

MITAC HOLDINGS CORP.

Annual Report 2016

www.mic-holdings.com



- I. Names, position, contact number and email address of the spokesperson and deputy spokesperson
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Acting Spokesperson: Huang, Hsiu-Ling / Vice President of Finance Center
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 2. Branch: N/A
 3. Factory: N/A
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Linkou Office: No. 200, Wenhua 2nd Rd, Guishan Township, Taoyuan City, Taiwan R.O.C
Tel: (03) 396-2888
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Website: <https://www.ctbcbank.com>
Tel: (02)6636-5566
- IV. Name of CPA, accountant firm, address, website and telephone of CPA responsible for the latest annual financial statement
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Name of CPA firm: Pricewaterhouse Coopers
Address: 27F, No.333, Sec. 1, Keelung Rd., Xinyi Dist. Taipei City, Taiwan, R.O.C.
Website: www.pwc.tw
Tel: (02)2729-6666
- V. Foreign securities listing: N/A
- VI. Company website: www.mic-holdings.com.tw

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One. Letter to Shareholders

Dear shareholders,

On behalf of MiTAC and staff, I would like to extend my appreciation to our shareholders for your continued support and encouragement.

Impacts of external competition, regulatory environment and the overall business environment

According to the forecast of Gartner, a world's leading market research institution, IT expenditure would increase this year. As many hyperscale data centers or companies deployed cloud computing platforms so positively that the server and data center market grew stably, the total expenditure even reached USD 3,500 billion, or grew by 2.7%. On the other hand, such devices as smart phone, laptop computer and tablet computer also grew steadily. Other markets with growing potential were also focused gradually. Take Internet of Vehicles as an example. Global production value of Internet of Vehicles is expected to reach USD 40 billion in 2018. Autonomous driving are also mega trends. Application services that are equipped with Advanced Driver Assistance Systems (ADAS) and emphasize users' experience are demanded gradually and have an upward trajectory.

The Analyses of Operation Performance, Budgetary Performance, and Profitability of 2016

The consolidated revenue of MiTAC Holdings for 2016 was NTD48.342 billion. Profits remained growing stably due to development of strategic transformation and improvement of product portfolios. Net profit before tax was NT\$3.061 billion or grew by 52% annually, and earnings per share were NTD3.44. The company did not announce its financial forecast for 2016, so no level of budget achievement should be reported.

Business Operation Performance, R&D, Innovations, Applications, and Awards in 2016

1. It launched novel IU servers that support IBM POWER8.
2. It launched smart store application solutions for Micro Azure cloud platforms.
3. It launched optimized NVMe server saving platforms for enterprises, clouds and data centers.

4. It launched computing servers with high performance to support NVIDIA Tesla P100, P40 and P4 GPU accelerators.
5. The latest retail point of sale system (RPOS) was adopted by a large number of customers in North America.
6. Mio won the best dashcam brand in the minds of consumers that was awarded by Management Magazine in 2016.
7. Magellan RoadMate 7670T-LM dashcam navigation system won the 2016 CES Innovation Award.
8. It launched MiVia™ Essential 350 heart rate wristband for personal health management.
9. Magellan Xplorist TRX7 off-road navigation products won the 2016 best aftermarket telematics product/service for the TU-Automotive Award .
10. MiCor A100 wrist ECG recorder was certified by the CE, and the medical device permit was also issued by Food and Drug Administration, Ministry of Health and Welfare, R.O.C.

Perspective of 2017 Business Operation

According to market forecast, there will be 30 billion devices interconnecting globally by 2020 and the forth revolution will be driven by large data explosion based on such interconnection. MiTAC Holdings and its subsidiaries and associates grasp the trends to develop the business focusing on data center, cloud service and internet of things. To provide different cloud computing centers with more optimized and effective product services directly or indirectly, enhance customer satisfaction and develop new partners and new opportunities for consistent and stable growth of sales and profitability, the cloud computing business group responsible for could data center and computing equipment cooperates with different partners in line with the needs of different territories pursuant to the strategy. The mobile communication business group squeezes into Internet of Vehicle, smart city and family, health care and other growing industries by means of such multiple business types as B2B, B2C and B2B2C, and cooperates with industry experts to launch advanced and quality cloud services and products. A pattern of stable growth and recurrent business model is gradually developed during the process of transformation.

Our new headquarters were established in Hwa Ya Technology Park at the end of 2016. After the establishment, our colleagues in Taiwan are able to work in the environment of green and intelligence. Different business units are expected to present more creative ideas and integrate resources to perform and deliver more novel results, and facilitate the group to grow continuously in the face of digital transformation. We shall propel the Company towards continued growth through innovation and execution as our way of thanking all shareholders for their support and creating a better and brighter future for our shareholders, customers and employees alike.

Best regards,

Chairman : Miao, Matthew Feng Chiang

President : Ho, Jhi-Wu

Two. Company profile

I. Date of establishment: September 12, 2013

II. Company milestones

- 2013
 - For the implementation of the industry holding operation and independent development policy aiming at the upgrade of overall performance and fortifying the competitiveness in market, MiTAC Holdings Corporation was established under a resolution of the shareholders meeting of MiTAC International Corp. on June 24, 2013, through share swap in accordance with pertinent laws. The company's contributed capital came to NT\$ 7,555,674,710. After the share swap, MiTAC International Corp. became a subsidiary under MiTAC Holdings Corporation with 100% of its shares. The Company became listed in TWSE with the stock code 3706.
 - The Mio MiVue R25 rear car DVR won the "IT Month Top 100 Innovative Products – Gold Award". The MiVue M300, the DVR exclusively designed for motorcyclists, also won the "IT Month Top 100 Innovative Products".
 - Magellan Echo smart sports watch won the "Summer Exhibition of USA with two best products".
- 2014
 - Magellan® Echo smart sports watch won the 2014 CES Innovations, Design and Engineering Award
 - Mio won the championship again in 2014 as the No. 1 consumer choice in GPS
 - MioCARE™/MioWORK™ L135 professional tablet PC products, Cyclo™ 500 outdoor navigation, MiVue™ 568 dashcam and MiVue™ M350 outdoor activity recorder won the 2014 iF Product Design Award.
 - Mio MiVue™ R25 rearview mirror dashcam and MioCARE™ drug information management system won the 2014 Taiwan Excellence award.
 - Won Pioneer Supplier Excellence Award.
 - Won the 2013 Fujitsu Supplier Award.
 - Mio has been rated the No. 1 Consumer Ideal Brand for seven consecutive years.
 - The Group pushed forward professional job-division with the objective to achieve organizational upgrade and enhance the Company's overall competitiveness. As a part of the organizational restructuring plan, MiTAC International Corp. span off the Cloud Computing Business Group to MiTAC Computing Technology Corporation (MCT) and MCT was formally established and begun commenced operation on September 1, 2014. After demerger and makes transfer, the Company owns MiTAC International Corp. and MiTAC Computing Technology Corporation.
- 2015
 - Wellness Band, Mio MiVue™ 540 Dashcam, MioCARE™/MioWORK™ A335 industrial tablet received iF Design Award 2015.
 - Mio MiVue™ R30 Dashcam won the "Best Choice of Computex 2015" award.
 - Mio was named as the No.1 brand of GPS products in the 2015 Consumers'

Ideal Brand organized by Management Magazine, Taiwan.

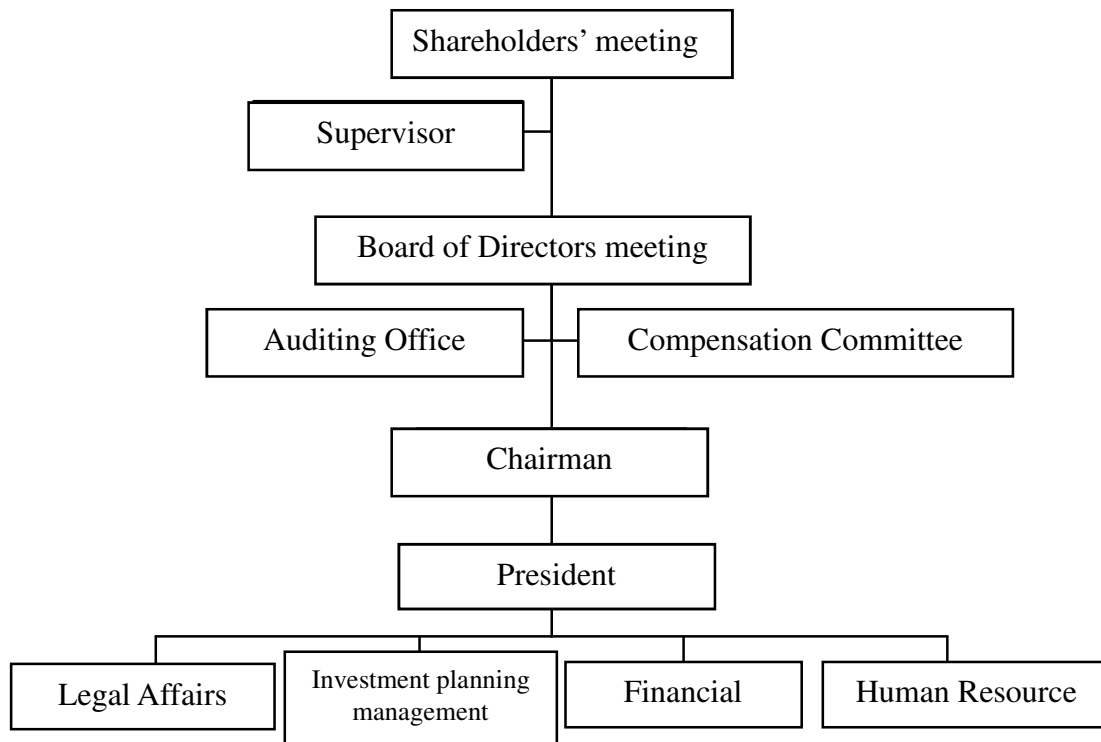
- Mio MiVue™ 658 WIFI Dashcam and Classic 630 Traffic PND with Smart Alert won the “Innovation Award in ICT Month of 2015”.
 - Won the “Distinguished Partner Award” from Fujitsu.
 - Construction of MiTAC Corporate HQ building in Hwa Ya Technology Park in Taoyuan City commenced.
- 2016
- Magellan® RoadMate 7670T-LM DashCam Navigator received the “2016 CES Innovations, Design and Engineering Award”.
 - Mio was recognized as the Best Brand of Dashcam and GPS Products in the 2016 Consumers’ Ideal Brand organized by Management Magazine, Taiwan.
 - Magellan Xplorist TRX7 off-road navigator won the prestigious TU-Automotive award as the 2016 Best Aftermarket Telematics Product/Service.
 - MiCor A100 electrocardiograph wristband received EU’s CE marking.
 - MiCor A100 electrocardiograph wristband received medical device license from TFDA.
 - MiTAC International Corp.invested in HEC/COMPUCASE Enterprise Co., Ltd. to boost both parties’ integrated competitiveness in products, data center and healthcare industry through strategic alliance.
 - Completion of MiTAC Corporate HQ building in Hwa Ya Technology Park in Taoyuan City.
- 2017
- Mio was recognized as the Best Brand of Dashcam and GPS Products in the 2017 Consumers’ Ideal Brand organized by Management Magazine, Taiwan.
 - Construction of the HQ building in Kunshan, China commenced.
 - MiCor A100 electrocardiography wristband and MiVue Dashcam received iF Design Award 2017.

For further information on The Company, please visit our official website at :
www.mic-holdings.com.

Three. Corporate Governance

I. Organizational system

(I) Organizational Chart



(II) Departmental Business Operation

Departments	Principal business operation
Compensation Committee	<ul style="list-style-type: none"> Stipulate and regularly review the performance of the directors, supervisors and managers; as well as the compensation policies, systems, standards and structure. Regularly evaluate and stipulate director, supervisor and manager compensation.
Auditing Office	<ul style="list-style-type: none"> Review the condition of the Company's operations and offer recommendations for improvement.
Legal Affairs	<ul style="list-style-type: none"> Contract formulation and review. Consultation, support, and provision of business-related legal service ; legal issues in other aspects.
Investment planning management	<ul style="list-style-type: none"> Assess the operation and the development of the investees and map out related investment plans. Design and establish management regulation and manage the result of operation of the investees. Shares registration and transfer.
Finance	<ul style="list-style-type: none"> Financial operations and planning. Evaluation and research of domestic and international investment opportunities. Financial planning and various tax-related accounting treatment.
Human Resource	<ul style="list-style-type: none"> Human resources strategic planning and execution. Human resource management and talent development. Execution and management of administration, safety, and health issues.

II. Information on Directors, Supervisors, Presidents, Vice Presidents, Assistant Presidents, and managers of each department and division

(I) Background of Directors and Supervisors

Unit: share; % April 14, 2017

Titles	Country or place of registration	Name	Sex	Elected/ appointed date	Term	Date First Elected	Shareholding at time of election		Current Quantity of shareholding		Shares currently held by spouse or dependents		Shares held in the names of others		Education and Experience	Concurrent duties in the Company and in other companies	Spouse or kin within two degrees of consanguinity serving as executive, director, or supervisor		
							Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage			Title	Name	Relationship
Chairman	US	Miau, Matthew Feng Chiang	Male	2016.06.21	3-y	2013.06.24	8,015,243	1.03%	8,334,334	1.02%	0	0.00%	0	0.00%	Santa Clara University, EMBA University of California, Berkeley, Bachelor, Electrical Engineering	CEO, MiTAC Holdings Corporation Chairman, Lien Hwa Industrial Corp. Chairman, UPC Technology Corp. Chairman, SYNEX Technology International Corporation Director, Getac Technology Corp. Chairman, MiTAC Inc. Director, MiTAC Information Technology Corp Director, BOC Lien Hwa Industrial Gases Co., Ltd. Director, Winbond Electronics Corp. Director, Taita Chemical Co., Ltd. Director, Asia Polymer Corp. Independent Director, Cathay Life Insurance Co., Ltd. Independent Director, Cathay Century Insurance Co., Ltd. Independent Director, Cathay United Bank Company Limited Independent Director, Cathay Financial Holding Co., Ltd. . Director, Synnex Corporation	None	None	None

Titles	Country or place of registration	Name	Sex	Elected/ appointed date	Term	Date First Elected	Shareholding at time of election		Current Quantity of shareholding		Shares currently held by spouse or dependents		Shares held in the names of others		Education and Experience	Concurrent duties in the Company and in other companies	Spouse or kin within two degrees of consanguinity serving as executive, director, or supervisor		
							Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage			Title	Name	Relationship
Director	Republic of China	Ho, Jhi-Wu	Male	2016.06.21	3-y	2013.06.24	2,139,863	0.27%	1,982,857	0.24%	0	0.00%	0	0.00%	MIS in Computer Science, Fairleigh Dickinson University Master in Computer Science UC, San Diego Marketing Manager, Pao Hwa Trading Co., Ltd.	President, MiTAC Holdings Corporation Director and President, MiTAC International Corp. Chairman and CEO, MiTAC Computing Technology Corp. Director, Linpus Technologies, Inc. Chairman, MIO Technology Corp. Director, 3-Probe Technologies Corp. Chairman, MiWELL Co., Ltd. Director, LFE Aerospace Industry Corp. Chairman, Tsu Fung Investment Corp.	None	None	None
Director	Republic of China	MiTAC Inc.	-	2016.06.21	3-y	2013.06.24	61,228,286	7.84%	63,665,818	7.78%	0	0.00%	0	0.00%	None	None	None	None	None
	Republic of China	Rep. Hsu, Tzu-Hwa	Male	2016.06.21	3-y	2013.09.13	0	0.00%	0	0.00%	0	0.00%	0	0.00%	PhD, Electronic Engineering, University of California, Berkeley, California, USA President, Hua Deng International Investment Inc.	None	None	None	None

Titles	Country or place of registration	Name	Sex	Elected/ appointed date	Term	Date First Elected	Shareholding at time of election		Current Quantity of shareholding		Shares currently held by spouse or dependents		Shares held in the names of others		Education and Experience	Concurrent duties in the Company and in other companies	Spouse or kin within two degrees of consanguinity serving as executive, director, or supervisor		
							Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage			Title	Name	Relationship
Director	Republic of China	UPC Technology Corp.	-	2016.06.21	3-y	2013.06.24	64,814,078	8.30%	67,394,362	8.24%	0	0.00%	0	0.00%	None	None	None	None	None
	Republic of China	Rep. Way, Yung-Do	Male	2016.06.21	3-y	2013.06.24	0	0.00%	0	0.00%	0	0.00%	0	0.00%	MBA of Georgia University BA of Accountancy, Soochow University Senior Auditor, Deloitte Haskins & Sells, USA CEO, Deloitte	Independent Director, SYNTEX Technology International Corp. Independent Director, Taiwan Cement Corporation Independent Director, Far Eastern Dept. Stores Ltd. Independent Director, Primax Electronics Ltd. Director, Wowprime Co., Ltd. Director, Vanguard International Semiconductor Corporation Director, Iron Force Industrial Co., Ltd. Chairman, Yungchin Enterprise Co., Ltd. Supervisor, SerComm Corporation Supervisor, Chilisin Electronics Corp Supervisor, Kaimei Electronic Corp.	None	None	None

Titles	Country or place of registration	Name	Sex	Elected/ appointed date	Term	Date First Elected	Shareholding at time of election		Current Quantity of shareholding		Shares currently held by spouse or dependents		Shares held in the names of others		Education and Experience	Concurrent duties in the Company and in other companies	Spouse or kin within two degrees of consanguinity serving as executive, director, or supervisor		
							Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage			Title	Name	Relationship
Director	Republic of China	Rep. Chang, Kwang-Cheng	Male	2016.06.21	3-y	2013.09.13	0	0.00%	0	0.00%	0	0.00%	0	0.00%	PhD. Atmospheric Science, State University of New York, USA Honorary Doctorate, Tokyo Denki University MBA, State University of New York, USA Master of Atmospheric Science, State University of New York, USA Bachelor of Metrology, Dept. of Geography, National Taiwan University Director, Commerce Development Research Institute President, Shih Chien University President, Minghsin University of Science and Technology Visiting Professor, School of Business, University of Hawaii President, Chung Yuan Christian University	None	None	None	None

Titles	Country or place of registration	Name	Sex	Elected/ appointed date	Term	Date First Elected	Shareholding at time of election		Current Quantity of shareholding		Shares currently held by spouse or dependents		Shares held in the names of others		Education and Experience	Concurrent duties in the Company and in other companies	Spouse or kin within two degrees of consanguinity serving as executive, director, or supervisor		
							Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage			Title	Name	Relationship
Independent Director	Republic of China	Lu, Shyue-Ching	Male	2016.06.21	3-y	2016.06.21	0	0.00%	0	0.00%	0	0.00%	0	0.00%	EngD, Department of Electrical Engineering, University of Hawaii, USA BS, Department of Engineering Science, National Cheng Kung U. Director, Institute of Telecommunication, Ministry of Transportation and Communication, ROC Head, Division of Posts and Telecommunications Ministry of Transportation and Communication Deputy Director, Directorate-General of Telecommunication General Manager, Chunghwa Telecom Co., Ltd. Chairman, Chunghwa Telecom Co., Ltd.	Director, Sercomm Corporation Independent Director, Radium Life Tech. Co., Ltd.	None	None	None
Independent Director	Republic of China	Ma, Shaw-Hsiang	Male	2016.06.21	3-y	2016.06.21	0	0.00%	0	0.00%	0	0.00%	0	0.00%	BBA, Hitotsubashi University Chairman, MACISCO Ltd. Director & General manager, Federal Corp. General Manager, Jiangsu Jiaguo Building Materials Processing and Warehousing Ltd.	Director, Federal Corp. Chairman, MAXON Corp.	None	None	None
Supervisor	Republic of China	Chiao, Yu-Cheng	Male	2016.06.21	3-y	2013.06.24	0	0.00%	0	0.00%	0	0.00%	0	0.00%	MSEE, Washington University, USA MS in Telecommunication Engineering, Chiao Tung University Chairman, Walsin Lihwa	Chairman and CEO, Winbond Electronics Corp. Chairman, Nuvoton Technology Corporation Director, Walsin Lihwa Director, Walsin Technology Corp. Independent Director, SYNnex Technology International Corporation Independent Director, Taiwan Cement Corporation	None	None	None

Titles	Country or place of registration	Name	Sex	Elected/ appointed date	Term	Date First Elected	Shareholding at time of election		Current Quantity of shareholding		Shares currently held by spouse or dependents		Shares held in the names of others		Education and Experience	Concurrent duties in the Company and in other companies	Spouse or kin within two degrees of consanguinity serving as executive, director, or supervisor		
							Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage			Title	Name	Relationship
Supervisor	Republic of China	Lien Hwa Industrial Corp	-	2016.06.21	3-y	2013.06.24	47,191,655	6.05%	58,034,587	7.09%	0	0.00%	0	0.00%	None	None	None	None	None
	Republic of China	Rep: Ching, Hu-Shih	Male	2016.06.21	3-y	2013.06.24	583	0.00%	606	0.00%	0	0.00%	0	0.00%	Master of Chemical Engineering, National Tsing Hua University Council for Economic Planning and Development, Executive Yuan, R.O.C. Adjunct Lecturer, Dept. of Chemical Engineering, Feng Chia University Asst GM, UPC Technology Corp. Director, SYNEX International Corp.	Director and President, Lien Hwa Industrial Corp. Director, MiTAC Inc. Director, Pao long international co., Ltd. Supervisor, Getac Technology Corp.	None	None	None

Note 1: Please refer to Table 1 below for information on the main shareholders of corporate shareholders.

Table 1: Dominant shareholders of institutional shareholders

April 14, 2017

Name of institutional shareholders (Note 1)	Major shareholders of institutional shareholders (Note 2)	
	Name of shareholder	Percentage of shareholding %
UPC Technology Corp.	Lien Hwa Industrial Corp.	29.99
	Synnex Technology International Corporation	5.17
	Ma, Chang-Lung	2.30
	Liberty Stationery Corp.	1.81
	Yi Yuan Investment Co., Ltd.	1.61
	Tong Da Investment Corporation	1.23
	Tsu Fung Investment Corp.	1.23
	MiTAC International Corp.	1.21
	Mei An Investment Co., Ltd.	1.14
	Ha Mao Co., Ltd.	1.12
MiTAC Inc.	Lien Hwa Industrial Corp.	35.24
	Synnex Technology International Corporation	18.36
	Mei An Investment Co., Ltd.	10.54
	MiTAC International Corp.	8.69
	Tsu Fung Investment Corp.	4.40
	Miau, Matthew Feng Chiang	3.05
	Hua Cheng Investment Co., Ltd.	1.92
	Omron Corporation, Japan	1.70
	Bao Hsin International Investment Co., Ltd.	1.18
	Yi Feng Investment Co., Ltd.	0.75
Lien Hwa Industrial Corp.	UPC Technology Corp.	9.68
	Yi Yuan Investment Co., Ltd.	9.14
	Yi Feng Investment Co., Ltd.	4.86
	Jason Chow	3.32
	Miao, Feng-Sheng	3.28
	Miau, Matthew Feng Chiang	3.19
	Synnex Technology International Corporation	3.08
	Miao, Feng-Chuan	3.02
	Y.S. Education Foundation	3.00
	Lien Hwa Industrial Corp. Employee Welfare Committee	2.82

Note 1: If Directors and Supervisors serve as representatives of institutional shareholders, then the names of institutional shareholders must be provided.

Note 2: Name the major shareholders (the top 10 owners) of institutional shareholders and their shareholding percentage. Table 2 below is applicable if any of the major shareholders is an institutional entity.

Table 2: Major shareholders of dominant shareholder who is an institution

April 14, 2017

Name of institutional shareholder (note 1)	Major shareholders of institutional shareholders (note 2)	
	Name of shareholder	Percentage of shareholding %
Lien Hwa Industrial Corp.	UPC Technology Corp.	9.68
	Yi Yuan Investment Co., Ltd.	9.14
	Yi Feng Investment Co., Ltd.	4.86
	Jason Chow	3.32
	Miao, Feng-Sheng	3.28
	Miau, Matthew Feng Chiang	3.19
	Synnex Technology International Corporation	3.08
	Miao, Feng-Chuan	3.02
	Y.S. Education Foundation	3.00
	Lien Hwa Industrial Corp. Employee Welfare Committee	2.82
Synnex Technology International Corporation	MiTAC Inc.	13.62
	HSBC in its capacity as master custodian for investment account of Tiger Pacific Capital	5.73
	Fubon Life Insurance Co., Ltd.	3.50
	Morgan Stanley & Co International PLC investment account held in custody by HSBC Bank (Taiwan) Limited	3.04
	Labor Insurance Fund	2.60
	Nan Shan Life Insurance Co., Ltd.	2.28
	Tu, Shu-Wu	2.17
	Management Board of Public Service Pension Fund	2.12
	Lien Hwa Industrial Corp.	2.04
	Miau, Matthew Feng Chiang	1.91
Liberty Stationery Corp.	Zhi-Jiang Investment Co., Ltd.	21.09
	Masateru Kadota	10.39
	Akira Kadota	8.88
	Yayoi Kadota	8.88
	Takanori Kadota	8.79
	Complete Connection Limited	5.70
	Sun, Li-Kang	5.29
	Yu, Ching-Shen	5.13
	Chang, Cheng	3.50
	Chang, Cheng	3.50
Yi Yuan Investment Co., Ltd.	Shang Chuan Neng Ltd. (British Virgin Islands)	100.00
Tong Da Investment Corporation	Ho Li Investment Co., Ltd.	19.99
	Chou, Te-Chien	0.05
	Synnex Technology International Corporation	19.99
	Hua Cheng Construction Co., Ltd.	19.99
	Wei Cheng Investment Co., Ltd.	19.99
	Tsu Fung Investment Corp.	19.99

Name of institutional shareholder (note 1)	Major shareholders of institutional shareholders (note 2)	
	Name of shareholder	Percentage of shareholding %
Tsu Fung Investment Corporation	MiTAC International Corp.	100.00
MiTAC International Corp.	MiTAC Holdings Corporation	100.00
Ha Mao Co., Ltd.	Foreign investor (not applicable)	-
Mei An Investment Co., Ltd.	Vision Quest Overseas Ltd.	82.25
	JumpStart Investments Ltd.	16.67
	Others	1.08
UPC Technology Corp.	Lien Hwa Industrial Corp.	29.99
	Synnex Technology International Corporation	5.17
	Ma, Chang-Lung	2.30
	Liberty Stationery Corp.	1.81
	Yi Yuan Investment Co., Ltd.	1.61
	Tong Da Investment Corporation	1.23
	Tsu Fung Investment Corporation	1.23
	MiTAC International Corp.	1.21
	Mei An Investment Co., Ltd.	1.14
	Ha Mao Co., Ltd.	1.12
Yi Feng Investment Co., Ltd.	Heng Fu Ltd. (British Virgin Islands)	100.00
Y.S. Education Foundation	Non-corporate entity (n/a)	-
Lien Hwa Industrial Corp. Employee Welfare Committee	Non-corporate entity (n/a)	-
Hua Cheng Investment Co., Ltd.	Lien Hwa Industrial Corp.	100.00
Omron Corporation, Japan	State Street Bank and Trust Company 505223	8.40
	Japan Trustee Services Bank, Ltd. (trust account)	5.32
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3.60
	The Bank of Kyoto, Ltd.	3.30
	The Master Trust Bank of Japan, Ltd. (trust account)	2.76
	JP MORGAN CHASE BANK 385632	1.82
	State Street Bank and Trust Company	1.75
	THE BANK OF NEW YORK, MELLON SA/NV 10	1.72
	Nippon Life Insurance Company	1.70
	Omron Employee Stockholding Association	1.51
Bao Hsin International Investment Co., Ltd.	Hon Hai Precision Industry Co., Ltd.	100.00

Note 1: If any of the major shareholders listed in Table 1 is an institution, then the name of the institution must be provided.

Note 2: Name the major shareholders (the top 10 owners) of corporate shareholders and their shareholding percentage.

Information on the directors and supervisors

Name	Qualification	Having more than 5 years work experience and the following qualifications			Compliance with independence requirements (note 1)										The number of public companies where the person concurrently acts as independent director
		Lecturer or higher level instructor at a public or private college or university in business, law, finance, accounting or other fields related to the operations of the Company	Judge, public prosecutor, attorney at law, CPA, or other professionals licensed by national exams that are pertinent to the operation of the Company	Work experience in business, law, finance, accounting, or other areas required for the operation of the Company	1	2	3	4	5	6	7	8	9	10	
Chairman Miao, Matthew Feng Chiang		-	-	✓	-	-	-	✓	-	-	✓	✓	✓	✓	3 (Note 2)
Director Ho, Jhi-Wu		-	-	✓	-	-	✓	✓	✓	-	✓	✓	✓	✓	-
Director MiTAC Inc. Rep. Hsu, Tzu-Hwa		-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Director UPC Technology Corp. Rep. Way, Yung-Do		-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	4
Director UPC Technology Corp. Rep. Chang, Kwang-Cheng		✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Independent Director Lu, Shyue-Ching		-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Independent Director Ma, Shaw-Hsiang		-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Supervisor Chiao, Yu-Cheng		-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Supervisor Lien Hwa Industrial Corp. Rep. Ching, Hu-Shih		-	-	✓	✓	-	✓	✓	-	-	✓	✓	✓	-	-

Note 1: Place a “✓” in the box if the director or supervisor met the following conditions at any time during active duty and two years prior to the date elected.

- (1) Not an employee of the Company or its subsidiaries or affiliates.
- (2) Not a director or supervisor of the Company or its subsidiaries or affiliates (except an independent director of an investee of the Company, of the parent of the Company, or subsidiaries).
- (3) The person, the spouse, underage children, who hold more than 1% of the outstanding shares or one of the top 10 shareholders who are natural persons or who hold shares of this company under the title of a third party.
- (4) Not the spouse, kin within the 2nd tier or the next of kin within the 3rd tier of any of the parties mentioned in previous three paragraphs.
- (5) Not a director, supervisor or employee of an institutional shareholders holding more than 5% of the outstanding shares of the Company, or of the top five institutional shareholders.
- (6) Not a director, supervisor, manager, or shareholder holding more than 5% of the outstanding shares of specific company or institution having business or financial transactions with the Company.
- (7) Not a professional, proprietor, partner, company or the owner, partner, director, supervisor, manager or spouse of the professional consulting entities providing services or consultation in business, law, finance, accounting and other for the Company or its subsidiaries or affiliates. The Compensation Committee members who perform duties in accordance with Article 7 of the “Regulation Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company Whose Stock is Listed on the Stock

Exchange or Traded Over the Counter” are not subject to this restriction.

- (8) Not a spouse or kin within the 2nd tier of another director.
- (9) The provisions of Article 30 of the Company Act are not applicable.
- (10) Not elected to the government, institution or their representatives under Article 27 of the Company Act.

Note 2: In accordance with order No. Financial-Supervisory-Securities-I-0960010070 of the Financial Supervisory Commission, Executive Yuan , when an independent director of a financial holding company concurrently serves as the independent director at one of its 100% owned subsidiaries, under such circumstance, the position held in the subsidiary is treated as held in the same company, and is thus excluded from concurrent positions in “other” public companies as set out in Article 4 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”. Notwithstanding the forgoing, this exemption only applies to the concurrent position in one subsidiary company only and any other positions will be counted as concurrent positions.

(II) Information on Presidents, Vice Presidents, Assistant Presidents, and managers of each department and division

Unit: share; % April 14, 2017

Titles	Nationality	Names	Sex	Elected/ appointed date	Shareholding		Shares held by spouse or dependents		Shares held in the names of others		Education and Experience	Concurrent duties in other companies	Spouse or kin within two degrees of consanguinity serving		
					Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage			Title	Name	Relationship
CEO	United States	Miau, Matthew Feng Chiang	Male	2015.08.07	8,334,334	1.02%	0	0.00%	0	0.00%	Santa Clara University, EMBA University of California Berkeley, California, USA, Bachelor, Electrical Engineering	Chairman, Lien Hwa Industrial Corp. Chairman, UPC Technology Corp. Chairman, SYNEX Technology International Corp. Director, Getac Technology Corporation Chairman, MiTAC Inc Director, MiTAC Information Technology Corp Director, BOC Lien Hwa Industrial Gases Co., Ltd. Director, Winbond Electronics Corp. Director, Taita Chemical Co., Ltd. Director, Asia Polymer Corp. Independent Director, Cathay Life Insurance Co., Ltd. Independent Director, Cathay Century Insurance Co., Ltd. Independent Director, Cathay United Bank Company Limited Independent Director, Cathay Financial Holding Co. Ltd. Director, Synnex Corporation	None	None	None
President	Republic of China	Ho, Jhi-Wu	Male	2013.09.12	1,982,857	0.24%	0	0.00%	0	0.00%	MIS in Computer Science, Fairleigh Dickinson University Master in Computer Science, UC San Diego Marketing Manager, Pao Hwa Trading Co., Ltd.	Director and President, MiTAC International Corp. Chairman and CEO of MiTAC Computing Technology Director, Linpus Technologies, Inc. Chairman, Mio Technology Corp. Director, 3-Probe Technologies Co., Ltd. Chairman of MiWELL Co., Ltd. Director, LFE Aerospace Industry Corp. Chairman, Tsu Fung Investment Corp.	None	None	None
Vice President and Chief Accountant	Republic of China	Huang, Hsiu-Ling	Female	2013.09.12	135,456	0.02%	0	0.00%	0	0.00%	Bachelor, Public Finance, National Chung Hsing University Director of General Management Dept., Hanrei Technology Corporation	Vice President, Finance Center, MiTAC International Corp. Supervisor, Mio Technology Corp. Director, LFE Aerospace Industry Corp. Director, Tsu Fung Investment Corporation	None	None	None

III Remunerations to the Directors, Supervisors, Presidents, and Vice Presidents

Remunerations to the Directors

2016

Unit: In thousands of New Taiwan Dollars/ thousand shares

Title	Name	Remuneration to the Directors								Total of A, B, C and D in proportion to earnings after taxation		Remuneration from holding employee positions						Total of A, B, C, D, E, F and G in proportion to earnings after taxation		Remuneration from investees other than subsidiaries		
		Compensation (A)		Retired Pension (B) (Note 1)		Director remuneration (C) (Note 2)		Business expenses (D)				Salaries, bonus, and special expenses (E)		Retired Pension (F) (Note 1)		Employee remuneration (G) (Note 3)						
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements				
																In cash Amount	In shares Amount	In cash Amount	In shares Amount			
Chairman	Miau, Matthew Feng Chiang	484	484	-	-	3,600	3,600	120	120	0.15%	0.15%	-	16,485	-	-	2,000	-	2,000	-	0.23%	0.83%	None
Director	Ho, Jhi-Wu																					
Director	MiTAC Inc.																					
	Rep. Hsu, Tzu-Hwa																					
Director	UPC Technology Corp.																					
	Rep. Way, Yung-Do																					
	Rep. Chang, Kwang-Cheng																					
Independent Director	Lu, Shyue-Ching																					
Independent Director	Ma, Shaw-Hsiang																					

Note1: Retired Pension as stated is the amount of appropriation.

Note2: Represents the amount of directors' remuneration that the board has proposed as part of the latest earnings appropriation.

Note3: Represents employees' remuneration proposed as part of the latest earnings appropriation.

Note4: Directors' remuneration is determined by the Board of Directors, authorized under the Articles of Incorporation, based on a number of considerations including Compensation Committee's recommendations, peer levels, and future risks. The sum of remuneration provided for directors of the Company and for all companies included in the financial statements had increased from the previous year; percentage-wise, directors' remuneration as a percentage to net income had increased from 0.11% to 0.15% this year. This increase was due to the addition of two independent directors to the board and an increase in net income leading to the increase in remuneration appropriation.

Note5: The Company does not disclose the name and remuneration of particular director. Therefore, the disclosure of remunerations was presented on a salary scale with the names of all concerned.

Note 6: Except disclosed above, the fees paid to directors for the services rendered to all companies included in the financial statements, such as non-employee consultation service : None.

Salary Scale

Bracket of salaries paid to directors of the Company	Name of director			
	Total of first 4 items (A+B+C+D)		Sum of the first 7 items (A+B+C+D+E+F+G)	
	The Company	All companies in the financial statements	The Company	All companies in the financial statements
Less than NT\$2,000,000	Miau, Matthew Feng Chiang/Ho, Jhi-Wu/MiTAC Inc./Hsu, Tzu-Hwa/UPC Technology Corp./Way, Yung-Do/Chang, Kwang-Cheng/Lu, Shyue-Ching/Ma, Shaw-Hsiang	Miau, Matthew Feng Chiang/Ho, Jhi-Wu/MiTAC Inc./Hsu, Tzu-Hwa/UPC Technology Corp./Way, Yung-Do/Chang, Kwang-Cheng/Lu, Shyue-Ching/Ma, Shaw-Hsiang	Miau, Matthew Feng Chiang/Ho, Jhi-Wu/MiTAC Inc./Hsu, Tzu-Hwa/UPC Technology Corp./Way, Yung-Do/Chang, Kwang-Cheng/Lu, Shyue-Ching/Ma, Shaw-Hsiang	MiTAC Inc./Hsu, Tzu-Hwa/UPC Technology Corp./Way, Yung-Do/Chang, Kwang-Cheng/Lu, Shyue-Ching/Ma, Shaw-Hsiang
NT\$2,000,000 (Inclusive)~ NT\$5,000,000 (Exclusive)				
NT\$5,000,000 (Inclusive)~ NT\$10,000,000 (Exclusive)				Miau, Matthew Feng Chiang
NT\$10,000,000 (Inclusive)~ NT\$15,000,000 (Exclusive)				Ho, Jhi-Wu
NT\$15,000,000 (Inclusive)~ NT\$30,000,000 (Exclusive)				
NT\$30,000,000 (Inclusive)~ NT\$50,000,000 (Exclusive)				
NT\$50,000,000 (Inclusive)~ NT\$100,000,000 (Exclusive)				
More than NT\$100,000,000				
Total	9	9	9	9

Remuneration to supervisors

2016

Unit: In thousands of New Taiwan Dollars

Unit: in thousands of New Taiwan Dollars

Title	Name	Remuneration to supervisors						Total of A, B, and C in proportion to earnings after taxation		Investment remuneration from investees other than subsidiaries (D)
		Compensation (A)		Remuneration (B)(Note 1)		Business expenses (C)				
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	
Supervisor	Chiao, Yu-Cheng	144	144	1,200	1,200	48	48	0.05%	0.05%	None
Supervisor	Lien Hwa Industrial Corp.									
	Rep. Ching, Hu-Shih									

Note 1: Represents the amount of supervisors' remuneration that the board has proposed as part of the latest earnings appropriation.

Note 2: Supervisors' remuneration is determined by the Board of Directors, authorized under the Articles of Incorporation, based on a number of considerations including Compensation Committee's recommendations, peer levels, and future risks. The sum of remuneration provided for supervisors of the Company and for all companies included in the financial statements had increased from the previous year; percentage-wise, supervisors' remuneration as a percentage to net income had increased from 0.04% to 0.05% this year. This increase was due to an increase in net income leading to the increase in supervisors' remuneration appropriation.

Note 3: The Company does not disclose the name and remuneration of particular supervisor, and the disclosure of remunerations was presented on a salary scale with the names of all concerned.

Salary Scale

Bracket of salaries paid to supervisors of the Company	Name of supervisor	
	Total of first 3 items (A+B+C)	
	The Company	All companies in the financial statements
Less than NT\$2,000,000	Chiao, Yu-Cheng/ Lien Hwa Industrial Corp./Ching, Hu-Shih	Chiao, Yu-Cheng/ Lien Hwa Industrial Corp./Ching, Hu-Shih
NT\$2,000,000 (Inclusive) ~ NT\$5,000,000 (Exclusive)		
NT\$5,000,000 (Inclusive) ~ NT\$10,000,000 (Exclusive)		
NT\$10,000,000 (Inclusive) ~ NT\$15,000,000 (Exclusive)		
NT\$15,000,000 (Inclusive) ~ NT\$30,000,000 (Exclusive)		
NT\$30,000,000 (Inclusive) ~ NT\$50,000,000 (Exclusive)		
NT\$50,000,000 (Inclusive) ~ NT\$100,000,000 (Exclusive)		
More than NT\$100,000,000		
Total	3	3

Remuneration to President and Vice Presidents

2016

Unit: In thousands of New Taiwan Dollars/ thousand shares

Title	Name	Salaries (A)		Pension (B)(Note 1)		Bonus and special expenses (C)		Employee remuneration (D) (Note 2)				Total of A, B, C, and D in proportion to earnings after taxation (%)		Investment remuneration from investees other than subsidiaries (E)
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
								Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares			
CEO	Miau, Matthew Feng Chiang	-	8,654	-	161	-	12,790	2,500	-	2,500	-	0.09%	0.89%	None
President	Ho, Jhi-Wu													
Vice president and Chief Accountant	Huang, Hsiu-Ling													

Note 1: Retired Pension as stated is the amount of appropriation.

Note 2: Represents employees' remuneration proposed as part of the latest earnings appropriation.

Note 3: The total remuneration of the Company in 2016 amounted to 0.09% of the net income, slightly decreased from 0.10% of 2015. This reduction was due to a higher increase in net income relative to the increase in remuneration. Furthermore, total remuneration as a percentage to net income of the Company and all companies included in the financial statements had decreased from 1.05% in 2015 to 0.89% in 2016. This reduction was due to a higher increase in net income relative to the increase in remuneration.

Note 5: The remunerations to the President and the Vice Presidents are commensurate with their personal contribution to the overall operation performance of the Company at the recommendation of the Compensation Committee, peer levels, and the possible risks in the future.

Salary Scale

Brackets of salaries to the President and all Vice Presidents	Name of President and Vice Presidents	
	Sum of the first 4 items (A+B+C+D)	
	The Company	
	All companies in the financial statements	
Less than NT\$2,000,000	Miau, Matthew Feng Chiang/Ho, Jhi-Wu/Huang, Hsiu-Ling	
NT\$2,000,000 (inclusive)~NT\$5,000,000		
NT\$5,000,000 (inclusive)~NT\$10,000,000		
NT\$10,000,000 (inclusive)~NT\$15,000,000	Miau, Matthew Feng Chiang/Huang, Hsiu-Ling	
NT\$15,000,000 (inclusive)~NT\$30,000,000	Ho, Jhi-Wu	
NT\$30,000,000 (inclusive)~NT\$50,000,000		
NT\$50,000,000 (inclusive)~NT\$100,000,000		
More than NT\$100,000,000		
Total	3	3

Names of managers entitled to employee remuneration and amount entitled

Unit: In thousands of New Taiwan Dollars

	Title	Name	Amount paid in shares	Amount paid in cash	Total	Total in proportion earning after taxation (%)
Managers	CEO	Miau, Matthew Feng Chiang	-	2,500	2,500	0.09%
	President	Ho, Jhi-Wu				
	Vice president and Chief Accountant	Huang, Hsiu-Ling				

Note: Represents employees' remuneration proposed as part of the latest earnings appropriation.

IV. Corporate governance

- (I) Performance of Board of Directors: A total of 7 (A) board meetings were held in 2016; below are the attendance records:

Title	Name	Attendance in person B	Proxy attendance count	Percentage of actual attendance (%) [B/A]	Remarks
Chairman	Miau, Matthew Feng Chiang	7	0	100.00%	Re-elected on 2016.06.21 as previous term expired
Director	Ho, Jhi-Wu	7	0	100.00%	Re-elected on 2016.06.21 as previous term expired
Director	UPC Technology Corp. Rep. Way, Yung-Do	5	2	71.43%	Re-elected on 2016.06.21 as previous term expired
Director	UPC Technology Corp. Rep. Chang, Kwang-Cheng	5	2	71.43%	Re-elected on 2016.06.21 as previous term expired
Director	MiTAC Inc. Rep. Hsu, Tzu-Hwa	6	1	85.71%	Re-elected on 2016.06.21 as previous term expired
Independent Director	Lu, Shyue-Ching	4	0	100.00%	Elected on 2016.06.21
Independent Director	Ma, Shaw-Hsiang	4	0	100.00%	Elected on 2016.06.21

Special notes:

- I. If any of the following circumstances was noted in the Board of Directors' meeting, the date, term, subject matter, all the opinions of the independent directors and the Company's response towards said opinions shall be stated:

- (I) Circumstances set forth in Article 14-3 of the Securities and Exchange Act: Only subject matters of the Board of Directors' meeting after the election of independent directors after June 21, 2016 are stated below. The major resolutions of the board of directors' meetings prior to the election of independent directors, in accordance with Article 14-3 of the Securities and Exchange Act, are provided on page 35-36.

Board of Directors' meeting Date	Subject Matter	Opinions of the Independent Directors	The Company's response towards independent directors' opinions
2016.07.05	Construction plan of East China Company headquarters and new plant of MiTAC Information Systems (KunShan) Co., Ltd., subsidiary of MiTAC International Corp. in China.	No objection	None
2016.08.08	Review and approval of 2015 employee remuneration and 2016 interim bonus for managers	No objection	None
2016.08.08	Passed to assume liability of existing employee stock options (ESO) previously issued by MiTAC International Corp., and to issue new common shares for the exercise of ESO in the second quarter of 2016	No objection	None
2016.11.08	Change of financial statement auditors	No objection	None
2016.11.08	Passed to assume liability of existing employee stock options (ESO) previously issued by MiTAC International Corp., and to issue new common shares for the exercise of ESO in the third quarter of 2016	No objection	None

- (II) Other than aforementioned subject matters, minutes of a Board meeting with adverse opinions or qualified opinions from independent directors on record or backed by written declaration in resolutions of the Board: None.

- II. Regarding the situation of directors' conflict of interest recusal, the name of the director with potential conflict of interest, subject matter, reason for conflict of interest recusal and deliberation participation shall be recorded:

Board of Directors' meeting Date	Avoid the conflict of interest Name of director	Subject Matter	Reasons for the avoidance of the conflict of interest	Participation in deliberation
2016.01.26	Miau, Matthew Feng Chiang/ Ho, Jhi-Wu	Review and approval of managers' 2015 year-end bonus	Concurrently serving as manager	Passed unanimously as proposed by all attending directors entitled to vote.
2016.08.08	Ho, Jhi-Wu	Review and approval of 2015 employee remuneration and 2016 interim bonus for managers	Concurrently serving as manager	Passed unanimously as proposed by all attending directors entitled to vote.

III. Enhancements to the functionality of board of directors in the current and the most recent year (e.g., establishment of an Audit Committee, improvement of information transparency etc), and the progress of such enhancements:

- 1.The Company has established a "Board of Directors Meeting Procedure" and implemented accordingly; all major resolutions made by the Board of Directors are disclosed on the Company's website.
- 2.The Company also discloses information about Directors' and Supervisors' meeting attendance and continuing education regularly onto the "Corporate Governance" section of the Market Observation Post System, and thereby ensure the timeliness and transparency of information disclosed.
- 3.The Company has adopted the “Regulations Governing the Board Performance Evaluation” in 2016, and the board of directors’ shall evaluate internal board performance at least once annually.
- 4.In the years ahead, the Company will fortify the functions of the Board of Directors in responding to applicable legal rules and the requirements of corporate governance.

(II) Performance of Audit Committee: The Company does not have an Audit Committee in place, but will be creating an Audit Committee as instructed by the authority in 2019.

