

**INVENTEC BESTA CORPORATION
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS**

With Independent Auditors' Review Report

For the six months ended June 30,2022 and 2021

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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.

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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 (the "Group") as of June 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three and the six months ended June 30, 2022 and 2021, and the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2022 and 2021, 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 International Accounting Standards ("IASs") 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 of 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 \$20,963 thousand and \$26,908 thousand, constituting 2.47% and 2.48% of consolidated total assets as of June 30, 2022 and 2021, respectively, total liabilities amounting to \$6,175 thousand and \$7,286 thousand, constituting 2.82% and 2.08% of consolidated total liabilities as of June 30, 2022 and 2021, respectively ; and total comprehensive income(loss) amounting to \$(2,774) thousand, \$(2,620) thousand, \$(1,014) thousand and \$(2,978) thousand, constituting 12.62%, (1.39)%, 2.52% and (1.70)% of consolidated total comprehensive income(loss) constituting for the three and the six months ended June 30, 2022 and 2021, respectively.

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, 2022 and 2021, and of its consolidated financial performance and its consolidated cash flows for the three and the six months ended June 30, 2022 and 2021 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 Rou-Lan Kuo.

KPMG

Taipei, Taiwan (Republic of China) Aug 11, 2022

Notes to Readers

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

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.

Reviewed only, not audited in accordance with generally accepted auditing standards as of June 30, 2022 and 2021

INVENTEC BESTA CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

June 30, 2022, December 31, 2021 and June 30, 2021

(Expressed in Thousands of New Taiwan Dollars)

			June 30, 2022		December 31, 2021		June 30, 2021					June 30, 2022		December 31, 2021		June 30, 2021	
Assets			Amount	%	Amount	%	Amount	%	Liabilities and equity			Amount	%	Amount	%	Amount	%
Current assets:									Current liabilities:								
1100	Cash and cash equivalents	(Note(6)(a))	\$ 402,476	47	441,092	49	484,250	45	2130	Current contract liabilities	(Note(6)(o))	10,216	1	3,256	-	11,296	1
1140	Current contract assets	(Note(6)(o))	3,247	-	2,647	-	1,429	-	2150	Notes payable		-	-	13,059	2	874	-
1150	Notes receivable, net	(Note(6)(c))	5,109	1	3,892	-	2,746	-	2170	Accounts payable		103,513	12	95,005	11	150,030	14
1170	Accounts receivable, net	(Note(6)(c)and(7))	105,515	12	121,167	13	211,792	20	2180	Accounts payable due from related parties	(Note(7))	40	-	596	-	58,925	5
1200	Other receivables	(Note(6)(d)and(7))	42,814	5	29,768	3	53,113	5	2200	Other payables	(Note(7))	36,117	5	48,221	5	50,092	5
1220	Current tax assets		23	-	114	-	107	-	2280	Current lease liabilities	(Note(6)(j),(u)and(7))	3,323	-	3,492	-	3,477	-
130X	Inventories	(Note(6)(e))	58,136	7	71,161	8	89,666	8	2300	Other current liabilities		7,604	1	11,611	1	9,916	1
1476	Other current financial assets	(Note(6)(i)and(8))	35,078	4	35,231	4	37,150	3				160,813	19	175,240	19	284,610	26
1479	Other current assets, others		22,889	3	24,711	3	19,761	2	Non-current liabilities:								
			675,287	79	729,783	80	900,014	83	2570	Deferred tax liabilities		13,156	2	13,156	2	13,156	1
Non-current assets:									2580	Non-current lease liabilities	(Note(6)(j),(u)and(7))	8,821	1	9,660	1	11,770	1
1517	Non-current financial assets at fair value through other comprehensive income	(Note(6)(b))	5,260	1	6,735	1	12,344	1	2640	Net defined benefit liability, non-current	(Note(6)(k))	34,224	4	37,265	4	37,659	4
1600	Property, plant and equipment	(Note(6)(f))	127,074	15	129,287	14	129,714	12	2670	Other non-current liabilities, others		2,306	-	2,240	-	2,278	-
1755	Right-of-use assets	(Note(6)(g))	12,320	2	12,943	2	15,214	2				58,507	7	62,321	7	64,863	6
1780	Intangible assets	(Note(6)(h))	9,371	1	11,043	1	10,469	1	Total liabilities								
1840	Deferred tax assets		3,189	-	3,189	-	3,189	-	Equity attributable to owners of parent:								
1980	Other non-current financial assets	(Note(6)(i)and(8))	17,353	2	15,205	2	12,894	1	3100	Share capital	(Note(6)(m))	623,663	73	623,663	69	623,663	58
1990	Other non-current assets, others		-	-	154	-	1,086	-	3200	Capital surplus		100,180	12	100,180	11	100,180	9
			174,567	21	178,556	20	184,910	17	3300	Retained earnings		20,616	2	60,897	7	120,539	11
									3400	Other equity interest		(113,925)	(13)	(113,962)	(13)	(108,931)	(10)
									Total equity								
									Total liabilities and equity								
												630,534	74	670,778	74	735,451	68
Total assets			\$ 849,854	100	908,339	100	1,084,924	100				\$ 849,854	100	908,339	100	1,084,924	100

INVENTEC BESTA CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three and the six months ended June 30, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

		For the three months ended June 30,				For the six months ended June 30,				
		2022		2021		2022		2021		
		Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue	(Note(6)(o)and(7))	\$ 175,109	100	244,684	100	349,923	100	460,300	100
5000	Operating costs	(Note(6)(e))	(150,051)	(86)	(215,370)	(88)	(304,316)	(87)	(399,620)	(87)
	Gross profit from operations		25,058	14	29,314	12	45,607	13	60,680	13
	Operating expenses:									
6100	Selling expenses		(20,363)	(12)	(29,002)	(12)	(40,380)	(12)	(53,020)	(12)
6200	Administrative expenses		(12,115)	(7)	(15,638)	(6)	(23,052)	(6)	(27,567)	(6)
6300	Research and development expenses		(16,428)	(9)	(20,389)	(8)	(31,828)	(9)	(38,155)	(8)
6450	Expected credit loss		(2,888)	(1)	(5,974)	(3)	(2,191)	(1)	(6,390)	(1)
	Total operating expenses		(51,794)	(29)	(71,003)	(29)	(97,451)	(28)	(125,132)	(27)
	Net operating loss		(26,736)	(15)	(41,689)	(17)	(51,844)	(15)	(64,452)	(14)
	Non-operating income and expenses:	(Note(6)(q))								
7100	Interest income		740	-	339	-	1,223	-	686	-
7010	Other income		2,032	1	13,811	5	4,013	1	20,962	5
7020	Other gains and losses		3,231	2	239,528	98	6,584	2	241,247	52
7050	Finance costs		(167)	-	(225)	-	(263)	-	(307)	-
	Total non-operating income and expenses		5,836	3	253,453	103	11,557	3	262,588	57
7900	Profit (loss) from continuing operations before tax		(20,900)	(12)	211,764	86	(40,287)	(12)	198,136	43
7950	Less: Tax expense	(Note(6)(l))	(6)	-	29,550	12	(6)	-	29,595	6
	Profit (loss) for the period		(20,894)	(12)	182,214	74	(40,281)	(12)	168,541	37
	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		357	-	(601)	-	(1,725)	-	(601)	-
8349	Less: 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		357	-	(601)	-	(1,725)	-	(601)	-
8360	Components of other comprehensive income that will be reclassified to profit or loss									
8361	Foreign operations – foreign currency translation differences		(1,445)	(1)	6,755	3	1,762	-	7,105	3
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to loss		-	-	-	-	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss		(1,445)	(1)	6,755	3	1,762	-	7,105	3
	Other comprehensive income (loss) for the year net of tax		(1,088)	(1)	6,154	3	37	-	6,504	3
8500	Total comprehensive income (loss) for the period		\$ (21,982)	(13)	188,368	77	(40,244)	(12)	175,045	40
	Earnings per share	(Note(6)(n))								
9750	Basic earnings per share (dollars)		\$ (0.34)		2.92		(0.65)		2.70	
9850	Diluted earnings per share (dollars)		\$ (0.34)		2.88		(0.65)		2.66	

