

MITAC HOLDINGS CORP.

Annual Report 2018

www.mic-holdings.com

Printed on April 1, 2019



- I. Names, position, contact number and email address of the spokesman and deputy spokesman
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 - (2) MiTAC Computing Technology Corporation
Office and factory address: 3F., No. 1, R&D Road 2, Hsinchu Science Park, Hsinchu 30076, Taiwan, R.O.C.
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Linkou Office: No. 200, Wenhua 2nd Road, Guishan District, Taoyuan City 33383, Taiwan, R.O.C.
Tel: 886-3-327-5988
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Office and factory address: No. 200, Wenhua 2nd Road, Guishan District, Taoyuan City 33383, Taiwan, R.O.C.
Tel: 886-3-396-1888
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Tel: 886-2-6636-5566
- IV. Name of CPA, accountant firm, address, website and telephone of CPA responsible for the latest annual financial statement
CPA: Wen, Fang-Yu, Cheng, Ya-Huei
Name of CPA firm: Pricewaterhouse Coopers
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Tel: 886-2-2729-6666
- V. Foreign securities listing: N/A
- VI. Company website: www.mic-holdings.com

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One. Letter to Shareholders

Dear Shareholders,

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

The Analyses of Operation Performance, Budgetary Performance, and Profitability of 2018

In 2018, MiTAC Holdings recorded a consolidated revenue of NTD30.752 billion, net profit before tax of NTD3.473 billion, and the earning per share after tax of NTD3.58. The Company did not publicly announce the financial budget for 2018. Therefore, there is not budget achievement information to be provided.

Business Operation Performance, R&D, Innovations, Applications, and Awards in 2018

1. MCT/TYAN launched an entire series of high-performance computing (HPC) and storage server that supports AMD EPYC™ Processors.
2. MCT/TYAN announced HPC, storage and cloud servers that support Intel® Xeon® Scalable Processors.
3. MCT/TYAN launched the AI inference-optimized service platform that supports NVIDIA® Tesla® Processors.
4. MCT launched ESA (Enclosure Sub Assy) and 25G Ethernet Dual-Port OCP 2.0 Adapters Mezzanine recognized by the OCP (Open Compute Project).
5. MCT announced the latest PCIE Gen4 JBOF storage system for enterprise storage, to meet the demand for high performance and low latency design.
6. In 2018, Mio has been the Ideal Consumer Navigator Brand and Best Dashboard Camera for a consecutive 10 years.
7. The “Mobile Device Management System” of MDT received the Bronze Award in the terminal products and parts and components category from AutoTronics Taipei Show.
8. Announced the new Mio MiVue™ 798 Dashboard Camera with the highest recording standards of 2K (1600) QUHD.
9. Announced the first-ever separable dashboard camera designed for motorcycles that adopt the supercapacitor design.
10. Mio has successfully entered the South-east Asian markets of Thailand, Singapore, Malaysia, and Vietnam with its dashboard camera.
11. MIC provided the intelligent environmental control and intelligence service system for the information communication industry.
12. Introduced RPA (Robotic Process Automation) into its office operating system, to improve the procedures and increase efficiency.

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

In 2019, the global IT expenses are expected to achieve US\$3.8 trillion, representing a growth of 3.2% as compared to last year. Despite many uncertainties such as the Brexit, trade wars, and customs duties, IT expenses are still expecting growth. More enterprises will participate in the digital transformation of enterprises, with their focuses gradually transferred to cloud services and IoT devices, maintaining the growth trend of data centers. The CAGR of the Connected Car field is expected to reach 23% by 2021, becoming the application with the fastest growth in the IoT market. Leverage on the strong demand of self-driving cars and Connected Car applications, the R&D for related technologies advancing alongside networking technologies and the legislation of government will be the key to future growth.

In the ever-changing global technology industry, the competition pattern constantly changes, from supply chain to the ecosystem. Therefore, an increasing number of enterprises have been using cloud computing, actions, Big Data analysis, and AI to restructure, accelerating innovations and promote the digital transformation of enterprises. Our businesses will be facing increasing challenges and more opportunities.

Prospect and Operating Direction for 2019

MiTAC Holdings Corporation seen through the revolution of digital transformation focused on customized demands, improved the coverage for value and services. MCT has been responsible for the core development of cloud data, computing equipment, and embedded system, utilizing its powerful and advanced technology R&D to embrace the open source framework. It reinforces its competitiveness with vertical and horizontal alliances, indirectly or directly provide the best overall cost solutions to customers. Focusing on automotive, IoB, and special business solutions, MDT leverages on the localized services extended through satellite navigation and technical services in relation to images extended from dashboard camera as its core strength, establishing a firm foothold to invest in the field of Connected Car with significant potentials in the future. Except for drawing up the development blueprint for the Group, making investments, and assuming the role of strategic alliances, MHC will continue to promote the digital transformation of the Group, pursue value growth and profiting, so as to return shareholders granting their long-term support with stable growth and profits.