(III) Supervisors' participation in Board of Directors meetings: A total of 7 (A) board meetings were held in 2016; below are the attendance records:

Title	Name	Attendance in person (B)	Attendance rate (%) 【B/A】	Remarks
Supervisor	Chiao, Yu-Cheng	7	100%	Re-elected on 2016.06.21 as previous term expired
Supervisor	Lien Hwa Industrial Corp Rep. Ching, Hu-Shih	7	100%	Re-elected on 2016.06.21 as previous term expired

Special notes:

The organization and duties of the supervisors:

- (I) The communications between the supervisors and the employees and shareholders of the Company (channels and means of communications): The sales personnel of the Company have reported to the supervisors regularly or at any time as needed. The supervisors may also contact relevant personnel directly for communications at any time as needed for related information.
- (II) The communications between the supervisors, the chief internal auditor, and the external auditors (e.g., the financial position, operation, and issues involved, and method and result of communication):
 1. The independent directors and supervisors of the Company can investigate the operation and financial position of the Company at any time, and request the Board of Directors and managers to report. Where necessary, they may contact the external auditors of the Company.
 2. The chief internal auditor of the Company shall present audit reports to the independent directors and supervisors at regular intervals.
 3. Summary of communications among the independent directors, supervisors and chief internal auditor in 2016:
 - (1) Report of auditing office's operation.
 - (2) Report of 2015 self-assessment result of internal control policies where no significant deficiency was founded, and issuance of "Statement of Declaration of Internal Control" stating that the Company considers the design and execution of its internal control system to be effective.
 - (3) 2017 auditing plan.
 4. Summary of communications among the independent directors, supervisors and external auditors in 2016:
 - (1) Change of the Company's financial statement auditors since the fourth quarter of 2016 to Wen, Fang-Yu and Cheng, Ya-Huei, and introduction of their education, experience and expertise.
 - (2) Significant change of external auditor's audit opinion- Key audit matter of corporate financial statements. -
 - (3) External auditor's response and discussion towards questions raised by the attendees.

- II. Where the supervisors may present statements as observers when the Board is in session, specify the date and the number of the session, the content of the motions, the resolutions of the Board, and the response to the opinions of the supervisors: None.

(IV) Status of corporate governance; deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies:

Assessment criteria	Corporate governance in action			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
I. Has the Company established and disclosed its corporate governance principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?"	✓		The Company has established corporate governance principles in accordance with "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and published onto its website and on MOPS.	Compliant with the rationale and practices of "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies."
II. Equity structure and shareholders' equity: (I) Has the Company implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations?	✓		(I) The Company has appointed a designated company spokesperson for responding to the suggestions, queries, and disputes from the shareholders.	Compliant with the rationale and practices of "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies."
(II) Is the Company constantly informed of the identities of its major shareholders and the ultimate controller?	✓		(II) The Company can properly control the composition of major shareholders and the ultimate parties in control of these major shareholders, and declares the quantity of shareholding by the directors, supervisors, and major shareholders on a monthly basis in accordance with the Securities and Exchange Act.	
(III) Has the Company established and implemented risk management and firewalls on companies it is affiliated with?	✓		(III) The Company has established an internal control system and related rules and regulations in compliance with applicable legal rules, and has properly enforced such rules and regulations. In addition to self-assessment, the Board of Directors and the management has also reviewed the self-assessment results of the departments and the audit reports of the auditing functions at regular intervals or at any time as needed to materialize the enforcement of the internal control system. The Company seeks to establish viable financial, operation, and accounting systems in accordance with requirements, and for buttressing the management of the subsidiaries and affiliates for proper control to reduce operation risk. The transactions with subsidiaries and affiliates were made under the principle of equality and fairness, and they are bound by related rules and regulations governing business and financial transactions among the entities.	

Assessment criteria	Corporate governance in action			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(IV) Has the Company established internal policies that prevent insiders from trading securities against non-public information?	✓		(IV)The Company has established a set of “Material Internal Information Procedures” and “Integrity Code of Conduct” to outline insiders' duty of confidentiality over material information. No insider is allowed to exploit material information for own gain or for the gains of others. The above procedures and code of conduct have been communicated to Directors, Supervisors, managers and all parties who come into contact with material insider information, whether due to identity, job role or controlling interest.	
III. The organization and functions of the Board of Directors (I) Does the Board of Directors have diversified policies regulated and implemented substantively according to the composition of the members?	✓		(I) All members of the board possess the knowledge (e.g., decision making ability), skills (e.g., accounting and financial analysis) and characters (e.g. global vision) required to accomplish their duties. In addition, the Company has elected independent directors to further enhance board functionality in its 2016 annual general meeting.	Compliant with the rationale and practices of “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.”
(II) Apart from the Compensation Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?		✓	(II) The Company established its Compensation Committee in 2013; an Audit Committee will be established in 2019 as required by law. Other functional committees will be introduced as needed by the Company.	
(III) Has the Company established a set of policies and assessment tools to evaluate the board's performance? Is performance evaluated regularly at least on an annual basis?	✓		(III)The Company has adopted the “Regulations Governing the Board Performance Evaluation” in 2016, and the board of directors’ shall evaluate internal board performance at least once annually. 2016 Board performance evaluation result has been submitted to the first Board of Directors’ meeting of 2017, and the evaluation result has been uploaded to the Company’s website, in the section of Corporate Governance for public reference.	
(IV) Are external auditors' independence assessed on a regular basis?	✓		(IV)Each year, the Company evaluates independence of its financial statement auditors and submits to the board of directors’ meeting to make sure that no conflicting interest exists (i.e., the auditors do not own shares or hold job positions within the Company). Furthermore, the necessity to replace auditors is also evaluated on a yearly basis (i.e., whether the auditors are unchanged for 7 consecutive years, or whether they are subject to penalty or any occurrence that would compromise their independence). The Company’s financial statement auditors are appointed at the board’s	

Assessment criteria	Corporate governance in action			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			resolution; the board only engages the Big Four accounting firms, hence there should be no doubt with regards to auditors' independence and professional capabilities.	
IV. Has the TWSE/TPEX listed Company set up a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, handling matters relating to board meetings and shareholders meetings according to laws, handling corporate registration and amendment registration and producing minutes of board meetings and shareholders meetings)?	✓		The Company has set up a part-time corporate governance unit, and officers have experience in handling legal, financial, or stock affairs to handle matters in respect to corporate governance by authorization.	Compliant with the rationale and practices of “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.”
V. Does the Company have established a communication channel for the stakeholders (including but not limited to stockholders, employees, customers and suppliers), set the stakeholder section on the Company’s website, and responded to the stakeholders regarding their concerns over corporate social responsibilities?	✓		The Company has created a stakeholders section on its website and assigned dedicated personnel to communicate, handle and reply to stakeholders' queries. The CSR report has been made available on the website, which stakeholders may access and download at any time. Stakeholders section: http://www.mic-holdings.com.tw/Stakeholders.html TEL: 02-2652-5888, 03-3962888 E-mail: stock@mic.com.tw	Compliant with the rationale and practices of “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.”
VI. Does the Company have commissioned a professional stock service agent to handle shareholders affairs?	✓		The Company has commissioned Chinatrust Bank as the share administration agency, which is responsible for handling shareholder meeting affairs.	Compliant with the rationale and practices of “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.”
VII. Information disclosure (I) Has the Company established a website that discloses financial,	✓		(I) The Company has a website (www.mic-holdings.com.tw) that discloses financial, business and corporate governance information in separate sections.	Compliant with the rationale and practices of “Corporate

Assessment criteria	Corporate governance in action			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
business, and corporate governance-related information?				Governance Best-Practice Principles for TWSE/TPEX Listed Companies.”
(II) Has the Company adopted other means to disclose information (e.g., English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the Company website)?	✓		(II) The Company has an English website and appoints dedicated personnel to gather and disclose information relating to the Company. The Company has a spokesperson and an acting spokesperson policy to address the public. Presentation materials of investor conferences are made publicly accessible on the Company’s website and MOPS.	
VIII.Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and insuring against liabilities of Company directors and supervisors)?	✓		<p>(I) Employee rights and privileges MiTAC firmly believes that people is the driving force for corporate development. For this reason, MiTAC highly values the rights and privileges of its employees and makes additional investment for their welfare to high standard further to the protection of the rights and privileges of the employees as required by law:</p> <p>1. Policies: (1) Labor/health insurance, pension contribution, employee training, safety and health measures, equal gender opportunities etc. (2) Provide different forms of fringe benefits for the employees with ceaseless effort, including group insurance protection, free physical examination, and subsidy for pleasure trips, gym, emergency aid, subsidy for matrimony/maternity/funeral, car loans, and subsidy for continuing education.</p> <p>2. Implementation: (1) Duly observe applicable legal rules for the protection of the rights of employees (2) Employee welfare is managed by designated personnel. (3) Designated employee relation personnel are appointed to respond to the personal needs of the employees. This service system is running well.</p> <p>(II) Concern for employees 1. Policies: MiTAC has appointed designated personnel for managing employee relations. These personnel are responsible for caring for the employees. Scope of service: Emergency aid, employee complaint, handling complaints,</p>	Compliant with the rationale and practices of “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.”

Assessment criteria	Corporate governance in action			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>employee health and hospitalization care, coordination of employee problems, prevention of sexual harassment at workplace, handling complaints and consultation in career development. MiTAC introduced the Employee Assistant Program in cooperation with an external consulting firm. Through psychological counseling and assistance from financial and legal experts, MiTAC helps its employees to relieve any psychological and life problems.</p> <p>2. Implementation: Last year, 25 service requests were made to the EAP by employees in Taiwan and their family members, which represented 4.63 % of the employee size in Taiwan. Most of these requests were related to legal and mental counseling. Through the assistance of the “EAP”, employees can receive appropriate help and strongly applauded this service. When employees or their families suffered from accidental injuries, natural disasters, or severe illness, or death, MiTAC will provide immediate and appropriate help in the form of financial aid. The purpose is to help these employees or families recovered from ailment and get back to their work quickly. This is the manifestation of The Company in caring for the employees and their families as an integral part of its corporate social responsibility. As mentioned, under the prerequisite of winning on both sides of the management and labor, this has been proven highly effective in bringing harmony and commitment to organizational stability at workplace.</p> <p>(III)Investor relation: MiTAC firmly insists on the principles of sincerity and information disclosure, and spare no effort in making corporate governance transparent. In practice, MiTAC discloses its state of operation and financial position to shareholders. With the establishment of the spokesperson and acting spokesperson system, the Company has performed its obligation in disclosure under due diligence. Specialists and electronic mailbox have been made available to handle investors' suggestions and queries.</p> <p>(IV)Supplier relations and stakeholders' rights: The group maintains long-term relationship with its suppliers to ensure continuity of material supply. Dedicated personnel have been assigned to resolve product-related problems and whatever queries raised by shareholders on the Company's website, in the “Stakeholder section”, and thereby protect their interests.</p>	

Assessment criteria	Corporate governance in action				Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies																														
	Yes	No	Summary																																
			(V) Directors' and Supervisors' ongoing education: The Company's directors all have relevant expertise. Information about their ongoing education has been disclosed onto the "Corporate Governance" section of MOPS, and made readily accessible to investors. Continuing education in 2016 and 2017 up to the publication date of this annual report:																																
			<table><tr><th>Title</th><th>Name</th><th>Organizer</th><th>Course name</th><th>Study hours</th></tr><tr><td rowspan="4">Director</td><td rowspan="4">Miau, Matthew Feng Chiang</td><td>Taiwan Institute of Directors</td><td>Emerging innovative economies; Revolution and challenge to business operation</td><td>3</td></tr><tr><td>Securities and Futures Institute</td><td>Outlook of Taiwanese economy under turbulent global conditions and future trend of global industrial application of block chain technology.</td><td>3</td></tr><tr><td>Taiwan Corporate Governance Association</td><td>Trend of cross-strait economy workshop; block chain technology and application workshop.</td><td>3</td></tr><tr><td>Taiwan Institute of Directors</td><td>Tipping the Scale of Competitiveness - Global Realities and Responsive Strategies after COP21</td><td>3</td></tr><tr><td rowspan="3">Director</td><td rowspan="3">Ho, Jhi-Wu</td><td>Taiwan Corporate Governance Association</td><td>Risk Management, internal control and information management</td><td>3</td></tr><tr><td>Securities and Futures Institute</td><td>Outlook of the Taiwanese economy with turbulent global conditions and future trend of global industrial application of block chain technology.</td><td>3</td></tr><tr><td>Taiwan Corporate Governance Association</td><td>What is the decision of the court? What does "clear information of insider trading" mean?</td><td>3</td></tr></table>			Title	Name	Organizer	Course name	Study hours	Director	Miau, Matthew Feng Chiang	Taiwan Institute of Directors	Emerging innovative economies; Revolution and challenge to business operation	3	Securities and Futures Institute	Outlook of Taiwanese economy under turbulent global conditions and future trend of global industrial application of block chain technology.	3	Taiwan Corporate Governance Association	Trend of cross-strait economy workshop; block chain technology and application workshop.	3	Taiwan Institute of Directors	Tipping the Scale of Competitiveness - Global Realities and Responsive Strategies after COP21	3	Director	Ho, Jhi-Wu	Taiwan Corporate Governance Association	Risk Management, internal control and information management	3	Securities and Futures Institute	Outlook of the Taiwanese economy with turbulent global conditions and future trend of global industrial application of block chain technology.	3	Taiwan Corporate Governance Association	What is the decision of the court? What does "clear information of insider trading" mean?	3
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Assessment criteria	Corporate governance in action					Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies			
	Yes	No	Summary						
			Rep. of institutional directors	Way, Yung-Do	Title	Name	Organizer	Course name	Study hours
						Securities and Futures Institute		2017 insider trading and corporate social responsibility forum	3
						Taiwan Corporate Governance Association		Key matters related to the revision of Corporate Act with regards to the TWSE/TPEX listed Company’s corporate governance.	1
						Taiwan Academy of Banking and Finance		Best Board Practice and Corporate governance Workshop	3
						Securities and Futures Institute		Global and domestic anti tax avoidance development and solutions to enterprises	3
						Securities and Futures Institute		Outlook of the Taiwanese economy under turbulent global conditions and future trend of global industrial application of block chain technology.	3
						Taiwan Corporate Governance Association		Interpretation of latest G20/OECD principles of corporate governance/ Business 4.0 Platform integration of omni-channel strategy	1
						Taiwan Corporate Governance Association		Independent directors and operation of functional committee	2
						Taiwan Corporate Governance Association		Case studies of tender offer and defense: inevitable legal warfare	3
						Taiwan Corporate Governance Association		Taxation trend	3

Assessment criteria	Corporate governance in action					Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies		
	Yes	No	Summary					
			Title	Name	Organizer	Course name		Study hours
			Rep. of institutional directors	Way, Yung-Do	Taiwan Corporate Governance Association	Risk Management, internal control and information management		3
					Taiwan Academy of Banking and Finance	Corporate Governance Forum-wealth management and tax planning for high net worth individuals.		3
					Taiwan Corporate Governance Association	Directors' and Supervisors' Responsibilities in Financial Statement Preparation - Case Studies		3
			Rep. of institutional directors	Chang, Kwang-Cheng	Taiwan Academy of Banking and Finance	Best Board Practice and Corporate Governance Workshop		3
			Rep. of institutional directors	Hsu, Tzu-Hwa	Securities and Futures Institute	Analysis of early warning and types of business financial crisis		3
					Securities and Futures Institute	Discussion of issues in human resource and integration during merger and acquisition.		3
			Independent Director	Lu, Shyue-Ching	Securities and Futures Institute	Advanced seminar for directors and supervisors (including independent director) [Merger and Acquisition Strategies and Anti-Takeover]		3
					Taiwan Corporate Governance Association	Ethical corporate management, corporate governance, corporate social responsibility and practice		3
Securities and Futures Institute	Outlook of the Taiwanese economy under turbulent global conditions and future trend of global industrial application of block chain technology.	3						

Assessment criteria	Corporate governance in action					Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies		
	Yes	No	Summary					
			Title	Name	Organizer	Course name	Study hours	
			Supervisor	Chiao, Yu-Cheng	Taiwan Corporate Governance Association	Leadership in the era of innovation; discussion of industrial innovation in aspect of the Internet of things, cloud service and big data.	3	
					Taiwan Corporate Governance Association	Trend of cross-strait economy workshop; block chain technology and application workshop.	3	
					Taiwan Corporate Governance Association	Innovation - A Distinctive Bias. Trends of the Green Industry.	3	
					Taiwan Corporate Governance Association	Authority, Responsibilities and Practices of Board of Directors and Functional Committees	3	
			Rep. of Institutional Supervisor	Ching, Hu-Shih	Corporate Governance Association in Taiwan	Group Governance	3	
					Securities and Futures Institute	2nd corporate governance evaluation award ceremony and special lecture	3	
			(VI) Risk management policies, practices, and risk assessment standards: The Company has established internal policies and performs risk management and evaluation accordingly.					
			(VII) Execution of customer policy: The group maintains sound relationship with customers to secure profitability.					
			(VIII) Insurance against directors' and supervisors' liabilities: The Company has purchased liability insurance in accordance with "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies," details of which have been disclosed in the "Corporate Governance" section of MOPS.					
			The insured		The insurer	The amount insured	Term of policy (starting and ending)	
All directors and supervisors		Fubon Insurance Co., Ltd.	NT\$387,000,000	November 15, 2016 to November 15, 2017				

Assessment criteria	Corporate governance in action			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
IX. The improvement status for the result of Corporate Governance Evaluation announced by the Taiwan Stock Exchange and priority improvement plan and measures for areas to be improved.				
(I) Improvement status for the result of Corporate Governance Evaluation in the most recent year (2016):				
Indicator				Improvement status
1.13	Does the Company have any government agency or a single TWSE/TPEX listed company and its subsidiaries accounting for one-third or more of the board?			No application since the re-election in 2016 shareholders' meeting.
2.9	Did the Company simultaneously upload the English versions of the meeting notice 30 days prior to the day of the AGM, and the English versions of the meeting agenda handbook and supplemental meeting materials 21 days before the day of the AGM?			The Company simultaneously uploaded the English versions of the meeting notice 30 days prior to the day of the 2016 AGM, and the English versions of the meeting agenda handbook and supplemental meeting materials 21 days before the day of the 2016 AGM.
2.10	Do the bylaws of the Company prohibit insiders, including directors and employees, from using information not available in the market for personal gain, and were those bylaws disclosed on the Company's website?			Relevant information has been disclosed on the Company's website.
3.5	Did the Company appoint an independent director, and is the number of independent directors meets the requirement?			The 2016 AGM has appointed two independent directors so as to meet the requirement of indicator.
3.8	Were the continuous terms of service of at least two independent directors not more than 9 years each?			
3.9	Does the independent director of the Company serve as director (including independent director) or supervisor of not more than 5 TWSE/TPEX listed companies concurrently?			
3.11	Did the Company have a Compensation Committee and were at least half of its members independent directors?			
3.31	Does the Company regularly (at least once a year) carry out an evaluation of the performance of the board of directors and disclose the evaluation results on its website or in its annual report?			The regulations were established in the end of 2016, and the evaluation result, submitted to the board in 2017, has been disclosed on the Company's website.
4.2	Did the Company disclose material information in English and Chinese at the same time?			Material information in both English and Chinese has been disclosed at the same time since 2017.

Assessment criteria	Corporate governance in action			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	

Indicator		Improvement status
4.15	Did the Company website disclose a Company profile, including, at least, an overview of the Company's history, an introduction to the products it produces or the services it provides, its organization, and its management team?	Information regarding organization and management team has been added to the Company's website.
4.16	Did the Company voluntarily disclose in the annual report the amount and nature of any non-audit fees paid to the external auditor and its affiliates in addition to audit fees?	Information has been disclosed in 2015 annual report.
4.20	Did the Company website disclose corporate governance information including, at least, the Articles of Incorporation and the corporate governance framework?	Information regarding corporate governance framework has been added to the Company's website.
4.22	Did the Company disclose a specific and clear dividend policy in the annual report?	Information has been disclosed in 2015 annual report.
5.11	Did the Company provide a designated section for stakeholders on the Company website, to understand and adequately respond to the important corporate social responsibility issues that they are concerned about?	Information about Stakeholders complaint channel (including specific contact window and contact method) has been disclosed on the Company's website.

(II) Priority improvement plan and measures for areas to be improved for the result of Corporate Governance Evaluation in the most recent year (2016):

Indicator		Priority improvement plan and measures
1.6	Did a majority of the directors (including at least one independent director), and at least one supervisor of the Company if any, attend the AGM, and did the Company disclose in the minutes the names of those who attended?	The first term of independent directors was elected in the 2016 AGM, and the indicator will be followed in the 2017 AGM.
3.14	Did the directors and supervisors complete the number of hours of continuing education required by the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies?	Providing or self-organizing continuing education courses.

(V) Disclosure of the organization, functions, and operation of the Compensation Committee, if applicable:

1. The Company established a Compensation Committee comprised of 3 outside experts who satisfied criteria of professionalism and independence. The committee holds meetings at least twice a year and exercises the following authorities in a professional and objective manner; its suggestions are raised for discussion in board meetings:

(1) Stipulate and regularly review the performance of the directors, supervisors and managers; as well as the compensation policies, systems, standards and structure.

(2) Regularly evaluate and stipulate director, supervisor and manager compensation.

2. Profiles of the Compensation Committee members

Identity	Qualifications	Having more than 5 years of work experience and the following qualifications			Compliance with independence requirements (Note 1)								Number of concurrent roles as Compensation Committee member in other public companies	Remarks
		Lecturer or higher level instructor at a public or private college or university in business, law, finance, accounting or other fields related to the operations of the Company	Judge, public prosecutor, attorney at law, CPA, or other professionals licensed by national exams that are pertinent to the operation of the Company	Work experience in business, law, finance, accounting, or other areas required for the operation of the Company	1	2	3	4	5	6	7	8		
Independent director and Members of the Compensation Committee	Ma, Shaw-Hsiang			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent director and Members of the Compensation Committee	Lu, Shyue-Ching			✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Members of the Compensation Committee	Cheng Chien-Jen			✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note 1: Place a "✓" in the box below if the member met the following conditions at any time during active duty and two years prior to the date of appointment.

(1) Not an employee of the Company or its subsidiaries or affiliates.

(2) Not a director or supervisor of the Company or its subsidiaries or affiliates. Except an independent director of an investee of the Company, of the parent of the Company, or subsidiaries.

(3) The person, the spouse, underage children, who hold more than 1% of the outstanding shares or one of the top 10 shareholders who are natural persons or who hold shares of this company under the title of a third party.

- (4) Not the spouse, kin within the 2nd tier or the next of kin within the 3rd tier of any of the parties mentioned in (1)~(3).
- (5) Not a director, supervisor or employee of an institutional shareholders holding more than 5% of the outstanding shares of the Company, or of the top five institutional shareholders.
- (6) Not a director, supervisor, manager, or shareholder holding more than 5% of the outstanding shares of specific company or institution having business of financial transactions with the Company.
- (7) Not a professional, proprietor, partner, company or the owner, partner, director, supervisor, manager or spouse of the professional consulting entities providing services or consultation in business, law, finance, accounting and other for the Company or its subsidiaries or affiliates.
- (8) The provisions of Article 30 of the Company Act are not applicable.

3. The Operation of the Compensation Committee

(1) The Compensation Committee of MiTAC consists of 3 members.

(2) Duration of service: June 21, 2016 to June 20, 2019 The Compensation Committee held 2 meetings (A) in 2016; details of members' eligibility and attendance are as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Percentage of actual attendance (%) (B/A)	Remarks
Convener	Ma, Shaw-Hsiang	2	0	100.00%	Re-elected on 2016.06.21 as previous term expired
Members	Lu, Shyue-Ching	2	0	100.00%	Re-elected on 2016.06.21 as previous term expired
Members	Cheng, Chien-Jen	2	0	100.00%	Re-elected on 2016.06.21 as previous term expired
Special notes:					
I. Where the Board may not accept or revise the recommendations of the Compensation Committee, specify the date and the instance of the Board session, and the content of the motions, the resolution of the Board, and the response to the opinions of the Compensation Committee: None.					
II. If there is any adverse opinion or qualified opinion of the members in the decision of specific motions in the Compensation Committee on record or with written declaration, specify the date and the instance of the committee meeting, the content of the motion, the opinions of all members and the response to the opinions of the members: None.					

(VI) The practice of corporate social responsibility:

Assessment criteria	Corporate governance in action			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
I. Enforcement of corporate governance				
(I) Does the Company have a corporate social responsibility policy or system in place? Is progress reviewed on a regular basis?	✓		(I) MiTAC has adopted relevant systems and established environmental safety and health strategies and HSF (hazardous substance free) policies as requested by customers and the authority. Performance of the above systems, strategies and policies are reviewed on a yearly basis. For more details regarding the Company's CSR policies and progress, please refer to section "Corporate Social Responsibility Perspectives and Commitments" in the CSR report.	Compliant with the rationale and practices of "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies".
(II) Does the Company organize social responsibility training on a regular basis?	✓		(II) MiTAC communicates with Directors, supervisors and employees from time to time about corporate ethics and code of conduct.	
(III) Does the Company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and reports its progress to the board of directors?	✓		(III) The President's Office and corresponding units within various departments form a network that oversees the above matter. The Board of Directors' role in corporate social responsibilities includes the following: 1.Outline the CSR mission or vision; establish CSR policy, system or management guidelines. 2.Incorporate the CSR spirit into the Company's operating activities and growth; while at the same time devise feasible CSR plans. 3.Ensure timely and accurate disclosure of CSR information.	
(IV) Has the Company implemented a reasonable remuneration system that associates employees' performance appraisals with CSR? Is the remuneration system supported by an effective reward/discipline system?	✓		(IV) In addition to creating a Compensation Committee, the group also performs annual salary surveys to determine the appropriateness of its compensation policies. MiTAC runs a "Performance Evaluation" every six months, based on individual performance and the performance of the two-track promotion opportunities given, while referring to it as salary adjustment and payment of bonuses. Also, a business integrity rule, Code of Conduct and the incentives and disincentives are in place to improve the business operation.	

Assessment criteria	Corporate governance in action			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
II. Environment for sustainability (I) Is the Company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?	✓		(I) MiTAC is committed to the efficient use of all resources through measures such as: use of photovoltaic energy, switch towards green lighting, the use of T5 energy-efficient light tubes, upgrade of air-conditioner compressors, optimization of electromechanical equipment, use of variable-frequency devices and energy-efficient appliances, use of air compressor heat for water heating, upgrade of fuel boilers, and automated control of air-conditioning system. MiTAC implements the MiGEM intelligent environmental control system, using a large data analysis system effectively to improve operational efficiency and reduce operating costs, as well as to improve comfort and reduce energy consumption to fulfill corporate social responsibility. This system leveraging the IoT cloud-based service, and a variety of environmental sensors, will collect relevant information, can be for constructional energy monitoring (electricity, water), environment & safety monitoring applications (lighting control, IAQ monitoring, fire escape, video monitoring, surveillance equipment, etc.), as well as the largest electricity environment farm field of air conditioning equipment (ice machine system, AHU, FCU). By analysis the big data algorithms and technology to achieve the wisdom of energy-saving control device and can be controlled by APP through pushing message for alarm function. This is the most advanced IoT solution for energy management.	Compliant with the rationale and practices of “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”.
(II) Has the Company developed an appropriate environmental management system, given its distinctive characteristics?	✓		(II) Installation of the platform for the management of restricted use of chemical substances, and the control of hazardous substances under ISO 14001.	
(III) Does the Company pay attention to the impact of climate change on the operational activities, implement greenhouse gas check, and form an energy-saving, carbon-reduction, and greenhouse emissions reduction strategy?	✓		(III) MiTAC has the ability to track carbon footprint of its products, and has been disclosing carbon emission on the CDP (Carbon Disclosure Project) platform on an annual basis. In addition, MiTAC also sets reduction goals and takes step towards achieving them. The Company is strick about industrial wastewater emissions, zero air pollution, reducing waste generation and greenhouse gas emissions by up to testing standards and other measures. On the other hand, companies in the prevention of global warming and energy conservation, requested administration department replaced old T8 lamps to new energy-saving T5 lamps. Large regional office lighting control switch is changed to a small area. The original elongated lamp control switch change to type control switch for the region, and increase the office air conditioner 1 °C to 26 °C, in order to prevent unnecessary energy waste. MiTAC conveys its living guidelines with employees in the beginning of every month through E-Mail. Each	

Assessment criteria	Corporate governance in action			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			floor has a dedicated inspector elected to conduct random inspections on employees' compliance with the energy conservation policy.	
III. Support social charity (I) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?	✓		(I) MiTAC complies with laws and strives to protect the rights and privileges of its employees. All rights and obligations have been regulated in policies and the supervisory system is well developed. These policies are amended at times deemed appropriate to ensure the most comprehensive protection, and have been made readily accessible by MiTAC employees on the intranet.	Compliant with the rationale and practices of “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”.
(II) Does the Company have the complaint mechanism and channel established for employees and have it handled properly?	✓		(II) To provide employees with the means of expressing suggestions and opinions, an employee relations unit has been created within MiTAC's Human Resource Department, where dedicated personnel are assigned to implement employee care measures and communication policies/channels. A digital mailbox named "Speak-out" has been set up to receive employees' suggestions and opinions. Upon receiving messages, members of the employee relations unit respond with discretion, and if necessary, assemble a special panel to respond and make improvements to employees' opinions in an anonymous and timely manner.	
(III) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?	✓		(III) MiTAC duly obeys safety and health-related regulations, and performs inspections where necessary on the work environment (for lighting, CO2 content etc), drinking water (for germ level), and building (for fire and structural safety). In addition, all employees are subjected to physical examinations once every other year at a standard that is higher than what the law requires. All new employees are required to take part in an orientation course on safety and health, as well as regular training on civil defense and fire safety.	
(IV) Does the Company have established a mechanism of periodic communication with employees and have the employee notified in a reasonable manner regarding the potential impact of the operation changes?	✓		(IV) The group has an internal Portal system that gathers the latest news and announcements from various departments within the Company. Employees may access this information when they log in to their terminals each day. MiTAC holds a staff meeting at the beginning of each month. The President presides over this meeting and announces the latest development and the arrangement of the organization to all function heads and representatives of different functional areas. These executives will then disseminate such information to their subordinates. Any material change of management policy that is likely to affect employees' interests will be explained face-to-face by the respective department in the form of a seminar, and thereby eliminate employees' doubts.	

Assessment criteria	Corporate governance in action			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(V) Does the Company have an effective career capacity development training program established for the employees?	✓		(V) To assist employees in their career planning, the group requires managers to engage employees in two-way discussions every six months about career plans. Department heads have been assigned the responsibility to organize professional training, while a global rotation system is in place to help employees develop multiple talents. These talent programs are run on a long-term basis to help enhance competitiveness. Furthermore, the Company encourages employees with managerial roles to undertake on-job postgraduate studies and EMBA programs to further refine their professional skills and management talents.	
(VI) Has the Company implemented consumer protection policies with regards to its research, development, procurement, production, operating and service activities?	✓		(VI) MiTAC is devoted to protecting customers' interests as part of its product responsibilities. Products are designed from a life cycle perspective, and the final approval weighs upon a number of factors such as environmental protection, convenience to consumers, and protection of consumers' interests. Customer complaint channels have been established, while litigation and claims procedures are also available for consumers to state their claims. Customers are able to raise queries or recommendations through the contact methods specified in the Company's web page (http://www.mic-holdings.com.tw/Contact_MHC.html). ,	
(VII) Has the Company complied with laws and international standards with regards to the marketing and labeling of products and services?	✓		(VII) MiTAC takes responsibility for the products and services it sells, and devotes great attention to marketing ethics. The R&D, procurement, production and service procedures have been designed to ensure transparency of product information and product safety. The Company has published its consumer protection policy and executed accordingly to prevent its products/services from causing damage to consumers' interests, health and safety.	
(VIII) Does the Company evaluate suppliers' environmental and social conducts before commencing business relationships?	✓		(VIII) MiTAC has supplier investigation procedures in place, and conducts regular audits on internal raw material suppliers (and on new suppliers before initiation of business relationship) to obtain assurance of their environmental management practices and control of prohibited substances. MiTAC has launched an e-GP management system with detailed information on green components supplied by all companies in the supply chain. The GP system allows MiTAC to conduct detailed green product reviews and investigations on use of prohibited chemical substances, and thereby shortlist suppliers that satisfy the selection criteria. Currently, the Company requires all suppliers to comply with environmental protection standards and provide GP-related information for all products supplied. Furthermore, compliance requirements on EICC have also been communicated to relevant suppliers through eSCM announcement.	

Assessment criteria	Corporate governance in action			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(IX) Is the Company entitled to terminate a supply agreement at any time with a major supplier, if the supplier is found to have violated its corporate social responsibilities and caused significant impacts against the environment or society?	✓		(IX) MiTAC has established a “Universal Environmental Specification,” which demands suppliers to duly comply with all environmental protection requirements for the products supplied. In addition, MiTAC also demands the suppliers to participate and observe the EICC (Electronic Industry Code of Conduct). Further, the Securities Exchange Commission of USA applies Article 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which was passed by the US Congress, and requires the disclosure of the use of minerals. Customers of MiTAC who are also issuers of depository receipts in the USA are required to declare the content of conflict minerals contained in the direct and indirect materials used in the production process of the previous year to the Securities Exchange Commission to ensure the sources of these materials are not from specific African countries. As such, MiTAC has included the prohibited use of “conflict materials” into its green product policy in response to the aforementioned investigation of the customers and investigation to reply to the customers, and conduct Necessary investigation of the suppliers of the direct and indirect materials used in the production process. In 2016, MiTAC has completed investigation on 615 suppliers and compiled the profits on 210 mining companies in order to ensure MiTAC and the suppliers to comply with such requirement.	
IV. Intensification of disclosure (I) Has the Company disclosed relevant and reliable CSR information on its website and at the Market Observation Post System?	✓		(I) The Company uses its website and MOPS to make relevant and reliable disclosures of CSR information, including the Company's CSR report and annual report.	Compliant with the rationale and practices of “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”.
V. If the Company has established CSR principles in accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: The Company has established its own CSR principles, which conform to the rationale and practices of "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies."				

Assessment criteria	Corporate governance in action			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
VI. Other information useful to the understanding of corporate social responsibilities:				
1. Responsibility of environmental protection				
(1) Systems and measures : a. Set up the green platform in compliance with the requirements of RoHS/WEEE Directives and REACH and organize green supply chain management.				
b. For performing the corporate responsibility of environmental protection, MiTAC seeks to regulate its obligation of environmental protection through the product environmental protection declaration statement.				
(2) Status of implementation : a. For performing the corporate responsibility of environmental protection in the electronics industry, MiTAC upgrades its capacity in speeding up the procurement of green items for its products and parts through green procurement from the suppliers in order to supervise the suppliers to reduce or ban the use of hazardous substances in the production.				
b. MiTAC has made the statement of self-declaration in compliance with the environmental laws effective in the EU on PND products. MiTAC has demonstrated its strength in environmental protection, and has upgraded its business integrity and competitive power.				
2. Contribution to society:				
(1) Systems and measures : a. Sponsorship of the Y.S. Creative Award, which helps develop local design talents and improve industry competitiveness.				
b. Organize forums on campus to exchange with the university students and share with them the experience in industry.				
c. Participation in all kinds of industry seminars to share management and industry experience.				
(2) Status of implementation : a. MiTAC sponsors the Y.S. Award of Creativity, an event that awards outstanding software designs, industrial designs, and micro film productions. MiTAC has been promoting awareness for this award on campus, and invites renowned industry figures local and abroad to share their experience with students in forums. These efforts have been made to inspire local designers and ultimately improve the industry’s design capacity.				
b. Winners of Y.S. Creative Award are offered internship opportunity. Meanwhile, other top-performing students are also encouraged to submit internship applications.				
c. Hours and number of employees participating in the youth club, Y.S. Creative Award /World Vision charity event are 328 hours and 109 persons.				
3. Social charity:				
(1) Systems and measures: MiTAC organizes charity events from time-to-time to encourage employee provide support and care to the disadvantaged groups.				
(2) Implementation: Inviting World Vision to share experience in the forum and organizing event for disadvantaged child sponsorship.				
4. Consumers' rights and privileges:				
(1) System : For realizing the responsibility for the consumers, MiTAC customer service team spares no effort in creating innovative models and logistics support system, and promotes this idea and system to all customer service teams of MiTAC in different countries of the world.				
(2) Status of implementation : Launch Mio/MiVia/NAVMAN/MAGELLAN brands for the consumers				
a. “Online Repair Service” allows the customers to request for repairs without the constraints of time and place.				
b. “Mio Online Service” offers round-the-clock question and answer for Mio product information.				

Assessment criteria	Corporate governance in action			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
<p>c. "Mio Online Update" allows for online product update through simple procedures.</p> <p>d. Mio Quick Map" allows the consumers to update their map through the facilitation of the selected distributors in Taiwan.</p> <p>5. Human rights:</p> <p>(1) Systems and measures</p> <p>: a. Under the Employment Policy of the Group, local employees and the physically and mentally impaired in respective countries and regions where MiTAC has its facilities will be considered for employment at the top priority. Competence is the determinant for employment. There shall be no discrimination against sex, religion, nationality, and political affiliation. All will be treated equally. The employment policy of MiTAC also explicitly states that all applicants and employees will be offered equal opportunity in recruitment, employment, development, evaluation, and remuneration.</p> <p>b. MiTAC concerns for the rights and privileges of its employees, and duly obeys the Electronic Industry Code of Conduct (EICC) and relevant labor regulations in countries where it operates. MiTAC strictly prohibits hiring child labor aged below 15, and refrains from assigning workers aged below 18 to works of hazardous nature. MiTAC seeks to protect the human rights of its workers irrespective of race, skin color, gender, language, religion, political affiliation or opinion, nationality, social background, wealth, birth, or any other identity differences. Employees are not discriminated against in any way, whether in terms of recruitment or job duty.</p> <p>c. The group is dedicated to building a gender-equal workplace, and strives to ensure equal opportunities and protect employees' dignity by strictly prohibiting against sexual harassment in the workplace.</p> <p>(2) Status of implementation</p> <p>: a. MiTAC recognizes the contribution of people with different talents. Any addition or alteration of the policy of the terms and conditions of employment will be made through mutual consultation and coordination with the people concerned. There has been no dispute so far.</p> <p>b. MiTAC duly obeys labor regulations and respects the opinions of its employees. Any addition or amendment to the employment policy is fully negotiated between employees and the management. No employment-related dispute has arisen so far.</p> <p>c. MiTAC has implemented a set of "Regulation Governing the Prevention of Sexual Harassment at Workplace and Complaints" and established a sexual harassment complaint hotline. Any complaint raised will be attended to by dedicated personnel. In addition, lectures on the prevention of sexual harassment are being held regularly to avoid sexual harassment in the workplace. For any sexual harassment problem that has occurred in the workplace, these policies and practices have been soundly enforced so far.</p> <p>6. Safety and health:</p> <p>(1) Systems and measures</p> <p>: MiTAC has been certified for ISO 14001 - Environmental Protection System and OHSAS 18001 Occupational Health and Safety Advisory Services System since November 6, 2003. These certifications were attained as reinforcements to the safety and health of employees at workplace, and to protect employees from occupational injury, death, and prevent protest that arise as a result. These certifications are regularly validated by third-party institutions and properly enforced throughout the organization.</p> <p>(2) Status of implementation</p> <p>: a. Protect the employees in safety and health, prevent occupational hazards, diseases, and potential danger, encourage the employees to participate in corrective action plans, and create a safe and healthy work environment.</p> <p>b. Continual performance improvement in environmental safety and health: MiTAC conducts routine audits and assesses investments where appropriate to continually improve its environmental safety and health management system.</p>				
VII. Describe the criteria undertaken by any institution to certify the Company's CSR report: None.				

(VII)The practice of business integrity and measures:

Assessment criteria	Status of implementation			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
I. With business integrity policy and action plan in place (I) Has the Company stated in its Memorandum or external correspondence about the policies and practices it has to maintain business integrity? Are the board of directors and the management committed in fulfilling this commitment?	✓		(I) MiTAC has implemented "Integrity Code of Conduct" and published it onto the official website, which the Board of Directors and the management are bound to obey when exercising authority. Training courses and awareness campaigns are organized from time to time to prevent dishonest behaviors from all personnel.	Compliant with the rationale and practices of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies."
(II) Does the Company have any measures against dishonest conducts? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions and complaint systems?	✓		(II) MiTAC has an Employee Code of Conduct and Anti-corruption Policy in place to outline operating procedures and behavioral guidelines that employees are bound to obey, and disciplinary actions and grievance systems for violations. Both the code and the policy are rigorously enforced.	
(III) Has the Company taken steps to prevent occurrences listed in Paragraph 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" or business conducts that are prone to integrity risks?	✓		(III)MiTACdemands all employees to refrain from accepting improper gifts, so that they do not compromise the Company's interests for personal gains. In addition, all employees have the duty of confidentiality over business secrets of the Company and other relevant parties. MiTAC has implemented relevant measures to prohibit against bribery (for offering and acceptance), illegal political donations, and inappropriate charity donations/sponsorships for business activities that present higher integrity risks.	
II. Realization of business integrity (I) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	✓		(I) MiTAC signs an "Agreement on Undertaking of Business Integrity" when commencing business relationship with a major supplier.	Compliant with the rationale and practices of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies."
(II) Does the Company have a unit that specializes (or is involved) in business integrity? Does this unit report its progress to the board of directors on a regular basis?	✓		(II) The Human Resource Development Center is responsible for the establishment of business integrity policy and prevention measures, whereas the internal audit function is responsible for supervising execution of such policy and measures. The internal audit function conducts random audits on compliance status within the Company, and produces audit reports for review by the Board of Directors.	

Assessment criteria	Status of implementation			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			(III)The Board of Directors of MiTAC will exercise the due care as prudent administrators to supervise and prevent dishonest conducts, while constantly review performance to ensure continual improvement and sound execution of integrity policy.	
(III) Does the Company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	✓		(IV)MiTAC has made a policy for the prevention of the conflict of interest, and it provides appropriate channels for the directors, supervisors, and managers in voluntary justification of their positions, which may entail potential conflict of interest against the Company.	
(IV) Has the Company implemented effective accounting and internal control systems for the purpose of maintaining business integrity? Are these systems reviewed by internal or external auditors on a regular basis?	✓		(V) MiTAC has established and complied with an effective accounting system and internal control system. In addition, MiTAC reviews the systems at any time as needed to ensure the sustained effectiveness of the system design and implementation. The internal audit function of MiTAC conducts regular and special audits on the state of compliance with the “internal control system” and prepares related audit reports for presenting to the Board of Directors.	
(V) Does the Company organize internal or external trainings on a regular basis to maintain business integrity?	✓		(VI) Employees are constantly reminded to adhere to integrity principles in daily business activities.	
III. Reporting of misconducts	✓		(I) The Company has an Anti-corruption Policy supported by a whistleblower and reward system. There is a broad range of misconduct reporting channels available to both insiders and outsiders, including mailboxes and hotlines that are run by the Company or by independent third-party institutions. These reporting channels have been announced to the public, while the internal audit function is assigned to handle and investigate reported cases.	Compliant with the rationale and practices of “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.”
(II) Has the Company implemented any standard procedures or confidentiality measures for handling reported misconducts?	✓		(II) The Company has standard procedures in place to accept and investigate reported misconducts. The procedures call for an investigation panel to investigate and discipline wrongdoers, while at the same time introduce a confidentiality system that ensures confidentiality of the investigation process and safekeeping of audit-related documents.	

Assessment criteria	Status of implementation			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(III) Has the Company provided proper whistleblower protection?	✓		(III)The Company has created and enforced whistleblower protection to protect informants against mistreatment.	
IV. Intensification of disclosure (I) Has the Company disclosed its integrity principles and progress onto its website and MOPS?	✓		(I) The Company has established "Integrity Code of Conduct" and published onto its website and at the "Corporate Governance" section of MOPS. Implementation progress of the Integrity Code of Conduct is disclosed in annual reports.	Compliant with the rationale and practices of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies."
V. If the Company has established business integrity policies in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: The Company has implemented Integrity Code of Conduct, which conforms with the rationality and practices of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies."				
VI. Other information relevant to understanding the Company's business integrity (e.g., reviews of business integrity principles): None.				

(VIII)Other essential information that can help to understand the practice of corporate governance shall also be disclosed:

For more information on corporate governance, please visit the "Corporate Governance" section on MiTAC's website, or visit the "Corporate Governance" section at MOPS (mops.twse.com.tw).

(IX) Other essential information that helps to understand the pursuit of corporate governance better: None.

(X) Implementation of the Internal Control System

1. Statement of Declaration of Internal Control

MiTAC Holdings Corporation

Statement of Declaration of Internal Control

Date: March 28, 2017

The 2016 Statement of Declaration of Internal Control of the Company based on the self-inspection is as follows:

- I. The Company understands that the establishment, implementation and maintenance of internal control system are the responsibility of the Board of Directors and managers of the Company. The Company already established such system. The purpose of the system is to reasonably ensure that the effectiveness and efficiency of operations (including profits, performance, and protecting the security of assets), reliability, timeliness, transparency, and regulatory compliance of reporting, as well as the compliance with applicable laws, regulations, and bylaws are achieved.
- II. Internal control system has its limits. No matter how perfect the system is, an effective internal control system can only provide reasonable assurance for the achievement of the three aforementioned goals; in addition, the effectiveness of internal control system may change along with the changing environment and circumstances. However, a self-monitor mechanism is installed in the internal control system of the Company. The Company will make corrections once the deficiencies are identified.
- III. The Company judges the effectiveness of the design and implementation of internal control based on the criteria for the effectiveness of internal control system provided in “Regulations Governing Establishment of Internal Control Systems by Public Companies” (hereinafter referred to as “Regulations”). The criteria for the effectiveness of internal control adopted by the Regulations divide internal control system into five elements based on the process of management control: 1.Control environment, 2.Risk assessment, 3.Control activities, 4.Information and communications, 5.Monitoring activities. Each of the elements in turn contains certain audit items, Please refer to the Regulations for aforementioned items.
- IV. The Company has adopted the aforementioned judgment items to evaluate the effectiveness of the design and implementation of internal control system.
- V. In accordance with the preceding assessment result, the Company believes the design and implementation of our internal control system (including monitoring and management on subsidiaries) as of December 31, 2016, including the achievement rate of effectiveness and efficiency of operations, reportings are reliable, timely, transparent, and regulatorily complied, as well as the compliance with applicable laws, regulations, and bylaws, are effective and may reasonably ensure the achievement of aforementioned goals.
- VI. This Statement of Declaration will be the major content of the annual report and prospectus of the Company and to be publicly disclosed. If the aforementioned disclosed content contains misrepresentation or nondisclosure, the Company is subject to the liability of Article 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement of Declaration was passed by the Board of Directors of the Company on March 28, 2017, in which seven directors were present. We hereby declare that all seven directors presented in the meeting agreed the content of this Statement of Declaration in consent.

MiTAC Holdings Corporation

Chairman: Miao, Matthew Feng Chiang

General Manager: Ho, Jhi-Wu

2. Audit report by certified public accountants on internal control: None.

(XI) The punishments received by the Company and its internal personnel in accordance with laws, or the punishment, material deficiencies and improvement by the Company against its internal personnel in the most recent fiscal year and as of the publish date of the annual report: None.