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, 2022 and 2021

(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	Legal Reserve	Special Reserve	Unappropriated Retained Earnings (Accumulated deficit)	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) from financial assets measured at fair value through other comprehensive income	
Balance at January 1, 2021	\$ 623,663	100,180	-	-	(48,002)	39,965	(155,400)	560,406
Net income for the period	-	-	-	-	168,541	-	-	168,541
Other comprehensive income (loss) for the period	-	-	-	-	-	7,105	(601)	6,504
Total comprehensive income (loss) for the period	-	-	-	-	168,541	7,105	(601)	175,045
Balance at June 30, 2021	\$ 623,663	100,180	-	-	120,539	47,070	(156,001)	735,451
Balance at January 1, 2022	\$ 623,663	100,180	-	-	60,897	47,738	(161,700)	670,778
Net loss for the period	-	-	-	-	(40,281)	-	-	(40,281)
Other comprehensive income (loss) for the period	-	-	-	-	-	1,762	(1,725)	37
Total comprehensive income (loss) for the period	-	-	-	-	(40,281)	1,762	(1,725)	(40,244)
Appropriation and distribution of retained earnings:								
Legal Reserve Appropriated	-	-	6,090	-	(6,090)	-	-	-
Special Reserve Appropriated	-	-	-	54,807	(54,807)	-	-	-
Balance at June 30, 2022	\$ 623,663	100,180	6,090	54,807	(40,281)	49,500	(163,425)	630,534

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

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

INVENTEC BESTA CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30,	
	2022	2021
Cash flows from operating activities:		
Profit (loss) before income tax	\$ (40,287)	198,136
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	6,697	6,918
Amortization expense	2,759	3,661
Expected credit loss	2,191	6,390
Interest expense	263	307
Interest income	(1,223)	(686)
Gain on disposal of property, plant and equipment	-	(242,207)
Other adjustments	-	(6)
Total adjustments to reconcile profit (loss)	<u>10,687</u>	<u>(225,623)</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Contract assets	(650)	6,847
Notes receivable	(1,298)	7,199
Accounts receivable	15,246	(118,675)
Other receivables	(14,794)	(20,422)
Inventories	13,025	(890)
Other current assets	1,831	7,923
Total changes in operating assets	<u>13,360</u>	<u>(118,018)</u>
Changes in operating liabilities:		
Notes payable	(13,059)	(870)
Accounts payable	8,456	60,883
Accounts payable to related parties	(534)	(16,787)
Other payables	(10,717)	6,909
Contract liabilities	6,960	(28,260)
Other current liabilities	(4,029)	3,080
Net defined benefit liabilities	(3,041)	(22,834)
Total changes in operating liabilities	<u>(15,964)</u>	<u>2,121</u>
Total changes in operating assets and liabilities	<u>(2,604)</u>	<u>(115,897)</u>
Total adjustments	<u>8,083</u>	<u>(341,520)</u>
Cash outflow generated from operations	(32,204)	(143,384)
Interest received	1,366	993
Interest paid	(284)	(358)
Income taxes received (paid)	97	(22,221)
Net cash outflow used in operating activities	<u>(31,025)</u>	<u>(164,970)</u>
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(3,253)	(1,607)
Disposal of property, plant and equipment	-	377,584
Acquisition of intangible assets	(1,802)	(3,811)
Increase in other financial assets	(1,379)	(764)
Decrease (increase) in other non-current assets	154	(824)
Net cash (outflow) inflow used in investing activities	<u>(6,280)</u>	<u>370,578</u>
Cash flows from financing activities:		
Payment of lease liabilities	(2,208)	(3,653)
Increase (decrease) in other non-current liabilities	60	(901)
Net cash outflow used in financing activities	<u>(2,148)</u>	<u>(4,554)</u>
Effect of exchange rate changes on cash and cash equivalents	837	(34)
Net (decrease) increase in cash and cash equivalents	(38,616)	201,020
Cash and cash equivalents at beginning of period	441,092	283,230
Cash and cash equivalents at end of period	<u>\$ 402,476</u>	<u>484,250</u>

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

INVENTEC BESTA CO., LTD. AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(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 6F-1, No. 56, Lane 258, Rui Guang Road, Nei Hu Dist., Taipei, Taiwan, R.O.C. The Company and its subsidiaries (“the Group”) were engaged primarily in the design, research, development, and sale of electronic dictionaries, electrical dictionaries, digital products, etc., 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 11, 2022.

(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 Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022.

- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements.

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”

INVENTEC BESTA CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	January 1, 2023

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”

(4) Summary of Significant Accounting Policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect 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 and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the

INVENTEC BESTA CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

consolidated financial statement for the year ended December 31, 2021. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2021.

(b) Basis of consolidation

(1) List of subsidiaries in the consolidated financial statements

List of subsidiaries in the consolidated financial statements, were as follow:

Investor	Name of Subsidiary	Primary Business	Shareholding Ratio			Note
			June 30, 2022	December 31, 2021	June 30, 2021	
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%	(註一)
Besta (Cayman) Co., Ltd.	Besta (Kunshan) Co., Ltd.	Sale of consumer electronics and related products	100%	100%	100%	(註一及三)
"	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%	(註一及二)

Note 1: The financial statements of the non-significant subsidiaries have not been reviewed.

Note 2: The boards of directors resolved to dissolve Kunshan Besta Electronics Limited on September 27, 2021, and the liquidation and dissolution process has been completed on March 14, 2022.

Note 3: The boards of directors resolved to dissolve Besta (Kunshan) Co., Ltd. on June 27, 2022, and the liquidation process is still in progress.

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

(c) 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.

INVENTEC BESTA CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

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

The preparation of the consolidated 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 financial statements for the year ended December 31, 2021.

(6) Explanation to Significant Accounts

(a) Cash and cash equivalents

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Cash on hand	\$ 447	419	354
Demand deposits	52,649	81,681	353,996
Foreign currency deposits	29,985	59,656	46,610
Cash equivalents - Time deposits	239,290	234,325	83,290
Cash equivalents - Bonds	80,105	65,011	-
Total	<u>\$ 402,476</u>	<u>441,092</u>	<u>484,250</u>

Please refer to Note 6(r) for the disclosure of interest rate risk and sensitivity analysis of the financial assets of the Group.

The aforesaid financial assets were not pledged as collateral.

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

	June 30, 2022	December 31, 2021	June 30, 2021
Equity instruments at fair value through other comprehensive income:			
Stocks not listed on markets	\$ 5,260	6,735	12,344

As of June 30, 2022, the balance of accumulate unrealized evaluation losses amounted to \$155,400.

The Group holds 6% of common shares of Anhui Raise Victa Technology Co., Ltd, and investing the amount of CNY 3,000. The main operating activities of Anhui Raise Victa Technology Co., Ltd, are intelligent voice product development. As of June 30, 2022, the balance of accumulate unrealized evaluation losses amounted to \$8,025.

