

MITAC HOLDINGS CORP.

Annual Report 2013
www.mic-holdings.com



MITAC Takes Leadership Role
in Cloud Computing and Service Industries

The company's spokesman:

I. Spokesman: Billy Ho / President

Acting Spokesperson: Doris Huang / Vice President of Finance Center

Tel: (03)328-9000

E-mail: stock@mic.com.tw

II. MiTAC Holdings Corporation.

Headquarters

Address: 8th floor, Building B, No.209, Sec. 1, Nangang Rd., Nangang Dist., Taipei, Taiwan, R.O.C.

Tel: (02)2652-5858

Branch and factory: none

III. Stock Agency (the Company's stock transfer agent)

Name: China Trust Commercial Bank - Stock Agency Department

Address: 5F., No.83, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei, Taiwan, R.O.C.

Website: www.chinatrust.com.tw

Tel: (02)2181-1911

IV. CPAs for the most recent Independent Auditor's Report

CPA: Liu Yin-Fe, Wen Fang-Yu

Name of CPA firm: Pricewaterhouse Coopers

Address: 27F., No.333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei Taipei, Taiwan, R.O.C.

Website: www.pwc.tw/

Tel: (02)2729-6666

V. Foreign securities listing: None

VI. Company Website: www.mic-holdings.com

Contents

Page

One. Letter to Shareholders	1
Two. Company profile.....	3
I. Date of incorporation	3
II. Company milestones	3
Three. Corporate Governance	4
I. Organizational system	4
II. Information on directors, supervisors, presidents, vice presidents, assistant presidents, and managers of each department and division.....	5
III. Information on Corporate Governance.....	16
IV. Information on the relationship of top 10 shareholders by proportion of shareholding, related parties, spouse, or kindred within the 2 nd tier	35
V. 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.....	36
Four. Status of Capital	37
I. Capital and Shares	37
II. Employee Stock Options	43
Five. Operation Overview.....	47
I. Business Activities	47
II. Market and an overview of production and sales	57
Six. Financial Position	65
I. Condensed Balance Sheet and (comprehensive) Income Statement in the latest five years.....	65
II. Financial analysis in the latest five years.	69
III. Financial Statement in the latest year.....	72
Seven. Important Notice	149
I. Information on subsidiaries/affiliates	149

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

The technology industry has undergone rapid change over the year, from the PC era characterized by personal computers and notebook PC, to the post-PC era featured with smart phones and tablet PC. Smart phones and tablet PCs have just passed through the peak of positive growth, and they are now replaced by a much wider array of innovative applications and services. The competition among the giant technology firms has switched from the area of consumer products to the development of value-added services, like the integrated application of IOT (Internet of Things). In the advent of the high-speed era in the Internet, the speed of data transmission accelerated significantly and the demand for massive storage mushroomed. The application analysis of mass data helps to stimulate the continued innovation of the cloud computing technology. This development unleashed different business models and opportunities for transformation that no one could imagine in the past.

MiTAC has got the grip of the trend of cloud computing and the SoLoMo (Social, Local, Mobile) smart internet living and spare no effort to transform the group in line with the next wave of growth. MiTAC International Corp. established MiTAC Holdings Corporation on September 12, 2013 through 100% share swap. According to the Business Mergers and Acquisitions Act, the Company Act, and Operating Rules of the Taiwan Stock Exchange Corporation, the new holding company shall hold at least two subsidiaries within one year. As such, the group plans to split up the business organization in the second half of 2014 to overhaul the organization for better performance and embrace the very next opportunity of growth.

Operating results, budget execution, revenue and expenditure, and profitability analysis from year 2013

The overall business performance of the company in 2013 showed its achievement towards the goal of not chasing after high revenue in the short run but the pursuit of the corporate strategy of product portfolio adjustment and profit structure improvement. The first objective is to upgrade its profit position. MiTAC Holding had consolidated revenue amounting to NT\$11.897 billion since its date of establishment, with earnings the net profit before tax, at NT\$645 million and earnings per share at NT\$0.78. Since our company did not publicize financial forecasts in 2013, we could not report on the execution of the budget.

Implementation of the operating results from year 2013 and the status of our research and development

1. The company launched the first high-density server equipped with 64-bits ARM processor and runs under the 4U structure featuring 18 computing node points.
2. Mass production of the new generation server with SPARC processor.
3. The IBM OpenPower Consortium organized by IBM, Google, Mellanox and nVIDIA to provide the next generation big database and cloud database center, invited the company. This

is an innovative system with more diverse and flexible platform.

4. MiTAC launched the high performance computing, database center, and parallel computing environment that can support standard servers using 1 to 8 brand new NVIDIA® TESLA® K40 GPU accelerator and solution for workstations.
5. Research and develop a series of industrial and commercial use tablets featuring payment and warehouse environmental management functions.
6. By integrating with cloud content service, social network, and local navigation information, Magellan SmartGPS Eco received the “2013 CES Innovations, Design and Engineering Award”.
7. The Mio MiVue R25 DVR won the “IT Month Top 100 Innovative Products – Gold Award”. The MiVue M300, the DVR exclusively designed for the motorcyclists, also won the “IT Month Top 100 Innovative Products”.
8. Magellan Echo smart sports watch won the “Summer Retailer Exhibition of USA with two best products”.
9. MioCARE A100 professional tablet won the “2013 iF Product Design Award”.

Corporate Development Strategies for 2014

Enterprise cloud computing business focused on the development of cloud data and computing equipment. MiTAC keeps the trend of cloud service and big data analysis under control. Motivated by the strong demand for back-end data center, MiTAC integrated its TYAN professional products in depth and scope, and its years of experience and technological-know-how in ODM products to provide the market and customers a new generation of solutions of public, private, and hybrid cloud.

In the operation of smart portable device and cloud service, MiTAC based on the SoLoMo concept in the development of an ecological system featuring cloud service and smart portable device. By integrating the user experience in Mio, Magellan, and Navman, MiTAC integrates the cross-platform and cross-hardware smart portable devices that link IOT (Internet of Things) to different clouds and network information and transcend to the new era of integrative service of cloud hardware/software.

In the CES of 2014, MiTAC announced the launch of the SmartGPS Eco, an integrated hardware and software service on cloud basis. This is a breakthrough for MiTAC from the design and manufacturing service of hardware. In the year ahead, we will move towards the goal of high performance in operation as stated in our business strategy, and go for our exclusive industry value and positioning under the spirit of “integration, innovation, and execution”. MiTAC will maximize profits for the shareholders, customers, and employees.

May I wish you all good health and good luck

Matthew Miao, Chairman

Billy Ho, President

Two. Company profile

I. Date of incorporation: 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, the company listed in TWSE under a resolution of the shareholders meeting of MiTAC International Corp. on June 24, 2013, through share swap in accordance with applicable laws. The stock code is 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 the 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 number one consumer choice in GPS.

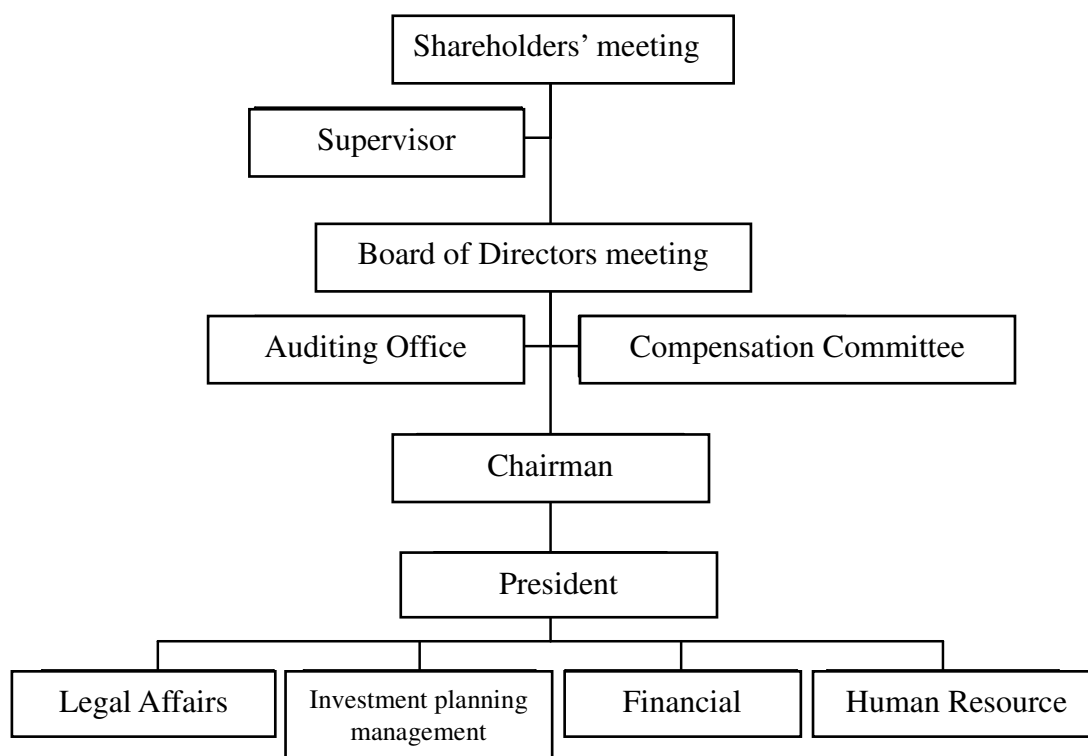
For further information on the company, please visit our official website at:

<http://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.
Financial	<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) Information on the directors and supervisors

Unit: share; % April 26, 2014

Title	Name	Date of office	Term	Date First Elected	Shares held at time of election		Quantity of shares held		Shares currently held by spouse or dependents		Shares held in the names of others		Education and Experience	Positions currently held at MiTAC or other companies	Spouse or kin within two degrees of consanguinity serving as executive, director, or supervisor		
					Quantity	Percentage	Quantity	Percentage	Quantity	Percentage	Quantity	Percentage			Titles	Names	Relationship
Chairman	Matthew Miao	2013.06.24	3-y	2013.06.24	10,942,999	1.43%	10,942,999	1.43%	0	0.00%	0	0.00%	Santa Clara University, EMBA California Berkley University, Bachelor, Electrical Engineering	Chairman and CEO, MiTAC International Corp. Chairman, Lien Hwa Industrial Corp. Chairman, UPC Technology Corporation Chairman, SYNEX International Corp. Director, Getac Technology Corporation Chairman, MiTAC Inc Chairman, MiTAC Information Technology Corp	None	None	None
Director	Billy Ho	2013.06.24	3-y	2013.06.24	2,551,863	0.33%	2,531,863	0.33%	0	0.00%	0	0.00%	MIS in Computer Science, Fairleigh-Dickinson University Master UC San Diego Marketing Manager, Pao Hwa Trading Co., Ltd.	President, MiTAC Holdings Corporation Director and president, MiTAC International Corp. Director, Loyalty Founder Enterprise Co., Ltd. Director, Linpus Technologies, Inc. Chairman, MIO Technology Corp. Chairman, DLC Technology Corp. Director, 3-Probe Technologies Co., Ltd. Chairman of SUIHO Inc. Director, Hua Deng International Investment Inc.	None	None	None
Director	MiTAC Inc.	2013.06.24	3-y	2013.06.24	61,228,286	8.00%	61,228,286	8.00%	0	0.00%	0	0.00%	None	None	None	None	None
	Rep.: Hsu Chi-Hua	2013.09.13	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. Vice chairman, East Tender Optoelectronics Corporation	None	None	None	None
Director	UPC Technology Corporation	2013.06.24	3-y	2013.06.24	64,814,078	8.47%	64,814,078	8.46%	0	0.00%	0	0.00%	None	None	None	None	None
	Rep.: Way Yung-Do	2013.06.24	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 & Sells, USA CEO, Deloitte	Independent director, SYNEX International Corp. Independent director, Taiwan Cement Company Independent director, Far Eastern Department Stores Co. Ltd. Independent director, Apex biotechnology Corp Director of Wowprime Corp., Ltd. Director, Vanguard International Semiconductor Corporation Supervisor, SerComm Corp Supervisor, Chilisun Electronics Corp	None	None	None
	Rep: Chang Kuang-Cheng	2013.09.13	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 MBA, 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

Title	Name	Date of office	Term	Date First Elected	Shares held at time of election		Quantity of shares held		Shares currently held by spouse or dependents		Shares held in the names of others		Education and Experience	Positions currently held at MiTAC or other companies	Spouse or kin within two degrees of consanguinity serving as executive, director, or supervisor		
					Quantity	Percentage	Quantity	Percentage	Quantity	Percentage	Quantity	Percentage			Titles	Names	Relationship
Supervisor	Arthur Chiao	2013.06.24	3-y	2013.06.24	0	0.00%	0	0.00%	0	0.00%	0	0.00%	MSEE and researcher in Business Administration, Washington University Chairman, Walsin Lihwa	Chairman, Winbon Electronics Corp. Vice-Chairman, Walsin Lihwa Corp. Chairman, Nuvoton Technology Corp. Chairman, Capella Microsystems (Taiwan) Inc., Independent director, SYNNEX International Corp. Independent director, Taiwan Cement Corp.	None	None	None
Supervisor	Lien Hwa Industrial Corp	2013.06.24	3-y	2013.06.24	45,812,655	5.99%	45,812,655	5.98%	0	0.00%	0	0.00%	None	None	None	None	None
	Rep: Hu-Shi, Charles Ching	2013.06.24	3-y	2013.06.24	0	0.00%	583	0.00%	0	0.00%	0	0.00%	Master of Engineering at National Tsing Hua University Council for Economic Planning and Development Adjunct Lecturer, Dept. of Chemical Engineering Feng Chia University Asst president, UPC Technology Corporation	Director and president, Lien Hwa Industrial Corp. Director, SYNNEX International Corp. Director, Pao long International Co., Ltd. Supervisor, Getac Technology Corporation	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 26, 2014

Name of institutional shareholders (Note 1)	Major shareholders of institutional shareholders (Note 2)	
	Name of shareholder	Percentage of shareholding (%)
UPC Technology Corporation	Lien Hua Industrial Corp.	29.41%
	Synnex Technology International Corporation	5.22%
	Shin Kong Life Insurance Co., Ltd.	3.74%
	Ma Chang-Long	2.32%
	Liberty Stationery Corp.	1.83%
	Yi Yuan Investment Co., Ltd.	1.63%
	Tong Da Investment Corporation	1.25%
	Tsu Fung Investment Corp.	1.24%
	MiTAC International Corp.	1.22%
	Hua Mao Trading Co., Ltd.	1.13%
Lien Hua Industrial Corp.	UPC Technology Corporation	9.68%
	Yi Yuan Investment Co., Ltd.	9.15%
	Yi Feng Investment Co., Ltd.	4.86%
	Cathay Life Insurance Co., Ltd.	4.35%
	Nan Shan Life Insurance Co., Ltd.	3.96%
	Matthew Miao	3.31%
	Miao, Feng-Sheng	3.28%
	Synnex Technology International Corporation	3.08%
	Miao Feng-Chuan	3.02%
	Y.S. Education Foundation	3.00%
MiTAC Inc.	Lien Hua Industrial Corp.	35.24%
	Synnex Technology International Corporation	18.36%
	MiTAC International Corp.	8.69%
	Mei An Investment Co., Ltd.	8.18%
	Matthew Miao	5.42%
	Tsu Fung Investment Corp.	4.38%
	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%

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 corporate shareholders and their shareholding percentage. Table 2 below is applicable if any of the major shareholders is also a corporate entity.

Table 2: Dominant shareholders of dominant institutional shareholders

April 26, 2014

Name of institutional shareholder (note 1)	Dominant shareholders of institutional shareholders (note 2)	
	Name of shareholder	Percentage of shareholding
Lien Hua Industrial Corp.	UPC Technology Corporation	9.68%
	Yi Yuan Investment Co., Ltd.	9.15%
	Yi Feng Investment Co., Ltd.	4.86%
	Cathay Life Insurance Co., Ltd.	4.35%
	Nan Shan Life Insurance Co., Ltd.	3.96%
	Matthew Miao	3.31%
	Miao, Feng-Sheng	3.28%
	Synnex Technology International Corporation	3.08%
	Miao Feng-Chuan	3.02%
	Y.S. Education Foundation	3.00%
Synnex Technology International Corporation	MiTAC Inc.	13.62%
	Matthew International Fund investment account held in custody by HSBC Bank (Taiwan) Limited	5.69%
	Nan Shan Life Insurance Co., Ltd.	4.18%
	Bureau of Labor /Insurance	2.96%
	Civil Servants Pension Fund Management Committee	2.88%
	Morgan Stanley & Co International PLC investment account held in custody by HSBC Bank (Taiwan) Limited	2.73%
	Cathay Life Insurance Co., Ltd.	2.32%
	Tu Shu-Wu	2.17%
	Fubon Life Insurance Co., Ltd.	2.11%
	Matthew Miao	1.91%
Shin Kong Life Insurance Co., Ltd.	Shin Kong Financial Holding Co., Ltd.	100.00%
Liberty Stationery Corp.	Zhi-Jiang Investment Co., Ltd.	21.10%
	Masateru Kadota	10.40%
	Akira Kadota	8.90%
	Yayoi Kadota	8.90%
	Takanori Kadota	8.80%
	Complete Connection Limited	5.70%
	Yu Jing-Shen	5.10%
	Sun Li-Gang	5.30%
	Sun Jian-Chung	4.60%
	Chang Zheng	3.50%
Yi Yuan Investment Co., Ltd.	Shang Chuan Neng Ltd. (British Virgin Islands)	100.00%

Name of institutional shareholder (note 1)	Dominant shareholders of institutional shareholders (note 2)	
	Name of shareholder	Percentage of shareholding
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%
Tsu Fung Investment Corp.	MiTAC International Corp.	100.00%
MiTAC International Corp.	MiTAC Holdings Corporation	100.00%
Hua Mao Trading Co., Ltd.	Foreign investment (n/a)	—
UPC Technology Corporation	Lien Hua Industrial Corp.	29.41%
	Synnex Technology International Corporation	5.22%
	Shin Kong Life Insurance Co., Ltd.	3.74%
	Ma Chang-Long	2.32%
	Liberty Stationery Corp.	1.83%
	Yi Yuan Investment Co., Ltd.	1.63%
	Tong Da Investment Corporation	1.25%
	Tsu Fung Investment Corp.	1.24%
	MiTAC International Corp.	1.22%
	Hua Mao Trading Co., Ltd.	1.13%
Yi Feng Investment Co., Ltd.	Heng Fu Ltd. (British Virgin Islands)	100.00%
Cathay Life Insurance Co., Ltd.	Cathay Financial Holdings Co., Ltd.	100.00%
Nan Shan Life Insurance Co., Ltd.	Run Chen Holdings Co., Ltd. investment trust account held under the Custody of First Bank	83.10%
	Ruen Chen Investment Holding Co., Ltd.	7.55%
	Tu Ying-Chung	3.24%
	Equity trust account of Nan Shan Life in custody of Taishin Bank	1.44%
	Ruen Hua Dyeing & Weaving Co., Ltd.	0.27%
	Ruentex Leasing Co., Ltd.	0.14%
	Kuo Wen-Deh	0.10%
	Ji Pin Investment Co. Ltd.	0.10%
	Global Cheer Investment Limited	0.05%
	Bao Yi Investment Co. Ltd.	0.05%
	Bao Hui Investment Co., Ltd.	0.05%
	Bao Huang Investment Co., Ltd.	0.05%
Y.S. Education Foundation	Non-corporate entity (n/a)	—

Name of institutional shareholder (note 1)	Dominant shareholders of institutional shareholders (note 2)	
	Name of shareholder	Percentage of shareholding
Mei An Investment Co., Ltd.	Vision Quest Overseas Ltd.	82.25%
	JumpStart Investments Ltd.	16.67%
	Others	1.08%
Hua Cheng Investment Co., Ltd.	Lien Hua Industrial Corp.	100.00%
Omron Corporation, Japan	The Master Trust Bank of Japan, Ltd. (trust account)	4.79%
	Japan Trustee Services Bank, Ltd. (trust account)	4.32%
	JP Morgan Chase Bank 380055	3.83%
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3.40%
	The Bank of Kyoto, Ltd.	3.11%
	State Street Bank & Trust Company 505223	2.65%
	Nippon Life Insurance Company	2.02%
	The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account	1.95%
	Lending Omnibus Account	1.77%
	Omron Employee Stock Ownership Plan	1.76%
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 requirement	Whether this person has more than five years of work experience and the following professional qualifications			Compliance with independence requirements (note 1)										The no. of public companies where the person 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 Matthew Miao	-	-	✓	-	-	-	✓	-	-	✓	✓	✓	✓	-	-
Director Billy Ho	-	-	✓	-	-	-	✓	-	-	✓	✓	✓	✓	-	-
Director MiTAC Inc. Rep.: Hsu Chi-Hua	-	-	✓	✓	-	✓	✓	-	✓	✓	✓	✓	✓	-	-
Director UPC Technology Corporation Rep.: Way Yung-Do	-	✓	✓	✓	-	✓	✓	-	✓	✓	✓	✓	✓	-	4
Director UPC Technology Corporation Rep.: Chang Kuang-Cheng	✓	-	✓	✓	-	✓	✓	-	✓	✓	✓	✓	✓	-	-
Supervisor Arthur Chiao	-	-	✓	✓	-	✓	✓	-	✓	✓	✓	✓	✓	✓	2
Supervisor Lien Hwa Industrial Corp Rep.: Hu-Shi, Charles Ching	-	-	✓	✓	-	✓	✓	-	-	✓	✓	✓	✓	-	-

Note 1: Directors and supervisors who meet the following requirements two years before their assumption of office or during their term of office shall put a “✓” in the appropriate box for specifying the qualification requirements.

- (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 directly or indirectly controlled by the company with more than 50% of its stakes).
- (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. The Compensation Committee members who perform duties in accordance with the “Guidelines Governing the Listed/OTC Company’s Compensation Committee Establishment and Duty Performance” Article 7 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 Law are not applicable.
- (10) Not elected to the government, institution or their representatives under Article 27 of the Company Law.

(II) Information on presidents, vice presidents, assistant presidents, and managers of each department and division

Unit: share; % April 26, 2014

Title	Name	Date of office	Shareholding		Shares currently held by spouse or dependents		Shares held in the names of others		Education and Experience	Positions in other companies	Spouse or kin within two degrees of consanguinity serving as executive, director, or supervisor		
			Quantity	Percentage	Quantity	Percentage	Quantity	Percentage			Titles	Names	Relationship
President	Billy Ho	2013.9.12	2,531,863	0.33%	0	0.00%	0	0.00%	MIS in Computer Science, Fairleigh-Dickinson University Master UC San Diego Marketing Manager, Pao Hwa Trading Co., Ltd.	Director and president, MiTAC International Corp. Director, Loyalty Founder Enterprise Co., Ltd. Director, Linpus Technologies, Inc. Chairman, MIO Technology Corp. Chairman, DLC Technology Corp. Director, 3-Probe Technologies Co., Ltd. Chairman of SUIIO Inc. Director, Hua Deng International Investment Inc.	None	None	None
Vice president	Doris Huang	2013.9.12	20,270	0.00%	0	0.00%	0	0.00%	Bachelor, Taxation and 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, Loyalty Founder Enterprise Co., Ltd. Supervisor, Tsu Fung Investment Corp. Supervisor, 3-Probe Technologies Director, Hua Deng International Investment Inc.	None	None	None

(III) Remunerations to the directors, supervisors, presidents, and vice presidents

Remunerations to the directors

2013

In thousands of New Taiwan Dollars/ thousand shares

In thousands of New Taiwan Dollars/ thousand share																												
Title	Name	Remunerations to the directors								Total of A, B, C, and D in proportion to earnings before taxation (%)	Remuneration from holding employee positions												Total of A, B, C, D, E, F and G in proportion to earnings before taxation (%)		Remuneration from subsidiaries or other investees (H)			
		Remuneration (A)		Pension (B)		Remuneration from distribution of earnings (C) (Note 1)		Business expenses (D)			Salaries, bonus, and special expenses (E)		Pension (F)		Employee bonuses (G) (Note 1)				Quantity of share subscription entitled by ESOP (Note 5)		Acquired new shares with employees' rights restricted							
		The company	All companies in the financial statements	The company	All companies in the financial statements	The company	All companies in the financial statements	The company	All companies in the financial statements		The company	All companies in the financial statements	The company	All companies in the financial statements	The company	All companies in the financial statements	The company		All companies in the financial statements	The company	All companies in the financial statements	The company				All companies in the financial statements	The company	All companies in the financial statements
																	Cash dividend	Stock dividend										
Chairman	Matthew Miao	136	136	-	-	1,400	1,400	20	20	0.27%	0.27%	3,670	5,341	-	30	304	-	304	-	5,450	5,450	-	-	0.97%	1.27%	351		
Director	Billy Ho																											
	MiTAC Inc.																											
Director	Rep.: Hsu Chi-Hua (Appointed to office on September 13 2013)																											
	Rep.: Kuo Yun (Relieved from office on September 13 2013)																											
Director	UPC Technology Corporation	136	136	-	-	1,400	1,400	20	20	0.27%	0.27%	3,670	5,341	-	30	304	-	304	-	5,450	5,450	-	-	0.97%	1.27%	351		
	Rep.: Way Yung-Do																											
	Rep.: Chang Kuang-Cheng (Appointed to office on September 13 2013)																											
	Rep.: Simon Wu (Relieved from office on September 13 2013)																											

Note 1: The figures were the amount of earnings for distribution proposed by the Board of Directors before the approval of the general meeting of shareholders for approval.

Note 2: This is a company established by the company on September 12 2013 through share swap. In the period of September 12 to December 31, 2013, the total remunerations from the company and all other companies included in the consolidated financial statements accounted for 0.27% of the earnings before taxation.

Note 3: The remunerations from retained earnings that directors are entitled to are compiled in a table for distribution of earnings subject to the resolution of the Board meeting and the general meeting of shareholders. The remunerations to directors were proposed at the recommendation of the Compensation Committee, industry level, and the possible risks in the future by the Board of directors at the authorization under the Articles of Incorporation.

Note 4: Pension as stated is the amount of appropriation.

Note 5: This refers to the quantity of shares that the directors are eligible to from Employee stock option excluding the exercised portion, as of the date (2014/05/15) of this annual report. These directors also hold employee positions (including the president, vice presidents, other managers and employees).

Note 6: The company does not single out the name and remuneration of particular director for disclosure. Therefore, the disclosure of remunerations was presented on a salary scale with the names of all concerned.

Salary Scale

Bracket of salaries to directors of the company	Name of director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)+(H)	
	The company	All companies in the financial statements	The company	All investees
Less than NT\$2,000,000	Matthew Miao/Billy Ho/MiTAC Inc./Hsu Tzu-Hua/Kuo Yun/UPC Technology Corporation/Way Yung-Do/Chang Kuang-Cheng/Simon Wu		Matthew Miao MiTAC Inc./Hsu Tzu-Hua/Kuo Yun/UPC Technology Corporation/Way Yung-Do/Chang Kuang-Cheng/Simon Wu	
NT\$2,000,000~NT\$5,000,000 (Exclusive)			Billy Ho	
NT\$5,000,000~NT\$10,000,000 (Exclusive)			Billy Ho	
NT\$10,000,000~NT\$15,000,000 (Exclusive)				
NT\$15,000,000~NT\$30,000,000 (Exclusive)				
NT\$30,000,000~NT\$50,000,000 (Exclusive)				
NT\$50,000,000~NT\$100,000,000 (Exclusive)				
More than NT\$100,000,000				
Total	9		9	

Remuneration to supervisors

2013

In thousands of New Taiwan Dollars

Title	Name	Remuneration to supervisors						Total of A, B, and C in proportion to earnings before taxation (%)		Remuneration from subsidiaries or other investees (D)
		Remuneration (A)		Remuneration from distribution of earnings (B) (Note 1)		Operating expenses (C)				
		The company	All companies in the financial statements	The company	All companies in the financial statements	The company	All companies in the financial statements	The company	All companies in the financial statements	
Supervisor	Arthur Chiao	48	48	600	600	8	8	0.11%	0.11%	382
Supervisor	Lien Hua Industrial Corp.									
	Rep: Hu-Shi, Charles Ching									

Note 1: The figures were the amount of earnings for distribution proposed by the Board of Directors before the approval of the general meeting of shareholders for approval.

Note 2: This is a company established by the company on September 12 2013 through share swap. In the period of September 12 to December 31, 2013, the total remunerations from the company and all other companies included in the consolidated financial statements accounted for 0.11% of the earnings before taxation.

Note 3: The remunerations to supervisors from earnings are compiled in a table for distribution of earnings subject to the approval of the Board of Directors and finalization of the general meeting of shareholders. The remunerations to supervisors were proposed at the recommendation of the Compensation Committee, industry level, and the possible risks in the future by the Board of Directors at the authorization under the Articles of Incorporation.

Note 4: The company does not single out the name and remuneration of particular supervisor for disclosure and the disclosure of remunerations was presented on a salary scale with the names of all concerned.

Salary Scale

Bracket of salaries to supervisors of the company	Name of supervisor	
	Total of (A+B+C)+(D)	
	The company	All investees
Less than NT\$2,000,000	Arthur Chiao/ Lien Hwa Industrial Corp./Hu-Shi, Charles Ching	Arthur Chiao/ Lien Hwa Industrial Corp./Hu-Shi, Charles Ching
NT\$2,000,000~NT\$5,000,000 (Exclusive)		
NT\$5,000,000~NT\$10,000,000 (Exclusive)		
NT\$10,000,000~NT\$15,000,000 (Exclusive)		
NT\$15,000,000~NT\$30,000,000 (Exclusive)		
NT\$30,000,000~NT\$50,000,000 (Exclusive)		
NT\$50,000,000~NT\$100,000,000 (Exclusive)		
More than NT\$100,000,000		
Total	3	3

Remunerations to president and vice presidents

2013

In thousands of New Taiwan Dollars/ thousand shares

in thousands of New Taiwan Dollars/ thousand shares																		
Title	Name	Salaries (A)		Pension (B)		Bonus and special expenses (C)		Remuneration from distribution of earnings (D) (Note 1)				Total of A, B, C, and D in proportion to earnings before taxation (%)		Quantity of share subscription entitled by ESOP (Note 5)		Acquired new shares with employees' rights restricted		Remuneration from subsidiaries or other investees(E)
		The company	All companies in the financial statements	The company	All companies in the financial statements	The company	All companies in the financial statements	The company		All companies in the financial statements		The company	All companies in the financial statements	The company	All companies in the financial statements	The company	All companies in the financial statements	
								Cash dividend	Stock dividend	Cash dividend	Stock dividend							
President	Billy Ho	-	1,806	-	75	3,670	3,670	460	-	460	-	0.72%	1.05%	3,925	3,925	-	-	2
Vice president	Doris Huang																	

Note 1: The figures were the amount of earnings for distribution proposed by the Board of Directors before the approval of the general meeting of shareholders for approval.

Note 2: This is a company established by the company on September 12, 2013 through share swap. In the period of September 12 to December 31, 2013, the total remunerations from the company and all other companies included in the consolidated financial statements accounted for 0.73% and 1.06%, respectively, of the earnings before taxation.

Note 3: The remunerations to the president and the vice presidents commensurate with their personal contribution to the overall operation performance of the company at the recommendation of the Compensation Committee, industry level, and the possible risks in the future.

Note 4: Pension as stated is the amount of appropriation.

Note 5: The quantity of shares (excluding the exercised portion) entitled to the president and the vice presidents under Employee Stock Options as of the date this report was printed (5/15/2014).