(XII) Important resolutions by the Shareholders' Meeting and the Board of Directors in the most recent fiscal; year and as of the publish date of the annual report

1. Shareholders Meeting

Date of meeting	Summary of important motions	Resolutions	Status of implementation
2016.06.21	1. Discussion on revision the "Articles of Incorporation"	Voted and approved as proposed	The amendments were made and registered in July 2016, and the Company is operated in accordance with the amended "Articles of Incorporation."
	2. Adoption of 2015 Business Report and Financial Statements	Voted and approved as proposed	Act in accordance with the resolution
	3. Adoption of the proposal for Distribution of 2015 profits Shareholders' dividends: cash dividends at NT\$1.6 per share. Shareholders' dividends: stock dividends at NT\$0.4 per share.	Voted and approved as proposed	Set September 10, 2016 as the cash dividend distribution basis date, the basis date for new share issue through capitalization of earnings, and shares distribution basis date. Cash dividends were distributed on October 5, 2016.
	4. Discussion on new share issue through capitalization of earnings	Voted and approved as proposed	
	5. Discussion on the amendment to the "Operational Procedures for Loaning of Company Funds to Others," "Procedures for Endorsement and Guarantee," "Procedures for Acquisition and Disposal of Assets," and "Procedures for Derivatives Trading."	Voted and approved as proposed	Operating in accordance with the amended "Operational Procedures for Loaning of Company Funds," "Operational Procedures for Endorsements and Guarantees," "Operational Procedures for Acquisition and Disposal of Assets," and "Operational Procedures for Trading Derivatives."
	6. Election for Directors and Supervisors	Elected seven directors (including two independent directors) and two supervisors	Act in accordance with the election result with term of 3 years.
	7. Discussion on releasing the directors Non-competitive Restrictions.	Voted and approved as proposed	Act in accordance with the resolution

2. Board of Directors

Date of meeting	Important resolutions
2016.01.26	1. Passed the amendment of Articles of Incorporation.
	2. Passed the distribution of 2015 Directors' and Supervisors' remuneration totaling NT\$2.1 million.
	3. Passed the adjustment of the organizational structure within the Group: Star Well Technology Limited conducted a capital increase to MiTAC Investment Holding Ltd. with the 100% owned ownership of a subsidiary.
	4. Passed the capital reduction of MiTAC Computer (Shunde) Ltd., a subsidiary in Mainland China.
	5. Passed to inherit the employee stock option warrants, which were issued by MiTAC International Corp. executing subscription of common shares transferred into issuance of new shares: The issuance base date of new shares was set as January 26, 2016. In Q4 of 2015, 790,430 new common

Date of meeting	Important resolutions
	shares were issued for the exercise of ESOP.
2016.03.25	<ol style="list-style-type: none"> 1. Passed the distribution of 2015 employees' compensaioth totaling NT\$1,766,631. 2. Passed the Company's 2015 financial statements. 3. Passed the 2015 earnings distribution. Shareholders' dividends: cash dividends at NT\$1.6 per share. Shareholders' dividends: stock dividends at NT\$0.4 per share. 4. Passed to capitalize earnings into share capital against issuance of 30,793,437 new common shares. 5. Passed the amendments to the "Operational Procedures for Loaning of Company Funds to Others," "Procedures for Endorsement and Guarantee," "Procedures for Acquisition and Disposal of Assets," and "Procedures for Derivatives Trading." 6. Passed re-election of Directors and Supervisors. 7. Passed releasing the prohibition on directors from participation in competitive business. 8. Passed the date and agendas for the Company's 2016 annual general meeting. 9. Passed the disposal of Loyalty Founder Enterprise Co., Ltd., an investment previously acquired by subsidiary through private placement of shares. 10. Passed a loan to a subsidiary - MiTAC International Corp. no more than NT\$2.5 billion.
2016.05.10	<ol style="list-style-type: none"> 1. Passed review of director and supervisor candidates. 2. Passed to inherit the employee stock option warrants, which were issued by MiTAC International Corp. executing subscription of common shares transferred into issuance of new shares: The issuance base date of new shares was set as May 10, 2016. In Q1 of 2015, 1,613,830 new common shares were issued for the exercise of ESOP.
2016.06.21	<ol style="list-style-type: none"> 1. Passed the election of Chairman. 2. Passed the appointment of member of Compensation Committee of the Company.
2016.07.05	<ol style="list-style-type: none"> 1. Passed the construction plan of corporate headquarters in Eastern China for MiTAC Information Systems (KunShan) Co., Ltd., a subsidiary in China.
2016.08.08	<ol style="list-style-type: none"> 1. Set September 10, 2016 as the cash dividend distribution basis date, the basis date for new share issue through capitalization of earnings, and shares distribution basis date. 2. Passed to inherit the employee stock option warrants, which were issued by MiTAC International Corp. executing subscription of common shares transferred into issuance of new shares: The issuance base date of new shares was set as September 10, 2016. Between April 1, 2016 and August 15, 2016, there were total 2,318,080 common shares were requested for the exercise of ESOP.
2016.11.08	<ol style="list-style-type: none"> 1. To cope with the internal transfer within the financial statement accounting firm, the Board passed the resolution that the certified public accountants of PwC Taiwan would be changed from Liu, Yin-Fei and Wen, Fang-Yu to Wen, Fang-Yu and Cheng, Ya-Huei and evaluated that certified public accountants meet the criteria of independence and eligibility. 2. Passed the stipulation of "Rules for Board of Directors Performance Assessments." 3. Passed the amendments to "Practice Guidelines for Corporate Social Responsibility" and "Practice Guidelines for Corporate Governance." 4. Passed to inherit the employee stock option warrants, which were issued by MiTAC International Corp. executing subscription of common shares transferred into issuance of new shares: The issuance base date of new shares was set as November 8, 2016. Between August 16, 2016 and September 30, 2016, there were total 632,940 common shares were requested for the exercise of ESOP.
2017.01.18	<ol style="list-style-type: none"> 1. Passed to change internal audit officer of the Company. 2. Passed a loan to a subsidiary - MiTAC Computing Technology Corporation no more than NT\$1 billion. 3. Passed to inherit the employee stock option warrants, which were issued by MiTAC International Corp. executing subscription of common shares transferred into issuance of new shares: The issuance base date of new shares was set as January 18, 2017. In Q4 of 2016, 2,435,180 new common shares were issued for the exercise of ESOP.
2017.03.03	<ol style="list-style-type: none"> 1. Passed the date of 2017 shareholders' meeting and the subject of convention.

Date of meeting	Important resolutions
2017.03.28	1. Passed to distribute NT\$4.8 million as the 2016 compensation for directors and supervisors.
	2. Passed to distribute NT\$2,729,000 as the 2016 bonuses for employees.
	3. Passed the Company's 2016 financial statements.
	4. Passed 2016 earnings distribution. Shareholder Bonus: Cash dividend NT\$2.5 per share.
	5. Passed the amendments to "Procedures for Acquisition and Disposal of Assets."
	6. Passed a loan of NT\$2.5 billion to the subsidiary – MiTAC International Corp.
2017.05.11	1. Passed releasing the directors from Non-competitive Restrictions.
	2. Passed to inherit the employee stock option warrants, which were issued by MiTAC International Corp. executing subscription of common shares transferred into issuance of new shares: The issuance base date of new shares was set as May 11, 2017. In Q1 of 2017, 2,298,050 new common shares were issued for the exercise of ESOP.

(XIII) A director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof in the most recent fiscal year or as of printing date of the annual report: None.

(XIV) Summary of resignation and removal from office for chairman, president, chief accounting officer, chief financial officer, internal audit officer and chief research & development officer:

May 15, 2017

Title	Name	Date of assuming office	Date of resignation or removal from office	Reason for resignation or removal from office
Internal audit officer	Chao, Hsiao-Huei	2013.09.12	2017.01.06	Career planning

V. Information of CPA Regarding Fee

Range of Information Regarding Fee

Name of CPA firm	Name of CPA		Audit Period	Notes
Pricewaterhouse Coopers Taiwan	Liu Yin-Fei	Wen Fang-Yu	2016.01.01-2016.09.30	Internal transfer within the certified accounting firm
Pricewaterhouse Coopers Taiwan	Wen Fang-Yu	Cheng, Ya-Huei	2016.10.01-2016.12.31	

Unit: New Taiwan Dollars

Range of Amount		Fee Item	Audit Fee	Non-audit fee (Note)	Total
1	Less than NT\$2,000,000		✓	✓	✓
2	NT\$2,000,000 (inclusive) ~NT\$4,000,000				
3	NT\$4,000,000 (inclusive) ~NT\$6,000,000				
4	NT\$6,000,000 (inclusive) ~NT\$8,000,000				
5	NT\$8,000,000 (inclusive) ~NT\$10,000,000				
6	More than NT\$10,000,000 (inclusive)				

Note: The amount of non-audit fee is NT\$324,000, which is the registration fee for change for industrial and commercial registration.

- (I) When professional fees paid to a certified public accountant or the accounting firm of a certified public accountant or its affiliate enterprises for non-auditing services account for a proportion equal to one-quarter or more of the fees paid for auditing, the amount of fees paid for both auditing and non-auditing service as well as the nature of the non-auditing services performed shall be disclosed: None.
- (II) When the Company changes its accounting firm and the amount of fees paid for auditing services during the year in which the change is made are lower than for the previous year, the amount by which the fees decreased, the proportional decrease, and the reasons therefor shall be disclosed: None.
- (III) When the amount of fees paid for auditing services is lower than for the previous year by fifteen percent or more, the amount by which the fees decreased, the proportional decrease, and the reasons therefor shall be disclosed: None.

VI. Information for changing CPA

(I) Ex-CPA

Date of change	2016.11.08		
Reason and description for the change	To cope with the internal transfer within the certified accounting firm, the certified public accountants of PwC Taiwan would be changed from Liu, Yin-Fei and Wen, Fang-Yu to Wen, Fang-Yu and Cheng, Ya-Huei.		
Description is that the appointer or CPA terminates or refuse appointment	Party	CPA	Appointer
	Circumstance		
	Voluntarily terminate appointment	Not applicable	Not applicable
	Appointment is no longer accepted (continued)	Not applicable	Not applicable

If issued any audit report with other than an unqualified opinion during the preceding two years, the opinion and the reason:	None		
Have different opinions with the issuer	Have		Accounting principle or practice
			Disclosure of financial report
			Audit scope or steps
			others
	None	✓	
Description: none			
Other disclosures (Matters that shall be disclosed provided from Item 1-4 to 1-7, paragraph 6, Article 10 of these Guidelines)	None		

(II) About the successor CPA

Name of CPA firm	Pricewaterhouse Coopers
Name of CPA	Wen, Fang-Yu and Cheng, Ya-Huei
Date of appointment	2016.11.08
Inquired with such accountant about the accounting treatment method of a specific transaction or the applicable accounting principle and his/her possible opinion on the financial report before appointment	None
Written opinion of the successor certified public accountant in connection with any discrepancy of opinion between him/her and the former CPA	None

(III) Reply letter from former CPA on matters provided in item 1 and matter No. 3 in item 2, paragraph 6, Article 10 of these Guidelines: None.

VII. Whether the Chairman, president, or manager responsible for finance or accounting has held a position at a firm belonging to a certifying CPA firm or any affiliated enterprise within the preceding year: None.

VIII. Any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the publication date of this annual report

(I) Transfer of equity by a director, supervisor, manager or major shareholder

Title	Name	2016		From January 1 as of April 14, 2017	
		Qty of shareholding Number increased (decreased)	Changes in shares pledged Number increased (decreased)	Qty of shareholding Number increased (decreased)	Changes in shares pledged Number increased (decreased)
Chairman and CEO	Miau, Matthew Feng Chiang	319,091 (4,717,756)	0	0	0
Director and President	Ho, Jhi-Wu	83,994 (271,000)	0	0	0
Director	MiTAC Inc.	2,437,532	0	0	0
	Rep. Hsu, Tzu-Hwa	0	0	0	0
Director	UPC Technology Corp.	2,580,284	0	0	0
	REP. Way, Yung-Do	0	0	0	0
	Rep: Chang, Kwang-Cheng	0	0	0	0
Independent Director	Lu, Shyue-Ching	0	0	0	0
Independent Director	Ma, Shaw-Hsiang	0	0	0	0
Supervisor	Chiao, Yu-Cheng	0	0	0	0
Supervisor	Lien Hwa Industrial Corp.	11,571,932	0	0	0
	Rep: Ching, Hu-Shih	0	0	0	0
Vice President and Chief Accountant	Huang, Hsiu-Ling	5,186	0	0	0

Note: The counterparties of shareholding transfers and shareholding pledges are not related parties.

(II) Information of equity transfer: Not applicable

(III) Information of equity pledge: Not applicable

IX. Information on the relationship of Top 10 shareholders by proportion of shareholding, related parties, spouse, or kindred within the 2nd tier.

April 14, 2017

Name	Shares held in own name		Shares currently held by spouse or dependents		Shares held in the names of others		Disclosure of names and relationships between the top ten shareholders including spouses, 2nd tier relatives or closer, or the relationships		Remarks
	Shares held	Shareholding percentage	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Name	Relationship	
UPC Technology Corp. Rep. Miao, Matthew Feng Chiang	67,394,362	8.24%	0	0.00%	0	0.00%	MiTAC Inc.	Common chairman	
							Lien Hwa Industrial Corp.	Common chairman	
							Cathay Life Insurance Co.,Ltd.	The Chairman is an independent director of the Company	
							Tsu Fung Investment Corporation	The Chairman is the chairman of its parent company	
MiTAC Inc. Rep. Miao, Matthew Feng Chiang	63,665,818	7.78%	0	0.00%	0	0.00%	UPC Technology Corp.	Common chairman	
							Lien Hwa Industrial Corp.	Common chairman	
							Cathay Life Insurance Co.,Ltd.	The Chairman is an independent director of the Company	
							Tsu Fung Investment Corporation	The Chairman is the chairman of its parent company	
Lien Hwa Industrial Corp. Rep. Miao, Matthew Feng Chiang	58,034,587	7.09%	0	0.00%	0	0.00%	UPC Technology Corp.	Investees valued under the equity method	
							MiTAC Inc.	Investees valued under the equity method	
							Cathay Life Insurance Co.,Ltd.	The Chairman is an independent director of the Company	
							Tsu Fung Investment Corporation	The Chairman is the chairman of its parent company	
King's Town Bank Co., Ltd. Rep. Tai, Cheng-Chih	22,681,338	2.77%	0	0.00%	0	0.00%	None	None	
Mei An Investment Co., Ltd. Rep. Tseng, Chung-Lung	17,647,759	2.16%	0	0.00%	0	0.00%	None	None	
Cathay Life Insurance Co., Ltd. Rep. Tsai, Hung-Tu	15,739,427	1.92%	0	0.00%	0	0.00%	UPC Technology Corporation	The independent director is the chairman of the Company	
							Lien Hwa Industrial Corp.	The independent director is the chairman of the Company	
							MiTAC Inc.	The independent director is the chairman of the Company	
							Tsu Fung Investment Corporation	The independent director is the chairman of its parent company	

April 14, 2017

Name	Shares held in own name		Shares currently held by spouse or dependents		Shares held in the names of others		Disclosure of names and relationships between the top ten shareholders including spouses, 2nd tier relatives or closer, or the relationships		Remarks
	Shares held	Shareholding percentage	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Name	Relationship	
Investment account of Norges Bank entrusted for custody to Citibank Taiwan	12,221,543	1.49%	0	0.00%	0	0.00%	None	None	
Tsu Fung Investment Corporation Rep. Ho, Jhi-Wu	10,588,686	1.29%	0	0.00%	0	0.00%	UPC Technology Corp.	The chairman of the parent company is the chairman of the Company	
							MiTAC Inc.	The chairman of the parent company is the chairman of the Company	
							Lien Hwa Industrial Corp.	The chairman of the parent company is the chairman of the Company	
Investment account of group trust of New York City entrusted for custody to Dunbei Branch of Stand Chartered Taiwan	10,381,707	1.27%	0	0.00%	0	0.00%	None	None	
Investment account of Asian Securities (excluding Japan) small enterprise funds of HSBC GIF entrusted for custody to HSBC Taiwan	9,610,131	1.17%	0	0.00%	0	0.00%	None	None	

X. The shareholders of the Company, the Company's directors, supervisors, managers, and the business entity directly or indirectly controlled by the Company on the same invested company and also, the consolidated comprehensive shareholding ratio

May 15, 2017; Unit: share; %

Investee	Holdings of the Company		Directors, supervisors, and manager and Investment that directly or indirectly controls business		Aggregate investment	
	Shares held	Shareholding ratio	Shares held	Shareholding ratio	Shares held	Shareholding percentage
MiTAC International Corp.	1,503,744,841	100.00	-	-	1,503,744,841	100.00
MiTAC Computing Technology Corporation	232,757,102	100.00	-	-	232,757,102	100.00

Note: The long-term investment by the Company using the equity method.

Four. Fund raising

I. Capital and Shares

(I) Sources of capital

1. Shares issued

Unit: share; NTD

Date	Issuance price	Authorized capital		Paid-in capital		Note		
		Shares	Amount	Shares held	Amount	Sources of capital	Use property other than cash to offset share amount	Effective (approval) date and reference number of capital
2016.03	10	1,100,000,000	11,000,000,000	779,425,151	7,794,251,510	2016 Q1 employee stock option warrant subscription of NT\$16,138,300	-	2016.06.01 Ching-Shou-Shang-Tzi No. 10501115140
2016.06	10	1,100,000,000	11,000,000,000	812,536,668	8,125,366,680	2016 Q2 employee stock option warrant subscription of NT\$23,180,800 and a NT\$307,934,370 of capitalization of retained earnings	-	2016.10.06 Ching-Shou-Shang-Tzi No. 10501234850
2016.09	10	1,100,000,000	11,000,000,000	813,169,608	8,131,696,080	2016 Q3 employee stock option warrant subscribed NT\$6,329,400	-	2016.11.29 Ching-Shou-Shang-Tzi No. 10501274940
2016.12	10	1,100,000,000	11,000,000,000	815,604,788	8,156,047,880	2016 Q4 employee stock option warrant subscription of NT\$24,351,800	-	2017.02.08 Ching-Shou-Shang-Tzi No. 10601014200
2017.03	10	1,100,000,000	11,000,000,000	817,902,838	8,179,028,380	2017 Q1 employee stock option warrant subscription of NT\$22,980,500	-	Registration in process
2017.04	10	1,100,000,000	11,000,000,000	817,995,218	8,179,952,180	Employee stock option warrant subscription of NT\$923,800 in April, 2017	-	Not yet conducted registered for change

Note: Only information for the last year and up until the publication date of this annual report is shown.

April 14, 2017/Unit: share

Share category	Authorized capital			Note
	Outstanding	Unissued shares	Total	
Registered common shares	817,995,218	8,179,952,180	1,100,000,000	All outstanding shares are TWSE-listed, and include 8,244,000 treasury stocks that have been bought back but yet to be retired.

2. Information relevant to the aggregate reporting policy: None.

(II) Composition of shareholders

April 14, 2017/Unit: share

The composition of Shareholders Qty	Government institutions	Financial institutions	Other institutions	Foreign institutions and foreign individuals	Natural persons	Treasury Stock	Total
Number of persons	3	23	153	351	91,148	1	91,679
Qty of shareholding	2,100,022	46,088,036	261,597,670	185,540,793	314,424,697	8,244,000	817,995,218
Percentage %	0.26	5.63	31.98	22.68	38.44	1.01	100.00

(III) Equity distribution

1. Common shares

April 14, 2017

Level of holding	No. of shareholders	Qty of shareholding	Percentage %
1 ~ 999	50,814	11,458,633	1.40
1,000 ~ 5,000	28,997	60,091,477	7.35
5,001 ~ 10,000	6,188	42,226,589	5.16
10,001 ~ 15,000	2,086	24,602,591	3.01
15,001 ~ 20,000	1,007	17,702,260	2.16
20,001 ~ 30,000	956	23,417,636	2.86
30,001 ~ 40,000	419	14,482,767	1.77
40,001 ~ 50,000	231	10,394,088	1.27
50,001 ~ 100,000	492	34,368,507	4.20
100,001 ~ 200,000	239	33,311,357	4.07
200,001 ~ 400,000	109	30,211,053	3.69
400,001 ~ 600,000	32	15,993,251	1.96
600,001 ~ 800,000	25	17,652,450	2.16
800,001 ~ 1,000,000	10	8,728,475	1.07
More than 1,000,001 shares	74	473,354,084	57.87
Classified by actual needs			
Total	91,679	817,995,218	100.00

2. Preferred stocks: None.

(IV) List of major shareholders

April 14, 2017/Unit: share

Shareholding Name of major shareholder	Qty of shareholding (Note)	Percentage of shareholding (%)
UPC Technology Corp.	67,394,362	8.24
MiTAC Inc.	63,665,818	7.78
Lien Hwa Industrial Corp.	58,034,587	7.09

Note: Total three shareholders of the Company respectively holding more than 5% of the outstanding shares.

(V) Information of market price for each share, net value, earnings, and dividends

Item		Year		2015		2016		As of May 15 in 2017 (Note 5)
				Before adjustment	After adjustment	Before adjustment	After adjustment	
Per-share Market price	Highest			35.40	34.70	34.00	31.17	36.45
	Lowest			18.00	18.00(Note 6)	20.70	18.38	30.75
	Average			26.52		28.00		33.25
Per-share Net worth	Before distribution			44.27		43.40		42.61
	After distribution			40.98		40.86(Note 1)		-
Per-share earnings	Weighted average shares			755,205	785,270	791,186	791,186 (Note 1)	796,190
	EPS			2.32	2.23	3.44	3.44 (Note 1)	0.68
Per-share dividend	Cash dividend			1.59242240		2.50(Note 1)		-
	Shares obtained as bonus shares (see above)	Shares obtained from retained earnings		0.39810559		-		-
		Shares obtained from capitalization of surplus		-		-		-
	Accumulated unpaid dividend			-		-		-
Investment return analysis	P/E ratio (Note 2)			10.80		7.76		-
	Price/Dividend ratio (Note 3)			15.66		10.68(Note 1)		-
	Cash dividend yield rate (Note 4)			6.39%		9.36%(Note 1)		-

Note 1: 2016 earnings distribution was passed by the Board of Directors but not yet admitted by the Shareholders' Meeting.

Note 2: Price/Earnings ratio = Yearly average closing price/Earnings per share.

Note 3: Price/Dividend ratio = Yearly average closing price/Cash dividend per share.

Note 4: Cash dividend yield rate = Cash dividend per share/Yearly average closing price.

Note 5: Net worth per share and earnings per share should be based on auditor-reviewed data as at the latest quarter before the publication date of this annual report. For all other fields, calculations should be based on data as at the end of their respective years.

Note 6: The lowest market price per share is after the ex-right/ex-dividend date. Adjustment is not required.

(VI) Dividend policy of the Company and implementation

1. Dividend policy stipulated in Articles of Incorporation:

Earnings concluded from year-end account closure are first subject to reimbursement of previous losses and taxation, followed by a 10% provision for statutory reserves and provision/reversal of special reserves as required by law. Any balance remaining may be added to undistributed earnings carried from previous years and distributed at the proposal of the Board of Directors, subject to ratification in a shareholder meeting.

The percentage of dividends to be paid in cash may be proposed at the Board of Directors' discretion based on the Company's financial structure, future capital requirements and profitability, subject to a minimum of 10%; this minimum number may be adjusted with shareholders' consent.

2. The Company will maintain a stable dividend policy and distribute no less than 30% of the current year earnings as the shareholder dividend.

3. The proposal of dividend distribution in this Shareholders' Meeting

In accordance with the principles above, the Board of Directors of the Company drafted 2016 dividend distribution on March 28, 2017, with the cash dividend of NT\$2.5 per share. The proposal will be proposed to the Regular Shareholders' Meeting to be held on June 12, 2017.

4. Anticipated material changes in dividend policy: The Company anticipates that there will be no material change in dividend policy.

(VII) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at this shareholders' meeting

The 2016 earnings distribution of the Company does not contain this proposal. Therefore, this is not applicable.

(VIII) Remunerations for employees, directors and supervisors

1. The percentages or ranges with respect to employee bonuses and director/supervisor compensation, as set forth in Articles of Incorporation

When the Company has a profit for any fiscal year (i.e. earnings before tax and before any deduction of compensation to employees and directors and supervisors), the Company shall set aside at least 0.1% of the profit as bonus to be issued to its employees and not in excess of 1% of the profit as compensation to directors and supervisors of the Company for distribution according to the resolution of the board of directors. However, if the Company still has the accumulated losses, the amounts to make up such losses shall be first reserved.

The aforesaid employee bonus can be distributed in the form of share or cash, and the employees include the employees of subsidiaries of the Company who are qualified for required conditions; the Chairman is authorized to establish the conditions for qualification.

2. The basis for estimating the amount of employee bonuses and director/supervisor compensation, for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

(1) The basis for estimating the amount of employee bonuses and director/supervisor compensation: The 2016 employees' remuneration of the Company is estimated with no less than 0.1% of the pre-tax profits before deducting employee bonuses and director/supervisor compensation; remuneration for directors and supervisors is estimated based on the estimated figure.

- (2) The basis for calculating the number of shares to be distributed as employee bonuses: Use the amount calculated by the closing price one day prior to the resolution date of the Board of Directors and after taking the impact of ex-right/ex-dividend into consideration to calculate the number of shares of the stock bonus.
- (3) The accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure: Dispose based on the accounting estimated changes.
3. Board of Directors passed remuneration distribution:
- (1) The amount of employee bonuses and director/supervisor compensation distributed in cash or shares. If there is any discrepancy between such an amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed: The resolution by the Board of Directors determined to distribute NT\$2,729,319 as employee bonuses and NT\$4,800,000 as director/supervisor compensation, which were consistent with the estimated figure for the fiscal year these expenses are recognized.
- (2) The amount of employee bonuses distributed in shares, and the size of such an amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee bonuses: The Company did not distribute 2016 employee bonuses in shares. This is not applicable.
4. The actual distribution of employee bonuses and director/supervisor compensation for the previous fiscal year (with an indication of the number, dollar amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee bonuses and director/supervisor compensation, additionally the discrepancy, cause, and how it is treated:

	The actual distribution of amount in cash
Employee bonuses	1,766,631
Director/supervisor compensation	2,100,000

Note: The actual distribution and the recognized employee bonuses and director/supervisor compensation is consistent.

(IX) Share repurchases:

May 15, 2017

In thousands of New Taiwan Dollars; thousand shares

Instance of repurchase	Fifth
Date of Board Resolution	August 25, 2015
Purpose of repurchase	Assignment of shares to employees
Repurchase period	August 27 to October 1, 2015
Price range	Between NT\$18 and NT\$21
Expected share repurchase (type and quantity)	Common shares 20,000
Completed share repurchase type and quantity	Common shares 8,244
Amount of capital stock repurchased	169,362
Average cost of shares repurchased (NT\$)	20.54
Reasons for not completing according to Board resolution Reason of completed execution	Share price had risen above the intended price range. Subsequent buybacks were suspended due to consideration for shareholders' interests, the market system, and alternative use of capital.
Number of shares retired and transferred (see above)	0
Accumulated quantity of holding in Company shares	8,244
Accumulated proportion of holding Company shares in proportion to total outstanding shares of the Company	1.01%

II. Issuance of corporate bonds: None

III. Issuance of preferred stocks: None.

IV. Global depository receipts: None.

V. Employee stock option warrants

- (I) Unexpired employee stock option warrants issued by the Company in existence as of the publication date of this annual report, and the effect of such warrants upon shareholders' equity:

May 15, 2017

Type of Employee Stock Option Warrants	The 11th issue of employee stock option warrant (Note 1)
The effective date of declaration	2012.09.18
Issuance date	2012.10.11
Quantity of units issued	19,375 units
Quantity of shares for subscription in proportion to total quantity of outstanding shares Ratio	2.53%
Valid duration	6 years
Performance	Issue new stock shares
Restricted exercise period and percentage (%)	Employees holding stock options for more than two years can exercise their options until ten days before the expiration date, except when transfer of stock is suspended by law. DurationExercise Percentage More than 2 years 50% More than 3 years 75% More than 4 years 100%
Stock shares exercised	11,169,590 share
Stock value exercised	NT\$ 204,994,634
Unexercised underlying shares for the options (note 2)	7,267,780 share
Stock option price of outstanding stock option	NT\$ 17.4
Percentage of unexercised shares relative to total outstanding shares (%)	0.89%
Impact on shareholder's equity	Holders of our Company's options cannot exercise the options according to these regulations until two years after the options are granted. As a result, said options do not create significant impact on shareholders' equity.

Note 1: This is the inheritance of the employee stock option warrants, which were issued by MiTAC International Corp., on the share transfer base date on September 12, 2013. The number of share and the price were adjusted in accordance with the conversion ratio (MiTAC International Corp.: MiTAC Holdings Corporation= 1:0.5).

Note 2: After deduction of relinquished shares.

(II) The names of ten-level company executives holding employee stock option warrants and the cumulative number of such warrants exercised by said executives as of the publication date of this annual report

1. Manager

May 15, 2017

In thousands of New Taiwan Dollars/ shares

Type	Title	Name	Shares of obtained stock options (Note)	Percentage of obtained stocks to outstanding shares	Exercised				Unexercised				
					Quantity	Exercise price (NT\$)	Subscription amount	Percentage of exercised shares relative to total outstanding shares	Quantity	Subscribed stock price (NT\$)		Subscription amount	Percentage of exercised shares relative to total outstanding shares
										Term	Price		
Managers	CEO	Miau, Matthew Feng Chiang	1,550,000	0.19%	-	-	-	-	1,550,000	Eleventh	17.4	26,970	0.19%
	President	Ho, Jhi-Wu											
	Vice President and Chief Accountant	Huang, Hsiu-Ling											

Note : After deduction of relinquished shares.

2. Top-10 employees (refers to employees other than managers)

May 15, 2017

In thousands of New Taiwan Dollars/ shares

Type	Title	Name	Shares of obtained stock options (Note 1)	Percentage of obtained stocks to outstanding shares	Exercised				Unexercised				
					Quantity	Exercise price (NT\$)	Subscription Amount	Ratio of shares subscribed to the total number of shares issued	Quantity	Subscribed stock price (NT\$)		Subscription Amount	Ratio of shares subscribed to the total number of shares issued
										Term	Price		
Group Employee	President of subsidiary	Michael Lin	5,350,000	0.66%	3,317,500	19.5 19.1 17.4	60,903	0.41%	2,032,500	Eleventh	17.4	35,366	0.25%
	Vice President of subsidiary	Albert Mu (Note 2)											
	Vice President of subsidiary	Steve Chang											
	Vice President of subsidiary	King Chen (Note 3)											
	President of subsidiary	Chou, Charlotte											
	President of subsidiary	Shu-Chi Peggy Fong											
	Vice President of subsidiary	Percy Chen											
	Vice President of subsidiary	Eric Kuo											
	Vice President of subsidiary	Simon Huang											
	Special Assistant of subsidiary	Crystal Yang											
	Vice President of subsidiary	Alice Fang (Note 4)											

Note 1: After deduction of relinquished shares.

Note 2: Resigned on July 21, 2016.

Note 3: Retired on July 31, 2015.

Note 4: Retired on April 1, 2016.

VI. New restricted employee shares: None.

VII. Mergers, acquisitions, and issuance of new shares due to acquisition of shares of other companies: None.

VIII. Implementation of the Company's capital allocation plans: The Company does not encounter the situation that capital allocation plans were not completed or that the capital allocation plans were completed yet the benefits were not revealed as of the quarter prior to the publication date of this annual report.

Five. Operation Overview

The Company is a holding company that specializes in investment, with subsidiaries involved primarily in the development, design, manufacturing and distribution of computers and ancillary equipment as well as communication related products. And as such, overview of the Company's operation will be based on the businesses of its subsidiaries.

I. Business Activities:

(I) Scope of business

1. Principal business activities

- (1) Cloud computing products: Including workstations, servers and storage expansion; corporate and channel server/workstation series such as Intel-based and AMD-based X86 advanced servers/workstations (2-processor, 4-processor and 8-processor), IBM OpenPower-based single-processor and 2-processor servers and high-capacity servers, and integrated enterprise servers/workstations developed for specific customers; All-In-One LCD PC, Mini PC, POS systems, embedded industrial Panel PCs, BOX PCs and main boards.
- (2) Mobile communication products: Including telematic products (i.e. in-car navigation, audio amplifier), consumer electronics (i.e. portable navigation device (PND), GPS-enabled dashcam), enterprise electronics (i.e. fleet communication/navigation devices, industrial-use tablet PCs), outdoor/recreational navigation devices, wellness wearable wristbands, smart navigation and cloud-based services.

2. Business distribution

In thousands of New Taiwan Dollars

Year Products	2016	Ratio (%)
Computer & communication products	48,341,745	100.00

3. Major products

(1) Cloud computing product

- Cloud Computing Server
- Rack-mounted servers
- Enterprise storage expansion
- JBOD (Just a Bunch Of Disks) enclosure
- RBOD (RAID Bunch Of Disks) enclosure
- OCP (Open Compute Project) server
- All-in-One LCD PC
- Thin Client
- BOX PC sub-system
- POS system
- Panel PC
- Embedded Mother Board
- Kiosk Panel PC

(2) Mobile communication product business

- Portable navigation device (PND)
- Carplay display audio & connected car tablet & navigation box and telematic

products

- Car Amplifier
- GPS bike computer
- Outdoor Lighting Control
- Wellness wearable wristband
- Consumer electronic product, fitness navigation device for outdoor use
- Enterprise electronics
- Mobile cloud storage

4. New products or technology under planning

(1) Cloud computing products

- Development of cloud computing servers
- Optimized virtual server
- Communication server
- Development of cloud storage and related technologies
- Network Switch
- Total system solutions
- System protocols and integration of Thin Client computers & servers
- Development of All-In-One LCD PC technologies
- Kiosk Panel PC
- Embedded Mother Board
- Wide temperature and pressure 3.5” main board for industrial use
- Microsoft Azure application
- POS system (point-of-sale system): Encompasses technologies such as RPOS (Retail POS), MPOS (Mobile POS) and payment (contact/contact-less)
- Embedded systems and main boards for industrial terminal applications

(2) Mobile communication product business

- Cloud related application technologies, integrated data acquisition, voice and wireless broadband communication
- Global positioning system (GPS), electronic navigation technologies and mobile positioning services
- Display Audio with Smartphone Link
- Connected Device for Fleet Management
- DVR and driving safety reminder
- Wellness band, Fitness Watch
- Medical grade Event Recorder
- Development of portable healthcare systems and applications

(II) Industry overview:

1. Current status of the industry and its development

According to the statistics and survey by IDC, the demands for enterprise server, enterprise storage system and large cloud data center have all witnessed steady growth in 2016.

As for the server market with Intel x86 platform as the mainstream solution, the launch of the new Xeon (Skylake) CPU in 2017 is expected to spark a new wave of demand for the latest servers. In addition, the demand for high-performance computing (HPC) servers is also poised to continue growing due to the emergence of cloud computing/applications, big data analysis and services, AI and learning as a new market opportunity. Open Compute Project (OCP) products that emphasize high density/multiple computation node and low energy consumption still constitute a portion of the market, as it has become a new choice for the construction of data centers apart from the standard Rack-mount Unit architecture.

For large cloud data center operators such as Amazon, although they require a high degree of customization, they have still kept the specifications that are aligned with the latest market trends. For large data centers, it is increasingly common for customers to evaluate their investments based on Total Cost of Ownership (TCO), where factors such as stability, usability, ease of maintenance, ease of use, ease of management and more importantly, energy consumption and efficiency, must be taken into consideration. During the process of customization, customers have continued to place direct orders with ODM/OEM and this has led to continued growth for the ODM Direct model of collaboration.

As for end-user PCs, while PC products have shown no significant growth, relevant surveys and investigations by DIGITIMES Research have shown that the decline of end-user PC in 2016 was less than that of the overall desktop PC. AIO PC still contributed 10.4% of the overall desktop PC shipped in 2016 and growth is expected to be steadier in 2017. With the prevalence of mobile devices such as smart phones and tablet PCs, the global desktop PC shipment has been in steady decline. Consequently, PC manufacturers have been developing new PC products and formats in the hopes of recapturing consumers' attention. Recently, Microsoft launched its new AIO PC Surface Studio and managed to draw market attention to its new product. It is possible that new AIOs may become the key to saving DT products.

With regards to POS (point-of-sale) systems, market research companies have estimated the global demand for POS systems to be between 2 million~3 million units per year, translating to a steady growth at 7~10%. There have been several new applications of the POS system that take advantage of tablet PCs and smart phones, such as menu ordering at restaurants, retail checkout and warehouse management. According to studies by international research and consultancy institutions, there will be increasing demands for POS systems to incorporate mobile payment features.

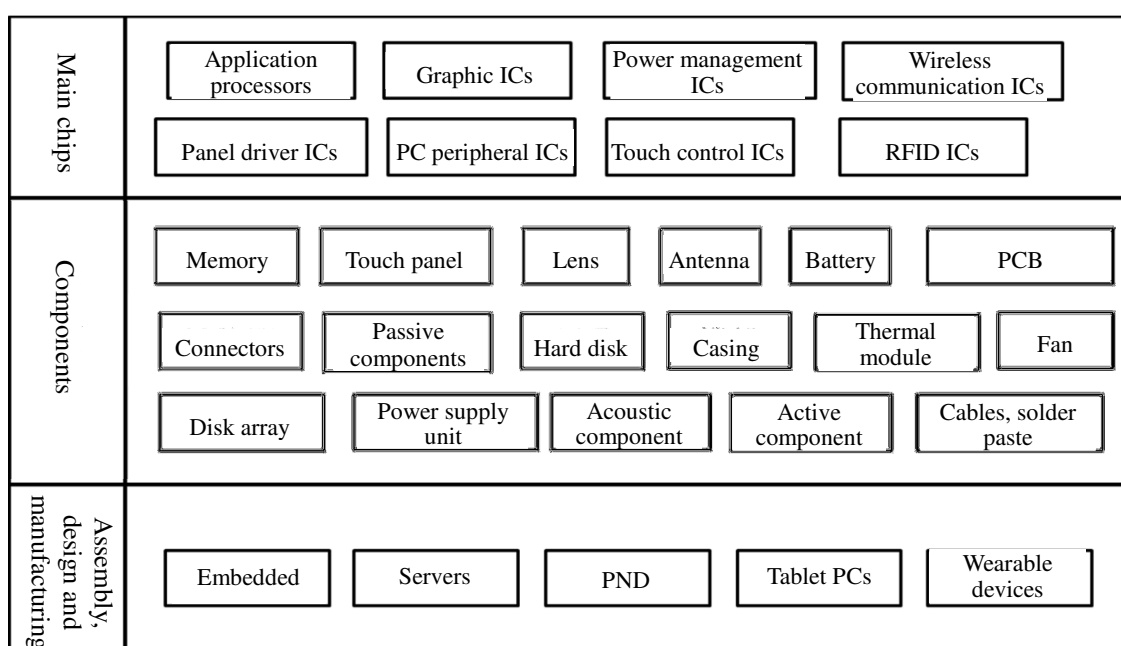
According to the statistics released by a market survey firm, the traditional market of industrial use tablet PC would enjoy compound growth of approximately 11.1% and the quantity would be 5.4 to 7.4 million units. Traditionally, the Windows OS from Microsoft has been the dominant operating system in the market. But with its free licensing and the advantages of high-level customization, Android has rapidly risen in emerging markets and applications, such as mobile health, vehicle-mounted tablet and mobile POS.

In terms of mobile communication product planning, although global sales of portable satellite navigation products have fallen over the years, related applications of satellite

navigation has continued to be transferred to products such as embedded in-car navigation equipment and GPS tracker for bicycles. At the same time, new products with the same satellite tracking technologies, such as GPS sports watch, have been developed as well. In addition to the product line for traditional satellite positioning products, the Company has also actively sought new product planning directions, such as wearable devices, IoT related products, IoV positioning or self-driving car. These products, once integrated with the Company's existing cloud computing services and hardware/software environment, will become total solutions for customers; in the IoT segment, the Company will integrate products with GPS technology and work with customers to foray into this new field.

2. Linkage of industry upstream, midstream and downstream

The industry in which our group operates is regarded as the downstream. The upstream comprises IC and chip manufacturers; the midstream comprises component manufacturers and the downstream comprises end products such as servers and consumer products.



3. Development trends and degree of competition for our products

a. Cloud computing products:

Intel's x86 architecture remains as the mainstream among the Company's products to be paired with different System on Chip (SOC) products at different form factors. Servers with varying number of CPUs have also been developed to accommodate the needs of different markets (i.e., small and medium enterprise, large international conglomerates and large cloud data center operators). General-Purpose computing on Graphics Processing Units still possesses certain market share in this domain. Meanwhile, IBM's OpenPOWER Foundation is currently expanding and with its growth, other OpenPOWER-based products will eventually become contestants in the market.

With regards to enterprise storage expansion and products, MiTAC offers high-capacity storage expansion that supports different hard disk interface in order to achieve market differentiation with high density, capacity and transfer speed.

In terms of product types, aside from the standard Rack-mount Units, Open Compute Project (OCP) products that emphasize high density/multiple computation node and low energy consumption have also become a developing trend, with more competitors joining the fray. For general servers, as the technology has become

mature, ODM firms face brutal competition. The demand for cloud computing servers (high density and high effectiveness servers) can provide more differentiated strategies for ODM firms because difference exists among all product specifications and require high ability of design and integration.

Because the trend of cloud computing increased the market for Thin Client computers, demand grew as a result. In the past, only remote access was possible, the computers have grown to support area browser and have evolved to support VOIP and video conferencing. Computers have evolved from small screens to the capacity to support multiple high resolution monitors, and fan-less architecture have become the norm. In terms of product structure, Thin Client PCs have also evolved from traditional micro independent cases to All-In-One, industria and Panel PC/Box PC for retail applications. In terms of platforms, SOC integrated chips have been developed from x86 architecture.

b. Mobile communication products:

Regarding consumer products, we see that PNDs have evolved into personalized navigation service. Combined with LBS data, such service can integrate smart phones and internet connection functions, retrieve cloud data in a timely manner, and perform individualized service. In the outdoor application of PNDs, the trend is moving toward the area of outdoor sport and leisure use. Professionals are increasingly adopting them for bicycling and running applications. At present, dashcams have grown popular in Asia-Pacific markets, while in-car application remains prevalent in Europe and US; when used for “field of view support” (such as rear view camera or panoramic support system) or “image identification” (for the detection of obstacles and road lanes in Lane Centering Assist or Automatic High Beam system), dashcams can function as a component of the vehicle safety system.

As for mobile wearable health products, existing products can be separated into two major categories: for professional medical use and for general consumer use. At present, all professional medical grade wearable devices require specific accreditation from the government along with significant trust from collaborating medical institutions. These two requirements exist as a tremendous barrier for entry for our competitors. Medical grade wearable devices independently developed by our mobile communication business have become substantial niche; for the average consumer, wearable device will no doubt evolve towards differentiation, professional grade and function oriented. Currently, MiTAC is developing a wearable wristband that enables the consumer to monitor their daily stress-resistance and vitality through exclusive algorithms. The device will also come with training programs to help users rapidly recover their stress-resistance and vitality in order to achieve the goal of differentiation as a wearable product that promotes better health.

(III) Technology and R&D overview

1. Committed R&D expense

In thousands of New Taiwan Dollars		
Item \ Year	2016	2017 first quarter (note)
Research and development expense	2,286,190	571,581

Note: Up to the quarter before the publication of the annual report.

2. Successfully developed technology or product in the latest year or up to the publication date of the annual report

As a response to the development trends of global wireless communications, mobile communications, and cloud computing, MiTAC’s main R&D strategy is controlling the development schedule of new technology and products, and launching

new technology products whenever possible with the R&D talent pool in Taiwan, China, and the US. We follow the product specification set by technology leaders in mainstream markets and create our own technology through R&D. We can also roll out products that meet market demand to control business opportunities. The diversity and comprehensiveness of MiTAC products combined with the support of a well-integrated supply chain and globalized manufacturing locations is our advantage over the competition.

(1) Significant achievements are as follows:

- a. Since 2015, TYAN has been developing a dual-processor OpenPOWER platform that supports NVIDIA's latest NVLink technology (high-speed connection for multiple GPUs). The platform has been officially revealed in August 2016. In addition, the next-generation Intel Purley platform is scheduled for launch in 2017 Q2, along with other new products from TYAN.
- b. We formed corporate cooperative alliance with leading brands in the industry. We introduce high efficiency processor technology and provide servers and workstations so that we can become a leading brand in channel sales.
- c. We integrate cloud smart solutions and SmartGPS device and integrate our brand-new SoLoMo (Social, Local, Mobile) user experience into navigation service. We offer these products to users eager to discover local information. Meanwhile, such smart solution is also a solution designed to integrate on-board education, entertainment, and mobile internet service platform.
- d. By participating in Microsoft's "Azure Certified for IoT Launch Partners" introduced towards the end of 2015, the Company expects to offer IoT solutions that run on Microsoft Azure, which will enable big data analysis and bring more value-added services to customers.

(2) Products

a. Cloud Computing products series

- ① Servers: Following the emergence of cloud computing and demand for data centers, MiTAC launched a series of single, duo and quad processor servers by leveraging the R&D capability and team it has built up over the years. By applying system integration, MiTAC was able to develop high capacity yet energy-efficient servers that conform to the ongoing demands for eco-friendliness and energy conservation, thereby reducing customers' Total Cost of Ownership (TCO) when constructing server farms. Apart from x86, the Company will also devote resources into IBM's OpenPOWER architecture and system-on-chip servers.
- ② Storage expansion: As a response to the increasing demand for massive data transmission and storage and the growth opportunities presented in the storage market, MiTAC continues to commit its R&D team to the development of new storage technologies and products. This includes high-density, SBB2.0-compliant JBOD/RBOD products with SAS12G interface.
- ③ Total system solutions: Total system solution has revolutionized the design standards for traditional servers. Not only does it optimize the use of space and computing power, it also makes server configurations more flexible and energy efficient. In light of market's new trend and customers' new demands, MiTAC committed its R&D team into the development of total system solutions, and eventually sold its products to Japanese ISPs for data center

construction.










- ④ At Computex 2016, TYAN unveiled a full range of storage, cloud computing and high-performance computing servers to deliver exceptional operating performance, energy efficiency and high-capacity solutions. With emphasis on the latest system architecture and improvement in energy efficiency, TYAN showcased new products such as its D-1500 series with support for Intel's Xeon processor. Not only that, the series also supports Intel's Xeon Phi processors. Featured at the same time were TYAN's latest E5-2600 processor and optimized NVMe server platform.
- ⑤ During SC'2016, TYAN emphasized demonstrations of HPC server platforms that have been optimized specifically for enterprises and data centers with the objective of boosting the growth momentum for the HPC market. TYAN's wide array of HPC platforms are adequate in accommodating the needs of users involved in high-performance computing. With HPC platform that supports Intel® Xeon® E5 architecture, TYAN is able to give customers the edge in high parallel computing system construction by offering the best performance-cost ratio; a high-end 2-DIMM/4-DIMM server that supports Intel Xeon Phi® processor is best suited for versatile product deployment in different fields of high-performance computing; TYAN's 2-DIMM server is more than adequate for independent software developers, academic units and small enterprises as a hardware platform for the development of parallel computing architecture software application or validation of specific concepts.
- ⑥ Medium and high-end workstations: Powered by Intel® (or AMD) processors, these workstations support 1-DIMM/2-DIMM and feature at least one PCI-E Gen.3x16 socket with high performance graphic card and audio chipset to offer users an excellent work environment.
- ⑦ All-In-One integrated LCD PC in 19.5", 21.5" and 23.6" variations with convenient user interface features such as embedded touch screen, webcam and VoIP communication.
- ⑧ Mini PC: These are highly integrated PCs featuring fan-less designs, legacy connectors and support for Intel's latest high-performance chipset Baytrail. Their simplistic design makes them widely popular in commercial and office applications.
- ⑨ Embedded industrial systems: Given the different needs from customers, MiTAC has developed BOX PCs and Panel PCs that operate in wide temperature ranges for industrial use. Their support for multiple connector options makes them versatile in a broad range of applications.
- ⑩ Embedded industrial main boards: In a strategic joint venture with Intel, the Company pushed the existing Atom platform products into embedded industrial applications and introduced next-generation wide temperature products in addition to expanding existing product lines to offer support for single board on different platforms in order to cater to different applications.
- ⑪ Kiosk panel PC in varying dimensions: In light of the rapid growth of automated retail equipment demand, MiTAC will be launching a selection of

touch control panel PCs in varying dimensions in the near future. These products will no longer be confined by conventional design frameworks and will feature extremely slim bezels and versatile design for easy expansion/removal of peripheral devices (i.e., MSR, Smart Card Reader, Camera, Barcode Reader and so forth).