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

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments for the six months ended June 30, 2022 and 2021.

Please refer to Note 6(r) for fair value of financial instrument.

The aforesaid financial assets were not pledged as collateral.

(c) Notes and accounts receivable

	June 30, 2022	December 31, 2021	June 30, 2021
Notes receivable	\$ 5,195	3,897	2,750
Accounts receivable	112,667	127,864	219,284
Less: Allowance for impairment	(7,238)	(6,702)	(7,495)
Unrealized interest revenue	-	-	(1)
	\$ 110,624	125,059	214,538

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, 2022, December 31, 2021 and June 30, 2021. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision, were determined as follows:

INVENTEC BESTA CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	June 30, 2022		
	Gross carrying amount	Expected loss rate	Loss allowance provision
Not past due	\$ 108,674	0.00%~1.65%	1,677
Less than 30 days past due	3,494	1.65%	58
31 to 90 days past due	194	1.65%~6.77%	3
91 to 180 days past due	5,500	1.65%~100.00%	5,500
	<u>\$ 117,862</u>		<u>7,238</u>

	December 31, 2021		
	Gross carrying amount	Expected loss rate	Loss allowance provision
Not past due	\$ 107,889	0.14%~0.76%	174
Less than 30 days past due	5,367	0.14%~6.02%	12
31 to 90 days past due	11,889	0.14%~25.62%	1,650
91 to 180 days past due	5,142	0.14%~100.00%	3,392
More than 181 days past due	1,474	0.14%~100.00%	1,474
	<u>\$ 131,761</u>		<u>6,702</u>

	June 30, 2021		
	Gross carrying amount	Expected loss rate	Loss allowance provision
Not past due	\$ 185,487	0.00%~0.74%	196
Less than 30 days past due	23,951	0.00%~2.25%	316
31 to 90 days past due	8,019	0.00%~37.97%	2,406
More than 90 days past due	4,577	0.00%~100.00%	4,577
	<u>\$ 222,034</u>		<u>7,495</u>

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

	For the six months ended June 30,	
	2022	2021
Balance at January 1	\$ 6,702	1,394
Impairment losses recognized	536	6,351
Amounts written off	-	(250)
Balance at June 30	<u>\$ 7,238</u>	<u>7,495</u>

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(d) Other receivables

	June 30, 2022	December 31, 2021	June 30, 2021
Other receivables	\$ 48,748	34,097	56,792
Less: Allowance for impairment loss	(5,934)	(4,329)	(3,679)
	<u>\$ 42,814</u>	<u>29,768</u>	<u>53,113</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 on June 30, 2022, December 31, 2021 and June 30, 2021. To measure the expected credit losses, other receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision as of June 30, 2022, December 31, 2021 and June 30, 2021 were determined as follows:

	June 30, 2022		
	Gross carrying amount	Expected loss rate	Loss allowance provision
Not past due	\$ 37,893	0.00%~5.59%	2,090
Less than 30 days past due	4,127	25.87%	1,068
31 to 90 days past due	5,768	10.00%~26.13%	1,851
91 to 180 days past due	960	26.35%~70.00%	925
	<u>\$ 48,748</u>		<u>5,934</u>

	December 31, 2021		
	Gross carrying amount	Expected loss rate	Loss allowance provision
Not past due	\$ 17,035	0.00%~0.30%	49
Less than 30 days past due	5,148	1.74%	90
31 to 90 days past due	11,135	1.76%~50.00%	3,411
91 to 180 days past due	779	1.98%~100.00%	779
	<u>\$ 34,097</u>		<u>4,329</u>

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	June 30, 2021		
	Gross carrying amount	Expected loss rate	Loss allowance provision
Not past due	\$ 45,947	0.00%~0.74%	154
Less than 30 days past due	2,542	0.00%~1.45%	27
31 to 90 days past due	4,874	0.00%~1.85%	69
91 to 180 days past due	3,378	0.00%~100.00%	3,378
More than 181 days past due	51	0.00%~100.00%	51
	<u>\$ 56,792</u>		<u>3,679</u>

The movement in the allowance for other receivables was as follows:

	For the six months ended June 30,	
	2022	2021
Balance at January 1	\$ 4,329	3,535
Impairment losses recognized	1,605	144
Balance at June 30	<u>\$ 5,934</u>	<u>3,679</u>

(e) Inventories

	December 31,		
	June 30, 2022	2021	June 30, 2021
Raw materials and consumables	\$ 23,126	19,507	10,836
Work in process	4,079	2,719	4,713
Finished goods	9,918	5,745	14,451
Merchandise	21,013	43,190	59,666
	<u>\$ 58,136</u>	<u>71,161</u>	<u>89,666</u>

For the three and the six months ended June 30, 2022 and 2021, the components of cost of goods sold were as follows:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Cost of goods sold	\$ 148,684	215,350	303,146	397,267
(Reversal of) loss on inventory valuation and obsolescence	1,367	(4,224)	1,170	(1,891)
Inventories	-	4,244	-	4,244
obsolescence loss				
Total	<u>\$ 150,051</u>	<u>215,370</u>	<u>304,316</u>	<u>399,620</u>

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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, 2022, December 31, 2021 and June 30, 2021 the Group's inventories were not pledged as collateral.

(f) Property, Plant and Equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows:

	Land	Building and Construction	Machinery and Equipment	Other Facilities	Total
Cost or deemed cost:					
Balance at January 1, 2022	\$ 60,950	68,457	25,942	55,040	210,389
Additions	-	-	24	2,498	2,522
Disposals	-	-	(98)	(92)	(190)
Effect of movements in exchange rates	-	275	177	30	482
Balance at June 30, 2022	<u>\$ 60,950</u>	<u>68,732</u>	<u>26,045</u>	<u>57,476</u>	<u>213,203</u>
Balance at January 1, 2021	\$ 146,274	151,145	28,800	57,526	383,745
Additions	-	-	-	175	175
Disposals	(85,324)	(82,778)	(192)	(614)	(168,908)
Reclassification	-	-	194	(194)	-
Effect of movements in exchange rates	-	(10)	(6)	(1)	(17)
Balance at June 30, 2021	<u>\$ 60,950</u>	<u>68,357</u>	<u>28,796</u>	<u>56,892</u>	<u>214,995</u>
Depreciation and impairment losses:					
Balance at January 1, 2022	\$ -	19,120	24,874	37,108	81,102
Depreciation for the period	-	675	211	3,983	4,869
Disposals	-	-	(98)	(92)	(190)
Effect of movements in exchange rates	-	147	173	28	348
Balance at June 30, 2022	<u>\$ -</u>	<u>19,942</u>	<u>25,160</u>	<u>41,027</u>	<u>86,129</u>

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Balance at January 1, 2021	\$	-	50,082	27,245	36,711	114,038
Depreciation for the period		-	1,042	262	3,482	4,786
Disposals		-	(32,725)	(192)	(614)	(33,531)
Reclassification		-	-	194	(194)	-
Effect of movements in exchange rates		-	(5)	(6)	(1)	(12)
Balance at June 30, 2021	\$	-	18,394	27,503	39,384	85,281

Carrying amounts:

Balance at January 1, 2022	\$	60,950	49,337	1,068	17,932	129,287
Balance at June 30, 2022	\$	60,950	48,790	885	16,449	127,074
Balance at January 1, 2021	\$	146,274	101,063	1,555	20,815	269,707
Balance at June 30, 2021	\$	60,950	49,963	1,293	17,508	129,714

The Boards of Directors of the Group resolved to enter into an agreement for the sale of its real estate with non-relative party on April 26, 2021, in which the net disposal proceeds of the contract amounted to \$377,584, resulting in the gain on disposal of \$242,207, to be recognized as “Other gains and losses” in Inventec Besta Co., Ltd.’s financial report. All the above receivables had been collected in June 2021.