Salary Scale

Brackets of salaries to the president and all vice presidents	Name of president and vice presidents	
	Total of (A+B+C+D)+(E)	
	The company	All investees
Less than NT\$2,000,000	Doris Huang	Doris Huang
NT\$2,000,000~NT\$5,000,000	Billy Ho	
NT\$5,000,000 (inclusive) ~NT\$10,000,000		Billy Ho
NT\$10,000,000 (inclusive)~NT\$15,000,000		
NT\$15,000,000 (inclusive) ~NT\$30,000,000		
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	2	2

Names of managers with distributions of employee bonuses

In thousands of New Taiwan Dollars

	Title	Name	Stock dividend	Cash dividend	Total	Total amount in proportion to earnings before taxation (%)
Managers	President	Billy Ho	-	460	460	0.08%
	Vice president	Doris Huang				

Note: The figures were the amount of earnings for distribution proposed by the Board of Directors before the approval of the general meeting of shareholders for approval.

III. Information on Corporate Governance

(I) The operation of the Board of Directors: The Board of Directors convened 3 times from September 12 to December 31, 2013 (A), and the attendance was shown below:

Title	Name	Attendance in person B	Attendance by proxy	Attendance rate (%) 【B/A】	Remarks
Chairman	Matthew Miao	3	0	100.00%	
Director	Billy Ho	2	0	66.67%	
Director	UPC Technology Corporation Rep.: Way Yung-Do	3	0	100.00%	
Director	UPC Technology Corporation Rep: Chang Kuang-Cheng	0	1	0.00%	Appointed to office on September 13, 2013
Director	MiTAC Inc. Rep.: Hsu Chi-Hua	0	1	0.00%	Appointed to office on September 13, 2013
Director	MiTAC Inc. Rep: Kuo Yun	2	0	100.00%	Relieved from office on September 13, 2013
Director	UPC Technology Corporation Rep.: Simon Wu	2	0	100.00%	Relieved from office on September 13, 2013

Special notes:

- I Provision of Article 14-III of the Securities and Exchange Act, and minutes of Board meeting with adverse opinions or qualified opinions from independent directors on record or backed by written declaration in resolutions of the Board, 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.
- II The enforcement of the avoidance of the conflict of interest of the directors in making decisions: directors acted to avoid possible influence on the result of decision on motions with conflict of interest to the company:

Board of Directors meeting Date	Avoid the conflict of interest Name of director	Content of the motion	Reasons for the avoidance of the conflict of interest	The voting
2013.9.12	Billy Ho	Appointment of the managers	Who are also directors	The motion was passed as stated under unanimous consent of the directors who were present in the meeting.
2013.9.12	Billy Ho	Lift up the ban on managers holding positions in potential conflict of interest	Who are also directors	The motion was passed as stated under unanimous consent of the directors who were present in the meeting.

- III Assessment of the objectives (e.g., the establishment of the Auditing Committee, and enhancement of the transparency of information) of the fortification of the functions of the Board of Directors in current period and the latest year and accomplishment: The company has established the “Board of Directors Meeting Procedure” and has complied with such regulation in operation. In addition, The Board of Directors has also disclosed essential resolutions at the official website of the company. The company has also disclosed the attendance of the directors in the Board meetings and their status of continuing education for the information of the investors at the zone of “Corporate Governance” in MOPS so that disclosure could be made timely and transparent. 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) The operation of the Auditing Committee: The company does not establish an Auditing Committee.

(III) Participation of the supervisors in the Board of Directors: The Board of Directors convened 3 times from September 12 to December 31 2013 (A), and the attendance was shown below:

Title	Name	Attendance in person B	Attendance rate(%) 【B/A】	Remarks
Supervisor	Arthur Chiao	3	100%	
Supervisor	Lien Hwa Industrial Corp Rep: Hu-Shi, Charles Ching	3	100%	

Special notes:

- I 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 certified public accountants (e.g., the financial position, business situation, and issues involved, and method and result of communication): The 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. The chief internal auditor of the company shall present audit reports to the supervisors at regular intervals.

- 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, 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.

(IV) Corporate Governance in action and discrepancy from the Corporate Governance Best Practice Principles by TWSE/GTSM-listed companies and the reasons

Item	Corporate governance in action	Discrepancy from the Corporate Governance Best Practice Principles by TWSE/GTSM-listed companies and the reasons
<p>I. Equity structure and shareholders' equity.</p> <p>(I) The methods adopted by the company in responding to the recommendations of or dispute with the shareholders.</p> <p>(II) The company keeps proper control over the list of major shareholders and the ultimate shareholders of these major shareholders.</p> <p>(III) The establishment of risk control mechanism and firewall between the company and its subsidiaries and affiliates.</p>	<p>(I) The company has appointed a designated company spokesperson for responding to the recommendations, queries, and disputes from the shareholders.</p> <p>(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.</p> <p>(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 equity and fairness, and they are bound by related rules and regulations governing business and financial transactions among the entities.</p>	<p>Compliant with the idea and conduct of the "Corporate Governance Best Practice Principles by TWSE/GTSM- listed Companies".</p>
<p>II. The organization and functions of the Board of Directors</p> <p>(I) The seats of independent directors</p> <p>(II) Routine assessment of the independence of the external auditors</p>	<p>(I) The company will appoint independent directors in 2016.</p> <p>(II) The company keeps track on the independence of the external auditors regularly in each year to consider if it is necessary to make replacement. The Board of Directors makes decision of the appointment of the external auditors for the company and there is no conflict of interest with the company. The external auditors are from well-known domestic certified public accountant firms and there is no doubt about their independence and professional standing.</p>	<p>(I) 1. According to Letter Chin-Kuan-Cheng-Fa-Tzi No. 1020053112 issued by Financial Supervisory Commission dated December 31 2013, all TWSE-listed companies shall establish seats of independent directors pursuant to Article 14-II of the Securities and Exchange Act thereby the company is required to specify the establishment of the seats for independent directors in the Article of Incorporation. There shall be at least 2</p>

Item	Corporate governance in action	Discrepancy from the Corporate Governance Best Practice Principles by TWSE/GTSM-listed companies and the reasons
		<p>seats or no less than 1/5 of the total seats of directors for independent directors.</p> <p>2. Pursuant to Article 181-II of the Securities and Exchange Act, the establishment of the seats for independent directors for TWSE-listed companies not in the finance and banking sector with paid-in capital of less than NT\$10 billion may be postponed until the expiration of current term of the Board of Directors and supervisors. The establishment of the seats for independent directors of the company could be postponed to the expiration date of current term of directors and supervisors, which is on 2016.</p> <p>(II) Should there be legal concern or actual needs, the company shall comply with the “Corporate Governance Best Practice Principles by TWSE/GTSM-listed Companies” and other applicable legal rules.</p>
III. Channels for communications with the stakeholders	Stakeholders may engage in communications with the company through the system of spokesperson and acting spokesperson: telephone at (03)328-9000 E-mail: stock@mic.com.tw	Compliant with the idea and conduct of the “Corporate Governance Best Practice Principles by TWSE/GTSM-listed Companies”.
IV. Disclosure (I) The company has installed an official website for the disclosure of operation, financial position, and the enforcement of corporate governance (II) Other means of disclosures (the installation of website in English language, appointment of designated personnel to gather and disclose company information, materialization of the spokesperson system, and upload of the conferences for institutional investors).	(I) The company has installed an official website at www.mic-holdings.com.tw , which is maintained and updated by designated personnel for proper disclosure of content on operation and financial position. (II) There is one spokesperson and an acting spokesperson. (III) The company discloses relevant information at the MOPS for the knowledge and inquiry of the investors.	Compliant with the idea and conduct of the “Corporate Governance Best Practice Principles by TWSE/GTSM-listed Companies”.
V. The establishment of a nomination committee or other functional	The company has established the Compensation Committee on September 12, 2013.	(I) The company has complied with Article 13 of the “Regulations Governing the Appointment

Item	Corporate governance in action	Discrepancy from the Corporate Governance Best Practice Principles by TWSE/GTSM-listed companies and the reasons
committee, and the operation of these committees.		<p>and Exercise of Powers by the Compensation Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter”</p> <p>(II) For legal concern and actual needs, the company shall comply with the “Corporate Governance Best Practice Principles by TWSE/GTSM- listed Companies” and other applicable legal rules.</p>
<p>VI. If the company has established the code of conduct for corporate governance in accordance with the “Corporate Governance Best Practice Principles for TWSE-GTSM-listed Companies”, elaborate the code in operation and the discrepancy between the code and the practices: The company has not yet established the code of conduct for corporate governance. However, its directors and supervisors act in accordance with the “Corporate Governance Best Practice Principles by TWSE/GTSM- listed Companies”</p>		
<p>VII. Other essential information that could help to understand the enforcement of corporate governance: (Examples are, employee rights and privileges, employee concern, investor relation, supplier relation, stakeholder rights, continuing education for the directors and the supervisors, risk management policy and the pursuit of risk assessment in accordance with standards, the pursuit of customer policy, the protection of directors and supervisors by professional liability insurance):</p> <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> <ol style="list-style-type: none"> 1. The systems: (1) Labor and health insurance, contribution to pension fund, employee education and training, safety and health protection policy, and equal employment opportunity for both sexes. (2) Provide different forms of fringe benefits for the employees with ceaseless effort, including group insurance, free physical examination, and subsidy for pleasure trips, gym, emergency aid, subsidy for matrimony/maternity/funeral, car loans, and subsidy for continuing education. 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>(II) Concern for the employees</p> <ol style="list-style-type: none"> 1. The system: MiTAC has appointed designated personnel for managing employee relation. These personnel are responsible for caring the employees. Scope of service: emergency aid, employee complaint, handling complaints, employee healthcare and hospitalization, coordination of employee problems, prevention of sexual harassment at workplace, handling complaints and consultation in career development. MiTAC introduced the Employee Assistant Program (EAP) in cooperation with an external consulting firm. Through psychological counseling and assistance from financial and legal experts, MiTAC helps its employees to relieve from psychological and living problems. 2. Implementation: MiTAC employees and their families in Taiwan have received consultation service from the EAP for 69 head counts, which constituted 4.9% of the total number of employees. The majority of the assistance is legal aid. 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. 		

Item	Corporate governance in action			Discrepancy from the Corporate Governance Best Practice Principles by TWSE/GTSM-listed companies and the reasons	
<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 disclose its state of operation and financial position to the shareholders. With the establishment of the spokesperson and acting spokesperson system, the company has performed its obligation in disclosure under due diligence. MiTAC has also appointed designated personnel for managing investor relation and set up an e-mail address for responding to suggestions and queries of the investors.</p> <p>(IV) Supplier relation and the right of the stakeholders: MiTAC is engaged in long-term and positive cooperation with the suppliers to ensure the abundance of materials supply.</p> <p>(V) Continuing education of the directors and the supervisors: All directors and supervisors of MiTAC have relevant industrial and professional background, which were disclosed at MOPS in the “corporate governance” zone for the reference of the shareholders and investors at any moment. The continuing education from September 12 to December 31, 2013 to the date this report was printed:</p>					
Titles	Name	Organizer	Course name	Study hours	Is it complaint with the “Directions for the Implementation of Continuing Education for directors and supervisors of TWSE Listed and GTSM Listed Companies”?
Representatives of institutional directors	Way Yung-Do	Taiwan Corporate Governance Association	The Amendment to the Business Mergers and Acquisitions Act , the duties of the directors and supervisors, and the function of the Independent Review Board	1	Yes
		Taiwan Corporate Governance Association	Exploring the new era of corporate governance – A study on family enterprise in broad meaning and small and medium enterprises going public	3	Yes
		Taiwan Corporate Governance Association	Surpass short-termism and value corporate governance – Recent Development in the UK	1	Yes
		Taiwan Corporate Governance Association	Management and Disclosure of Intellectual Properties, a Case Study with discussion	1	Yes
		Securities and Futures Institute	Corporate Governance and Securities Laws	3	Yes
		Taiwan Corporate Governance Association	The prospect of corporate governance in Taiwan – Blueprint of corporate governance	1	Yes
Supervisor	Arthur Chiao	Taiwan Corporate Governance Association	2014 Economic Outlook	3	Yes
		Accounting Research and Development Foundation	Legal Liabilities and Risk of Enterprises under the “Securities and Exchange Act” of the ROC	3	Yes
Representative of Institutional Supervisor	Hu-Shi, Charles Ching	Securities and Futures Institute	Symposium of the functions of Independent directors in TWSE-listed Companies	3	Yes
<p>(VI) The pursuit of risk management policy and the implementation of risk assessment standard: The company has instituted different internal rules and regulations governing the management and assessment of different risks.</p> <p>(VII) The avoidance of conflict of interest by directors on specific motions: directors will not participate in the voting on motions that entail the conflict of interest.</p>					

Item	Corporate governance in action			Discrepancy from the Corporate Governance Best Practice Principles by TWSE/GTSM-listed companies and the reasons	
(VIII)	The pursuit of customer policy: The Group maintains sound relation with the customers for creating profit.				
(IX)	Professional liability insurance for the protection of directors and supervisors: As per the requirement of the “Corporate Governance Best Practice Principles for TWSE/GTSM-listed Companies, MiTAC has taken professional liability insurance to protect the directors and the supervisors. Information is being disclosed at the “corporate governance” zone of MOPS.				
	The insured	The insurer	The amount insured	Term of policy (starting and ending)	
	All directors and supervisors	Fubon Insurance Co., Ltd.	NTD 357,600,000	November 15, 2013 to November 15, 2014	
(X)	All directors and supervisors of MiTAC can perform their duties in good faith and their obligations and responsibilities in due diligence.				
(XI)	MiTAC has already instituted the “Regulation Governing Board Meeting Procedure” and acts accordingly.				
(XII)	The Board of Directors convenes at least once quarterly for fortifying corporate governance.				
(XIII)	Continuing education and related training of corporate governance for the managers from September 12 to December 31 2013:				
	Title	Name	Organizer	Course name	Study hours
	Vice president	Doris Huang	Institute of Internal Auditors, ROC (Taiwan)	All new internal auditors are subject to training in an orientation for 18 hours	18
			Accounting Research and Development Foundation	Financial Thought in “Corporate Transformation”	3
(XIV)	MiTAC has instituted the “Procedure for Handling Materiality”. This internal code has been introduced to all by related functions for proper implementation.				
VIII.	If there is any corporate governance self-assessment report, or an assessment of corporate governance taken by an external professional firm, specify the result of self-assessment (or assessment report issued by an external agency), the major shortcomings (or recommendations), and the status of corrective actions: MiTAC has not prepared the corporate governance self-assessment report nor has it appointed a professional firm to assess the state of corporate governance.				

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

1. MiTAC has established the Compensation Committee on September 12, 2013 organized by 3 external professionals with independence status. The committee convenes at least twice a year and perform the following duties from a professional and objective perspective, and present their recommendations to the Board of Directors for discussion.
 - (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	Qualification requirement Name	Whether this person has more than five years of work experience and the following professional qualifications			Compliance with independence requirements (Note 1)								If the member is also a member of the remuneration of other public companies, specify the number of these 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		
Members of the Compensation Committee	Chou Hsing-Yi	✓			✓	✓	✓	✓	✓	✓	✓	✓	6	
Members of the Compensation Committee	Cheng Chien-Jen			✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Members of the Compensation Committee	Sun Lu-Hsi	✓			✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: Members who meet the following requirements two years before their assumption of office or during their term of office shall put a “✓” in the appropriate box for specifying the qualification requirements.

- (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 directly or indirectly controlled by the company with more than 50% of its stakes).
- (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 Law are not applicable.

3. The Operation of the Compensation Committee

- (1) The Compensation Committee of MiTAC is consisted of 3 members.
- (2) Term of current members: from September 12, 2013 to June 23, 2016. The company was established on September 12, 2013 and no Compensation Committee meeting has been held in latest fiscal year. The committee has convened once (A) in current period to the date this report was printed. The qualification and the attendance of the committee members is shown below:

Titles	Name	Attendance in person (B)	Attendance by proxy	Attendance rate (%)(B/A)	Remarks
Convener	Chou Hsing-Yi	1	0	100.00%	
Members	Cheng Chien-Jen	1	0	100.00%	
Members	Sun Lu-Hsi	1	0	100.00%	
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: No 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:

Item	Corporate governance in action	Discrepancy from “Corporate Governance Best Practice Principles by TWSE/GTSM-listed Companies” and the reasons
<p>I Enforcement of corporate governance</p> <p>(I) Establishment of corporate social responsibility policy or system for reviewing the practice and result of enforcement.</p> <p>(II) The operation of the designated (part-time) body for the advocacy of corporate social responsibility.</p> <p>(III) Routine education and training programs on corporate ethics for the directors, supervisors, and the employees, and integration with ethic code as an integral part of the employee evaluation system with the institution of effective system for reward and punishment.</p>	<p>(I) The company complies with the requirements of the customers and competent authority to introduce related systems and formulates the strategy of environment safety and health and hazardous substance free policy.</p> <p>(II) Relevant functional units were organized into a part-time body for such purpose</p> <p>(III) The company provides education for the directors, supervisors, and employees on corporate ethics and code of conduct, and has established an explicit and effect system for reward and punishment.</p>	<p>Compliant with the idea and practice of “Corporate Governance Best Practice Principles by TWSE/GTSM-listed Companies”.</p>
<p>II Environment for sustainability</p> <p>(I) Effort has been made to upgrade the efficiency of the use of resources and using regenerated biodegradable materials to mitigate the impact on the environment.</p> <p>(II) Establishment of appropriate environmental management system in line with the specific features of the industry.</p> <p>(III) Appointment of a designated body or personnel to administer environmental management for the protection of the environment.</p> <p>(IV) The company pays attention to the influence of climatic change on the operation and maps out the strategy of energy saving and carbon reduction and the reduced emission of greenhouse gas.</p>	<p>(I) Enhance the efficient use of all resources, such as the use of photovoltaic energy, renovation for green lighting, the use of T5 energy efficient light bulbs, renovation of the air-conditioner compressors, optimization of electrical devices, the use of variable-frequency devices and green electrical appliances, the recycled use of heat from air compressor for water heating, renovation of fuel boilers, and the automated control of air-conditioning system.</p> <p>(II) Installation of the platform for the management of restricted use of chemical substances, and the control of hazardous substances under ISO 14001.</p> <p>(III) Establishment of the Environmental Protection Engineering Division and environmental management function of the Quality Management System Division and the establishment of Green Supply Chain Management Division for administering environmental management related to the supply chain.</p> <p>(IV) MiTAC has the ability to track carbon footprint on its products, and has disclosed the carbon emission volume to the CDP (Carbon Disclosure Project) annually. In addition, MiTAC also set the goal for reduced emission of carbon.</p>	<p>Compliant with the idea and practice of “Corporate Governance Best Practice Principles by TWSE/GTSM-listed Companies”.</p>

Item	Corporate governance in action	Discrepancy from “Corporate Governance Best Practice Principles by TWSE/GTSM-listed Companies” and the reasons
<p>III Support social charity</p> <p>(I) Compliant with related legal rules governing labor force, and observe internationally accepted principles of basic human rights of the labor. There is no discrimination inherent to the employment policy with the protection of lawful right of the employees. The establishment of appropriate management method, procedure, and the state of implementation.</p> <p>(II) Safe and healthy work environment for the labor, routine education and training for the labor on labor safety and health.</p>	<p>(I) MiTAC knows the law well and seeks to protect the rights and privileges of the employees. All the rights and obligations are regulated through different management regulations and are well developed. These regulations are subject to amendment at any time as needs. Through the intranet system, employees of MiTAC can access to real-time information for the proper protection of their rights and privileges.</p> <p>(II) MiTAC duly observes the rules and regulations governing safety and health thereby proceed to necessary safety inspection on the work environment (lighting, CO2), the germs in drinking water, and fire safety and building safety. In addition, all employees will receive physical examination once every other year at the standard higher than the requirement of the laws governing labor safety and health. All new employees are required to take part in an orientation providing training in safety and health, civil defense, and fire safety team.</p>	<p>Compliant with the idea and practice of “Corporate Governance Best Practice Principles by TWSE/GTSM-listed Companies”.</p>
<p>(III) Establishment of the mechanism for routine communication with the employees, notification to the employees in reasonable means on changes in operation that may cause significant influence to the employees.</p> <p>(IV) Establishment and disclosure of consumer rights policy, and the availability of a transparent and effective procedure for the customers in filing complaints on products and services.</p> <p>(V) Cooperation with the suppliers for upgrading corporate social responsibility in concerted effort.</p> <p>(VI) Participation in community development and social charity groups through business activities, donation in kind, corporate volunteer service or other services free of charge.</p>	<p>(III) MiTAC has installed the intranet portal system through which any news update of the company will be posted by related departments. People of MiTAC can keep abreast of the update information on the company every day when they start up the computer. 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. In case the company has change in the management system that will significantly affect the rights and privileges of the employees, the engineer of such change will hold conference for face-to-face explanation to remove the anxiety of the employees.</p> <p>(IV) MiTAC protects the rights and privileges of its customers and performs its responsibility of all products in due diligence by establishing relevant systems for complaints or procedure for claim for damages. The customer complaint</p>	

Item	Corporate governance in action	Discrepancy from “Corporate Governance Best Practice Principles by TWSE/GTSM-listed Companies” and the reasons
	<p>hotline is (03) 318-8168. Service hours: 8:30-18:00. Customers may also seek consultation or give suggestion at: www.mio.com.tw</p> <p>(V) MiTAC has established the “Universal Environmental Specification” thereby demands the suppliers to duly comply with all environmental protection requirements of products. 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 2013, MiTAC has completed investigation on 120 suppliers and compiled the profits on 344 mining companies in order to ensure the company and the suppliers to comply with such requirement.</p> <p>(VI) MiTAC seeks to advocate its long-term human resources development plan on campus through the Y.S. Award contest The branch in Europe organized a bicycle team to participate in charity game for fund raising.</p>	

Item	Corporate governance in action	Discrepancy from “Corporate Governance Best Practice Principles by TWSE/GTSM-listed Companies” and the reasons
<p>IV Intensification of disclosure</p> <p>(I) The means of disclosure of the relevance and reliability of corporate social responsibility.</p> <p>(II) Compilation of the corporate social responsibility report for disclosure of the performance of corporate social responsibility.</p>	<p>(I) MiTAC disclose its performance in environmental protection and corporate social responsibility to the investors, the public, customers, and other stakeholders through its annual report, corporate social responsibility report, and company website. Disclosure of the corporate policy and area of cooperation with the suppliers through the official websites of the suppliers and the agreements on purchase and quality.</p> <p>(II) Continued compilation and disclosure in 2014. The Corporate Social Responsibility Report of 2013 will be disclosed in both the Chinese and English versions in the latter half of 2014.</p>	<p>Compliant with the idea and practice of “Corporate Governance Best Practice Principles by TWSE/GTSM-listed Companies”.</p>
<p>V. If the company has established the code of conduct for corporate governance in accordance with the “Corporate Governance Best Practice Principles for TWSE-GTSM-listed Companies”, elaborate the code in operation and the discrepancy between the code and the practices:</p> <p>MiTAC has not yet established its “Corporate Governance Best Practice Principles for TWSE-GTSM-listed Companies”, but has performed its corporate social responsibility and duly observe the ethics code and the rights and privileges of the stakeholders, which are in conformity to the rules of the “Corporate Governance Best Practice Principles for TWSE-GTSM-listed Companies”.</p>		
<p>VI Other information that helps to understand the performance of corporate social responsibility (the systems and policies in environmental protection, community participation, social contribution, social service, social charity, consumer rights, human rights, safety and health, and other measures for the performance of corporate social responsibility and the state of implementation):</p> <p>1. Responsibility of environmental protection</p> <p>(1) System and policy:</p> <p>a. Set up the green platform in compliance with the requirements of RoHS/WEEE Directives and REACH and organize green supply chain management.</p> <p>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.</p> <p>(2) Implementation:</p> <p>a. For performing the corporate responsibility or environmental protection in electronic 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.</p> <p>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.</p>		

Item	Corporate governance in action	Discrepancy from “Corporate Governance Best Practice Principles by TWSE/GTSM-listed Companies” and the reasons
<p>2. Community Participation: No</p> <p>3. Contribution to the society:</p> <p>(1) System and policy:</p> <p>a. Sponsorship of the Y.S. Award of creativity for the development of talents of Taiwan in design and upgrade the competitive power of the industry.</p> <p>b. Organize forums on campus to exchange with the university students and share with them the experience in industry.</p> <p>c. Participate in different kinds of symposiums for sharing the experience in management and industry.</p> <p>(2) Implementation:</p> <p>a. Sponsor the Y.S. Award covering software design, industrial design, and microfilm. MiTAC facilitated the promotion on campus with positive effort, and invited well-known figures in the industry at home and abroad to share their experience with the students in forums. This helps to encourage the talents in design to upgrade the industrial design capacity.</p> <p>b. For the winners of Y.S. Award, MiTAC will offer an opportunity for them in practical training in the industry and encourage the students in good standing to apply for practical training in enterprises.</p> <p>4. Social service: no</p> <p>5. Social charity:</p> <p>(1) System and policy:</p> <p>a. Support the no meat Monday event as an integral part of its carbon reduction policy.</p> <p>b. Organize a bicycle team in cycling social charity event for fund raising.</p> <p>(2) Implementation:</p> <p>a. The self-service employee canteen serves a variety of vegetarian foods for the employees on Mondays.</p> <p>b. The employees in the branch of Europe ride bicycles for commuting and accumulate the cycling mileage for fund raising. They also sell Easter gift sac and participate in different social charity functions, including the “Brighton Cycling Event” and the “1,000 Km Cycling for Fighting Cancer”.</p> <p>6. Consumer rights and privileges:</p> <p>(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.</p> <p>(2) Implementation: Launch the GPS brand for the consumers.</p> <p>a. “Mio Online Repair Service” allows the customers to request for repair without the constraints of time and place.</p> <p>b. “Mio Online Education” provides simple and useful content so that customers can learn to use the devices easily.</p> <p>c. “Mio Online Service” offers round-the-clock question and answer for Mio product information.</p> <p>d. “Mio Online Update” allows for online product update through simple procedures.</p> <p>e. “Mio Quick Map” allows the consumers to update their map and product instruction through the facilitation of the distributors in Taiwan.</p>		

Item	Corporate governance in action	Discrepancy from “Corporate Governance Best Practice Principles by TWSE/GTSM-listed Companies” and the reasons
<p>7. Human right:</p> <p>(1) System and policy:</p> <ol style="list-style-type: none"> Under the Employment Policy of MiTAC, 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. MiTAC concerns for the rights and privileges of its employees, and duly observes the EICC (Electronic Industry Code of Conduct) and applicable laws of the state governing labor force. The employment of minors under the age of 15 or up to the age of 18, the assignment of duties of dangerous nature will be strictly prohibited. MiTAC seeks to protect the human rights of workers irrespective of race, color, sex, language, religion, political affiliation or adverse opinion, nationality, social background, wealth, birth, or any other identity distinctiveness and it will not discriminate in employment or at the workplace. For the protection of equal opportunity in employment and human dignity of both sexes, MiTAC strictly prohibits sexual harassment of any form at workplace, and spares no effort to providing a work environment where male and female employees are treated equally. <p>(2) Implementation:</p> <ol style="list-style-type: none"> 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 is no dispute so far. MiTAC duly observes related labor laws and honors the opinions of the employees. 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 is no dispute so far. MiTAC has instituted the “Regulation Governing the Prevention of Sexual Harassment at Workplace and Complaints” and established a sexual harassment complaint hotline. Any complaint will be attended to by designated personnel. In addition, lectures on the prevention of sexual harassment would be held regularly to avoid possible occurrence of sexual harassment at workplace. The system runs soundly so far. 		
<p>8. Safety and Health:</p> <p>(1) System and policy: MiTAC has been accredited the ISO 14001 environmental protection system, and the OHSAS 18001 Occupational Health and Safety Advisory Services System on November 6, 2003 for the reinforcement of the safety and health of employees at workplace and protection of the employees from occupational injury, death, or protest. These systems were accredited by a third party and reviewed regularly. MiTAC makes positive effort in advocating these systems.</p> <p>(2) Implementation:</p> <ol style="list-style-type: none"> 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. Sustained environmental safety and health performance: Conduct routine audit and assess the investment of appropriate resources to proper implement the ESH system for continued improvement. 		

VII. Elaborate the standard applicable to the accreditation of product report or corporate social responsibility report by external accreditation agencies, if applicable:
Institution of the Portable Navigation Device Product Category Regulations (PND PCR) and commissioned BSI for accreditation of the PAS2050 standards for the industry.

(VII)The practice of business integrity and measures:

Item	Corporate governance in action	Discrepancy from Ethic Corporate Management Best Practice Principles for TWSE/GTSM-listed Principles and the reasons
<p>I. With business integrity policy and action plan in place</p> <p>(I) Business integrity policy is explicitly stated in the internal code and documents for external circulation. The Board of Directors and the management undertake to pursue the business integrity policy.</p> <p>(II) The company has established its code for the prevention of unethical practice in business, with operation procedure, code of conduct; education and training are in place for the prevention of the breach of business integrity.</p> <p>(III) In the area of business operation that is highly vulnerable to the risk of a breach of business integrity, measures have been taken to prevent the offering and acceptance of bribes, offering of illegal political donation as the action plans for the prevention of breach of business integrity.</p>	<p>(I) MiTAC has instituted the “Business Ethic Code” and has posted the content at the official website at www.mic-holdings.com.tw/. The Board of Directors and the management duly observe such code in business operation and hold relevant training programs at different times, where necessary, to avoid the breach of trust of the employees.</p> <p>(II) In the area of business operations, which are highly vulnerable to unethical business practices, MiTAC has established related rules and regulations for the prohibition of offering and accepting bribes, contribution of illegal political donations, illicit charity donations or sponsorships.</p>	<p>This is compliant with the idea and practice of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-listed Companies”.</p>
<p>II. Realization of business integrity</p> <p>(I) Avoid any business transaction with parties having a record of unethical practices, and explicitly state the provisions of business integrity in the business agreements.</p> <p>(II) The operation of the designated full-time (part-time) body for the advocacy of business integrity, and the supervision of the Board of Directors in such matter.</p> <p>(III) With the policy of the avoidance of the conflict of interest in place with proper channel for reporting and compliant.</p> <p>(IV) Establishment of and proper enforcement of an effective accounting system and internal control system, and the audits conducted by the internal auditors.</p>	<p>(I) MiTAC has entered into an “Agreement on Undertaking of Business Integrity” with essential suppliers in business transactions.</p> <p>(II) MiTAC has appointed a designated body for the establishment and supervision of the enforcement of business integrity policies and preventive measures. The Board of Directors of MiTAC shall act under due diligence to supervise the prevention of any unethical business practice and review the issues and the effectiveness of the preventive measures at any time as needed for continued improvement to ensure the realization of business integrity policy.</p> <p>(III) 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.</p> <p>(IV) MiTAC has established and complied with an effective accounting system and internal control system, and has no separate bookkeeping system or secret accounts. 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</p>	<p>This is compliant with the concept and practice of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-listed Companies”.</p>

Item	Corporate governance in action	Discrepancy from Ethic Corporate Management Best Practice Principles for TWSE/GTSM-listed Principles and the reasons
	state of compliance with the “internal control system” and prepares related audit reports for presenting to the Board of Directors.	
III. The operation for the channels for filing complaints on unethical practices and the regulations governing the punishment on breach of business integrity.	MiTAC has established appropriate channels for filing complaints and reports, and explicitly stated the system of complaint and punish for breach of the business ethic code in business operation and exercised proper management.	This is compliant with the concept and practice of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-listed Companies”.
IV Intensification of disclosure (I) Installation of an official website for disclosure of business integrity and related matters. (II) Other means of disclosures (the installation of website in English language, appointment of designated personnel to gather and disclose company information on the website).	(I) MiTAC has instituted the “Business Ethic Code” and posted at the official website at www.mic-holdings.com.tw/ . (II) MiTAC makes disclosure at MOPS in the special zone of “corporate governance”, and discloses its annual report containing information on the enforcement of the Business Ethic Code.	This is compliant with the concept and practice of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-listed Companies”.
V. If the company has established the code of business integrity in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE-GTSM-listed Companies”, elaborate the code in operation and the discrepancy between the code and the practices: The company has instituted the code of business integrity in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE-GTSM-listed Companies”.		
VI. Any other essential information that can help to understand the enforcement of business integrity (demonstration of the determination and policy of the company in business integrity with business partners, invitation of the business partners to related education and training, review the principles and rules governing business integrity): None.		