- ⑫ Microsoft Azure cloud application: MiTAC has collaborated with Microsoft in the development of a simplified cloud space (MiSuite) that is compatible with various independently developed motherboards and systems in order to facilitate value-added software application services beyond hardware. The application is expected to significantly lower relevant IoT industry development costs while accelerating its prevalence in the market.
- ⑬ POS (point-of-sale) system: In response to the popular trend for lightweight and compact form-factor, MiTAC has developed a series of tablets with dual operating systems in varying screen sizes, some even equipped with built-in payment features to satisfy the needs of commercial users. These innovations have been well-received by ODM customers.

b. Mobile communication products

- ① The MiVue6 series emphasizes the concept of multiple backup and enables the user to backup recorded videos through WIFI connection or the proprietary dual-memory card design. A MiVue App has also been designed to pair exclusively with MiVue Wifi, which allows users to backup video onto their smartphones with just a touch of a button whilst recording. In addition, the 6-series is also the first dashcam to feature front and back cameras, both built for 1080P resolution, 30FPS and large aperture. Mio Mivue 658 Wifi is equipped with a 4M-pixel lens built-in to increase the recording resolution from 1080p Full HD to 1296p Extream HD. Not only that, it also utilizes its built-in GPS function to detect driving speed limit and sensors in addition to real-time tire pressure detection to further improve the driver's safety. The following is a list of awards and recognitions that MiVue 6 series has received in 2016:

Product Name	Region	Media	Award	Logo
MiVue 698D	Poland	Conoweao.pl	review from benchmark	
MiVue 698	Russia	Продукт года	Product of the Year	
MiVue 658	Russia	Megaobzor	Editors choice	
MiVue 688	Russia	Almodi.org	Recommended buy	
MiVue 658 Touch	BLX	ANWB	ANWB award	
MiVue 658 WIFI	Taiwan	IT month	100 innovative	
MiVue 658 WIFI	Romania	IT files	Recommended Product	
MiVue 658 WIFI	UK	AVForums	AVForums Recommended Award 2016	
MiVue 618	Poland	Conoweao.pl	review from benchmark	

- ② Magellan SmartRV and SmartFleet: The successor to the Company's revolutionary personalized navigation service, the SmartGPS technology has been further expanded and applied to SUV and fleets. The improved service not only enables user to receive LBS data and access their personalized

navigation data over cloud but also allows fleet managers to coordinate vehicles wirelessly over the cloud system.

- ③ ORV (Off-road Recreation Vehicle) SmartECO System: This system not only allows users to receive LBS (location-based service) data but also enables access to personalized navigation data stored on cloud, which can be used to plan recreational routes. It integrates the functionalities of cloud system, smart phone, PC and navigation device.
- ④ Connected Car Tablet: Designed exclusively for enterprise customers with vehicle management needs, the tablet has 3G/BT/WiFi connectivity built in and transmits real-time vehicle data to the cloud in order to achieve communication and interaction between the dispatch center and the driver. These tablets have been tested under more rigorous conditions for vehicle use.
- ⑤ During Computex 2016, MiTAC launched its wellness wearable solutions and sports watches to help users record and analyze their biological data while keeping track of their sleep and exercises in their day-to-day life, thereby enabling them to strive a healthy balance between work and life. The product has been launched in the second half of 2016.

(IV) Long and short-term business development plans

1. Cloud computing product series

- (1) Short-term business development plan: In terms of product strategy, the Company will continue to cooperate with existing customers and chip manufacturers in the development of work stations, servers and storage expansion. Demand for servers in China has been growing in recent years. To capture this trend, MiTAC is actively looking for system integration service providers to cooperate in a long-term relationship, or local firms that can provide cash flows and logistics management to serve customers in a timely manner.
- (2) Long-term business development plan: In terms of product strategy, the Company will continue to develop new server and storage expansion products to function as the propelling force to drive sales growth in the next three years. With regards to business strategy, the Company will expand its cooperation with leading server customers around the world and deliver products from modules to full-systems, from low-end to high-end and from single to multiple product lines. In order to maintain stable collaboration over long-term, the Company has to improve its capacity and speed for product development, control production quality and delivery, integrate supply chains throughout the world and maintain a global logistics and service network in order to consolidate MiTAC's position as a major ODM/OEM for server systems.

2. Mobile communication products

(1) Short-term business development plan:

- A. Mobile handheld and digital family markets are at the beginning of rapid development. In the short run, the Company will operate with the latest market development conditions and focus on channels and ODM operations in European and US markets. We will also actively develop niche products and cultivate customers in different domains. The Company's future strategies in this area will involve: combining the SoLoMo (Social, Location, Mobile) experience to develop revolutionary and competitive products; bringing high added-value to customers through innovative and professional product planning, R&D, design, and production capability; improving overall

effectiveness and for higher customer satisfaction; raising brand loyalty of existing customers; and combining personal information such as cloud data, social networking and Point of Interest to develop niche products for different customers.

- B. Industrial use tablet PC and portable devices: The Company will be launching portable devices with equal emphasis in proprietary brand, ODM and OEM. In Europe, MiTAC's primary focus will be the promotion of proprietary brand; in USA, the Company will focus primarily on OEM whereas in Japan, ODM and OEM will receive equal attention.

(2) Long-term business development plan:

- A. Mobile handheld and digital home market: Our long-term business development strategy calls for expanding our scope and exploring emerging markets in Asia-Pacific, China, Russia and the Middle East. We will adapt to the changes and needs of different age groups with diversified products. Through our brands and B2B strategy, and integrating user experience of Mio, Magellan, and Navman products, we integrate life, health, sports and leisure, and navigation service products to allow customers access to real-time information whether they are moving, running, or driving. This strategy will guide MiTAC to the field of cloud service.
- B. Industrial use tablet PC and portable devices: Marketing and distribution have been expanded to Russia, Central Asia, South Asia and South America.

II. Market and an overview of production and sales

(I) Market analysis

1. Regions of distribution for the Company's major products

In thousands of New Taiwan Dollars

Regions	2016
Taiwan	471,668
US	30,079,441
Europe	8,789,979
Others	9,000,657
Total	48,341,745

2. Market share

According to the survey and research conducted by DIGITIMES Research, MiTAC ranked 5th among Taiwanese ODM service providers in terms of system and main board shipments in 2016. With regards to mobile communication products, MiTAC's auto electronic brand ranks firmly among the top 3 in the world.

3. Future supply and demand in this market and growth outlook

(1) Cloud computing product

As the U.S. economy continues its recovery, businesses will be more willing to invest in IT equipment, and thus contribute to additional demands for server products. Combined with trends such as big data analysis and IoT, server shipments in 2017 are expected to increase compared to 2016.

In light of increased shipment and declining average sales price, recently major international server firms committed themselves to lower production cost and increase product competitiveness and market share. As a result, energy efficiency

and lower cost have become the opportunity for future products of these firms. In addition to Intel's next-generation Atom and energy-efficient Xeon processors, other chip manufacturers are also trying to capture a piece of the server market with ARM-based SoCs, and technological advancements have been made to reduce energy consumption and costs. As computing continues to shift towards the server end, customers will inevitably become more concerned with energy consumption of future server products. MiTAC offers a broad variety of x86 servers through its TYAN brand. From entry-level to high-end models, all TYAN products feature the latest 14nm production and Multi-core, Multi-thread technology with DDR4 support; some products can even support high-end GPUs. TYAN has also been successful in the development of 1U and 2U servers based on IBM's OpenPOWER architecture; both of which have already been adopted by IBM's data centers, thereby offering a new choice for corporate users. TYAN is professed to work in cooperation with the customers in full effort, and will provide better service for professional IT personnel. Continued effort will be made in innovation for developing solutions with flexibility, reliability, high performance, high utility and low cost in operation to help the customers installing an ideal IT infrastructure. This is the optimal feedback to the changeable commercial environment and opportunities for the enterprises. Therefore, MiTAC has suitable products to satisfy hardware requirements of any user from general enterprises, large computing centers, data centers, cloud computing centers, public infrastructures, to government projects. These are the markets where the group will be promoting its x86 and OpenPOWER servers.

(2) Mobile communication product business

As cloud computing grows, more smart features are needed, which in turn contributes to the rapid development of smart terminal devices. Whether its is smartphones, tablet PCs, or any product with a display screen (e.g., in-car AV, watches, glasses), they could all be turned into smart terminals and provide enormous market opportunities. Applications of mobile terminals will broaden as more users connect to the cloud, bringing in billion dollars of business opportunities! Based on the SoLoMo concept, MiTAC has developed applications across different platforms and services to satisfy consumers' diverse tastes.

Embedded system, with its high level of integration, is more difficult in design than the traditional Wintel setup and incurs enormous expenses during the R&D stage. MiTAC not only has abundant experience in the design and shipment of consumer GPS systems, its embedded system design team also possesses the expertise to analyze users' behaviors in specific areas and integrate system functions to deliver customers' requirements. In the future, MiTAC will continue shifting its business focus towards industrial/commercial applications that present high growth potentials.

4. Competitive niche, positive and negative factors for the prospects of our development, and our corresponding strategy

As cloud applications grow, MiTAC not only possesses the ability to design and manufacture cloud hardware but has also been integrating hardware, software, engineering automation, manufacturing design, and after-sales services around the world to develop a new business model that would accomplish higher customer satisfaction and competitive advantages in order to break free of the low-margin PC OEM business.

In terms of wireless communication, MiTAC will take the initiative in developing niche products that target specific needs in the market, while at the same time improve its capacity in terms of R&D, innovation, hardware/software integration, cost control, quality control, yield control, mass production, inventory management, access to key components, logistic support, regional distribution, and financial strength.

(1)Competitive niche

- A. Customer demand and control of the market: We grow with location based service markets. MiTAC jointly explores and invests in markets with regional software and hardware customers to understand terminal demand. MiTAC is also negotiating cooperation plans with various world-class information and communication firms so that it can fully grasp market trends, seize fluctuations in the market, and explore new products.
- B. Cooperation with world-class software and hardware firms to secure the supply of material: This advantage includes the support of software firms in software development and the source of key components.
- C. Research and development capability: Many of our products lead the market and win international awards, earning “number one” ranks.
- D. Ceaseless advancement of quality and the expansion of production capacity: We have accumulated years of embedded product software-hardware integration technology, which is a major advantage in design and manufacturing.
- E. Through the use of existing regional channels and the group's global logistics and service network, MiTAC is able to provide more complete services to customers.

(2)Favorable factors for prospects of development

- A. A supply chain that integrates internet infrastructure
MiTAC has revised its sales and distribution model to conform to growing e-commerce throughout the world. Many of the high-priced products are being produced and distributed directly to customers for greater efficiency, lower costs and higher customer satisfaction.
- B. Global e-manufacturing model
After a few years of trials with our logistics model, MiTAC's e-manufacturing structure has become more and more adequate. We have formed a global manufacturing model with division of human resource: Taiwan, Australia, and the US concentrate on R&D and design, combined with the modules and semi-finished goods produced by production bases in Mainland China, and joined by the BTO/CTO assembly centers in the US. This combination is our global manufacturing model with division of human resource. Components and systems with low level and long transportation time are manufactured in China; main components with high unit price are procured from production bases worldwide. This globalized division of human resource has turned MiTAC from a regional organization to an international conglomerate with well coordinated functions including R&D, engineering, manufacturing, and distribution.
- C. Expanding development of products with high added-value
In light of the future trend of wireless IP communication-PC integration, MiTAC will continue to form strategic alliance with leading international companies to jointly cultivate target markets. MiTAC has strong capacity in differentiated innovative design, research and development, production and manufacturing integration in GPS market, and is the leader in launching different models of GPS communication products and mobile healthcare products. MioCARE is unlike any chemo drug administration system used in conventional hospitals; it has been built based on BCMA to better tend to the needs of nursing staff. Continued effort will be made for advanced integration of the embedded products. RFID and bio-identification system will be integrated into portable devices further to existing Bar Code Scanner and NFC. In addition, effort will be made in the development of the MDM (Mobile Device Management) software with a view to providing software integration partners faster and complete full-range service.
- D. Maintaining growth momentum in the market

In addition to continuing to invest resources in major markets such as North America and Europe, intensified cultivation of markets with enormous growth potential in GPS, such as Asia-Pacific and emerging markets such as China, Japan, and Eastern Europe will be our focal point of development.

E. E-supply chain

In light of MiTAC's demands for global production and the need for differentiation with customers' regional products, in addition to adopting modular designs for main components, MiTAC has also integrated its e-commerce capacity with that of its upstream suppliers for prompt shipment and delivery, which will in turn minimize operational risks and inventory.

(3) Negative factors for the prospects of our development and our corresponding strategies

A. Competition comes from mobile phone and on-board navigation and a/v systems. After major firms have successively committed themselves to the R&D, manufacturing, and production of GPS products, the pressure on prices has grown fiercer by the day. Additionally, PND has been integrated with wireless communication products, and smart phones with built-in GPS have become the norm for retail sales. This feature will steal the market away from PNDs more decisively. Our corresponding strategies are as follows:

- (a) Improve the integration between PNDs and on-board information application. Differentiate our PNDs from smart phones with GPS functions.
- (b) Emphasize R&D and innovation. Improve our result from R&D. Reduce product development cycle. Maintain our ability to launch new products. In addition, we will localize our products, and make them more diversified, differentiated, mass-produced to ensure we have an edge in our products and profit.
- (c) Improve the satisfaction of our customer from design in the upstream to mass-production to logistics. We seek strategic alliance with major firms in the world.
- (d) We use our global logistics model and establish an entire set of material planning, value chain, and logistics infrastructure.

B. The embedded system products confront the problems of small quantity in large variety, extremely high cost of development, and the strict requirements of quality and application environment. Most of the customers are small and medium enterprises in wide dispersion geographically. Marketing of these products is tough and the counter-measures are:

- (a) Integration of all products to a single platform, compress the lead-time for development of new products and customized products.
- (b) Continue the development of high-level integrative solution with equal weight in hardware and software research and development.
- (c) Global marketing in a wide array of business mode.
- (d) Launch a total solution for enhancing added value. Acquire Domain Knowledge of the industry for continued development of leading brands in technologies.

C. Key components are still controlled by overseas manufacturers. We need further experience in the integration of software and hardware. Our corresponding strategies are as follows:

- (a) Maintain good supply chain relationship with overseas manufacturers of key components. We will also do our best to develop talent that is capable of integrating software and hardware in operating platform and communication components.

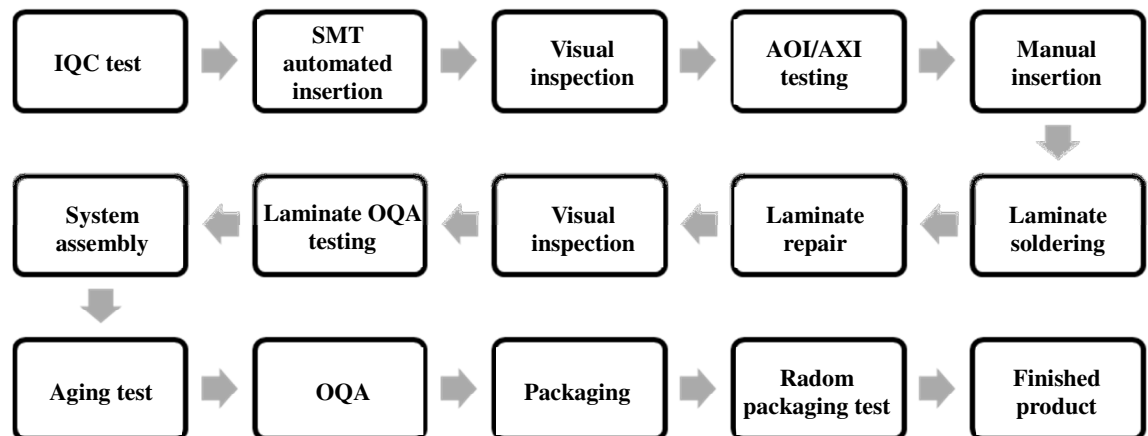
- (b) Diversify the supply channel of key components: We seek more sources of suppliers and secure the source of our suppliers and competitive pricing. We seek to establish good interaction with domestic firms that are already producing or planning to produce key components to maximize our choices.
- (c) Advantage through size: Popular demands for the Company's products have helped us win businesses of major OEM/ODM customers, which enables cost reduction through bulk purchase.

(II) Important applications and production process for main products

1. Functions of major products

Product type	Major purpose and functions
Workstations	Graphical computing tool for designers
Servers	Data computing tool for businesses
Storage	Data storage tool for businesses
Client computing	A necessary tool for individuals, households, schools, companies, and merchants.
Mobile Communication Devices	Audio-video-navigatino vehicle GPS system, consumer electronics (outdoor, fitness, navigation), fleet management system, mobile health related products and application of cloud technology, and embedded system, industrial use tablet PC system.

2. Production process



(III) Supply of key materials

Component name	Origin	Supply status
CPU/ CHIPSET	Suppliers: USA, Japan, Taiwan, Korea, China, Malaysia, Thailand	Fair
Image sensor	Suppliers: USA, Japan, Taiwan	Good
HDD	Suppliers: USA, Japan, Thailand	Good
DRAM	Suppliers: Taiwan, USA, Korea, China	Fair
Flash	Suppliers: Taiwan, USA, Japan, Korea, China	Fair
PCB	Suppliers: Taiwan, USA, China, Korea	Fair
LCD panels	Suppliers: Taiwan, Korea, Japan, China	Good
LAN	Suppliers: Taiwan, USA	Good
Camera Module	Suppliers: Taiwan, China	Fair

Battery Pack	Suppliers: Taiwan, Japan, China, Korea	Fair
PCI Card	Suppliers: Europe, USA	Good
Charger	Suppliers: Taiwan, China	Good
PSU	Suppliers: USA, China, Thailand	Good
Chassis	Suppliers: Taiwan, China, Malaysia	Good

(IV) Major customers and suppliers in the last two years

1. The names of the suppliers in the last two years that accounted for more than 10% of the total purchase in any of these years, the purchase amount and percentage to total purchase, and give reasons for any change thereof, if applicable.

In thousands of New Taiwan Dollars

Item	2015				2016				2017 first quarter			
	Name	Amount	As a percentage of full-year Net purchase Ratio (%)	Relationship with the issuer	Name	Amount	As a percentage of full-year Net purchase Ratio (%)	Relationship with the issuer	Name	Amount	As a percentage of 2017 Q1 net purchase (%)	Relationship with the issuer
1	Supplier A	6,475,666	15	None	Supplier A	7,158,780	17	None	Supplier A	1,796,677	17	None
2	Supplier B	6,412,992	15	None	Supplier B	10,288,501	24	None	Supplier B	2,265,760	22	None
3	Others	30,664,503	70		Others	25,747,728	59		Others	6,403,378	61	
	Net purchase	43,553,161	100		Net purchase	43,195,009	100		Net purchase	10,465,815	100	

Note: All variations had taken into consideration production/sales policies, raw material demands, suppliers' prices, actual delivery and quality of the respective years.

2. The names of the customers in the last two years that accounted for more than 10% of the total sales in any of these years, the sales amount and percentage to total sales, and give reasons for any change thereof, if applicable.

In thousands of New Taiwan Dollars

Item	2015				2016				2017 first quarter			
	Name	Amount	of full-year Net purchase	Relationship with the issuer	Name	Amount	of full-year Net purchase	Relationship with the issuer	Name	Amount	As a percentage of 2017 Q1 Net sales ratio (%)	Relationship with the issuer
1	Customer E	29,663,727	59	None	Customer E	28,295,884	59	None	Customer E	5,260,521	49	None
2	Customer G	1,228,929	2	Associates	Customer G	3,157,131	7	Associates	Customer G	1,293,464	12	Associates
3	Others	19,162,109	39		Others	16,888,730	35		Others	4,222,873	39	
	Net sales	50,054,765	100		Net sales	48,341,745	100		Net sales	10,776,858	100	

Note 1: All variations have taken into account factors such as future market trends, product demands, industry prospects, R&D technologies, sales margins and customers' contracts.

(V) Production volume and value in the latest two years

In thousands of New Taiwan Dollars/ unit

Production volume & value Main items	Year	2015			2016		
		Capacity	Volume	Value	Capacity	Volume	Value
Computer & communication products		23,799,859	17,272,219	43,553,161	19,628,387	17,046,866	43,195,009

(VI) Sales volume and value in the last two years

In thousands of New Taiwan Dollars/ unit

Sales volume & value Main items	Year	2015				2016			
		Domestic sales		Export		Domestic sales		Export	
		Capacity	Value	Capacity	Value	Capacity	Value	Capacity	Value
Computer & communication products		202,211	493,401	18,024,029	49,561,364	180,773	471,668	17,946,827	47,870,077

III. Employee information in the last two years up to the publication date of this annual report

Year		2015	2016	Year-to-date May 15, 2017
Employee Count	Direct Labor	0	0	0
	Indirect Labor	1,160	1,185	1,192
	Total	1,160	1,185	1,192
Average age		39.61	40.07	40.20
Average Years of service		8.18	8.24	8.31
Academic Qualification(%)	Ph.D.	0.23	0.37	0.36
	Master's degree	33.82	33.48	34.48
	College	64.43	64.76	63.85
	Senior High School	1.45	1.32	1.24
	Schools at the Senior Secondary Level and Below	0.07	0.07	0.07

Note: The data shown in the table above only reflect employees of MiTAC's main subsidiaries, namely MiTAC International Corp. and MiTAC Computing Technology Corporation.

IV. Environmental Disclosure

The group did not suffer any loss or penalty due to pollution of environment in the last year up until the publication date of this annual report. Below is a description of relevant practices adopted by MiTAC:

MiTAC specializes in assembly. Its production process comprises entirely of assembly works, and hence does not produce any controlled substances that would constitute air pollution, water pollution, or toxicity pollution. In 1992, MiTAC received Certificate of Excellence during the 1st Environmental Evaluation for Top-500 Businesses organized by Environmental Protection Administration. In 1997, MiTAC attained ISO 14001 certification

and continues to devote itself to preventing pollution. In 1999, MiTAC received from the Council of Labor Affairs a 2-year certification for having passed the Safety and Health System Evaluation. MiTAC will continue to enforce its environmental protection and work safety policies, and strive to sustain an operation that is free of pollution and hazard.

(I) Background

MiTAC is a provider of PC/server products including workstations, enterprise servers, storage and mobile communication devices. MiTAC takes environmental protection regulations in Europe very seriously and has adopted WEEE (Directives on Waste Electrical and Electronic Equipment) to redesign its products with eco-friendly features such as recyclability, ease of disassembly, and use of renewable materials. Where power supply is involved, designs are made where appropriate to ensure optimal utilization of resources (ACPI combined with operating system for power saving; use of low-power CPU; modular design; IPMI software etc.). With regards to the RoHS (Restriction of Hazardous Substances) Directive, MiTAC exercises stringent control over hazardous substances such as Pb, Cd, Hg, Cr6+, PBBs, PBDEs and makes SVHC declarations in accordance with EU REACH. Meanwhile, actions such as design review, supplier management and material certification have been adopted as part of the Company's green product management. A Green Product Portal has been created on the intranet with SIPs and strategies outlined to facilitate regular review of the Company's compliance with EU regulations. For our employees, an occupational health and safety system has been created to minimize the threat of accidents and health-related hazards so as to save relevant costs in the long run. In addition, improvement of work conditions will no doubt help to promote ethical conduct in employees and boost their productivity.

(II) Environmental safety and health policy

MiTAC has developed the following policies based on the environmental protection philosophies outlined above:

■ **Environmental safety and health policy**

- Legal compliance: Comply with the government's environmental safety and health laws, and commit to standards that are more stringent than what the law requires.
- Safeguard earth's resources: Achieve optimal efficiency in resource utilization and promote energy conservation.
- Develop green production: Design products with "environmental" and maintenance-friendly features to achieve the goals of pollution prevention, clean production and product care.
- Safe and healthy environment: Ensure employees' safety and health by preventing occupational hazards, illnesses and potential harms while encouraging employees to take part in relevant improvements towards creating a safe and healthy work environment.
- Ongoing improvement on EHS performance: Conduct regular audits and assess suitable investments to achieve continual improvement of the EHS management system.

■ **Hazardous substance free policy**

- 1 Earth: respect the uniqueness of Earth's resources
 - Devote attention to climate change; participate in the reduction of greenhouse gases and lessen the environmental burden of the Company's activities.
- 2 Principles: Comply with environmental laws and satisfy customers' requirements
 - Monitor the latest changes in environmental regulations such as RoHS, WEEE, REACH, etc., to ensure product compliance with environmental regulations.
 - Adhere to the clean production principle; develop a green product platform and green supply chain management to satisfy customers' demands.
- 3 Commitments: Maintain performance through management system; convey

environmental information and fulfill social responsibilities

- Implement a hazardous substance management system and initiate HSF monitoring procedures.
 - Develop a communication system that addresses stakeholders publicly on information concerning environmental protection.
 - Devote attention to preserving natural habitat while seeking business growth; assume social responsibilities as a corporate citizen.
- 4 Accomplishments: Provide green products that are characterized by low pollution, energy-efficiency, lesser packaging, recyclability, and environmental friendliness
- Choose environmental-friendly materials such as those that meet the requirements of RoHS and plastic casings that are free of BFRs.
 - Design products that meet international energy standards, such as Energy Star.
 - Improve packaging towards lightweight, optimal size, and least variety of materials.
 - Aim to achieve at least 80% product recycling rate (Reuse+Recycling+Recovery).

We believe "sustainability" to be the common challenge for all businesses. Since 2003, MiTAC had been collaborating with Ministry of Economic Affairs in an Industry Technology Development Program (ITDP) to develop assembly technologies that are free of lead and halogen. The project was executed over 4 years, and successfully delivered its results in 2005. MiTAC's internal quality system comprises of two parts:

(a) Product management: MiTAC was first certified for ISO9001 in 1993; since then, the Company has been validating this certification on a yearly basis. Towards the end of 2009, MiTAC developed a TL9000 management system based on ISO 9001 and successfully completed certification of its communication products.

(b) Environmental management: MiTAC had prepared itself for the certification of ISO 14001:2004 since as early as 1997, and conformed to the regular review requirements of OHSAS 18001:2007 since as early as 1999. In 2007, MiTAC adopted IECQ QC080000 and began making adjustments to comply with IECQ terms. Extensive discussions were made with various departments and functions to revise existing procedures before undergoing a 3-stage validation process by SGS. On July 12, 2006, MiTAC was declared by SGS to have passed the validation, and IECQ has since been adopted as part of our internal procedures. We are dedicated to the protection of the natural environment, and hope to preserve life over the course of our growth. We also recognize the importance of employees' safety and health to our operations, for which we commit every resource available at our disposal to maintain a work environment that is free of safety and health concerns. Meanwhile, we pace our business activities in harmony with nature, and adopt the highest standard to protect Earth's environment. By maintaining optimal balance between growth and nature, we strive to fulfill our duties as Earth's citizen and set good example for others to follow.

(III) Strategies for prohibited substances

In response to RoHS requirements, MiTAC group has been implementing Project G initiated by the Department of Industrial Technology, Ministry of Economic Affairs, to provide guidance for suppliers. All level-1 suppliers are being audited on-site to ensure compliance with RoHS, whereas level-2 suppliers are required to furnish information relating to RoHS at MiTAC's request. By controlling materials at the source, MiTAC has been able to minimize RoHS risks that are caused by change of design or supply in the upstream.

MiTAC group itself has accomplished halogen-free production, and is constantly conducting integrated tests on suppliers' parts for halogen contents, which enables it to develop full systems that are free of halogen. MiTAC group continues to improve its green production capacity according to customers' requirements, and has successfully

marketed its products to Europe. As a result, MiTAC experiences no adverse impact whatsoever from EU environmental directives.

Leveraging on the foundation of digital supply chain management, MiTAC has implemented a systematic process for suppliers to make RoHS & halogen-free reports. This new process solved much of the complexity that suppliers encountered when making reports on multiple products or production sites, and improved the exchange of RoHS & halogen-related information.

Furthermore, to ensure that the delivered parts are compliant with RoHS & halogen-free requirements, the material inspection department has been fitted with ICP and GCMS equipment with supporting laboratory since 2010 so that it may conduct its own tests for hazardous substances such as Pb, Cd, Hg, Cr6+, PBBs, PBDEs, Br and Cl.

EU regulations on restricted substances are increasingly stringent (with the expiry of exclusion clauses); in response to this challenge, MiTAC's Environmental Protection Committee convenes meetings on a quarterly basis to devise suitable solutions and exchange knowledge on feasible technologies.

(IV) Response to EU environmental directives

Judging by the way EU environmental regulations have progressed, it is apparent that the underlying requirements are becoming mandatory, while product declarations no longer suffice. Take ERP directives, for example, EU nations are starting to implement policies relating to this directive. For MiTAC, DfE (Design for Environment)/Eco-design has already been adopted as one of the product design guidelines since 2008. Currently, MiTAC's DfE SOP requires R&D personnel to achieve the energy consumption requirements stated in ErP directives when designing products. To conform with EU REACH, MiTAC has made its declaration of conformity for SVHC (Substances of Very High Concern). Meanwhile, MiTAC's suppliers are being demanded to issue their own declarations regarding REACH SVHC for all components supplied, which is one of the compulsory requirements for their eligibility as suppliers. As of December 2016, ECHA had announced a total of 169 SVHC across 15 categories under REACH. This list of chemicals, along with new environmental standards for product design, have already been updated to MiTAC's green product platform, where suppliers can check for compliance and disclose chemical substances accordingly.

(V) GHG (Greenhouse Gas) measures

In light of the global warming phenomenon and tightening GHG controls throughout the world, MiTAC initiated an ongoing GHG Inventory Program in August 2007 that covered all production sites in China. With the help of SGS Taiwan, the Company started adopting the GHG survey methodology and introducing training courses for internal surveyors, while at the same time developed GHG emission records and internal procedures in accordance with ISO14064-1 to provide useful references that would help reduce GHG emission in the future. Several energy-saving measures have since been taken to reduce GHG emission (particularly CO₂), including: use of renewable energy (solar power), resource recycling, and energy conservation (lighting control, air-conditioning control during summer etc). The scope of carbon inventory for 2016 covered MiTAC's HQ and R&D center in Taiwan, along with its primary manufacturing locations – China (MiTAC Computer (Shunde) Ltd./MiTAC Computer (Kunshan) Co., Ltd.) and US (MiTACIS assembly line in California)

MiTAC has been gathering data and validating GHG emission based on the Greenhouse Gas Protocol and conducting annual surveys of the previous year's GHG emission. The results from the last two internal inventories are as follows:

Direct GHG emission (Scope 1)	Total direct emission	Out of total emission
2016	1,898 tons CO ₂ e/year	4%
2015	1,892 tons CO ₂ e/year	5%

Indirect GHG emission (Scope 2)	Total Indirect emission	Out of total emission
2016	37,750 tons CO ₂ e/year	96%
2015	39,375 tons CO ₂ e/year	95%

Note: Sources of indirect emission were mostly purchased electricity and steam.

MiTAC is concerned about the world's changing climate. To protect Earth's resources and fulfill the Company's duties as a corporate citizen, MiTAC will continue reducing GHG emission and operating costs while at the same time achieve more efficient use of resources and energy and adopt sustainable energy sources that are friendly to the environment, and ultimately contribute to a low-carbon economy.

(VI) Environmental protection expenditure

1. Environment protection expenditure refers to all expenses related to environmental protection activities. It represents how dedicated a company is to the environment, and serves as a key indicator to the quality of environmental management. However, the definition and scope of environmental expenditure still differ from country to country.
2. MiTAC has been gathering data on the group's environmental expenditure since 2016, with new statistics on environmental protection expenditure covered as follows:
 - Environmental costs associated with the Company's operations (direct cost) amounted to NT\$ 21,057,405, which included expenses on the prevention of air/effluent/soil/groundwater pollution, efficient use of resources and disposal/treatment/recycling/reuse of commercial wastes.
 - Environmental management activity costs (indirect cost) amounted to NT\$ 2,035,833. The administrative costs included personnel expenses on environmental education, system management and validation, environmental monitoring and environmental protection-related activities.
 - Other environmental costs totaled NT\$ 2,393,556, which included R&D expenses (for studies on the mitigation/control of environmental impacts), social activity expenses (i.e., sponsoring environmental organizations, promotion of environmental information and so forth), taxes (i.e., energy levies) and other expenses (i.e., water treatment expenses).
 - Losses (including damage compensations) and fines incurred due to pollution of environment in the year of report up until the publication date of this annual report: The Company has not incurred any losses (including damage compensations) or fines due to environmental pollution; hence the sum is zero.

V. Employer and employee relationships

Driven by a humane management approach, MiTAC is dedicated to creating a work environment that facilitates two-way communication between line managers, their subordinates and their peers. The Company has also taken initiative in creating communication channels and gathering employees' thoughts as a means of ensuring harmonious labor-management relations and achieving win-win between the Company and its employees.

(I) Communication and inspiration

1. Communication

MiTAC routinely organizes a general assembly, management meetings and employee satisfaction surveys. An employee relations unit has been created within the Human Resource Department, where dedicated personnel are assigned to implement employee care measures and communication policies/channels along with a "Speak-Out" email address to receive suggestions and opinions from employees. Upon receiving input, members of the employee relationships unit would respond with discretion and, if

necessary, assemble a special panel to handle, respond and make improvements to employees' opinions in an anonymous and timely manner.

Furthermore, the Company has robust policies and measures in place to convey and enforce the Act of Gender Equality in Employment and the Sexual Harassment Prevention Act. Employees are trained to respect and communicate with people of different gender, while guidelines and grievance channels are created all for the purpose of an equal-gender environment.

Being a multinational conglomerate, MiTAC has offices in many parts of the world. In order to facilitate communication and conferences between different parts of the Company or across regions, MiTAC has spent nearly NT\$10 million to install video-conferencing equipment in 9 offices including Taiwan, China, USA, and UK. This advanced equipment delivers high image quality and stable audio stream, which enhances the efficiency of conferences and minimizes the need to have employees travel between office locations. Meanwhile, MiTAC employees are able to learn the Company's business performance and latest product information through internal channels such as intranet, monthly/quarterly publications, and the general assembly. Together, these measures ensure the completeness of internal communication within the Company.

2. Inspiration

MiTAC offers a variety of incentives to commend individual and team performance in all areas of expertise, and thereby encourage employees to seek continual growth and improvement that would contribute to the Company's competitiveness. Some of the incentives offered to employees include:

- Employee of the year award: Winners of this award are commended personally by the President during the year-end gathering; in addition, the Company prepares commendation letters and offers bonuses and extra leaves as a show of gratitude to employees and their families.
- Department/individual patent award: This award is intended to encourage employees in creating patents that are relevant to their jobs. Incentives are provided from proposal, application to approval stage of a patent application; at the end of each year, departments and individuals are assessed for the patents created, and those who exhibit outstanding performance are commended with department/individual awards.
- Long-term service award: As an appreciation for employees' long-time contribution and commitment to this Company, senior employees with 5-year, 10-year, 15-year, 20-year and 25-year service history are commended personally by the Chairman and President with the long-term service award during year-end gatherings.
- Employee stock options and performance bonuses: These monetary benefits are provided to reward employees' contributions and inspire them to further achievements. By aligning employees' interests directly with those of shareholders, these benefits deliver a three-win between the Company, shareholders, and employees. The amount of stock options and bonuses granted to employees is determined by their responsibilities, contributions, and performance.

(II) Welfare and training

1. Welfare

MiTAC views employees as critical capital to the organization. All employees are entitled to labor insurance, national health insurance, group insurance, and travel insurance. Together, these insurance cover employees for death, health, and safety during overseas business trips and thereby provide them with additional security both in work and life.

MiTAC has an Employee Welfare Committee formed with employee representatives elected from various departments. The committee holds regular meetings to discuss and organize benefits and activities for employees; it offers a

variety of social clubs and gives employees free access to gym, aerobic classes, and massage services (with masseurs and masseuses hired from outside the organization). Meanwhile, Linkou and Hsinchu Offices have been active in promoting recreational activities, and have designated indoor space exclusively for table tennis, where employees may develop bonds with each other.

MiTAC has a library center that is open all day to all employees. Much of the data is stored on discs and managed in the way recommended by the "Interlibrary Cooperation Association" to help employees find the information they need.

To ensure employees' physical and mental health, MiTAC has been collaborating with professional external consultants to launch our "Employee Assistance Program". The program features a pool of experts including psychiatrists, lawyers, nutritionists and financial consultants to assist employees and their family members on matters such as work stress, interpersonal relationships, family, marriage, romantic relationship, law, finance and healthcare so that employees may achieve balance between work, life and health.

2. Employees' training and continuing education

We place great emphasis on the improvement of employee skills, which is why a robust training system has been implemented to train employees systematically from orientation, on-job skills, to management skills. In addition, other learning resources such as online courses, work mentors, life counselors and ongoing education subsidies are being offered to provide employees with an environment that supports continual learning and growth. In 2016, for example, the Company organized more than 600 courses with over 11,000 trainees involved, completing in excess of 11,000 hours of training in total.

(III) Retirement policy

The group has established a robust retirement system in accordance with the Labor Standards Act and the Labor Pension Act. All contributions made to the system are being held in a dedicated pension reserve account and managed by a supervisory committee that comprises labor and management representatives. Furthermore, monthly contributions are made to the pension reserve account using actuarial estimates produced by an impartial third party. For employees who are subject to the retirement system under the Labor Pension Act (the new system), monthly contributions are made into employees' pension accounts in the amounts specified by law. So far, the two systems have been running properly as they are expected to.

(IV) Labor-management communication

MiTAC has always taken care of its employees and maintained sound labor-management relationship by sharing its gains and adequate communication with its employees. In the future, MiTAC shall commit to its humane management and aim to strengthen labor-management relationship further by creating more variety of communication channels.

(V) Work environment and employees' safety

MiTAC has been certified for ISO 14001 - Environmental Protection System and OHSAS 18001 - Occupational Health and Safety Advisory Services System since November 6, 2003. These certifications were attained as reinforcements to the safety and health of employees at workplace, and to protect employees from occupational injury, death, and prevent protest that arise as a result. These certifications are regularly validated by third-party institutions and properly enforced throughout the organization.

(VI) Employee code of conduct

The Company has created a set of "Integrity Code of Conduct" to establish integrity as part of its corporate culture, and a set of "Employee Code of Conduct" to ensure the

consistency of employees' behaviors. There are four main focuses in the Employee Code of Conduct: service principles, confidentiality and prohibition against competing business involvements, network usage and information security, and interaction with suppliers. These codes have been published on the Company's intranet where employees may access at any time, and serve as a regular reminder not to commit violations. Below are terms of the employee service principles:

1. Employees shall obey the instructions and assignments given by their managers. Managers shall have the duty to guide and supervise their subordinates.
2. Employees are expected to work diligently and commit themselves to improving work performance and quality, and achieve the expected productivity.
3. Employees are not allowed to leave their posts during work hours except for urgent matters, which are subject to approval of the line manager.
4. Employees must not carry contraband, flammable or explosive substances, or hazardous objects unrelated to work into the workplace.

To enforce discipline and fairness within the Company, a set of "Employee Reward and Disciplinary Policy" has been created to serve as guidelines for rewarding excellence and penalizing violators. The Company has a set of "Anti-corruption Policy" in place to prevent illegal conducts and organized fraud. An investigation panel has been assembled to investigate suspicious conducts, and thereby ensure the soundness of the Company's operations.

(VII) Losses arising as a result of employment disputes in the most recent year up till the publication date of this annual report; disclose current possible losses and any responsible actions taken; state reasons in cases where losses cannot be reasonably estimated:

MiTAC did not suffer any losses due to employment dispute in the most recent year up until the publication date of this annual report. The Company currently maintains sound labor-management relationship and expects very low probability of encountering any losses due to employment dispute in the future.

VI. Important contracts

Contract nature	Participants	Contract start/end date	Main contents	Restrictions
Master Supply Agreement Restatement	Customer E	From July 1, 2014 to June 30, 2017; automatically renewable on a yearly basis.	To outline terms concerning the production, delivery, payment and warranty of computer-related products.	None
Purchasing Agreement	Customer F	From July 1, 2011 to June 30, 2016; renewable under the consensus of all participants.	To outline terms concerning the production, delivery, payment and warranty of computer-related products.	None
Manufacturing Supply Agreement	Customer G	From October 23, 2014 to October 22, 2015; automatically renewable on a yearly basis.	To outline terms concerning the production, delivery, payment and warranty of computer-related products.	None

Six. Financial Position

I. Condensed balance sheets and statements of comprehensive income for the past 5 fiscal years: The Company was established in share conversion method on September 12, 2013. Therefore, the information prior to 2012 (inclusive) is not available.

(I) Condensed balance sheets – IFRSs (consolidated)

Unit: In thousands of New Taiwan Dollars

Year Item		Financial information for the past four fiscal years				2017.03.31 (reviewed by CPA)
		2013.12.31	2014.12.31	2015.12.31	2016.12.31	
Current assets		22,701,124	25,753,781	21,840,171	25,553,342	24,533,072
Property, Plant and Equipment		5,194,586	5,211,314	5,467,908	6,030,530	6,417,484
Intangible assets		593,892	316,694	119,005	96,980	87,944
Other assets		15,620,810	16,922,075	17,735,606	18,383,086	18,048,918
Total assets		44,110,412	48,203,864	45,162,690	50,063,938	49,087,418
Current liabilities	Before dividend	12,963,641	15,421,096	10,954,621	14,887,395	14,445,670
	After dividend	13,415,230	15,954,342	12,186,359	Unappropriated	Unappropriated
Non-Current liabilities		592,442	631,149	653,660	660,130	652,006
Total liabilities	Before dividend	13,556,083	16,052,245	11,608,281	15,547,525	15,097,676
	After dividend	14,007,672	16,585,491	12,840,019	Unappropriated	Unappropriated
Attributable to the shareholder's equity of the parent company		30,554,029	32,151,619	33,554,409	34,516,413	33,989,742
Share capital		7,609,488	7,694,106	7,778,113	8,156,048	8,179,028
Additional paid-in capital		21,803,383	22,122,720	22,352,475	22,446,436	22,472,898
Retained earnings	Before dividend	563,114	829,877	2,017,858	3,159,137	3,701,622
	After dividend	111,525	296,631	478,186	Unappropriated	Unappropriated
Other equity		1,187,810	2,011,794	1,928,412	1,277,241	158,643
Treasury Stock		(609,766)	(506,878)	(522,449)	(522,449)	(522,449)
Non-Controlling Interest		300	0	0	0	0
Total equity	Before dividend	30,554,329	32,151,619	33,554,409	34,516,413	33,989,742
	After dividend	30,102,740	31,618,373	32,322,671	Unappropriated	Unappropriated

(II) Condensed balance sheets – IFRSs (individual)

Unit: In thousands of New Taiwan Dollars

Year Item		Financial information for the past four fiscal years			
		2013.12.31	2014.12.31	2015.12.31	2016.12.31
Current assets		111,379	2,892,086	2,743,234	3,432,107
Property, Plant and Equipment		3,609	2,875	2,141	1,407
Intangible assets		0	0	0	0
Other assets		30,442,311	29,266,776	31,017,134	32,236,183
Total assets		30,557,299	32,161,737	33,762,509	35,669,697
Current liabilities	Before dividend	3,270	10,118	208,100	1,153,284
	After dividend	454,859	543,364	1,439,838	Unappropriated
Non-Current liabilities		0	0	0	0
Total liabilities	Before dividend	3,270	10,118	208,100	1,153,284
	After dividend	454,859	543,364	1,439,838	Unappropriated
Attributable to the shareholder's equity of the parent company		30,554,029	32,151,619	33,554,409	34,516,413
Share capital		7,609,488	7,694,106	7,778,113	8,156,048
Additional paid-in capital		21,803,383	22,122,720	22,352,475	22,446,436
Retained earnings	Before dividend	563,114	829,877	2,017,858	3,159,137
	After dividend	111,525	296,631	478,186	Unappropriated
Other equity		1,187,810	2,011,794	1,928,412	1,277,241
Treasury Stock		(609,766)	(506,878)	(522,449)	(522,449)
Non-Controlling Interest		0	0	0	0
Total equity	Before dividend	30,554,029	32,151,619	33,554,409	34,516,413
	After dividend	30,102,440	31,618,373	32,322,671	Unappropriated

(III) Condensed statements of comprehensive income – IFRSs (consolidated)

Unit: In thousands of New Taiwan Dollars

Item \ Year	Financial information for the past four fiscal years				Q1 of 2017 (reviewed by CPA)
	September 12 to December 31, 2013	2014	2015	2016	
Revenue	11,896,934	42,060,342	50,054,765	48,341,745	10,776,858
Gross profit	1,756,994	5,703,906	5,583,864	5,553,540	1,400,348
Operating income (loss)	(129,831)	(360,929)	296,470	683,344	230,254
Non-Operating Income and Expenses	774,675	1,411,752	1,717,633	2,377,593	381,118
Pre-Tax Income (loss)	644,844	1,050,823	2,014,103	3,060,937	611,372
Continuing department Net Income - current (Loss)	644,844	760,920	1,754,092	2,718,568	542,485
Loss from the discontinued department	0	0	0	0	0
Net Income - current (Loss)	570,796	760,920	1,754,092	2,718,568	542,485
Other current comprehensive income (net, after-tax)	171,708	782,609	(116,247)	(688,788)	(1,118,598)
Total current comprehensive income or loss	742,504	1,543,529	1,637,845	2,029,780	(576,113)
Net income attributable to: Parent company shareholders	571,287	761,086	1,754,092	2,718,568	542,485
Net income attributable to: Non-Controlling Interest	(491)	(166)	0	0	0
Total comprehensive income Attributable to parent company shareholders	742,995	1,543,695	1,637,845	2,029,780	542,485
Total comprehensive income Attributable to non-controlling shareholders	(491)	(166)	0	0	0
EPS	0.75	0.99	2.23	3.44	0.68

(IV) Condensed statements of comprehensive income – IFRSs (individual)

Unit: In thousands of New Taiwan Dollars

Item \ Year	Financial information for the past four fiscal years			
	September 12 to December 31, 2013	2014	2015	2016
Revenue	582,398	784,493	1,771,352	2,736,021
Gross profit	582,398	784,493	1,771,352	2,736,021
Operating income (loss)	570,793	757,113	1,743,184	2,702,751
Non-Operating Income and Expenses	494	9,495	19,581	19,038
Pre-Tax Income (loss)	571,287	766,608	1,762,765	2,721,789
Continuing department Net Income - current (Loss)	571,287	761,086	1,754,092	2,718,568
Loss from the discontinued department	0	0	0	0
Net Income - current (Loss)	571,287	761,086	1,754,092	2,718,568
Other current comprehensive income (net, after-tax)	171,708	782,609	(116,247)	(688,788)
Total current comprehensive income or loss	742,995	1,543,695	1,637,845	2,029,780
EPS	0.75	0.99	2.23	3.44

(V) Names of auditing CPAs and audit opinions for the past five fiscal years

Year	Name of CPA firm	Name of CPA	Auditing opinions
2013	Pricewaterhouse Coopers	Liu, Yin-Fei, Wen, Fang-Yu	Modified unqualified opinion
2014	Pricewaterhouse Coopers	Liu, Yin-Fei, Wen, Fang-Yu	Modified unqualified opinion
2015	Pricewaterhouse Coopers	Liu, Yin-Fei, Wen, Fang-Yu	Modified unqualified opinion
2016	Pricewaterhouse Coopers	Wen, Fang-Yu, Cheng, Ya-Huei	Unqualified opinion plus other matters section

II. Financial analyses for the past five fiscal years: The Company was established in share conversion method on September 12, 2013. Therefore, information prior to 2012 (inclusive) is not available.