(g) Right-of-use assets

		Buildings and Construction	Machinery and Equipment	Total
Cost:				
Balance at January 1, 2022	\$	20,740	9,884	30,624
Additions		1,151	-	1,151
Effect of movements in exchange rates		107	-	107
Balance at June 30, 2022	\$	21,998	9,884	31,882
Balance at January 1, 2021	\$	15,175	9,884	25,059
Additions		6,515	-	6,515
Effect of movements in exchange rates		(5)	-	(5)
Balance at June 30, 2021	\$	21,685	9,884	31,569

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Accumulated depreciation:

Balance at January 1, 2022	\$	7,797	9,884	17,681
Depreciation for the period		1,828	-	1,828
Effect of movements in exchange rates		53	-	53
Balance at June 30, 2022	\$	9,678	9,884	19,562
Balance at January 1, 2021	\$	5,082	9,143	14,225
Depreciation for the period		1,391	741	2,132
Effect of movements in exchange rates		(2)	-	(2)
Balance at June 30, 2021	\$	6,471	9,884	16,355

Carrying amount:

Balance at January 1, 2022	\$	12,943	-	12,943
Balance at June 30, 2022	\$	12,320	-	12,320
Balance at January 1, 2021	\$	10,093	741	10,834
Balance at June 30, 2021	\$	15,214	-	15,214

The Group increased the lease contract of office in January 2022 and April 2021, and increased right-of-use assets amount of \$1,151 and \$6,515, respectively.

(h) Intangible assets

	<u>Trademark</u>	<u>Royalties</u>	<u>Other intangible assets</u>	<u>Total</u>
Carrying amounts:				
Balance at January 1, 2022	\$ 6,312	3,507	1,224	11,043
Balance at June 30, 2022	\$ 6,312	2,461	598	9,371
Balance at January 1, 2021	\$ 6,312	2,190	1,592	10,094
Balance at June 30, 2021	\$ 6,312	3,201	956	10,469

(1) Amortization and Impairment

For the three and the six months ended June 30, 2022 and 2021, the amortization of intangible assets was respectively included in the statement of comprehensive income:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Operating costs	\$ 125	86	250	171
Operating expenses	\$ 951	2,045	2,509	3,490

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(2) Impairment loss and subsequent reversal

The Group performs the impairment test where there are indications of impairment of intangible assets and the recoverable amount is determined by the value in use. The accumulated impairment losses on other royalties amounted to \$47,865, as of June 30, 2022, December 31, 2021 and June 30, 2021.

(i) Other financial assets

The Group of other financial assets were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Time deposits over three months	\$ 32,677	31,451	31,234
Refundable deposits	17,754	16,985	15,641
Pledged time deposits	2,000	2,000	3,169
Total	\$ 52,431	50,436	50,044

As of June 30, 2022, December 31, 2021 and June 30, 2021, the details of other financial assets were pledged as collateral, please refer to Note 8.

(j) Lease liabilities

The carrying amounts of lease liabilities of the Group were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Current	\$ 3,323	3,492	3,477
Non-current	\$ 8,821	9,660	11,770

For the maturity analysis, please refer to Note 6(r) of financial instruments.

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Interest on lease liabilities	\$ 63	63	131	97
Expenses relating to short-term leases	\$ 79	120	145	273

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

	For the six months ended June 30,	
	2022	2021
Total cash outflow for leases	\$ 2,484	4,023

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(1) Real estate leases

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) Others lease

The Group also leases office equipment, which are short-term or leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(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 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, 2021 and 2020.

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

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Operating cost	\$ 7	8	14	17
Selling expenses	31	44	62	87
Administration expenses	32	37	65	74
Research and development expenses	15	33	30	65
Total	\$ 85	122	171	243

As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group had the net defined benefit liability, amounting to \$34,224 、 \$37,265 and \$37,659.

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(2) Defined contribution plans

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
	Operating cost	\$ 75	87	150
Selling expenses	604	693	1,380	2,482
Administration expenses	1,905	317	2,199	636
Research and development expenses	777	773	1,512	1,992
Total	\$ 3,361	1,870	5,241	5,284

(1) Income taxes

(1) Income tax expense

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

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
	Current income tax expense			
Current period incurred	\$ -	29,550	-	29,595
Adjustment for prior periods	(6)	-	(6)	-
Tax expense from continuing operations	\$ (6)	29,550	(6)	29,595

For the six months end June 30, 2022 and 2021, the Group were no income tax recognized in other comprehensive income.

(2) Status of approval of income tax

The Company's tax returns for the years through 2020 were examined and approved by the Taipei National Tax Administration.

(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, 2022 and 2021. For other information about the stockholders' equity, please refer to Note 6(n) of the consolidated financial statements for the year ended December 31, 2021.

(1) Retained earnings

The Company's articles of incorporation require that after-tax earnings shall first be offset

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against any accumulated 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. In addition, according to the operation needs of the Company and the provisions of laws and regulations, The remaining earnings, if any, any remaining profit together with previous undistributed retained earnings. Surplus distribution based on issuance of new shares approved by the Board of Directors, should be resolved during the shareholder's meeting. The Company should distribute dividends and bonus, or all or part of the legal reserve (only the portion of legal reserve which exceeds 25 percent of the paid-in capital) and capital surplus, stipulated by the Company Act, as cash dividends based on the resolution of the Board of Directors with two-thirds directors present and approved by one-half of the present directors. The Board of Directors submitted to the stockholders' meeting for approval.

(2) Earnings Distribution

On June 15, 2022, the Company's the shareholders' meeting resolved the earnings distribution of 2021. On July 15, 2021, the shareholders' meeting resolved the loss of-setting proposals of 2020.

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

(3) Other equity, net of tax

	Exchange difference on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income
Balance at January 1, 2022	\$ 47,738	(161,700)
Exchange differences on foreign operations	1,762	-
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(1,725)
Balance at June 30, 2022	<u>\$ 49,500</u>	<u>(163,425)</u>
Balance at January 1, 2021	\$ 39,965	(155,400)
Exchange differences on foreign operations	7,105	-
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(601)
Balance at June 30, 2021	<u>\$ 47,070</u>	<u>(156,001)</u>

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(n) Earnings per share

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

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Basic earnings (losses) per share:				
Profit (loss) attributable to the Company	\$ (20,894)	182,214	(40,281)	168,541
Weighted-average number of outstanding ordinary shares (basic) (thousands of share)	62,366	62,366	62,366	62,366
Basic earnings (losses) per share (NT dollars)	\$ (0.34)	2.92	(0.65)	2.70
Diluted earnings (losses) per share:				
Profit (loss) attributable to the Company	\$ (20,894)	182,214	(40,281)	168,541
Weighted-average number of outstanding ordinary shares (basic) (thousands of share)	62,366	62,366	62,366	62,366
Effect of employee share bonus	-	1,009	76	1,009
Weighted-average number of outstanding ordinary shares (diluted) (thousands of share)	62,366	63,375	62,442	63,375
Diluted earnings (losses) per share (NT dollars)	\$ (0.34)	2.88	(0.65)	2.66