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

For further information on corporate governance of MiTAC, visit the “Investors Zone” of the official website of MiTAC, or visit the special zone of “corporate governance” of MOPS at mops.twse.com.tw

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

(X) The implementation of the internal control system:

1. Statement of Declaration of Internal Control

MiTAC Holdings Corporation
Statement of Declaration of Internal Control

Date: March 27, 2014

The company has conducted self-assessment in accordance with the internal control system covering in 2013, and on the basis of the audit findings, we shall declare as follows:

- I. The company acknowledges and understands that, the establishment, enforcement and preservation of internal control system is the responsibility of the board and the managers, and that the company has already established such system. The purpose it to reasonably ensure the effect and efficiency of operation (including profitability, performance and security of assets), the reliability of financial reporting and the compliance with relevant legal rules.
- II. There is limitation inherent to internal control system, no matter how perfect the design. As such, effective internal control system may only reasonably ensure the achievement of the aforementioned goals. Further, the operation environment and situation may vary, and hence the effectiveness of the internal controls system. The internal control system of the company features the self-monitoring mechanism; once identified, any shortcoming will be corrected immediately.
- III. The company judges the effectiveness of the internal control system in design and enforcement in accordance with the “Criteria for the Establishment of Internal Control System of Public Offering Companies” (hereinafter referred to as “the Criteria”). The Criteria is instituted for judging the effectiveness of the design and enforcement of internal control system. There are five components of effective internal control system as specified in the Criteria with which the procedure for effective internal control are composed by five elements, namely, 1. Control environment, 2. Risk Evaluation, 3. Control Operation, 4. Information and Communication, and 5. Monitoring. Each of the elements in turn contains certain audit items, and shall be referred to the Criteria for detail.
- IV. The company has adopted the aforementioned internal control system for internal audit on the effectiveness of the design and enforcement of the internal control system.
- V. Basing on the aforementioned audit findings, in December 31 2013 the company holds that has reasonably preserved the achievement of the aforementioned goals within the aforementioned period of internal control system (including the monitoring and management over the subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant legal rules, and that the design and enforcement of internal control system are effective.
- VI. This statement of declaration shall form an integral part of the annual report and prospectus on the company and it will be announced. If there is any fraud, concealment and unlawful practice discovered in the content of the aforementioned information, the company shall be liable to legal consequences under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchanges Act.
- VII This statement of declaration was approved by the Board in a session held on March 27 2014 with the presence of 5 directors under unanimous consent.

MiTAC Holdings Corporation

Chairman: Matthew Miao

President: Billy Ho

2. Certified public accountants commissioned to conduct internal audit and the audit report:
None.

(XI) In the latest year and to the date this report was printed, any personnel of the company punished by law, or internal disciplinary action the violation of internal control system by company personnel, the major shortcomings and the state of corrective action: None.

(XII) In the latest year and to the date this report was printed, major resolutions of the Board and the Shareholders Meeting:

1. General Meeting of shareholders: The company was established through a share swap under a resolution of the General Meeting of shareholders of MiTAC International Corp. held on June 24 2013. As of the date this report was printed, no General Meeting of shareholders has ever been held. The followings are the essential resolutions of the 2013 General Meeting of shareholders of MiTAC International Corp. on this matter.

Date of meeting	Summary of important motions	Resolutions	Status of implementation
2013.06.24	1. Institution of the Articles of Incorporation	This motion was passed as stated	Act in accordance with the Articles of Incorporation
	2. Institution of the "Procedure for General Meeting of Shareholders"	This motion was passed as stated	Act in accordance with the "Procedure for General Meeting of Shareholders".
	3. Institution of the "Regulation Governing Election of directors and supervisors"	This motion was passed as stated	Act in accordance with the "Regulation Governing Election of directors and supervisors".
	4. Institution of the "Procedure for Financing Third Parties" and the "Procedure for Guarantee and Endorsement"	This motion was passed as stated	Act in accordance with the "Procedure for Financing Third Parties" and the "Procedure for Guarantee and Endorsement".
	5. Institution of the "Procedure for the Acquisition and Disposition of Assets".	This motion was passed as stated	Act in accordance with the "Procedure for the Acquisition and Disposition of Assets".
	6. Institution of the "Procedure Governing Derivative Trade"	This motion was passed as stated	Act in accordance with the "Procedure Governing Derivative Trade".
	7. The election of directors and supervisors	5 directors and 2 supervisors were elected.	Act in accordance with the election result with term of 3 years.
	8. Lift the ban on the of conflict of interest of the directors	This motion was passed as stated	Act in accordance with the resolution.

2. Board of directors meeting

Date of meeting	Summary of important motions	Resolutions
2013.06.24	1. Election of the Chairman of the Board.	The motion was passed by all directors in session under common consent.
2013.09.12	1. Institution of the "Organization Code for the Compensation Committee".	The motion was passed by all directors in session under common consent.
	2. Appointment of the members for the Compensation Committee of The Company.	The motion was passed by all directors in session under common consent.
	3. Appointment of the certified public accountants for auditing of financial statements.	The motion was passed by all directors in session under common consent.
	4. Employment of managers for the company.	1. Mr. Billy Ho, president of the company, sought to avoid the conflict of interest, given his capacity as a director at the same time. 2. The motion was passed by all directors in session under common consent.
	5. Lift the ban on the conflict of interest of the managers.	1. Mr. Billy Ho, president of the company, sought to avoid the conflict of interest, given his capacity as a director at the same time. 2. The motion was passed by all directors in session under common consent.

Date of meeting	Summary of important motions	Resolutions
	6. Appointment of the chief internal auditor of the company.	The motion was passed by all directors in session under common consent.
	7. Acceptance of the ESOP previously issued by “MiTAC International Corp.”.	The motion was passed by all directors in session under common consent.
	8. Subsidiary MiTAC International Corp. planned to petition for termination of public offering.	The motion was passed by all directors in session under common consent.
2014.01.27	1. Action has been taken in favor of the motion of accepting the exercise of ESOP previously issued by MiTAC International Corp. for conversion into new common shares: The issuing date of new shares was set on January 27 2014. In Q4 2013, 5,381,290 new shares of common stock were issued through the exercise of ESOP.	The motion was passed by all directors in session under common consent.
2014.03.27	1. Set the date and cause of convention for the General Meeting of shareholders in 2014.	The motion was passed by all directors in session under common consent.
	2. Ratification of the financial report of 2013.	The motion was passed by all directors in session under common consent.
	3. Amendment to the “Procedure for the Acquisition and Disposition of Assets” and “Procedure for Derivative Trade” in part.	The motion was passed by all directors in session under common consent.
2014.05.14	1. Proposal of the distribution of income for FY2013 Shareholder dividend: cash dividend at NT\$0.6/share. Employee bonus: NT\$514K in cash. Remuneration to directors and supervisors: NT\$2 million	The motion was passed by all directors in session under common consent.
	2. Action has been taken in favor of the motion of accepting the exercise of ESOP previously issued by MiTAC International Corp. for conversion into new common shares: The issuing date of new shares was set on May 14 2014. In Q1 2014, 3,912,930 new shares of common stock were issued through exercise of ESOP.	The motion was passed by all directors in session under common consent.
	3. New subsidiary -MiTAC Cloud Technology Corporation.	The motion was passed by all directors in session under common consent.

(XIII) In the latest year and to the date this report was printed, is there any director or supervisor holds adverse opinions on major resolutions of the Board on record or with written declarations, and the content, if applicable: None.

(XIV) In the latest year and to the date this report was printed, any of the personnel related to financial statements (including the chairman, president, chief accounting officer, chief financial officer, chief internal auditor and chief RD officer) resigned from their positions, if applicable: None.

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

April 26, 2014

Name	Shares held in own name		Shares currently held by spouse or dependents		Shares held in the names of others		Disclosure of relationships between the top 10 shareholders including spouses, 2nd tier relatives or closer, or the relationships		Remarks
	Quantity	Percentage of shareholding	Quantity	Percentage of shareholding	Quantity	Percentage of shareholding	Name	Relationship	
UPC Technology Corporation Rep.: Matthew Miao	64,814,078	8.46%	0	0.00%	0	0.00%	MiTAC Inc.	Common chairman	
							Lien Hwa Industrial Corp	Common chairman	
							MiTAC International Corp.	Common chairman	
							Matthew Miao	Chairman of this company	
							Tsu Fung Investment Corp.	The Chairman of the company also acts as Chairman of the parent company	
							SYNNEX International Corp.	Common chairman	
							Getac Technology Corporation	The Chairman of the company is the director of this company	
MiTAC Inc. Rep.: Matthew Miao	61,228,286	8.00%	0	0.00%	0	0.00%	UPC Technology Corporation	Common chairman	
							Lien Hwa Industrial Corp	Common chairman	
							MiTAC International Corp.	Common chairman	
							Matthew Miao	Chairman of this company	
							Tsu Fung Investment Corp.	The Chairman of the company also acts as Chairman of the parent company	
							SYNNEX International Corp.	Common chairman	
							Getac Technology Corporation	The Chairman of the company is the director of this company	
Lien Hua Industrial Corp. Rep.: Matthew Miao	45,812,655	5.98%	0	0.00%	0	0.00%	UPC Technology Corporation	Investees valued under the equity method	
							MiTAC Inc.	Investees valued under the equity method	
							MiTAC International Corp.	Common chairman	
							Matthew Miao	Chairman of this company	
							Tsu Fung Investment Corp.	The Chairman of the company also acts as Chairman of the parent company	
							SYNNEX International Corp.	Common chairman	
							Getac Technology Corporation	The Chairman of the company is the director of this company	
Mei An Investment Co., Ltd. Rep.: Tseng Chung-Lung	15,596,957	2.04%	0	0.00%	0	0.00%	None	None	
MiTAC International Corp. Rep.: Matthew Miao	13,134,500	1.72%	0	0.00%	0	0.00%	UPC Technology Corporation	Common chairman	
							MiTAC Inc.	Common chairman	
							Lien Hwa Industrial Corp	Common chairman	
							Matthew Miao	Chairman of this company	
							Tsu Fung Investment Corp.	A subsidiary to the company	
							SYNNEX International Corp.	Common chairman	
Tsu Fung Investment Corp. Rep.: Billy Ho	10,183,284	1.35%	0	0.00%	0	0.00%	Getac Technology Corporation	The Chairman of the company is the director of this company	
Matthew Miao	10,942,999	1.43%	0	0.00%	0	0.00%	UPC Technology Corporation	Chairman of this company	
							MiTAC Inc.	Chairman of this company	
							Lien Hwa Industrial Corp	Chairman of this company	
							MiTAC International Corp.	Chairman of this company	
							Tsu Fung Investment Corp.	Chairman of the parent company	
							SYNNEX International Corp.	Chairman of this company	
							Getac Technology Corporation	Director of this company	

April 26, 2014

Name	Shares held in own name		Shares currently held by spouse or dependents		Shares held in the names of others		Disclosure of relationships between the top ten shareholders including spouses, 2nd tier relatives or closer, or the relationships		Remarks
	Quantity	Percentage of shareholding	Quantity	Percentage of shareholding	Quantity	Percentage of shareholding	Name	Relationship	
Tsu Fung Investment Corp. Rep.: Billy Ho	10,183,284	1.33%	0	0.00%	0	0.00%	UPC Technology Corporation	The Chairman of the parent of the company is the chairman of this company	
							MiTAC Inc.	The Chairman of the parent of the company is the chairman of this company	
							Lien Hwa Industrial Corp	The Chairman of the parent of the company is the chairman of this company	
							MiTAC International Corp.	The parent of the company	
							Matthew Miao	The chairman of the parent of this company	
							SYNNEX International Corp.	The Chairman of the parent of the company is the chairman of this company	
							Getac Technology Corporation	The Chairman of the parent of the company is the director of this company	
Investment Account held under the custody of Citibank Taiwan.	9,978,725	1.30%	0	0.00%	0	0.00%	None	None	
Synnex Technology International Corporation/Rep: Matthew Miao	7,084,475	0.93%	0	0.00%	0	0.00%	UPC Technology Corporation	Common chairman	
							MiTAC Inc.	Common chairman	
							Lien Hwa Industrial Corp	Common chairman	
							MiTAC International Corp.	Common chairman	
							Matthew Miao	Chairman of this company	
							Tsu Fung Investment Corp.	The Chairman of the company also acts as Chairman of the parent company	
							Getac Technology Corporation	The Chairman of the company is the Director of this company	
Getac Technology Corporation Rep.: Huang Ming-Han	6,689,047	0.87%	0	0.00%	0	0.00%	UPC Technology Corporation	A director of the company is the Chairman of this company	
							MiTAC Inc.	A director of the company is the Chairman of this company	
							Lien Hwa Industrial Corp	A director of the company is the Chairman of this company	
							MiTAC International Corp.	A director of the company is the Chairman of this company	
							Matthew Miao	Director of this company	
							Tsu Fung Investment Corp.	A director of the company is the Chairman of the parent of this company	
							SYNNEX International Corp.	A director of the company is the Chairman of this company	

V. 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, 2014; Unit: share; %

Investee	Holding of the company		Holding of directors, supervisors, managers and enterprises directly or indirectly controlled by the company		Aggregate investment	
	Quantity	Percentage of shareholding	Quantity	Percentage of shareholding	Quantity	Percentage of shareholding
MiTAC International Corp.	1,511,134,942	100.00	-	-	1,511,134,942	100.00

Note: The company's long term investments under the equity method.

Four. Status of Capital

I. Capital and Shares

(I) Source of Paid-in Capital

1. Outstanding shares

Unit: share; NTD

Date	Issuing price	Authorized capital		Paid-in capital		Remarks		
		Quantity	Amount	Quantity	Amount	Sources of capital	Investment by properties other than cash	Effective date (approval date) of new capital and approval document number
2013.09	10	1,100,000,000	11,000,000,000	755,567,471	7,555,674,710	Transfer of shares	-	Ching-Shou-Shang-Tzi No. 102301187690
2013.12	10	1,100,000,000	11,000,000,000	760,948,761	7,609,487,610	\$53,812,900 subscribed following the exercise of employees' stock warrant - 2013 4th quarter	-	Ching-Shou-Shang-Tzi No. 10301032080
2014.03	10	1,100,000,000	11,000,000,000	764,861,691	7,648,616,910	\$39,129,300 subscribed following the exercise of employees' stock warrant - 2014 1st quarter	-	Registration in process
2014.04	10	1,100,000,000	11,000,000,000	765,782,491	7,657,824,910	\$9,208,000 subscribed following the exercise of employees' stock warrant - April, 2014	-	Items pending on registration

April 26, 2014 Unit: share

Type of share	Authorized capital			Remarks
	Outstanding	Unissued	Total	
Registered common shares	765,782,491	334,217,509	1,100,000,000	The outstanding shares are listed in centralized market

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

(II) The composition of Shareholders

April 26, 2014 Unit: share

The composition of Shareholders Qty	Government institutions	Financial institutions	Other institutions	QFII	Natural persons	Treasury Stock	Total
Number of persons	2	25	144	270	102,256	0	102,697
Qty of shareholding	22	4,620,391	257,944,087	85,749,642	417,468,349	0	765,782,491
Percentage %	0.00%	0.60%	33.68%	11.20%	54.52%	0.00%	100.00%

(III) Diversification of Shareholding

1. Common share

April 26, 2014

Level of holding	No. of shareholders	Qty of shareholding	Percentage %
1 ~ 999	45,963	13,286,526	1.74%
1,000 ~ 5,000	41,363	93,205,554	12.17%
5,001 ~ 10,000	8,318	62,754,532	8.19%
10,001 ~ 15,000	2,383	29,649,811	3.87%
15,001 ~ 20,000	1,471	26,840,957	3.51%
20,001 ~ 30,000	1,245	31,753,461	4.15%
30,001 ~ 40,000	521	18,410,410	2.40%
40,001 ~ 50,000	366	17,187,082	2.24%
50,001 ~ 100,000	613	43,773,058	5.72%
100,001 ~ 200,000	239	34,225,736	4.47%
200,001 ~ 400,000	108	29,847,032	3.90%
400,001 ~ 600,000	31	15,151,680	1.98%
600,001 ~ 800,000	21	14,917,557	1.95%
800,001 ~ 1,000,000	14	12,200,378	1.59%
More than 1,000,001 shares Classified by actual needs	41	322,578,717	42.12%
Total	102,697	765,782,491	100.00%

2. Preferred share: None.

(IV) List of dominant shareholders

April 26, 2014; Unit: share

Shareholding Name of dominant shareholder	Qty of shareholding (Note)	Percentage of shareholding (%)
UPC Technology Corporation	64,814,078	8.46%
MiTAC Inc.	61,228,286	8.00%
Lien Hua Industrial Corp.	45,812,655	5.98%

Note: Three shareholders of the company each holds more than 5% of the outstanding shares.

(V) Information on market price, net worth, earnings, and dividend per share

Item	Year	September 12 to December 31, 2013		Up to May 15, 2014 (Note 8)
		Before dilution	After dilution	
Market price per share (Note 1)	High	30.00		30.50
	Low	20.05		23.50
	Average	26.14		28.02
NAV (Note 2)	Before adjustment	41.50		41.77
	After adjustment	40.89 (note 9)		-
EPS	Weighted average EPS	733,420	733,420 (note 9)	737,591
	EPS (Note 3)	0.78	0.78 (note 9)	(0.05)
Dividend per share	Cash dividend	0.6	0.6 (note 9)	-
	Stock dividend	From retained earnings		-
		From capitalization of surplus		-
	Accumulated unpaid dividend (Note 4)		-	-
Analysis of ROI	P/E ratio (note 5)	32.51		-
	P/P ratio (note 6)	42.27 (note 9)		-
	Cash dividend yield (note 7)	2.37% (note 9)		-

Note 1: List out the high and low market price of common shares in each year and the average market price of these years by trading value and trading volume.

Note 2: Base on the quantity of outstanding shares as of the end of the year for distribution under the resolution of the General Meeting of shareholders.

Note 3: In case of adjustment of price due to the release of stock dividend, show the EPS before and after dilution.

Note 4: If the conditions for the issuance of equity securities require that the dividend not being distributed in current period could be carried forward to the year in which the company has profit, disclose the accumulated and retained dividend in current period.

Note 5: Price/Earnings ratio = Yearly average closing price/Earnings per share.

Note 6: Price/Dividend ratio = Yearly average closing price /Cash dividend per share.

Note 7: Cash dividend yield rate = Cash dividend per share/ Yearly average closing price.

Note 8: Net worth and earnings per share must be stated in the financial statements and audited (reviewed) by CPAs; other columns should be filled with same-year data in the annual report up to the publication date of this report.

Note 9: The allocation of earnings for 2013 has approved by the Board of directors, but need to be recognized by shareholders' meeting.

(VI) Dividend policy and its implementation

1. Dividend policy under the Articles of Incorporation:

The earnings of the year shall be allocated for covering loss carried forward and subject to income tax withholding in the first place, with 10% of the remainder allocated as mandatory reserve, and allocation or reversal as special reserve. The remainder net of the aforementioned allocations shall be subject to stock dividend payment, and at least 0.1% shall be distributed as employee bonus. If there is still a balance, it could be cumulated with the retained earnings carried forward from previous period for distribution at the proposal of the Board of Directors and the ratification of the General Meeting of shareholders.

If employee bonuses is distributed in the form of stock dividends, employees who meet specific conditions are entitled to such distribution. Such conditions shall be determined at the discretion of the Chairman of the Board.

The ratio of cash and stock dividends will be determined by the Board of Directors taking into consideration issues such as corporate financial structure, future cash flow, and profitability. The cash dividend shall not be less than 10% of the total dividend, however, the ratio may be adjusted with shareholder approval.

2. The resolution for dividend distribution at the general meeting of shareholders:

Based on the principles above, the Board of Directors drafted a proposal for dividend distribution at its meeting on May 14, 2014. This proposal covers dividends for the fiscal year 2013 and the dividend per share is NT\$0.60. The proposal will be presented for approval at the general meeting of shareholders held on June 24, 2014.

3. Anticipated significant changes in dividend policy: none.

(VII) Impacts of stock dividends, to be proposed during the next general meeting of shareholders, to the company's business performance and earnings per share.

The company did not have such motion in the distribution of income in 2013, and is not applicable here.

(VIII) Employee bonuses and Remuneration to the directors and supervisors

1. Percentage or scope of employee bonuses and remuneration to directors and supervisors as stated in the Articles of Incorporation.

(1) Bonus to employees: Annual earnings, in addition to offsetting the prior years' losses and withholding taxes, according to the law and withholding taxes, should be with a 10% set aside as a legal reserve and have a special reserve set aside or reversed pursuant to the law. In addition to the payment of dividends afterwards, appropriate at least 0.1% of the remaining balance as bonus to employees.

(2) Percentage of remuneration to directors and supervisors: Not specified in the Articles of Incorporation.

2. After accounting for changes in the basis of the estimation of employee bonuses, remunerations to directors and supervisors, changes to the calculation basis for stock dividends, and discrepancies between the amounts actually paid and the amounts it is estimated:

(1) The basis for the estimation of employee bonuses and remunerations to the directors and supervisors: The estimation of employee bonuses and remunerations to the directors and supervisors for fiscal year 2013 was based on the corporate earnings as of the end of current period net of mandatory reserves and capital surplus at the percentage stated in the Articles of Incorporation (0.1% for employee bonuses) and was recognized as operating

expenses.

- (2) The basis for the calculation of stock dividends: The number of common shares to be distributed as stock dividends is calculated on the basis of the fair value per share (closing price) one trading day before the general meeting of shareholders for resolution held in the year after the fiscal period in consideration of ex-right and ex-dividend effect.
 - (3) The accounting of the difference between the actual amount distributed and the estimated amount for distribution: The difference resolved by the general meeting of shareholders for distribution and the estimated amount for distribution shall be recognized as income or loss in the next fiscal period in accounting.
3. Information on the resolution of the general meeting of shareholders on employee bonuses:

The proposal for the distribution of earnings in fiscal year 2013 was resolved by the general meeting of shareholders dated May 14, 2014, and specified as follows:

 - (1) The general meeting of shareholders resolved to distribute to employees cash bonus of NTD 514,158 and pay NTD2,000,000 as remunerations to the directors and supervisors. No difference arose between the estimated and actual amount.
 - (2) The ratio of estimated stock bonus for employees to the corporate earnings of the current period and total dividends paid to the employees: Our company did not propose the distribution of stock dividends for fiscal year 2013. This rule is not applicable.
 - (3) The assumed EPS is \$ 0.60 for the distribution of employee bonus and remuneration for directors and supervisors.
4. Employee bonus and remuneration to directors and supervisors in FY2012: The company was established on September 12 2013. This is not applicable here.

(IX) The repurchase of shares by the company:

May 15, 2014

In thousands of New Taiwan Dollars/ thousand shares

Instance of repurchase	13th	14th	15th	16th	17th
Date of Board Resolution	2011.8.10	2011.11.24	2012.1.17	2012.6.15	2012.12.28
Purpose of repurchase	Assignment of shares to employees	Assignment of shares to employees	Assignment of shares to employees	Assignment of shares to employees	Protect the company's credit and shareholder's equity
Repurchase period	August 11, 2011 to October 7, 2011	November 25, 2011 to January 13, 2012	January 18, 2012 to March 2, 2012	July 6, 2012 to August 17, 2012	January 3, 2013 to March 1, 2013
Price range	NTD 9~13	NTD 9~12	NTD 9~12	NTD 9~12	NTD 9~12
Expected type and quantity of shares for repurchase	Common share 10,000	Common share 10,000	Common share 20,000	Common share 10,000	Common share 20,000
Type and quantity of shares repurchased	Common share 6,350	Common share 10,000	Common share 4,772	Common share 9,000	Common share 18,700
Amount of capital stock repurchased	68,202	91,880	49,108	85,132	205,505
Average cost for the repurchase of each share (NTD)	10.74	9.19	10.29	9.46	10.99
Reasons for incomplete accomplishment of the Board Resolution	The reason we did not completely execute the Board resolution is preserving shareholders' equity and consideration of market mechanism and the effectiveness for subsequent use of capital.	Not applicable	The reason we did not completely execute the Board resolution is preserving shareholders' equity and consideration of market mechanism and the effectiveness for subsequent use of capital.	The reason we did not completely execute the Board resolution is preserving shareholders' equity and consideration of market mechanism and the effectiveness for subsequent use of capital.	The reason we did not completely execute the Board resolution is preserving shareholders' equity and consideration of market mechanism and the effectiveness for subsequent use of capital.
Quantity of shares cancelled or assigned	0	Transferred to employees 3,853	0	0	Cancellation 18,700
Accumulated quantity of holding in Company shares (Note 2)	3,175	6,248	8,634	13,134	13,134
Accumulated proportion of holding Company shares in proportion to total outstanding shares of the company	0.41%	0.82%	1.13%	1.72%	1.72%

Note 1: The aforementioned repurchase of treasury stock was exercised through the swap of previous MiTAC International Corp. shares (previous stock code: 2315). Pursuant to Article 3- I- (VI) of the "Share Swap Resolution", if the treasury stock repurchased by MiTAC International Corp. contains the shares to be assigned to the employees but not being assigned, MiTAC International Corp. will continue to hold these shares and convert these shares into the shares of MiTAC Holdings Corporation at the share swap ratio, and shall be subject to the exercise of treasury stock repurchase or as required by law in the future.

Note 2: The ratio of share swap (MiTAC International Corp.: MiTAC Holdings Corporation = 1: 0.5).

II. Employee Stock Options

- (I) The status of the ESOP before maturity shall be disclosed to the date this report was printed and the effect on shareholders' equity: the following is the information on the acceptance of the shares converted through the exercise of ESOP issued by MiTAC International Corp. as of the share swap date on September 12, 2013, with the quantity and price adjusted in accordance with the share swap ratio (MiTAC International Corp.: MiTAC Holdings Corporation = 1: 0.5).

May 15, 2014

Type of Employee Stock Options	8th (1st term) Employee Stock Options	8th (2nd term) Employee Stock Options	9th (1st term) Employee Stock Options	9th (2nd term) Employee Stock Options
The effective date of declaration	2008 9.30.	2008 9.30.	2009 1.6.	2009 1.6.
Issuing (processing) date	2008 10.13.	2008 10.27.	2009 4.29.	2009 7.3.
Quantity of outstanding shares	16,182 units	15,603 units	8,429 units	8,465 units
Ratio of new shares issued for subscription to the total number of shares issued	2.11%	2.04%	1.10%	1.11%
Valid duration	6 years	6 years	6 years	6 years
Performance	Issue new stock shares			
Limited stock option period and ratio (%)	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. Duration Exercise Percentage More than 2 years 50% More than 3 years 75% More than 4 years 100%	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. Duration Exercise Percentage More than 2 years 50% More than 3 years 75% More than 4 years 100%	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. Duration Exercise Percentage More than 2 years 25% More than 3 years 50% More than 4 years 100%	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. Duration Exercise Percentage More than 2 years 25% More than 3 years 50% More than 4 years 100%
Stock shares exercised	2,475,250 share	5,424,640 share	184,000 share	883,630 share
Stock value exercised	NT\$ 62,376,300	NT\$ 117,172,224	NT\$ 5,004,800	NT\$ 22,444,202
Unexercised underlying shares for the options (note 1)	13,502,250 share	10,012,673 share	8,164,500 share	7,520,370 share
Stock option price of outstanding stock option	NT\$ 25.2	NT\$ 21.6	NT\$ 27.2	NT\$ 25.4
Ratio of outstanding stock option to outstanding shares (%)	1.76%	1.31%	1.07%	0.98%
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.	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.	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.	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: After deduction of relinquished shares.

May 15, 2014

May 15, 2014

Type of Employee Stock Options	10th (1st term) Employee Stock Options	10th (2nd term) Employee Stock Options	10th (3rd term) Employee Stock Options	11th Employee Stock Options																																
The effective date of declaration	2009 9.22.	2009 9.22.	2009 9.22.	2012 9.18.																																
Issuing (processing) date	2009 10.5.	2010 4.19.	2010 5.6.	2012 10. 11.																																
Quantity of outstanding shares	12,924 units	3,423 units	10,556 units	19,375 units																																
Ratio of new shares issued for subscription to the total number of shares issued	11.69%	00.45%	1.38%	2.53%																																
Valid duration	6 years	6 years	6 years	6 years																																
Performance	Issue new stock shares	Issue new stock shares	Issue new stock shares	Issue new stock shares																																
Limited stock option period and ratio (%)	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. <table><tr><td>Duration</td><td>Exercise Percentage</td></tr><tr><td>More than 2 years</td><td>30%</td></tr><tr><td>More than 3 years</td><td>60%</td></tr><tr><td>More than 4 years</td><td>100%</td></tr></table>	Duration	Exercise Percentage	More than 2 years	30%	More than 3 years	60%	More than 4 years	100%	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. <table><tr><td>Duration</td><td>Exercise Percentage</td></tr><tr><td>More than 2 years</td><td>30%</td></tr><tr><td>More than 3 years</td><td>60%</td></tr><tr><td>More than 4 years</td><td>100%</td></tr></table>	Duration	Exercise Percentage	More than 2 years	30%	More than 3 years	60%	More than 4 years	100%	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. <table><tr><td>Duration</td><td>Exercise Percentage</td></tr><tr><td>More than 2 years</td><td>30%</td></tr><tr><td>More than 3 years</td><td>60%</td></tr><tr><td>More than 4 years</td><td>100%</td></tr></table>	Duration	Exercise Percentage	More than 2 years	30%	More than 3 years	60%	More than 4 years	100%	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. <table><tr><td>Duration</td><td>Exercise Percentage</td></tr><tr><td>More than 2 years</td><td>50%</td></tr><tr><td>More than 3 years</td><td>75%</td></tr><tr><td>More than 4 years</td><td>100%</td></tr></table>	Duration	Exercise Percentage	More than 2 years	50%	More than 3 years	75%	More than 4 years	100%
Duration	Exercise Percentage																																			
More than 2 years	30%																																			
More than 3 years	60%																																			
More than 4 years	100%																																			
Duration	Exercise Percentage																																			
More than 2 years	30%																																			
More than 3 years	60%																																			
More than 4 years	100%																																			
Duration	Exercise Percentage																																			
More than 2 years	30%																																			
More than 3 years	60%																																			
More than 4 years	100%																																			
Duration	Exercise Percentage																																			
More than 2 years	50%																																			
More than 3 years	75%																																			
More than 4 years	100%																																			
Stock shares exercised	452,550 share	28,350 share	766,600 share	0 share																																
Stock value exercised	NT\$ 12,128,340	NT\$ 788,130	NT\$ 19,471,640	NT\$ 0																																
Unexercised underlying shares for the options (note 1)	12,284,050 share	3,295,050 share	9,681,400 share	19,375,000 share																																
Stock option price of outstanding stock option	NT\$ 26.8	NT\$ 27.8	NT\$ 25.4	NT\$ 20.0																																
Ratio of outstanding stock option to outstanding shares (%)	1.60%	0.43%	1.26%	2.53%																																
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.	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.	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.	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: After deduction of relinquished shares.

(II) The names, and acquisition and subscription of shares by managers who have acquired ESOP and the top 10 employees entitled to subscription under ESOP as of the date this report was printed.

1. Managers

May 15, 2014

In thousands of New Taiwan Dollars/ shares

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	Subscribed stock 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												
Managers	President	Billy Ho	3,925,000	0.51%	-	-	-	-	3,925,000	8th (1st term)	25.2	90,455	0.51%
										8th (2nd term)	21.6		
										9th (1st term)	27.2		
										9th (2nd term)	25.4		
	Vice president	Doris Huang								10th (1st term)	26.8		
										10th (2nd term)	27.8		
										10th (3rd term)	25.4		
										11th	20.0		

Note 1: After deduction of relinquished shares.