Best regards,

Chairman: Miao, Matthew Feng Chiang

President: Ho, Jhi-Wu

Two. Company profile

I. Date of establishment: September 12, 2013

II. Company milestones

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

- Mio was named as the No.1 brand of GPS products in the 2015 Consumers' Ideal Brand organized by Management Magazine, Taiwan.
 - Mio MiVue™ 658 WIFI DashCam Recorder and Classic 630 Traffic PND with Smart Alert won the "Innovation Award in ICT Month of 2015".
 - Won the "Distinguished Partner Award" from Fujitsu.
 - Construction of MiTAC Corporate HQ in Hwa Ya Technology Park in Taoyuan City commenced.
- 2016
- Magellan® RoadMate 7670T-LM DashCam Navigator received the "2016 CES Innovations, Design and Engineering Award".
 - Mio was recognized as the Best Brand of DashCam Recorder and GPS Products in the 2016 Consumers' Ideal Brand organized by Management Magazine, Taiwan.
 - Magellan Xplorist TRX7 off-road navigator won the prestigious TU-Automotive award as the 2016 Best Aftermarket Telematics Product/Service.
 - MiCor A100 electrocardiograph wristband received EU's CE marking.
 - MiCor A100 electrocardiograph wristband received medical device license from TFDA.
 - MiTAC International Corp. invested in HEC/COMPUCASE Enterprise Co., Ltd. to boost both parties' integrated competitiveness in products, data center and healthcare industry through strategic alliance.
 - Completion of MiTAC Corporate HQ in Hwa Ya Technology Park in Taoyuan City.
- 2017
- Consecration ceremony of the building at Kunshan, China.
 - Investment in the Infopower Technologies Ltd. of India for manufacturing of electronic products in India.
 - Mio was recognized as the Best Brand of Dashcam Recorder and GPS Products in the 2017 Consumers' Ideal Brand organized by Management Magazine, Taiwan.
 - MiCor A100 electrocardiograph wristband and MiVue DashCam Recorder received iF Design Award 2017.
 - The Megellan navigation app for IoT was officially launched to market.
 - MiTAC International Corp. won the "2017 BOSE Supplier Zero-Defect Award".
 - Mio MiVue™ 792 WIFI Automobile Data Recorder won the ITMonth Top 100 Innovations Award.
 - The return trip navigation solution of Megellan was adopted by the Department of Health of New York City Government for installing at all the salt dispensing snow clearer trucks.
 - MiTAC Computing Technology Corporation was recognized by Intel with citation of its outstanding performance in the execution and operation of data center.
 - MiTAC Computing Technology Corporation was recognized by Fujitsu for

its contribution and result with the presentation of the “Supplier of 2016 Award”.

- MiTAC Computing Technology Corporation and MiTAC Information Systems Corp. won the “2016 Outstanding Partner Award” from INSPUR.
- The outstanding design and sound quality in manufacturing and delivery enabled the Company to win the “2016 Supplier Quality Award” from Symantec.
- TYAN of MiTAC Computing Technology Corporation announced the new generation of intel® Xeon® Scalable Processors platform.
- TYAN of MiTAC Computing Technology Corporation announced the AMD EPYC server for NVMe flash memory storage application service.

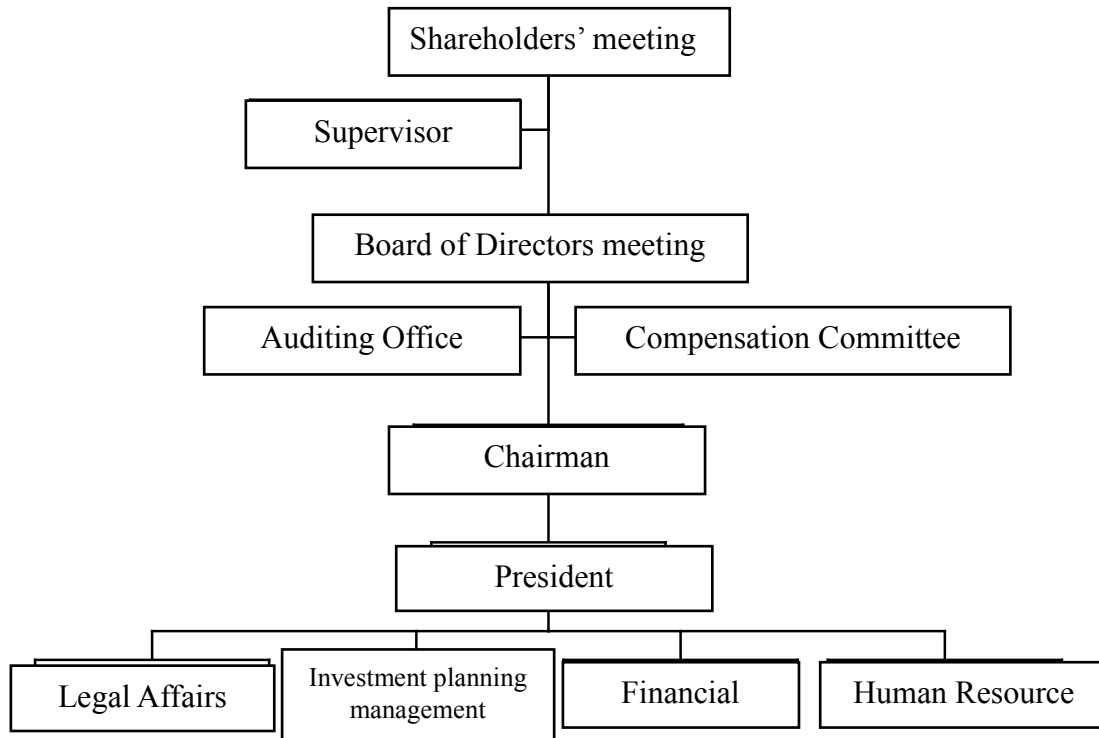
- 2018
- MiTAC International Corp. spun-off its mobile communication product business unit for the establishment of MiTAC Digital Technology Corporation, which was opened for business on the New Year day. After the spin-off, the Company has three subsidiaries, namely, MiTAC International Corporation, MiTAC Computing Technology Corporation, and MiTAC Digital Technology Corporation.
 - Mio won the championship of the 2018 Consumer Ideal Brand for GPS and Dashcam recorder.
 - MiTAC Computing Technology Corporation (MCT) was awarded the Work-Life Balance Award-Employee Assistance Award by Ministry of Labor in 2018.
 - MiTAC Digital Technology Corporation (MDT) “mobile device management system” won the “Bronze Medal Award” for terminal products and spare parts of the Taipei International Automobile Electronics Show.

