildings for its office space with Inventec Appliances (XI'AN) Corporation which lease term is 5 years. The total value of the contract amounted to RMB\$1,027 which was determined based on nearby office rental rate. For the three months ended June 30, 2018 and the six months ended June 30, 2018, rental expenses amounted to \$239 and \$470 respectively. The Group applied IFRS 16, with a date of initial application on January 1, 2019. This lease transaction recognized additional amounts of \$5,176 of right-of-use assets and lease liabilities, respectively. For the three months ended June 30, 2019 and the six months ended June 30, 2019, the Group recognized the amount of \$29 as interest expense. As of June 30, 2019, the balance of lease liabilities amounted to \$4,590.

### (d) Key management personnel compensation

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Short-term employee benefits \$	4,447	4,395	9,807	9,662
Post-employment benefits	54	54	108	108
	<b>\$ 4,501</b>	<b>4,449</b>	<b>9,915</b>	<b>9,770</b>

**(8) Pledged Assets**

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Other current				
financial assets	Performance bond	\$ 13,540	-	-
Other non-current	Customs duty guarantee,			
financial assets	performance bond and etc	5,699	6,477	6,293
		<u>\$ 19,239</u>	<u>6,477</u>	<u>6,293</u>

**(9) Significant Commitments and Contingencies**

## (a) Major Commitments:

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

	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Notes issued as guarantee	<u>\$ 455,978</u>	<u>369,279</u>	<u>366,741</u>

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

	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
TWD	<u>\$ 1,123</u>	<u>438</u>	<u>1,123</u>
USD	<u>\$ 65</u>	<u>123</u>	<u>198</u>

3. The Group's significant outstanding sale commitments for sale contract are as follows:

	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Order backlog of promised	<u>\$ 147,293</u>	<u>57,782</u>	<u>44,857</u>

4. The Group's significant outstanding purchase commitments for Signed project contract are as follows:

	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Purchase order of promised	<u>\$ 126,683</u>	<u>54,229</u>	<u>20,186</u>

(b) Contingency: None.

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

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

**(12) Others**



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

By function	For the three months ended June 30,			For the three months ended June 30,		
	2019			2018		
Nature	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	1,529	36,123	37,652	1,607	37,284	38,891
Labor and health insurance	136	3,261	3,397	134	3,136	3,270
Pension	92	2,876	2,968	92	3,055	3,147
Others employee benefits	25	1,386	1,411	22	1,149	1,171
Depreciation	1,754	1,846	3,600	206	1,441	1,647
Amortization	5	2,123	2,128	-	2,229	2,229

By function	For the six months ended June 30,			For the six months ended June 30,		
	2019			2018		
Nature	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	3,174	74,638	77,812	3,146	77,101	80,247
Labor and health insurance	271	6,484	6,755	254	6,099	6,353
Pension	184	6,371	6,555	174	6,116	6,290
Others employee benefits	53	2,838	2,891	55	2,611	2,666
Depreciation	4,739	3,757	8,496	612	2,885	3,497
Amortization	11	3,629	3,640	-	3,830	3,830

**(13) Other disclosures**

(a) Information on significant transactions

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

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	Inventec Solar Energy Corporation	Other related-parties	Non-current financial assets at fair value through other comprehensive income	15,450,000	44,471	4.78%	44,471	

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: None.

(b) Information on investees:

For the six months ended June 30, 2019, the following was the information on investees (excluding investees in Mainland China):

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%	52,058	3,021	3,021	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%	137,468	1,143	1,143	"
"	IKNOW PTE. LTD.	Singapore	Sales of electronic dictionaries and PDA-related products	62,641	62,641	683,850	47.00%	6,433	(3,054)	(1,435)	Associate under equity method
BESTA (CAYMAN) CO., LTD.	PILOT SUCCESS LTD.	B.V.I.	Investment management and import/export trade	64	382,968	2,000	100.00%	781	9	9	" (Note 2)

Note 1: The abovementioned intercompany transactions have been eliminated in the consolidated financial statements.

Note 2: Pilot Success Ltd has been resolved by the board of directors for liquidation as of July 23, 2018. The liquidation is still in process. Besta Digital Technology Co., Ltd changed to be invested by Besta (Cayman) Co., Ltd from Pilot Success Ltd in May, 2019.