(I) Financial analysis – IFRSs (consolidated)

Analysis items \ Year		Financial analyses for the past four fiscal years				Q1 of 2017 (reviewed by CPA)
		2013	2014	2015	2016	
Financial structure (%)	Debt to asset ratio	30.73	33.30	25.70	31.05	30.75
	Ratio of long-term funds to property, plant and equipment (see above)	599.60	629.06	625.61	583.30	539.80
Debt servicing capability (%)	Current ratio	175.11	167.00	199.36	171.64	169.82
	Quick ratio	122.96	118.03	139.50	124.95	113.64
	Interest Coverage ratio	91.35	24.80	63.83	178.24	83.00
Operating efficiency (Note)	A/R turnover rate (times)	6.68	5.93	7.32	6.13	5.24
	Average collection days	54.64	61.55	49.86	59.54	69.65
	Inventory turnover rate (times)	4.25	4.55	5.60	5.59	4.48
	Payable turnover ratio (times)	5.43	5.11	6.74	5.78	4.82
	Average days in sales	85.88	80.21	65.17	65.29	81.47
	Property, plant, and equipment turnover rate (times)	7.55	8.08	9.37	8.40	6.92
	Total assets turnover (time)	0.90	0.91	1.07	1.01	0.86
Profitability	Return on assets (%)	1.33	1.71	3.81	5.74	1.10
	Return on equity (%)	1.89	2.42	5.33	7.98	1.58
	Pre-tax income to paid-up capital (%)	8.47	13.65	25.89	37.52	7.47
	Net profit margin (%)	4.79	1.80	3.50	5.62	5.03
	Earnings per share (NT\$)	0.75	0.99	2.23	3.44	0.68
Cash flow	Cash flow ratio (%)	6.70	-	30.75	4.98	-
	Cash flow adequacy ratio (%)	566.41	48.93	136.43	82.50	62.86
	Cash reinvestment ratio (%)	2.32	-	7.13	-	-
Leverage ratios	Operating leverage ratios	-	-	22.40	9.21	7.33
	Financial leverage ratios	-	-	1.12	1.02	1.03

Root causes of changes in each financial ratio in the last two years (the changes under 20% are exempt from analyses).

1. The increase in debt to asset ratio was mainly caused by the increase in short-term borrowings and slight decrease in A/R turnover rate in 2016.
2. The increase in interest coverage ratio of debt servicing capacity and profitability was mainly caused by the increase in profits in 2016.
3. The decrease in cash flow ratio and cash flow adequacy ratio was mainly caused by the high ratio of Q4 revenues to 2016 revenues and the dramatic increase in trade receivables by the end of the term compared to the same term of the previous year, which caused the decrease in the net cash flow generated from operating activities in 2016.
4. The decrease in operating leverage ratio was mainly caused by the increase in the 2016 operating profits compared to the same term of the previous year.

Note: The operating capacity has been converted to capacity for the full year for comparison purposes.

(II) Financial analysis – IFRSs (individual)

Analysis \ Year		Financial analyses for the past four fiscal years			
		2013	2014	2015	2016
Financial structure (%)	Debt to asset ratio	0.01	0.03	0.61	3.23
	The ratio of long-term funds to property, plant and equipment (see above)	846,606.51	1,118,317.18	1,567,230.68	2,453,192.11
Debt servicing capability (%)	Current ratio	3,406.08	28,583.57	1,318.22	297.59
	Quick ratio	3,367.88	28,573.05	1,317.65	297.49
	Interest Coverage ratio	190,430.00	NA	NA	NA
Operating efficiency (Note)	A/R turnover rate (times)	NA	NA	NA	NA
	Average collection days	NA	NA	NA	NA
	Inventory turnover rate (times)	NA	NA	NA	NA
	Payable turnover ratio (times)	NA	NA	NA	NA
	Average days in sales	NA	NA	NA	NA
	Property, plant, and equipment turnover rate (times)	NA	NA	NA	NA
	Total assets turnover (time)	NA	NA	NA	NA
Profitability	Return on assets (%)	1.89	2.42	5.32	7.83
	Return on equity (%)	1.89	2.42	5.33	7.98
	Pre-tax income to paid-up capital (%)	7.50	9.96	22.66	33.37
	Net profit margin (%)	98.09	97.01	99.02	99.36
	EPS (\$)	0.75	0.99	2.23	3.44
Cash flow	Cash flow ratio (%)	-	29,704.76	26.44	72.56
	Cash flow adequacy ratio (%)	-	660.17	309.61	175.53
	Cash reinvestment ratio (%)	-	7.94	-	-
Leverage ratios	Operating leverage ratios	1.00	1.00	1.00	1.00
	Financial leverage ratios	1.00	1.00	1.00	1.00
Root causes of changes in each financial ratio in the last two years (the changes under 20% are exempt from analyses)					
1.The increase in debt to asset ratio and the decrease in current ratio and quick ratio were mainly caused by the increase in borrowing from stakeholders in 2016.					
2.The increase in the ratio of long-term funds to property, plant and equipment and profitability ratio were mainly caused by the increase in profits in 2016.					
3.The increase in cash flow ratio was mainly caused by the increase in cash dividends received in 2016.					
4.The decrease in cash flow adequacy ratio was mainly caused by the increase in cash dividend distributed in 2016.					

Note: The Company is an investment holding company, hence not applicable.

1. Financial structure

- (1) Debt to asset ratio = total liabilities / total assets
- (2) The ratio of long-term funds to property, plant and equipment = (total equities + non-current liabilities) / net amount of property, plant and equipment.

2. Debt servicing capability

- (1) Current ratio = current assets / current liabilities
- (2) Quick ratio = (current assets – inventory - prepayments) / current liabilities
- (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period

3. Operating capacity

- (1) Receivables turnover (including accounts receivable and notes receivable from business activities) = net sales / average receivables balance (including accounts receivable and notes receivable from business activities).
- (2) Average days of collection = 365 / Receivables turnover
- (3) Inventory turnover = Cost of goods sold / Average inventory amount
- (4) Payables turnover (including accounts payable and notes payable for business activities) = cost of sales / average payables balance (including accounts payable and notes payable for business activities).
- (5) Average days in sales = 365 / Inventory turnover
- (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment balance
- (7) Total assets turnover = Net sales / Average total assets

4. Profitability

- (1) Return on assets = [Net Income or Loss + Interest expense × (1 - tax rate)] / Average total assets
- (2) Return on equity = after tax net profit / average total equity
- (3) Net profit margin = after tax net profit / net sales
- (4) Earnings per share = (attributable to the shareholder's profit and loss of the parent company) - Preferred dividends) / Weighted average number of shares issued

5. Cash flow

- (1) Cash flow ratio = Cash flow from operating activities / current liabilities
- (2) Cash flow adequacy ratio = net cash flow from operating activities in the latest five years / (capital expenditure inventory + increase + cash dividends) in the latest five years.
- (3) Cash flow reinvestment ratio = (Cash flow from operating activities - Cash dividends) / (Property, Plant and Equipment + long term investments + Other non-current assets + working capital)

6. Degree of leverage

- (1) Degree of operating leverage = (net operating revenues - variable operating costs and expenses) / operating income
- (2) Degree of financial leverage = operating income / (operating income - interest expense)

III. Supervisors' audit report for the most recent year's financial statement: See P.116.

IV. The most recent year's financial statement: See from P.117 to P.215.

V. If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the publication date of this annual report, the annual report shall explain how said difficulties will affect the Company's financial situation: None.

Seven. A review and analysis of the Company's financial status and operating results, and risk management

I. Review and analysis of the Company's financial status

Unit: In thousands of New Taiwan Dollars

Item \ Year	2015.12.31	2016.12.31	Variation	
			Amount	%
Current assets	21,840,171	25,553,342	3,713,171	17%
Property, Plant and Equipment	5,467,908	6,030,530	562,622	10%
Intangible assets	119,005	96,980	(22,025)	-19%
Other assets	17,735,606	18,383,086	647,480	4%
Total assets	45,162,690	50,063,938	4,901,248	11%
Current liabilities	10,954,621	14,887,395	3,932,774	36%
Non-Current liabilities	653,660	660,130	6,470	1%
Total liabilities	11,608,281	15,547,525	3,939,244	34%
Share capital	7,778,113	8,156,048	377,935	5%
Additional paid-in capital	22,352,475	22,446,436	93,961	0.4%
Retained earnings	2,017,858	3,159,137	1,141,279	57%
Other equity	1,928,412	1,277,241	(651,171)	-34%
Treasury Stock	(522,449)	(522,449)	0	0%
Attributable to the shareholder's equity of the parent company	33,554,409	34,516,413	962,004	3%
Non-Controlling Interest	0	0	0	0%
Total equity	33,554,409	34,516,413	962,004	3%
The main reasons for any material change in the Company's assets, liabilities, or equity during the past two fiscal years:				
1. Current liabilities and total liabilities: Mainly caused by the increase in short-term borrowings and trade payables.				
2. Retained earnings: Mainly due to increase in current net income.				
3. Other equities: Mainly caused by the decrease in the exchange difference of the conversion of the financial statements of foreign operating institutions.				

II. Review and analysis of the Company's financial performance

Unit: In thousands of New Taiwan Dollars

Item \ Year	2015	2016	Variation	
			Amount	%
Operating Revenue	50,054,765	48,341,745	(1,713,020)	-3%
Gross profit	5,583,864	5,553,540	(30,324)	-1%
Operating income (loss)	296,470	683,344	386,874	130%
Non-Operating Income and Expenses	1,717,633	2,377,593	659,960	38%
Pre-Tax Income (loss)	2,014,103	3,060,937	1,046,834	52%
Income tax expense	(260,011)	(342,369)	(82,358)	32%
Net Income - current (Loss)	1,754,092	2,718,568	964,476	55%
Other current comprehensive income	(116,247)	(688,788)	(572,541)	493%
Total current comprehensive income or loss	1,637,845	2,029,780	391,935	24%

Item \ Year	Year	2015	2016	Variation	
				Amount	%
(I) The main reasons for any material change in operating revenues, operating income, and income before tax during the past two fiscal years:					
1. Operating income (loss) : Mainly caused by the effective control on the expenses of the current term that increased the profits.					
2. Pre-tax income (loss) and net income – current (loss) : Mainly caused by the effective control on the expenses of the current term, the increase in the income from affiliates and joint ventures under equity method, and the increase in the income from disposal of investments.					
3. Other comprehensive income – current (loss) : Mainly caused by the decrease in the exchange difference of the conversion of the financial statements of foreign operating institutions.					
(II) Expected sales volume and basis of estimate: The Company does not prepare financial forecasts, hence it is not applicable.					
(III) The possible effect upon the Company's financial operations as well as measures to be taken in response: No material effect.					

III. Cash flow review and analysis

Unit: In thousands of New Taiwan Dollars

Opening cash balance	Net cash flow from operating activities for the year (see above)	Annual cash Outflow	Cash surplus (deficit) amount	Financing of cash deficits	
				Investment plans	Finance plans
8,786,787	741,421	(3,298,360)	6,229,848	-	-

(I) Analysis of cash flow changes during this fiscal year

1. Operating activities: The increase in profits in this term caused the net cash inflow generated from operating activities.
2. Annual cash outflow: Mainly caused by building plants, purchasing equipment, and distributing cash dividends.

(II) Improvement plans for cash deficits: Not applicable.

(III) Cash liquidity analysis for the next fiscal year

Unit: In thousands of New Taiwan Dollars

Opening cash balance	Net cash flow from operating activities for the year (see above)	Annual cash outflow	Cash surplus (deficit) amount	Financing of cash deficits	
				Investment plans	Finance plans
7,634,310	3,396,065	(4,988,920)	6,041,455	-	-

1. Analysis of cash flow for the year:

- (1) Operating activities: The Company anticipates that the 2017 operating activities will be net cash inflow.
- (2) Annual cash outflow: The Company anticipates that it will be used for building plants, purchasing equipment, repaying loans, and distributing cash dividends.
2. Improvement plans for cash deficit: Not applicable.

IV. The effect upon financial operations of any major capital expenditures during the most recent fiscal year: None.

V. The Company's reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year:

- (I) The reinvestment policy for the most recent fiscal year: The reinvestments of the Group are long-term strategic planning for future business demands, hoping to increase

revenues and profits.

- (II) The main reasons for the profits/losses generated from reinvestments and the plan for improving re-investment profitability: Profits were mainly caused by the stable growth of business and proper control of costs. The loss was mainly caused by the reason that it is still on the stage of developing new products or the sales of products fell short of expectation. In addition, the Group will consider elements from all perspectives and make proper management policy for non-operating reinvestees or investees with poor performance to improve management performance and control investment losses.
- (III) Investment plans for the coming year: The Company will follow the operating strategy to execute the global investment plans.

VI. Risk management issues

(I) Organization structure for risk management

Responsible departments	Tasks and duties
Finance	Responsible for operational decision planning, assessment of medium/long-term investments, funding, treasury, hedging, reliability of financial reports, monitoring of performance and efficiency, and compliance matters relating to the above. The department's goals are to minimize financial, taxation and strategic risks.
Information Management	Responsible for the planning, establishment, maintenance, security and protection of the Company's information network, hardware, software and systems, as well as ongoing monitoring of network/system quality in order to minimize security risks of existing networks and systems.
Legal Affairs	Responsible for the management of legal risks, including compliance with government supervision and resolution of contractual disputes and litigation.
Human Resource	Responsible for the management of personnel risks and real estate property risks, and compliance with government regulations to ensure sustainability of the Company's operations and security of real estate properties.

- (II) The effect upon the Company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

1. The effect upon the Company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate in 2016 and as of March 31, 2017:

Item	2016		Unit: In thousands of New Taiwan Dollars Q1 of 2017 (reviewed by CPA) (Note 1)	
	Amount	As a percentage of Operating revenues %	Amount	As a percentage of Operating revenues %
Interest income (expense)	41,316	0.09	3,547	0.03
Exchange gains (losses) (including gains/losses on valuation of financial instruments)	12,541	0.03	(78,413)	(0.73)

Note 1: Up till the quarter before publication of the annual report.

Note 2: Inflation has no material impact on the Company's profits.

2. The response measures taken by the Company for interest and exchange rate fluctuations and changes in the inflation rate:
 - (1) The pricing, collection and payments for trade receivables and payables are mainly in USD along with one-basket currencies to reduce the effect of exchange rate fluctuation on the overall revenues.
 - (2) All derivative transactions the Company has currently undertaken are intended to hedge against foreign currency assets and liabilities shown on the balance sheet. As required by "Procedures for Derivatives Trading," the Company transacts financial instruments with banks and evaluates gains and losses on a regular basis to ensure that hedges remain effective in minimizing interest rate and exchange rate impacts on income.
 - (3) The Company maintains close interactions with banks and conducts regular assessments to secure the best borrowing rates, and therefore reduces impact of interest rate variations on income.
 - (4) The Company gathers regular information on exchange rate, interest rate, and the financial market. Meetings are held where appropriate to discuss the best course of action. In the occurrence of extreme market events, the executive management will be notified immediately for proper actions.
 - (5) In light of recent disasters caused by extreme weather conditions and rapid changes of interest rates and exchange rates around the world, it is increasingly important for businesses to source supplies that are stable and reasonably priced. To address this challenge, MiTAC has been monitoring changes in the market and making procurement plans in advance so that suppliers have ample time to find alternative materials or make advance purchases at their discretion. Since most of the supply chains are commonly affected by prolonged delivery, it has become apparent that the Company must devote greater attention to create demands, explore ways to reduce risks, manage uncertainties involving prolonged delivery and shortage of labor, relax inventory control and adjust cost control of non-production materials. Meanwhile, distributors shall carry additional inventory to avoid impact on earnings due to disruption of supply or volatile costs.
- (III) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:
 1. The Group does not engage in high-risk and highly leveraged investments.
 2. Loans to other companies are conducted in accordance with "Operational Procedures for Loaning of Company Funds to Others." As of December 31, 2016 and April 30, 2017, the balance of loans to other companies from the Company and subsidiaries are NT\$10,676,955,000 and NT\$11,238,700,000 respectively.
 3. The endorsements and guarantees for other companies are conducted in accordance with "Procedures for Endorsement and Guarantee." As of December 31, 2016 and April 30, 2017, the balance of endorsements and guarantees for other companies are NT\$1,499,913,000 and NT\$1,352,809,000 respectively.
 4. Derivatives transactions are conducted in accordance with "Procedures for Derivatives Trading."
- (IV) Research and development work to be carried out in the future, and further expenditures expected for research and development work:
 1. Further investment in research and development work in this (2017) year is about NT\$2.43 billion.
 2. Research and development work to be carried out in the future

(1) Cloud computing product series

- Development of cloud computing servers
- Optimized virtual server
- Development of high-performance GPU servers.
- Communication server
- Network switch
- Total system solutions
- Development of storage expansions and related technologies
- System protocols and integration of Thin Client computers & servers
- Development of All-In-One LCD PC technologies
- Point of Sales (POS) system: The technology integration and development of payment functions of Rear Point of Sales (RPOS) system and Mobile Point of Sales (MPOS) system.
- R&D of embedded industrial use main board for terminal application

(2) Mobile communication product series

- Cloud computing applications and technologies
- Integrated data capture, voice, and wireless broadband communication
- Global positioning system (GPS), electronic navigation technologies and mobile positioning services
- Compact portable electronic devices, technological development for green energy products
- Development of mobile healthcare hardware, software, products and services

(V) Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:
None.

(VI) Effect on the Company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response:

1. Since the European Union has not yet approved the extension application for RoHS exemption clause (which is scheduled to expired in July, 2016), products entering European market will be affected, which increases the risk management costs for the supply chain, before European Parliament makes official announcement of their resolution. In response to this change, MiTAC collaborates with supply chain to develop replaceable high-melting fusible alloy as well as requests upstream supply chain, through the supply chain management, to apply for exemption extension and to develop replacements without exemption clause, hoping that the products can meet the demands of EU RoHS exemption clause within the best cost and operation model.
2. The increase in wages in China and the backflow of manufacturing in the United States will have impact on the global planning and investment strategy. The best response to this change would be to introduce automated production lines. In addition, MiTAC will try to incorporate the concept of manufacturing 4.0 and enhance supply chain management with an intelligent system. By integrating automated machinery with the production system, the Company would be able to produce broad variety of products in small quantities at a faster rate.
3. Since cloud service requires many medium and large data centers, the industrial trend, as mentioned in the previous chapter, is to skip the brands or to integrate factories and directly set specifications and search for manufacturers. In other words, we see ODM Direct as the business model of the future, one that requires intensive investments in total system solutions. One of the Company's most important problems in the future would be to integrate existing technologies for faster product launch.

- (VII) Effect on the Company's crisis management of changes in the Company's corporate image, and measures to be taken in response: None.
- (VIII) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken: None.
- (IX) Expected benefits and possible risks associated with any plant expansion and mitigation measures being or to be taken: None.
- (X) Risks associated with any consolidation of purchasing or sales operations, and mitigation measures being or to be taken:
- Purchasing: Main raw material procurement policy is based on the principle of maintaining two suppliers or more and distribution of purchasing and establishing safe stock with major suppliers and instantly updating changes in demand to maintain a long-term and close collaboration relationship and to ensure the sources of all materials.
- Sales: MiTAC's strong R&D and manufacturing capability has enabled it to maintain long-term relationship with existing customers while at the same time explore new customers to diversify revenue sources. There should not be any concentration in sales that would impact the Company's growth.
- (XI) Effect upon and risk to the Company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the Company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken:
- The Company is constantly aware of the identity of its controlling shareholders, and the name of the ultimate controller of its major shareholders. Shareholdings of directors, supervisors and major shareholders with more than 10% ownership interest are reported regularly in accordance with the Securities and Exchange Act.
- (XII) Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: None.
- (XIII) Litigation and non-contentious matters:
- In the most recent fiscal year up till the publication date of this annual report, there had been no litigations, non-contentious cases, or administrative litigations involving the Company, the Company's director, supervisor, President, person-in-charge, any shareholder with more than 10% ownership interest, or any subsidiary of the Company that would have significant impact on shareholders' equity or securities prices, as described in Subparagraph 12, Paragraph 6, Article 20 of "Regulations Governing Information to be Published in Annual Reports of Public Companies."
- (XIV) Other important risks, and mitigation measures being or to be taken:
1. Suppliers' profit-oriented strategy: Integration continues to be conducted in IT industry and further strategic alliance mode is adopted in the hope for finding the niche of the industry chain. The rise of Chinese suppliers coupled with rising wages in China, volatile commodity prices, and shift of focus towards hand-held devices and cloud applications all pose additional pressure to material costs and stability of supply. In response to this threat, MiTAC will discuss with its suppliers regularly on the choice and supply of materials and changes in the market, and adjust its procurement strategies accordingly.
 2. The sound finance of suppliers is the major issue. The Company investigates and analyzes financial reports for existing suppliers on a regular basis.

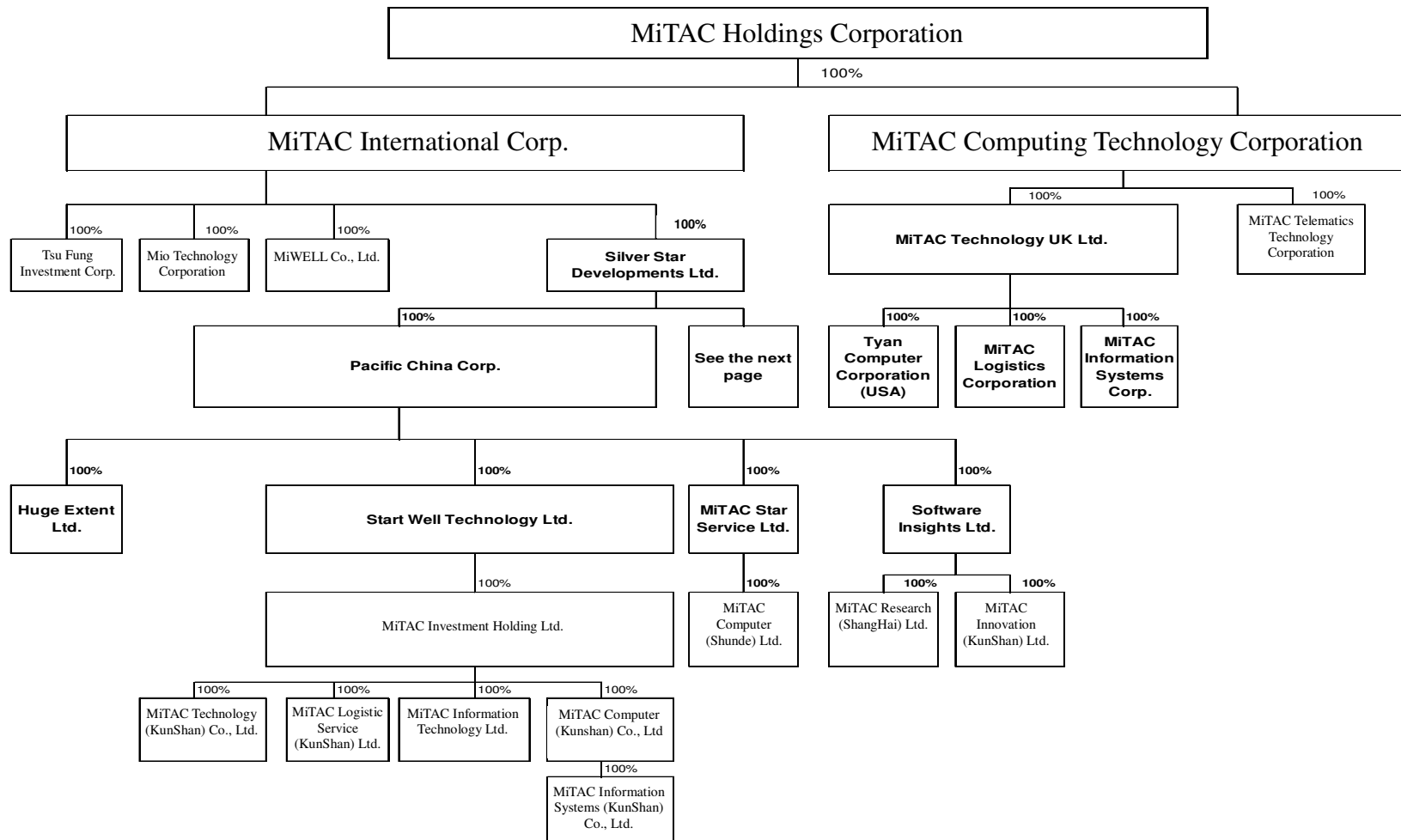
VII. Other important matters: None.

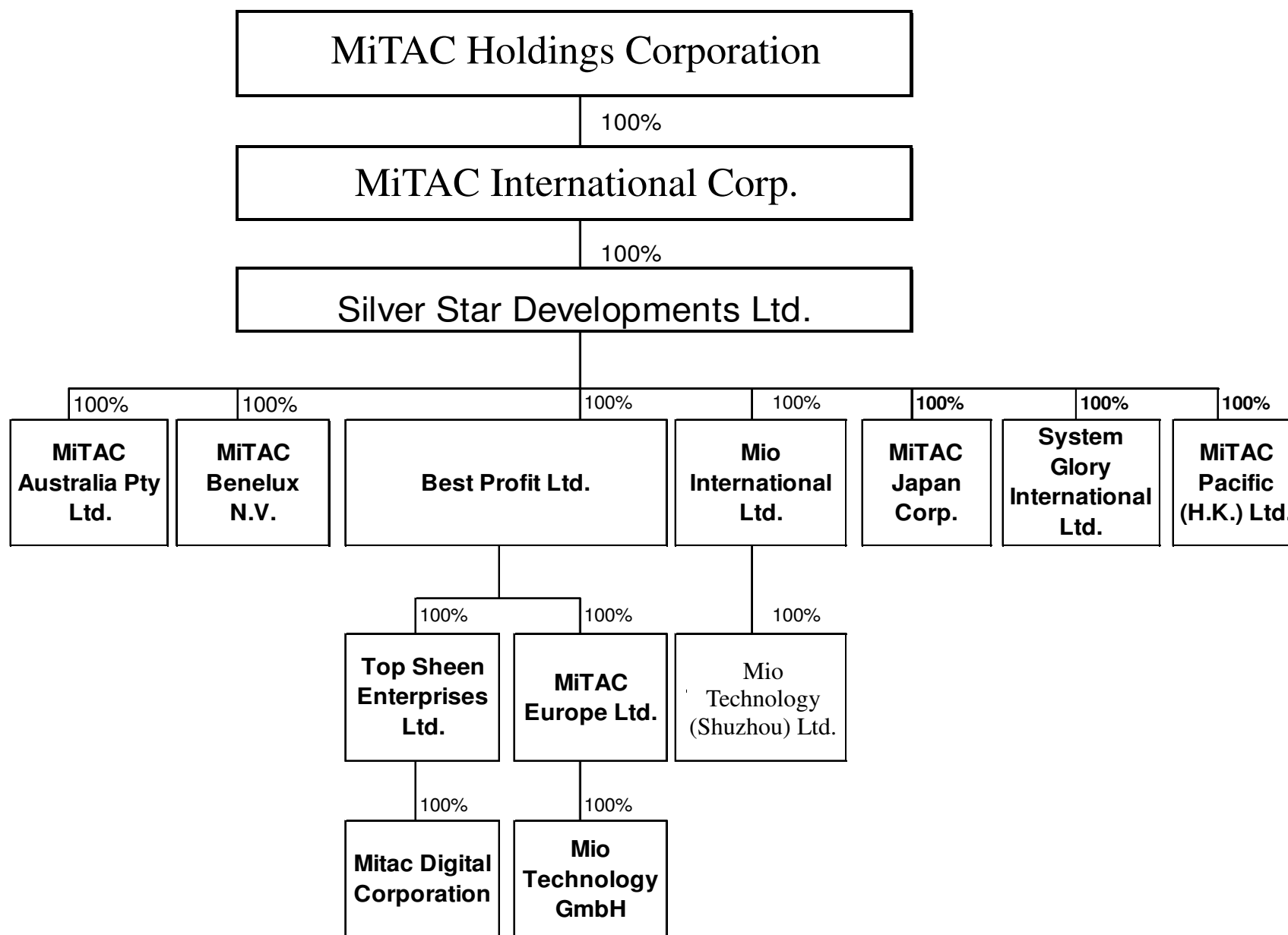
Eight. Important Notice

I. Information on affiliates

(I) The consolidated business reports of affiliates

1. Organizational Chart of Affiliates





2. Basic information of each affiliate

Currency: NTD 1,000

Name of corporation	Date of incorporation	Address	Paid-in capital (Note 1)	Principal business or running items
MiTAC International Corp.	Dec. 08, 1982	No.1, Yan-Fa 2nd Rd., Hsinchu Science Park, Hsinchu City, Taiwan, R.O.C.	NT\$15,037,448	The development, design, manufacturing, and sales of computers and peripherals, communications and related products.
MiTAC Computing Technology Corporation	Jul. 25, 2014	3F, No.1, Yan-Fa 2nd Rd., Hsinchu Science Park, Hsinchu City, Taiwan, R.O.C.	NT\$2,327,571	The development, design, manufacturing, and sales of computers and peripherals, communications and related products.
Tsu Fung Investment Corp.	Feb. 16, 1998	10F, No. 77, Sec. 3, MinSheng E. Rd., Taipei City, Taiwan, R.O.C.	NT\$1,285,847	General Investment
Silver Star Developments Ltd.	Jun. 05, 1990	P.O. Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	US\$215,495	General Investment
MiTAC Japan Corp.	Apr. 30, 1983	Yasuda Shibaura-building No2 3F, Kaigan 3-2-12, Minato-ku, Tokyo, Japan 108-0022	YEN\$ 50,000	Sales of communication, computer peripherals, software and hardware and post-delivery maintenance and repair service
MiTAC Benelux N.V.	Sep. 13, 1993	Z5 Mollem 318 - 1730 Asse (Mollem), Belgium	EUR\$ 1,618	Sales of communication products and related post-delivery service
MiTAC Pacific (H.K.) Ltd.	Jun. 13, 1991	Level 12 28 Hennessy Road, Wanchai Hong Kong	US\$10	Import and export service
Pacific China Corp.	Dec. 27, 1996	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	US\$120,924	General Investment
MiTAC Computer (Shunde) Ltd.	Jan. 18, 1993	No. 1, Shunda Road, Lunjiao Street, ShunDe District, Foshan City, Guangdong Province, China	CNY\$ 549,593	Production of mainframe, motherboard, interface cards, displays, power supply, keyboards and related metal/plastic parts, and motherboard repair services.
System Glory International Ltd.	Oct. 25, 1995	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	US\$0	General Investment
Mio Technology Corp.	Jan. 17, 2000	9F, No. 77, Sec. 3, Minsheng E. Rd., Chungshan Dist. Taipei City, Taiwan, R.O.C.	NT\$2,500	Sales of communication products and related post-delivery service
Start Well Technology Ltd.	Apr. 20, 2000	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	US\$29,900	General Investment
MiTAC Computer (Kunshan) Co., Ltd	Nov. 01, 2000	No.269, 2nd Road, Export Processing Zone, Changjiang South Road, Kunshan, Jiangsu, P.R.C	CNY\$ 510,505	Production of products relating to communication, computers, peripherals, software and hardware; sale of proprietary products.
Software Insights Ltd.	Jul. 18, 2000	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	US\$5,200	General Investment
MiTAC Star Service Ltd.	Jan. 12, 2001	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	US\$74,500	General Investment
MiTAC Technology (KunShan) Co., Ltd.	Jan. 28, 2002	No. 269, 2nd Road, Export Processing Zone, Changjiang South Road, Kunshan, Jiangsu, P.R.C	CNY\$ 8,277	Testing, maintenance, and technical consultation and after-sale service of computer parts and related products.
Mio International Ltd.	Feb. 06, 2004	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	US\$1,275	Sales of communication related products
MiTAC Research (ShangHaI)Ltd.	Nov. 23, 2004	No. 213, Jiangchang San Rd., Zhabei Dist., Shanghai	CNY\$ 43,040	Research, development and technical consultation services
Huge Extent Ltd.	Jun. 22, 2006	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	US\$8,000	General Investment
MiTAC Australia Pty Ltd.	Mar. 06, 2007	Suite 2, 408 Victoria Rd, Gladesville NSW 2111 Australia	AUD\$ 127	Sales of communication products and related post-delivery service
MiTAC Europe Ltd.	May 10, 2001	Spectrum House, Beehive Ring Road, London Gatwick Airport, RH6 0LG, UNITED KINGDOM	EUR\$ 6,665	Sales of communication products and related post-delivery service

Name of corporation	Date of incorporation	Address	Paid-in capital (Note 1)	Principal business or running items
Tyan Computer Corporation - USA	Jul. 17, 1989	3288 Laurelview Ct., Fremont, CA 94538 U.S.A.	US\$3,950	Sales of computer peripherals, software and hardware and related products
Mio Technology GmbH	Dec. 03, 1998	Einsteinstr. 14 85716 Unterschleißheim Germany	EUR\$ 26	Sales of communication products and related post-delivery service
Top Sheen Enterprises Ltd.	Jan. 23, 2003	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	US\$20,440	General Investment
Best Profit Ltd.	Jan. 03, 2007	Scotia Centre, 4th Floor., P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands	US\$37,131	General Investment
MiTAC Logistics Corporation	Apr. 17, 2007	3288 Laurelview Ct., Fremont, CA 94538 U.S.A.	US\$2,850	Sales of computer peripherals, software and hardware and related products
Mio Technology (Suzhou) Ltd.	Dec. 04, 2003	No. 300, Di Yi Da Dao, Kunshan Development Zone, Jiangsu Province	CNY\$ 1,960	Sales of communication products and related post-delivery service
MiTAC Logistic Service (KunShan) Ltd.	Mar. 17, 2008	No. 269, Di-er Da Dao, Kunshan Export Processing Zone	CNY\$ 6,821	Shipping agent, import/export, and warehouse service.
MiTAC Digital Corporation	Nov. 21, 2008	471 El Camino Real, Santa Clara, CA 95050 USA	US\$45,000	Sales of communication products and related post-delivery service
MiTAC Information Technology Ltd.	Nov. 19, 2009	No. 300, Di Yi Da Dao, Kunshan Development Zone, Jiangsu Province	CNY \$2,048	After-sale maintenance, testing, consultation and technical services relating to computers, communication devices, and consumer electronics; operation of a customer service center; professional data processing, analysis and integrated services, and ERP services
MiTAC Information Systems Corp.	Jul. 08, 2010	39889 Eureka Drive Newark, CA 94560	US\$25,000	Assembly, sales of computer peripherals, software and hardware and related products
MiTAC Innovation (KunShan) Ltd.	Jan. 21, 2011	No. 300, Di Yi Da Dao, Kunshan Development Zone, Jiangsu Province	CNY\$ 6,571	Research, development and technical consultation services
MiWELL Co., Ltd.	Sep. 21, 2011	1F, No. 40, Wenhua 2nd Road, Guishan District, Taoyuan City, Taiwan, R.O.C.	NT\$1,667	Information software services, retailing
MiTAC Telematics Technology Corporation	Jul. 24, 2014	No. 211, Jiangchang San Road, Zhabei District, Shanghai	CNY\$ 2,000	Sale of proprietary products and provision of after-sale services
MiTAC Technology UK Ltd.	Aug. 01, 2014	Spectrum House, Beehive Ring Road, London Gatwick Airport, GATWICK, WEST SUSSEX, RH6 0LG, ENGLAND.	US\$62,910	General Investment
MiTAC Information Systems (KunShan) Co., Ltd..	Sep. 17, 2015	No. 33, Jiefang Road, Kunshan Development Zone	CNY\$ 12,861	Production of products relating to communication, computers, peripherals, software and hardware; sale of proprietary products.
MiTAC Investment Co., Ltd.	Nov. 06, 2015	Kunshan Export Processing Zone Building, Jiangsu Province (No. 300, 1st Avenue, Kunshan Development Zone)	CNY\$ 469,292	General Investment

Note 1: Please refer to Note 3 of the operation summary of each affiliate for the exchange rate on the date of the financial statement. (P. 113)

3. Information of the same shareholders assumed to have control or affiliation relationship:
None
4. Businesses covered by the operation of affiliates and the connections among these businesses:

Industry	Name of affiliates	Connection with other affiliates in business operation
Manufacturing and sales of PC and communication products	MiTAC International Corp.	Manufacturing and sale of products, and provision of after-sale services
	MiTAC Computer (Kunshan) Co., Ltd.	Manufacturing and sale of products
	MiTAC Computer (Shunde) Ltd.	Manufacturing and sale of products
	MiTAC Computing Technology Corporation	Manufacturing and sale of products, and provision of after-sale services
	MiTAC Information Systems (KunShan) Co., Ltd.	Manufacturing and sale of products
General Investment	Silver Star Developments Ltd.	Investment in overseas subsidiaries for the manufacturing and sales of products and provision of after-sale services
	System Glory International Ltd.	General Investment
	Pacific China Corp.	Investment in overseas subsidiaries for the manufacturing and sales of products and provision of after-sale services
	Software Insights Ltd.	Investment in overseas subsidiaries for product research and development, and provision of technical consultation services
	Start Well Technology Ltd.	Investment in overseas subsidiaries for the manufacturing and sales of products and provision of after-sale services
	MiTAC Star Service Ltd.	Investment in overseas subsidiaries for the manufacturing and sales of products
	Huge Extent Ltd.	General Investment
	Top Sheen Enterprises Ltd.	Investment in overseas subsidiaries for the sales of products and provision of after-sale services
	Best Profit Ltd.	Investment in overseas subsidiaries for the sales of products and provision of after-sale services
	Tsu Fung Investment Corp.	General Investment
	MiTAC Technology UK Ltd.	Investment in overseas subsidiaries for the sales of products and provision of after-sale services
	MiTAC Investment Holding Ltd.	General Investment
Technical Service	MiTAC Research (Shanghai)Ltd.	Research, development and technical consultation services
	MiTAC Technology (KunShan) Co., Ltd.	After-sale product maintenance and repair, and provision of technical consultation services
	Mitac Information Technology Ltd.	After-sale product maintenance and repair, and provision of technical consultation services
	MiTAC Innovation (KunShan) Ltd.	Research, development and technical consultation services
	MiWELL Co., Ltd.	Information software services, retailing
	MiTAC Telematics Technology Corporation	Sale of proprietary products and provision of after-sale services
Trading	Mio Technology Corp.	Sale of products and provision of after-sale services
	MiTAC Japan Corp.	Sale of products and provision of after-sale services
	MiTAC Benelux N.V.	Sale of products and provision of after-sale services
	Mio International Ltd.	Sale of products
	Mio Technology (Suzhou) Ltd.	Sale of products and provision of after-sale services
	MiTAC Australia Pty Ltd.	Sale of products and provision of after-sale services
	MiTAC Europe Ltd.	Sale of products and provision of after-sale services
	Tyan Computer Corporation - USA	Sale of products and provision of after-sale services
	Mio Technology GmbH	Sale of products and provision of after-sale services
	MiTAC Logistics Corporation	Sale of products and provision of after-sale services
	MiTAC Digital Corporation	Sale of products and provision of after-sale services
Trading and assembly	MiTAC Information Systems Corp.	Assembly and sale of products, and provision of after-sale services
Shipping agency and import/export trading	MiTAC Logistic Service (KunShan) Ltd.	Shipping agent, import/export, and warehouse service.
	MiTAC (H.K.) Ltd.	Import and export service

5. Information of directors, supervisors, and presidents of affiliates

Name of Corporation	Title	Name or representative	Shareholding	
			Shares held	Shareholding percentage
MiTAC International Corp.	Chairman	MiTAC Holdings Corporation /Rep: Miao, Matthew Feng Chiang	1,503,744,801	100%
	Director/President	MiTAC Holdings Corporation/Rep: Ho, Jhi-Wu	1,503,744,801	100%
	Director	MiTAC Holdings Corporation/Rep: Michael Lin	1,503,744,801	100%
	Director	MiTAC Holdings Corporation/Rep: Steve Chang	1,503,744,801	100%
	Supervisor	MiTAC Holdings Corporation/Rep: Ching, Hu-Shih	1,503,744,801	100%
MiTAC Computing Technology Corporation	Chairman	MiTAC Holdings Corporation/Rep: Ho, Jhi-Wu	232,757,102	100%
	Director	MiTAC Holdings Corporation /Rep: Miao, Matthew Feng Chiang	232,757,102	100%
	Director/President	MiTAC Holdings Corporation/Rep: Michael Lin	232,757,102	100%
	Supervisor	MiTAC Holdings Corporation/Rep: Crystal Yang	232,757,102	100%
Tsu Fung Investment Corp.	Chairman	MiTAC International Corp./Rep: Ho, Jhi-Wu	128,584,651	100%
	Director	MiTAC International Corp./Rep: Crystal Yang	128,584,651	100%
	Director	MiTAC International Corp./Rep: Chung, Shu-Ling	128,584,651	100%
	Supervisor	MiTAC International Corp./Rep: Huang, Hsiu-Ling	128,584,651	100%
Silver Star Developments Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
	Director	Yuan Chi-Ying	0	0%
MiTAC Japan Corp.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
	Director/ President	Toshihiko Hara	0	0%
	Supervisor	Hsiu-Ling Huang	0	0%
MiTAC Benelux N.V.	Director	Ho Jhi-Wu	0	0%
	Director	Chang Le-Chun	0	0%
	Director	Yang Hsiang-Yun	0	0%
MiTAC Pacific (H.K.) Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
System Glory International Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
	Director	Yuan Chi-Ying	0	0%
Pacific China Corp.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
	Director	Yuan Chi-Ying	0	0%
MiTAC Star Service Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
	Director	Yuan Chi-Ying	0	0%
Software Insights Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
	Director	Yuan Chi-Ying	0	0%
MiTAC Computer (Kunshan) Co., Ltd.	Chairman	Start Well Technology Ltd./Rep: Percy Chen	N/A	100%
	Director	Start Well Technology Ltd./Rep: Steve Chang	N/A	100%
	Director/President	Start Well Technology Ltd./Rep: Wu, Shun-Huang	N/A	100%
	Supervisor	Huang, Hsiu-Ling	N/A	0%
MiTAC Computer (Shunde) Ltd.	Chairman	MiTAC Star Service Ltd./Rep: Michael Lin	N/A	100%
	Vice chairman	MiTAC Star Service Ltd./Rep: J.J. Huang	N/A	100%
	Director/President	MiTAC Star Service Ltd./Rep: Chen, Chien-Hung	N/A	100%
	Supervisor	Huang, Hsiu-Ling	N/A	0%
MiTAC Research (ShangHa) Ltd.	Chairman	Software Insights Ltd./Rep: Ho, Jhi-Wu	N/A	100%
	Director/President	Software Insights Ltd./Rep: Yeh, Nai-Yuan	N/A	100%
	Director	Software Insights Ltd./Rep: Crystal Yang	N/A	100%
Mio Technology Corp.	Chairman	MiTAC International Corp./Rep: Ho, Jhi-Wu	250,000	100%
	Director/President	MiTAC International Corp./Rep: Steve Chang	250,000	100%
	Director	MiTAC International Corp./Rep: Li, Hui-Ling	250,000	100%
	Supervisor	MiTAC International Corp./Rep: Huang, Hsiu-Ling	250,000	100%
Start Well Technology Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
	Director	Yuan Chi-Ying	0	0%
MiTAC Technology (KunShan) Co., Ltd.	Chairman	Start Well Technology Ltd./Rep: Ho, Jhi-Wu	N/A	100%
	Director	Start Well Technology Ltd./Rep: Steve Chang	N/A	100%
	Director/President	Start Well Technology Ltd./Rep: Percy Chen	N/A	100%
	Supervisor	Huang, Hsiu-Ling	N/A	0%
Mio International Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
	Director	Yuan Chi-Ying	0	0%
Huge Extent Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
	Director	Yuan Chi-Ying	0	0%

Name of Corporation	Title	Name or representative	Shareholding	
			Shares held	Shareholding percentage
MiTAC Australia Pty Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
	Director	Wendy Hammond	0	0%
MiTAC Europe Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Chang Le-Chun	0	0%
	Director	Yang Hsiang-Yun	0	0%
Mio Technology (Suzhou) Ltd.	Chairman	Mio International Ltd./Rep: Ho, Jhi-Wu	N/A	100%
	Director	Mio International Ltd./Rep: Percy Chen	N/A	100%
	Director	Mio International Ltd./Rep: Steve Chang	N/A	100%
	Supervisor	Huang, Hsiu-Ling	N/A	0%
	President	Yeh, Nai-Yuan	N/A	0%
Tyan Computer Corporation - USA	Director	Ho Jhi-Wu	0	0%
	Director	Robert Chen	0	0%
Mio Technology GmbH	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
Top Sheen Enterprises Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
	Director	Yuan Chi-Ying	0	0%
Best Profit Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
	Director	Yuan Chi-Ying	0	0%
MiTAC Logistics Corporation	Director	Ho Jhi-Wu	0	0%
	Director	Yuan Chi-Ying	0	0%
	Director/President	Robert Chen	0	0%
MiTAC Logistic Service (KunShan) Ltd.	Chairman	Start Well Technology Ltd./Rep: Ho, Jhi-Wu	N/A	100%
	Director	Start Well Technology Ltd./Rep: Percy Chen	N/A	100%
	Director	Start Well Technology Ltd./Rep: Steve Chang	N/A	100%
	Supervisor	Huang, Hsiu-Ling	N/A	0%
	President	Wu, Shun-Huang	N/A	0%
MiTAC Digital Corporation	Director	Ho Jhi-Wu	0	0%
	Director/President	Chang Le-Chun	0	0%
	Director	Yang Hsiang-Yun	0	0%
Mitac Information Technology Ltd.	Chairman	Start Well Technology Ltd./Rep: Ho, Jhi-Wu	N/A	100%
	Director/President	Start Well Technology Ltd./Rep: Percy Chen	N/A	100%
	Director	Start Well Technology Ltd./Rep: Steve Chang	N/A	100%
	Supervisor	Huang, Hsiu-Ling	N/A	0%
MiTAC Information Systems Corp.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
	Director	Robert Chen	0	0%
	Director/President	Charlotte C.Y. Chou	0	0%
MiTAC Innovation (KunShan) Ltd.	Chairman	Software Insights Ltd./Rep: Ho, Jhi-Wu	N/A	100%
	Director/President	Software Insights Ltd./Rep: Yeh, Nai-Yuan	N/A	100%
	Director	Software Insights Ltd./Rep: Michael Lin	N/A	100%
	Supervisor	Crystal Yang	N/A	0%
MiWELL Co., Ltd.	Chairman	MiTAC International Corp./ Rep: Ho, Jhi-Wu	166,667	100%
	Director	MiTAC International Corp./ Rep: Steve Chang	166,667	100%
	Director	MiTAC International Corp./ Rep: Kuo, Min-Jen	166,667	100%
	Supervisor	MiTAC International Corp./ Rep: Chris Yen	166,667	100%
MiTAC Telematics Technology Corporation	Chairman/President	MiTAC Computer (KunShan) Co., Ltd./Rep: Michael Lin	N/A	100%
	Director	MiTAC Computer (KunShan) Co., Ltd./Rep: Yeh, Nai-Yuan	N/A	100%
	Director	MiTAC Computer (KunShan) Co., Ltd./Rep: Ho, Jhi-Wu	N/A	100%
	Supervisor	Huang, Hsiu-Ling	N/A	0%
MiTAC Technology UK Ltd.	Director	MiTAC Computing Technology Corporation/Rep: Ho, Jhi-Wu	62,909,737	100%
	Director	MiTAC Computing Technology Corporation/Rep: Michael Lin	62,909,737	100%
	Director	MiTAC Computing Technology Corporation/Rep: Crystal Yang	62,909,737	100%
MiTAC Information Systems (KunShan) Co., Ltd.	Chairman	MiTAC Computer (KunShan) Co., Ltd./Rep: Percy Chen	N/A	100%
	Director	MiTAC Computer (KunShan) Co., Ltd./Rep: Steve Chang	N/A	100%
	Director/President	MiTAC Computer (KunShan) Co., Ltd./Rep: Wu, Shun-Huang	N/A	100%
	Supervisor	Huang, Hsiu-Ling	N/A	0%
MiTAC Investment Holding Ltd.	Chairman/President	Start Well Technology Ltd./Rep: Percy Chen	N/A	100%
	Director	Start Well Technology Ltd./Rep: Ho, Jhi-Wu	N/A	100%
	Director	Start Well Technology Ltd./Rep: Yeh, Nai-Yuan	N/A	100%
	Director	Start Well Technology Ltd./Rep: Wu, Shun-Huang	N/A	100%
	Supervisor	Huang, Hsiu-Ling	N/A	0%

6. Operation summary of affiliates

Unit: In thousands of New Taiwan Dollars

Enterprise name	Capital	Total assets	Total liabilities	Net worth	Revenue	Operating income (loss)	Earnings in current period (after tax)	EPS (NT\$)(after-tax)
MiTAC Holdings Corporation	8,156,048	35,669,697	1,153,284	34,516,413	2,736,021	2,702,751	2,718,568	3.44
MiTAC International Corp.	15,037,448	33,816,858	5,607,115	28,209,743	4,627,787	(462,978)	1,977,655	1.32
Tsu Fung Investment Corporation	1,285,847	1,715,218	410	1,714,808	61,737	31,926	32,035	0.25
Silver Star Developments Ltd.-Consolidated	6,949,727	24,020,577	5,924,584	18,095,993	19,509,528	89,880	1,455,222	6.75
MiTAC Japan Corporation	13,780	56,984	24,506	32,478	110,108	5,775	4,501	4,501.00
MiTAC Benelux N.V.	54,857	152,425	99,983	52,442	253	(4,151)	(2,026)	(31.05)
MiTAC Pacific (H.K.) Ltd.	323	30,981	27,229	3,752	0	(310)	1	0.10
Pacific China Corp.	3,899,795	4,006,106	0	4,006,106	0	0	16,602	0.14
MiTAC Computer (Shunde) Ltd.	2,537,469	6,204,010	3,170,651	3,033,359	12,607,694	167,593	191,871	NA
System Glory International Ltd.	0	136,388	30,713	105,675	0	0	3,462	3,462,000.00
Mio Technology Corp.	2,500	3,803	31	3,772	0	(76)	(30)	(0.12)
Start Well Technology Ltd.	964,275	3,106,589	997,514	2,109,075	0	0	(6,815)	(0.23)
MiTAC Computer (Kunshan) Co., Ltd	2,357,001	4,016,831	1,129,926	2,886,905	3,704,155	7,140	46,151	NA
Software Insights Ltd.	167,703	173,711	32,250	141,461	0	0	0	0.00
MiTAC Star Service Ltd.	2,402,625	2,420,878	0	2,420,878	0	0	490	0.01
MiTAC Technology (KunShan) Co., Ltd.	38,215	67,584	24,806	42,778	55,113	(11,657)	(7,687)	NA
Mio International Ltd.	41,119	2,155,171	2,097,429	57,742	2,837,174	0	0	0.00
MiTAC Research (ShangHai)Ltd.	198,716	501,995	65,466	436,529	211,206	8,629	29,091	NA
Huge Extent Ltd.	258,000	258,000	0	258,000	0	0	0	0.00
MiTAC Australia Pty Ltd.	2,957	224,485	306,156	(81,671)	529,214	31,030	21,480	169.13
MiTAC Europe Ltd.	225,944	181,347	562,946	(381,599)	781,723	(37,500)	(39,685)	(1.76)
Tyan Computer Corporation-USA	127,398	785,151	138,111	647,040	914,626	12,408	9,145	9,145.00
Mio Technology GmbH	881	7,556	9	7,547	0	(268)	(231)	NA
Top Sheen Enterprises Ltd.	659,176	1,451,250	806,250	645,000	0	0	0	0.00
Best Profit Ltd.	1,197,482	1,839,915	842,580	997,335	0	0	345	0.01
MiTAC Logistics Corporation	91,913	885,721	645,190	240,531	2,061,566	34,181	23,089	230.89
Mio Technology (Suzhou) Ltd.	9,049	246,733	232,532	14,201	508,131	4,619	5,605	NA
MiTAC Logistic Service (KunShan) Ltd.	31,491	35,073	614	34,459	2,195	(149)	867	NA
MiTAC Digital Corporation	1,451,250	496,075	1,247,471	(751,396)	972,107	(83,946)	(92,463)	(2.05)
Mitac Information Technology Ltd.	9,458	200,633	124,673	75,960	318,925	13,402	15,307	NA
MiTAC Information Systems Corp.	806,250	11,057,541	9,811,677	1,245,864	28,425,833	(111,712)	(116,248)	(38,749.33)
MiTAC Innovation (KunShan) Ltd.	30,336	83,786	21,172	62,614	71,412	2,852	6,164	NA
MiWELL Co., Ltd.	1,667	684	50	634	193	39	40	0.24
MiTAC Computing Technology Corporation	2,327,571	16,049,856	11,650,856	4,399,000	27,667,565	1,106,291	776,783	3.34
MiTAC Telematics Technology Corporation	9,234	9,583	6,361	3,222	46,497	471	1,073	NA
MiTAC Technology UK Ltd.	2,028,839	2,062,867	0	2,062,867	0	0	(154,609)	(2.46)
MiTAC Information Systems (KunShan) Co., Ltd.	59,378	59,154	1,233	57,921	0	(2,015)	(1,530)	NA
MiTAC Investment Holding Ltd.	2,166,722	3,042,449	(8)	3,042,457	0	(752)	64,313	NA

Note 1: Related figures of the subsidiaries incorporated in foreign countries shall be denominated in NTD at the exchange rate between NTD and respective foreign currencies as of the day of reporting.