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

Three. Corporate Governance

I. Organizational system

(I) Organizational Chart



(II) Departmental Business Operation

Departments	Principal business operation
Remuneration Committee	<ul style="list-style-type: none"> Stipulate and regularly review the performance of the directors, supervisors and managers; as well as the compensation policies, systems, standards and structure. Regularly evaluate and stipulate director, supervisor and manager compensation.
Auditing Office	<ul style="list-style-type: none"> Review the condition of the Company's operations and offer recommendations for improvement.
Legal Affairs	<ul style="list-style-type: none"> Contract formulation and review. Consultation, support, and provision of business-related legal service ; legal issues in other aspects.
Investment planning management	<ul style="list-style-type: none"> Assess the operation and the development of the investees and map out related investment plans. Design and establish management regulation and manage the result of operation of the investees. Shares registration and transfer.

Finance	<ul style="list-style-type: none"> • Financial operations and planning. • Evaluation and research of domestic and international investment opportunities. • Financial planning and various tax-related accounting treatment.
Human Resource	<ul style="list-style-type: none"> • Human resources strategic planning and execution. • Human resource management and talent development. • Execution and management of administration, safety, and health issues.

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

(I) Background of Directors and Supervisors

Unit: share; % ; April 1, 2019

Titles	Country or place of registration	Names	Sex	Elected/ appointed date	Term	Date First Elected	Shareholding at time of election Shareholding		Current Qty of shareholding		Shares currently held by spouse or dependents		Shares held in the names of others		Education and Experience	Concurrent duties in the Company and in other companies	Spouse or kin within two degrees of consanguinity serving as executive, director, or supervisor		
							Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage			Title	Name	Relationship
Chairman	US	Miau, Matthew Feng Chiang	Male	June 21, 2016	3-y	June 24, 2013	8,015,243	1.03%	9,869,815	1.05%	0	0.00%	0	0.00%	Santa Clara University, EMBA University of California Berkeley, California, USA, Bachelor, Electrical Engineering	CEO, MiTAC Holdings Corporation Chairman, Lien Hwa Industrial Corp. Chairman, UPC Technology Corp. Chairman, SYNEX Technology International Corp. Chairman, MiTAC Inc. Director, Getac Technology Corp. Director, MiTAC Information Technology Corp. Director, BOC Lien Hwa Industrial Gases Co., Ltd. Independent Director, Cathay Life Insurance Co., Ltd. Independent Director, Cathay Century Insurance Co., Ltd. Independent Director, Cathay United Bank Company Limited Independent Director, Cathay Financial Holding Co. Ltd. Independent Director, Cathay Securities Corporation Director, Synnex Corporation	None	None	None

Titles	Country or place of registration	Names	Sex	Elected/ appointed date	Term	Date First Elected	Shareholding at time of election Shareholding		Current Qty of shareholding		Shares currently held by spouse or dependents		Shares held in the names of others		Education and Experience	Concurrent duties in the Company and in other companies	Spouse or kin within two degrees of consanguinity serving as executive, director, or supervisor		
							Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage			Title	Name	Relationship
Director	Republic of China	Ho, Jhi-Wu	Male	June 21, 2016	3-y	June 24, 2013	2,139,863	0.27%	2,485,337	0.27%	0	0.00%	0	0.00%	Ms Computer Science, Fairleigh Dickinson University Ma International Economics, San Diego State University Marketing Manager, Pao Hwa Trading Co., Ltd.	President, MiTAC Holdings Corporation Director and President, MiTAC International Corp. Chairman and CEO of MiTAC Computing Technology Corporation Chairman and CEO of MiTAC Digital Technology Corporation Chairman, Tsu Fung Investment Corporation Director, 3-Probe Technologies Co., Ltd. Director, LFE Aerospace Industry Corp. Director, Promise Technology, Inc. Director, Whetron Electronics Co., Ltd	None	None	None
Director	Republic of China	MiTAC Inc.	-	June 21, 2016	3-y	June 24, 2013	61,228,286	7.84%	73,199,606	7.81%	0	0.00%	0	0.00%	None	None	None	None	None
	Republic of China	Rep.: Hsu, Tzu-Hwa	Male	June 21, 2016	3-y	September 13, 2013	0	0.00%	0	0.00%	0	0.00%	0	0.00%	PhD, Electronic Engineering, University of California, Berkeley, California, USA President, LFE Aerospace Industry Corp. Vice Chairman of Board, East Tender Optoelectronics Corp. Independent Director, LuxNet Corporation	None	None	None	None