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(o) Revenue from contracts with customers

(1) Disaggregation of revenue

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Primary geographical markets:				
Taiwan	\$ 90,962	158,907	199,914	302,674
Japan	52,643	53,510	87,240	81,696
The United States and Canada	7,814	6,314	20,816	14,598
Czechia	7,474	9,575	15,800	21,289
Singapore and Malaysia	10,003	8,900	13,835	18,167
Other countries	6,213	7,478	12,318	21,876
	\$ 175,109	244,684	349,923	460,300
Major products:				
Sales of products	\$ 164,295	238,861	332,049	442,358
Sale of services	10,814	5,823	17,874	17,942
	\$ 175,109	244,684	349,923	460,300

(2) Contract balances

	June 30, 2022	December 31, 2021	June 30, 2021
	Accounts receivable	\$ 117,862	131,761
Less: Allowance for impairment	(7,238)	(6,702)	(7,495)
Total	\$ 110,624	125,059	214,538
Contract assets	\$ 3,301	2,651	1,431
Less: Allowance for impairment	(54)	(4)	(2)
Total	\$ 3,247	2,647	1,429
Contract liabilities	\$ 10,216	3,256	11,296

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

The amounts of revenue recognized for the three and the six months ended June 30, 2022 and 2021 that were included in the contract liability balance at the beginning of the period were \$25 、 \$106 、 \$293 and \$32,810, respectively.

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation that the Group derived from the transfer of a good or service to the customer to be satisfied and the payment to be

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received.

(p) Remuneration of employees and directors

The Company's articles of incorporation require that earnings shall first be offset against any deficit. A minimum of 3% will be distributed as employee remuneration and a maximum of 3% will be allocated as directors' remuneration. 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 three and the six months ended June 30, 2022, and thus, the Group was not accrued any remuneration to its employees and directors.

The remunerations to employees amounted to \$11,297 thousand and \$11,297 thousand, respectively for the three and the six months ended June 30, 2021. The amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, and multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during the period. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in the following year.

The remunerations to employees amounted to \$2,797 thousand for the year ended December 31, 2021. There is no difference between the estimated employees' and directors' remuneration, which was stated in the financial statements. The Company incurred losses before tax for the year ended December 31, 2020, and thus, the Group was not accrued any remuneration to its employees and directors. The related information can be assessed from the Market Observation Post System on the website.

(q) Non-operating income and expenses

(1) Interest income

The details of interest income were as follows:

	For the three months ended June		For the six months ended June	
	30,		30,	
	2022	2021	2022	2021
Interest income				
Bank deposit	\$ 669	318	1,113	632
Others	71	21	110	54
	\$ 740	339	1,223	686

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(2) Other income

The details of other income were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
	Rental income	\$ 1,954	3,138	3,919
Government grants	-	10,582	-	14,902
Other income, others	78	91	94	109
	\$ 2,032	13,811	4,013	20,962

(3) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
	Foreign exchange gains (losses)	\$ 3,384	(2,669)	6,748
Gains on disposal of property, plant and equipment	-	242,207	-	242,207
Others	(153)	(10)	(164)	(1,113)
	\$ 3,231	239,528	6,584	241,247

(4) Finance costs

The details of finance cost were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
	Interest expense			
Bank borrowings	\$ 104	161	132	205
Others	63	64	131	102
	\$ 167	225	263	307

(r) 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 related information, please refer to Note 6(s) of the consolidated financial statements for the year ended December 31, 2021.

(1) Credit risk

a) Receivables and equity securities of credit risk

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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 the impact of netting arrangements:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6 to 12 months</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>More than 5 years</u>
Balance at June 30, 2022							
Non-derivative financial liabilities							
Accounts payable	\$ 103,553	103,553	103,553	-	-	-	-
Other payables	36,117	36,117	36,117	-	-	-	-
Lease Liabilities	12,144	12,691	1,597	1,936	3,871	5,178	109
Receipts under custody (reported as other current liabilities)	1,722	1,722	1,722	-	-	-	-
Guarantee deposits received (reported as other non-current liabilities)	2,306	2,306	522	9	898	877	-
	<u>\$ 155,842</u>	<u>156,389</u>	<u>143,511</u>	<u>1,945</u>	<u>4,769</u>	<u>6,055</u>	<u>109</u>
Balance at December 31, 2021							
Non-derivative financial liabilities							
Notes payable	\$ 13,059	13,059	13,059	-	-	-	-
Accounts payable	95,601	95,601	95,601	-	-	-	-
Other payables	48,221	48,221	48,221	-	-	-	-
Lease Liabilities	13,152	13,684	1,893	1,818	3,637	5,909	427
Receipts under custody (reported as other current liabilities)	2,047	2,047	2,047	-	-	-	-
Guarantee deposits received (reported as other non-current liabilities)	2,240	2,240	328	198	898	816	-
	<u>\$ 174,320</u>	<u>174,852</u>	<u>161,149</u>	<u>2,016</u>	<u>4,535</u>	<u>6,725</u>	<u>427</u>

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	Carrying amount	Contractual cash flows	Within 6 months	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Balance at June 30, 2021							
Non-derivative financial liabilities							
Notes payable	\$ 874	874	874	-	-	-	-
Accounts payable	208,955	208,955	208,955	-	-	-	-
Other payables	50,092	50,092	50,092	-	-	-	-
Lease Liabilities	15,247	15,923	1,782	1,907	3,814	7,425	995
Receipts under custody (reported as other current liabilities)	1,327	1,327	1,327	-	-	-	-
Guarantee deposits received (reported as other non-current liabilities)	2,278	2,278	155	9	701	1,413	-
	\$ 278,773	279,449	263,185	1,916	4,515	8,838	995

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

(3) Market risk

a) Currency risk

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

		June 30, 2022		
		Foreign currency (In thousand)	Exchange rate	TWD
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$	6,250	USD : TWD 29.7200	185,750
		19	USD : CNY 6.7118	565
CNY		18	CNY : TWD 4.4280	80
<u>Financial Liabilities</u>				
<u>Monetary items</u>				
USD		2,771	USD : TWD 29.7200	82,354

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		December 31, 2021		
		Foreign currency (In thousand)	Exchange rate	TWD
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$	4,916	USD : TWD 27.6700	136,026
		6	USD : CNY 6.3682	166
CNY		28	CNY : TWD 4.3450	122
<u>Financial Liabilities</u>				
<u>Monetary items</u>				
USD		1,291	USD : TWD 27.6700	35,722
		June 30, 2021		
		Foreign currency (In thousand)	Exchange rate	TWD
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$	8,121	USD : TWD 27.9000	226,576
		35	USD : CNY 6.4658	976
CNY		28	CNY : TWD 4.3150	121
<u>Financial Liabilities</u>				
<u>Monetary items</u>				
USD		3,680	USD : TWD 27.9000	102,672

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 payables that are denominated in foreign currency. A 0.5% depreciation or appreciation of the NTD against the USD and CNY as of June 30, 2022 and 2021, would have increased or decreased the net loss after tax for the six months ended June 30, 2022 and 2021, would have increased or decreased the net loss after tax \$620 and \$625, respectively. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for both periods.

b) Foreign exchange gain and loss on monetary items

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

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	June 30, 2022		June 30, 2021	
	Foreign exchange gains(losses)	Average exchange rate	Foreign exchange gains(losses)	Average exchange rate
TWD	\$ 6,745	1.000	182	1.000
CNY	3	4.3865	(29)	4.3165

(4) Interest risk

The interest rate exposure of the Group's financial assets and liabilities is described in Note on liquidity risk management.