Note 2: The information on Silver Star Developments Ltd.-Consolidated is the consolidated information of this company and its subsidiaries.

Note 3: Based on the exchange rate of 2016

	Year-end	Average
USD:	32.250	32.263
EUR:	33.900	35.699
JPY:	0.276	0.297
RMB:	4.617	4.849
AUD:	23.285	23.989

(II) Consolidated financial statements of affiliates

Mitac Holdings Corporation

Declaration of Consolidated Financial Statements of Affiliates

The companies that shall be included in the preparation of consolidated financial statements of affiliates of the Company in 2016 (from January 1, 2016 to December 31, 2016) in accordance with “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are consistent with the companies that shall be included in the preparation of consolidated financial statements of parent company and subsidiaries in accordance with IFRS No. 10. In addition, relevant information of consolidated financial statements of affiliates that shall be disclosed has been disclosed in the aforementioned consolidated financial statements of parent company and subsidiaries, the Company, thus, is not required to prepare separate consolidated financial statements of affiliates.

Hereby declared

Company name: MiTAC Holdings Corporation

Representative: Miao, Matthew Feng Chiang

2017.03.29

(III) Affiliation report: None.

II. Private placement of securities during the most recent fiscal year up to the publication date of this annual report: None.

III. Holding or disposal of shares in the Company by the Company's subsidiaries during the most recent fiscal year or during the recent fiscal year up to the publication date of this annual report:

Unit: In thousands of New Taiwan Dollars; share %

Name of subsidiaries	Paid-in capital	Fund source	Shareholding ratio of the Company	Acquisition or disposal Date	Number of shares acquired and amount	Number of shares disposed and amount	Investment Income (loss)	Number of shares and amount holding as of the publication date of this annual report	Creation of pledge	Endorsement and guarantee amount by the Company for subsidiaries	Loan amount to subsidiaries from the Company
Silver Star Developments Ltd.	US\$215,495,000	Own funds and borrowings	100%	In 2016 up until the publication date of this annual report in 2017	55,015 shares (Note)	-	-	1,436,959 shares \$77,002	None	-	-
Tsu Fung Investment Corporation	\$1,285,847	Own funds and borrowings	100%	In 2016 up until the publication date of this annual report in 2017	405,402 shares (Note)	-	-	10,588,686 shares \$276,085	None	-	-

Note: Capitalization of earnings of the Company

IV. Other matters that require additional description: None.

V. Any of the situations listed in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the Company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the publication date of this annual report: None.

MiTAC Holdings Corporation

Supervisor's Review Report

2016 financial statements (January 1, 2016 to December 31, 2016) of MiTAC Holdings Corp. are prepared by the board of directors and audited by Wen Fang-Yu and Cheng Ya-Huei, CPAs, PricewaterhouseCoopers (PwC), Taiwan. These financial statements, along with 2016 business reports and earnings distribution plan, have been reviewed by supervisors ourselves and these reports and statements are indeed compliance with the related laws and regulations. Per Article 219, the Company Act, we supervisors submit this review report for your consideration.

Submit to

2017 Annual Meeting of Shareholders, MiTAC Holdings Corp.

Supervisors: CHIAO, YU-CHENG

CHING, HU-SHIH

(Rep. of Lien Hwa Industrial Corp.)

March 29, 2017

REPORT OF INDEPENDENT ACCOUNTANTS

PWCR16000449

To the Board of Directors and Shareholders of MiTAC Holdings Corporation

Opinion

We have audited the accompanying consolidated balance sheets of MiTAC Holdings Corporation and its subsidiaries (the “MiTAC Group”) as at December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the audit reports of other independent accountants, as described in the *Other matters* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the MiTAC Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the consolidated Financial Statements* section of our report. We are independent of the MiTAC Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the audit report of the other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Impairment valuation of non-financial assets

Description

As mentioned in Note 14, the MiTAC Group's mobile communications business group had a deficit balance, therefore, the MiTAC Group adopted impairment valuation to property, plant, equipment, intangible assets and other assets. For description of accounting policy on non-financial assets, please refer to Note 4(17), and for accounting estimates and assumption uncertainty in relation to impairment valuation of property, plant, equipment and intangible assets, please refer to Note 5(2). The MiTAC Group measured recoverable amount of assets through discounting future estimated cash flow, and was the basis of evaluating assets impairment. As a result of assumptions and discounted rate that were used to forecast future cash flow were significant when evaluated the value-in-uses of property, plant, equipment, intangible assets and other assets, we identified the impairment valuation of non-financial assets a key audit matter.

How our audit addressed the matter

We conducted audit procedures including discussing the procedures of preparation future estimated cash flow with management, evaluated key assumptions that management used to forecast future cash flow including comparing with historical data in order to evaluate the reasonableness of changing in estimated revenue, gross profit and expense, reviewed each of parameters which were used in discounted rate consisting of the reasonableness of risk-free return rate, industrial risk coefficients and market return rate, and verified the accuracy of calculating in valuation model.

Valuation of inventory

Description

The MiTAC Group's inventories were mainly engaged in manufacturing and selling computer and its peripherals and communications products. Since the industry involved rapidly changing technology and were affected by market demand, there was higher risk of incurring inventory valuation losses or

having obsolete inventory, the MiTAC Group's inventories were measured at the lower of cost and net realisable value. For description of accounting policy on inventory valuation, please refer to Note 4(12), and for accounting estimates and assumption uncertainty in relation to inventory valuation, please refer to Note 5(2). Considering the MiTAC Group's inventories were significant, items were voluminous and the valuation associated with subjective judgment, we identified valuation of inventory a key audit matter.

How our audit addressed the matter

We performed audit procedures including discussing with management and evaluating the policy of inventory valuation, tested inventory aging report, checked the logic in inventory aging calculation and confirmed that the classification of obsolete or slow-moving inventories was properly, and tested the materials which used to determine the net realized of obsolete or slow-moving inventories in order to value the reasonableness of allowance for inventory valuation losses.

Other matter- audits of the other independent accountants

We did not audit the financial statements which prepared under different framework of financial report of investments recognized partially under the equity method that are included in the consolidated financial statements. The company transferred financial statements in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission. Share of profit (loss) of associates and joint ventures accounted for using equity method of \$1,055,881 thousand and \$ 929,171 thousand for the years ended December 31, 2016 and 2015, respectively. Investments accounted for using equity method of \$ 8,702,153 thousand and \$ 8,263,353 thousand as at December 31, 2016 and 2015, respectively. Those financial statements before adjustments were audited by other independent accountants whose report thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of MiTAC Holdings Corporation as at and for the years ended December 31, 2016 and 2015.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the MiTAC Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the MiTAC Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee (Including supervisors), are responsible for overseeing the MiTAC Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk

of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the MiTAC Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the MiTAC Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the MiTAC Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the MiTAC Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Wen, Fang-Yu

Cheng, Ya-Huei

for and on behalf of PricewaterhouseCoopers, Taiwan

March 29, 2017

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Assets		Notes	December 31, 2016		December 31, 2015	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 7,634,310	15	\$ 8,786,787	19
1110	Financial assets at fair value	6(2)				
	through profit or loss - current		39,331	-	5,711	-
1125	Available-for-sale financial assets	6(3)				
	- current		876,781	2	595,826	1
1150	Notes receivable - net		13,609	-	4,644	-
1170	Accounts receivable - net	6(5)	9,079,366	18	5,489,355	12
1180	Accounts receivable - related	6(5) and 7				
	parties		772,712	2	253,354	1
1200	Other receivables	7	74,293	-	62,601	-
1220	Current income tax assets		88,490	-	72,908	-
130X	Inventory - net	6(6)	6,678,812	13	6,272,009	14
1410	Prepayments		272,553	1	286,277	1
1470	Other current assets	6(7) and 8	23,085	-	10,699	-
11XX	Total Current Assets		25,553,342	51	21,840,171	48
Non-current assets						
1523	Available-for-sale financial assets	6(3)				
	- non-current		1,113,650	2	720,789	2
1543	Financial assets carried at cost -	6(4)				
	non-current		1,113,478	2	1,143,049	3
1550	Investments accounted for under	6(8)				
	equity method		14,337,438	29	14,024,341	31
1600	Property, plant and equipment -	6(9) and 8				
	net		6,030,530	12	5,467,908	12
1760	Investment property - net	6(10)	1,162,399	2	1,061,808	2
1780	Intangible assets - net	6(11)	96,980	-	119,005	-
1840	Deferred income tax assets	6(27)	337,033	1	456,908	1
1900	Other non-current assets	6(7) and 8	319,088	1	328,711	1
15XX	Total non-current assets		24,510,596	49	23,322,519	52
1XXX	Total assets		\$ 50,063,938	100	\$ 45,162,690	100

(Continued)

MiTAC HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Liabilities and Equity		Notes	December 31, 2016		December 31, 2015			
			AMOUNT	%	AMOUNT	%		
Current liabilities								
2100	Short-term borrowings	6(12)	\$	1,150,090	2	\$	714,516	2
2120	Financial liabilities at fair value through profit or loss - current	6(13)		6,493	-		15,914	-
2170	Accounts payable			8,961,961	18		5,364,344	12
2180	Accounts payable - related parties	7		286,051	1		183,363	-
2200	Other payables	7		3,830,190	8		3,691,058	8
2230	Current income tax liabilities	6(27)		189,414	-		198,957	-
2250	Provisions for liabilities - current	6(16)		333,393	1		350,486	1
2300	Other current liabilities			129,803	-		435,983	1
21XX	Total current Liabilities			14,887,395	30		10,954,621	24
Non-current liabilities								
2570	Deferred income tax liabilities	6(27)		329,863	-		331,973	1
2600	Other non-current liabilities	6(14)		330,267	1		321,687	1
25XX	Total non-current liabilities			660,130	1		653,660	2
2XXX	Total liabilities			15,547,525	31		11,608,281	26
Share capital		6(17)						
3110	Common shares			8,156,048	16		7,778,113	17
Capital surplus		6(18)						
3200	Capital surplus			22,446,436	44		22,352,475	49
Retained earnings		6(19)						
3310	Legal reserve			307,829	1		132,420	-
3320	Special reserve			65,691	-		52,117	-
3350	Unappropriated retained earnings			2,785,617	6		1,833,321	4
Other equity interest		6(20)						
3400	Other equity interest			1,277,241	3		1,928,412	5
3500	Treasury stocks	6(17)	(	522,449)	(1)	(	522,449)	(1)
3XXX	Total equity			34,516,413	69		33,554,409	74
Significant Contingent Liabilities And Unrecognized Contract Commitments		9(1)(2)						
Significant Events After the Balance Sheet Date		11						
3X2X	Total liabilities and equity		\$	50,063,938	100	\$	45,162,690	100

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 29, 2017.

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	Year ended December 31			
			2016		2015	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(21) and 7	\$ 48,341,745	100	\$ 50,054,765	100
5000	Operating costs	6(6) and 7	(42,788,205)	(88)	(44,470,901)	(89)
5900	Gross profit		<u>5,553,540</u>	<u>12</u>	<u>5,583,864</u>	<u>11</u>
	Operating expenses	6(25)(26)				
6100	Selling expenses		(1,251,287)	(2)	(1,357,072)	(2)
6200	General & administrative expenses		(1,332,719)	(3)	(1,573,718)	(3)
6300	Research and development expenses		(2,286,190)	(5)	(2,356,604)	(5)
6000	Total operating expenses		<u>(4,870,196)</u>	<u>(10)</u>	<u>(5,287,394)</u>	<u>(10)</u>
6900	Operating profit		<u>683,344</u>	<u>2</u>	<u>296,470</u>	<u>1</u>
	Non-operating income and expenses					
7010	Other income	6(22)	410,102	1	375,910	-
7020	Other gains and losses	6(23)	190,511	-	(7,205)	-
7050	Finance costs	6(24)	(17,270)	-	(32,053)	-
7060	Share of profit of associates and joint ventures accounted for under equity method	6(8)				
			<u>1,794,250</u>	<u>4</u>	<u>1,380,981</u>	<u>3</u>
7000	Total non-operating revenue and expenses		<u>2,377,593</u>	<u>5</u>	<u>1,717,633</u>	<u>3</u>
7900	Profit before income tax		<u>3,060,937</u>	<u>7</u>	<u>2,014,103</u>	<u>4</u>
7950	Income tax expense	6(27)	(342,369)	(1)	(260,011)	(1)
8200	Profit for the year		<u>\$ 2,718,568</u>	<u>6</u>	<u>\$ 1,754,092</u>	<u>3</u>
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Losses on remeasurements of defined benefit plans		(\$ 40,552)	-	(\$ 33,349)	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(3,959)	-	(5,185)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		<u>6,894</u>	<u>-</u>	<u>5,669</u>	<u>-</u>
8310	Components of other comprehensive income that will not be reclassified to profit or loss		<u>(37,617)</u>	<u>-</u>	<u>(32,865)</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Cumulative translation differences of foreign operations		(732,642)	(2)	400,893	1
8362	Unrealized income (loss) on valuation of available-for-sale financial assets		413,751	1	(184,940)	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		<u>(332,280)</u>	<u>(1)</u>	<u>(299,335)</u>	<u>(1)</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss		<u>(651,171)</u>	<u>(2)</u>	<u>(83,382)</u>	<u>-</u>
8300	Other comprehensive loss for the year		<u>(\$ 688,788)</u>	<u>(2)</u>	<u>(\$ 116,247)</u>	<u>-</u>
8500	Total comprehensive income for the year		<u>\$ 2,029,780</u>	<u>4</u>	<u>\$ 1,637,845</u>	<u>3</u>
9750	Basic earnings per share	6(28)	<u>\$</u>	<u>3.44</u>	<u>\$</u>	<u>2.23</u>
9850	Diluted earnings per share	6(28)	<u>\$</u>	<u>3.40</u>	<u>\$</u>	<u>2.21</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 29, 2017.

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Retained Earnings				Other equity interest			
						Currency translation differences	Unrealized gain or loss on available-for-sale financial assets		
	Notes	Common shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings		Treasury stocks	Total equity
<u>Year 2015</u>									
Balance at January 1, 2015		\$ 7,694,106	\$ 22,122,720	\$ 56,311	\$ -	\$ 773,566	\$ 1,872,643	\$ 139,151	(\$ 506,878) \$ 32,151,619
Distribution of 2014 earnings									
Legal reserve	6(19)	-	-	76,109	-	(76,109)	-	-	-
Special reserve		-	-	-	52,117	(52,117)	-	-	-
Cash dividends	6(19)	-	-	-	-	(533,246)	-	-	(533,246)
Employee stock options exercised	6(15)(18)	127,207	175,941	-	-	-	-	-	303,148
Compensation cost of employees' share based –payment transactions	6(15)(18)	-	55,137	-	-	-	-	-	55,137
Treasury stock transferred to employees		-	(2,472)	-	-	-	-	69,347	66,875
Retirement of treasury stock	6(18)	(43,200)	(41,244)	-	-	-	-	84,444	-
Purchase of treasury stock	6(17)	-	-	-	-	-	-	(169,362)	(169,362)
Subsidiaries received cash dividends paid by the parent company	6(18)	-	7,976	-	-	-	-	-	7,976
Net change of equity in associates accounted for under equity method	6(18)	-	34,417	-	-	-	-	-	34,417
Profit for the year		-	-	-	-	1,754,092	-	-	1,754,092
Other comprehensive income (loss) for the year		-	-	-	-	(32,865)	135,865	(219,247)	(116,247)
Balance at December 31, 2015		<u>\$ 7,778,113</u>	<u>\$ 22,352,475</u>	<u>\$ 132,420</u>	<u>\$ 52,117</u>	<u>\$ 1,833,321</u>	<u>\$ 2,008,508</u>	<u>(\$ 80,096)</u>	<u>(\$ 522,449) \$ 33,554,409</u>
<u>Year 2016</u>									
Balance at January 1, 2016		\$ 7,778,113	\$ 22,352,475	\$ 132,420	\$ 52,117	\$ 1,833,321	\$ 2,008,508	(\$ 80,096)	(\$ 522,449) \$ 33,554,409
Distribution of 2015 earnings									
Legal reserve	6(19)	-	-	175,409	-	(175,409)	-	-	-
Special reserve		-	-	-	13,574	(13,574)	-	-	-
Cash dividends	6(19)	-	-	-	-	(1,231,738)	-	-	(1,231,738)
Stock dividends	6(19)	307,934	-	-	-	(307,934)	-	-	-
Employee stock options exercised	6(15)(18)	70,001	65,873	-	-	-	-	-	135,874
Compensation cost of employees' share based –payment transactions	6(15)(18)	-	4,605	-	-	-	-	-	4,605
Subsidiaries received cash dividends paid by the parent company	6(18)	-	18,417	-	-	-	-	-	18,417
Net change of equity in associates accounted for under equity method	6(18)	-	5,066	-	-	-	-	-	5,066
Profit for the year		-	-	-	-	2,718,568	-	-	2,718,568
Other comprehensive income (loss) for the year		-	-	-	-	(37,617)	(1,114,287)	463,116	(688,788)
Balance at December 31, 2016		<u>\$ 8,156,048</u>	<u>\$ 22,446,436</u>	<u>\$ 307,829</u>	<u>\$ 65,691</u>	<u>\$ 2,785,617</u>	<u>\$ 894,221</u>	<u>\$ 383,020</u>	<u>(\$ 522,449) \$ 34,516,413</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 29, 2017

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Year ended December 31	
		2016	2015
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 3,060,937	\$ 2,014,103
Adjustments			
Adjustments to reconcile profit (loss)			
Bad debts expense	6(5)	14,910	6,419
(Gain on reversal of decline in market value)/Loss on inventory market value decline	6(6)	(66,083)	182,649
Depreciation	6(9)(10)(25)	451,802	534,742
Amortization	6(11)(25)	98,012	249,700
Amortization of long-term prepaid rent		6,721	6,804
Compensation cost of employees share-based payment transactions	6(15)	4,605	55,137
Interest income	6(22)	(58,586)	(99,428)
Interest expense	6(24)	17,270	32,053
Dividend income	6(22)	(101,528)	(119,828)
Net (income) loss of financial assets/liabilities at fair value through profit or loss	6(23)	(43,042)	36,291
Share of profit of associates accounted for under equity method	6(8)	(1,794,250)	(1,380,981)
(Gain) loss on disposal of investments	6(23)	(215,995)	16,506
Impairment loss	6(3)(23)	28,408	25,902
Gain on disposal of property, plant and equipment, net	6(23)	(28,037)	(12,999)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		(8,965)	173
Accounts receivable		(4,257,805)	2,273,874
Other receivables		(13,011)	26,156
Inventories		(392,509)	840,965
Prepayments		13,148	76,146
Changes in operating liabilities			
Accounts payable		3,776,267	(2,245,258)
Other payables		128,049	188,253
Other current liabilities		(305,805)	141,115
Provisions for liabilities - current		(15,579)	13,245
Accrued pension liabilities		6,156	5,577
Cash inflow generated from operations		305,090	2,867,316
Payment of interest		(16,585)	(37,168)
Receipt of interest		59,905	107,274
Payment of income tax		(249,728)	(167,836)
Cash dividend received		642,739	599,287
Net cash flows from operating activities		741,421	3,368,873

(Continued)

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>Notes</u>	<u>Year ended December 31</u>	
		<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through profit or loss		(\$ 2,004)	\$ -
Proceeds from disposal of financial assets at fair value through profit or loss		2,210	-
(Increase) decrease in other financial assets		(24,194)	1,170,853
Acquisition of available-for-sale financial assets		(480,153)	(72,340)
Proceeds from disposal of available-for-sale financial assets		134,357	33,799
Proceeds from capital reduction of available-for-sale financial assets		10,794	-
Acquisition of financial assets carried at cost		(25,000)	(25,000)
Proceeds from capital reduction of financial assets carried at cost		90,007	-
Acquisition of investments accounted for under the equity method		(136,979)	(64,237)
Proceeds from disposal of investments accounted for under equity method		747,001	-
Proceeds from capital reduction of investments accounted for under equity method		-	17,135
Net cash inflows from disposal of subsidiaries		5,888	-
Acquisition of property, plant and equipment	6(9)	(1,323,342)	(804,950)
Proceeds from disposal of property, plant and equipment		36,554	16,477
Increase in intangible assets	6(30)	(76,277)	(52,026)
Decrease in refundable deposits		9,673	24,216
Increase in other non-current assets		(17,090)	(14,637)
Net cash flows (used in) from investing activities		(1,048,555)	229,290
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term borrowings		435,574	(2,876,061)
Increase (decrease) in guarantee deposits		273	(12,439)
Employee stock options exercised		135,874	303,148
Treasury stock transferred to employees		-	66,875
Purchase of treasury stock		-	(169,362)
Cash dividends paid		(1,213,321)	(525,270)
Net cash flows used in financing activities		(641,600)	(3,213,109)
Effects of changes in exchange rates		(203,743)	(92,592)
Net (decrease) increase in cash and cash equivalents		(1,152,477)	292,462
Cash and cash equivalents at beginning of year		8,786,787	8,494,325
Cash and cash equivalents at end of year		<u>\$ 7,634,310</u>	<u>\$ 8,786,787</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 29, 2017.

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(EXPRESSED IN thousands of New Taiwan dollars, EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

- (1) MiTAC Holdings Corporation (the “Company”) was established by MiTAC International Corp. (“MiTAC International”) through a share conversion on September 12, 2013, and on the same date, the competent authority has approved for the Company’s shares to be listed on the Taiwan Stock Exchange (TWSE). MiTAC International became the Company’s wholly-owned subsidiary after conversion. The main business of the Company and its subsidiaries (collectively referred herein as the “Group”) is to design, manufacture and sell products related to investment, computer and its peripherals and communications.
- (2) In order to promote the Group’s specialization of work to eventually transform and improve its competitiveness, the Board of Directors of MiTAC International has resolved to divest its cloud computing products group to the newly established company – MiTAC Computing Technology Corporation as the consideration for the acquisition of 220,000 thousand newly issued ordinary shares of MiTAC Computing Technology Corporation on the spin-off day, September 1, 2014. As a result, MiTAC International and MiTAC Computing Technology Corporation are now wholly-owned by the Company after the spin-off.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 28, 2017.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRSs”) as endorsed by the Financial Supervisory Commission (“FSC”)
None.
- (2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The above standards and interpretations have no significant impact to the Group's financial condition and operating result based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 'Financial instruments' with IFRS 4 'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of international financial reporting'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the followings, the above standards and interpretations have no significant impact to the Group's financial condition and operating result based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

B. IFRS 15, 'Revenue from contracts with customers'

IFRS 15, 'revenue from contracts with customers' replaces IAS 11 'Construction Contracts', IAS 18 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognized when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer

Step 2: Identify separate performance obligations in the contract(s)

Step 3: Determine the transaction price

Step 4: Allocate the transaction price.

Step 5: Recognize revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

C. Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from Contracts with Customers'

The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

D. IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognize a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

These consolidated financial statements are prepared by the Group in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

- a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- b) Available-for-sale financial assets measured at fair value.
- c) Defined benefit liabilities recognized based on the net amount of pension fund assets and present value of defined benefit obligation.

B. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies. In general, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible have been considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.
- b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

- d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Main activities	Ownership (%)		
			December 31, 2016	December 31, 2015	
MiTAC Holdings Corp.	MiTAC International Corp.	Computer and its peripherals: design, manufacture and sell communications products	100%	100%	
MiTAC Holdings Corp.	MiTAC Computing Technology Corp.	Computer and its peripherals: design, manufacture and sell communications products	100%	100%	
MiTAC International Corp.	Tsu Fung Investment Corp.	General investments	100%	100%	
MiTAC International Corp.	Silver Star Developments Ltd.	General investments	100%	100%	
MiTAC International Corp.	DLC Technology Corp.	Research, development and related technical advisory services	-	100%	Note 1
MiTAC International Corp.	Mio Technology Corp.	Sale of communication products and related after-sale services	100%	100%	
MiTAC International Corp.	MiWell Technology Corp.	Information/software services and retail business	100%	100%	
MiTAC Computing Technology Corp.	MiTAC Technology UK Ltd.	General investments	100%	100%	
MiTAC Computing Technology Corp.	MiTAC Telematics Technology Corporation	Sales of self-produced products and related after-sale services	100%	-	Note 6
Silver Star Developments Ltd.	System Glory International Ltd.	General investments	100%	100%	

Investor	Subsidiary	Main activities	Ownership (%)		
			December 31, 2016	December 31, 2015	
Silver Star Developments Ltd.	Pacific China Corp.	General investments	100%	100%	
Silver Star Developments Ltd.	Best Profit Ltd.	General investments	100%	100%	
Pacific China Corp.	MiTAC Star Service Ltd.	General investments	100%	100%	
Pacific China Corp.	Software Insights	General investments	100%	100%	
Pacific China Corp.	Start Well Technology Ltd.	General investments	100%	100%	
Pacific China Corp.	Huge Extent Ltd.	General investments	100%	100%	
Pacific China Corp.	MiTAC Service (Shanghai) Co., Ltd.	Testing, maintenance and display of computer components and related technical advisory services and after-sale services	-	100%	Note 4
Best Profit Ltd.	Top Sheen Enterprises Ltd.	General investments	100%	100%	
Best Profit Ltd.	MiTAC Europe Ltd.	Sale of communication products and related after-sale services	100%	100%	
MiTAC Technology UK Ltd.	Tyan Computer Corp. (USA)	Sales of computer peripherals, hardware/ software and related products	100%	100%	
MiTAC Technology UK Ltd.	MiTAC Logistics Corp.	Sale of computer peripherals, hardware/software and related products	100%	100%	
MiTAC Technology UK Ltd.	MiTAC Information Systems Corp.	Assembling and sale of computer peripherals, hardware/software and related products	100%	100%	
MiTAC Europe Ltd.	Mio Technology GMBH	Sale of communication products and related after-sale services	100%	100%	
Silver Star Developments Ltd.	MiTAC Japan Corp.	Sale of communication products, computer peripherals, hardware/software and related products and related after-sale services	100%	100%	
Silver Star Developments Ltd.	MiTAC Benelux N.V.	Sale of communication products and related after-sale services	100%	100%	

Investor	Subsidiary	Main activities	Ownership (%)		
			December 31, 2016	December 31, 2015	
Silver Star Developments Ltd.	MiTAC Pacific (H.K.) Ltd.	Sale of computer peripherals, hardware/software and related products	100%	100%	
Silver Star Developments Ltd.	Mio International Ltd.	Sale of communication and related products	100%	100%	
Silver Star Developments Ltd.	MiTAC Australia Pty Ltd.	Sale of communication products and related after-sale services	100%	100%	
Start Well Technology Ltd.	MiTAC Computer (Kunshan) Ltd.	Manufacture of computers, computer peripherals, hardware/software and related products and sale of own-produced products	-	100%	Note 2
Start Well Technology Ltd.	MiTAC Technology (Kunshan) Co., Ltd.	Testing, maintenance and display of computer components and related technical advisory services and after-sale services	-	100%	Note 5
Start Well Technology Ltd.	MiTAC Logistic Service (Kunshan) Ltd.	Agency of freight transport, export and import trading and warehousing services.	-	100%	Note 5
Start Well Technology Ltd.	MiTAC Information Technology Ltd.	After-sale maintenance, testing and technical advisory services of computers, communication products and consumer electronic products; establishment of customer service centers; customer data processing, analysis and integrated services and business administration services	-	100%	Note 5
Start Well Technology Ltd.	MiTAC Investment Holding Ltd.	Investment Holdings	100%	100%	
MiTAC Investment Holding Ltd.	MiTAC Computer (Kunshan) Ltd.	Manufacture of computers, computer peripherals, hardware/software and related products and sale of own-produced products	100%	-	Note 2
MiTAC Investment Holding Ltd.	MiTAC Technology (Kunshan) Co., Ltd.	Testing, maintenance and display of computer components and related technical advisory services and after-sale services	100%	-	Note 5
MiTAC Investment Holding Ltd.	MiTAC Logistic Service (Kunshan) Ltd.	Agency of freight transport, export and import trading and warehousing services.	100%	-	Note 5

Investor	Subsidiary	Main activities	Ownership (%)		
			December 31, 2016	December 31, 2015	
MiTAC Investment Holding Ltd.	MiTAC Information Technology Ltd.	After-sale maintenance, testing and technical advisory services of computers, communication products and consumer electronic products; establishment of customer service centers; customer data processing, analysis and integrated services and business administration services	100%	-	Note 5
MiTAC Star Service Ltd.	MiTAC Computer (Shunde) Corp.	Manufacture of computer frame, motherboard, interface card, display, power supply, keyboard, related metal stamping parts and plastic parts and maintenance of motherboard	100%	100%	
MiTAC Computer (Kunshan) Ltd.	MiTAC Telematics Technology Corp.	Sales of self-produced products and related after-sale services	-	100%	Note 6
MiTAC Computer (Kunshan) Ltd	MiTAC Information Systems (Kunshan) Co., Ltd.	Sales and manufacturing of computer accessories, hardware, software and related services	100%	100%	
Software Insights Ltd.	MiTAC Research (Shanghai) Ltd.	Research, development and manufacture of computer software, sale of own-produced products and related technical advisory services	100%	100%	
Software Insights Ltd.	MiTAC Innovation (Kunshan) Ltd.	Research and development of calculator, server, mobile phone, PDA and GPS, and technical transfer, technical advisory and technical services of related R&D products	100%	100%	
Mio International Ltd.	Mio Technology Ltd.	Sale of communication products and related after-sale services	100%	100%	
Top Sheen Enterprises Ltd.	MiTAC Digital Corp.	Sale of communication products and related after-sale services	100%	100%	
MiTAC Computer (Shunde) Corp.	MiTAC Electronics (Foshan), Co., Ltd.	Manufacture of computer mainboard, motherboard and adapter card	-	100%	Note 3

Note 1: In the first quarter of 2016, the subsidiary completed liquidation.

Note 2: After the reorganization in the first quarter of 2016, MiTAC Investment Holding Ltd. held 100% shares of MiTAC Computer (Kunshan) Ltd. which was originally held by Start Well Technology Ltd.

Note 3: In the third quarter of 2016, the subsidiary completed liquidation.

Note 4: In the third quarter of 2016, the Group sold 100% shares of the subsidiary, MiTAC Service (Shanghai) Co., Ltd., and hence lost control over the subsidiary.

Note 5: After the reorganization in the third quarter of 2016, MiTAC Investment Holding Ltd. held 100% shares of MiTAC Technology (Kunshan) Co., Ltd., MiTAC Logistic Service (Kunshan) Ltd. and MiTAC Information Technology Ltd. which was originally held by Start Well Technology Ltd.

Note 6: After the reorganization in the fourth quarter of 2016, MiTAC Computing Technology Corp. held 100% shares of MiTAC Telematics Technology Corporation which was originally held by MiTAC Computer (Kunshan) Ltd.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the spot exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period.
 - iii. All resulting exchange differences are recognized in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, if the Group retains partial interest in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be paid off within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets and financial liabilities at fair value through profit or loss

A. Classifications

The main purpose for holding financial assets or liabilities at fair value through profit or loss is for trading, and for selling or rebuying in a short time. Derivative financial instruments are used to hedge and also use the same classification.

B. Recognition and assessment

Trading of financial assets at fair value through profit or loss is accounted for using trade date accounting (the date that the Group promises to trade the assets). Financial assets are initially recognized at fair value, and related trading costs are recognized as expenses for the period. Financial assets are later measured at fair value, and the movement in fair value is recognized in profit or loss for the period.

(8) Available-for-sale financial assets

- A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.
- B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.
- C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(9) Notes, accounts, and other receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(10) Impairment of financial assets

- A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
- (a) Significant financial difficulty of the issuer or debtor;
 - (b) A breach of contract, such as a default or delinquency in interest or principal payments;
 - (c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
 - (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
 - (e) The disappearance of an active market for that financial asset because of financial difficulties;
 - (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
 - (g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
 - (h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:
- (a) Financial assets measured at amortized cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Financial assets measured at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognized in profit or loss. Impairment loss recognized for this category shall not be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(c) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognized, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(11) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

The Group derecognizes a financial asset when one of the following conditions is met:

- A. The contractual rights of the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(12) Inventories

- A. The perpetual inventory system is adopted for inventory recognition. Inventories are stated at standard cost, and adjusted at the end of reporting period to approximate them to the cost calculated on a weighted average method.
- B. At the end of period, inventories are evaluated at the lower of cost or net realizable value, and the individual item approach is used in the comparison of cost and net realizable value. The calculation of net realizable value should be based on the estimated selling price in the normal course of business, net of estimated costs of completion and estimated selling expenses.

(13) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, then the amounts previously recognized as capital surplus in relation to the associate are transferred to

profit or loss proportionately.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of discarded assets is derecognized when critical repairs are incurred, and other repair expenses are charged to profit or loss for the period when they incur.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings (included utility equipment)	3 ~ 55 years
Machinery and equipment	5 years
Transportation equipment	5 years
Other equipment	3 ~ 5 years

- E. The Group has recognized title of assets with significant risks and compensation not yet transferred and leases to lessees as operating leases. Rental income and expenses of operating leases are recognized over the leasing period on a straight line basis.

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 20 ~ 55 years.

(16) Intangible assets

Separately acquired patents are stated at historical cost. Patents and other intangible assets (including customers relationship and non-compete clause) obtained from business combination are recognized at fair value at the acquisition date. Basic capitalization of computer software use right is based on the acquisition cost and cost incurred to make ready the use of the specific software. The estimated useful life of intangible assets are amortized on a straight line basis:

Computer software	In accordance with contracts or 5 years
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Patent and other intangible assets

5 ~ 10 years

(17) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(18) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(19) Accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(20) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(21) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(22) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date. Provisions are not recognized for future operating losses.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Actuarial gains and losses arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise.

C. Employees' and directors' and supervisors' remuneration

Employees' and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group calculates the numbers of shares based on the closing price at the previous day of the board meeting resolution.

(24) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(25) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carry forward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(26) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, which is net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(28) Revenue recognition

- A. The Group designs, manufactures and sells computer and its peripherals, communication and related products. Revenue is measured at the fair value of the consideration received or receivable taking into account of value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods should be recognized when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.
- B. The Group offers customers volume discounts and right of return for defective products. The Group estimates appropriate discounts and returns based on regular way purchases or sales. Provisions for such liabilities are recorded when the sales are recognized.

(29) Business combinations and organization restructuring

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable

net assets.

- B. If the total of the fair values of the consideration of acquisition and any non-controlling interest in the acquiree as well as the previous equity interest in the acquiree is higher than the fair value of the Group's identifiable assets acquired and obligations borne, goodwill is recognized at the acquisition-date. If the fair value of the Group's identifiable assets acquired and obligations borne is higher than the total of the fair values of the consideration of acquisition, non-controlling interest in the acquiree, as well as previous equity interest in the acquire, the difference is recognized in profit or loss for the period at the acquisition date.
- C. The newly established investment holding company through share swap is jointly controlled under business combination. Under regulations of competent authority, the investment holding company is recorded at the carrying value and is included in the consolidated financial statements at the date of establishment.

(30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below :

(1) Critical judgements in applying the Group's accounting policies

A. Financial assets - impairment of equity investments

The Group follows the guidance of IAS 39 to determine whether a financial asset—equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

B. Financial assets—fair value measurement of unlisted stocks without active market

The Group's unlisted stocks that are not traded in an active market, the fair value of the ones listed under 'financial assets measured at cost' cannot be measured reliably since no sufficient industry information of companies similar to those unlisted stocks' financial information can be obtained.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of tangible and intangible assets (excluding goodwill)

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilized and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

As of December 31, 2016, the carrying amount of tangible and intangible assets are described in Note 6 (9), (10) and (11).

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Therefore, there might be material changes to the evaluation.

As of December 31, 2016, the carrying amount of inventories are described in Note 6 (6).

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Cash:		
Cash on hand and petty cash (revolving funds)	\$ 734	\$ 1,128
Checking accounts and demand deposits	3,328,455	2,878,492
Cash in transit	31,333	-
Cash equivalents:		
Time deposits	4,033,563	4,580,204
Repurchase bonds	240,225	1,326,963
Total	<u>\$ 7,634,310</u>	<u>\$ 8,786,787</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others.

(2) Financial assets at fair value through profit or loss

<u>Items</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Current items:		
Financial assets held for trading		
Non-hedging derivatives	<u>\$ 39,331</u>	<u>\$ 5,711</u>

A. The Group recognized net gain of \$9,422 and net loss of \$23,748 on financial assets designated as at fair value through profit or loss for the years ended December 31, 2016 and 2015, respectively.

B. The non-hedging derivative instrument transactions and contract information are as follows :

	December 31, 2016					
Financial Instrument	Item	Notional Amount		Fair Mark Value		
		(in thousands)		(in thousands)		
MiTAC International Corp.						
Forward foreign exchange - Sell	Advance booking EUR to buy USD	EUR	8,350	NTD	8,385	
Forward foreign exchange - Sell	Advance booking AUD to buy USD	AUD	10,661	NTD	8,677	
Forward foreign exchange - Sell	Advance booking JPY to buy USD	JPY	100,000	NTD	40	
Forward foreign exchange - Sell	Advance booking USD to buy NTD	USD	4,000	NTD	325	
MiTAC Computing Technology Corp.						
Forward foreign exchange - Sell	Advance booking JPY to buy USD	JPY	50,000	NTD	38	
Forward foreign exchange - Sell	Advance booking USD to buy NTD	USD	10,000	NTD	948	
Silver Star Developments Ltd.						
Swap - Sell	Advance booking EUR to buy USD	EUR	6,500	USD	361	
Forward foreign exchange - Sell	Advance booking CNY to buy USD	CNY	25,000	USD	273	
MiTAC Digital Corp.						
Forward foreign exchange - Sell	Advance booking CAD to buy USD	CAD	800	USD	8	
MiTAC Australia Pty Ltd.						
Forward foreign exchange - Sell	Advance booking NZD to buy USD	NZD	350	USD	7	
	December 31, 2015					
Financial Instrument	Item	Notional Amount		Fair Mark Value		
		(in thousands)		(in thousands)		
MiTAC International Corp.						
Forward foreign exchange - Sell	Advance booking USD to buy NTD	USD	4,000	NTD	192	
Forward foreign exchange - Buy	Advance booking JPY to sell USD	JPY	65,000	NTD	70	
Forward foreign exchange - Sell	Advance booking EUR to buy USD	EUR	4,447	NTD	1,109	
Forward foreign exchange - Sell	Advance booking AUD to buy USD	AUD	6,514	NTD	647	
MiTAC Digital Corp.						
Forward foreign exchange - Sell	Advance booking CAD to buy USD	CAD	2,350	USD	85	
MiTAC Computing Technology Corp.						
Forward foreign exchange - Sell	Advance booking USD to buy NTD	USD	5,000	NTD	254	
Silver Star Developments Ltd.						
Forward foreign exchange - Sell	Advance booking CNY to buy USD	USD	15,000	USD	19	
MiTAC Australia Pty Ltd.						
Forward foreign exchange - Sell	Advance booking NZD to buy USD	NZD	235	USD		

C. The Group has no financial assets at fair value through profit or loss pledged to others.

(3) Available-for-sale financial assets

Items	December 31, 2016	December 31, 2015
Current items:		
Listed stocks	\$ 612,509	\$ 566,624
Beneficiary certificates	67,648	142,539
Subtotal	680,157	709,163
Adjustments of available-for-sale financial asset	196,624	(113,337)
Total	<u>\$ 876,781</u>	<u>\$ 595,826</u>
Non-current items:		
Listed stocks	\$ 742,247	\$ 415,500
Unlisted stocks	137,253	174,481
Subtotal	879,500	589,981
Adjustments of available-for-sale financial assets	234,150	130,808
Total	<u>\$ 1,113,650</u>	<u>\$ 720,789</u>

- A. The Group recognized \$396,553 and (\$207,595) in other comprehensive (loss) income for fair value change and reclassified (\$17,198) and (\$22,655) from equity to profit or loss for the years ended December 31, 2016 and 2015, respectively.
- B. The Group's certain available-for-sale financial assets continuously generate loss, as a result, the fair value declined significantly below its initial investment cost. The Group, therefore recognized impairment loss of \$28,408 and \$25,902 on the financial assets for the years ended December 31, 2016 and 2015, respectively.
- C. On September 30, 2016, under the resolution of the Board of Directors, the Company's subsidiary MiTAC International Corp. participated in the private placement of Compucase Enterprise Co., Ltd. and purchased 10,000 thousand shares with \$32.8 dollars per share, resulting in the total price at \$328,000. On October 7, 2016, the settlement was completed.

(4) Financial assets carried at cost

Items	December 31, 2016	December 31, 2015
Non-current items:		
Unlisted stocks	\$ 1,191,606	\$ 1,257,818
Accumulated impairment — Financial assets carried at cost	(78,128)	(114,769)
Total	<u>\$ 1,113,478</u>	<u>\$ 1,143,049</u>

- A. According to the Group's intention, its investment in unlisted stocks should be classified as available-for-sale financial assets. However, as the stocks are not traded in active market, and no sufficient industry information of companies similar to the unlisted stocks and related

financial information on the investee can be obtained, the fair value of the investment cannot be measured reliably. The Group classified those stocks as “financial assets carried at cost”.

B. As of December 31, 2016 and 2015, no financial assets carried at cost held by the Group were pledged to others.

C. In 2016, Harbinger Venture Capital Corp., Harbinger Venture Capital VI Corp. and Budworth Investments Ltd. processed capital reduction and returned cash at \$90,007.

(5) Accounts receivable

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Third parties	\$ 9,367,200	\$ 5,812,800
Less: Allowance for sales returns and discounts	(211,852)	(248,372)
Allowance for bad debts	(75,982)	(75,073)
	9,079,366	5,489,355
Related parties	772,712	253,354
	<u>\$ 9,852,078</u>	<u>\$ 5,742,709</u>

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
1 to 90 days	\$ 207,881	\$ 353,478
91 to 180 days	6,488	13,527
Over 180 days	1,216	19,876
	<u>\$ 215,585</u>	<u>\$ 386,881</u>

B. Movements on the provision for impairment of accounts receivable are as follows :

	<u>2016</u>		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1	\$ 45,651	\$ 29,422	\$ 75,073
Provision for impairment	6,014	8,896	14,910
Write-offs during the period	(448)	(12,725)	(13,173)
Effects of foreign exchange	-	(828)	(828)
At December 31	<u>\$ 51,217</u>	<u>\$ 24,765</u>	<u>\$ 75,982</u>

	2015		
	Individual provision	Group provision	Total
At January 1	\$ 41,576	\$ 36,322	\$ 77,898
Provision for impairment	4,075	2,344	6,419
Write-offs during the period	- (	9,194) (	9,194)
Effects of foreign exchange	- (	50) (	50)
At December 31	\$ 45,651	\$ 29,422	\$ 75,073

C. The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	December 31, 2016	December 31, 2015
Group 1	\$ 8,261,712	\$ 3,857,448
Group 2	1,662,615	1,821,825
	<u>\$ 9,924,327</u>	<u>\$ 5,679,273</u>

Group 1 - Medium-low credit risk accounts receivable: enterprises with ideal operations, high financial transparency, and approved by the headquarters' credit control manager.