2. The Top 10 employees

May 15, 2014

In thousands of New Taiwan Dollars/ shares

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	Subscribe d stock 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			
Consolidated employees	The COO of subsidiary	Matthew Miao	13,150,000	1.72%	-	-	-	0.00%	13,150,000	8th (1st term)	25.2	307,295	1.72%	
	Senior Vice president of subsidiary	Michael Lin								8th (2nd term)	21.6			
	Vice president of subsidiary	Chang Yao-Chun								9th (1st term)	27.2			
	Vice president of subsidiary	Albert Mu								9th (2nd term)	25.4			
	Vice president of subsidiary	J.J. Huang								10th (1st term)	26.8			
	Vice president of subsidiary	Percy Chen								10th (2nd term)	27.8			
	Vice president of subsidiary	Alice Fang								10th (3rd term)	25.4			
	Special Assistant of subsidiary	Crystal Yang								11th	20.0			
	Senior Consultant of subsidiary	C. J. Lin												
	Senior Consultant of subsidiary	King Chen												

Note 1: After deduction of relinquished shares.

Five. Operation Overview

The Company a holding company mainly engages in investments as its specialty. The subsidiaries major operations are development, design, manufacture, and sales of computers and ancillary equipment as well as Communication related products. Therefore, the relevant operation conditions are described according to the subsidiaries' business.

I. Business Activities:

(I) Scope of business

1. Principal business activities

- (1) Cloud computing product, including workstations, servers and storage devices; enterprise and channel server / workstation product series, including support for Intel and Advanced Micro Devices (AMD) 2-processor, 4-processor and 8-processor X86 advanced server / workstation products, high-density servers and professional server / workstation total platform specially researched and developed for clients; All-In-One LCD PC, Thin Client computer, and embedded motherboard.
- (2) Mobile communication products include automotive electronics (automobile navigation audio-video equipment), consumer electronics (portable navigation devices (PND) and in-vehicle Drive Video Recorders), outdoor and fitness navigation devices, professional products (*e.g.*, fleet management), and smart navigation and cloud services.

2. Business distribution

In thousands of New Taiwan Dollars

Year Products	September 12 to December 31, 2013	Ratio (%)
Computer & communication products	11,896,934	100.00

3. Major Products

(1) Cloud computing product business group

- Cloud computing server
- Rack-mounted servers
- Blade servers
- All-In-One LCD PC
- Thin Client computer
- POS system
- Embedded motherboard

(2) Mobile Communication product business group

- Consumer electronics
- Outdoor navigation devices
- Fitness navigation device
- Automotive electronics
- Mobile health
- Mobile cloud storage
- Display audio & navigation box
- Car amplifier
- Bike computer
- Outdoor lighting control

4. New products or technology under planning

(1) Cloud computing product

- Development of cloud computing servers

- Optimized virtual server.
 - Communication server.
 - Development of storage devices and related technologies.
 - Network Switch.
 - Total system solution.
 - System protocols and integration of Thin Client computers & servers
 - R&D of All-In-One LCD PC technologies
 - POS system (computer point of sale management system): including the development of integrated technologies for the RPOS (Retail POS) and the MPOS (Mobile POS).
 - Embedded industrial use motherboards for terminal application.
- (2) Mobile Communication product business group
- Cloud computing applications and technologies.
 - Integrated data capture, voice, and wireless broadband communication.
 - Global positioning system (GPS), electronic navigation technologies and mobile positioning services.
 - DVR and driving safety reminder.
 - Development of portable healthcare system application
 - Wellness Band.
 - Fitness Watch.

(II) Industry overview:

(1) Current condition of the industry and its development

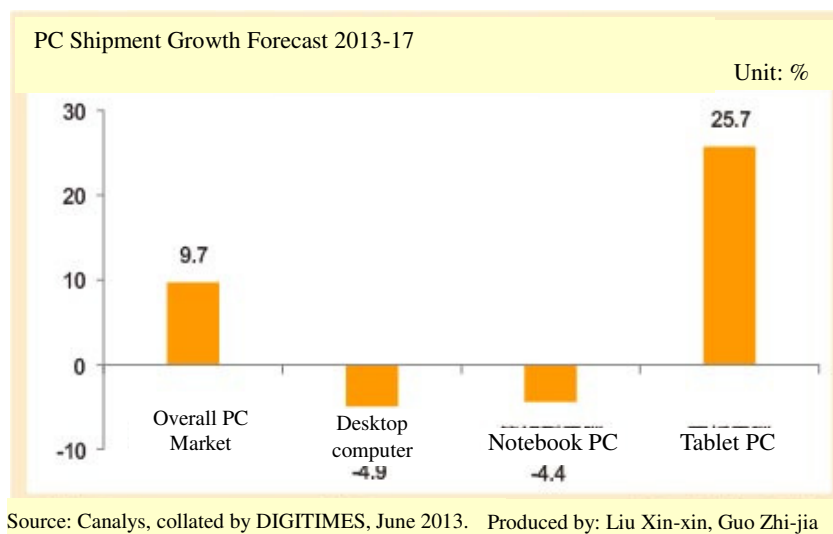
According to the industry research findings of III, global shipment volume of servers in 2013 showed an increase of 2.8% to 8,765K as compared with the same period of 2012. This is primarily the result of the demand from the large datacenters. The development of Cloud Computing application and community network compelled big business of the US, like Amazon, Facebook, Google, and Microsoft, to install datacenters globally to meet market demand. Economic development and the guidance of the government in China also drive the telecommunication service providers and network service companies spare no effort in investing in the installation and expansion of cloud computing and datacenters. As such, the demand for server skyrocketed, and the shipment of smart portable access devices (smartphone, tablets and others) continued to grow, which eventually pull the demand for cloud computing and storage equipments.

The large datacenters are being harsh on the Total Cost of Ownership (TCO). Further to the demand for system reliability, availability, serviceability, usability, and manageability, they highly value energy efficiency and performance. As such, the demand for customized products surged. For reducing the cost of procurement, they switched their purchase directly with the ODM/OEM firms with their big volume, which was previously made with the big brand product manufacturers. Under such change, brand product manufacturers also make tremendous effort to transform themselves by landing integrative server system. This system integrated computing storage and network exchange device to meet the demand of corporate customers. In addition, they also spare no effort in seeking merger with cloud computing software firms with a view to transform from equipment suppliers to solution/service providers to mitigate the effect of the impact on their business. Indeed, these are the unknown variables in the development of the market.

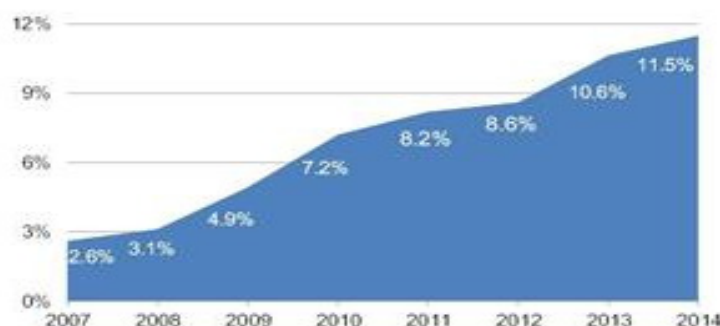
In 2014, the cloud computing and application will continue to growth, given the development of mobile access devices and the Internet of Things. The demand of the community network may also create an opportunity for a new market of big

data analysis and service. These will contribute to the growth of servers by 3% and the stronger demand for storage devices.

In the area of terminal products, PC showed no significant growth. However, consumers are being attracted to touch panel function and design of the devices, and switched to the purchase of AIO PC. As such, AIO PC will show its momentum of growth. In 2012 and 2013, the growth was at 17-20% or approximately 15.8 million units. According to the forecast of DIGITIMES Research, the growth of shipment volume in AIO PC will slow down worldwide in 2014, and may be at only 4.9% (but AIO continues to play a critical role for the growth of desktop PC), or accounted for 1% growth or at 11.5% of the overall shipment volume of the DT.



AIO PCs to account for 11.5% of global desktop shipments in 2014



According to a brand new market survey in mobile healthcare (The Prospect of Semiconductor Development in the Portable and Mobile HealthCare Market from 2013 to 2018 classified by Equipment and Parts), the overall market size in 2018 would be as high as USD23.49 billion. In the period of 2013 to 2018, this market will enjoy compound annual growth of 30.5%. In the 5 major regions of the mobile health care market, North America gets the lion share. In the market of individualized products for the elderly, the revenue in Europe from 2013 to 2018 will be the highest. Asia-Pacific is a newly emerged market where China, Japan, Taiwan, Korea and other regions will be the markets of the highest potential for mobile health care equipment. The market of mobile individualized products for the elderly is expected to enjoy compound growth of 25.1% per annum in the same period. According to the “2013 China Medical and Pharmaceutical Internet Development Report” released by China Medical Pharmaceutical Material Association, the market size of the mobile health care market in China at the end of 2013 was \$ 2.34 billion, which was an increase of approximately 26% from \$ 1.86 billion in the same period of 2012. By the end of 2017, the market size is expected to reach the level of \$ 12.53 billion. In addition, reserach2guidance, a market survey firm in Germany, suggested in their survey that from 2011 to 2016, the developers and distributors of application programs would be the most active participants in the healthcare market.

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 of Microsoft is the dominant OS. With its free licensing and the advantage of high-level customization, Android rapidly rose in the newly emerged market and application. Examples are mobile health, vehicle-mounted tablet, and Mobile POS.

In product planning, the company will gradually switch to embedded vehicle-mounted GPS equipment and bicycle-use GPS Tracking system as the mainstream product line of development. At the same time, new products featuring GPS tracking technologies like the GPS sports watch would also be in the plan. Further, product planning also aims at the search for new products beyond the traditional GPS tracking product line. There will be two major directions of development, wearable products and Internet of things. The line of wearable products is the integration of cloud computing hardware and software service currently available by the company for total solution of the customers. The Internet of Things integrates with the GPS technology and cut into this new industry in cooperation with the customers.

(2) Linkage of industry upstream, midstream, and downstream

The industry in which our Group operates is at the downstream level. The upstream is IC and chip manufacturing, the midstream is the manufacturing of related components, and the downstream is the production of terminal products such as servers and consumer products.

Key chip	Processing Units	Graphical chip	Power management chip	Wireless communications chip	
	Panel Drivers chip	PC peripherals chip	Touch chip	RF chip	
Components	Memories	Touch Panel	Camera lens	Antennas	Battery
	Connector	Passive components	HD	Cabinet	Thermal Module
	RAID	Power Supply	Electro-acoustic components	Active components	Wire rod, solder paste
Assembly and design, manufacture,	Embedded	Server	PND	Tablet	Wearable device

(3) Development trends and degree of competition for our products

a. Cloud computing products:

X86 architecture remains the mainstream among our products, while SPARC/RISC systems still play significant roles in the high-end server market. System on Chip (SOC) architecture servers built on the ARM-based system are under development. General-Purpose computing on Graphics Processing Units (GPGPU) has a certain market share in the application of High-Performance Computing (HPC).

In terms of product types, aside from the standard Rack-mount Units, due to the requirements on Total Cost of Ownership (TCO) from data centers, high density/multiple computation node and low energy consumption products have become development trends. Micro-Server have been developed as a result. Besides, large corporations such as Facebook, Baidu, Alibaba and QQ even set their own specifications based on the needs of their own data centers and require that manufacturer custom-make their equipment. This phenomenon has become another trend. 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 computers have evolved from traditional micro independent cases to All-in-one and Portable computers. In terms of platforms, SOC integrated chips have been developed from x86 architecture. Because All-in-one products allow the application of many new technologies on the hardware, this feature set them apart from traditional terminal products. Manufacturers can adopt differentiated strategy in the competition, such as

multimedia, green/energy saving, and sensing technology.

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 bicycle and running applications. At this moment, in-vehicle Drive Video Recorders have become the mainstream in Asia-Pacific markets, while onboard application in vehicles is prevalent in Europe and the US. Drive Video Recorders are used for “field of view support” (such as rear view cameras or panoramic support systems) or “image identification” that are used for detecting obstacles and car lanes (such as car lane support systems or high-beam automatic sensing systems). All of them are part of the vehicle safety system. In the product competition of professional PND products, we not only need competence in the GPS units, the brightness of monitors, energy saving design, and waterproof design all require intensive technology integration from upstream to downstream. Additionally, smart phones with Apps will chip away some consumers. How we can compete with various software companies is another problem we face in consumer products.

Mobile health products could be classified into two major categories: mobile care and long-term care. The objective of mobile care is the integration of the HIS/NIS systems linking the information on the patients in the information systems of the hospitals, to the extent that the system can perform the function of full-range assessment/monitoring of the patients. This product works in conjunction with the application of the professional medical tablet PC thereby the software and hardware will integrate the barcode system in the medical environment for diverse use. This product also works in conjunction with the graphic identification technology applied to the reading of electronic devices. In the area of long-term care, the human interface design can substitute handwriting by clicking in keeping medical record through smart computing. This helps to reduce the time consumed by manual work, prevent human error and support decisions in medical treatment, and make long-term care viable.

(III) Technology and R&D overview

1. Committed R&D expense

In thousands of New Taiwan Dollars		
Item \ Year	September 12 to December 31, 2013	2014, Q1 (Note)
Research and development expense	822,199	658,393

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 of our products, the completeness of our product series, well-integrated upstream and downstream supply chain, and global manufacturing locations make up our competitiveness.

(1) Significant achievements are as follows:

- a. We launched the first server with ARM architecture processor platform – the MiTAC GFX Server System. That server synthesized resources from MiTAC, global leading silicon intellectual property firm ARM, US semiconductor powerhouse Marvell Technology Group Ltd., and Ubuntu open operating system provider Canonical Limited of Isles of Man, UK. It will effectively provide a more effective and more power efficient server system on the current server operating system.
- 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 Smart GPS 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.

(2) Products

- a. Cloud Computing products series
 1. Servers: Due to the rise in cloud computing and demand from data centers, MiTAC has launched a series of single, duo, and quad processor servers with its R&D capability built up over the years and its excellent R&D team. With system integration technology, MiTAC has researched and developed various high density/low energy use servers based on the green/energy saving requirements to lower the Total Cost of Ownership (TCO) when our customers build their server farms. In the future, aside from continuing to invest in the x86 area, we will also commit our resources in the development of ARM-based products.
 2. Storage device: Responding to the demand for massive data transmission and storage brought about by cloud computing, and the extent of growth in the storage device market, MiTAC continues to commit its the R&D team to develop storage device technology and products, which include 4U/60Bays products with SAS6G transmission interface and JBOD/RBOD products that are in compliance with SBB 2.0 requirements.
 3. At Computex, TYAN unveiled a full range of high density power-saving, energy-efficient cloud products, including: high density cloud computing products, the TYAN Yellow River series; high storage capacity cloud computing product, the TYAN TN series; and even more energy-saving cloud computing products, the TYAN FM65 series micro servers.
 4. In SC'13 in USA, TYAN spared no effort in showing off its HPC (higher performance computing) series and Cloud Computing

platform, including the Intel Xeon E5-2600 V2 processor and advanced coprocessor of Intel Xeon Phi, the FT77B-B7059.

5. Mid and high end workstations: featuring single and duo Intel and AMD x86 processors.
 6. All-In-One highly integrated LCD computer with 21.5” and 23.6” screens with various convenient user interface such as embedded touch screen, webcam, and VoIP communication.
 7. In 2012, MiTAC was engaged in a strategic joint venture with Intel and launched the very first standard platform exclusively designed and manufactured for the channel customers, the Thin Mini-ITX. A new generation of innovative version was launched in 2013 featuring an independent graphic display card and simple trendy design. This allows for easy customization of the channel marketers or the system manufacturers as far as cost is concerned. The innovative design manifests itself in multimedia, green/energy saving, and sensing technology.
 8. Thin-client computer: We provide highly integrated terminal thin-client computers with fan-less design. They come in desktop, portable, and All-in-one formats. In terms of platforms, we are promoting two major types: X86 and SOC.
 9. Embedded industrial use motherboard: in a strategic joint venture with Intel, the company pushed the Atom platform into embedded industry and plans for the new generation of wide range temperature products to meet different forms of terminal applications.
- b. Mobile communication products
1. Mio 568 DVR is designed with full screen touch panel and matched with the specially designed optic filter lens, which could effectively eliminate the reflection of light inside the vehicle and capture the best quality graphic record on driving. There is the built-in function of GPS car speed testing that could help the drivers to upgrade driving safety.
 2. At Taipei Cycle 2013, we unveiled the newest Mio Cyclo 500. Aside from uniquely crafted software and apps, it appeals to cyclists with a slimmer and shorter profile and can wirelessly connect to the internet to update its maps.
 3. Magellan Smart GPS: It is the first revolutionary personal navigation service with which users of the service can receive Location Based Service (LBS) real time. The cloud system is capable of integrating smart phones, PCs, and navigation devices. Users can access individual navigation cloud data through wireless transmission.
 4. ORV (Off-road Recreation Vehicle) SmartECO System: through this service, the users could access to LBS data for retrieving their personalized cloud navigation data to plan for pleasure routes. With the cloud system, the company has the capacity of integrating smart phone, PC, and GPS devices.
 5. Industrial use tablet PC and portable devices: The company launched the very first portable tablet PC exclusively designed for mobile healthcare in 2012, and won the “Best of Computex” award in the Computex. For the quest for efficient “Patient Safety” in mobile healthcare, the company worked in conjunction with the healthcare system and developed the hardware and software for total solution of

medication in chemotherapy. This product won the national quality award. In 2013, the whole product line of “Medica” was presented in the healthcare devices exhibition in Germany, and was highly acclaimed.

6. Solution for mobile healthcare:

- I. Chemotherapy medication: this is a breakthrough from the traditional hospital information system. This system satisfies the needs of the nursing personnel much better by feeding information for medication. The use of high intensity double matching mechanism and graphic identification system that helps to track chemotherapy medication. The system application barcode, BCR, is used for the identification of patients and medicine with reminder screen, which contributed to the completeness and safety of nursing and healthcare.
- II. Long-term care assessment: This is a tool for assessing the cases of long-term care for meeting special capacity and demands through incorporating the comprehensive standardized assessment sheet into the function of special skipping computing and user interface design. Sorting tool for assessing different levels of home care including functional healthy society and service utilization and sort out the issues of specific cases in healthcare. Link the issue-oriented CPAs, including a guide for further assessment, and design individual healthcare plans as per the issues in the healthcare cases. The precision of this application software can help to significant reduce the time and error of assessment on the people requiring long-term care.

(IV) Long- and short-term business development plan

1. Cloud Computing products series

- (1) Short-term business development plan: In terms of product strategy, we continue with cooperative development and production plans with existing customers or chip manufacturers in workstations, servers, and storage device. The Chinese demand for servers has been growing in recent years. MiTAC has been aggressively seeking systems integration firms with whom it can build a cooperative relationship for the long run, or a local firm that can provide cash flows and logistics management in order to offer the convenience of real-time service to our customers.
- (2) Long-term business development plan: In terms of product strategy, we continue to develop new products in servers and storage device markets and make such development our dynamism for business growth for the next three years. In terms of business strategy, we expand the scope of cooperation with leading server customers in the world, ranging from module shipment to full-system shipment, from low-end to high-end, from individual product line to multiple product line. We aim for long-term, stable cooperation. To this end, we need to improve the capability and speed of product development, control over production quality and delivery date, global supply chain integration, and global logistics and service. These factors can secure MiTAC’s position as a major server system ODM/OEM.

2. Mobile communication products

- (1) Short-term business development plan:
 - 1.1 Mobile handheld and digital family markets are at the initial growing

stage. In the short run, our company will operate with market development condition and focus on channels and ODM operation in European and US markets. We will actively develop niche products and explore customers in different areas. Mobile handheld and digital product lines integrate SoLoMo (Social, Location, Mobile) user experience and develop revolutionary and competitive products. We will offer service with high added-value to our customers with innovative and professional product planning, R&D design, and production capability. We will improve our overall effectiveness and raise customer satisfaction. On the basis of bonding with existing customers and increasing brand loyalty, we will integrate personal cloud, social media content, and Point of Interest content. On top of these, we will actively develop customers in different fields to explore new business with niche products.

- 1.2 Industrial use tablet PC and portable devices: short-term business development plan: launch portable devices, with equal weight in the operations of brand production, ODM and OEM. In Europe, the primary operation will be running the products bearing the brands of the company. In the USA, the primary operation will be OEM. In Japan, both OEM and ODM will be running. Total solutions for mobile healthcare will be launched as premium products in China. Further to existing distribution system, software integration service will be offered for major medical centers.
- 1.3 Mobile healthcare solutions: In the short run, the mobile healthcare solution will aim at the nursing staff in hospitals, which constituted the largest group of personnel, as the primary group of users. Patient safety will be the focus of consideration. This service will extend to mobile healthcare related services and application so assist the users to solve problems. Through process reengineering and user-friendly design, this service will help to upgrade the efficiency of healthcare work. With the integration of hardware and software for a solution, value is added to hardware and software individually.

(2) Long-term business development plan:

- 2.1 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.
- 2.2 Industrial use tablet PC and portable devices: sales will be extended to Russia, Central Asia, South Asia, and South America. Continued effort will be made to extend the mobile healthcare solution service to Europe and America. Vehicle-use tablet and Mobile POS application will also be developed.
- 2.3 Mobile healthcare solutions: planning of mobile healthcare in the long term aims at the consumer public as the primary group of users for remote healthcare service. This will be tested in the healthcare and medical institutions. The experience in the test will be applied to the

device with the-state-of-the-art technology to link tablet and the physiological test devices of the general consumers. With connection to the remote system for monitoring and the healthcare services offered by hospitals and clinics, a new page for mobile healthcare cycle will be unfolded.

II. Market and an overview of production and sales

(I) Market analysis

1. Geographic location of the sales of the company's major products

In thousands of New Taiwan Dollars

Regions	September 12 to December 31, 2013
Taiwan	84,430
US	5,071,365
Europe	3,506,054
Others	3,235,085
Total	11,896,934

2. Market share

Based on MIC AISP intelligence consulting service survey, with server shipment of Taiwanese ODM firms as the body of data, in 2013 MiTAC ranked fifth in both whole unit and motherboard shipment.

In terms of mobile communication products, MiTAC's car electronics brands rank firmly in top three in terms of market share.

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

(1) Cloud computing product

As signals of economic recovery become clearer and businesses are more willing to make IT investments, the demand for servers has returned. Major international server firms have increased the orders they place to Taiwanese ODMs. Global server shipment showed about 4% average growth.

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 reducing cost have become the opportunity for future products of these firms. Aside from the new-generation Atom low power consumption processors launched by Intel, ARM also disclosed its schedule for entry into the server industry. The end goal of various technological changes was saving energy and reducing cost. In the future, as computing continues to migrate to server end and energy cost surges, we expect that corporations will gradually emphasize the requirement of server energy consumption. TYAN brand of MiTAC will launch different models of servers, from basic to advanced levels. All will be equipped with the latest process of 6-core and 12-core and support the DDR4 in running. Some products could also support advanced GPU. 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 for the computer facilities of general enterprises, big computing center, datacenters, and cloud computing centers, public construction and government tender offers to assist the customer to install hardware platform. These markets will be the prime targets for MiTAC in launching its X86

servers.

(2) Mobile Communication product business

With the development of cloud industry, more and more smart terminal products are used, and their development have been accelerated. Whether they are smart phones, tablet computers, or even any related products with display screens – for example, in-car AV device, watches, glasses – they could be the next smart terminal product with explosive potential. The application of mobile terminal products will be more and more diversified, and more and more people will connect themselves to cloud-related apps. Users will number by hundreds of millions! Our company take SoLoMo as our central usage concept and actively develop cross-platform, cross-content product applications to satisfy the wide variety of consumer tastes.

The highly integrated embedded system is more difficult in design than the traditional Wintel and the spending its research and development is high. With its experience in consumer GPS system design and shipment, the design team of MiTAC has good experience in the design of embedded system: aiming at specific area, MiTAC design team input the user behavior analysis that highlighted the integrated effectiveness. In the future, further investment will be made in the area of high growth industrial and commercial products.

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

With the advance of cloud application, MiTAC not only controls hardware design and manufacturing capabilities in the cloud arena, it will also integrate global R&D in hardware and software, engineering automation, manufacturing design, and after-sale service into a new operation model to accomplish higher customer satisfaction and competitive advantage, in order to break through the low margin PC contract manufacturing doldrums.

(1) Competitive niche

The niches in the industry and products are: exploring consumer niche products in the market, investing in R&D of innovative software-hardware integration, maintaining low cost, stable quality, high process yield, quick volume production, inventory management, purchase of key components, adequate logistics support, close cooperation with channel partners in all regions, and strong finances. MiTAC's niches are as follows:

- A. Customer demand and control of the market: MiTAC jointly explore and invest in markets with regional software and hardware customers to understand enduser 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 continually.
- 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 existing regional channel market partners and group global logistics and service network, we can provide more complete customer

service.

(2) Favorable factors in development

A. A supply chain that integrates internet infrastructure

With our distribution and sales model that is coupled with the development and operation of global e-commerce, MiTAC has developed a model that offers direct production, distribution, and sales for high-priced products, thereby massively increasing shipping efficiency.

B. Global e-manufacturing model

After a few years of trials with our logistics model, MiTAC's e-manufacturing structure is becoming more and more adequate. We have formed a global manufacturing model with division of labor: 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 labor. 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. Such global division of labor and integration have turned MiTAC from a regional organization to an international e-manufacturer with global R&D, engineering, manufacturing, and distribution structure.

C. Expand the development of products with high added-value

To follow the future trend of wireless IP communication-computer synthesis, MiTAC will continue to form strategic alliances with leading international firms to jointly explore 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. In 2013, MioCARE completed the chemotherapy medication system with BCMA to meet the needs of the healthcare personnel in the medication dispensing system. This is a breakthrough from the traditional hospital information system.

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

Other than continuing to invest resources in major markets such as North America and Europe, intensified exploration of markets with enormous growth potential in GPS, such as Asia-Pacific, and emerging markets such as China, Japan, and Eastern Europe will be focus points of development. The mobile health market in North America is the best developed market so far. In the market of equipment of the future, Asia-Pacific, including China, Japan, Taiwan, and Korea, will be very promising.

E. E-supply chain

Due to MiTAC's global production needs and product segregation for

regional products at the request of customers, MiTAC not only strove for the design modularization of main components, but also aligned itself with the e-commerce capability of upstream firms, with a hope of achieving global real-time shipment to reduce operational risks, reduce inventory, and offer service of in-time shipment for customers.

- (3) Negative factors for the prospects of our development and our corresponding strategy
- A. Competition comes from cell phones and on-board navigation and a/v systems. After all major firms successively committed themselves to the R&D, manufacturing, and production of GPS products, the pressure on the price grew fiercer by the day. The average retail price of PND after 2010 has dropped to below US\$ 100. 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.

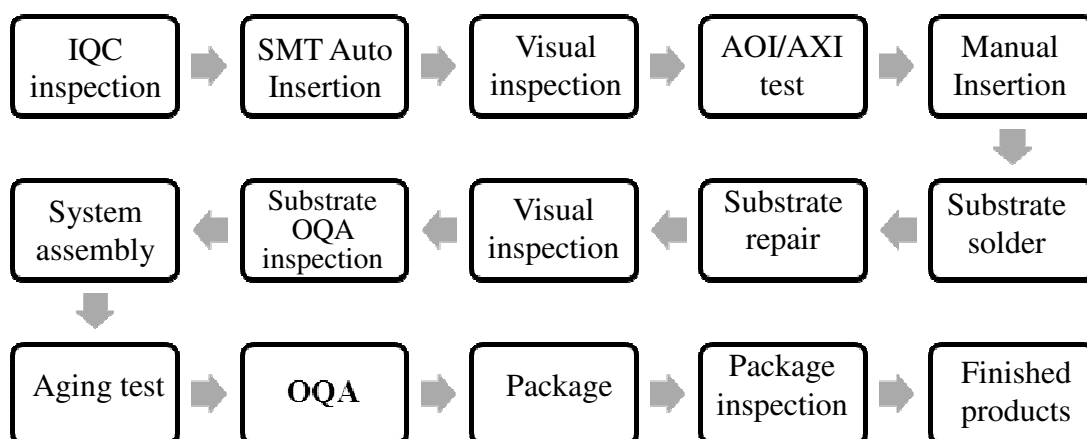
- (b) Diversify the supply channel of key components: we seek more sources of suppliers and secure the source of our suppliers and competitive pricing. We seek to establish good interaction with domestic firms that are already producing or planning to produce key components to maximize our choices.
 - (c) Gain an advantage with the size of our orders: As the system products are selling well and we have received orders from major OEM/ODM firms, we believe that we can lower our purchase costs enormously because of the size of our orders.
- D. Uncertainty inherent to the newly emerged market of mobile health
- (a) No standards for mobile health software/hardware: the policies of different countries are clearly pronounced, which affects the users in assessing the specifications of products and arouses uncertainty in making decision of buying the products.
 - (b) The users have insufficient information on this newly emerged market: the lack of transparency of information makes the users anxious. This issue extends to the price acceptable in market and the cost of the products, which shall be subject to adjustment over time.
 - (c) Reform of the operation procedure in the healthcare environment: manual labor in the past has been transformed to information-assisted and decided mode of operation, which requires the adaptation capacity of the hospitals and the public.
 - (d) Information security: the increasing awareness of personal information security dictated for further validation and authentication in encryption technology and means of validation and authentication.
 - (e) In sum, the policy option will be the formation of strategic alliance with hospitals, and assistance to the hospitals for giving solution for medical and healthcare problems. In the wake of the advancement and popularity of the technologies for Internet of things and wearable devices, users will gradually understand the application of mobile health devices. In addition, MiTAC will gather information on the timetable for the installation of healthcare information system in the countries of the newly emerged market and the development as reference for early cooperation with these partners or taking the very opportunity for business operation.

(II) Important applications and production process for main products

1. The functions of major products

Product type	Major purpose and functions
Workstations	Graphical computing tool for designers
Servers	Data computing tool for businesses
Storages	Data storage tool for businesses
Desktop PCs	For personal, family, school, and company use to manufacture, educate, wireless transmission in home video entertainment and share multi-media information.
Mobile Communication Devices	Vehicle-mounted GPS audiovisual system, consumer electronics (outdoor, fitness and driver 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 components

Component name	Origin	Supply status
CPU/ CHIPSET	Original Maker: US, Korea, China	Good
HDD	Original Maker: US., Japan	Good
DRAM	Original Maker: US., Japan, Korea, Taiwan	Get stable as time goes by
Flash	Original Maker: US., Japan, Korea, Taiwan	Get stable as time goes by
PCB	Original Maker: Taiwan, US, China, Korea	Good
LCD panels	Original Maker: Taiwan, Korea, China	Good
CDROM	Original Maker: Taiwan, Korea, Japan	Good
MODEM	Original Maker: Taiwan	Good
Camera Module	Original Maker: Taiwan, Korea, Japan	Good
Battery Pack	Original Maker: Taiwan, Japanese, China	Good

(IV) Major customers and suppliers in the latest 2 years

1. The names of the suppliers in the latest 2 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	September 12 to December 31, 2013				2014, Q1			
	Name	Amount	Ratio to net annual purchase (%)	Relation with the issuer	Name	Amount	Ratio to net purchase in Q1 2014 (%)	Relation with the issuer
1	Supplier A	1,061,951	11	None	Supplier A	909,768	12	None
2	Supplier B	853,243	9	None	Supplier B	762,142	10	None
3	Others	7,846,574	80		Others	5,931,388	78	
	Net purchase	9,761,768	100		Net purchase	7,603,298	100	

Note: All variations take into consideration The company's production and marketing policies, raw material demands, suppliers' prices, actual delivery, and quality in each year.

2. The names of the suppliers in the latest 2 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	September 12 to December 31, 2013				2014, Q1			
	Name	Amount	Ratio to net annual sales (%)	Relation with the issuer	Name	Amount	Ratio to net sales in Q1 2014 (%)	Relation with the issuer
1	Customer E	5,292,975	44	None	Customer E	4,009,619	47	None
2	Others	6,603,959	56		Others	4,489,192	53	
	Net sales	11,896,934	100		Net sales	8,498,811	100	

Note: All variations take into consideration future market trends, product demands, industry prospect, R&D technology, profit margins, and customers' contracts.