Titles	Country or place of registration	Names	Sex	Elected/ appointed date	Term	Date First Elected	Shareholding at time of election Shareholding		Current Qty of shareholding		Shares currently held by spouse or dependents		Shares held in the names of others		Education and Experience	Concurrent duties in the Company and in other companies	Spouse or kin within two degrees of consanguinity serving as executive, director, or supervisor		
							Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage			Title	Name	Relationship
Director	Republic of China	UPC Technology Corp.	-	June 21, 2016	3-y	June 24, 2013	64,814,078	8.30%	77,486,490	8.27%	0	0.00%	0	0.00%	None	None	None	None	None
	Republic of China	Rep.: Way, Yung-Do	Male	June 21, 2016	3-y	June 24, 2013	0	0.00%	0	0.00%	0	0.00%	0	0.00%	MBA of Georgia University BA of Accountancy, Soochow University Senior Auditor, Deloitte Haskins & Sells, USA CEO, Deloitte	Independent Director, Technology SYNNEX International Corporation Independent Director, Far Eastern Dept. Stores Ltd. Independent Director, Cathay Financial Holding Co. Ltd. Independent Director, Cathay United Bank Company Limited Director, Vanguard International Semiconductor Corporation Director, Iron Force Industrial Co., Ltd. Chairman of Board, Wincome Industrial Co. Director, Chilisin Electronics Corp. Supervisor, Kaimei Electronic Corp.	None	None	None

Titles	Country or place of registration	Names	Sex	Elected/ appointed date	Term	Date First Elected	Shareholding at time of election Shareholding		Current Qty of shareholding		Shares currently held by spouse or dependents		Shares held in the names of others		Education and Experience	Concurrent duties in the Company and in other companies	Spouse or kin within two degrees of consanguinity serving as executive, director, or supervisor			
							Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage			Title	Name	Relationship	
	Republic of China	Rep: Chang, Kwang-Cheng	Male	June 21, 2016	3-y	September 13, 2013	0	0.00%	0	0.00%	0	0.00%	0	0.00%	PhD. Atmospheric Science, State University of New York, USA Honorary Doctorate in Theology, Dallas Baptist University, USA Honorary Doctorate, Tokyo Denki University MBA, State University of New York, USA Master of Atmospheric Science, State University of New York, USA Bachelor of Metrology, Dept. of Geography, National Taiwan University Director, Commerce Development Research Institute President, Shih Chien University President, Minghsin University of Science and Technology Visiting Professor, School of Business, University of Hawaii President, Chung Yuan Christian University Independent Director, Taiwan Power Company	None	None	None	None	
Independent Director	Republic of China	Lu, Shyue-Ching	Male	June 21, 2016	3-y	June 21, 2016	0	0.00%	0	0.00%	0	0.00%	0	0.00%	EngD, Department of Electrical Engineering, University of Hawaii, USA BS, Department of Engineering Science, National Cheng Kung U. Director, Institute of Telecommunication, Ministry of Transportation and Communication, ROC Head, Division of Posts and Telecommunications Ministry of Transportation and Communication Deputy Director, Directorate-General of Telecommunication General Manager, Chunghwa Telecom Co., Ltd. Chairman, Chunghwa Telecom Co., Ltd.	Independent Director, Radium Life Tech. Co., Ltd. Director, Sercomm Corporation Director, CTCI Advanced Systems Inc. Director, XRSpace Co., Ltd	None	None	None	None

Titles	Country or place of registration	Names	Sex	Elected/ appointed date	Term	Date First Elected	Shareholding at time of election Shareholding		Current Qty of shareholding		Shares currently held by spouse or dependents		Shares held in the names of others		Education and Experience	Concurrent duties in the Company and in other companies	Spouse or kin within two degrees of consanguinity serving as executive, director, or supervisor		
							Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage			Title	Name	Relationship
Independent Director	Republic of China	Ma, Shaw-Hsiang	Male	June 21, 2016	3-y	June 21, 2016	0	0.00%	0	0.00%	0	0.00%	0	0.00%	BBA, Hitotsubashi University Chairman, MACISCO Ltd. Director & General manager, Federal Corp. General Manager, Jiangsu Jiaguo Construction Materials Processing Warehouse Co., Ltd.	Director, Federal Corp. Chairman, MAXON Corp.	None	None	None
Supervisor	Republic of China	Chiao, Yu-Cheng	Male	June 21, 2016	3-y	June 24, 2013	0	0.00%	0	0.00%	0	0.00%	0	0.00%	MSEE, Washington University, USA MS in Telecommunication Engineering, Chiao Tung University Chairman, Walsin Lihwa	Chairman and CEO, Winbond Electronics Corp. Chairman, Nuvoton Technology Corporation Director, Walsin Lihwa Director, Walsin Technology Corp. Independent Director, Technology SYNNEX International Corporation Independent Director, Taiwan Cement Corporation	None	None	None
Supervisor	Republic of China	Lien Hwa Industrial Corp.	-	June 21, 2016	3-y	June 24, 2013	47,191,655	6.05%	66,725,113	7.12%	0	0.00%	0	0.00%	None	None	None	None	None