The following sensitivity analysis is based on the exposure to the interest rate risk. The assets and liabilities with variable rates on the reporting date are access with the assumption that the amount of liabilities outstanding at the maturity date.

If the interest rate increases or decreases by 0.5%, the Group's net loss will decrease or increase by \$67 and \$0 for the six months ended June 30, 2022 and 2021, assuming all other variable factors that remain constant. This is mainly due to the Group's time deposits in variable rate.

(5) Fair value of financial instruments

a) Fair value hierarchy

The Group's financial assets at fair value through other comprehensive income is measured 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 lease liabilities, disclosure of fair value information is not required:

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	June 30, 2022				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Unquoted equity instruments measured at fair value	\$ 5,260	-	-	5,260	5,260
Financial assets at amortized cost					
Cash and cash equivalents	402,476	-	-	-	-
Notes receivable, accounts receivable and other receivables	153,438	-	-	-	-
Other financial assets	52,431	-	-	-	-
Subtotal	608,345	-	-	-	-
Total	\$ 613,605	-	-	5,260	5,260

Financial liabilities at amortized cost

Notes payable, accounts payable and other payables	\$ 139,670	-	-	-	-
Lease liabilities	12,144	-	-	-	-
Receipts under custody (accounting for other current liabilities)	1,722	-	-	-	-
Refund liabilities (accounting for other non-current liabilities)	2,306	-	-	-	-
Total	\$ 155,842	-	-	-	-

	December 31, 2021				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Unquoted equity instruments measured at fair value	\$ 6,735	-	-	6,735	6,735
Financial assets at amortized cost					
Cash and cash equivalents	441,092	-	-	-	-
Notes receivable, accounts receivable and other receivables	154,827	-	-	-	-
Other financial assets	50,436	-	-	-	-
Subtotal	646,355	-	-	-	-
Total	\$ 653,090	-	-	6,735	6,735

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Financial liabilities at amortized cost

Notes payable, accounts payable and other payables	\$ 156,881	-	-	-	-
Lease liabilities	13,152	-	-	-	-
Receipts under custody (accounting for other current liabilities)	2,047	-	-	-	-
Refund liabilities (accounting for other non-current liabilities)	2,240	-	-	-	-
Total	\$ 174,320	-	-	-	-

June 30, 2021

Fair Value

Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Unquoted equity instruments measured at fair value	-	-	12,344	12,344

Financial assets at amortized cost

Cash and cash equivalents	484,250	-	-	-	-
Notes receivable, accounts receivable and other receivables	267,651	-	-	-	-
Other financial assets	50,044	-	-	-	-
Subtotal	801,945	-	-	-	-
Total	\$ 814,289	-	-	12,344	12,344

Financial liabilities at amortized cost

Notes payable, accounts payable and other payables	\$ 259,921	-	-	-	-
Lease liabilities	15,247	-	-	-	-
Receipts under custody (accounting for other current liabilities)	1,327	-	-	-	-
Refund liabilities (accounting for other non-current liabilities)	2,278	-	-	-	-
Total	\$ 278,773	-	-	-	-

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b) Valuation techniques for financial instruments measured at fair value

(b.1) Non-derivative financial instruments

The fair value of financial instruments was 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, drafts and bonds of listed companies are financial assets and liabilities with standard terms and conditions which are traded in the active markets. Their fair values are based on the quoted market prices.

For equity instruments that have no quoted prices, the comparable listed companies' method is used to estimate their 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.

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(c) Reconciliation of level 3 fair value

	Fair value through other comprehensive income <hr/> Unquoted equity instruments
Balance at January 1, 2022	\$ 6,735
Total gains and losses recognized in	
Other comprehensive income	(1,725)
Effect of movements in exchange rate	250
Balance at June 30, 2022	<u>\$ 5,260</u>
Balance at January 1, 2021	\$ 12,954
Total gains and losses recognized in	
Other comprehensive income	(601)
Effect of movements in exchange rate	(9)
Balance at June 30, 2021	<u>\$ 12,344</u>

For the six months ended June 30, 2022 and 2021, total gains and losses included in “unrealized gains and losses from financial assets at fair value through other comprehensive income” were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Total gains and losses recognized:				
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	\$ 357	(601)	(1,725)	(601)

(d) The 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 inputs. The significant unobservable inputs of financial assets at fair value through other

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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	The Relationship between Significant Non-observable Input and Fair Value measurement
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"> • Multiplier of price-to-book ratio (As of June 30, 2022, December 31, 2021 and June 30, 2021 were 3.51~5.21 、 4.53~6.78 and 3.72~8.87) • Market illiquidity discount (As of June 30, 2022, December 31, 2021 and June 30, 2021 were 15%~20% 、 15%~20% and 15%~20%) 	<ul style="list-style-type: none"> • The higher the PB, the higher the fair value. • The higher the illiquidity discount rate, the lower the fair value.

(e) 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:

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		Input	Variation	Impact of Fair Value Change on Other Comprehensive income or loss	
				Favorable Change	Unfavorable Change
June 30, 2022					
Financial assets at fair value through other comprehensive income					
Equity investments without an active market	Multiplier of price-to-book ratio		5%	\$ 261	(261)
Equity investments without an active market	Market illiquidity discount		5%	<u>328</u>	<u>(328)</u>
				<u>\$ 589</u>	<u>(589)</u>
December 31, 2021					
Financial assets at fair value through other comprehensive income					
Equity investments without an active market	Multiplier of price-to-book ratio		5%	\$ 339	(339)
Equity investments without an active market	Market illiquidity discount		5%	<u>421</u>	<u>(421)</u>
				<u>\$ 760</u>	<u>(760)</u>
June 30, 2021					
Financial assets at fair value through other comprehensive income					
Equity investments without an active market	Multiplier of price-to-book ratio		5%	\$ 617	(617)
Equity investments without an active market	Market illiquidity discount		5%	<u>772</u>	<u>(772)</u>
				<u>\$ 1,389</u>	<u>(1,389)</u>

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

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(s) 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, 2021.

(t) 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, 2021. There were no significant changes in the quantified factors of capital management as compared to the consolidated financial for the year ended December 31, 2021. For other information about the capital management, please refer to Note 6(u) of the consolidated financial statements for the year ended December 31, 2021.

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

The Group's investing and financing activities which did not affect the current cash flows for the six months ended June 30, 2022 and 2021.

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2022	Cash flows	No-cash changes		June 30, 2022
			Other	Foreign exchange movement	
Lease liabilities	\$ 13,152	(2,208)	1,151	49	12,144
Total liabilities from financing activities	\$ 13,152	(2,208)	1,151	49	12,144

	January 1, 2021	Cash flows	No-cash changes		June 30, 2021
			Other	Foreign exchange movement	
Lease liabilities	\$ 12,387	(3,653)	6,515	(2)	15,247
Total liabilities from financing activities	\$ 12,387	(3,653)	6,515	(2)	15,247

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(7) Related Party Transactions

(a) Parent company and ultimate controlling company

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	The entity with significant influence over the Group
Inventec Appliances Corp.	Other related party of the Group
Inventec (Pudong) Technology Corp.	"
AIMobile Co., Ltd.	"
Inventec Appliances (XI'AN) Corporation	"
SQ Technology (Shanghai) Corporation	"

(c) Significant transactions with related parties

(1) Sales revenue

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

	For the three months ended June		For the six months ended June	
	30,		30,	
	2022	2021	2022	2021
Associates	\$ 5,639	1,611	7,400	2,786
Other related parties	265	286	3,383	286
	\$ 5,904	1,897	10,783	3,072

Prices for the sales above were negotiated, the sales prices and collection terms aren't the same as those with other customers. The collection terms are within 30 and 90 days after arrival.