(c) Information on investment in Mainland China:

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

Name of investee	Main business and product	Total amount of paid-in capital	Method of investment  (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)  (Note 2)	Book value	Accumulated remittance of earnings in current period
					Out-flow	Inflow						
Inventec Besta (XiAn) Co., Ltd	Design and research of consumer electronic products	202,020	(2)	191,142	-	-	191,142	2,385	100.00%	2,385	23,352	-
Besta Digital Technology Co.,	Sale of electronic dictionaries and PDA-related products	372,960	(2)	372,960	-	-	372,960	(376)	100.00%	(376)	82,560	-
Besta (Kunshan) Co., Ltd.	Sale of consumer electronics and related products	279,720	(2)	279,720	-	-	279,720	588	100.00%	588	12,445	-
Kunshan Besta Electronics Limited	Sales of electronic dictionaries and PDA-related products	1,357	(3)	-	-	-	-	2,774	100.00%	2,774	6,453	-

2. Limitation on investment in Mainland China:

Name of company	Accumulated Investment in Mainland China as of June 30, 2019	Investment Amounts Authorized by investment Commission, MOEA	Upper limit on Investment
Inventec Besta Co., Ltd	1,574,202	1,574,202	-

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.

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

Note 3: If aforementioned 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 4: In accordance with the regulation of amended limitation calculation of Investment Commission in August 29, 2008, MOEA (IDB) committed the Company were in the scope of operating headquarter; therefore there is no need to calculate the limitation.

Note 5: Besta Technology (China) Co., Ltd. and iSING Music Technology (Beijing) Co., Ltd. had completed deregistration procedures from MOEA(IDB) in 2004 and in 2018, respectively, and overseas fund did not be repatriated to Taiwan, therefore, as stated above, accumulated outflow of investment from Taiwan amounted to \$310,800 and \$419,580 respectively.

Note 6: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

3. Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China for the six months ended June 30, 2019, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

## (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:

	<u>For the three months ended June 30,2019</u>			
	<u>Taiwan department</u>	<u>Others</u>	<u>Adjustment and Elimination</u>	<u>Total</u>
<b>Revenue :</b>				
Revenue from external customers	\$ 294,475	15,828	-	310,303
<b>Total revenue</b>	<b>\$ 294,475</b>	<b>15,828</b>	<b>-</b>	<b>310,303</b>
<b>Reportable segment net operating income (loss)</b>	<b>\$ (11,156)</b>	<b>62</b>	<b>-</b>	<b>(11,094)</b>
	<u>For the three months ended June 30,2018</u>			
	<u>Taiwan department</u>	<u>Others</u>	<u>Adjustment and Elimination</u>	<u>Total</u>
<b>Revenue :</b>				
Revenue from external customers	\$ 230,596	6,830	-	237,426
<b>Total revenue</b>	<b>\$ 230,596</b>	<b>6,830</b>	<b>-</b>	<b>237,426</b>
<b>Reportable segment net operating income (loss)</b>	<b>\$ (12,045)</b>	<b>7</b>	<b>-</b>	<b>(12,038)</b>
	<u>For the six months ended June 30,2019</u>			
	<u>Taiwan department</u>	<u>Others</u>	<u>Adjustment and Elimination</u>	<u>Total</u>
<b>Revenue :</b>				
Revenue from external customers	\$ 627,178	32,458	-	659,636
<b>Total revenue</b>	<b>\$ 627,178</b>	<b>32,458</b>	<b>-</b>	<b>659,636</b>
<b>Reportable segment net operating income (loss)</b>	<b>\$ (13,891)</b>	<b>145</b>	<b>-</b>	<b>(13,746)</b>

For the six months ended June 30,2018

	<u>Taiwan department</u>	<u>Others</u>	<u>Adjustment and Elimination</u>	<u>Total</u>
<b>Revenue :</b>				
Revenue from external customers	\$ 673,246	22,396	-	695,642
<b>Total revenue</b>	<b>\$ 673,246</b>	<b>22,396</b>	<b>-</b>	<b>695,642</b>
<b>Reportable segment net operating income (loss)</b>	<b>\$ (36,748)</b>	<b>224</b>	<b>-</b>	<b>(36,524)</b>