Group 2 - Ordinary credit risk accounts receivable: customers other than medium-low credit risk accounts receivable.

(6) Inventories

	December 31, 2016	December 31, 2015
	Book value	Book value
Raw materials	\$ 3,552,507	\$ 3,822,786
Work in process	899,195	436,850
Finished goods	2,227,110	2,012,373
Total	<u>\$ 6,678,812</u>	<u>\$ 6,272,009</u>

Expense and loss incurred on inventories:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Cost of goods sold	\$ 42,854,288	\$ 44,288,252
(Gain on reversal of decline in market value) Loss on decline in market value	(66,083)	182,649
	<u>\$ 42,788,205</u>	<u>\$ 44,470,901</u>

As some of the inventories which were previously provided with allowance for market price decline were sold and scrapped for the year ended December 31, 2016, the allowance for inventory obsolescence and market value decline was reversed.

(7) Other financial assets

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Current:		
Pledged deposits	\$ 23,085	\$ 10,699
Non-current:		
Pledged deposits	\$ 11,338	\$ -
Total	<u>\$ 34,423</u>	<u>\$ 10,699</u>

A. The Group recognize with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. Information about other financial assets that were pledged to others as collateral are described in Note 8.

(8) Investments accounted for under the equity method

A.

<u>Investee company</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Getac Technology Corp.	\$ 4,635,605	\$ 4,512,388
3 Probe Technology Co., Ltd.	10,179	10,077
Lian Jie Investment Co., Ltd.	127,928	122,040
Lian Jie II Investment Co., Ltd.	31,241	32,474
Shen-Tong Construction & Development Co., Ltd.	82,938	83,018
Loyalty Founder Enterprise Co., Ltd.	-	381,096
Green Share Corp.	8,356	8,774
Harbinger II (BVI) Venture Capital Corp.	28,965	27,148
Mainpower International Ltd.	201,165	199,908
Synnex Corp.	8,711,358	8,287,761
Suzhou MiTAC Preclusion Technology Co., Ltd.	293,878	290,817
LFE Aerospace Industry Corp.	142,132	-
Harbinger Ruyi Venture Ltd.	32,506	36,010
Harbinger Ruyi II Venture Ltd.	31,187	32,830
	<u>\$ 14,337,438</u>	<u>\$ 14,024,341</u>

B. The Group's recognized share of profit from associates accounted for under the equity method for the years ended December 31, 2016 and 2015 were \$1,794,250 and \$1,380,981, respectively, and recognized share of other comprehensive loss from associates accounted for under the equity method were (\$336,239) and (\$304,520), respectively.

C. The basic information of the associates that are material to the Group is as follows:

Company name	principal place of business	Shareholding ratio		Nature of relationship	Methods of measurement
		December 31, 2016	December 31, 2015		
Getac Technology Corp.	Taiwan	33.76%	32.90%	Owned over 20% ownership	Equity method
Synnex Corp.	USA	13.66%	13.99%	Significant influence	Equity method

D. The summarized financial information of the associates that are material to the Group is as below:

Balance sheet

	Getac Technology Corp.	
	December 31, 2016	December 31, 2015
Current assets	\$ 15,651,090	\$ 14,429,503
Non-current assets	10,067,939	8,752,458
Current liabilities	(8,591,825)	(7,359,061)
Non-current liabilities	(2,026,422)	(805,505)
Non-controlling interest	(1,368,161)	(1,300,055)
Total net assets	\$ 13,732,621	\$ 13,717,340

Share in associate's net assets	\$ 4,635,605	\$ 4,512,388
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	Synnex Corp.	
	December 31, 2016	December 31, 2015
Current assets	\$ 128,870,774	\$ 118,474,321
Non-current assets	39,646,860	27,579,268
Current liabilities	(79,909,953)	(62,963,504)
Non-current liabilities	(24,820,793)	(23,834,003)
Non-controlling interest	(709)	(16,937)
Total net assets	\$ 63,786,179	\$ 59,239,145

Share in associate's net assets	\$ 8,711,358	\$ 8,287,761
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Statement of comprehensive income

	Getac Technology Corp.	
	For the year ended December 31, 2016	For the year ended December 31, 2015
Revenue	\$ 20,406,945	\$ 18,334,953
Profit for the period from continuing operations	\$ 2,263,996	\$ 1,428,070
Other comprehensive loss-net of tax	(666,336)	(147,464)
Total comprehensive income	\$ 1,597,660	\$ 1,280,606
Dividends received from associates	\$ 380,408	\$ 247,516

	Synnex Corp.	
	For the year ended December 31, 2016	For the year ended December 31, 2015
Revenue	\$ 453,670,297	\$ 423,325,774
Profit for the period from continuing operations	\$ 7,516,044	\$ 6,539,520
Other comprehensive loss-net of tax	(1,222,072)	(1,542,722)
Total comprehensive income	\$ 6,293,972	\$ 4,996,798
Dividends received from associates	\$ 152,247	\$ 101,314

E. The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarized below:

As of December 31, 2016 and 2015, the carrying amount of the Group's individually immaterial associates amounted to \$990,475 and \$1,224,192, respectively.

	For the year ended December 31, 2016	For the year ended December 31, 2016
Profit for the period from continuing operations	\$ 318,422	\$ 114,779
Other comprehensive loss-net of tax	(49,010)	(132,736)
Total comprehensive income (loss)	\$ 269,412	(\$ 17,957)

F. The fair value of the Group's material associates with quoted market prices is as follows:

	December 31, 2016	December 31, 2015
Getac Technology Corp.	\$ 7,244,604	\$ 3,817,459
Synnex Corp.	21,266,399	16,388,542
	\$ 28,511,003	\$ 20,206,001

G. The Group holds 13.66% ownership in Synnex Corp. but has significant influence over Synnex Corp. as the Group is the major shareholder of Synnex Corp. and the Company's chairman Feng Chiang Miao serves as this company's honorary chairman. In addition, the Group holds 13.28% ownership in Mainpower International Ltd. and the Group serves as this company's corporate director.

- H. Synnex Corp.'s fiscal year ends on November 30, thus the Group uses the financial information on November 30 as the basis for the preparation of annual consolidated financial statements; other associates' fiscal year all end on December 31.
- I. In 2016, the Group sold investments accounted for under equity method- Loyalty Founder Enterprise Co., Ltd. The disposal resulted in \$399,414 (after deducting transactional cost) and incurred loss on disposal at \$7,406. The transaction completed in April 2016.

(9) Property, plant and equipment

	Land	Buildings	Machinery	Computer and communication equipment	Transportation equipment	Office equipment	Leasehold improvements	Molding equipment	Other equipment	Construction in progress and equipment for inspection	Total
<u>At January 1, 2016</u>											
Cost	\$ 1,128,687	\$ 5,217,291	\$ 2,377,298	\$ 254,967	\$ 64,008	\$ 774,885	\$ 23,968	\$ 80,285	\$ 722,369	\$ 452,050	\$ 11,095,808
Accumulated depreciation and impairment	- (2,052,431)	(2,131,086)	(194,911)	(36,437)	(643,456)	(15,567)	(38,616)	(515,396)	- (5,627,900)		
	<u>\$ 1,128,687</u>	<u>\$ 3,164,860</u>	<u>\$ 246,212</u>	<u>\$ 60,056</u>	<u>\$ 27,571</u>	<u>\$ 131,429</u>	<u>\$ 8,401</u>	<u>\$ 41,669</u>	<u>\$ 206,973</u>	<u>\$ 452,050</u>	<u>\$ 5,467,908</u>
<u>2016</u>											
At January 1	\$ 1,128,687	\$ 3,164,860	\$ 246,212	\$ 60,056	\$ 27,571	\$ 131,429	\$ 8,401	\$ 41,669	\$ 206,973	\$ 452,050	\$ 5,467,908
Additions	-	7,179	44,393	29,706	6,884	61,589	4,173	87,946	63,572	1,017,900	1,323,342
Disposals	- (310)	(1,815)	(582)	(1,402)	(200)	(1,153)	-	(2,017)	(1,039)	(8,518)	
Disposal of subsidiaries	-	-	-	(132)	-	-	-	-	-	(132)	
Reclassifications	(15,532)	(104,624)	292	(389)	3,050	222	-	-	1,374	(10,577)	(126,184)
Depreciation	- (166,333)	(55,645)	(38,501)	(11,797)	(49,406)	(2,094)	(41,626)	(67,307)	-	(432,709)	
Effects of foreign exchange	(3,744)	(149,479)	(16,951)	(954)	(975)	(9,566)	(86)	-	(8,334)	(3,088)	(193,177)
At December 31	<u>\$ 1,109,411</u>	<u>\$ 2,751,293</u>	<u>\$ 216,486</u>	<u>\$ 49,204</u>	<u>\$ 23,331</u>	<u>\$ 134,068</u>	<u>\$ 9,241</u>	<u>\$ 87,989</u>	<u>\$ 194,261</u>	<u>\$ 1,455,246</u>	<u>\$ 6,030,530</u>
<u>At December 31, 2016</u>											
Cost	\$ 1,109,411	\$ 4,820,781	\$ 1,880,346	\$ 215,527	\$ 58,809	\$ 736,374	\$ 18,852	\$ 144,796	\$ 686,388	\$ 1,455,246	\$ 11,126,530
Accumulated depreciation and impairment	- (2,069,488)	(1,663,860)	(166,323)	(35,478)	(602,306)	(9,611)	(56,807)	(492,127)	- (5,096,000)		
	<u>\$ 1,109,411</u>	<u>\$ 2,751,293</u>	<u>\$ 216,486</u>	<u>\$ 49,204</u>	<u>\$ 23,331</u>	<u>\$ 134,068</u>	<u>\$ 9,241</u>	<u>\$ 87,989</u>	<u>\$ 194,261</u>	<u>\$ 1,455,246</u>	<u>\$ 6,030,530</u>

Information about the property, plant and equipment that were pledged to others as collateral are described in Note 8.

	Land	Buildings	Machinery	Computer and communication equipment	Transportation equipment	Office equipment	Leasehold improvements	Molding equipment	Other equipment	Construction in progress and equipment for inspection	Total
<u>At January 1, 2015</u>											
Cost	\$ 1,122,325	\$ 5,261,351	\$ 2,409,367	\$ 256,675	\$ 68,521	\$ 791,913	\$ 53,855	\$ 168,838	\$ 715,442	\$ 24,305	\$ 10,872,592
Accumulated depreciation and impairment	- (1,918,523)	(2,205,775)	(184,524)	(39,309)	(650,290)	(46,110)	(68,890)	(547,857)	- (5,661,278)		
	<u>\$ 1,122,325</u>	<u>\$ 3,342,828</u>	<u>\$ 203,592</u>	<u>\$ 72,151</u>	<u>\$ 29,212</u>	<u>\$ 141,623</u>	<u>\$ 7,745</u>	<u>\$ 99,948</u>	<u>\$ 167,585</u>	<u>\$ 24,305</u>	<u>\$ 5,211,314</u>
<u>2015</u>											
At January 1	\$ 1,122,325	\$ 3,342,828	\$ 203,592	\$ 72,151	\$ 29,212	\$ 141,623	\$ 7,745	\$ 99,948	\$ 167,585	\$ 24,305	\$ 5,211,314
Additions	-	14,965	109,663	25,412	8,009	41,491	6,270	66,389	103,103	429,648	804,950
Disposals	- (129)	(1,820)	(146)	(812)	(862)	-	-	-	291	- (3,478)	
Reclassifications	-	5,301	(5,092)	1,268	-	-	-	-	-	(1,477)	-
Depreciation	- (173,088)	(57,186)	(37,834)	(10,381)	(48,647)	(5,482)	(124,668)	(62,138)	- (519,424)		
Effects of foreign exchange	6,362 (25,017)	(2,945)	(795)	1,543	(2,176)	(132)	-	(1,868)	(426)	(25,454)	
At December 31	<u>\$ 1,128,687</u>	<u>\$ 3,164,860</u>	<u>\$ 246,212</u>	<u>\$ 60,056</u>	<u>\$ 27,571</u>	<u>\$ 131,429</u>	<u>\$ 8,401</u>	<u>\$ 41,669</u>	<u>\$ 206,973</u>	<u>\$ 452,050</u>	<u>\$ 5,467,908</u>
<u>At December 31, 2015</u>											
Cost	\$ 1,128,687	\$ 5,217,291	\$ 2,377,298	\$ 254,967	\$ 64,008	\$ 774,885	\$ 23,968	\$ 80,285	\$ 722,369	\$ 452,050	\$ 11,095,808
Accumulated depreciation and impairment	- (2,052,431)	(2,131,086)	(194,911)	(36,437)	(643,456)	(15,567)	(38,616)	(515,396)	- (5,627,900)		
	<u>\$ 1,128,687</u>	<u>\$ 3,164,860</u>	<u>\$ 246,212</u>	<u>\$ 60,056</u>	<u>\$ 27,571</u>	<u>\$ 131,429</u>	<u>\$ 8,401</u>	<u>\$ 41,669</u>	<u>\$ 206,973</u>	<u>\$ 452,050</u>	<u>\$ 5,467,908</u>

Information about the property, plant and equipment that were pledged to others as collateral are described in Note 8.

(10) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
At January 1, 2016			
Cost	\$ 808,608	\$ 496,700	\$ 1,305,308
Accumulated depreciation and impairment	-	(243,500)	(243,500)
	<u>\$ 808,608</u>	<u>\$ 253,200</u>	<u>\$ 1,061,808</u>
<u>2016</u>			
At January 1	\$ 808,608	\$ 253,200	\$ 1,061,808
Additions	-	11,474	11,474
Reclassifications	15,532	110,652	126,184
Depreciation	-	(19,093)	(19,093)
Effects of foreign exchange	(782)	(17,192)	(17,974)
At December 31	<u>\$ 823,358</u>	<u>\$ 339,041</u>	<u>\$ 1,162,399</u>
At December 31, 2016			
Cost	\$ 823,358	\$ 617,157	\$ 1,440,515
Accumulated depreciation and impairment	-	(278,116)	(278,116)
	<u>\$ 823,358</u>	<u>\$ 339,041</u>	<u>\$ 1,162,399</u>
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
At January 1, 2015			
Cost	\$ 808,608	\$ 575,157	\$ 1,383,765
Accumulated depreciation and impairment	-	(303,458)	(303,458)
	<u>\$ 808,608</u>	<u>\$ 271,699</u>	<u>\$ 1,080,307</u>
<u>2015</u>			
At January 1	\$ 808,608	\$ 271,699	\$ 1,080,307
Depreciation	-	(15,318)	(15,318)
Effects of foreign exchange	-	(3,181)	(3,181)
At December 31	<u>\$ 808,608</u>	<u>\$ 253,200</u>	<u>\$ 1,061,808</u>
At December 31, 2015			
Cost	\$ 808,608	\$ 496,700	\$ 1,305,308
Accumulated depreciation and impairment	-	(243,500)	(243,500)
	<u>\$ 808,608</u>	<u>\$ 253,200</u>	<u>\$ 1,061,808</u>

A. Rental income from investment property and direct operating expenses arising from investment property are shown below :

	For the year ended December 31, 2016	For the year ended December 31, 2015
Rental income from the lease of the investment property	\$ <u>40,926</u>	\$ <u>33,368</u>
Direct operating expenses arising from the investment property that generated rental income in the period	\$ <u>19,909</u>	\$ <u>15,575</u>
Direct operating expenses arising from the investment property that did not generate rental income in the period	\$ <u>9,288</u>	\$ <u>7,855</u>

A. The fair value of the investment property held by the Group on December 31, 2016 and 2015 were \$3,223,149 and \$3,093,761 respectively, which were revalued by independent appraisers and with reference to market transaction prices.

(11) Intangible assets

	Software
At January 1, 2016	
Cost	\$ 717,785
Accumulated amortization and impairment	(598,780)
	\$ <u>119,005</u>
<u>2016</u>	
At January 1	\$ 119,005
Additions	79,687
Amortization	(98,012)
Disposal of subsidiaries	(3,626)
Effects of foreign exchange	(74)
At December 31	\$ <u>96,980</u>
At December 31, 2016	
Cost	\$ 797,472
Accumulated amortization and impairment	(700,492)
	\$ <u>96,980</u>

	<u>Patent rights</u>	<u>Software</u>	<u>Others</u>	<u>Total</u>
At January 1, 2015				
Cost	\$ 908,657	\$ 665,759	\$ 298,210	\$ 1,872,626
Accumulated amortization and impairment	(778,849)	(478,873)	(298,210)	(1,555,932)
	<u>\$ 129,808</u>	<u>\$ 186,886</u>	<u>\$ -</u>	<u>\$ 316,694</u>
2015				
At January 1	\$ 129,808	\$ 186,886	\$ -	\$ 316,694
Additions	-	52,026	-	52,026
Amortization	(129,808)	(119,892)	-	(249,700)
Effects of foreign exchange	-	(15)	-	(15)
At December 31	<u>\$ -</u>	<u>\$ 119,005</u>	<u>\$ -</u>	<u>\$ 119,005</u>
At December 31, 2015				
Cost	\$ 908,657	\$ 717,785	\$ 298,210	\$ 1,924,652
Accumulated amortization and impairment	(908,657)	(598,780)	(298,210)	(1,805,647)
	<u>\$ -</u>	<u>\$ 119,005</u>	<u>\$ -</u>	<u>\$ 119,005</u>

Details of amortization of intangible assets are as follows:

	<u>For the year ended December 31, 2016</u>	<u>For the year ended December 31, 2015</u>
Operating costs	\$ -	\$ 30
Selling expenses	2,550	19,921
Administrative expenses	60,852	192,403
Research and development expenses	34,610	37,346
	<u>\$ 98,012</u>	<u>\$ 249,700</u>

(12) Short-term borrowings

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Unsecured bank borrowings	\$ 1,150,090	\$ 714,516
Interest rates	<u>1.28%~1.40%</u>	<u>0.77%~0.87%</u>

(13) Financial liabilities at fair value through profit or loss

<u>Items</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives instruments	<u>\$ 6,493</u>	<u>\$ 15,914</u>

A.The Group recognized net gain of \$33,620 and net loss of \$12,543 for the years ended December 31, 2016 and 2015, respectively.

B. The non-hedging derivative instrument transactions and contract information are as follows:

December 31, 2016				
Financial Instrument	Item		Notional Amount (in thousands)	Fair Market Value (in thousands)
MiTAC International Corp.				
Forward foreign exchange - Sell	Advance booking EUR to buy USD	EUR	2,287	(NTD 161)
Swap - Sell	Advance booking EUR to buy USD	EUR	1,000	(NTD 168)
Forward foreign exchange - Sell	Advance booking AUD to buy USD	AUD	500	(NTD 48)
Forward foreign exchange - Sell	Advance booking JPY to buy USD	JPY	88,000	(NTD 140)
Forward foreign exchange - Sell	Advance booking USD to buy NTD	USD	2,000	(NTD 228)
MiTAC Computing Technology Corp.				
Forward foreign exchange - Sell	Advance booking JPY to buy USD	JPY	50,000	(NTD 84)
Forward foreign exchange - Sell	Advance booking USD to buy NTD	USD	34,000	(NTD 5,631)
MiTAC Australia Pty Ltd.				
Forward foreign exchange - Sell	Advance booking NZD to buy USD	NZD	400	(USD 1)
December 31, 2015				
Financial Instrument	Item		Notional Amount (in thousands)	Fair Market Value (in thousands)
MiTAC International Corp.				
Forward foreign exchange - Sell	Advance booking USD to buy NTD	USD	9,000	(NTD 452)
Forward foreign exchange - Sell	Advance booking EUR to buy USD	EUR	4,800	(NTD 2,845)
Forward foreign exchange - Sell	Advance booking AUD to buy USD	AUD	8,413	(NTD 2,562)
MiTAC Computing Technology Corp.				
Forward foreign exchange - Sell	Advance booking USD to buy NTD	USD	30,000	(NTD 4,012)
Silver Star Developments Ltd.				
Forward foreign exchange - Sell	Advance booking EUR to buy USD	EUR	6,500	(USD 154)
MiTAC Australia Pty Ltd.				
Forward foreign exchange - Sell	Advance booking NZD to buy USD	NZD	1,375	(USD 30)

(14) Pensions

A.(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method, to the labors expected to be qualified for retirement next year, the Company will make contribution for the deficit by next March.

(b) The amounts recognized in the balance sheet are determined as follows :

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Present value of defined benefit obligations	(\$ 536,658)	(\$ 501,074)
Fair value of plan assets	<u>225,270</u>	<u>229,490</u>
Net defined benefit liability	<u>(\$ 311,388)</u>	<u>(\$ 271,584)</u>

(c) Movements in net defined benefit liabilities are as follows :

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
For the year ended December 31, 2016			
Balance at January 1	(\$ 501,074)	\$ 229,490	(\$ 271,584)
Current service cost	(3,976)	-	(3,976)
Interest (expense) income	(7,732)	3,611	(4,121)
	<u>(512,782)</u>	<u>233,101</u>	<u>(279,681)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(2,031)	(2,031)
Change in demographic assumptions	(15,022)	-	(15,022)
Change in financial assumptions	(14,468)	-	(14,468)
Experience adjustments	(9,031)	-	(9,031)
	<u>(38,521)</u>	<u>(2,031)</u>	<u>(40,552)</u>
Pension fund contribution	-	8,845	8,845
Paid pension	<u>14,645</u>	<u>(14,645)</u>	<u>-</u>
Balance at December 31	<u>(\$ 536,658)</u>	<u>\$ 225,270</u>	<u>(\$ 311,388)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
For the year ended December 31, 2015			
Balance at January 1	(\$ 471,221)	\$ 233,198	(\$ 238,023)
Current service cost	(4,460)	-	(4,460)
Interest (expense) income	(8,835)	4,459	(4,376)
	(484,516)	237,657	(246,859)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	1,844	1,844
Change in demographic assumptions	(10,686)	-	(10,686)
Change in financial assumptions	(18,024)	-	(18,024)
Experience adjustments	(6,483)	-	(6,483)
	(35,193)	1,844	(33,349)
Pension fund contribution	-	8,624	8,624
Paid pension	18,635	(18,635)	-
Balance at December 31	(\$ 501,074)	\$ 229,490	(\$ 271,584)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2016 and 2015 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(e) The principal actuarial assumptions used were as follows :

A. MiTAC International Corp. :

	For the year ended December 31, 2016	For the year ended December 31, 2015
Discount rate	1.250%	1.500%
Future salary increase	2.00%	2.00%

B. MiTAC Computing Technology Corp. :

	For the year ended December 31, 2016	For the year ended December 31, 2015
Discount rate	<u>1.375%</u>	<u>1.625%</u>
Future salary increase	<u>2.00%</u>	<u>2.00%</u>

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory. Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

A. MiTAC International Corp. :

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2016				
Effect on present value of defined benefit obligation	\$ <u>8,599</u>	(\$ <u>8,939</u>)	\$ <u>8,719</u>	\$ <u>8,431</u>
December 31, 2015				
Effect on present value of defined benefit obligation	\$ <u>8,621</u>	(\$ <u>8,963</u>)	\$ <u>8,763</u>	\$ <u>8,472</u>

B. MiTAC Computing Technology Corp :

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2016				
Effect on present value of defined benefit obligation	\$ <u>6,224</u>	(\$ <u>6,491</u>)	\$ <u>6,346</u>	\$ <u>6,116</u>
December 31, 2015				
Effect on present value of defined benefit obligation	\$ <u>5,467</u>	(\$ <u>5,710</u>)	\$ <u>5,595</u>	\$ <u>5,384</u>

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

- (f) Expected contributions to the defined benefit pension plans of the Group within one year from December 31, 2017 amounts to \$8,928.
- (g) As of December 31, 2016, the weighted average duration of that retirement plan is 10.5~12.4 years.

B.(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company's Mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentages of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2016 and 2015 were \$85,249 and \$80,537, respectively.

(15) Share-based payment

A. As of December 31, 2016 and 2015, the Company's share-based payment arrangements were as follows

Type of arrangement	Grant date	Quantity granted (shares in thousands)	Contract period	vesting conditions
Ninth stock option incentive plan	2009.04.29 and 2009.07.03	16,894 (Note1)	6 years	25% can be exercised after 2 years of grant 50% can be exercised after 3 years of grant 100% can be exercised after 4 years of grant
Tenth stock option incentive plan	2009.10.05 、 2010.04.19 and 2010.05.06	26,903 (Note1)	6 years	30% can be exercised after 2 years of grant 60% can be exercised after 3 years of grant 100% can be exercised after 4 years of grant
Eleventh stock option incentive plan	2012.10.11	19,375 (Note1)	6 years	50% can be exercised after 2 years of grant 75% can be exercised after 3 years of grant 100% can be exercised after 4 years of grant
Sixteenth treasury stock transfer to employees	2015.07.13	3,549	-	Vested immediately

Note 1: According to the resolution on share conversion, the Company had the performance obligation of stock option certificates issued by MiTAC International Corp. under the authorisation of competent authority from the effective date, and adjusted the conversion price and quantity.

Note 2: The subsidiary MiTAC International Corp. bought back treasury shares for transferring to its employees before share conversion pursuant to subparagraph 1 of paragraph 1 of Article 28-2 of Securities and Exchange Act and transferred the shares held by itself to employees after share conversion.

B. A summary of the movements of the Company's stock option plans is set forth below :

	For the year ended December 31, 2016		For the year ended December 31, 2015	
	No of options	Weighted average	No of options	Weighted average
	(shares in thousands)	exercise price	(shares in thousands)	exercise price
		(in dollars)		(in dollars)
Options outstanding at beginning of the period	24,732	\$ 21.24	59,298	\$ 23.72
Options forfeited	(7,776)	24.95	(21,845)	25.64
Options exercised	(7,000)	18.81	(12,721)	23.49
Options outstanding at end of the period	<u>9,956</u>	17.40	<u>24,732</u>	21.24
Options exercisable at end of the period	<u>9,956</u>		<u>20,251</u>	
Options approved and not yet issued at the end of the period	<u>-</u>		<u>-</u>	

C. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2016 and 2015 were \$24.59 (in dollars) and \$25.57 (in dollars), respectively.

D. As of December 31, 2016 and 2015, outstanding compensatory employee stock option plan is as follows:

As of December 31, 2016

	Number of options outstanding at the end of the year		
Range of exercise price	In thousands	Expected weighted	Weighted average
(in dollars)	of shares	average residual	exercise price
		year	(in dollars)
\$17.4	<u>9,956</u>	1.75	\$ 17.40

As of December 31, 2015

	Number of options outstanding at the end of the year		
Range of exercise price	In thousands	Expected weighted	Weighted average
(in dollars)	of shares	average residual	exercise price
		year	(in dollars)
\$24.2 to \$26.6	9,164	0.30	\$ 24.88
\$19.10	<u>15,568</u>	2.75	\$ 19.10
	<u>24,732</u>		

E. Information about the fair value of the Company's shared-based payment transactions :

(a) The fair values of stock options are measured using the Black-Scholes option-pricing model:

Types of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility (Note 1)	Expected option life (year)	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars) (Note 2)
Ninth employee stock options	2009.04.29	\$14.30	\$14.30	34.87%	3.67	0%	0.93%	\$3.92
	2009.07.03	13.30	13.30	34.36%	3.67	0%	1.02%	3.62
Tenth employee stock options	2009.10.05	13.90	13.90	35.25%	3.61	0%	0.55%	3.75
	2010.04.19	14.45	14.45	30.04%	3.61	0%	0.75%	3.40
	2010.05.06	13.10	13.10	29.85%	3.61	0%	0.74%	3.06
Eleventh employee stock options	2012.10.11	10.15	10.15	36.14%	3.47	0%	0.88%	2.79

Note 1: Expected price volatility rate was estimated by using the stock prices of the most recent period with length of this period equal as the length of the stock options' expected life, excluding obvious irregularities of changes in stock prices for the observation amount while considering the effect of the appropriation of retained earnings on the transaction price of stocks to calculate expected price volatility rate.

Note 2: Information of fair value from the original issuance by MiTAC International Corp.

(b) The factors for the fair value of other share-based payments:

Types of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Fair value per unit (in dollars)
Treasury stock transferred to employees	2015.7.13	\$ 29.65	\$ 18.90	\$ 10.75

F. Expenses incurred on share-based payment transactions are shown below :

	For the year ended December 31, 2016	For the year ended December 31, 2015
Equity-settled	\$ 4,605	\$ 55,137

(16) Provisions

Warranty - current	For the year ended December 31, 2016	For the year ended December 31, 2015
Beginning balance	\$ 350,486	\$ 338,376
Additional provisions	255,453	315,061
Used during the period	(269,501)	(298,697)
Unused amounts reversed	(1,531)	(3,119)
Effects of foreign exchange	(1,514)	(1,135)
Ending balance	\$ 333,393	\$ 350,486

(17) Share capital

- A. As of December 31, 2016, the Company's authorized capital was \$11,000,000, consisting of 1.1 billion shares (including 125 million shares reserved for employee stock options), and the paid-in capital was \$8,156,048 with a par value of \$10 per share.

Movements in the number of the Company's ordinary shares outstanding are as follows:

Unit: in thousands of shares

	For the year ended December 31, 2016	For the year ended December 31, 2015
Outstanding shares as of January 1	758,002	749,976
Capital increase of earnings	30,793	-
Capital increase of treasury stock acquired by the subsidiaries	(460)	-
Purchase of treasury stock	-	(8,244)
Treasury stock transferred to employees	-	3,549
Employee stock options exercised	7,000	12,721
Changes in outstanding shares during the year	37,333	8,026
Outstanding shares as of December 31	795,335	758,002

B. Treasury shares

- (a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

Name of company holding the shares	Reason for reacquisition	December 31, 2016	
		Number of shares (shares in thousands)	Carrying amount
MiTAC Holding Corp.	Transferred to employees	8,244	\$ 169,362
Subsidiary- Tsu Fung Investment Corp.	Stock conversion	10,589	276,085
Subsidiary- SSDL	"	1,437	77,002
Name of company holding the shares	Reason for reacquisition	December 31, 2015	
		Number of shares (shares in thousands)	Carrying amount
MiTAC Holding Corp.	Transferred to	8,244	\$ 169,362
Subsidiary- Tsu Fung Investment Corp.	Stock conversion	10,183	276,085
Subsidiary- SSDL	"	1,382	77,002

- (b) Pursuant to the R.O.C. Securities and Exchange Law, the number of shares bought back as treasury shares should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Law, treasury stock should not be pledged as collateral and is not entitled to dividends before it is reissued to the employees.
- (d) Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within

the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

- (e) In accordance with the Financial Supervisory Commission, Securities and Futures Bureau, No.1010047490, the Company shall not appropriate special reserve proportionately to the shareholding ratio for the difference of ending market price below the carrying amount of the parent's stock held by the subsidiaries. If the market price reverses subsequently, the reversal amount shall be appropriated as special reserve proportionately to the shareholding ratio.

(18) Capital surplus

	Share premium	Treasury stock trnsactions	Net equity of associates and joint ventures accounted for under the equity method	Employee stock options	Total
At January 1, 2016	\$ 21,567,209	\$ 175,288	\$ 184,865	\$ 425,113	\$ 22,352,475
Employee stock options exercised	105,716	-	-	(39,843)	65,873
Changes from associates and joint ventures accounted for under the equity method	-	-	5,066	-	5,066
Employee compensation plan - employee stock options	-	-	-	4,605	4,605
Subsidiaries received cash dividends paid by the parent company	-	18,417	-	-	18,417
At December 31, 2016	<u>\$ 21,672,925</u>	<u>\$ 193,705</u>	<u>\$ 189,931</u>	<u>\$ 389,875</u>	<u>\$ 22,446,436</u>

	Share premium	Treasury stock trnsactions	Net equity of associates and joint ventures accounted for under the equity method	Employee stock options	Total
At January 1, 2015	\$ 21,427,076	\$ 52,683	\$ 150,448	\$ 492,513	\$ 22,122,720
Employee stock options exercised	260,326	-	-	(84,385)	175,941
Changes from associates and joint ventures accounted for under the equity method	-	-	34,417	-	34,417
Employee compensation plan - employee stock options	-	-	-	55,137	55,137
Treasury stock transferred to employees	-	35,680	-	(38,152)	(2,472)
Subsidiaries received cash dividends paid by the parent company	-	7,976	-	-	7,976
Retirement of treasury shares	(120,193)	78,949	-	-	(41,244)
At December 31, 2015	<u>\$ 21,567,209</u>	<u>\$ 175,288</u>	<u>\$ 184,865</u>	<u>\$ 425,113</u>	<u>\$ 22,352,475</u>

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(19) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Special reserve shall also be set aside pursuant to the regulations. Appropriation of the remainder plus prior year's accumulated unappropriated retained earnings shall be proposed by the Board of Directors and resolved by the stockholders.
- B. Earnings appropriation ratio and cash dividends ratio are decided by the Board of Directors, taking into account the Company's financial structure, future capital requirements and profitability, and cash dividends shall account for at least 10% of the total dividends appropriated. Earnings appropriation ratio and cash dividends ratio are subject to adjustments once approved by the stockholders.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included

in the distributable earnings.

- E. On June 21, 2016, the appropriation of earnings for the year ended December 31, 2015 resolved by the shareholders is as follows:

	For the year ended December 31, 2015	
	Account	Dividend per share (in dollars)
Legal reserve	\$ 175,409	
Special reserve	13,574	
Cash dividend	1,231,738	\$ 1.6
Stock dividend	307,934	0.4
Total	<u>\$ 1,728,655</u>	<u>\$ 2.0</u>

- F. On March 28, 2017, the appropriation of earnings for the year ended December 31, 2016 proposed by the Board of Directors and to be approved by the shareholders is as follows:

	For the year ended December 31, 2016	
	Account	Dividend per share (in dollars)
Legal reserve	\$ 271,857	
Special reserve	(65,691)	
Cash dividend	2,022,698	\$ 2.5
Total	<u>\$ 2,228,864</u>	

- G. For the information relating to employees' compensation (bonuses) and directors' and supervisors' remuneration, please refer to Note 6 (26).

(20) Other equity items

	2016		
	Available-for-sale investments	Currency translation	Total
At January 1	(\$ 80,096)	\$ 2,008,508	\$ 1,928,412
Reclassified to profit or loss upon disposal	17,198	33,067	50,265
Revaluation			
–Group	396,553	-	396,553
–Associates	49,365	-	49,365
Currency translation differences:			
–Group	- (	743,991)	(743,991)
–Associates	- (	403,363)	(403,363)
At December 31	<u>\$ 383,020</u>	<u>\$ 894,221</u>	<u>\$ 1,277,241</u>

	2015		
	Available-for-sale investments	Currency translation	Total
At January 1	\$ 139,151	\$ 1,872,643	\$ 2,011,794
Reclassified to profit or loss upon disposal	8,467	8,208	16,675
Reclassified to impairment loss	14,188	-	14,188
Revaluation			
–Group	(207,595)	-	(207,595)
–Associates	(34,307)	-	(34,307)
Currency translation differences:			
–Group	-	393,934	393,934
–Associates	-	(266,277)	(266,277)
At December 31	<u>(\$ 80,096)</u>	<u>\$ 2,008,508</u>	<u>\$ 1,928,412</u>

(21) Operating revenue

	For the year ended December 31, 2016	For the year ended December 31, 2015
Sales revenue	\$ 48,234,990	\$ 49,855,526
Other operating revenue	106,755	199,239
Total	<u>\$ 48,341,745</u>	<u>\$ 50,054,765</u>

(22) Other income

	For the year ended December 31, 2016	For the year ended December 31, 2015
Interest income:		
Interest income from bank deposits	\$ 58,586	\$ 99,428
Rental revenue	97,354	79,534
Dividend income	101,528	119,828
Other income	152,634	77,120
Total	<u>\$ 410,102</u>	<u>\$ 375,910</u>

(23) Other gains and losses

	For the year ended December 31, 2016	For the year ended December 31, 2015
Net gain (loss) on financial liabilities at fair value through profit or loss	\$ 33,620	(\$ 12,543)
Net gain (loss) on financial assets at fair value through profit or loss	9,422	(23,748)
Net currency exchange (loss) gain	(30,501)	97,000
Gain on disposal of property, plant and equipment	28,037	12,999
Gain (loss) on disposal of investments	215,995	(16,506)
Impairment loss	(28,408)	(25,902)
Other losses	(37,654)	(38,505)
Total	<u>\$ 190,511</u>	<u>(\$ 7,205)</u>

(24) Finance costs

	For the year ended December 31, 2016	For the year ended December 31, 2015
Interest expense:		
Bank borrowings	<u>\$ 17,270</u>	<u>\$ 32,053</u>

(25) Expenses by nature

	For the year ended December 31, 2016	For the year ended December 31, 2015
Employee benefit expense	\$ 4,899,709	\$ 5,139,127
Depreciation on property, plant and equipment and investment property	451,802	534,742
Amortization charges	98,012	249,700
Total	<u>\$ 5,449,523</u>	<u>\$ 5,923,569</u>

(26) Employee benefit expense

	For the year ended December 31, 2016	For the year ended December 31, 2015
Wages and salaries	\$ 4,346,931	\$ 4,533,402
Employee stock options	4,605	55,137
Labor and health insurance fees	310,227	353,075
Pension costs	93,346	89,373
Other personnel expenses	144,600	108,140
	<u>\$ 4,899,709</u>	<u>\$ 5,139,127</u>

- A. The shareholders has approved the amended Articles of Incorporation of the Company on June 21, 2016. According to the amended articles, the profit (pre-tax profit before deduction of employees' compensation and directors' and supervisors' remuneration) of the current year shall be distributed as employees' compensation and directors' and supervisors' remuneration, which will be resolved by the Board of Directors. The ratio shall not be lower than 0.1% for

employees and not be higher than 1% for directors and supervisors. If a company has accumulated deficit, earnings should be reserved to cover losses. Employees' compensation can be distributed in cash or shares and shall be distributed to the employees of subsidiaries of the Company who meet certain specific requirements. The chairman of the Board is authorized to set the qualification requirements.

- B. For the year ended December 31, 2016 and 2015, employees' compensation was accrued at 0.1% of gain on pre-tax profit before deduction of employees' compensation and directors' and supervisors' remuneration. Directors' and supervisors' remuneration were accrued under 1% of gain on pre-tax profit before deduction of employees' compensation and directors' and supervisors' remuneration.
- C. For the years ended December 31, 2016 and 2015, employees' compensation was accrued at \$2,729 and \$1,767, respectively; and directors' and supervisors' remuneration was accrued at \$4,800 and \$2,100, respectively. The aforementioned amounts were recognized in salary expenses. Employees' cash bonus and directors' and supervisors' remuneration of 2016 and 2015 as resolved at the Board of Directors of the Company were in agreement with those amounts recognized in the 2016 and 2015 consolidated financial statements.
- D. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors and the shareholders at the shareholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(27) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Current tax:		
Current tax on profits for the period	\$ 193,520	\$ 253,138
Tax on undistributed surplus earnings	-	5,824
Adjustments in respect of prior years	26,077	7,635
Total current tax	219,597	266,597
Deferred tax:		
Origination and reversal of temporary differences	122,772	(6,586)
Total deferred tax	122,772	(6,586)
Income tax expense	\$ 342,369	\$ 260,011

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Actuarial losses on defined benefit obligations	(\$ 6,894)	(\$ 5,669)

B. Reconciliation between income tax expense and accounting profit

	For the year ended December 31, 2016	For the year ended December 31, 2015
Tax calculated based on profit before tax and statutory tax rate	\$ 998,862	\$ 732,278
Additional 10% income tax imposed on unappropriated earnings	-	5,824
Effects from items disallowed by tax regulation	(808,728)	(534,122)
Change in assessment of realisation of deferred tax assets	76,280	-
Effects from foreign income	49,878	48,396
Under provision of prior year's income tax	26,077	7,635
Income tax expense	\$ 342,369	\$ 260,011

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and loss carryforward are as follows :

For the year ended December 31, 2016					
	Beginning balance	Recongnised in profit or loss	Recognised in other comprehensive income	Effects of exchange rate changes	Ending balance
Deferred tax assets:					
Temporary differences:					
Warranty provision	\$ 47,538	\$ 2,513	\$ -	\$ -	\$ 50,051
Loss from decline in inventory price to market value	76,327	(52,329)	-	(750)	23,248
Unrealized estimate payable	151,388	10,425	-	-	161,813
Other	181,655	(85,491)	6,894	(1,137)	101,921
Subtotal	<u>\$ 456,908</u>	<u>(\$ 124,882)</u>	<u>\$ 6,894</u>	<u>(\$ 1,887)</u>	<u>\$ 337,033</u>
Deferred tax liabilities:					
Temporary differences:					
Equity investments	(320,474)	-	-	-	(320,474)
Others	(11,499)	2,110	-	-	(9,389)
Subtotal	<u>(331,973)</u>	<u>2,110</u>	<u>-</u>	<u>-</u>	<u>(329,863)</u>
Total	<u>\$ 124,935</u>	<u>(\$ 122,772)</u>	<u>\$ 6,894</u>	<u>(\$ 1,887)</u>	<u>\$ 7,170</u>

For the year ended December 31, 2015					
	Beginning balance	Recongnised in profit or loss	Recognised in other comprehensive income	Effects of exchange rate changes	Ending balance
Deferred tax assets:					
Temporary differences:					
Warranty provision	\$ 43,001	\$ 4,537	\$ -	\$ -	\$ 47,538
Loss from decline in inventory price to market value	84,106	(9,336)	-	1,557	76,327
Unrealized estimate payable	132,231	19,157	-	-	151,388
Other	184,014	(7,711)	5,669	(317)	181,655
Subtotal	<u>\$ 443,352</u>	<u>\$ 6,647</u>	<u>\$ 5,669</u>	<u>\$ 1,240</u>	<u>\$ 456,908</u>
Deferred tax liabilities:					
Temporary differences:					
Equity investments	(320,474)	-	-	-	(320,474)
Others	(11,438)	(61)	-	-	(11,499)
Subtotal	<u>(331,912)</u>	<u>(61)</u>	<u>-</u>	<u>-</u>	<u>(331,973)</u>
Total	<u>\$ 111,440</u>	<u>\$ 6,586</u>	<u>\$ 5,669</u>	<u>\$ 1,240</u>	<u>\$ 124,935</u>

- D. Expiration dates of unused net operating loss carryforwards of the Company and its subsidiaries and amounts of unrecognized deferred tax assets are as follows :

December 31, 2016

<u>Year incurred</u>	<u>Amount filed / assessed</u>	<u>Unused amount</u>	<u>Unrecognized deferred tax assets</u>	<u>Usable until year</u>
2011	Assessed	\$ 172,967	\$ 172,967	2021
2012	Assessed	297,134	297,134	2022
2014	Assessed	36,392	36,392	2024

December 31, 2015

<u>Year incurred</u>	<u>Amount filed / assessed</u>	<u>Unused amount</u>	<u>Unrecognized deferred tax assets</u>	<u>Usable until year</u>
2011	Assessed	\$ 172,967	\$ 172,967	2021
2012	Assessed	297,134	297,134	2022
2014	Filed	36,392	36,392	2024

- E. The amounts of deductible temporary differences that are not recognized as deferred tax assets are as follows :

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Deductible temporary differences	<u>\$ 1,156,296</u>	<u>\$ 1,574,831</u>

- F. The Company has not recognized taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2016 and 2015, the amounts of temporary difference unrecognized as deferred tax liabilities were \$9,238,115 and \$8,686,144, respectively.

- G. The Company's income tax returns through 2014 have been assessed and approved by the Tax Authority.

- H. Unappropriated retained earnings

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Earnings generated in and after 1998	<u>\$ 2,785,617</u>	<u>\$ 1,833,321</u>

- I. As of December 31, 2016 and 2015, the balance of the imputation tax credit account were \$1,448,432 and \$1,470,223, respectively. For the year ended December 31, 2016, the creditable tax rate is estimated to be 13.92%. The creditable tax rate was 14.47% for the year ended December 31, 2015.

(28) Earnings per share

The Group's basic earnings per share is calculated by using income attributable to the ordinary shareholders of the Group's parent company divided by the amount of outstanding ordinary shares during the period less the weighted average number of treasury shares.

For the year ended December 31, 2016			
	Amount	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>	<u>after tax</u>		
Profit attributable to ordinary shareholders of the parent	\$ 2,718,568	791,186	\$ 3.44
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,718,568		
Less: effect of dilutive potential common stocks issued by investee companies	(14,831)		
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options		4,438	
Employees' bonus	-	105	
Net income attributable to common stockholders plus dilutive effect of common stock equivalents	\$ 2,703,737	795,729	\$ 3.40

For the year ended December 31, 2015			
	Amount	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>	<u>after tax</u>		
Profit attributable to ordinary shareholders of the parent	\$ 1,754,092	785,270	\$ 2.23
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,754,092		
Less: effect of dilutive potential common stocks issued by investee companies	(5,740)		
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options		4,323	
Employees' bonus	-	84	
Net income attributable to common stockholders plus dilutive effect of common stock equivalents	\$ 1,748,352	789,677	\$ 2.21

- A. Basic earnings per share is calculated with the gain or loss attributable to the shareholders of the ordinary shares issued by the Company, divided with outstanding weighted average ordinary shares during the period, and deducted with weighted average treasury shares.
- B. For the year ended December 31, 2015, the outstanding weighted average shares was retrospectively adjusted based on retained earnings capitalization ratio in 2016.

(29) Operating Leases

The Group leases building assets to others under non-cancellable operating lease agreements. These leases have terms expiring between 1 and 5 years, and all these lease agreements are not renewable at the end of the lease period. Rental revenue of \$97,354 and \$79,534 were recognized for the years ended December 31, 2016 and 2015, respectively. The future aggregate minimum lease receivable under non-cancellable operating leases are as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Not later than one years	\$ 89,065	\$ 64,401
Later than one year but not later than five years	87,779	98,358
Later than five years	1,988	6,351
	<u>\$ 178,832</u>	<u>\$ 169,110</u>

(30) Supplemental cash flow information

- A. In the third quarter of 2016, the Group sold 100% shares of the subsidiary MiTAC Service (Shanghai) Ltd. and hence lost the control over the subsidiary (please refer to Note 4(3)B.(d) for details). The price for the trading (including those classified as cash and cash equivalents) and the information relating to the subsidiary's assets and liabilities are listed as follows :

	<u>For the year ended December 31, 2016</u>
Consideration received-Cash	\$ 11,689
Net assets of the subsidiary	
Cash	5,801
Net assets not included Cash	685
Subtotal	<u>6,486</u>
Subtract consideration received-Cash from net assets	5,203
Profit reclassified from other comprehensive income	11,349
Gain on disposal of the subsidiary	<u>\$ 16,552</u>

- B. Investing activities with partial cash payments :

	<u>For the year ended December 31, 2016</u>	<u>For the year ended December 31, 2015</u>
Purchase of Intangible assets	\$ 79,687	\$ 52,026
Increase of Investment property	11,474	-
Less: ending balance of other	(14,884)	-
Cash paid during the period	<u>\$ 76,277</u>	<u>\$ 52,026</u>

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions and balances

A. Operating revenue:

(a)

	<u>For the year ended December 31, 2016</u>	<u>For the year ended December 31, 2015</u>
Sales of goods:		
-Associates	\$ 3,217,129	\$ 1,242,187
-Other related parties	<u>317</u>	<u>20</u>
Total	<u>\$ 3,217,446</u>	<u>\$ 1,242,207</u>

(b) The selling price to related parties is based on market value in the region of the related party.

(c) The Group's term of credit for related parties is the same with general clients. The payment is generally due around 3 months after delivery.

B. Purchases:

(a)

	<u>For the year ended December 31, 2016</u>	<u>For the year ended December 31, 2015</u>
Purchases of goods:		
-Associates	\$ 273,079	\$ 831,469
-Other related parties	<u>540,058</u>	<u>2,289</u>
Total	<u>\$ 813,137</u>	<u>\$ 833,758</u>

(b) The purchase prices from related parties are based on the international market value and the market price in the region of the related party.

(c) The Group's term of payment for related parties is generally due around 4 months after counterparty's delivery.