(2) Purchase

The amounts of purchases by the Group from related parties were as follows:

	For the three months ended June		For the six months ended June	
	30,		30,	
	2022	2021	2022	2021
Associates	410	-	710	2,936
Others related parties:				
AIMobile Co., Ltd. \$	-	30,460	-	56,110
Other	-	401	270	401
	\$ 410	30,861	980	59,447

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

(3) Receivables from related parties

The receivables by the Group from related parties were as follows:

Financial Statement Account	Related Party Categories	June 30, 2022	December 31, 2021	June 30, 2021
Accounts receivable	Associates	\$ 5,914	1,165	528
	Others related parties	594	4,928	300
Other receivables	Associates	-	91	-
		<u>\$ 6,508</u>	<u>6,184</u>	<u>828</u>

(4) Payables to related parties

The payables to related parties were as follows:

Financial Statement Account	Related Party Categories	June 30, 2022	December 31, 2021	June 30, 2021
Accounts payable	Associates	\$ -	596	9
	Other related parties:			
	AIMobile Co., Ltd.	-	-	58,916
	Other	40	-	-
Other payables	Associates	-	1,578	-
		<u>\$ 40</u>	<u>2,174</u>	<u>58,925</u>

(5) Other expense and revenue

Financial Statement Account	Related Party Categories	For the three months ended June 30,		For the six months ended June 30,	
		2022	2021	2022	2021
Other expenses	Associates	<u>\$ 37</u>	<u>4</u>	<u>98</u>	<u>12</u>

(6) Others

- a) The Group receive \$87 from its associates for advance payment on December 31, 2021.
- b) The Group paid \$40 from its other related parties for advance payment on June 30, 2022.
- c) The Group paid \$79、\$186 and \$77 to its other related parties for the refundable deposits

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as of June 30, 2022, December 31, 2021 and June 30, 2021.

d) The Group paid \$240、\$240 and \$160 to its other related parties for the guaranteed notes in deposit as of June 30, 2022, December 31, 2021 and June 30, 2021.

(7) Leases

The Group rented an office building from Inventec Corporation in April 2016 and October 2017, and extended lease period in December 2020. The rental fee is determined based on nearby office rental rates. The total value of the contract was \$19,956. The Group terminated the lease contract in September 2020 and decrease lease liabilities amount of \$1,975. For the three and the six months ended June 30, 2022 and 2021, the Group recognized the amount of \$11、\$15、\$23 and \$31 as interest expense. As of June 30, 2022, December 31, 2021 and June 30, 2021, the balance of lease liabilities amounted to \$2,746、\$3,284 and \$3,817.

The Group rented an IDC from Inventec Corporation in March 2018 and signed the addendum to lease agreement in 2019 to 2021. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term. The total value of the contract was \$18,318. For the three and the six months ended June 30, 2022 and 2021, the Group recognized the amount of \$5、\$7、\$13 and \$17 as interest expense. As of June 30, 2022, December 31, 2021 and June 30, 2021, the balance of lease liabilities amounted to \$1,166、\$1,694 and \$1,770.

In January 2019, the Group rented an office building from Inventec Appliances (XI'AN) Corporation. The rental fee is determined based on nearby office rental rates. The total value of the contract was CNY 1,027 thousand. For the three and the six months ended June 30, 2022 and 2021, the Group recognized the amount of \$26、\$5、\$55 and \$13 as interest expense. As of June 30, 2022, December 31, 2021 and June 30, 2021, the balance of lease liabilities amounted to \$1,950、\$2,311 and \$2,736.

(d) Key management personnel compensation

Key management personnel compensation including:

	For the three months ended June		For the six months ended June	
	30,		30,	
	2022	2021	2022	2021
Short-term employee benefits	\$ 4,085	6,181	8,581	11,717
Post-employment benefits	1,690	81	1,771	583
	\$ 5,775	6,262	10,352	12,300

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(8) Pledged Assets

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Other current financial assets	Performance bond	\$ 2,401	3,780	5,916
Other non-current financial assets	Customs duty guarantee, performance bond etc.	17,353	15,205	12,894
		<u>\$ 19,754</u>	<u>18,985</u>	<u>18,810</u>

(9) Significant Commitments and Contingencies

(a) Major Commitments:

(1) Promissory notes issued for bank credit and lease, were as follows:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Notes issued as guarantee	<u>\$ 390,862</u>	<u>389,146</u>	<u>401,137</u>

(2) For part of the material royalty contracts, the Company paid based on sales volume and minimum guaranteed payment, were as follow:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
TWD	<u>\$ 1,178</u>	<u>1,469</u>	<u>1,919</u>
USD	<u>\$ 22</u>	<u>18</u>	<u>80</u>

(3) Amount of sales contract that has been promised and undelivered, were as follows:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Amount of promised sales with undelivered goods	<u>\$ 53,193</u>	<u>99,433</u>	<u>83,384</u>

(4) Amount of purchase contract that has been signed and undelivered, were as follows:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Amount of promised purchase with unreceived goods	<u>\$ 43,299</u>	<u>58,816</u>	<u>26,449</u>

(b) Contingencies: None.

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(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, 2022			For the three months ended June 30, 2021		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
By item						
Employee benefits						
Salary	1,364	28,536	29,900	1,635	31,835	33,470
Labor and health insurance	127	2,539	2,666	148	2,993	3,141
Pension	82	3,364	3,446	95	1,897	1,992
Others employee benefits	16	1,413	1,429	25	1,153	1,178
Depreciation	1,782	1,380	3,162	1,598	1,383	2,981
Amortization	125	951	1,076	86	2,045	2,131

By function	For the six months ended June 30, 2022			For the six months ended June 30, 2021		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
By item						
Employee benefits						
Salary	2,740	57,502	60,242	3,296	64,105	67,401
Labor and health insurance	253	5,337	5,590	294	5,734	6,028
Pension	164	5,248	5,412	191	5,336	5,527
Others employee benefits	31	2,748	2,779	45	2,242	2,287
Depreciation	3,927	2,770	6,697	4,014	2,904	6,918
Amortization	250	2,509	2,759	171	3,490	3,661

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(b) On October 18, 2021, the Company and AOBTRADE SEMICONDUCTOR LTD. ("AOBTRADE SEMICONDUCTOR") filed a petition for settlement with the Mediation Committee of the Neihu District in Taipei City for custody dispute of semi-conductive equipment. The Shilin District Court approved the settlement. AOBTRADE SEMICONDUCTOR agreed to compensate the equipment to the Company at the current market price and to repay First Business Group Co., Ltd.'s purchase price for the Company on December 30, 2021. The remaining balance was repaid in installments. If any installment has not been paid, it is deemed to maturity. AOBTRADE SEMICONDUCTOR has been paid since November 2021. The Company has exchanged certificates of the obligatory claim with the court. In 2021, the remaining balance of \$7,733 thousand was recognized as a loss under nonoperating other losses. Any subsequent recoveries will be treated as non-operating income upon receipt of the accounts.

(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, 2022.

(1) Loans to other parties: None.