Titles	Country or place of registration	Names	Sex	Elected/ appointed date	Term	Date First Elected	Shareholding at time of election Shareholding		Current Qty of shareholding		Shares currently held by spouse or dependents		Shares held in the names of others		Education and Experience	Concurrent duties in the Company and in other companies	Spouse or kin within two degrees of consanguinity serving as executive, director, or supervisor		
							Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage			Title	Name	Relationship
	Republic of China	Representative: Su Liang (Hold the position on July 3, 2018)	Male	July 3, 2018	3-y	July 3, 2018	0	0.00%	0	0.00%	9	0.00%	0	0.00%	Master, Master's Program of Information Management Department of Tamkang University Bachelor, Department of Computing and Control Engineering of NCTU Completion of the entrepreneur management development program of National Chengchi University	Vice Chairman of Board and President, MiTAC Inc. Chairman of Board and President, MiTAC Information Technology Corp. Independent Director, Mao Bao Inc. Director, EasyCard Corporation Director, ARES International Corp. Director, Far Eastern Electronic Toll Collection Co., Ltd. Director, MiTAC Hikari Corp. Director, CECI Engineering Consultants, Inc. Director, FETC International Co, Ltd. Director, Institute for Information Industry Supervisor, EasyCard Investment Holding Co., Ltd.	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 1, 2019

Name of institutional shareholders (Note 1)	Major shareholders of institutional shareholders (Note 2)	
	Name of shareholder	Percentage of shareholding (%)
UPC Technology Corp.	Lien Hwa Industrial Corp.	31.25
	Synnex Technology International Corporation	5.17
	Yi Yuan Investment Co., Ltd.	1.61
	Liberty Stationery Corp.	1.55
	Tong Da Investment Corporation	1.24
	Tsu Fung Investment Corporation	1.23
	MiTAC International Corp.	1.21
	Investment account of Norges Bank entrusted for custody to Citibank Taiwan	1.16
	Mei An Investment Co., Ltd.	1.14
	Ha Mao Co., Ltd.	1.12
MiTAC Inc.	Lien Hwa Industrial Corp.	35.24
	Synnex Technology International Corporation	18.36
	Mei An Investment Co., Ltd.	10.54
	MiTAC International Corp.	8.69
	Tsu Fung Investment Corporation	4.40
	Miau, Matthew Feng Chiang	3.05
	Hua Cheng Investment Co., Ltd.	1.92
	Bao Hsin International Investment Co., Ltd.	1.18
	Yi Feng Investment Co., Ltd.	0.75
	Hong Ding Investment Co., Ltd.	0.74
Lien Hwa Industrial Corp.	UPC Technology Corp.	9.68
	Yi Yuan Investment Co., Ltd.	9.14
	Yi Feng Investment Co., Ltd.	4.86
	Jason Chow	3.32
	Miao, Feng-Sheng	3.28
	Miau, Matthew Feng Chiang	3.19
	Miao, Feng-Chuan	3.02
	Y.S. Educational Foundation	3.00
	Lien Hwa Industrial Corp. Employee Welfare Committee	2.82
	MiTAC International Corp.	2.79

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

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

Note 3: As the corporate shareholders' share transfer has not yet been suspended at the 2019 general shareholders' meeting by the date of publication of the Company's annual report, the related information and Table 2 refers to that available on the date of share transfer suspension at the 2018 general shareholders' meeting.

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

April 1, 2019

Name of institutional shareholder (Note 1)	Major shareholders of institutional shareholders (Note 2)	
	Name of shareholder	Percentage of shareholding (%)
Lien Hwa Industrial Corp.	UPC Technology Corp.	9.68
	Yi Yuan Investment Co., Ltd.	9.14
	Yi Feng Investment Co., Ltd.	4.86
	Jason Chow	3.32
	Miao, Feng-Sheng	3.28
	Miau, Matthew Feng Chiang	3.19
	Miao, Feng-Chuan	3.02
	Y.S. Educational Foundation	3.00
	Lien Hwa Industrial Corp. Employee Welfare Committee	2.82
	MiTAC International Corp.	2.79
Synnex Technology International Corporation	MiTAC Inc.	13.92
	HSBC in its capacity as master custodian for investment account of Tiger Pacific Capital	5.73
	Morgan Stanley & Co International PLC investment account held in custody by HSBC Bank (Taiwan) Limited	3.71
	Fubon Life Insurance Co., Ltd.	3.34
	Tu, Shu-Wu	2.17
	Management Board of Public Service Pension Fund	2.15
	Lien Hwa Industrial Corp.	2.04
	Miau, Matthew Feng Chiang	1.90
	Cathay Life Insurance Co., Ltd.	1.85
	Special Account for Vanguard Newly Emerged Market ETF Fund in the custody of Standard Chartered Bank.	1.48
Liberty Stationery Corp.	Zhi-Jiang Investment Co., Ltd.	21.09
	Masateru Kadota	10.39
	Akira Kadota	8.88
	Yayoi Kadota	8.88
	Takanori Kadota	8.79
	Complete Connection Limited	5.70
	Sun, Li-Kang	5.29
	Yu, Ching-Shen	5.13
	Chang, Jeng	3.50
	Chang, Cheng	3.50
Yi Yuan Investment Co., Ltd.	Overcome Holdings Limited (British Virgin Islands)	100.00
Tong Da Investment Corporation	Ho Li Investment Co., Ltd.	19.99
	Chou, Te-Chien	0.05
	Synnex Technology International Corporation	19.99
	Hua Cheng Investment Co., Ltd.	19.99
	Wei Cheng Investment Co., Ltd.	19.99
	Tsu Fung Investment Corporation	19.99