C. Receivables from related parties:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Accounts receivable:		
-Associates	\$ 772,669	\$ 253,354
-Other related parties	<u>43</u>	<u>-</u>
Subtotal	<u>772,712</u>	<u>253,354</u>
Other receivables:		
-Associates	36,440	22,279
-Other related parties	<u>2,735</u>	<u>2,342</u>
Subtotal	<u>39,175</u>	<u>24,621</u>
Total	<u>\$ 811,887</u>	<u>\$ 277,975</u>

D. Payables to related parties:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Accounts payable:		
-Associates	\$ 24,214	\$ 181,404
-Other related parties	261,837	1,959
Subtotal	<u>286,051</u>	<u>183,363</u>
Other payables:		
Associates	7,186	6,903
Other related parties	646	249
Subtotal	<u>7,832</u>	<u>7,152</u>
Total	<u>\$ 293,883</u>	<u>\$ 190,515</u>

E. Property transactions:

(a) Acquisition of property, plant and equipment:

	<u>For the year ended December 31, 2016</u>	<u>For the year ended December 31, 2015</u>
Associates	\$ 551	\$ 6,694
Other related parties	489	1,923
	<u>\$ 1,040</u>	<u>\$ 8,617</u>

(b) Disposal of subsidiaries

	<u>For the year ended December 31, 2016</u>	
	<u>Proceeds</u>	<u>Gain/(loss)</u>
Other related parties	\$ 11,689	\$ 16,552

(c) Acquisition of financial assets:

		<u>Transaction share</u>		<u>Acquisition amount</u>
	<u>Account</u>	<u>(Shares in thousands)</u>	<u>Item</u>	<u>For the year ended December 31, 2016</u>
Other related parties	Financial assets carried at cost	2,500	Investment	\$ 25,000

		<u>Transaction share</u>		<u>Acquisition amount</u>
	<u>Account</u>	<u>(Shares in thousands)</u>	<u>Item</u>	<u>For the year ended December 31, 2015</u>
Other related parties	Financial assets carried at cost	2,500	Investment	\$ 25,000

F. Rent revenue

For the years ended December 31, 2016 and 2015, the rental revenue collected from leasing offices and factories to associates amounted to \$19,117 and \$31,162, respectively

G. Expenses

	For the year ended December 31, 2016	For the year ended December 31, 2015
Associates	\$ 29,714	\$ 12,311
Other related parties	55,560	56,807
Total	<u>\$ 85,274</u>	<u>\$ 69,118</u>

Expenses mainly pertain to rental expenditures for the lease of offices and other miscellaneous expenses.

H. Endorsements and guarantees provided to related parties:

As of December 31, 2016 and 2015, associates provided guarantees for operating leases to MiTAC International Corp. amounting to \$0 and \$ 3,600, respectively.

(2) Key management compensation

	For the year ended December 31, 2016	For the year ended December 31, 2015
Salaries and other short-term employee benefits	\$ 42,914	\$ 37,950
Post-employment benefits	526	539
Share-based payments	734	1,922
Total	<u>\$ 44,174</u>	<u>\$ 40,411</u>

8. PLEGGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged asset	Book Value		Purpose
	December 31, 2016	December 31, 2015	
Buildings	\$ -	\$ 362,180	Short-term loans
Land use rights	-	13,422	Short-term loans
Time deposits	7,500	3,500	Guarantee deposit for the lease of land in Science Park
Time deposits	2,221	2,204	Guarantee deposit for the lease of dormitory in Science Park
Time deposits	1,617	-	Guarantee deposit for the lease of offices
Demand deposits	4,617	4,995	Customs guarantee
Time deposits	18,468	-	Customs guarantee
	<u>\$ 34,423</u>	<u>\$ 386,301</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Operating lease arrangement

The minimum amount payable under the Group's future non-cancellable operating lease is as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Not more than 1 year	\$ 43,906	\$ 125,478
More than 1 year but not more than 5 years	76,404	147,481
Over 5 years	53,677	18,255
Total	<u>\$ 173,987</u>	<u>\$ 291,214</u>

B. Capital expenditure contracted but not provided are as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Property, plant and equipment	<u>\$ 288,766</u>	<u>\$ 1,219,270</u>

10. SIGNIFICANT DISASTER LOSS:

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE:

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Group's financial instruments not measured at fair value, including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other current assets, short-term loans, notes payable, accounts payable and other payables, long-term loans (including due within one year or one operating cycle) and guarantee deposits (shown as other non-current liabilities) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

B. Financial risk management policies

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance. The Group uses derivative financial instruments to hedge certain risk exposures (see Notes 6(2), 6(13)).

C. Significant financial risks and degrees of financial risks

(a)Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, EUR and CNY. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group use forward foreign exchange contracts, transacted with Group treasury. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.
- iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, EUR and CNY). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2016			
	Foreign Currency		
	Amount (In Thousands)	Exchange Rate	Book Value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 396,481	32.250	\$ 12,786,518
EUR:NTD	9,850	33.900	333,908
AUD:NTD	9,581	23.285	223,086
USD:CNY	174,168	6.985	5,616,923
<u>Non-monetary items</u>			
CNY:USD	63,651	0.143	293,878
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	362,890	32.250	11,703,206
EUR:NTD	11,872	33.900	402,466
AUD:NTD	11,212	23.285	261,063
USD:CNY	142,549	6.985	4,597,208

December 31, 2015			
(Foreign currency: functional currency)	Foreign Currency		
	Amount (In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 311,824	32.825	\$ 10,235,623
EUR:NTD	8,978	35.880	322,131
AUD:NTD	9,880	23.985	236,972
USD:CNY	136,420	6.572	4,477,987
<u>Non-monetary items</u>			
CNY:USD	58,222	0.152	290,817
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	267,269	32.825	8,773,105
EUR:NTD	9,656	35.880	346,457
AUD:NTD	14,927	23.985	358,024
USD:CNY	69,949	6.572	2,296,076

- i. Total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2016 and 2015, amounted to (\$30,501) and \$97,000, respectively.
- ii. When the exchange rates for USD, AUD, EUR and CNY to NTD, and USD to CNY increased or decreased by 1%, with all other factors the same at December 31, 2016 and 2015, net profit before tax would increase or decrease by \$19,965 and \$34,991 for the years ended December 31, 2016 and 2015, respectively.

Price risk

A. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

B. The Group's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity would have increased/decreased by \$19,904 and \$13,166 for the years ended December 31, 2016 and 2015, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

The Group's interest rate risk arises from borrowings. However, the Group's borrowings are all at a fixed rate, thus interest rate risk has no significant impact on the Group.

(b)Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board of directors. The utilization of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.
- ii. No credit limits were exceeded during the years ended December 31, 2016 and 2015, and management does not expect any significant losses from non-performance by these counterparties.
- iii. The credit quality information of financial assets that are neither past due nor impaired is described in Note 6 (5).
- iv. The ageing analysis of financial assets that were past due but not impaired is described in Note 6 (5).
- v. The individual analysis of financial assets that had been impaired is provided in the statement for each type of financial asset in Note 6.

(c)Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

- ii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

<u>December 31, 2016</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 year</u>	<u>Between 2 and 3 years</u>	<u>over 3 years</u>
Short-term borrowings	\$ 1,150,090	\$ -	\$ -	\$ -
Accounts payable	9,248,012	-	-	-
Other payables	3,830,190	-	-	-
Guarantee deposits	8,544	2,132	2,577	6,351

<u>December 31, 2015</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 year</u>	<u>Between 2 and 3 years</u>	<u>over 3 years</u>
Short-term borrowings	\$ 714,516	\$ -	\$ -	\$ -
Accounts payable	5,547,707	-	-	-
Other payables	3,691,058	-	-	-
Guarantee deposits	5,640	7,311	1,317	5,311

Derivative financial liabilities

As of December 31, 2016 and 2015, the Group's derivative financial liabilities mature within one year.

- iii. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value estimation

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Group's investment property measured at cost are provided in Note 6(10).

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data.

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2015 and 2016 :

December 31, 2016	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Forward exchange contracts	\$ -	\$ 39,331	\$ -	\$ 39,331
Equity securities	<u>1,484,422</u>	<u>433,164</u>	<u>72,845</u>	<u>1,990,431</u>
Total	<u>\$ 1,484,422</u>	<u>\$ 472,495</u>	<u>\$ 72,845</u>	<u>\$ 2,029,762</u>
Financial liabilities:				
Forward exchange contracts	\$ -	\$ 6,493	\$ -	\$ 6,493
December 31, 2015	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Forward exchange contracts	\$ -	\$ 5,711	\$ -	\$ 5,711
Equity securities	<u>1,102,133</u>	<u>151,515</u>	<u>62,967</u>	<u>1,316,615</u>
Total	<u>\$1,102,133</u>	<u>\$ 157,226</u>	<u>\$ 62,967</u>	<u>\$1,322,326</u>
Financial liabilities:				
Forward exchange contracts	\$ -	\$ 15,914	\$ -	\$ 15,914

C. The methods and assumptions the Group used to measure fair value are as follows:

- (a) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value

- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.
- (c) When assessing non-standard and low-complexity financial instruments, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- (d) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
- (e) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of

financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

- (f) The Group takes into account adjustments for credit risk to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

D. For the years ended December 31, 2016 and 2015, there was no transfer between Level 1 and Level 2.

E. The following table presents the changes in level 3 instruments as at December 31, 2016 and 2015:

	Equity securities	
	For the year ended December 31, 2016	For the year ended December 31, 2015
January 1	\$ 62,967	\$ 80,002
Loss recognized in profit or loss	- (	4,331)
Loss recognized in other comprehensive income	10,080 (	13,211)
Effects of foreign exchange	(202)	507
December 31	<u>\$ 72,845</u>	<u>\$ 62,967</u>

F. Investment department is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, and reviewing the information periodically.

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes significant unobservable inputs to valuation model used in Level 3 fair value measurements:

Non-derivative equity instrument:	Fair value at December 31, 2016	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Unlisted shares	\$ 72,845	Net asset value	Net asset value	-	The higher the net asset value, the higher the fair value.

Non-derivative equity instrument:	Fair value at December 31, 2015	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Unlisted shares	\$ 62,967	Net asset value	Net asset value	-	The higher the net asset value, the higher the fair value.

H. The Group has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in difference measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

			December 31, 2016			
Financial assets	Input	Change	Recognized in profit or loss		Recognized in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Equity instrument	Net asset value	±1%	\$ -	\$ -	\$ 728	\$ 728

			December 31, 2015			
Financial assets	Input	Change	Recognized in profit or loss		Recognized in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Equity instrument	Net asset value	±1%	\$ -	\$ -	\$ 630	\$ 630

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: Please refer to table 5.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 6.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 7.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2) and (13).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 8.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 9.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 10.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 10.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The Group's chief operating decision-maker manages business from the perspectives of cloud computing product business group and mobile communication product business group.

The Group's company organization, basis of department segmentation and principles for measuring segment information for the period were not significantly changed.

(2) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments and reconciliations are as follows:

For the year ended December 31, 2016				
Item	Mobile			
	Cloud computing business group	communications business group	Others	Total
Revenue	\$ 40,987,477	\$ 5,656,719	\$ 1,697,549	\$ 48,341,745
Segment gain (loss)	1,041,506	(247,898)	(110,264)	683,344

For the year ended December 31, 2015				
Item	Mobile			
	Cloud computing business group	communications business group	Others	Total
Revenue	\$ 43,061,238	\$ 5,504,762	\$ 1,488,765	\$ 50,054,765
Segment gain (loss)	1,175,122	(489,254)	(389,398)	296,470

(3) Reconciliation for segment income (loss)

The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations for the years ended December 31, 2016 and 2015 is provided as follows:

Item	For Year ended December 31, 2016	For Year ended December 31, 2015
Profit for reportable segments	\$ 683,344	\$ 296,470
Unallocated:		
Share of profits and losses from affiliates and joint ventures accounted for under the equity method	1,794,250	1,380,981
Dividend revenue	101,528	119,828
Interest revenue	58,586	99,428
Net currency exchange (loss) gain	(30,501)	97,000
Other income	453,730	20,396
Income before tax from operations	<u>\$ 3,060,937</u>	<u>\$ 2,014,103</u>

(4) Information on products and services

	For Year ended December 31, 2016	For Year ended December 31, 2015
Sales	\$ 48,234,990	\$ 49,855,526
Other revenue	106,755	199,239
Total	<u>\$ 48,341,745</u>	<u>\$ 50,054,765</u>

(5) Geographical information

For the years ended December 31, 2016 and 2015, revenues and noncurrent assets from certain regions are listed below:

	For the year ended December 31, 2016		For the year ended December 31, 2015	
	Revenue	Assets-Noncurrent	Revenue	Assets-Noncurrent
Taiwan	\$ 471,668	\$ 4,092,811	\$ 493,401	\$ 3,120,562
USA	30,079,441	804,092	28,538,674	853,376
Europe	8,789,979	131,061	12,048,256	135,307
Others	9,000,657	2,541,734	8,974,434	2,830,244
Total	<u>\$ 48,341,745</u>	<u>\$ 7,569,698</u>	<u>\$ 50,054,765</u>	<u>\$ 6,939,489</u>

(6) Major customer information

For the years ended December 31, 2016 and 2015, the major customer information of the Group are listed below:

For the year ended December 31, 2016			
<u>Customer</u>	<u>Revenue</u>	<u>Percentage of total revenue</u>	<u>Segment</u>
Customer E	\$ 28,295,884	59%	Cloud computing business group

For the year ended December 31, 2015			
<u>Customer</u>	<u>Revenue</u>	<u>Percentage of total revenue</u>	<u>Segment</u>
Customer E	\$ 29,663,727	59%	Cloud computing business group

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2016

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	Is a related party	General ledger account	Maximum outstanding balance during the year ended December 31, 2016	Balance at December 31, 2016	Actual amount drawn down	Interest rate	Nature of loan (Note 2)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 3)	Ceiling on total loans granted (Note 3)	Footnote
													Item	Value			
0	MiTAC Holdings Corp.	MiTAC International Corp.	Y	Other receivables-related parties	\$ 2,500,000	\$ 2,500,000	\$ 1,630,000	0.7572%-0.9508%	2	\$ -	Operations	\$ -	None	\$ -	\$ 3,317,517	\$ 6,635,034	
0	MiTAC Holdings Corp.	MiTAC Computing Technology Corp.	Y	Other receivables-related parties	1,000,000	1,000,000	999,750	0.8514%-1.1844%	2	-	Operations	-	None	-	3,317,517	6,635,034	
1	MiTAC International Corp.	MiTAC Computing Technology Corp.	Y	Other receivables-related parties	1,000,000	-	-	0.7572%-0.8200%	2	-	Operations	-	None	-	2,710,049	5,420,099	
2	MiTAC Computing Technology Corp.	MiTAC International Corp.	Y	Other receivables-related parties	450,000	400,000	-	0.762991%	2	-	Operations	-	None	-	421,822	843,644	
3	Silver Star Developments Ltd.	MiTAC International Corp.	Y	Other receivables-related parties	1,103,850	645,000	-	-	2	-	Operations	-	None	-	6,878,975	6,878,975	
3	Silver Star Developments Ltd.	MiTAC Holdings Corp.	Y	Other receivables-related parties	1,967,250	1,967,250	999,750	-	2	-	Operations	-	None	-	6,878,975	6,878,975	
3	Silver Star Developments Ltd.	Top Sheen Enterprises Ltd.	Y	Other receivables-related parties	836,250	806,250	806,250	-	2	-	Operations	-	None	-	13,899,454	13,899,454	
3	Silver Star Developments Ltd.	Software Insights Ltd.	Y	Other receivables-related parties	33,450	32,250	32,250	-	2	-	Operations	-	None	-	13,899,454	13,899,454	
3	Silver Star Developments Ltd.	MiTAC Digital Corporation	Y	Other receivables-related parties	970,050	919,125	919,125	-	2	-	Operations	-	None	-	13,899,454	13,899,454	
3	Silver Star Developments Ltd.	Best Profit Ltd.	Y	Other receivables-related parties	873,931	842,580	842,580	-	2	-	Operations	-	None	-	13,899,454	13,899,454	
3	Silver Star Developments Ltd.	MiTAC Europe Ltd.	Y	Other receivables-related parties	147,120	135,600	135,600	-	2	-	Operations	-	None	-	13,899,454	13,899,454	
3	Silver Star Developments Ltd.	Mio Technology Ltd.	Y	Other receivables-related parties	124,275	115,425	115,425	-	2	-	Operations	-	None	-	13,899,454	13,899,454	

3	Silver Star Developments Ltd.	Start Well Technology Ltd.	Y	Other receivables-related parties	1,023,570	986,850	986,850	-	2	-	Operations	-	None	-	13,899,454	13,899,454	
3	Silver Star Developments Ltd.	MiTAC Benelux N.V.	Y	Other receivables-related parties	91,950	84,750	84,750	-	2	-	Operations	-	None	-	13,899,454	13,899,454	
3	Silver Star Developments Ltd.	MiTAC Australia Pty Ltd.	Y	Other receivables-related parties	24,025	-	-	-	2	-	Operations	-	None	-	13,899,454	13,899,454	
4	Tyan Computer Corp.(USA)	Mitac Information Systems Corp.	Y	Other receivables-related parties	250,875	241,875	241,875	1.86%	2	-	Operations	-	None	-	254,796	254,796	

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: The nature of loan are as follows:

(1) Ongoing business

(2) Short-term financing

Note 3: (1) MiTAC Holdings Corp. (the Company)'s total borrowing amount of short-term financing should not exceed 20% of the net worth on the latest financial statements audited or reviewed by independent accountants.

The borrowing amount for each borrowing company should not exceed 10% of the net worth of the Company.

(2) MiTAC International Corp's total amount of short-term financing should not exceed 20% of the net worth on the latest financial statements audited or reviewed by auditors; the borrowing amount to each borrowing company should not exceed 10% of the Company's net worth.

(3) If Silver Star Developments Ltd. was lending to foreign subsidiaries owned 100% directly and indirectly by the ultimate parent company, the borrowing amount to each borrowing company and the total borrowing amount should not be higher than 200% of the paid-in capital on the latest financial statements audited by independent accountants.

(4) Silver Star Development Ltd.'s borrowing amount to each borrowing company and total borrowing amount of the parent company should not exceed 40% of the net worth on the latest financial statements audited by independent accountants.

(5) The borrowing amount and the total borrowing amount of Tyan Computer Corp. (USA) lending to the ultimate parent company's direct and indirect wholly-owned foreign subsidiaries should not exceed 200% of the paid-in capital on the latest financial statements audited by independent accountants.

(6) MiTAC Computing Technology Corp.'s short-term financing limit should not exceed 20% of the net worth on the latest financial statements audited or reviews by independent accountants. Each financing should not exceed 10% of the net worth mentioned above.

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the year ended December 31, 2016

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2016	Outstanding endorsement/ guarantee amount at December 31, 2016	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	MiTAC Holdings Corp.	Tyan Computer Corp.(USA)	3	\$ 16,587,585	\$ 98,280	\$ 94,020	\$ 94,020	\$ -	0.28%	\$ 16,587,585	Y	N	N	
0	MiTAC Holdings Corp.	MiTAC Computing Technology Corp.	2	16,587,585	1,089,795	1,068,795	1,068,795	-	3.22%	16,587,585	Y	N	N	
0	MiTAC Holdings Corp.	MiTAC Information Systems Corp.	3	16,587,585	163,500	159,700	159,700	-	0.48%	16,587,585	Y	N	N	
0	MiTAC Holdings Corp.	MiTAC International Corp.	2	16,587,585	24,091	24,091	-	-	0.07%	16,587,585	Y	N	N	
0	MiTAC Holdings Corp.	Tsu Sung Investment Corp	3	16,587,585	100,000	-	-	-	0.00%	16,587,585	Y	N	N	
0	MiTAC Holdings Corp.	Mio Technology Ltd.	3	16,587,585	6,562	6,562	6,562	-	0.02%	16,587,585	Y	N	Y	
1	MiTAC International Corp.	MiTAC Digital Corporation	3	13,550,247	219,472	146,745	-	-	0.54%	13,550,247	N	N	N	
1	MiTAC International Corp.	MiTAC Computing Technology Corp.	3	13,550,247	1,873,300	-	-	-	0.00%	13,550,247	N	N	N	
2	MiTAC Computing Technology Corp.	MiTAC International Corp.	3	2,109,110	774,300	-	-	-	0.00%	2,109,110	N	N	N	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following:

- (1) A company that has a business relationship with endorser/guarantor.
- (2) A subsidiary in which endorser/guarantor owns directly more than 50% voting shares.
- (3) The endorser/guarantor's parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
- (4) The parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor.

Note 3: (1) The endorsement and guarantees amount provided by MiTAC Holdings Corp. to each entity which is directly or indirectly held 50% or more of the voting power by the company should not exceed 50% of the net worth on the latest financial statements audited or reviewed by independent accountants.

- (2) MiTAC Holding Corp's total endorsements and guarantees should not exceed 50% of the net worth on the latest financial statements audited or reviewed by independent accountants.
- (3) The endorsement and guarantees amount provided by MiTAC International Corp. to each entity which is directly or indirectly held 50% or more of the voting power should not exceed 50% of its net worth on the latest financial statements audited or reviewed by independent accountants.
- (4) The endorsement and guarantees amount provided by MiTAC International Corp. to each entity which the ultimate parent company directly or indirectly holds 100% of the voting power should not exceed 50% of its net worth on the latest financial statements audited or reviewed by independent accountants.
- (5) MiTAC International Corp.'s total endorsements and guarantees should not exceed 50% of the net worth on the latest financial statements audited or reviewed by independent accountants.
- (6) The endorsement and guarantees amount provided by MiTAC Computing Technology Corp. to each entity which the ultimate parent company directly or indirectly holds 100% of the voting power should not exceed 50% of its net worth on the latest financial statements audited or reviewed by independent accountants.
- (7) MiTAC Computing Technology Corp.'s total endorsements and guarantees should not exceed 50% of the net worth on the latest financial statements audited or reviewed by independent accountants.

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES
Provision of endorsements and guarantees to others
December 31, 2016

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2016				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
MiTAC International Corp.	MiTAC International Corp.	Same board chairman	Financial assets carried at cost-non current	24,605,785	\$ 586,164	8.69	\$ 586,164	
MiTAC International Corp.	Overseas Investment & Development Corp.	None	Financial assets carried at cost-non current	1,000,000	10,000	1.11	10,000	
MiTAC International Corp.	Harbinger Venture Management Co., Ltd.	Same board chairman	Financial assets carried at cost-non current	4,776,830	5,080	14.05	5,080	
MiTAC International Corp.	Harbinger VI	Same board chairman	Financial assets carried at cost-non current	4,648,075	46,480	13.28	46,480	
MiTAC International Corp.	Harbinger VII	Same board chairman	Financial assets carried at cost-non current	10,000,000	100,000	9.39	100,000	
MiTAC International Corp.	UPC Technology Corp.	Same board chairman	Available-for-sale financial assets-non current	14,193,179	177,415	1.21	177,415	
MiTAC International Corp.	Lien Hwa Industrial Corp.	Same board chairman	Available-for-sale financial assets-non current	14,936,749	329,355	1.64	329,355	
MiTAC International Corp.	MiTAC Information Technology Corp.	The Company's chairman is MiTAC Inc.'s director.	Available-for-sale financial assets-non current	6,520,558	35,785	4.35	35,785	
MiTAC International Corp.	Linpus Technology Corp.	None	Available-for-sale financial assets-non current	1,323,012	28,542	16.33	28,542	Note 2
MiTAC International Corp.	COMPUCASE ENTERPRISE CO., LTD.	None	Available-for-sale financial assets-non current	10,000,000	309,500	8.83	309,500	
Tsu Fung Investment Corp.	Synnex Technology International Corp.	None	Available-for sale financial assets-current	3,461,974	112,514	0.21	112,514	
Tsu Fung Investment Corp.	UPC Technology Corp.	None	Available-for sale financial assets-current	14,351,669	179,396	1.23	179,396	
Tsu Fung Investment Corp.	Lien Hwa Industrial Corp.	None	Available-for sale financial assets-current	53,300	1,175	0.01	1,175	
Tsu Fung Investment Corp.	MiTAC Holding Corp.	Ultimate parent company	Available-for sale financial assets-current	10,588,686	328,249	1.31	328,249	Note 1
Tsu Fung Investment Corp.	Getac Technology Corp.	None	Available-for sale financial assets-current	11,497,741	437,489	2.04	437,489	
Tsu Fung Investment Corp.	National Aerospace Fasteners Corporation	None	Available-for sale financial assets-current	1,188	59	0.00	59	
Tsu Fung Investment Corp.	PROMISE Technology, Inc.	None	Available-for sale financial assets-current	5,000,000	78,500	3.08	78,500	
Tsu Fung Investment Corp.	Uni-President Assets Management Corp.	None	Available-for sale financial assets-current	2,084,339	34,491	0.00	34,491	
Tsu Fung Investment Corp.	Prudential Financial Money Market Fund	None	Available-for sale financial assets-current	2,121,345	33,157	0.00	33,157	
Tsu Fung Investment Corp.	Linpus Technology Corp.	None	Available-for-sale financial assets-non current	296,110	6,388	3.66	6,388	
Tsu Fung Investment Corp.	Harbinger Venture Management Co., Ltd.	None	Available-for-sale financial assets-non current	862,922	479	19.99	479	

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2016				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Tsu Fung Investment Corp.	Ciocomm Technology	None	Available-for-sale financial assets-non current	2,352,086	15,592	4.73	15,592	
Tsu Fung Investment Corp.	G. Marso Electronics, Inc.	None	Available-for-sale financial assets-non current	253,363	-	1.16	-	
Tsu Fung Investment Corp.	MiTAC Information Technology Corp.	None	Available-for-sale financial assets-non current	3,965,814	21,764	2.64	21,764	
Tsu Fung Investment Corp.	Tung Da Investment Co., Ltd.	None	Available-for-sale financial assets-non current	4,848,125	63,329	19.99	63,329	Note 3
Tsu Fung Investment Corp.	Lien Yung Investment Corp.	None	Financial assets carried at cost-non current	9,217,196	87,969	19.99	87,969	
Tsu Fung Investment Corp.	MiTAC International Corp.	None	Financial assets carried at cost-non current	12,446,611	277,785	4.40	277,785	
Silver Star Developments Ltd.(SSDL)and its subsidiaries	Budworth Investments Ltd.	None	Financial assets carried at cost-non current	853,920	-	14.83	-	
Silver Star Developments Ltd.(SSDL)and its subsidiaries	Global Strategic Investment Inc.	None	Financial assets carried at cost-non current	245,000	-	1.26	-	
Silver Star Developments Ltd.(SSDL)and its subsidiaries	Gapura Inc.	None	Available-for-sale financial assets-non current	279,595	-	5.55	-	
Silver Star Developments Ltd.(SSDL)and its subsidiaries	Panasas Inc.	None	Available-for-sale financial assets-non current	13,913	-	0.04	-	
Silver Star Developments Ltd.(SSDL)and its subsidiaries	Rasilent Systems Inc.	None	Available-for-sale financial assets-non current	1,210,763	-	3.88	-	
Silver Star Developments Ltd.(SSDL)and its subsidiaries	Global Strategic Investment Inc.(SAMOA)	None	Available-for-sale financial assets-non current	434,946	9,038	1.23	9,038	
Silver Star Developments Ltd.(SSDL)and its subsidiaries	Ciocomm Technology Corp.	None	Available-for-sale financial assets-non current	2,352,086	15,592	4.73	15,592	
Silver Star Developments Ltd.(SSDL)and its subsidiaries	Physi-Cal Enterprises	None	Available-for-sale financial assets-non current	354,080	-	2.87	-	
Silver Star Developments Ltd.(SSDL)and its subsidiaries	Synnex Technology International Corp.	None	Available-for-sale financial assets-non current	3,103,717	100,871	0.19	100,871	
Silver Star Developments Ltd.(SSDL)and its subsidiaries	MiTAC Holding Corp.	Ultimate parent company	Available-for-sale financial assets-non current	1,436,959	44,546	0.18	44,546	Note 1

Note 1: The Company's shares held by Tsu Fung Investment Corp. and Silver Star Developments Ltd. are accounted for as treasury stocks.

Note 2: The Company's subsidiary - Tsu Fung Investment Corp. transferred its ownership of Linpus Technolgy Corp. by the net worth value to MiTAC International Corp. Such disposal gain has not been realized.

Note 3: MiTAC International Corp. sold its shares of Tung Da Investment Co., Ltd. to Tsu Fung Investment Corp.,and such disposal gain has not yet been realized.

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

Year ended December 31, 2016

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2016		Addition		Disposal				Balance as at December 31, 2015	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
MiTAC International Corp.	Loyalty Founder Enterprise Co., Ltd.	Investments accounted for under the equity	COMPUCASE ENTERPRISE CO., LTD.	None	36,368,453	\$ 381,096	-	\$ -	36,368,453	\$ 399,414	\$ 384,825	(\$ 7,406)	-	\$ -
MiTAC International Corp.	Compucase Enterprise Co., Ltd. Private equity.	Available-for-sale financial assets-non	COMPUCASE ENTERPRISE CO., LTD.	None	-	\$ -	10,000,000	\$ 328,000	-	\$ -	\$ -	\$ -	10,000,000	\$ 309,500

Note: The amount includes sales-related costs and those transferred from other comprehensive income which had previously recognized.

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES

Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more

For the year ended December 31, 2016

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:				Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
							Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount			
MiTAC Information Systems (Kunshan) Co., Ltd.	The HQ building in Eastern China	2016.07.05	Not exceed CNY 190 million.	In accordance with the provisions of the contract	Horizon Design Co., LTD (Shanghai) 、 Jiangsu Yongtai Construction Engineering Co., Ltd.	Non-related party	—	—	—	—	Negotiation with each other	The new building will efficiently accommodate and support the business growth in Eastern China.	None

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
For the year ended December 31, 2016

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
MiTAC International Corp.	MiTAC Digital Corp.	Subsidiary	Sales	(\$ 390,414)	8.44%	Note 1	Note 3	Note 1	\$ 87,925	7.44%	
MiTAC International Corp.	MiTAC Europe Ltd.	Subsidiary	Sales	(503,743)	10.89%	Note 1	Note 3	Note 1	330,406	27.96%	
MiTAC International Corp.	MiTAC Australia Pty Ltd.	Subsidiary	Sales	(330,224)	7.14%	Note 1	Note 3	Note 1	223,044	18.87%	
MiTAC International Corp.	MiTAC Computer (Kunshan) Ltd.	Subsidiary	Purchases	1,487,101	40.86%	Note 2	Note 3	Note 2	(2,310,078)	84.97%	
MiTAC Computing Technology Corp.	MiTAC Information Systems Corp.	Subsidiary	Sales	(15,290,771)	55.27%	Note 1	Note 3	Note 1	6,764,252	77.82%	
MiTAC Computing Technology Corp.	MiTAC Computer (Shunde) Ltd.	Affiliate	Purchases	8,420,187	35.17%	Note 2	Note 3	Note 2	(4,565,147)	63.67%	
MiTAC Computing Technology Corp.	Tyan Computer Corp.(USA)	Subsidiary	Sales	(658,959)	2.38%	Note 1	Note 3	Note 1	35,477	0.41%	
MiTAC Computing Technology Corp.	Tyan Computer Corp.(USA)	Subsidiary	Purchases	295,889	1.24%	Note 2	Note 3	Note 2	-	0.00%	
MiTAC Computing Technology Corp.	MiTAC Logistics Corp.	Subsidiary	Sales	(2,086,917)	7.54%	Note 1	Note 3	Note 1	568,448	6.54%	
MiTAC Computing Technology Corp.	Synnex Corp. and its subsidiary	Associate	Sales	(1,684,814)	6.09%	Note 1	Note 3	Note 1	447,703	5.15%	
MiTAC Computing Technology Corp.	MiTAC Computer (Kunshan) Ltd.	Affiliate	Purchases	160,359	0.67%	Note 2	Note 3	Note 2	(121,315)	1.69%	
MiTAC Computing Technology Corp.	Synnex Technology International Corp. and its subsidiary	Associate	Purchases	249,324	1.04%	Note 2	Note 3	Note 2	(232,356)	3.24%	
MiTAC Computing Technology Corp.	Loyalty Founder Enterprise Co., Ltd.	Associate	Purchases	164,481	0.69%	Note 2	Note 3	Note 2	-	0.00%	
Silver Star Developments Ltd.(SSDL) and its subsidiary	MiTAC International Corp.	Parent Company	Sales	(1,543,409)	7.87%	Note 1	Note 3	Note 1	2,332,313	28.57%	
Silver Star Developments Ltd.(SSDL) and its subsidiary	MiTAC International Corp.	Parent Company	Purchases	1,237,482	6.94%	Note 2	Note 3	Note 2	(645,577)	15.24%	
Silver Star Developments Ltd.(SSDL) and its subsidiary	MiTAC Computing Technology Corp.	Affiliate	Sales	(8,580,546)	43.76%	Note 1	Note 3	Note 1	4,686,462	57.41%	
MiTAC Technology UK Ltd. and its subsidiary	MiTAC Computing Technology Corp.	Parent Company	Sales	(306,221)	0.97%	Note 1	Note 3	Note 1	-	0.00%	
MiTAC Technology UK Ltd. and its subsidiary	MiTAC Computing Technology Corp.	Parent Company	Purchases	18,036,647	57.74%	Note 2	Note 3	Note 2	(7,368,178)	74.55%	

Note 1: The Group's credit term for foreign related parties is to collect within 5 months based on the net amount of receivables after offsetting against payables, which takes into consideration the reasonable amount of time for the Company to ship products to each company and for the companies to sell the products and collect the sales. The Group's credit term for domestic related parties is 3 months from the date of shipment for the collection of the net amount of receivables after offsetting against payables; the credit term for third parties is an average of 3 months after the date of shipment.

Note 2: The Group's payment term for foreign related parties is within 5 months for the collection of the net amount of receivables after offsetting against payables, which is in accordance with the Group's credit policies of accounts receivable with foreign related parties, the Group's payment term for domestic related parties is 3 months from the date of shipment from the counterparty for the net amount of receivables after offsetting against payables; the payment term for third parties is an average of 3 months after the date of shipment from the counterparty.

Note 3: The selling price to related parties is based on market value.

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

December 31, 2016

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2016		Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
			Account receivables	Other receivables		Amount	Action taken		
MiTAC Holdings Corp.	MiTAC Computing Technology Corp.	Subsidiary	\$ -	\$ 143,484	-	\$ -	Not Applicable	\$ 977	\$ -
MiTAC International Corp.	MiTAC Europe Ltd.	Subsidiary	330,406	3	1.55	83,459	Not Applicable	67,741	-
MiTAC International Corp.	MiTAC Australia Pty Ltd.	Subsidiary	223,044	851	1.44	-	Not Applicable	110,627	-
MiTAC Computing Technology Corp.	MiTAC Information Systems Corp.	Subsidiary	6,764,252	2,545	3.03	-	Not Applicable	2,911,169	-
MiTAC Computing Technology Corp.	MiTAC Logistics Corp.	Subsidiary	568,448	242	6.21	-	Not Applicable	461,373	-
MiTAC Computing Technology Corp.	Synnex Corp. and its subsidiary	Associate	447,703	-	4.81	-	Not Applicable	447,703	-
Silver Star Developments Ltd.(SSDL) and its subsidiary	MiTAC International Corp.	Parent Company	2,332,313	4,660	0.78	-	Not Applicable	2,174,997	-
Silver Star Developments Ltd.(SSDL) and its subsidiary	MiTAC Computing Technology Corp.	Affiliate	4,686,462	26,738	2.14	-	Not Applicable	935,019	-

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES
Significant inter-company transactions during the reporting periods
For the year ended December 31, 2016

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	MiTAC Holdings Corp.	MiTAC International Corp.	1	Other receivables	\$ 1,631,233		3.26%
0	MiTAC Holdings Corp.	MiTAC Computing Technology Corp.	1	Other receivables	1,143,234		2.28%
1	MiTAC International Corp.	MiTAC Computing Technology Corp.	3	Other income	211,964		0.44%
1	MiTAC International Corp.	Silver Star Developments Ltd.(SSDL) and its subsidiary	3	Sales	1,237,482	註4	2.56%
1	MiTAC International Corp.	Silver Star Developments Ltd.(SSDL) and its subsidiary	3	Purchases	1,543,409	註5	3.19%
1	MiTAC International Corp.	Silver Star Developments Ltd.(SSDL) and its subsidiary	3	Accounts receivable	645,577	註4	1.29%
1	MiTAC International Corp.	Silver Star Developments Ltd.(SSDL) and its subsidiary	3	Accounts payable	2,332,313	註5	4.66%
2	MiTAC Computing Technology Corp.	MiTAC Technology UK Ltd. and its subsidiary	3	Sales	18,036,647	註4	37.31%
2	MiTAC Computing Technology Corp.	MiTAC Technology UK Ltd. and its subsidiary	3	Purchases	306,221	註5	0.63%
2	MiTAC Computing Technology Corp.	MiTAC Technology UK Ltd. and its subsidiary	3	Accounts receivable	7,368,178	註4	14.72%
2	MiTAC Computing Technology Corp.	Silver Star Developments Ltd.(SSDL) and its subsidiary	3	Purchases	8,580,546	註5	17.75%
2	MiTAC Computing Technology Corp.	Silver Star Developments Ltd.(SSDL) and its subsidiary	3	Accounts payable	4,686,462	註5	9.36%
3	Silver Star Developments Ltd.(SSDL) and its subsidiary	MiTAC Holdings Corp.	2	Other receivables	999,750		2.00%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is "0".
- (2) The subsidiaries are numbered in order starting from "1".

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on

Note 4: The Group's credit term for foreign related parties is 5 months for the collection of the net amount of receivables after offsetting against payables, which takes into consideration the reasonable amount of time for the Company

Note 5: The Group's payment term for foreign related parties is 5 months for the collection of the net amount of receivables after offsetting against payables after checking and the transaction price is based on the international market

Note 6: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2016

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2016			Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Footnote
				Balance as at December 31, 2016	Balance as at December 31, 2015	Number of shares (Note)	Ownership (%)	Book value			
MiTAC Holding Corp.	MiTAC International Corp.	Taiwan	Development, design and manufacturing and sale of computers and its peripherals, telecommunication related products	\$ 26,239,187	\$ 26,239,187	1,503,744,841	100.00	\$ 27,836,948	\$ 1,977,655	\$ 1,959,238	Subsidiary
MiTAC Holding Corp.	MiTAC Computing Technology Corp.	Taiwan	Development, design and manufacturing and sale of computers and its peripherals, telecommunication related products	3,419,621	3,419,621	232,757,102	100.00	4,399,000	776,783	776,783	Subsidiary
MiTAC International Corp.	Getac Technology Corp.	Taiwan	Manufacturing and sale of notebook computers, military and industrial computer systems, etc.	1,391,549	1,391,549	190,396,939	33.76	4,635,605	2,080,113		Associate
MiTAC International Corp.	Tsu Fung Investment Corp.	Taiwan	Investment	625,000	625,000	128,584,651	100.00	1,745,661	32,035		Subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2016			Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Footnote
				Balance as at December 31, 2016	Balance as at December 31, 2015	Number of shares (Note)	Ownership (%)	Book value			
MiTAC International Corp.	3Probe Technologies Corp.	Taiwan	Information process service, sales of software and international trading.	16,839	16,839	1,086,000	23.25	10,179	442		Associate
MiTAC International Corp.	Lian Jie Investment Co., Ltd.	Taiwan	Investment	113,057	113,057	11,305,650	49.98	127,928	(19,743)		Associate
MiTAC International Corp.	Lian Jie II Investment Co., Ltd.	Taiwan	Investment	32,500	32,500	3,250,000	32.50	31,241	(1,843)		Associate
MiTAC International Corp.	Silver Star Developments Ltd. and its subsidiary	British Virgin Islands	Investment	6,949,727	6,949,727	215,495,404	100.00	18,072,983	1,462,681		Subsidiary
MiTAC International Corp.	Shen-Tong Construction & Development Co., Ltd.	Taiwan	Building and factory construction, leasing and sales	85,594	85,594	8,559,400	47.55	82,938	(168)		Associate
MiTAC International Corp.	Mio Technology Corp.	Taiwan	Sale of communication products and related after-sale services	13,204	30,704	250,000	100.00	3,772	(30)		Subsidiary
MiTAC International Corp.	MiWell Technology Corp.	Taiwan	Information / software services and retail business	8,550	8,550	166,667	100.00	634	40		Subsidiary
MiTAC International Corp.	Green Share Corp.	Taiwan	Sale of computers and its peripherals, and hardware, software and related products	7,839	7,839	783,900	48.99	8,356	(853)		Associate

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2016			Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Footnote
				Balance as at December 31, 2016	Balance as at December 31, 2015	Number of shares (Note)	Ownership (%)	Book value			
MiTAC International Corp.	LFE Areospace Industry Corp.	Taiwan	Electronic components manufacturing, aircraft and its parts manufacturing and wholesale industry.	121,475	-	11,233,750	21.22	126,045	6,336		Associate
MiTAC Computing Technology Corp.	MiTAC Technology UK Ltd. and its subsidiary	UK	Investment	1,912,208	1,912,208	62,909,737	100.00	1,864,808	(154,609)		Subsidiary
Silver Star Developments Ltd. and its subsidiaries	Harbinger II(BVI) Venture Capital Corp.	British Virgin Islands	Investment	29,292	29,292	908,284	49.96	28,965	9,903		Associate
Silver Star Developments Ltd. and its subsidiaries	Mainpower International Ltd.	British Virgin Islands	Investment	177,375	177,375	5,500,001	13.28	201,165	149,024		Associate
Silver Star Developments Ltd. and its subsidiaries	Synnex Corp.	USA	Information process services, sales of computer peripheral, system and network products	515,494	525,227	5,448,878	13.66	8,711,358	7,516,044		Associate
Silver Star Developments Ltd. and its subsidiaries	Harbinger Ruyi Venture Ltd.	British Virgin Islands	Investment	32,250	32,250	1,000,000	28.57	32,506	(2,377)		Associate
Silver Star Developments Ltd. and its subsidiaries	Harbinger Ruyi II Venture Ltd.	British Virgin Islands	Investment	32,250	32,250	10,000	32.26	31,187	(1,680)		Associate
Tsu Fung Investment Corp.	LFE Areospace Industry Corp.	Taiwan	Electronic components manufacturing, aircraft and its parts manufacturing and wholesale industry.	15,504	-	1,433,740	2.71	16,087	6,336		Associate

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2016

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee as of December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016 (Note 2)	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
MiTAC Computer (Shunde) Corp.	Manufacturing of computer cases and monitors. Etc.	\$ 2,537,469	2	\$ 2,251,050	\$ -	\$ -	\$ 2,251,050	\$ 191,871	100.00	\$ 191,871	\$ 3,033,359	\$ -	
MiTAC Computer (Kunshan) Co., Ltd.	Sales and manufacturing of computer accessories, hardware, software and related services	2,357,001	2	925,575	964,275	-	1,889,850	46,151	100.00	46,151	2,886,905	-	
MiTAC Service (Shanghai) Co., Ltd.	Testing, repair and display of computer components and related products, and related technical advisory services and after-sale services	-	2	32,250	-	-	32,250	(7,832)	-	(7,832)	-	-	Disposal of the subsidiary in the third quarter of 2016
MiTAC Technology (Kunshan) Co., Ltd.	Testing, repair and display of computer components and related products, and related technical advisory services and after-sale services	38,215	2	32,250	-	-	32,250	(7,687)	100.00	(7,687)	42,778	-	
MiTAC Research (ShangHai) Ltd.	Research, development and production of computer software, sales of own-produced products and related technical advisory services	198,716	2	167,700	-	-	167,700	29,091	100.00	29,091	436,529	-	
Shzhou MiTAC Precision Technology Co., Ltd.	Design and manufacturing of computer chassis and its components, percision plastic injection mould, molding parts and molding equipment processing and maintenance and repair services.	1,629,698	2	435,375	-	-	435,375	176,285	27.44	48,576	493,904	-	

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee as of December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016 (Note 2)	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Mio Technology Ltd.	Sales of communication products and related after-sale services	9,049	2	8,063	-	-	8,063	5,605	100.00	5,605	14,201	-	
MiTAC Logistic Service (Kunshan) Ltd.	Agency of freight transport, export and import trading and warehousing services	31,491	2	32,250	-	-	32,250	867	100.00	867	34,459	-	
MiTAC Information Technology Ltd.	After-sales maintenance, testing, consulting services and related support technology services	9,458	2	9,675	-	-	9,675	15,307	100.00	15,307	75,960	-	
MiTAC Innovation (Kunshan) Ltd.	Research and development of computer, server, mobile phone, PDA, GNSS and GPS, and related technology transfer, technical services	30,336	2	32,250	-	-	32,250	6,164	100.00	6,164	62,614	-	
CGK Zhong Shan Co., Ltd.	Manufacture and sales of optical glass, in-touch display system components and touch display mode Organizations.	233,234	2	1,796	-	-	1,796	2,621	0.70	-	1,796	-	
MiTAC Electronics (Foshan) Co., Ltd.	Manufacture of computer mainboard, motherboard.	-	3	-	-	-	-	1,363	-	1,363	-	-	Subsidiary completed liquidation in the third quarter of 2016
Orient Optical Crystal Mfg. CO.	Manufacturing of protective cover glass	18,780	2	145	-	-	145	358	0.70	-	145	-	
MiTAC Telematics Technology Corporation	Sales of self-produced products and related after-sale services	9,234	1	-	2,353	-	2,353	1,073	100.00	1,073	3,223	-	

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee as of December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016 (Note 2)	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Vango Technologies Inc.	Research and development and manufacture and sales of integrated circuit and modular software, and related technology transfer, technical services	138,510	2	13,394	-	-	13,394	(7,121)	4.51	-	13,394	-	
MiTAC Investment Holding Ltd.	Investment Holdings	2,166,722	2	3,225	964,275	-	967,500	64,313	100.00	64,313	3,042,457	-	
MiTAC Information Systems (Kunshan) Co., Ltd.	Sales and manufacturing of computer accessories, hardware, software and related services	59,378	3	-	-	-	-	(1,530)	100.00	(1,530)	57,921	-	

Note 1: Investment methods are classified into the following three categories:

- (1) Directly invest in a company in Mainland China.
- (2) Invest in the investees in Mainland China through Silver Star Developments Ltd. and its subsidiaries which are located in the third area.
- (3) Others: Invest in Mainland China through investees in Mainland Chian.

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2016' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet generated any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
 - A. The financial statements were audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C..
 - B. The financial statements were audited and attested by R.O.C. parent company's CPA.
 - C. The financial statements were not audited and attested by independent accountants.
- (3) The basis for investment income (loss) recognition for MiTAC computer (Shunde) Corp., MiTAC Computer (Kunshan) Co., Ltd., MiTAC Research (ShangHai) Ltd., and Shzhou MiTAC Precision Technology Co., Ltd. is category B, the others are category C.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
MiTAC International Corp.	\$ 5,295,500	\$ 6,263,000	Note 3
MiTAC Computing Technology Corp.	2,353	2,353	\$ 2,639,400

Note 3: In accordance with the "Regulations Governing the Permission of Investment or Technical Cooperation in Mainland Area", MiTAC International Corp. has acquired the Business Operation Headquarter Certificate (Jing-Shou-Gong-Zi Letter. No. 10520407530) issued by the Industrial Development Bureau of the Ministry of Economic Affairs, which exempts the Company from the limitation on the amount of investment in Mainland China..

Note 4: On January 5, 2017, MiTAC Computing Technology Corp. was granted a permit.

B. Significant transactions conducted with investees in Mainland China:

MiTAC International Corp. and MiTAC Computing Technology Corp.'s delivery service expenses with investees in Mainland China for the year ended December 31, 2016 amounted to \$82,503, for details of other significant transactions, please refer to table 1, table 2 and table 6.

MiTAC Holdings Corporation

Chairman : Miao, Matthew Feng Chiang



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