(In Thousands of New Taiwan Dollars)

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other party during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limitation on fund financing
													Name	Value		
1	Besta Digital Technology Co., Ltd.	Besta (Kunshan) Co., Ltd.	Other receivables-related party	Yes	886	886	-	4.35%	2	-	Business turnover	-	None	-	17,600	35,200

Note 1: The description of the number column was as follows:

- (a) 0 is issuer.
(b) Investee by company name in number sequence from 1.

Note 2: The method of filling in of purposes of fund financing were as follow

- (a) For those companies with business contact, please fill in 1.
(b) For those companies with short-term financing needs, please fill in 2.

Note 3: The total amount of fund financing was limited to 50% of the net worth of the company's most recent financial statement. Where an inter-company or inter-firm short-term financing facility is necessary, total financing amount shall not exceed 40 percent of the company's net worth as stated in its latest financial report. Each financing amount shall not exceed 50 percent of the permitted aggregate amount of loans of the company.

Note 4: The company directly and indirectly holds 100% of the voting shares to engage in fund financing, or foreign companies directly and indirectly hold 100% of the voting shares to engage in fund financing to the company that the total amount of fund financing was limited to 50% of the net worth of the company's most recent financial statement. Each financing amount shall not exceed 50 percent of the permitted aggregate amount of loans of the company.

Note 5: The aforementioned intercompany transactions have been eliminated in the consolidated financial statements.

(2) Guarantees and endorsements for other parties: None.

(3) Securities held as balance sheet data (excluding investment in subsidiaries, associates and joint ventures):

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(In Thousands of New Taiwan Dollars)

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	-	4.78%	-	
Besta Digital Technology Co., Ltd.	Anhui Raise Victa Technology Co., Ltd.	-	"	319,149	5,260	6.00%	5,260	

- (4) Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million or 20% of the capital stock: None.
- (5) Acquisition of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None.
- (6) Disposal of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: 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 TWD100 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, 2022, the following was the information on investees (excluding investees in Mainland China):

(In Thousands of New Taiwan 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%	35,548	2,096	2,096	Subsidiary
"	BESTA (CAYMAN) CO., LTD.	Cayman	"	1,137,242	1,137,242	35,502,000	100.00%	119,668	1,891	1,891	"

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

Note 2: 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.

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(c) Information on investment in Mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main business and product	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2022	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	193,180	(2)	182,778	-	-	182,778	99	100.00%	99	7,416	-
Besta Digital Technology Co., Ltd.	Sale of electronic dictionaries and PDA-related products	356,640	(2)	356,640	-	-	356,640	(245)	100.00%	(245)	70,400	-
Besta (Kunshan) Co., Ltd. (note8)	Sale of consumer electronics and related products	267,480	(2)	267,480	-	-	267,480	(819)	100.00%	(819)	7,670	-
Kunshan Besta Electronics Limited (note7)	Sales of electronic dictionaries and PDA-related products	-	(3)	-	-	-	-	-	- %	11	-	-

(2) Limitation on investment in Mainland China:

Name of company	Accumulated Investment in Mainland China as of June 30, 2022	Investment Amounts Authorized by investment Commission, MOEA	Upper limit on Investment
Inventec Besta Co., Ltd.	1,505,318	1,505,318	378,320

Note 1: There are four modes of investments as following:

- (a) Directly invest in China Company.
- (b) Invest in China Company by the company which set up in third area by the Company.
- (c) Others.

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

Note 3: If aforementioned amount is related to foreign currency, it would be expressed in New Taiwan Dollar at exchange rate of reporting date.

Note 4: The accumulated investment in Mainland China and investment amounts authorized by Investment Commission, MOEA, in accordance with the regulation of amended limitation calculation of Investment Commission on August 29, 2008, MOEA (IDB) committed the Company were in the scope of operating headquarter; therefore there is no need to calculate the limitation. If the Company has additional investments in the Mainland China in the future, pursuant to the Regulations Governing Permission for Investment and Technical Cooperation in the Mainland area, the upper limit on investment is higher of 60% of net value or consolidated net value, and the accumulated investment was recalculated to determine whether the investment exceeds the limit. The originally approved investment in Mainland China shall not be recalculated.

Note 5: Golden Electronics China Co., Ltd. and iSing Music Technology (Beijing) Co., Ltd. were liquidated in 2004 and 2018, respectively, wherein both liquidation procedures had been approved by the Investment Commission, MOEA. Since both companies have no capital to be remitted back to their parent companies in Taiwan after the liquidation process, the initial investment of both companies amounting to \$297,200 and \$401,220 respectively, have already been included in the Accumulated Investment in Mainland China.

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

Note 7: The boards of directors resolved to dissolve Kunshan Besta Electronics Limited on September 27, 2021, and the liquidation and dissolution process has been completed on March 14, 2022.

Note 8: The boards of directors resolved to dissolve Besta (Kunshan) Co., Ltd. on June 27, 2022, and the liquidation process is still in progress.

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(3) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China for the six months ended June 30, 2022, which were eliminated in the preparation of consolidated financial statement, are disclosed in “Information on significant transactions”.

(d) Major shareholders:

(Unit: Shares)

Shareholder's Name	Shareholding	Shares	Percentage
Inventec Corporation		23,404,962	37.52%

Note: (1) The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (includes treasury shares) by the Company as of the last business day of the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

(2) Regarding the above matter, if the shareholders deliver the shares to the trust company, those shares will be disclosed by the trustee who opened the trust account separately. As for the shareholders conducting an insider equity declaration in accordance with the Securities Exchange Act, the number of shares held by shareholders include the number of shares held by themselves, plus, the number of shares delivered by the shareholders to the trust which has discretion over the use of the trust assets. The Information of insider trading would be available at the Market Observation Post System.

(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 described in Note (4). The Group's regional financial information for the three and the six months ended June 30, 2022 and 2021, were as follows:

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	For the three months ended June 30, 2022			
	Taiwan	Others	Adjustment	
	department	department	and	Total
			elimination	
Revenue:				
Revenue from external customers	\$ 174,338	2,199	(1,428)	175,109
Inter-company revenue	-	293	(293)	-
Total revenue	\$ 174,338	2,492	(1,721)	175,109
Reportable segment profit (loss)	\$ (20,894)	(2,395)	2,389	(20,900)
	For the three months ended June 30, 2021			
	Taiwan	Others	Adjustment	
	department	department	and	Total
			elimination	
Revenue:				
Revenue from external customers	\$ 243,362	3,741	(2,419)	244,684
Inter-company revenue	23	-	(23)	-
Total revenue	\$ 243,385	3,741	(2,442)	244,684
Reportable segment profit (loss)	\$ 211,763	(6,978)	6,979	211,764
	For the six months ended June 30, 2022			
	Taiwan	Others	Adjustment	
	department	department	and	Total
			elimination	
Revenue:				
Revenue from external customers	\$ 346,874	10,192	(7,143)	349,923
Inter-company revenue	-	293	(293)	-
Total revenue	\$ 346,874	10,485	(7,436)	349,923
Reportable segment profit (loss)	\$ (40,281)	3,011	(3,017)	(40,287)
	For the six months ended June 30, 2021			
	Taiwan	Others	Adjustment	
	department	department	and	Total
			elimination	
Revenue:				
Revenue from external customers	\$ 453,659	12,774	(6,133)	460,300
Inter-company revenue	84	-	(84)	-
Total revenue	\$ 453,743	12,774	(6,217)	460,300
Reportable segment profit (loss)	\$ 198,090	(6,885)	6,931	198,136