Name of institutional shareholder (note 1)	Major shareholders of institutional shareholders (note 2)	
	Name of shareholder	Percentage of shareholding (%)
Tsu Fung Investment Corporation	MiTAC International Corp.	100.00
MiTAC International Corp.	MiTAC Holdings Corporation	100.00
Investment account of Norges Bank entrusted for custody to Citibank Taiwan	Non-corporate entity (n/a)	-
Mei An Investment Co., Ltd.	Vision Quest Overseas Ltd.	82.25
	JumpStart Investments Ltd.	16.67
	Others	1.08
Ha Mao Co., Ltd.	Foreign investor	-
UPC Technology Corp.	Lien Hwa Industrial Corp.	31.25
	Synnex Technology International Corporation	5.17
	Yi Yuan Investment Co., Ltd.	1.61
	Liberty Stationery Corp.	1.55
	Tong Da Investment Corporation	1.24
	Tsu Fung Investment Corporation	1.23
	MiTAC International Corp.	1.21
	Investment account of Norges Bank entrusted for custody to Citibank Taiwan	1.16
	Mei An Investment Co., Ltd.	1.14
	Ha Mao Co., Ltd.	1.12
Yi Feng Investment Co., Ltd.	Rich Cycle Limited (British Virgin Islands)	100.00
Y.S. Educational Foundation	Non-corporate entity (n/a)	-
Lien Hwa Industrial Corp. Employee Welfare Committee	Non-corporate entity (n/a)	-
Hua Cheng Investment Co., Ltd.	Lien Hwa Industrial Corp.	100.00
Bao Hsin International Investment Co., Ltd.	Hon Hai Precision Industry Co., Ltd.	100.00
Hong Ding Investment Co., Ltd.	Tu, Shu-Wu	8.55
	Tu, Hai-Chen	7.69
	Tu, Ying-Rong	41.88
	Tu, Ying-Hsuan	41.88

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

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

- (1) Not an employee of the Company or its subsidiaries or affiliates.
- (2) Not a director or supervisor of the Company or its subsidiaries or affiliates (except an independent director of an investee of the Company, of the parent of the Company, or subsidiaries).
- (3) The person, the spouse, underage children, who hold more than 1% of the outstanding shares or one of the top 10 shareholders who are natural persons or who hold shares of this company under the title of a third party.
- (4) Not the spouse, kin within the 2nd tier or the next of kin within the 3rd tier of any of the parties mentioned in previous three paragraphs.
- (5) Not a director, supervisor or employee of an institutional shareholders holding more than 5% of the outstanding shares of the Company, or of the top five institutional shareholders.
- (6) Not a director, supervisor, manager, or shareholder holding more than 5% of the outstanding shares of specific company or institution having business 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 Remuneration Committee members who perform duties in accordance with Article 7 of the “Regulation Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter” are not subject to this restriction.

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

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

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

Unit: share; % ; April 1, 2019

Titles	Nationality	Names	Sex	Elected/ appointed date	Shareholding		Shares held by spouse or dependents		Shares held in the names of others		Education and Experience	Concurrent duties in other companies	Spouse or kin within two degrees of consanguinity serving in management position		
					Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage			Title	Name	Relationship
CEO	US	Miau, Matthew Feng Chiang	Male	August 07, 2015	9,869,815	1.05%	0	0.00%	0	0.00%	Santa Clara University, EMBA University of California Berkeley, California, USA, Bachelor, Electrical Engineering	Chairman, Lien Hwa Industrial Corp. Chairman, UPC Technology Corp. Chairman, SYNnex Technology International Corp. Chairman, MiTAC Inc. Director, Getac Technology Corp. Director, MiTAC Information Technology Corp Director, BOC Lien Hwa Industrial Gases Co., Ltd. Independent Director, Cathay Life Insurance Co., Ltd. Independent Director, Cathay Century Insurance Co., Ltd. Independent Director, Cathay United Bank Company Limited Independent Director, Cathay Financial Holding Co. Ltd. Independent Director, Cathay Securities Corporation Director, Synnex Corporation	None	None	None
President	Republic of China	Ho, Jhi-Wu	Male	September 12, 2013	2,485,337	0.27%	0	0.00%	0	0.00%	Ms Computer Science, Fairleigh Dickinson University Ma International Economics, San Diego State University Marketing Manager, Pao Hwa Trading Co., Ltd.	Director and President, MiTAC International Corp. Chairman and CEO of MiTAC Computing Technology Chairman and CEO of MiTAC Digital Technology Chairman, Tsu Fung Investment Corporation Director, 3-Probe Technologies Co., Ltd. Director, LFE Aerospace Industry Corp. Director, Promise Technology, Inc. Director, Whetron Electronics Co., Ltd	None	None	None
Vice President and head of finance	Republic of China	Huang, Hsiu-Ling	Female	September 12, 2013	461,572	0.05%	0	0.00%	0	0.00%	Bachelor, Public Finance, National Chung Hsing University Director of General Management Dept., Hanrei Technology Corporation	Vice President, Finance Center, MiTAC International Corp. Director, LFE Aerospace Industry Corp. Supervisor, Tsu Fung Investment Corp.	None	None	None