(V) Production volume and value in the latest 2 years

In thousands of New Taiwan Dollars/ unit

Production volume value Main items	Year	September 12 to December 31, 2013		
		Capacity	Volume	Value
Computer & communication products		5,717,235	3,824,180	8,360,096

Note: Not including sale of material costs.

(VI) Sales volume and value in the latest 2 years

In thousands of New Taiwan Dollars/ unit

Sales volume value Main items	Year	September 12 to December 31, 2013			
		Domestic sales		Export	
		Capacity	Value	Capacity	Value
Computer & communication products		41,872	84,430	3,802,011	11,812,504

(VII) KPI

1. Financial structure, ability to pay debts and utility

	September 12 to December 31, 2013
Debt ratio (%)	30.73
Current ratio (%)	175.11
Quick ratio (%)	122.96
A/R turnover rate (times)	6.68
Inventory turnover rate (times)	4.25

2. Net income before tax, interests, and depreciation amortization(EBITDA)

In thousands of New Taiwan Dollars

	September 12 to December 31, 2013
EBITDA	886,251

Six.Financial Position

I. Condensed Balance Sheet and (comprehensive) Income Statement in the latest five years:

The Company was established on September 12, 2013 through share swap. No information is available before FY 2012. The following financial information has been audited or reviewed.

(I) Condensed Balance Sheet – IFRS (consolidated)

In thousands of New Taiwan Dollars

Item	Year	Financial information in the latest years	March 31, 2014
		December 31, 2013	
Current assets		22,701,124	21,726,814
Property, plant and equipment		5,194,586	5,129,652
Intangible assets		593,892	536,836
Other assets		15,620,810	16,023,351
Total assets		44,110,412	43,416,653
Current liabilities	Before adjustment	12,963,641	11,904,791
	After adjustment	Unappropriated	Unappropriated
Non-Current liabilities		592,442	595,269
Total liabilities	Before adjustment	13,556,083	12,500,060
	After adjustment	Unappropriated	Unappropriated
Attributable to the shareholder's equity of the parent company		30,554,029	30,916,289
Capital		7,609,488	7,648,617
Additional paid-in capital		21,803,383	21,946,889
Retained earnings	Before adjustment	563,114	525,183
	After adjustment	Unappropriated	Unappropriated
Other equity		1,187,810	1,405,366
Treasury Stock		(609,766)	(609,766)
Non-Controlling Interest		300	304
Total equity	Before adjustment	30,554,329	30,916,593
	After adjustment	Unappropriated	Unappropriated

(II) Condensed Balance Sheet – IFRS (individual)

In thousands of New Taiwan Dollars

Year		Financial information in the latest years
Item		December 31, 2013
Current assets		111,379
Property, plant and equipment		3,609
Intangible assets		0
Other assets		30,442,311
Total assets		30,557,299
Current liabilities	Before adjustment	3,270
	After adjustment	Unappropriated
Non-Current liabilities		0
Total liabilities	Before adjustment	3,270
	After adjustment	Unappropriated
Attributable to the shareholder's equity of the parent company		30,554,029
Capital		7,609,488
Additional paid-in capital		21,803,383
Retained earnings	Before adjustment	563,114
	After adjustment	Unappropriated
Other equity		1,187,810
Treasury Stock		(609,766)
Non-Controlling Interest		-
Total equity	Before adjustment	30,554,029
	After adjustment	Unappropriated

(III) Condensed Comprehensive Income Statement – IFRS (consolidated)

In thousands of New Taiwan Dollars

Item	Year	Financial information in the latest years	2014, Q1
		September 12 to December 31, 2013	
Revenue		11,896,934	8,498,811
Gross profit		1,756,994	1,189,198
Operating income (loss)		(129,831)	(289,727)
Non-Operating Income and Expenses		774,675	293,340
Pre-Tax Income (loss)		644,844	3,613
Net Income (Loss) from the continuing department		644,844	3,613
Loss from the discontinued department		0	0
Net Income (Loss)		570,796	(37,927)
Other current comprehensive income or loss (net after-tax value)		171,708	217,556
Total current comprehensive income or loss		742,504	179,629
Net income attributable to the shareholder's equity of the parent company		571,287	(37,931)
Net income attributable to the non-controlling equity		(491)	4
Comprehensive profit and loss attributable to the shareholder's equity of the parent company		742,995	179,625
Comprehensive profit and loss attributable to the non-controlling equity		(491)	4
EPS		0.78	(0.05)

(IV) Condensed Comprehensive Income Statement – IFRS (individual)

In thousands of New Taiwan Dollars

Item \ Year	Financial information in the latest years
	September 12 to December 31, 2013
Revenue	582,398
Gross profit	582,398
Operating income (loss)	570,793
Non-Operating Income and Expenses	494
Pre-Tax Income (loss)	571,287
Continuing department Net Income (Loss)	571,287
Loss from the discontinued department	0
Net Income - current	571,287
Other current comprehensive income or loss (after tax)	171,708
Total current comprehensive income or loss	742,995
EPS	0.78

(V) Names and audit opinions of CPAs in the latest five years

Year	Name of CPA firm	Name of CPA	Auditing opinions
2013	Pricewaterhouse Coopers	Liu Yin-Fei, Wen Fang-Yu	Modified unqualified opinion

II. Financial analysis in the latest five years: The Company was established on September 12, 2013 through share swap. No information is available before FY 2012 (including). The following financial information has been audited or reviewed.

(I) Financial analysis – IFRS (consolidated)

Analysis items		Year	Financial analysis in the latest years	2014, Q1
			2013	
Financial structure (%)	Debt to asset ratio		30.73	28.79
	Ratio of long-term capital to property, plant and equipment		599.60	614.30
Debt servicing capability (%)	Current ratio		175.11	182.50
	Quick ratio		122.96	122.43
	Interest Coverage ratio		91.35	1.46
Operating efficiency (Note)	A/R turnover rate (times)		6.68	5.84
	Average collection days		54.64	62.50
	Inventory turnover rate (times)		4.25	3.76
	Payable turnover ratio (times)		5.43	4.93
	Average days in sales		85.88	97.07
	Property, plant and equipment turnover ratio (times)		7.55	6.58
	Total assets turnover (time)		0.90	0.77
Profitability	Return on assets (%)		1.33	-0.07
	Return on equity (%)		1.89	-0.12
	Earnings before taxation in proportion to paid-in capital (%)		8.47	0.04
	Net profit margin (%)		4.79	-0.44
	EPS (\$)		0.78	-0.05
Cash flow	Cash flow ratio (%)		6.70	-
	Cash flow adequacy ratio (%)		566.41	191.53
	Cash reinvestment ratio (%)		2.32	-
Leverage ratios	Operating leverage ratios		-	-
	Financial leverage ratios		-	-

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

(II) Financial analysis – IFRS (individual)

Analysis items		Year	Financial analysis in the latest years
			2013
Financial structure (%)	Debt to asset ratio		0.01
	Ratio of long-term capital to property, plant and equipment		846,606.51
Debt servicing capability (%)	Current ratio		3,406.08
	Quick ratio		3,367.88
	Interest Coverage ratio		190,430.00
Operating efficiency (Note)	A/R turnover rate (times)		-
	Average collection days		-
	Inventory turnover rate (times)		-
	Payable turnover ratio (times)		-
	Average days in sales		-
	Property, plant and equipment turnover ratio (times)		1,061.28
	Total assets turnover (time)		0.06
Profitability	Return on assets (%)		1.89
	Return on equity (%)		1.89
	Earnings before taxation in proportion to paid-in capital (%)		7.50
	Net profit margin (%)		98.09
	EPS (\$)		0.78
Cash flow	Cash flow ratio (%)		-
	Cash flow adequacy ratio (%)		-
	Cash reinvestment ratio (%)		-
Leverage ratios	Operating leverage ratios		1.00
	Financial leverage ratios		1.00

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

1. Financial structure

- (1) Debt to asset ratio = total liabilities / total assets
- (2) Long term capital as a percentage of property, plant and equipment = (total equity + non-current liabilities) / property, plant and equipment net

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 efficiency

- (1) Receivables (including accounts receivable and notes receivable arising from operations) turnover = net sales / average receivables (including accounts receivable and notes receivable arising from operations) balances
- (2) Average days of collection = 365 / receivables turnover
- (3) Inventory turnover = cost of goods sold / average inventory amount

- (4) Payables (including accounts payable and notes payable arising from operations) turnover = cost of goods sold / average payables (including accounts payable and notes payable arising from operation) balances
- (5) Average days in sales = 365 / Inventory turnover
- (6) Property, plant, and equipment turnover = net sales / average property, plant, and equipment balances
- (7) Total assets turnover = net sales / average total assets
- 4. Profitability
 - (1) Return on assets = [net income or loss + interest expense \times (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 revenue – variable costs) / operating income
 - (2) Degree of financial leverage = operating Income / (operating Income - interest expense)

III. Financial Statement in the latest year

**MiTAC HOLDINGS
CORPORATION AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2013**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REPORT OF INDEPENDENT ACCOUNTANTS

PWCR 13000385

To the Board of Directors and Stockholders of MiTAC Holdings Corporation

We have audited the accompanying consolidated balance sheets of MiTAC Holdings Corporation and its subsidiaries (the “Group”) as of December 31, 2013, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the period from September 12, 2013 (date of incorporation) to December 31, 2013. These consolidated financial statements are the responsibility of the Group’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain investee companies accounted for under equity method. The comprehensive income recognised (including share of profit (loss) of associates and joint ventures accounted for under equity method and share of comprehensive income of associates and joint ventures accounted for under equity method) for the period from September 12, 2013 (date of incorporation) to December 31, 2013 was NT\$228,697 thousand, and the balance of investment accounted for under equity method was NT\$6,256,168 thousand as of December 31, 2013. Those financial statements and the information disclosed in Note 13 were audited by other auditors, whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other independent accountants provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other independent accountants, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MiTAC Holdings Corporation and its subsidiaries as of December 31, 2013, and their financial performance and cash flows for the period from September 12, 2013 (date of incorporation) to December 31, 2013 in conformity with the “Rules Governing the Preparations of Financial Statements by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

We have also audited the parent company only financial statements of MiTAC Holdings Corporation as of and for the year ended December 31, 2013, and have expressed a modified unqualified opinion on such financial statements.

PricewaterhouseCoopers, Taiwan

March 27, 2014

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.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

MiTAC HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2013
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	ASSETS	Notes	Amount	%
	Current assets			
1100	Cash and cash equivalents	6(1)	\$ 7,190,723	16
1110	Financial assets at fair value through profit or loss - current	6(2)	14,173	-
1125	Available-for-sale financial assets – current	6(3)	607,724	1
1150	Notes receivable – net		9,346	-
1170	Accounts receivable – net	6(5)	6,003,766	14
1180	Accounts receivable – related parties	6(5) and 7	169,396	-
1200	Other receivables	7	144,826	-
1220	Current income tax assets		22,297	-
130X	Inventories - net	6(6)	6,522,164	15
1410	Prepayments		238,406	1
1476	Other financial assets - current	6(7)	1,778,303	4
11XX	Total current assets		22,701,124	51
	Non-current assets			
1523	Available-for-sale financial assets – non-current	6(3)	1,066,719	3
1543	Financial assets carried at cost – non-current	6(4)	1,155,539	3
1550	Investments accounted for under equity method	6(8)	11,456,719	26
1600	Property, plant and equipment	6(9) and 8	5,194,586	12
1760	Investment property – net	6(10)	1,045,049	2
1780	Intangible assets	6(11)	593,892	1
1840	Deferred income tax assets	6(27)	566,396	1
1900	Other non-current assets	8	330,388	1
15XX	Total non-current assets		21,409,288	49
1XXX	Total assets		\$ 44,110,412	100

(Continued)

MiTAC HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2013
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	LIABILITIES AND EQUITY	Notes	Amount	%
	Current liabilities			
2100	Short-term borrowings	6(12) and 8	\$ 2,108,970	5
2120	Financial liabilities at fair value through profit or loss - current	6(13)	6,437	-
2150	Notes payable		1,622	-
2170	Accounts payable		6,329,891	14
2180	Accounts payable – related parties	7	239,803	1
2200	Other payables	7	3,565,849	8
2230	Current income tax liabilities	6(27)	26,564	-
2250	Provisions for liabilities - current	6(16)	458,285	1
2300	Other current liabilities		226,220	1
21XX	Total current liabilities		12,963,641	30
	Non-current liabilities			
2570	Deferred income tax liabilities	6(27)	358,846	1
2600	Other non-current liabilities	6(14)	233,596	-
25XX	Total non-current liabilities		592,442	1
2XXX	Total liabilities		13,556,083	31
	Equity attributable to owners of the parent			
	Share capital	6(17)		
3110	Common shares		7,609,488	17
	Capital surplus	6(18)		
3200	Capital surplus		21,803,383	49
	Retained earnings	6(19)		
3350	Unappropriated retained earnings		563,114	1
	Other equity	6(20)		
3400	Other equity		1,187,810	3
3500	Treasury shares	6(17)	(609,766)	(1)
31XX	Total equity attributable to owners of the parent		30,554,029	69
36XX	Non-controlling interest		300	-
3XXX	Total equity		30,554,329	69
	Commitments and Contingent Liabilities	9(1)(2)		
	Significant Subsequent Event	11		
	Total liabilities and equity		\$ 44,110,412	100

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 27, 2014.

MiTAC HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE PERIOD FROM SEPTEMBER 12, 2013 (DATE OF INCORPORATION) TO DECEMBER 31, 2013
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT EARNINGS PER SHARE)

	ITEMS	Notes	Amount	%
4000	Operating revenue	6(21) and 7	\$ 11,896,934	100
5000	Operating costs	6(6) and 7	(10,139,940)	(85)
5900	Gross profit		<u>1,756,994</u>	<u>15</u>
	Operating expenses	6(25)(26)		
6100	Selling expenses		(637,179)	(5)
6200	General and administrative expenses		(427,447)	(4)
6300	Research and development expenses		(822,199)	(7)
6000	Total operating expenses		<u>(1,886,825)</u>	<u>(16)</u>
6900	Operating loss		<u>(129,831)</u>	<u>(1)</u>
	Non-operating income and expenses			
7010	Other income	6(22)	177,584	2
7020	Other gains and losses	6(23)	276,765	2
7050	Finance costs	6(24)	(7,137)	-
7060	Share of profit of associates and joint ventures accounted for under equity method	6(8)	<u>327,463</u>	<u>3</u>
7000	Total non-operating income and expenses		<u>774,675</u>	<u>7</u>
7900	Profit before income tax		<u>644,844</u>	<u>6</u>
7950	Income tax expense	6(27)	(74,048)	(1)
8200	Profit for the period		<u>\$ 570,796</u>	<u>5</u>
	Other comprehensive income-net			
8310	Currency translation differences		\$ 125,888	1
8325	Unrealised gain on valuation of available-for-sale financial assets		7,197	-
8360	Actuarial loss on defined benefit plan		(13,148)	-
8370	Share of other comprehensive income of associates and joint ventures accounted for under equity method		49,536	-
8399	Income tax relating to the components of other comprehensive income		<u>2,235</u>	<u>-</u>
8300	Other comprehensive income for the period, net of tax		<u>\$ 171,708</u>	<u>1</u>
8500	Total comprehensive income for the period		<u>\$ 742,504</u>	<u>6</u>
	Profit attributable to:			
8610	Owners of parent		\$ 571,287	5
8620	Non-controlling interest		(491)	-
			<u>\$ 570,796</u>	<u>5</u>
	Comprehensive income attributable to:			
8710	Owners of parent		\$ 742,995	6
8720	Non-controlling interest		(491)	-
			<u>\$ 742,504</u>	<u>6</u>
	Basic earnings per share (in NT dollars)	6(28)		
9750	Consolidated net income attributable to the Company		<u>\$</u>	<u>0.78</u>
	Diluted earnings per share (in NT dollars)	6(28)		
9850	Consolidated net income attributable to the Company		<u>\$</u>	<u>0.76</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 27, 2014.

MiTAC HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE PERIOD FROM SEPTEMBER 12, 2013 (DATE OF INCORPORATION) TO DECEMBER 31, 2013
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Attributable to owners of the Company								
				Retained earnings	Other equity					
						Unrealized gain or loss on available-for-sale financial assets				
Notes	Common shares	Capital surplus	Unappropriated retained earnings	Currency translation differences			Treasury shares	Total	Non-controlling interest	Total equity
Balance at September 12, 2013, date of incorporation	\$ 7,555,675	\$ 21,703,969	\$ -	\$ 782,572	\$ 225,357	(\$ 609,766)	\$ 29,657,807	\$ 791	\$ 29,658,598	
Employee stock options exercised	6(15)(18)	53,813	69,252	-	-	-	-	123,065	-	123,065
Compensation cost of employees' share based-payment transactions	6(15)(18)	-	15,481	-	-	-	-	15,481	-	15,481
Net income for the period		-	-	571,287	-	-	-	571,287	(491)	570,796
Net other comprehensive income	6(20)	-	-	(8,173)	117,039	62,842	-	171,708	-	171,708
Net change of equity in associates accounted for using equity method	6(18)	-	14,681	-	-	-	-	14,681	-	14,681
Balance at December 31, 2013	\$ 7,609,488	\$ 21,803,383	\$ 563,114	\$ 899,611	\$ 288,199	(\$ 609,766)	\$ 30,554,029	\$ 300	\$ 30,554,329	

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 27, 2014.

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM SEPTEMBER 12, 2013 (DATE OF INCORPORATION) TO DECEMBER 31, 2013
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>Notes</u>	<u>Amount</u>
<u>Cash flows from operating activities:</u>		
Income before income tax		\$ 644,844
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Income and expenses having no effect on cash flows		
Bad debts expense	6(5)	19,444
Gain on reversal of inventory market value decline	6(6)	(35,913)
Amortisation	6(11)(25)	74,197
Depreciation	6(9)(10)(25)	160,073
Interest expense	6(24)	7,137
Interest income	6(22)	(30,600)
Dividend income	6(22)	(31,738)
Net income of financial assets/liabilities at fair value through profit or loss	6(22)	(12,339)
Share of profit of associates accounted for under equity method	6(8)	(327,463)
Impairment loss	6(23)	531
Gain on disposal of investments	6(23)	(272,489)
Gain on disposal of property, plant and equipment, net	6(23)	(4,221)
Compensation cost of share-based payment	6(15)	15,481
Changes in assets/liabilities relating to operating activities		
Net changes in assets relating to operating activities		
Notes receivable, net	(	9,345)
Accounts receivable	(	906,751)
Other receivables		41,178
Inventories		426,186
Prepayments		93,875
Net changes in liabilities relating to operating activities		
Notes payable		1,382
Accounts payable		840,055
Other payables		135,693
Other current liabilities		52,122
Provisions for liabilities - current	(	9,329)
Accrued pension liabilities	(	1,991)
Cash provided by operating activities		870,019
Payment of interest	(	6,337)
Receipt of interest		21,348
Payment of income tax	(	47,698)
Cash dividend received		31,738
Net cash provided by operating activities		869,070

(Continued)

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM SEPTEMBER 12, 2013 (DATE OF INCORPORATION) TO DECEMBER 31, 2013
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>Notes</u>	<u>Amount</u>
<u>Cash flows from investing activities:</u>		
Increase in other financial assets	(\$	1,756,918)
Proceeds from disposal of available-for-sale financial assets		67,000
Acquisition of available-for-sale financial assets	(	96,337)
Available-for-sale financial assets, net of cash received from return of capital		3,530
Acquisition of financial assets carried at cost	(	25,000)
Proceeds from disposal of investment accounted for using equity method		651,524
Acquisition of property, plant and equipment	6(9)	(153,433)
Proceeds from disposal of property, plant and equipment		6,108
Increase in intangible assets	6(11)	(129,950)
Increase in refundable deposits	(	918)
Increase in other non-current assets	(	2,096)
Net cash used in investing activities	(	1,436,490)
<u>Cash flows from financing activities:</u>		
Decrease in short-term borrowings	(	245,924)
Increase in guarantee deposits		1,432
Employee stock options exercised		123,065
Net cash used in operating activities	(	121,427)
Effects of changes in exchange rates		30,016
Net decrease in cash and cash equivalents	(	658,831)
Cash and cash equivalents at beginning of year		7,849,554
Cash and cash equivalents at end of year	\$	7,190,723

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 27, 2014.

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM SEPTEMBER 12, 2013 (DATE OF INCORPORATION)
TO DECEMBER 31, 2013
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1.HISTORY AND ORGANIZATION

MiTAC Holdings Corporation (the “Company”) was established by MiTAC International Corp. (the “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 (TSE). MiTAC International became the Company’s wholly-owned subsidiary after conversion. The main business of the Company and its subsidiaries (the “Group”) is to design, manufacture and sell products related to investment, computer and its peripherals and communications.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 27, 2014.

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”)

Not applicable as it is the first-time adoption of IFRSs by the Group this year.

- (2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

IFRS 9, ‘Financial Instruments: Classification and measurement of financial assets’

- A. The International Accounting Standards Board (“IASB”) published IFRS 9, ‘Financial Instruments’, in November 2009, which will take effect on January 1, 2013 with early application permitted (Through the amendments to IFRS 9 published on November 19, 2013, the IASB has removed the previous mandatory effective date, but the standard is available for immediate application). Although the FSC has endorsed IFRS 9, FSC does not permit early application of IFRS 9 when IFRSs are adopted in R.O.C. in 2013. Instead, enterprises should apply International Accounting Standard No. 39 (“IAS 39”), ‘Financial Instruments: Recognition and Measurement’ reissued in 2009.
- B. IFRS 9 was issued as the first step to replace IAS 39. IFRS 9 outlines the new classification and measurement requirements for financial instruments, which might affect the accounting treatments for financial instruments of the Group.
- C. The Group has not yet evaluated the overall effect of the IFRS 9 adoption. However, based on our preliminary evaluation, it was noted that the IFRS 9 adoption might have an impact on those instruments classified as ‘available-for-sale financial assets’ held by the Group, as IFRS 9 specifies that the fair value changes in the equity instruments that meet certain criteria may be reported in other comprehensive income, and such amount that has been recognised in other comprehensive income should not be reclassified to profit or loss when such assets are derecognised. The Group recognised gain on equity instruments under other comprehensive income amounting to \$7,197 for the period from September 12, 2013 to December 31, 2013.

The Group's unrealised gain on financial assets listed under other equity amounted to \$295,783 as of December 31, 2013.

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

A. The following are the assessment of new standards, interpretations and amendments issued by IASB but not yet endorsed by the FSC (application of the new standards and amendments should follow the regulations of the FSC):

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	The amendment provides first-time adopters of IFRSs with the same transition relief that existing IFRS preparer received in IFRS 7, 'Financial Instruments: Disclosures' and exempts first-time adopters from providing the additional comparative disclosures.	July 1, 2010
Improvements to IFRSs 2010	Amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 34 and IFRIC 13.	January 1, 2011
IFRS 9, 'Financial instruments: Classification and measurement of financial liabilities'	IFRS 9 requires gains and losses on financial liabilities designated at fair value through profit or loss to be split into the amount of change in the fair value that is attributable to changes in the credit risk of the liability, which shall be presented in other comprehensive income, and cannot be reclassified to profit or loss when derecognising the liabilities; and all other changes in fair value are recognised in profit or loss. The new guidance allows the recognition of the full amount of change in the fair value in the profit or loss only if there is reasonable evidence showing on initial recognition that the recognition of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch (inconsistency) in profit or loss. (That determination is made at initial recognition and is not reassessed subsequently.)	November 19, 2013 (Not mandatory)
Disclosures - transfers of financial assets (amendment to IFRS 7)	The amendment enhances qualitative and quantitative disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in transferred assets, existing at the reporting date.	July 1, 2011

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	When an entity's date of transition to IFRSs is on, or after, the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date at fair value on the date of transition to IFRSs. First-time adopters are allowed to apply the derecognition requirements in IAS 39, 'Financial instruments: Recognition and measurement', prospectively from the date of transition to IFRSs, and they are allowed not to retrospectively recognise related gains on the date of transition to IFRSs.	July 1, 2011
Deferred tax: recovery of underlying assets (amendment to IAS 12)	The amendment gives a rebuttable presumption that the carrying amount of investment properties measured at fair value is recovered entirely by sale, unless there exists any evidence that could rebut this presumption. The amendment also replaces SIC 21, 'Income taxes—recovery of revalued non-depreciable assets'.	January 1, 2012
IFRS 10, 'Consolidated financial statements'	The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where it is difficult to assess.	January 1, 2013
IFRS 11, 'Joint arrangements'	Judgments applied when assessing the types of joint arrangements—joint operations and joint ventures, the entity should assess the contractual rights and obligations instead of the legal form only. The standard also prohibits the proportional consolidation for joint ventures	January 1, 2013
IFRS 12, 'Disclosure of interests in other entities'	The standard requires the disclosure of interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities.	January 1, 2013
IAS 27, 'Separate financial statements' (as amended in 2011)	The standard removes the requirements of consolidated financial statements from IAS 27 and those requirements are addressed in IFRS 10, 'Consolidated financial statements'.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
IAS 28, 'Investments in associates and joint ventures' (as amended in 2011)	As consequential amendments resulting from the issuance of IFRS 11, 'Joint arrangements', IAS 28 (revised) sets out the requirements for the application of the equity method when accounting for investments in joint ventures.	January 1, 2013
IFRS 13, 'Fair value measurement'	IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.	January 1, 2013
IAS 19 revised, 'Employee benefits' (as amended in 2011)	The revised standard eliminates corridor approach and requires actuarial gains and losses to be recognised immediately in other comprehensive income. Past service costs will be recognised immediately in the period incurred. Net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, replace the finance charge and expected return on plan assets. The return of plan assets, excluding net interest expense, is recognised in other comprehensive income.	January 1, 2013
Presentation of items of other comprehensive income (amendment to IAS 1)	The amendment requires profit or loss and other comprehensive income (OCI) to be presented separately in the statement of comprehensive income. Also, the amendment requires entities to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss subsequently.	July 1, 2012
IFRIC 20, 'Stripping costs in the production phase of a surface mine'	Stripping costs that meet certain criteria should be recognised as the 'stripping activity asset'. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the entity shall account for the costs of that stripping activity in accordance with IAS 2, 'Inventories'.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Disclosures—Offsetting financial assets and financial liabilities (amendment to IFRS 7)	The amendment requires disclosures to include quantitative information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements.	January 1, 2013
Offsetting financial assets and financial liabilities (amendment to IAS 32)	The amendments clarify the requirements for offsetting financial instruments on the statement of financial position: (i) the meaning of 'currently has a legally enforceable right to set off the recognised amounts'; and (ii) that some gross settlement mechanisms with certain features may be considered equivalent to net settlement.	January 1, 2014
Government loans (amendment to IFRS 1)	The amendment provides exception to first-time adopters to apply the requirements in IFRS 9, 'Financial instruments', and IAS 20, 'Accounting for government grants and disclosure of government assistance', prospectively to government loans that exist at the date of transition to IFRSs; and first-time adopters should not recognise the corresponding benefit of the government loan at a below-market rate of interest as a government grant.	January 1, 2013
Improvements to IFRSs 2009-2011	Amendments to IFRS 1 and IAS 1, IAS 16, IAS 32 and IAS 34.	January 1, 2013
Consolidated financial statements, joint arrangements and disclosure of interests in other Entities: Transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)	The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10, 11 and 12 is adopted.	January 1, 2013
Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27)	The amendments define 'Investment Entities' and their characteristics. The parent company that meets the definition of investment entities should measure its subsidiaries using fair value through profit or loss instead of consolidating them.	January 1, 2014

IFRIC 21, 'Levies'	The interpretation addresses the accounting for levies imposed by governments in accordance with legislation (other than income tax). A liability to pay a levy shall be recognised in accordance with IAS 37, 'Provisions, contingent liabilities and contingent assets'.	January 1, 2014
New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or intangible assets with indefinite useful lives that were not impaired.	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	The amendment states that the novation of a hedging instrument would not be considered an expiration or termination giving rise to the discontinuation of hedge accounting when the hedging instrument that is being novated complies with specified criteria.	January 1, 2014
IFRS 9, "Financial assets: hedge accounting (amendments to IFRS 9, IFRS 7 and IAS 39)	1. IFRS 9 relaxes the requirements for hedged items and hedging instruments and removes the bright line of effectiveness to better align hedge accounting with the risk management activities of an entity. 2. An entity can elect to early adopt the requirement to recognise the changes in fair value attributable to changes in an entity's own credit risk from financial liabilities that are designated under the fair value option in 'other comprehensive income'.	November 19, 2013 (Not mandatory)
Services related contributions from employees or third-party (amendments to IAS 19R)	The amendment allows contributions from employees or third-party that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.	July 1, 2014
Improvements to IFRSs 2010-2012	Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.	July 1, 2014

Improvements to IFRSs
2011-2013

Amendments to IFRS 1, IFRS 3, IFRS 13, and
IAS 40.

July 1, 2014

- B. The Group is assessing the potential impact of the new standards, or amendments above and has not yet been able to reliably estimate their impact on the consolidated financial statements.

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 the first consolidated financial statements 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 recognised 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 unrealised 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 recognised 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 recognised in profit or loss. All amounts previously recognised 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 recognised 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:

Subsidiary	Investor	Main activities	Ownership (%) December 31, 2013	Description
MiTAC International Corp.	MiTAC Holdings Corporation	Computer and its peripherals: design, manufacture and sell communications products	100%	
Tsu Fung Investment Corp.	MiTAC International Corp.	General investments	100%	
Silver Star Developments Ltd.	MiTAC International Corp.	General investments	100%	
Foreground Technology Ltd.	MiTAC International Corp.	General investments	100%	
DLC Technology Corp.	MiTAC International Corp.	Research, development and manufacture of computer software, sale of own-produced products and related technical advisory services	100%	
Mio Technology Corp.	MiTAC International Corp.	Sale of communication products and related after-sale services	100%	
Suiio Inc.	MiTAC International Corp.	Information/software services and retail business	70%	
System Glory International Ltd.	Silver Star Developments Ltd.	General investments	100%	
Pacific China Corp.	Silver Star Developments Ltd.	General investments	100%	
Magimate Group Ltd.	Silver Star Developments Ltd.	General investments	100%	
Best Profit Ltd.	Silver Star Developments Ltd.	General investments	100%	
Sky Universe Enterprise Ltd.	Silver Star Developments Ltd.	General investments	100%	
MiTAC Star Service Ltd.	Pacific China Corp.	General investments	100%	
Software Insights Ltd.	Pacific China Corp.	General investments	100%	
Start Well Technology Ltd.	Pacific China Corp.	General investments	100%	
Dynamic Star Investments Ltd.	Pacific China Corp.	General investments	100%	
Huge Extent Ltd.	Pacific China Corp.	General investments	100%	
Bright Crown Management Ltd.	Pacific China Corp.	General investments	100%	
Booming Enterprises Inc.	Best Profit Ltd.	General investments	100%	
Top Sheen Enterprises Ltd.	Best Profit Ltd.	General investments	100%	
Strength Value Ltd.	Foreground Technology Ltd.	General investments	100%	
Tyan Computer Corp. (USA)	Foreground Technology Ltd.	Sale of computer peripherals, hardware/software and related products	100%	
Mio Technology GMBH	MiTAC Europe Ltd.	Sale of communication products and related after-sale services	100%	
MiTAC Japan Corp.	Silver Star Developments Ltd.	Sale of communication products, computer peripherals, hardware/software and related products and related after-sale services	100%	
MiTAC Benelux N.V.	Silver Star Developments Ltd.	Sale of communication products and related after-sale services	100%	

Subsidiary	Investor	Main activities	Ownership (%) December 31, 2013	Description
MiTAC Pacific (H.K.) Ltd.	Silver Star Developments Ltd.	Sale of computer peripherals, hardware/software and related products	100%	
Mio International Ltd.	Silver Star Developments Ltd.	Sale of communication and related products	100%	
MiTAC Australia Pty Ltd.	Silver Star Developments Ltd.	Sale of communication products and related after-sale services	100%	
Navman Technology NZ Ltd.	Silver Star Developments Ltd.	Sale of communication products and related after-sale services	100%	
MiTAC Computer (Kunshan) Ltd.	Start Well Technology Ltd.	Manufacture of computers, computer peripherals, hardware/software and related products and sale of own-produced products	100%	
MiTAC Service (Shanghai) Co., Ltd.	Pacific China Corp.	Testing, maintenance and display of computer components and related technical advisory services and after-sale services	100%	
MiTAC Computer (Shunde) Corp.	MiTAC Star Service Ltd.	Manufacture of computer frame, motherboard, interface card, display, power supply, keyboard, related metal stamping parts and plastic parts and maintenance of motherboard	100%	
MiTAC Research (Shanghai) Ltd.	Software Insights Ltd.	Research, development and manufacture of computer software, sale of own-produced products and related technical advisory services	100%	
MiTAC Technology (Kunshan) Co., Ltd.	Dynamic Star Investments Ltd.	Testing, maintenance and display of computer components and related technical advisory services and after-sale services	100%	
Mio Technology Ltd.	Mio International Ltd.	Sale of communication products and related after-sale services	100%	
MiTAC Europe Ltd.	Best Profit Ltd.	Sale of communication products and related after-sale services	100%	
MiTAC Logistics Corp.	Sky Universe Enterprise Ltd.	Sale of computer peripherals, hardware/software and related products	100%	
MiTAC Logistic Service (Kunshan) Ltd.	Bright Crown Management Ltd.	Agency of freight transport, export and import trading and warehousing services.	100%	
MiTAC Digital Corp.	Top Sheen Enterprises Ltd.	Sale of communication products and related after-sale services	100%	
MiTAC Information Technology Ltd.	Bright Crown Management 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%	
MiTAC Information Systems Corp.	Sky Universe Enterprise Ltd.	Assembling and sale of computer peripherals, hardware/software and related products	100%	
MiTAC Innovation (Kunshan) Ltd.	Software Insights 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%	

Subsidiary	Investor	Main activities	Ownership (%) December 31, 2013	Description
Mitac Electronics (Foshan), Co., Ltd.	MiTAC Computer (Shunde) Corp.	Manufacture of computer mainboard, motherboard and adapter card	100%	

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

D. Adjustments for subsidiaries with different balance sheet dates:

Some of Silver Star Development Ltd.'s subsidiaries adopted accounting periods that are different from the Company's accounting period. However, as the difference is not over 3 months, the financial reports of these subsidiaries are consolidated without any adjustment.

F. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 realised, 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 realised 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 recognised at fair value, and related trading costs are recognised as expenses for the period. Financial assets are later measured at fair value, and the movement in fair value is recognised 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 recognised and derecognised using trade date accounting.
- C. Available-for-sale financial assets are initially recognised 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 recognised 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 recognised at fair value and subsequently measured at amortised 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 reorganisation;
 - (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 amortised 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 recognised 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 recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised 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 recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised 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 amortisation) and current fair value, less any impairment loss on that financial asset previously recognised 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 recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised 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 derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

The Group derecognises 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 realisable value, and the individual item approach is used in the comparison of cost and net realisable value. The calculation of net realisable 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 per cent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised 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 recognise 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 recognised 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 recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised 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 derecognised 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	3 ~ 55 years
Machinery and equipment	5 years
Transportation equipment	5 years
Other equipment	3 ~ 6 years

E. The Group has recognised 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 recognised 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 3 ~ 56 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 recognised at fair value at the acquisition date. Basic capitalisation of computer software use right is based on the acquisition cost and cost incurred from reaching the use of the specific software. The estimated useful life of intangible assets are amortised on a straight line basis:

Computer software	In accordance with contracts or 5 years
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 recognised 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 recognising 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 amortised historical cost would have been if the impairment had not been recognised.

(18) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised 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 recognised initially at fair value and subsequently measured at amortised 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 derecognised 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 recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(22) Provisions

Provisions are recognised 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 recognised 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 recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised 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 recognised 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 unrecognised 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 recognised in other comprehensive income in the period in which they arise.

C. Employees' bonus and directors' and supervisors' remuneration

Employees' bonus and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences should be recognised based on the accounting for changes in estimates. The Group calculates the number of shares of employees' stock bonus based on the fair value per share at the previous day of the stockholders' meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

(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 recognised 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 recognised 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 recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised 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 recognised, 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 realised or the deferred income tax liability is settled.

- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised 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 recognised amounts and there is an intention to settle on a net basis or realise 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 realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures, employees' training costs and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(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, 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 recognised 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 recognised.

(29) Business combinations and organisation reconstruction

- 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 recognised 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 acquiree, the difference is recognised 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. The information is addressed below:

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

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.

(2) Critical accounting estimates and assumptions

A. Revenue recognition

In principle, sales revenues are recognised when the earning process is completed. The Group estimates discounts and returns based on regular way purchase or use and other known factors. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognised. The Group reassesses the reasonableness of estimates of discounts and returns periodically.

B. 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 utilised 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.

C. Realisability of deferred income tax assets

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred income tax assets involves critical accounting judgements and estimates, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets.

D. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable 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 realisable value. Therefore, there might be material changes to the evaluation.

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

For the Company'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; the fair value of the ones listed as 'available-for-sale financial assets' is determined considering those companies' recent funding raising activities and technical development status, fair value assessment of other companies of the same type, market conditions and other economic indicators existing on balance sheet date. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 12(3) for the financial instruments fair value information.

6.DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2013</u>
Cash on hand and petty cash (revolving funds)	\$ 1,601

Checking accounts and demand deposits	2,691,306
Time deposits	4,197,326
Repurchase bonds	<u>300,490</u>
Total	<u>\$ 7,190,723</u>

A. The Group associates 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. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

B. The Group's cash and cash equivalents pledged to others as collateral are described in Note 8.

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

<u>Items</u>	<u>December 31, 2013</u>
Current items:	
Financial assets held for trading	
Non-hedging derivatives	<u>\$ 14,173</u>

A. The Group recognised net gain of \$12,044 from financial assets measured at fair value through profit or loss for the period ended December 31, 2013.

B. For details on non-hedging derivative instruments transaction and contract information, please refer to Note 13(1) 9.

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

(3) Available-for-sale financial assets

<u>Items</u>	<u>December 31, 2013</u>
Current items:	
Listed stocks	\$ 577,053
Beneficiary certificates	<u>61,355</u>
Subtotal	638,408
Adjustments of available-for-sale financial assets	(<u>30,684</u>)
Total	<u>\$ 607,724</u>
Non-current items:	
Listed stocks	\$ 437,756
Unlisted stocks	<u>302,496</u>
Subtotal	740,252
Adjustments of available-for-sale financial assets	<u>326,467</u>
Total	<u>\$ 1,066,719</u>

The Group recognised \$7,197 in other comprehensive income for fair value change for the period ended December 31, 2013.

(4) Financial assets measured at cost

<u>Items</u>	<u>December 31, 2013</u>
--------------	--------------------------

Non-current items:

Unlisted stocks	\$ 1,265,236
Accumulated impairment—Financial assets measured at cost	(109,697)
Total	<u>\$ 1,155,539</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 corporation 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 measured at cost".
- B. As of December 31, 2013, no financial assets measured at cost held by the Group were pledged to others.

(5) Accounts receivable

	<u>December 31, 2013</u>
Third parties	\$ 6,550,967
Less: Allowance for sales returns and discounts	(407,617)
Allowance for bad debts	(139,584)
	6,003,766
Related parties	<u>169,396</u>
	<u>\$ 6,173,162</u>

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

	<u>December 31, 2013</u>
1 to 90 days	\$ 284,848
91 to 180 days	4,190
Over 180 days	<u>89,801</u>
	<u>\$ 378,839</u>

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

	<u>For the period from September 12, 2013 to December 31, 2013</u>
At September 12	\$ 117,443
Amount recognised during the period	19,444
Write-offs and effect from exchange rate during the period	<u>2,697</u>
At December 31	<u>\$ 139,584</u>

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:

	<u>December 31, 2013</u>
Group 1	\$ 4,842,842
Group 2	<u>1,498,682</u>
	<u>\$ 6,341,524</u>

Group 1 - Medium-low credit risk customers: enterprises with ideal operations, high financial

transparency, and approved by the headquarters' credit control manager.

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

D. The maximum exposure to credit risk at December 31, 2013 was the carrying amount of each class of accounts receivable.

(6) Inventories

	<u>December 31, 2013</u>
Raw materials	\$ 4,039,540
Work in process	667,211
Finished goods	<u>2,900,794</u>
	7,607,545
Less: Allowance for obsolescence and market value decline	(<u>1,085,381</u>)
	<u>\$ 6,522,164</u>

Expense and loss incurred on inventories for the period ended December 31, 2013:

	For the period from September 12, 2013 to <u>December 31, 2013</u>
Cost of goods sold	\$ 10,175,853
Gain on market value decline	(<u>35,913</u>)
	<u>\$ 10,139,940</u>

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

(7) Other financial assets

	<u>December 31, 2013</u>
Current:	
Time deposits	\$ 1,775,843
Demand deposits	<u>2,460</u>
	<u>\$ 1,778,303</u>

A. The Group associates 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. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

B. Information about other financial assets that were pledged to others as collateral by the Group is provided in Note 8.

(8) Investments accounted for using equity method

A.

<u>Investee company</u>	<u>December 31, 2013</u>
Getac Technology Corp.	\$ 4,080,427
3 Probe Technology Co., Ltd.	8,133
Lian Jie Investment Co., Ltd.	182,921
Shen-Tong Construction & Development Co., Ltd.	83,317
Loyalty Founder Enterprise Co., Ltd.	301,188
Harbinger II (BVI) Venture Capital Corp.	44,423
Mainpower International Ltd.	187,812
Synnex Corp.	6,256,168
Suzhou MiTAC Preclusion Technology Co., Ltd.	278,467
Harbinger Ruyi Venture Ltd.	33,863
	<u>\$ 11,456,719</u>

B. The financial information of the Group's principal associates is summarized below:

	<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit/(Loss)</u>	<u>% interest held</u>
December 31, 2013 (Note)					
Getac Technology Corp.	\$ 21,904,251	\$ 8,524,459	\$ 15,217,618	\$ 402,387	32.71%
Loyalty Founder Enterprise Co., Ltd.	2,812,873	1,231,247	1,942,368	35,181	25.24%
Synnex Corp.	99,359,696	57,070,738	321,979,905	3,560,434	14.76%
Others	<u>4,599,530</u>	<u>1,183,979</u>	<u>1,671,611</u>	<u>260,872</u>	
	<u>\$128,676,350</u>	<u>\$ 68,010,423</u>	<u>\$ 340,811,502</u>	<u>\$ 4,258,874</u>	

Note: Disclosure is based on the financial statements for the year ended December 31, 2013 of the associates.

C. The Group's recognised share of profit from associates accounted for under the equity method from September 12, 2013 to December 31, 2013 was \$327,463.

D. The Group holds 14.76% ownership in Synnex Corp. in the U.S. but has significant influence over Synnex Corp. as the Group is the largest shareholder of Synnex Corp. and the Company's chairman Feng Chiang Miao serves as this company's honorary chairman. In addition, the Group holds 16.05% ownership in Mainpower International Ltd. and the Group serves as this company's legal person as corporate supervisor.

E. 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 statements; other associates' fiscal year all end on December 31.

F.The fair value of the Group's associates which have quoted market price was as follows:

	<u>December 31, 2013</u>
Getac Technology Corp.	\$ 2,941,633
Loyalty Founder Enterprise Co., Ltd.	284,447
Synnex Corp.	<u>11,152,700</u>
	<u>\$ 14,378,780</u>

(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 September 12, 2013</u>											
Cost	\$ 1,110,253	\$ 5,043,613	\$ 3,092,985	\$ 408,474	\$ 74,130	\$ 720,126	\$ 101,479	\$ 151,876	\$ 742,026	\$ 138,025	\$ 11,582,987
Accumulated depreciation and impairment	-	(1,713,227)	(2,978,135)	(324,337)	(52,794)	(611,937)	(69,328)	(53,911)	(620,821)	-	(6,424,490)
	<u>\$ 1,110,253</u>	<u>\$ 3,330,386</u>	<u>\$ 114,850</u>	<u>\$ 84,137</u>	<u>\$ 21,336</u>	<u>\$ 108,189</u>	<u>\$ 32,151</u>	<u>\$ 97,965</u>	<u>\$ 121,205</u>	<u>\$ 138,025</u>	<u>\$ 5,158,497</u>
<u>2013</u>											
At September 12, 2013	\$ 1,110,253	\$ 3,330,386	\$ 114,850	\$ 84,137	\$ 21,336	\$ 108,189	\$ 32,151	\$ 97,965	\$ 121,205	\$ 138,025	\$ 5,158,497
Additions	-	20,772	12,455	14,164	4,887	32,130	-	41,963	26,192	870	153,433
Disposals	-	-	(460)	(716)	(369)	(195)	-	-	(147)	-	(1,887)
Reclassifications	-	110,917	(170)	217	400	-	-	-	171	(111,606)	(71)
Depreciation charge	-	(51,560)	(31,424)	(17,457)	(2,619)	(13,349)	(3,150)	(18,250)	(18,338)	-	(156,147)
Effects of exchange rate changes	<u>1,452</u>	<u>35,093</u>	<u>1,159</u>	<u>383</u>	<u>173</u>	<u>1,431</u>	<u>105</u>	<u>-</u>	<u>436</u>	<u>529</u>	<u>40,761</u>
Closing net book amount	<u>\$ 1,111,705</u>	<u>\$ 3,445,608</u>	<u>\$ 96,410</u>	<u>\$ 80,728</u>	<u>\$ 23,808</u>	<u>\$ 128,206</u>	<u>\$ 29,106</u>	<u>\$ 121,678</u>	<u>\$ 129,519</u>	<u>\$ 27,818</u>	<u>\$ 5,194,586</u>
<u>At December 31, 2013</u>											
Cost	\$ 1,111,705	\$ 5,201,433	\$ 2,937,854	\$ 382,419	\$ 69,648	\$ 757,627	\$ 90,292	\$ 173,412	\$ 700,514	\$ 27,818	\$ 11,452,722
Accumulated depreciation and impairment	-	(1,755,825)	(2,841,444)	(301,691)	(45,840)	(629,421)	(61,186)	(51,734)	(570,995)	-	(6,258,136)
	<u>\$ 1,111,705</u>	<u>\$ 3,445,608</u>	<u>\$ 96,410</u>	<u>\$ 80,728</u>	<u>\$ 23,808</u>	<u>\$ 128,206</u>	<u>\$ 29,106</u>	<u>\$ 121,678</u>	<u>\$ 129,519</u>	<u>\$ 27,818</u>	<u>\$ 5,194,586</u>

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

(10) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At September 12, 2013</u>			
Cost	\$ 808,608	\$ 488,566	\$ 1,297,174
Accumulated depreciation and impairment	-	(249,845)	(249,845)
	<u>\$ 808,608</u>	<u>\$ 238,721</u>	<u>\$ 1,047,329</u>
<u>2013</u>			
At September 12, 2013	\$ 808,608	\$ 238,721	\$ 1,047,329
Depreciation charge	-	(3,926)	(3,926)
Effects of exchange rate changes	-	1,646	1,646
Closing net book amount	<u>\$ 808,608</u>	<u>\$ 236,441</u>	<u>\$ 1,045,049</u>
<u>At December 31, 2013</u>			
Cost	\$ 808,608	\$ 491,625	\$ 1,300,233
Accumulated depreciation and impairment	-	(255,184)	(255,184)
	<u>\$ 808,608</u>	<u>\$ 236,441</u>	<u>\$ 1,045,049</u>

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

	<u>For the period from September 12, 2013 to December 31, 2013</u>
Rental income from the lease of the investment property	<u>\$ 2,851</u>
Direct operating expenses arising from the investment property that generated rental income in the period	<u>\$ 1,138</u>
Direct operating expenses arising from the investment property that did not generate rental income in the period	<u>\$ 6,266</u>

B. The fair value of the investment property held by the Group on December 31, 2013 was \$3,018,704, which was revalued by independent appraisers and with reference to market transaction prices.

(11) Intangible assets

	<u>Patent rights</u>	<u>Software</u>	<u>Others</u>	<u>Total</u>
<u>At September 12, 2013</u>				
Cost	\$ 908,657	\$ 359,052	\$ 298,066	\$ 1,565,775
Accumulated amortisation and impairment	(<u>610,098</u>)	(<u>266,376</u>)	(<u>151,682</u>)	(<u>1,028,156</u>)
	<u>\$ 298,559</u>	<u>\$ 92,676</u>	<u>\$ 146,384</u>	<u>\$ 537,619</u>
<u>2013</u>				
At September 12, 2013	\$ 298,559	\$ 92,676	\$ 146,384	\$ 537,619
Additions — acquired separately	-	129,950	-	129,950
Amortisation charge	(38,943)	(25,482)	(9,772)	(74,197)
Effects of exchange rate changes	-	9	511	520
Closing net book amount	<u>\$ 259,616</u>	<u>\$ 197,153</u>	<u>\$ 137,123</u>	<u>\$ 593,892</u>
<u>At December 31, 2013</u>				
Cost	\$ 908,657	\$ 489,002	\$ 298,066	\$ 1,695,725
Accumulated amortisation and impairment	(<u>649,041</u>)	(<u>291,849</u>)	(<u>160,943</u>)	(<u>1,101,833</u>)
	<u>\$ 259,616</u>	<u>\$ 197,153</u>	<u>\$ 137,123</u>	<u>\$ 593,892</u>

Details of amortisation on intangible assets are as follows:

	For the period from September 12, 2013 to December 31, 2013
Operating costs	\$ -
Selling expenses	5,207
Administrative expenses	58,108
Research and development expenses	<u>10,882</u>
	<u>\$ 74,197</u>

(12) Short-term borrowings

	<u>December 31, 2013</u>
Unsecured bank borrowings	<u>\$ 2,108,970</u>
Interest rates	<u>0.96%~1.27%</u>

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

<u>Items</u>	<u>December 31, 2013</u>
Current items:	
Financial liabilities held for trading	
Non-hedging derivatives instruments	\$ <u>6,437</u>

A.The net gain recognised by the Group for the period ended December 31, 2013 was \$295.

B.Details about the non-hedging derivative instruments transaction and contract information are provided in Note 13(1)9.

(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.

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

	<u>December 31, 2013</u>
Present value of funded obligations	(\$ 436,345)
Fair value of plan assets	<u>240,337</u>
Net liability in the balance sheet	(\$ <u>196,008</u>)

(c)Changes in present value of funded obligations are as follows:

	<u>For the period from September 12, 2013 to December 31, 2013</u>
Present value of funded obligations	
At September 12	\$ 420,904
Current service cost	1,726
Interest expense	2,109
Actuarial profit and loss	<u>11,606</u>
At December 31	\$ <u>436,345</u>

(d) Changes in fair value of plan assets are as follows:

	For the period from September 12, 2013 to December 31, 2013
Fair value of plan assets	
At September 12	\$ 238,407
Expected return on plan assets	1,412
Actuarial profit and loss	(1,542)
Employer contributions	<u>2,060</u>
At December 31	<u>\$ 240,337</u>

(e) Amounts of expenses recognised in statement of comprehensive income are as follows:

	For the period from September 12, 2013 to December 31, 2013
Current service cost	\$ 1,726
Interest cost	2,109
Expected return on plan asset	(1,412)
Current pension cost	<u>\$ 2,423</u>

Details of cost and expenses recognised in statement of comprehensive income are as follows:

	For the period from September 12, 2013 to December 31, 2013
Cost of sales	\$ -
Selling expenses	370
General and administrative expenses	786
Research and development expenses	<u>1,267</u>
	<u>\$ 2,423</u>

(f) Amounts recognised under other comprehensive income are as follows:

	For the period from September 12, 2013 to December 31, 2013
Recognition for current period	<u>\$ 13,148</u>
Accumulated amount	<u>\$ 13,148</u>

(g) 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 utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation 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 utilisation 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. The constitution of fair value of plan assets as of December 31, 2013 is given in the Annual Labor Retirement Fund Utilisation Report published by the government. Expected return on plan assets was a projection of overall return for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilisation by the Labor Pension Fund Supervisory Committee and taking into account the effect that the Fund's 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. The actual return from the planned assets of the Company and domestic subsidiaries from September 12, 2013 to December 31, 2013 was \$943.

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

	<u>2013</u>
Discount rate	<u>1.875%</u>
Future salary increases	<u>2.000%</u>
Expected return on plan assets	<u>2.000%</u>

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

(i) Historical information of experience adjustments was as follows:

	<u>For the period from September 12, 2013 to December 31, 2013</u>
Present value of defined benefit obligation	(\$ 436,345)
Fair value of plan assets	<u>240,337</u>
Surplus/(deficit) in the plan	(\$ <u>196,008</u>)
Experience adjustments on plan liabilities	(<u>22,044</u>)
Experience adjustments on plan assets	(<u>1,542</u>)

(j) Expected contributions to the defined benefit pension plans of the Group within one year from December 31, 2013 are \$8,340.

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 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 period ended December 31, 2013 were \$21,989.

(15) Share-based payment

A. As of December 31, 2013, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (shares in thousands)	Contract period	Vesting conditions	Actual resignation rate in the current period	Estimated future resignation rate
Seventh stock option incentive plan	2007.09.26	623 (Note)	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	-	-
Eighth stock option incentive plan	2008.10.13 and 2008.10.27	42,500 (Note)	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	16.12%	-
Ninth stock option incentive plan	2009.04.29 and 2009.07.03	21,500 (Note)	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	18.96%	-
Tenth stock option incentive plan	2009.10.05, 2010.04.19 and 2010.05.06	47,500 (Note)	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	11.16%	10%~15%
Eleventh stock option incentive plan	2012.10.11	19,500 (Note)	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	0.64%	5%

Note: In accordance with the share conversion arrangement, the obligation of fulfilling the stock options issued by MiTAC International Corp. through the approval of authority is to be borne by the Company on the conversion date and to make adjustments to the conversion price and issuance amount in accordance with the conversion ratio.

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

For the period from September 12, 2013 to December 31, 2013		
	No. of options (shares in thousands)	Weighted average exercise price (in dollars)
Options outstanding at beginning of the period	94,956	\$ 24.08
Options forfeited	(516)	-
Options exercised	(5,381)	-
Options outstanding at end of the period	89,059	24.14
Options exercisable at end of the period	<u>65,586</u>	
Options approved and not yet issued at the end of the period	<u>-</u>	

C. The weighted-average stock price of stock options at exercise dates from September 12, 2013 to December 31, 2013 was \$24.38.

D. As of December 31, 2013, outstanding compensatory employee stock option plan is as follows:

Range of exercise price (in dollars) (Note)	Number of options outstanding at the end of the year			Exercisable options at the end of the year	
	In thousands of shares	Expected weighted average residual years	Weighted average exercise price (in dollars)	In thousands of shares	Weighted average exercise price (in dollars)
21.6 and 25.2	26,983	0.80	\$ 23.62	26,983	\$ 23.62
25.4 and 27.2	16,461	1.41	26.31	16,461	26.31
25.4 and 27.8	26,240	2.06	26.38	22,142	26.56
20	<u>19,375</u>	4.78	20	<u>-</u>	-
	<u>89,059</u>			<u>65,586</u>	

Note : Already adjusted in accordance with the stock conversion ratio.

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

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

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility (Note 1)	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars) (Note 2)
							-	
Eighth employee stock options	2008.10.13	13.20	13.20	28.37%	3.47 years	0%	1.96%	3.12
	2008.10.27	11.35	11.35	28.42%	3.47 years	0%	1.89%	2.67
Ninth employee stock options	2009.04.29	14.30	14.30	34.87%	3.67 years	0%	0.93%	3.92
	2009.07.03	13.30	13.30	34.36%	3.67 years	0%	1.02%	3.62
Tenth employee stock options	2009.10.05	13.90	13.90	35.25%	3.61 years	0%	0.55%	3.75
	2010.04.19	14.45	14.45	30.04%	3.61 years	0%	0.75%	3.40

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility (Note 1)	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars) (Note 2)
stock options	2010.05.06	13.1	13.1	29.85%	3.61 years	0%	0.74%	3.06
Eleventh employee stock options	2012.10.11	10.15	10.15	36.14%	3.47 years	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.

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

Equity-settled	For the period from September 12, 2013 to December 31, 2013
(16) Provisions	<u>\$ 15,481</u>
Warranty provision	For the period from September 12, 2013 to December 31, 2013
At September 12, 2013	\$ 467,614
Additional provisions	115,738
Used during the period	(124,650)
Unused amounts reversed	(415)
Effects of exchange rate changes	(2)
At December 31, 2013	<u>\$ 458,285</u>
(17) Share capital	

A. The Company was founded on September 12, 2013 through the conversion of shares by MiTAC International Corp. with a total capital of \$7,555,675. As of December 31, 2013, the Company's authorised 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 \$7,609,488 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 period from September 12, 2013 to December 31, 2013
Shares issued as of September 12	755,568
Treasury shares	(24,700)
Outstanding shares as of September 12	730,868
Employee stock options exercised	5,381
Shares issued as of December 31	760,949
Treasury shares	(24,700)
Outstanding shares as of December 31	736,249

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, 2013	
		Number of shares (shares in thousands)	Carrying amount
Subsidiary- MiTAC International Corp.	Stock conversion	13,135	\$ 256,680
Subsidiary- TFC Investment Co., Ltd.	"	10,183	276,084
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 realised 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.

(18) Capital surplus

	Share premium	Net equity of associates and joint ventures accounted for under the equity method	Employee stock options	Total
At September 12, 2013	\$21,176,702	\$ 7,664	\$ 519,603	\$ 21,703,969
Employee stock options exercised	100,155	-	(30,903)	69,252
Changes from associates and joint ventures accounted for under the equity method	-	14,681	-	14,681
Employee compensation plan - employee stock options	-	-	15,481	15,481
At December 31, 2013	<u>\$21,276,857</u>	<u>\$ 22,345</u>	<u>\$ 504,181</u>	<u>\$ 21,803,383</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 capitalised 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. After "earnings" are appropriated, at least 0.1% of the remainder may be appropriated as employees' bonus. 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. The estimated employees' bonus and directors' supervisors' remuneration for the period ended December 31, 2013 was \$514 and \$2,000, respectively. The basis of estimates for employees' bonus is based on 0.1% as prescribed by the Company's Articles of Incorporation.

F. Information on the appropriation as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(20) Other equity items

	<u>Hedging reserve</u>	<u>Currency translation</u>	<u>Total</u>
At September 12, 2013	\$ 225,357	\$ 782,572	\$ 1,007,929
Revaluation – gross			
–Group	7,197	-	7,197
–Associates	55,645	-	55,645
Currency translation differences:			
–Group	-	125,888	125,888
–Associates	-	(8,849)	(8,849)
At December 31, 2013	<u>\$ 288,199</u>	<u>\$ 899,611</u>	<u>\$ 1,187,810</u>

(21) Operating revenue

	<u>For the period from September 12, 2013 to December 31, 2013</u>
Sales revenue	\$ 11,782,345
Other operating revenue	<u>114,589</u>
Total	<u>\$ 11,896,934</u>

(22) Other income

	<u>For the period from September 12, 2013 to December 31, 2013</u>
Interest income:	
Interest income from bank deposits	\$ 30,600
Rental revenue	13,438
Dividend income	31,738
Other income	<u>101,808</u>
Total	<u>\$ 177,584</u>

(23) Other gains and losses

	For the period from September 12, 2013 to December 31, 2013
Net gain on financial liabilities at fair value through profit or loss	\$ 295
Net gain on financial assets at fair value through profit or loss	12,044
Net currency exchange loss	(6,135)
Gain on disposal of property, plant and equipment	4,221
Gain on disposal of investments	272,489
Impairment loss	(531)
Other losses	(5,618)
Total	<u>\$ 276,765</u>

(24) Finance costs

	For the period from September 12, 2013 to December 31, 2013
Interest expense:	
Bank borrowings	<u>\$ 7,137</u>

(25) Expenses by nature

	For the period from September 12, 2013 to December 31, 2013
Employee benefit expense	\$ 1,520,808
Depreciation on property, plant and equipment and investment property	160,073
Amortisation charges	<u>74,197</u>
Total	<u>\$ 1,755,078</u>

(26) Employee benefit expense

	For the period from September 12, 2013 to December 31, 2013
Wages and salaries	\$ 1,341,263
Employee stock options	15,481
Labor and health insurance fees	94,001
Pension costs	24,412
Other personnel expenses	<u>45,651</u>
	<u>\$ 1,520,808</u>

(27) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the period from September 12, 2013 to December 31, 2013
Current tax:	
Current tax on profits for the period	\$ 4,744
Adjustments in respect of prior years	(6,807)
Total current tax	(2,063)
Deferred tax:	
Origination and reversal of temporary differences	52,221
Net operating loss carryforward	23,890
Total deferred tax	76,111
Income tax expense	<u>\$ 74,048</u>

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

	For the period from September 12, 2013 to December 31, 2013
Actuarial gains/losses on defined benefit obligations	(\$ 2,235)

B. Reconciliation between income tax expense and accounting profit

	For the period from September 12, 2013 to December 31, 2013
Tax calculated based on profit before tax and statutory tax rate	\$ 106,800
Effects from items disallowed by tax regulation	(49,835)
Over provision of prior year's income tax	(6,807)
Effect from net operating loss carryforward	23,890
Tax expense	<u>\$ 74,048</u>

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

<u>For the period from September 12, 2013 to December 31, 2013</u>					
	<u>September 12</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>Effects of exchange rate changes</u>	<u>December 31</u>
Deferred tax assets:					
Temporary differences:					
Warranty provision	\$ 61,085	\$ 626	\$ -	\$ -	\$ 61,711
Loss from reduction of inventory to market	182,239	(15,936)	-	157	166,460
Others	194,309	(36,911)	2,235	(689)	158,944
Net operating loss carryforward	<u>203,171</u>	<u>(23,890)</u>	<u>-</u>	<u>-</u>	<u>179,281</u>
Subtotal	<u>640,804</u>	<u>(76,111)</u>	<u>2,235</u>	<u>(532)</u>	<u>566,396</u>
Deferred tax liabilities:					
Temporary differences:					
Equity investments	(<u>358,846</u>)	<u>-</u>	<u>-</u>	<u>-</u>	(<u>358,846</u>)
Total	<u>\$ 281,958</u>	<u>(\$ 76,111)</u>	<u>\$ 2,235</u>	<u>(\$ 532)</u>	<u>\$ 207,550</u>

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

<u>December 31, 2013</u>				
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Usable until year</u>
2010	Assessed	\$ 537,199	\$ -	2020
2011	Assessed	247,386	-	2021
2012	Filed	382,486	112,479	2022
2013	Estimated	11,092	11,092	2023

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

	<u>December 31, 2013</u>
Deductible temporary differences	<u>\$ 1,825,122</u>

F. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2013, the amounts of temporary difference unrecognised as deferred tax liabilities were \$6,884,731.

G. Unappropriated retained earnings:

	<u>December 31, 2013</u>
Earnings generated in and after 1998	<u>\$ 563,114</u>

H. As of December 31, 2013, the balance of the imputation tax credit account was \$0.

(28) Earnings per share

	For the period from September 12, 2013 to December 31, 2013		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	\$ 571,287	733,420	\$ <u>0.78</u>
Less: effect of dilutive potential common stocks issued by investee companies	(10,110)		
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options		3,213	
Employees' bonus	-	18	
Net income attributable to common stock holders plus dilutive effect of common stock equivalents	\$ <u>561,177</u>	<u>736,651</u>	\$ <u>0.76</u>

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 of treasury shares.

7.RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

A. Sales of goods:

(a)

	For the period from September 12, 2013 to December 31, 2013
Sales of goods:	
-Associates	\$ 263,924
-Other related parties	<u>127</u>
	\$ <u>264,051</u>

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

(c) The collection period to domestic related parties is 90 days after shipping date based on the net balance of receivables after offsetting with payable accounts.

(d) The collection period to foreign related parties is 150 days for the net amount after offsetting

certain receivables and payables considering the reasonable time from shipping to collection terms to overseas and domestic related parties.

(e) The collection period for third parties is approximately 90 days after shipping date.

B. Purchases of goods:

(a)

	<u>For the period from September 12, 2013 to December 31, 2013</u>
Purchases of goods:	
-Associates	\$ 260,572
-Other related parties	<u>1,658</u>
	<u>\$ 262,230</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 payment period is 150 days after offsetting certain receivables and payables for foreign related parties; the payment period is 90 days after shipping date based on the net amount after offsetting certain receivables and payables for other related parties.

(d) The payment period to regular suppliers is approximately 90 days after purchase date.

C. Accounts receivable

	<u>December 31, 2013</u>
Associates	\$ 169,393
Other related parties	<u>3</u>
	<u>\$ 169,396</u>

D. Other receivables

	<u>December 31, 2013</u>
Associates	\$ 59,265
Other related parties	<u>2,424</u>
	<u>\$ 61,689</u>

E. Accounts payable

	<u>December 31, 2013</u>
Associates	\$ 238,028
Other related parties	<u>1,775</u>
	<u>\$ 239,803</u>

F. Other payables

	<u>December 31, 2013</u>
Associates	\$ 16,116
Other related parties	<u>1,816</u>
	<u>\$ 17,932</u>

G. Expenses

	<u>For the period from September 12, 2013 to December 31, 2013</u>
Associates	\$ 2,057
Other related parties	<u>20,578</u>
	<u>\$ 22,635</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, 2013, associates provided guarantees for operating leases to MiTAC International Corp. amounting to \$3,600.

I. Rent revenue

For the period ended December 31, 2013, the rental revenue collected from leasing offices and factories to associates amounted to \$10,263.

J. Property transactions:

- (a) For the period ended December 31, 2013, the equipment purchased from associates and other related parties amounted to \$7,766 and \$2,422, respectively.
- (b) For the period ended December 31, 2013, the equipment sold to other related parties amounted to \$4,613.
- (c) For the period ended December 31, 2013, new investments in other related parties amounted to \$25,000.

(2) Key management compensation

	<u>For the period from September 12, 2013 to December 31, 2013</u>
Salaries and other short-term employee benefits	\$ 8,280
Post-employment benefits	152
Share-based payments	<u>2,019</u>
Total	<u>\$ 10,451</u>

8. ASSETS PLEDGED AS COLLATERAL

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

	<u>Book value</u>	
<u>Pledged asset</u>	<u>December 31, 2013</u>	<u>Purpose</u>
Building	\$ 335,312	Short-term loans
Land use rights	13,977	Short-term loans
Time deposits	3,499	Guarantee deposit for the lease of land in Science Park
Time deposits	1,468	Guarantee deposit for the lease of land in Science Park
Time deposits	3,689	Customs guarantee
Time deposits	9,500	Guarantee for application for letters of credit
Demand deposits	<u>2,460</u>	Customs guarantee
	<u>\$ 369,905</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

Operating lease arrangement

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

	<u>December 31, 2013</u>
Not more than 1 year	\$ 139,843
More than one year but not more than 5 years	192,074
Over 5 years	<u>25,557</u>
Total	<u>\$ 357,474</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 minimise 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 RMB. Foreign exchange risk arises from future commercial transactions, recognised 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 recognised 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 recognised 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 RMB).The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

iv.

December 31, 2013			
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 315,591	29.805	\$ 9,406,190
EUR:NTD	9,902	41.09	406,873
RMB:NTD	202,391	4.919	995,561
USD:RMB	113,500	6.06	3,382,868
<u>Long-term equity investment accounted for under the equity method</u>			
RMB:USD	56,610	0.1650	273,596
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	303,885	29.805	9,057,292
EUR:NTD	9,766	41.09	401,285
USD:RMB	85,429	6.06	2,546,211

v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

vi. When the exchange rates for USD, EUR and RMB to NTD, and USD to RMB increased or decreased by 1%, with all other factors the same at December 31, 2013, net profit before tax would increase or decrease by \$21,867 for the period ended December 31, 2013.

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 \$16,744 as of December 31, 2013, 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 analysing 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 utilisation 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 period ended December 31, 2013, 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 assets 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.

iii.

Non-derivative financial liabilities:

<u>December 31, 2013</u>	<u>1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 3 years</u>	<u>Over 3 years</u>
Short-term borrowings	\$ 2,108,970	\$ -	\$ -	\$ -
Notes payable	1,622	-	-	-
Accounts Payable	6,569,694	-	-	-
Other payables	3,565,849	-	-	-
Guarantee deposits	1,503	4,910	1,114	2,362

Derivative financial liabilities

As of December 31, 2013, the Group's derivative financial liabilities mature within one year.

iv. 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. The table below analyses financial instruments measured at fair value, by valuation method. The different levels 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, 2013:

<u>December 31, 2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Forward exchange contracts	\$ -	\$ 14,173	\$ -	\$ 14,173
Equity securities	<u>1,245,279</u>	<u>279,830</u>	<u>149,334</u>	<u>1,674,443</u>
Total	<u>\$ 1,245,279</u>	<u>\$ 294,003</u>	<u>\$ 149,334</u>	<u>\$ 1,688,616</u>

Financial liabilities:

Forward exchange contracts	<u>\$ -</u>	<u>\$ 6,437</u>	<u>\$ -</u>	<u>\$ 6,437</u>
----------------------------	-------------	-----------------	-------------	-----------------

B. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held

by the Group is the closing price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments and debt instruments classified as financial assets/financial liabilities at fair value through profit or loss or available-for-sale financial assets.

C. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

D. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

E. Specific valuation techniques used to value financial instruments include:

(a) Quoted market prices or dealer quotes for similar instruments.

(b) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

(c) Other techniques, such as Market Approach, are used to determine fair value for the remaining financial instruments.

F. The following table presents the changes in level 3 instruments as at December 31, 2013

	For the period from September 12, 2013 to <u>December 31, 2013</u>
September 12, 2013	\$ 147,823
Acquired in the period	2,871
Gains recognised in other comprehensive income	(1,767)
Effect of foreign exchange rate	<u>407</u>
December 31, 2013	<u>\$ 149,334</u>

13.SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others:

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the period ended December 31, 2013	Balance at December 31, 2013	Actual amount drawn down	Interest rate	Nature of loan	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 2)	Ceiling on total loans granted (Note 2)	Footnote
													Item	Value			
1	MiTAC International Corp.	Become Human Tec Corp.	Other receivables	No	921	0	0	1.12	(Note 1)	4,292	None	0	None	0	4,292	6,045,584	
1	"	MiTAC Holdings Corporation	Other receivables-related parties	Yes	1,000,000	1,000,000	0	1.00	(Note 2)	0	Operations	0	None	0	3,022,792	6,045,584	
2	Silver Star Developments Ltd.	Sky Universe Enterprise Ltd.	Affiliated loans receivable	"	750,000	745,125	745,125	0	"	0	"	0	None	0	12,845,681	12,845,681	
2	Silver Star Developments Ltd.	Top Sheen Enterprises Ltd.	"	"	750,000	745,125	745,125	0	"	0	"	0	None	0	12,845,681	12,845,681	
2	Silver Star Developments Ltd.	MiTAC International Corp.	"	"	782,678	774,930	774,930	0	"	0	"	0	None	0	5,980,654	5,980,654	
2	Silver Star Developments Ltd.	Software Insights Ltd.	"	"	30,000	29,805	29,805	0	"	0	"	0	None	0	12,845,681	12,845,681	
2	Silver Star Developments Ltd.	MiTAC Digital Corporation	"	"	897,900	715,320	715,320	0	"	0	"	0	None	0	12,845,681	12,845,681	
2	Silver Star Developments Ltd.	Best Profit Ltd.	"	"	790,363	778,700	778,700	0	"	0	"	0	None	0	12,845,681	12,845,681	
2	Silver Star Developments Ltd.	MiTAC Europe Ltd.	"	"	448,448	0	0	0	"	0	"	0	None	0	12,845,681	12,845,681	
3	Pacific China Corp.	Bright Crown Management Ltd.	"	"	18,000	17,883	17,883	0	"	0	"	0	None	0	7,208,272	7,208,272	
4	Tyan Computer Corp.(USA)	MiTAC Digital Corporation	Accounts receivable from related parties	"	195,000	193,733	193,733	0.87	"	0	"	0	None	0	207,433	207,433	
5	Booming Enterprises Inc.	Silver Star Developments Ltd.	Affiliated loans receivable	"	46,413	46,111	46,111	0	"	0	"	0	None	0	464,958	464,958	
6	System Golry International Ltd.	MiTAC International Corp.	"	"	47,100	0	0	0	"	0	"	0	None	0	81,559	81,559	

Note 1 : Intracompany accounts.

Note 2 : (1) MiTAC International Corp. (the Company)'s total borrowing amount for companies with ongoing business 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 be higher than the total predictable amount of transactions between the Company and the borrowing entity in the prior year or within the next year, or 10% of the net worth of the Company, whichever amount is lower. The amount of transactions with the borrower is the amount of purchases or sales, whichever is higher.

- (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 Pacific China Corp. 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) Tyan Computer Corp. (USA)'s borrowing amount to each borrowing company and total borrowing amount should not exceed 40% of the net worth on the latest financial statements audited by independent accountants.
- (7) The borrowing amount and the total borrowing amount of Booming Enterprises Inc. 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.
- (8) System Glory International Ltd.'s borrowing amount to each borrowing company and total borrowing amount should not exceed 40% of the net worth on the latest financial statements audited by independent accountants.

B. Provision of endorsements and guarantees to others:

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2013	Outstanding endorsement/ guarantee amount at December 31, 2013	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)											
1	MiTAC International Corp.	Tsu Fung Investment Corp.	1	15,113,960	100,000	100,000	0	0	0.33	15,113,960	N	N	N	
1	"	MiTAC Europe Ltd.	2	15,113,960	44,978	0	0	0	0	15,113,960	N	N	N	
1	"	Mitac Australia PTY Ltd.	2	15,113,960	14,487	0	0	0	0	15,113,960	N	N	N	
1	"	Tyan Computer Corp.(USA)	2	15,113,960	59,860	59,460	59,460	0	0.20	15,113,960	N	N	N	
1	"	MiTAC Digital Corporation	2	15,113,960	267,355	222,377	43,789	0	0.74	15,113,960	N	N	N	
1	"	MiTAC Information Systems Corp.	2	15,113,960	237,620	237,270	237,270	0	0.78	15,113,960	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)The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(2)The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company

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

(2)MiTAC International Corp.'s endorsements and guarantees should not exceed 50% of the net worth of the Company on the latest financial statements audited or reviewed by independent accountants.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures):

Securities held by	Marketable securities		Relationship with the securities issuer	General ledger account	As of December 31, 2013				Footnote
					Number of shares	Book value	Ownership	Fair value	
MiTAC International Corp.	Stocks	MiTAC Inc.	The Company's chairman is MiTAC Inc.'s director.	Financial assets carried at cost-non current	20,061,790	\$ 586,164	8.69	\$ 586,164	
"	"	Overseas Investment & Development Corp.	None	"	1,000,000	10,000	1.11	10,000	
"	"	Harbinger Venture Management Co., Ltd.	same board chairman	"	14,049,500	97,807	14.05	97,807	
"	"	Harbinger VI	"	"	6,015,937	60,159	13.28	60,159	
"	"	Harbinger VII	"	"	2,500,000	25,000	16.26	25,000	
"	"	UPC Technology Corp.	"	Available-for-sale financial assets-non-current	14,193,179	205,091	1.23	205,091	
"	"	Lien Hwa Industrial Corp.	"	"	14,011,961	271,832	1.65	271,832	
"	"	Gemtek Technology Co., Ltd.	None	"	2,913,883	82,172	0.94	82,172	
"	"	MiTAC information Technology Corp.	The Company's chairman is MiTAC Inc.'s director.	"	9,780,837	71,374	6.52	71,374	
"	"	Linpus Technology Corp.	None	"	872,484	23,160	6.46	23,160	Note 3
"	"	MiTAC Holding Corp.	MiTAC International Inc.'s parent company	"	13,134,500	378,274	1.73	378,274	
Tsu Fung Investment Corp.	"	Synnex Technology International Corp.	None	Available-for-sale financial assets - current	3,297,119	155,954	0.21	155,954	
Tsu Fung Investment Corp.	Stocks	UPC Technology Corp.	None	Available-for-sale financial assets - current	14,351,669	\$ 207,382	1.25	\$ 207,382	

Securities held by	Marketable securities		Relationship with the securities issuer	General ledger account	As of December 31, 2013				Footnote
					Number of shares	Book value	Ownership	Fair value	
"	"	MiTAC Holding Corp.	MiTAC International Inc.'s parent company	"	10,183,284	293,279	1.34	293,279	
"	"	Getac Technology Corp.	None	"	10,329,741	159,594	1.77	159,594	
"	"	Loyalty Founder Enterprise Co., Ltd.	"	"	55,300	401	0.04	401	
"	"	National Aerospace Fasteners Corporation	"	"	1,000	38	0.00	38	
"	"	J Touch Corporation	"	"	1,000,000	23,000	0.73	23,000	
"	Fund	Uni-President Assets Management Corp.	"	"	3,771,669	61,355	-	61,355	
"	Stocks	Linpus Technology Corp.	"	Financial assets carried at cost - non - current	493,516	12,493	3.66	12,493	Note 3
"	"	Harbinger Venture Management Co., Ltd.	"	"	581,902	479	19.99	479	
"	"	Ciocomm Technology Corp.	"	"	2,352,086	16,449	4.73	16,449	
"	"	Lien Yung Investment Corp.	"	Financial assets carried at cost - non-current	9,015,254	87,969	19.99	87,969	
"	"	G. Marso Electronics, Inc.	"	Available-for –sale financial assets - non-current	253,363	1,480	3.73	1,480	
"	"	MiTAC Inc.	"	Financial assets carried at cost - non-current	10,111,863	276,828	4.38	276,828	
"	"	MiTAC Information Technology Corp.	"	Available-for –sale financial assets - non - current	5,938,913	43,338	3.96	43,338	
"	"	Tung Da Investment Co., Ltd.	"	"	4,630,492	61,661	19.99	61,661	Note 4
Mio Technology Corp.	"	Linpus Technology Corp.	"	"	666,268	16,866	4.94	16,866	Note 3
DLC Technology Corp.	"	"	"	"	666,268	16,866	4.94	16,866	Note 3
Silver Star Developments Ltd. (SSDL) and its subsidiaries	"	Budworth Investments Ltd.	"	Financial assets carried at cost - non-current	2,297,875	10,341	14.83	10,341	
Silver Star Developments Ltd. (SSDL) and its subsidiaries	Stocks	Gapura Inc.	None	Available-for –sale financial assets - non - current	295,831	\$ -	5.55	\$ -	

Securities held by	Marketable securities		Relationship with the securities issuer	General ledger account	As of December 31, 2013				Footnote
					Number of shares	Book value	Ownership	Fair value	
"	"	Global Strategic Investment Inc.	"	Financial assets carried at cost - non current	340,000	1,271	1.26	1,271	
"	"	Panasas Inc.	"	Available-for –sale financial assets - non - current	1,391,354	-	0.11	-	
"	"	Rasilent Systems, Inc.	"	"	1,210,763	-	4.16	-	
"	"	Global Strategic Investment Inc. (SAMOA)	"	"	434,946	13,042	1.23	13,042	
"	"	Cirocomm Technology Corp.	"	"	2,352,086	16,449	4.73	16,449	
"	"	Physi-Cal Enterprises	"	"	354,080	74,152	8.41	74,152	
"	"	Synnex Technology International Corp.	"	"	2,955,921	139,815	0.19	139,815	
"	"	MiTAC Holding Corp.	MiTAC International Inc.'s parent company	"	1,381,945	39,800	0.18	39,800	

Note 1: The market value of listed securities was based on the closing price as at December 31, 2013, while, the market value of unlisted securities accounted for under the equity method was based on the net asset value per share of the investee company; the fair value of financial assets carried at cost was based on their carrying value.

Note 2: The Company's shares held by MiTAC International Corp., Tsu Fung Investment Corp. and Silver Star Developments Ltd. are accounted for based on the accounting standards relating to treasury stock.

Note 3: The Company's subsidiary- Tsu Fung Investment Corp. transferred share ownership of Linpus Technology Corp. to the Company, Mio Technology Corp. and DLC Technology Corp., respectively. Such disposal gain has not been realised.

Note 4: The gain on disposal of investments on Tung Da Investment Co., Ltd. to Tsu Fung Investment Corp. for MiTAC International Corp has not yet been realised.

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

Investor	Marketable securities	General ledger account	Relationship with the investor	Balance as at January 1, 2013		Addition		Disposal		Balance as at December 31, 2013	
				Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
MiTAC Holding Corp.	MiTAC International Corp.	Equity method investments	Subsidiary	-	\$ -	1,511,134,942	\$ 29,657,807	-	\$ -	1,511,134,942	\$ 30,442,076
Silver Star Developments Ltd.(SSDL)and its subsidiaries	Synnex Corp.	Equity method investments	Investee	5,907,796	6,350,635	-	-	356,032	385,323	5,551,764	6,256,168

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None

F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more:

Purchaser /seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount (Note 6)	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
MiTAC International Corp.	MiTAC Logistics Corp.	Indirect investee company accounted for under the equity method.	Sales	(\$ 310,949)	(4.09)	Note 1	Note 2	Note 1	\$ 255,734	3.64	
"	MiTAC Digital Corp.	"	"	(295,749)	(3.89)	Note 1	"	Note 1	177,091	2.52	
"	MiTAC Information Systems Corp.	"	"	(1,903,250)	(25.03)	Note 1	"	Note 1	3,772,073	53.63	
"	MiTAC Computer (Kunshan) Co., Ltd	"	Purchases	847,805	13.21	Note 3	"	Note 3	(1,783,965)	(25.09)	
"	MiTAC Computer (Shunde) Corp.	"	"	2,396,159	37.37	Note 3	"	Note 3	(3,635,302)	(51.13)	
"	Tyan Computer Corp.(USA)	"	Sales	(423,490)	(5.57)	Note 1	"	Note 1	-	-	
"	Tyan Computer Corp (USA)	"	Purchases	216,753	3.38	Note 3	"	Note 3	(21,049)	0.30	

Purchaser /seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount (Note 6)	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
MiTAC International Corp.	MiTAC Europe Ltd.	Indirect investee company accounted for under the equity method.	sales	(\$ 135,894)	(1.79)	Note 1	"	Note 1	\$ 348,765	4.96	
"	MiTAC Australia Pty Ltd .	"	"	(198,797)	(2.61)	Note 1	"	Note 1	\$ 215,531	3.06	
"	Synnex-Corp.	"	"	(254,277)	(3.34)	Note 1	"	Note 1	163,410	2.32	
Silver Star Developments L td. (SSDL)and its subsidiaries	MiTAC International Corp.	SSDL's investor	"	(3,253,665)	(27.07)	Note 1	"	Note 1	5,419,266	65.18	
"	"	"	Purchases	2,918,198	26.26	Note 3	"	Note 3	(4,879,139)	(48.73)	
Tyan Computer Corp. (USA)	"	Tyan's investor	"	423,490	103.99	Note 4	"	Note 4	-	-	
Tyan Computer Corp. (USA)	"	"	sales	(216,753)	(11.53)	Note 5	"	Note 5	21,049	15.72	

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 selling price to related parties is based on market value.

Note 3: 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 4: Tyan's payment term for foreign related parties is 5 months for the payment of the net amount of receivables after offsetting against payables, the payment term for domestic related parties is approximately 3 months after the shipment from the counterparty for the payment of the net amount of receivables offsetting by payables. The payment term for ordinary customers is an average of 3 months after the date of shipment from the customer.

Note 5: Tyan's credit term for foreign related parties is 5 months for the collection of the net amount of receivables and payables after checking, the credit term for domestic related parties is approximately 3 months for the collection of the net amount of receivables after offsetting against payables after the date of shipment. The credit term for third parties is an average of approximately 3 months after the date of shipment.

Note 6: The disclosure period for purchases and sales transactions of related parties is from September 12, 2013 to December 31, 2013.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more:

Creditor	Counterparty	Relationship with the counterparty	Accounts receivable from related parties			Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
			Accounts receivable	Other receivables	Total		Amount	Action taken		
MiTAC International Corp.	MiTAC Information Systems Corp.	Indirect investee company accounted for under the equity method	\$ 3,772,073	\$ 31,459	\$ 3,803,532	1.54	\$ 433,871	On demand	\$ 1,432,854	-
"	MiTAC Logistics Corp.	"	255,734	2	255,736	4.16		N/A	205,508	-
"	MiTAC Digital Corp.	"	177,091	895	177,986	6.33		N/A	127,425	-
"	MiTAC Europe Ltd.	"	348,765	254	349,019	1.28	124,204	On demand	31,788	-
"	MiTAC Australia Pty Ltd.	"	215,531	1,343	216,874	3.08		N/A	152,478	-
"	Synnex Corp.	"	163,410	-	163,410	6.36		N/A	139,208	-
Silver Star Developments Ltd. (SSDL) and its subsidiaries	MiTAC International Corp.	SSDL's investor	5,419,266	56,890	5,476,156	2.00		N/A	1,942,036	-

I. Information on derivative transactions:

	December 31, 2013		
Financial Instrument	Item	Notional Amount (in thousands)	Fair Market Value (in thousands)
MiTAC International Corp.			
Forward foreign exchange - Sell	Advance booking USD to buy TWD	USD 8,000	NTD 1,484
"	Advance booking EUR to buy USD	EUR 1,600	NTD 43
"	"	EUR 6,662	(NTD 5,345)
"	Advance booking AUD to buy USD	AUD 7,592	NTD 9,644
"	"	AUD 800	(NTD 106)
"	Advance booking GBP to buy USD	GBP 960	(NTD 971)
"	Advance booking NZD to sell USD	NZD 1,200	NTD 100
"	"	NZD 300	(NTD 15)
Cross-currency swap	Cross-currency swap between NTD and USD	USD 5,000	NTD 1,997
Spot foreign exchange contract	Immediate sales of USD to buy RMB	USD 2,000	NTD 10
MiTAC Computer (Kunshan) Co., Ltd			
Forward foreign exchange - Sell	Advance booking USD to buy RMB	USD 1,000	CNY 38
MiTAC Digital Corp.			
Forward foreign exchange - Sell	Advance booking CAD to buy USD	CAD 800	USD 15
MiTAC Europe Ltd.			
Forward foreign exchange - Sell	Advance booking GBP to sell EUR	GBP 250	USD 8

J. Significant inter-company transactions during the period ended December 31, 2013:

For the period ended December 31, 2013

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)
1	MiTAC International Corp.	Silver Star Developments Ltd.(SSDL) and its subsidiaries	3	Sales	\$ 2,918,198	Note 4	24.53%
"	"	"	3	Purchases	3,253,665	Note 5	27.35%
"	"	"	3	Accounts receivable	4,879,139	Note 4	11.06%
"	"	"	3	Accounts payable	5,419,266	Note 5	12.29%
"	"	"	3	Endorsement/guarantee amount for bank financing	459,647		1.04%
"	"	Tsu Fung Investment Corp.	3	Endorsement/guarantee amount for bank financing	100,000		0.23%
"	"	Foreground Technology Ltd. and its subsidiaries	3	Sales	423,490	Note 4	3.56%
"	"	"	3	Purchases	216,753	Note 5	1.82%
2	Silver Star Developments Ltd. (SSDL) and its subsidiaries	MiTAC International Corp.	3	Capital lending	774,930		1.76%
3	Foreground Technology Ltd. and its subsidiaries	Silver Star Developments Ltd. (SSDL) and its subsidiaries	3	Capital lending	193,733		0.44%

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 accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

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 to ship the products to each company and for the collection of the accounts. The company's sales price with related parties is based on the international market trends and the region the sales were made.

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 trends and the region the sales were made.

Note 6 : The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

(2) Information on investees

Related information of subsidiaries as of December 31, 2013:

Unit: NT Thousand

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2013			Net profit (loss) of the investee for the period ended December 31, 2013 (Note 2)	Investment income (loss) recognised by the Company for the period ended December 31, 2013 (Note 1)	Footnote
				Balance as at December 31, 2013	Balance as at December 31, 2012 (Note 3)	Number of shares	Ownership	Book value			
MiTAC Holdings Corp.	MiTAC International Corp.	Taiwan	Development, design and manufacturing and sale of computers and its peripherals, telecommunication related products	\$ 29,657,807	\$ -	1,511,134,942	100.00	\$ 30,442,076	\$ 592,027	\$ 582,398	Subsidiary
MiTAC International Corp.	Getac Technology Corp.	"	Manufacturing and sale of notebook computers, military and industrial computer systems, etc.	1,391,549	1,391,549	190,396,939	32.71	4,080,427	402,387		Investee accounted for under equity method by SSDL
"	Tsu Fung Investment Corp.	"	Investment	625,000	625,000	128,584,651	100.00	1,423,256	3,771		Subsidiary
"	3Probe Technologies Corp.	"	Information process service, sales of software and international trading.	16,839	16,839	1,086,000	23.25	8,133	(2,794)		Investee accounted for under equity method by SSDL

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2013			Net profit (loss) of the investee for the period ended December 31, 2013 (Note 2)	Investment income (loss) recognised by the Company for the period ended December 31, 2013 (Note 1)	Footnote
				Balance as at December 31, 2013	Balance as at December 31, 2012 (Note 3)	Number of shares	Ownership	Book value			
MiTAC International Corp.	DLC Technology Corp.	Taiwan	Manufacturing of data storage media , computer and communication equipment	\$ 25,755	\$ 65,755	2,600,000	100.00	\$ 25,244	\$ 7,137		Subsidiary
"	Lian Jie Investment Co., Ltd.	"	Investment	113,057	113,057	11,305,650	49.98	182,921	50,428		Investee accounted for under equity method by SSDL
"	Silver Star Developments Ltd. and its subsidiaries	British Virgin Islands	"	6,422,841	6,422,841	215,495,404	100.00	15,131,073	331,439		Subsidiary
"	Loyalty Founder Enterprise Co., Ltd.	Taiwan	Sales and manufacturing of metal and plastic electronics enclosure	150,000	150,000	39,180,000	25.24	301,188	35,181		Investee accounted for under equity method by SSDL
"	Foreground Technology Ltd. and its subsidiaries	British Virgin Islands	Investment	269,601	269,601	9,045,492	100.00	556,954	35,359		Subsidiary
"	Shen-Tong Construction & Development Co., Ltd.	Taiwan	Building and factory construction, leasing and sales	85,594	85,594	8,559,400	47.55	83,317	(236)		Investee accounted for under equity method by SSDL
"	Mio Technology Corp.	"	Sale of communication products and related after-sale services	30,704	30,704	2,000,000	100.00	28,922	6,861		Subsidiary
"	Suiio Inc.	"	Information/software services and retail business	8,050	8,050	116,667	70.00	700	(5,370)		Subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2013			Net profit (loss) of the investee for the period ended December 31, 2013 (Note 2)	Investment income (loss) recognised by the Company for the period ended December 31, 2013 (Note 1)	Footnote
				Balance as at December 31, 2013	Balance as at December 31, 2012 (Note 3)	Number of shares	Ownership	Book value			
Silver Star Developments Ltd. and its subsidiaries	Harbinger II (BVI) Venture Capital Corp.	British Virgin Islands	Investment	\$ 43,451	\$ 43,451	1,457,850	49.96	44,423	\$ 227		Investee accounted for under equity method by SSDL
"	Mainpower International Ltd.	"	"	163,928	163,928	5,500,001	16.05	187,812	91,812		"
"	Synnex Corp.	USA	Information process services, sales of computer peripheral, system and network products	485,408	516,537	5,551,764	14.76	6,256,168	3,560,434		"
"	Harbinger Ruyi Venture Ltd.	British Virgin Islands	Investment	29,805	29,805	1,000,000	28.57	33,863	6,650		"

Note 1 : Investment profit and loss recognised from September 12, 2013 to December 31, 2013.

Note 2 : Profit and loss from investees from January 1, 2013 to December 31, 2013.

Note 3 : MiTAC International Corp. was established on September 21, 2013.

(3) Relevant Information Regarding Investments In Mainland China:

A. Basic information, change in investment balance and profits/losses recognized from the direct investment:

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2013	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the period ended December 31, 2013		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2013	Net income of investee for the period ended December 31, 2013 (Note 6)	Ownership held by the company (direct or indirect)	Investment income (loss) recognised by the Company for the period ended December 31, 2013 (Note 5)	Book value of investments in Mainland China as of December 31, 2013	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2013
					Remitted to Mainland China	Remitted back to Taiwan						
MiTAC Computer (Shunde) Corp.	Manufacturing of computer cases and monitors, etc.	\$ 3,034,219	Invest in Mainland China through investing in a company in second area	\$ 2,080,389	\$ -	\$ -	\$ 2,080,389	(\$ 73,392)	100.00	(\$ 4,677)	\$ 3,199,241	\$ -
MiTAC Computer (Kunshan) Co., Ltd.	Sales and manufacturing of computer accessories, hardware, software and related services	1,496,953	"	855,404	-	-	855,404	28,581	100.00	46,652	1,940,371	-
MiTAC Service (Shanghai) Co., Ltd.	Testing, repair and display of computer components and related products, and related technical advisory services and after-sale services	40,716	"	29,805	-	-	29,805	(4,634)	100.00	691	40,629	-
MiTAC Technology (Kunshan) Co., Ltd.	Testing, repair and display of computer components and related products, and related technical advisory services and after-sale services.	40,715	"	29,805	-	-	29,805	(1,157)	100.00	58	69,547	-
MiTAC Research (ShangHai) Ltd.	Research, development and production of computer software, sales of own-produced products and related technical advisory services	211,714	"	154,986	-	-	154,986	54,770	100.00	13,020	398,149	-
Suzhou MITAC Precision Technology Co., Ltd.	Design and manufacturing of computer chassis and its components, precision plastic injection mould, molding parts and molding equipment processing, and maintenance and repair services.	1,517,275	"	402,368	-	-	402,368	114,785	32.04	14,203	468,444	-
Mio Technology Ltd.	Sale of communication products and related after-sale services	9,641	"	7,451	-	-	7,451	(2,079)	100.00	4,159	5,523	-
MiTAC Logistic Service (Kunshan) Ltd.	Agency of freight transport, export and import trading and warehousing services	33,551	"	29,805	-	-	29,805	269	100.00	125	34,509	-

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2013	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the period ended December 31, 2013		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2013	Net income of investee for the period ended December 31, 2013 (Note 6)	Ownership held by the company (direct or indirect)	Investment income (loss) recognised by the Company for the period ended December 31, 2013 (Note 5)	Book value of investments in Mainland China as of December 31, 2013	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2013
					Remitted to Mainland China	Remitted back to Taiwan						
MiTAC Information Technology Ltd.	After-sales maintenance, testing, consulting services and related support technology services	\$ 10,076	"	\$ 8,942	-	-	\$ 8,942	2,314	100.00	\$ 2,191	\$ 38,285	-
MiTAC Innovation (Kunshan) Ltd.	Research and development of computer, server, mobile phone, PDA, GNSS and GPS, and related technology transfer, technical advisory services and technical services	32,321	"	29,805	-	-	29,805	6,205	100.00	1,238	45,520	-
CGK Zhong Shan Co., Ltd.	Manufacture and sales of optical glass, in-touch display system components and touch display mode Organizations.	248,490	"	1,618	42	-	1,660	(15,501)	0.70	-	1,660	-
MiTAC Electronics (Foshan) Co, Ltd.	Manufacture of computer mainboard, motherboard .	125,877	Invest in Mainland China through investing in a company in third area	-	-	-	-	(1,162)	100.00	11	124,509	-
Orient Optical Crystal Mfg. Co	Manufacturing of protective cover glass	20,008	Invest in Mainland China through investing in a company in second area	-	134	-	134	-	0.70	-	134	-

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 China.