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

Remunerations to the Directors

2018

Unit: In thousands of New Taiwan Dollars/ thousand shares

Title	Name	Remuneration to the Directors								A、B、C and D Total of A, B, C and D in proportion to Earnings after taxation		Remuneration from holding employee positions								Total of A, B, C, D, E, F and G in proportion to earnings after taxation		Investment Remuneration from investees other than subsidiaries (H)
		Compensation (A)		Retired Pension (B)(Note 1)		Director remuneration (C)(Note 2)		Business expenses (D)				Salaries, bonus, and special expenses (E)		Pension (F) (Note 1)		Employee remuneration (G) (Note 3)						
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies in the financial statements		The Company	All companies included in the financial statements	
																In cash Amount	In shares Amount	In cash Amount	In shares Amount			
Chairman	Miau, Matthew Feng Chiang	552	552	-	-	2,800	2,800	120	120	0.11%	0.11%	-	14,470	-	-	2,500	-	2,500	-	0.18%	0.62%	96
Director	Ho, Jhi-Wu																					
Director	MiTAC Inc. Rep.: Hsu, Tzu-Hwa																					
	UPC Technology Corp. Rep.: Way, Yung-Do																					
Director	Rep.: Chang, Kwang-Cheng																					
	Lu, Shyue-Ching																					
Independent Director	Ma, Shaw-Hsiang																					

Note 1: The figure for pension is appropriated amount.

Note 2: Represents the amount of directors' remuneration that the board has proposed as part of the latest earnings appropriation.

Note 3: The amount of remuneration to employees planned to pay in the most recent year.

Note 4: Total remuneration as a percentage of net income stated in the entity financial reports as paid by the Company and by each other company included in the consolidated financial statements to the Company's directors during the past 2 fiscal years, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

The remuneration to directors is decided by the Board of Directors pursuant to the Company's Articles of Incorporation, based on the suggestion proposed by Remuneration Committee, typical pay levels adopted by peer companies and future risk payment. Further, according to Article 25 of the Company's Articles of Incorporation, if the Company has profit at the year's final accounting, it shall allocate no more than 1% thereof as the remuneration to directors/supervisors.

The net income after tax increased in 2018 from 2017. Notwithstanding, in consideration of the decline in profit earned by the core business, the total remuneration to the directors of the Company and all companies included in the consolidated financial statements decreased from 2017, therefore, the percentage of total remuneration to net income declined from 2017 which was 0.19%.

Note 5: The Company does not disclose the name and remuneration of particular director. Therefore, the disclosure of remunerations was presented on a salary scale with the names of all concerned.

Note 6: Further to the aforementioned disclosure, the remunerations received by the Directors of the Company for rendering service to all companies included in the financial statements (like a consultant) : None.

Salary Scale

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

Remuneration to supervisors

2018

Unit: In thousands of New Taiwan Dollars

Title	Name	Remuneration to supervisors						Total of A, B, and C in proportion to earnings after taxation		Remuneration from investees other than subsidiaries (D)
		Compensation (A)		Remuneration (B)(Note 1)		Business expenses (C)				
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	
Supervisor	Chiao, Yu-Cheng	144	144	800	800	36	36	0.03%	0.03%	0
Supervisor	Lien Hwa Industrial Corp.									
	Rep: Ching, Hu-Shih (Discharged on July 3, 2018)									
	Representative: Su Liang (the new representative holding the position on July 3, 2018)									

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

Note 2: Total remuneration, as a percentage of net income stated in the entity financial reports, as paid by the Company and by each other company included in the consolidated financial statements to the Company's supervisors during the past 2 fiscal years, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

The remuneration to supervisors is decided by the Board of Directors pursuant to the Company's Articles of Incorporation, based on the suggestion proposed by Remuneration Committee, typical pay levels adopted by peer companies and future risk payment. Further, according to Article 25 of the Company's Articles of Incorporation, if the Company has profit at the year's final accounting, it shall allocate no more than 1% thereof as the remuneration to directors/supervisors. The net income after tax increased in 2018 from 2017. Notwithstanding, in consideration of the decline in profit earned by the core business, the total remuneration to the supervisors of the Company and all companies included in the consolidated financial statements decreased from 2017 and, therefore, the percentage of total remuneration to net income declined from 2017 which was 0.05%.

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

Salary Scale

Bracket of salaries paid to supervisors of the Company	Name of supervisor	
	Total of first 3 items (A+B+C))	
	The Company	Companies included into the financial statement
Less than NT\$2,000,000	Chiao, Yu-Cheng/ Lien Hwa Industrial Corp./Ching, Hu-Shih/Su Liang	Chiao, Yu-Cheng/ Lien Hwa Industrial Corp./Ching, Hu-Shih/Su Liang
NT\$2,000,000 (Inclusive) ~ NT\$5,000,000 (Exclusive)		
NT\$5,000,000 (Inclusive) ~ NT\$10,000,000(Exclusive)		
NT\$10,000,000 (Inclusive) ~ NT\$15,000,000(Exclusive)		
NT\$15,000,000 (Inclusive) ~ NT\$30,000,000(Exclusive)		
NT\$30,000,000 (Inclusive) ~ NT\$50,000,000(Exclusive)		
NT\$50,000,000 (Inclusive) ~ NT\$100,000,000(Exclusive)		
More than NT\$100,000,000		
Total	4	4