Note 2 : In the 'Investment income (loss) recognised by the Company for the period ended December 31, 2013' 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) Except for the basis for the recognition of investment income for MiTAC Computer (Shunde) Corp., MiTAC Computer (Kunshan) Co., Ltd, MiTAC Research (ShangHai) Ltd. and Suzhou MITAC Precision Technology Co., Ltd. which falls into the second category mentioned above, the rest belongs to the 3rd category.

Note 3 : The related numbers in this column should be denominated in NTD.

Company name	Ending balance of investment from Taiwan on December 31, 2013	Approved investment amount by Ministry of Economic Affairs R.O.C.	Ceiling amount of the Company for investment in Mainland China (Note 4)
MiTAC International Corp.	\$3,987,499	\$3,987,499	

Note 4 : 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. 10220408560) 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 5: Investment profit and loss recognised from September 12, 2013 to December 31, 2013.

Note 6: The recognition period of the investees' profit and loss was from January 1, 2013 to December 31, 2013.

B. Significant transactions conducted with investees in Mainland China:

MiTAC International Corp.'s delivery service expenses with investees in Mainland China from September 12, 2013 to December 31, 2013 were \$76,412; for details of other significant transactions, please refer to Note 13(1)G.

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 Company's chief operating decision-maker manages business from the perspectives of cloud computing product business group and mobile communication product business group.

(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:

<u>For the period from September 12, 2013 to December 31, 2013</u>				
<u>Item</u>	<u>Cloud computing business group</u>	<u>Mobile communications business group</u>	<u>Others</u>	<u>Total</u>
Revenue	\$ 8,833,108	\$ 2,852,030	\$ 211,796	\$ 11,896,934
Segment gain (loss)	218,349	(256,881)	(91,299)	(129,831)

(3)Reconciliation for segment income (loss)

A reconciliation of loss for reportable segments to profit before tax and discontinued operations is provided as follows:

<u>Item</u>	<u>For the period from September 12, 2013 to December 31, 2013</u>
Loss for reportable segments	(\$ 129,831)
Unallocated:	
Share of profits and losses from affiliates and joint ventures accounted for under the equity method	327,463
Gain on disposal of investments	272,489
Other income	<u>174,723</u>
Profit before tax and discontinued operations	<u>\$ 644,844</u>

(4)Information on product and service

	<u>For the period from September 12, 2013 to December 31, 2013</u>
Sales	\$ 11,782,345
Other revenue	<u>114,589</u>
Total	<u>\$ 11,896,934</u>

(5)Geographical information

For the period ended December 31, 2013, revenues and noncurrent assets from certain regions are listed below:

	For the period from September 12, 2013 to December 31, 2013	
	Revenue	Assets-Noncurrent
Taiwan	\$ 84,430	\$ 3,163,511
USA	5,071,365	973,610
Europe	3,506,054	168,852
Others	3,235,085	2,857,942
Total	<u>\$ 11,896,934</u>	<u>\$ 7,163,915</u>

(6)Major customer information

For the period ended December 31, 2013, the major customer information of the Company are listed below:

For the period from September 12, 2013 to December 31, 2013			
Customer	Revenue	Percentage of total revenue	Segment
Customer B	\$ 5,292,975	44%	Cloud computing product business group

15.INITIAL APPLICATION OF IFRSs

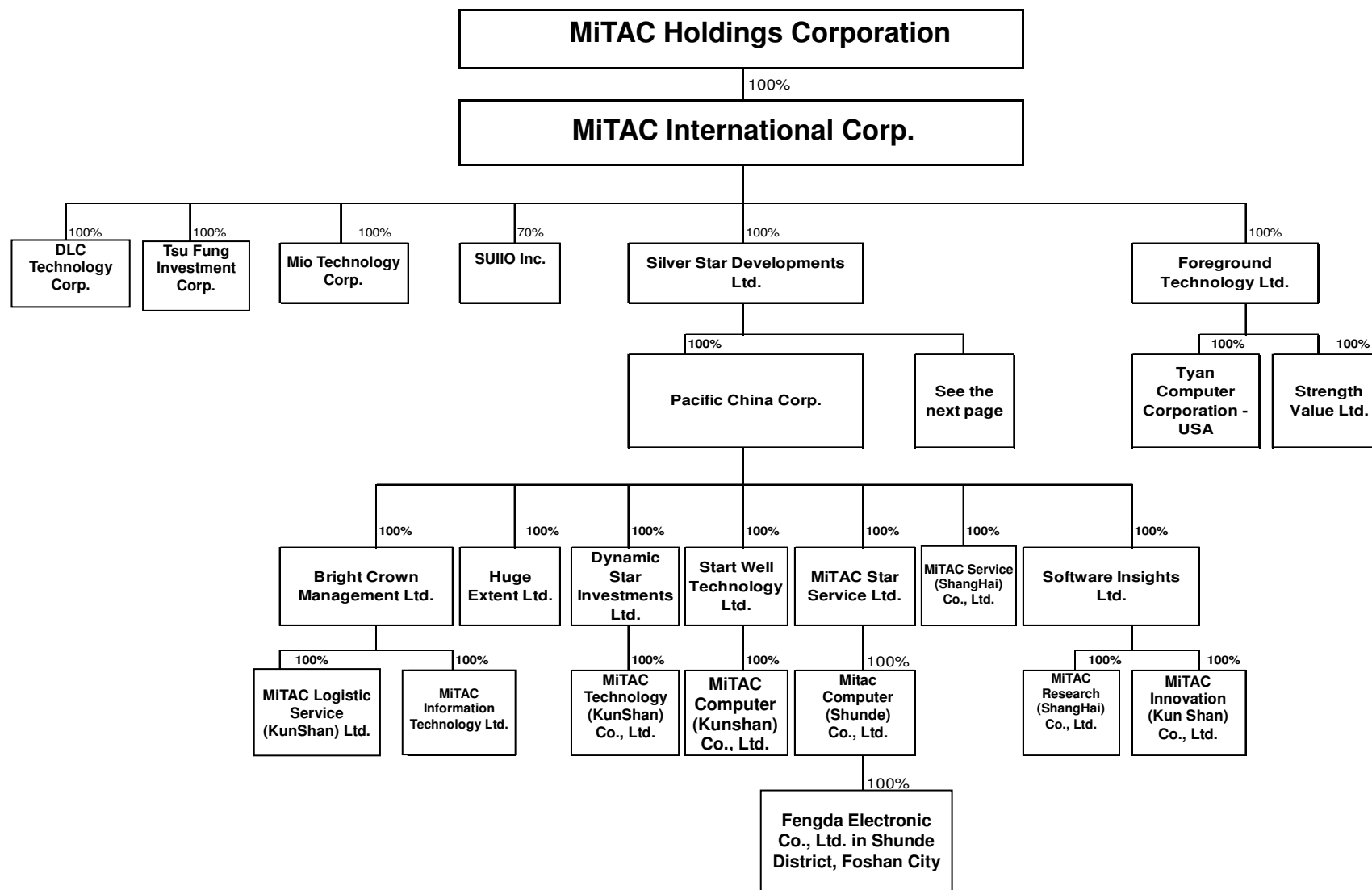
Not applicable.

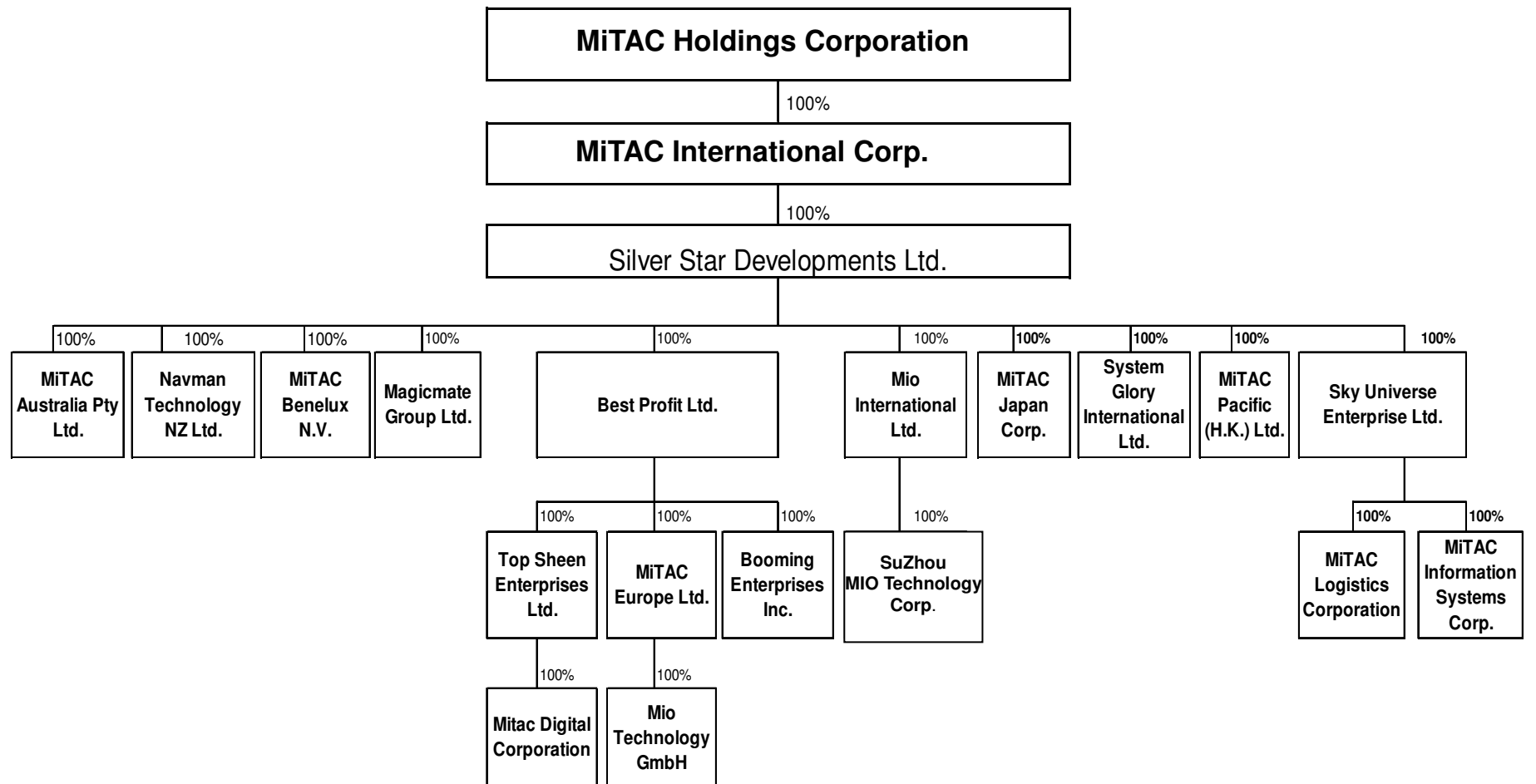
Seven. Important Notice

I. Information on subsidiaries/affiliates

(I) Consolidated report on the operation of affiliates

1. Organizational Chart of Affiliates





2. Basic information of all subsidiaries and affiliates:

UNIT: thousand dollars

Enterprise name	Date of incorporation	Address	Paid-in capital (Note)	Principal business or running items
MiTAC International Corp.	Dec. 08, 1982	No.1, Yen-Fa 2nd Rd., Hsin-Chu Science Based Industrial Park, Hsinchu County, Taiwan, R.O.C.	NT\$15,111,349	The development, design, manufacturing, and sales of computers and peripherals, communications and related products.
Tsu Fung Investment Corp.	Feb. 16, 1998	10F, No. 77. MinSheng East Road Section III, Taipei	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 after-sales maintenance and repair service
MiTAC Benelux N.V.	Sept. 13, 1993	Z5 Mollem 318 - 1730 Asse (Mollem), Belgium	EUR 1,618	Sales of communication products and related after-sales service
MiTAC Pacific (H.K.) Ltd.	Jun. 13, 1991	Level 12 28 Hennessy Road, Wanchai Hong Kong	US\$10	Sales of computer peripherals, software and hardware and related products
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	CNY 616,837	Production of mainboard, motherboard, interface cards, display card, power supply, keyboards, related metal molding parts, plastic parts, and repair of motherboard.
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	10F, No. 209, NanGang Road, Section 1, Nan Gang, Taipei	NT\$20,000	Sales of communication products and related after-sales 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, No.2 Avenue, Export Processing Zone Kunshan, Jiangsu	CNY 304,321	Production of communication, computer and peripheral products, software and hardware and related products, sales of own 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 Service (ShangHai) Co., Ltd.	Oct. 11, 2001	2 nd Level, Futebei Lu, No. 129, Waigaoqiao Bonded Special Zone, Shanghai.	CNY 8,277	Testing, maintenance, display of computer parts and components and related products, and technical consultation and after-sales service of related products.
Dynamic Star Investments Ltd.	Nov. 28, 2001	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	US\$550	General investment
MiTAC Technology (KunShan) Co., Ltd.	Jan. 28, 2002	No.269, No.2 Avenue, Export Processing Zone Kunshan, Jiangsu	CNY 8,277	Testing, maintenance, display of computer parts and components and related products, and technical consultation and after-sales service of

Enterprise name	Date of incorporation	Address	Paid-in capital (Note)	Principal business or running items
				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, Jiang Chang San Road, Zha Bei District, Shanghai	CNY 43,040	R&D, production of computer software, sales of own products and related technical consultation service.
Magimate Group Ltd.	Jul. 27, 2006	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	US\$111	General investment
Huge Extent Ltd.	Jun. 22, 2006	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	US\$8,000	General investment
Booming Enterprises Inc.	May. 18, 2006	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	US\$7,800	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 after-sales service
Navman Technology NZ Ltd.	Mar. 06, 2007	7-11 Kawana Street, Northcote Auckland, New Zealand	NZD 140	Sales of communication products and related after-sales service
MiTAC Europe Ltd.	May. 10, 2001	Spectrum House, Beehive Ring Road, London Gatwick Airport, RH6 0LG, UNITED KINGDOM	EUR 26,665	Sales of communication products and related after-sales service
DLC Technology Corporation	Jun. 20, 2007	1F, No. 40, WenHua 2nd Road, GuiShan, Taoyuan County	NT\$26,000	R&D, production of computer software, sales of own products and related technical consultation service.
Foreground Technology Ltd.	Jun. 05, 2002	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	US\$9,045	General investment
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 after-sales 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
Bright Crown Management Ltd.	Mar. 13, 2007	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	US\$700	General investment
Sky Universe Enterprise Ltd.	Mar. 13, 2007	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	US\$100	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 after-sales 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 after-sales service
Mitac Information Technology Ltd.	Nov. 19, 2009	No. 300, Di Yi Da Dao, Kunshan Development Zone, Jiangsu Province.	CNY 2,048	After-sales maintenance, testing, consultation service of computers, communication products and consumer electronics and related technical services. Establish customer service center, provide professional data

Enterprise name	Date of incorporation	Address	Paid-in capital (Note)	Principal business or running items
				processing, analysis and integration service and ERP service.
Strength Value Ltd.	May. 25, 2010	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	US\$0	General investment
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	R&D of computers, servers, cell phone, portable personal digital device and GPS navigation devices, transfer of technologies, technical consultation of related inventions and technical services
Fengda Electronic Co., Ltd. in Shunde District, Foshan City	Sep. 11, 2012	4 th Floor, Building S6, No. 1 Factory, Shunda Road, Lunjiao St., Shunde District, Foshan City	CNY 25,590	Production of computer motherboards, motherboards and adapter cards
SUIIO Inc.	Sep. 21, 2011	No.165, Sec. 2, Xi'an St., Beitou Dist., Taipei City	NT\$1,667	Information software services, retailing

Note: for information on the exchange rate as of the statement date, refer to the note 3 to operation highlights of respective affiliates and subsidiaries. (Page 158)

3. Information on the same shareholder deemed as controlling or in a parent-subsidiary relationship: None.
4. The industries in which the affiliates operate and the linkage between the affiliates:

Industry	Name of subsidiary/affiliate	Connection with other subsidiaries/affiliates in business operation
Manufacturing and sales of PC and communication products	MiTAC International Corp.	Production and sales of MiTAC products
	MiTAC Computer (Kunshan) Co., Ltd.	Production and sales of MiTAC products
	MiTAC Computer (Shunde) Ltd.	Production and sales of MiTAC products
	Fengda Electronic Co., Ltd. in Shunde District, Foshan City	Production and sales of MiTAC products
Investment and Holding Companies	Silver Star Developments Ltd.	Investment in overseas subsidiaries for the production and sales of MiTAC products with after-sales service
	System Glory International Ltd.	General investment
	Pacific China Corp.	Investment in overseas subsidiaries for the production and sales of MiTAC products with after-sales service
	Software Insights Ltd.	Investment in overseas subsidiaries for the sales of MiTAC products with after-sales service
	Start Well Technology Ltd.	Investment in overseas subsidiaries for the production and sales of MiTAC products with after-sales service
	MiTAC Star Service Ltd.	Investment in overseas subsidiaries for the production and sales of MiTAC products with after-sales service
	Dynamic Star Investments Ltd.	Investment in overseas subsidiaries for the sales of MiTAC products with after-sales service
	Magimate Group Ltd.	Investment in overseas subsidiaries for the sales of MiTAC products with after-sales service
	Huge Extent Ltd.	General investment
	Booming Enterprises Inc.	Investment in overseas subsidiaries for the sales of MiTAC products with after-sales service
	Foreground Technology Ltd.	Investment in overseas subsidiaries for the sales of MiTAC products with after-sales service
	Top Sheen Enterprises Ltd.	Investment in overseas subsidiaries for the sales of MiTAC products with after-sales service
	Best Profit Ltd.	Investment in overseas subsidiaries for the sales of MiTAC products with after-sales service
	Bright Crown Management Ltd.	Investment in overseas subsidiaries for the sales of MiTAC products with after-sales service
	Sky Universe Enterprise Ltd.	Investment in overseas subsidiaries for the sales of MiTAC products with after-sales service
	Strength Value Ltd.	General investment
	Tsu Fung Investment Corp.	General investment
Technical Service	MiTAC Research (ShangHai) Ltd.	R&D, production of computer software, sales of own products and related technical consultation service.
	DLC Technology Corporation	R&D, production of computer software, sales of own products and related technical consultation service.
	MiTAC Technology (KunShan) Co., Ltd.	After-sales maintenance and repair services on MiTAC products and provide related technical consultation services
	MiTAC Service (ShangHai) Co., Ltd.	After-sales maintenance and repair services on MiTAC products and provide related technical consultation services
	Mitac Information Technology Ltd.	After-sales maintenance and repair services on MiTAC products and provide related technical consultation services
	MiTAC Innovation (KunShan) Ltd.	R&D, production of computer software, sales of own products and related technical consultation service.
	SUIIO Inc.	Information software services, retailing
Trading	MiTAC Pacific (H.K.) Ltd.	Sales of MiTAC products and provide after-sales service
	Mio Technology Corp.	Sales of MiTAC products and provide after-sales service
	MiTAC Japan Corp.	Sales of MiTAC products and provide after-sales service
	MiTAC Benelux N.V.	Sales of MiTAC products and provide after-sales service
	Mio International Ltd.	Sales of MiTAC products
	Mio Technology (Suzhou) Ltd.	Sales of MiTAC products and provide after-sales service
	MiTAC Australia Pty Ltd.	Sales of MiTAC products and provide after-sales service
	Navman Technology NZ Ltd.	Sales of MiTAC products and provide after-sales service
	MiTAC Europe Ltd.	Sales of MiTAC products and provide after-sales service
	Tyan Computer Corporation - USA	Sales of MiTAC products and provide after-sales service
	Mio Technology GmbH	Sales of MiTAC products and provide after-sales service
	MiTAC Logistics Corporation	Sales of MiTAC products and provide after-sales service
	MiTAC Digital Corporation	Sales of MiTAC products and provide after-sales service
Trading and assembly	MiTAC Information Systems Corp.	Assembly and sales of MiTAC products and provide after-sales service
Shipping agent and import/export trade	MiTAC Logistic Service (KunShan) Ltd.	Shipping agent, import/export, and warehouse service.

5. Information on the Directors, Supervisors, and Presidents of the subsidiaries and affiliates

Enterprise name	Title	Name or representative	Shareholding	
			Quantity	Percentage of shareholding
MiTAC International Corp.	Chairman	MiTAC Holdings Corporation/Rep: Matthew Miao	1,511,134,942	100%
	Director/President	MiTAC Holdings Corporation/Rep: Billy Ho	1,511,134,942	100%
	Director	MiTAC Holdings Corporation/Rep: Michael Lin	1,511,134,942	100%
	Director	MiTAC Holdings Corporation/Rep: Chang Yao-Chun	1,511,134,942	100%
	Supervisor	MiTAC Holdings Corporation/Rep: Hu-Shi, Charles Ching	1,511,134,942	100%
Tsu Fung Investment Corp.	Chairman	MiTAC International Corp/Rep: Billy Ho	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: Doris Huang	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	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: Chang Yao-Chun	N/A	100%
	Director	Start Well Technology Ltd./Rep: King Chen	N/A	100%
	Director/President	Start Well Technology Ltd./Rep: Wu Shun-Huang	N/A	100%
	Supervisor	Doris Huang	N/A	0%
MiTAC Service (ShangHai) Co., Ltd.	Chairman	Pacific China Corp. /Rep: Billy Ho	N/A	100%
	Director/President	Pacific China Corp. /Rep: Percy Chen	N/A	100%
	Director	Pacific China Corp. /Rep: King Chen	N/A	100%
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	Doris Huang	N/A	0%
MiTAC Research (ShangHai) Ltd.	Chairman	Software Insights Ltd./Rep: Billy Ho	N/A	100%
	Director/President	Software Insights Ltd./Rep: Di-Yuan Yeh	N/A	100%
	Director	Software Insights Ltd./Rep: Crystal Yang	N/A	100%
Mio Technology Corp.	Chairman	MiTAC International Corp/Rep: Billy Ho	2,000,000	100%
	Director	MiTAC International Corp/Rep: James Juan	2,000,000	100%
	Director/President	MiTAC International Corp/Rep: King Chen	2,000,000	100%
	Supervisor	MiTAC International Corp/Rep: Doris Huang	2,000,000	100%
Start Well Technology Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
	Director	Yuan Chi-Ying	0	0%
Dynamic Star Investments Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
	Director	Yuan Chi-Ying	0	0%

Enterprise name	Title	Name or representative	Shareholding	
			Quantity	Percentage of shareholding
MiTAC Technology (KunShan) Co., Ltd.	Chairman	Dynamic Star Investments Ltd./Rep: Billy Ho	N/A	100%
	Director	Dynamic Star Investments Ltd./Rep: King Chen	N/A	100%
	Director/President	Dynamic Star Investments Ltd./Rep: Percy Chen	N/A	100%
	Supervisor	Doris Huang	N/A	0%
Mio International Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
	Director	Yuan Chi-Ying	0	0%
Magicmate Group 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%
Booming Enterprises Inc.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
	Director	Yuan Chi-Ying	0	0%
MiTAC Australia Pty Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
	Director	Liu Fung Kiu	0	0%
Navman Technology NZ Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
MiTAC Europe Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
DLC Technology Corporation	Chairman	MiTAC International Corp/Rep: Billy Ho	2,600,000	100%
	Director	MiTAC International Corp/Rep: James Juan	2,600,000	100%
	Director	MiTAC International Corp/Rep: King Chen	2,600,000	100%
	Supervisor	MiTAC International Corp/Rep: Crystal Yang	2,600,000	100%
Mio Technology (Suzhou) Ltd.	Chairman	Mio International Ltd./Rep: Billy Ho	N/A	100%
	Director	Mio International Ltd./Rep: James Juan	N/A	100%
	Director	Mio International Ltd./Rep: King Chen	N/A	100%
	Supervisor	Doris Huang	N/A	0%
	President	Di-Yuan Yeh	N/A	0%
Foreground Technology Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
	Director	Yuan Chi-Ying	0	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%
Bright Crown Management Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
	Director	Yuan Chi-Ying	0	0%
Sky Universe Enterprise 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/Vice President	Robert Chen	0	0%
MiTAC Logistic Service (KunShan) Ltd.	Chairman	Bright Crown Management Ltd./Rep: Billy Ho	N/A	100%
	Director	Bright Crown Management Ltd./Rep: Percy Chen	N/A	100%
	Director	Bright Crown Management Ltd./Rep: King Chen	N/A	100%
	Supervisor	Doris Huang	N/A	0%
	President	Wu Shun-Huang	N/A	0%

Enterprise name	Title	Name or representative	Shareholding	
			Quantity	Percentage of shareholding
MiTAC Digital Corporation	Director	Ho Jhi-Wu	0	0%
	Director/President	Fong Shu-Chi	0	0%
	Director	Yang Hsiang-Yun	0	0%
Mitac Information Technology Ltd.	Chairman	Bright Crown Management Ltd./Rep: Billy Ho	N/A	100%
	Director	Bright Crown Management Ltd./Rep: Percy Chen	N/A	100%
	Director/President	Bright Crown Management Ltd./Rep: King Chen	N/A	100%
	Supervisor	Doris Huang	N/A	0%
Strength Value Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
	Director	Yuan Chi-Ying	0	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: Billy Ho	N/A	100%
	Director/President	Software Insights Ltd./Rep: Di-Yuan Yeh	N/A	100%
	Director	Software Insights Ltd./Rep: Michael Lin	N/A	100%
	Supervisor	Crystal Yang	N/A	0%
Fengda Electronic Co., Ltd. in Shunde District, Foshan City	Chairman/President	Software Insights Ltd./Rep: J.J. Huang	N/A	100%
	Vice chairman	Software Insights Ltd./Rep: Billy Ho	N/A	100%
	Director	Software Insights Ltd. /Rep: James Juan	N/A	100%
	Supervisor	Doris Huang	N/A	0%
SUIIO Inc.	Chairman	MiTAC International Corp/Rep: Billy Ho	116,667	70%
	Director	MiTAC International Corp/Rep: Chang Yao-Chun	116,667	70%
	Director	Kuo Ming-Chuan	1,000	0.60%
	Supervisor	Yen Wen Ching	N/A	0%
	President	Chang Yuan-Hsiang	N/A	0%

6. The operation of the subsidiaries and affiliates:

In thousands of New Taiwan Dollars

Enterprise name	Capital	Total assets	Total liabilities	Net worth	Revenue	Operating Income	Earnings in current period (after tax)	EPS (after taxation)
MiTAC Holdings Corporation	7,609,488	30,557,299	3,270	30,554,029	582,398	570,792	571,287	0.78
MiTAC International Corp.	15,111,349	44,349,225	13,195,797	31,153,428	23,950,649	(188,301)	592,027	0.39
Tsu Fung Investment Corp.	1,285,847	1,423,531	420	1,423,111	43,048	3,603	3,771	0.03
Silver Star Developments Ltd.-Consolidated	6,422,841	27,049,493	11,787,893	15,261,600	37,819,826	(606,539)	331,439	1.54
MiTAC Japan Corp.	14,195	39,921	6,390	33,531	64,653	(229)	132	132.00
MiTAC Benelux N.V.	66,492	253,550	145,971	107,579	378,485	22,148	22,266	341.24
MiTAC Pacific (H.K.) Ltd.	298	69,056	66,245	2,811	0	(214)	2	0.20
System Glory International Ltd.	0	157,704	28,384	129,320	0	0	4,708	4,708,000.00
Pacific China Corp.	3,604,136	3,720,926	0	3,720,926	0	0	12	0.00
MiTAC Star Service Ltd.	2,220,473	2,236,889	0	2,236,889	0	0	0	0.00
Software Insights Ltd.	154,989	160,541	29,805	130,736	0	0	0	0.00
MiTAC Computer (Kunshan) Co., Ltd.	1,496,953	3,253,478	1,313,107	1,940,371	5,203,501	(12,170)	28,581	N/A
MiTAC Service (ShangHai) Co., Ltd.	40,716	50,637	10,008	40,629	71,494	(4,398)	(4,634)	N/A
MiTAC Computer (Shunde) Ltd.	3,034,219	5,806,697	2,607,456	3,199,241	9,896,618	(95,259)	(73,392)	N/A
MiTAC Research (ShangHai) Ltd.	211,714	452,648	54,499	398,149	312,397	13,735	54,770	N/A
Mio Technology Corp.	20,000	28,952	30	28,922	0	(21)	6,861	3.43
Start Well Technology Ltd.	891,170	1,152,293	22,594	1,129,699	0	0	73	0.00
Dynamic Star Investments Ltd.	16,393	29,813	0	29,813	0	0	0	0.00
MiTAC Technology (KunShan) Co., Ltd.	40,715	85,910	16,363	69,547	54,318	(5,225)	(1,157)	N/A
Mio International Ltd.	38,001	1,525,384	1,472,020	53,364	5,000,255	0	0	0.00
Magimate Group Ltd.	3,312	376	0	376	0	0	113	1.02
Huge Extent Ltd.	238,440	238,440	0	238,440	0	0	0	0.00
Booming Enterprises Inc.	232,479	46,822	7	46,815	0	0	10,353	1.33
MiTAC Australia Pty Ltd.	3,376	495,045	470,972	24,073	824,215	(12,603)	(6,592)	(51.91)
Navman Technology NZ Ltd.	3,427	158,450	64,475	93,975	242,809	11,921	8,563	61.16
MiTAC Europe Ltd.	1,095,665	232,870	483,762	(250,892)	832,096	(179,566)	(181,214)	(8.03)
DLC Technology Corporation	26,000	25,274	30	25,244	0	(70)	7,137	2.75
Mio Technology (Suzhou) Ltd.	9,641	87,475	81,952	5,523	116,453	(2,962)	(2,079)	N/A
Foreground Technology Ltd.	269,601	572,615	46	572,569	0	0	35,359	3.91
Tyan Computer Corporation - USA	117,739	634,957	80,957	554,000	1,880,031	39,370	35,279	35,279.00
Mio Technology GmbH	1,068	10,760	1,932	8,828	24,071	1,253	783	N/A
Top Sheen Enterprises Ltd.	609,202	1,341,225	745,125	596,100	0	0	0	0.00
Best Profit Ltd.	1,106,696	1,689,342	778,700	910,642	0	0	0	0.00
Bright Crown Management Ltd.	20,864	38,747	17,883	20,864	0	0	0	0.00
Sky Universe Enterprise Ltd.	2,981	748,106	745,125	2,981	0	0	0	0.00
MiTAC Logistics Corporation	84,945	488,366	296,593	191,773	1,197,539	24,531	22,023	220.23
MiTAC Logistic Service (KunShan) Ltd.	33,551	35,007	498	34,509	3,548	190	269	N/A
MiTAC Digital Corporation	1,341,225	1,371,756	1,695,076	(323,320)	1,906,496	(498,696)	(506,548)	(11.26)
Mitac Information Technology Ltd.	10,076	84,897	46,612	38,285	172,648	(363)	2,314	N/A
Strength Value Ltd.	0	0	0	0	0	0	0	0.00
MiTAC Information Systems Corp.	745,125	6,297,741	5,296,471	1,001,270	16,893,272	135,681	88,358	29,452.67
MiTAC Innovation (KunShan) Ltd.	32,321	68,766	23,246	45,520	79,488	4,312	6,205	N/A
Fengda Electronic Co., Ltd. in Shunde District, Foshan City	125,877	127,843	3,334	124,509	0	(3,927)	(1,162)	N/A
SUIIO Inc.	1,667	1,261	261	1,000	1,151	(5,386)	(5,370)	(32.22)

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: At the exchange rate on December 31 2013:

	December 31 2013	Average
USD:	29.805	29.689
GBP:	49.280	46.440
EUR:	41.090	39.431
JPY:	0.284	0.305
RMB:	4.919	4.828
KRW:	0.028	0.027
AUD:	26.585	28.730
NZD:	24.480	24.347

ANNUAL REPORT 2013

www.mic-holdings.com.tw