Remuneration to President and Vice Presidents

Unit: In thousands of New Taiwan Dollars/ thousand shares, 2018

Unit: in thousands of New Taiwan Dollars/ thousand shares, 2019														
Title	Name	Salaries (A)		Pension (B)(Note 1)		Bonus and special expenses (C)		Employee remuneration (D) (Note 2)				Total of A, B, C, and D in proportion to earnings after taxation (%)		Remuneration from investees other than subsidiaries (E)
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
								Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares			
CEO	Miau, Matthew Feng Chiang	-	8,949	-	164	-	10,020	3,000	-	3,000	-	0.09%	0.67%	100
President	Ho, Jhi-Wu													
Vice president and head of finance	Huang, Hsiu-Ling													

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

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

Note 3: Total remuneration as a percentage of net income stated in the entity financial reports as paid by the Company and by each other company included in the consolidated financial statements to the Company's presidents and vice presidents during the past 2 fiscal years, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure. The remunerations to presidents and vice presidents are commensurate with their personal performance and contribution to the overall operation of the Company and based on the recommendation proposed by Remuneration Committee, typical pay levels adopted by peer companies and future risk payment. The total remuneration to the Company's presidents and vice presidents to the net income after tax in 2018 was equivalent to that in 2017. The net income after tax increased in 2018 from 2017. Notwithstanding, in consideration of the decline in profit earned by the core business, the total remuneration to presidents and vice presidents of the Company and all companies included in the consolidated financial statements decreased from 2017 and, therefore, the percentage of total remuneration to net income declined from 2017 which was 0.93%.

Salary Scale

Brackets of salaries to the President and all Vice Presidents	Name of President and Vice Presidents	
	Total remuneration (A+B+C+D)+(E)	
	The Company	All investees
Less than NT\$2,000,000	Miau, Matthew Feng Chiang/Ho, Jhi-Wu/Huang, Hsiu-Ling	
NT\$2,000,000 (inclusive) ~NT\$5,000,000		
NT\$5,000,000 (inclusive) ~NT\$10,000,000		Miau, Matthew Feng Chiang/Huang, Hsiu-Ling
NT\$10,000,000 (inclusive)~NT\$15,000,000		Ho, Jhi-Wu
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	3	3

Names of managers entitled to employee remuneration and amount entitled

Unit: In thousands of New Taiwan Dollars

	Title	Name	Amount paid in shares	Amount paid in cash	Total	Total proportion earning after taxation (%)
Managers	CEO	Miau, Matthew Feng Chiang	-	3,000	3,000	0.09%
	President	Ho, Jhi-Wu				
	Vice president and head of finance	Huang, Hsiu-Ling				

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

IV. Corporate governance

- (I) The function of the Board: The Board convened for 5 instances (A) in 2018. The attendance of the Directors to the meetings is shown below:

Title	Name	Attendance in person B	Attendance by proxy	Percentage of actual attendance (%) [B/A]	Note
Chairman	Miau, Matthew Feng Chiang	5	0	100.00%	
Director	Ho, Jhi-Wu	5	0	100.00%	
Director	UPC Technology Corp. Rep.: Way, Yung-Do	5	0	100.00%	
Director	UPC Technology Corp. Rep: Chang, Kwang-Cheng	4	1	80.00%	
Director	MiTAC Inc. Rep.: Hsu, Tzu-Hwa	5	0	100.00%	
Independent Director	Lu, Shyue-Ching	5	0	100.00%	
Independent Director	Ma, Shaw-Hsiang	5	0	100.00%	

Special notes:

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

- (I) Pursuant to Article 14-3 of the Securities and Exchanges Act:

Board of Directors' meeting			Opinions of the Independent Directors	The Company's response towards independent directors' opinions
Date	Term	Subject Matter		
January 25, 2018	2018 1st session	The review of the year-end bonus for the managers in 2017 for resolution.	None	None
		Financing to subsidiary –MiTAC Digital Technology Corporation at the limit of NT\$1 billion.	None	None
		The Board acted in favor of the motion for acceptance of the ESO previously issued by MiTAC International Corp. for exercise in Q4 2017 in the subscription of common shares for capitalization into new shares.	None	None
March 23, 2017	2018 2nd session	Passed to capitalize earnings into share capital against issuance of 121,689,895 new common shares.	None	None
		Motion for early termination of the facility and lending of new facility to MIC.	None	None
May 10, 2018	2018 3rd session	Resolved to pass the motion for acceptance of the employee stock warrants issued by MIC for exercise in Q1 of 2017 in the subscription for common shares for capitalization into new shares.	None	None
August 10, 2017	2018 4th session	Review the salary adjustment of managers in 2018 for resolution.	None	None
		Review of the remuneration of employees to the managers in 2017 and the year-end bonus of 2018 for resolution.	None	None
		The Board acted in favor of the motion for acceptance of the ESO previously issued by MiTAC International Corp. for exercise in Q2 2018 in the subscription of	None	None

		common shares for capitalization into new shares.		
		Resolved to pass the annulment of 5th buyback treasury stock not transferred to employees within prescribed time limit.	None	None
		The mainland China subsidiary of MIC, MiTAC Computer (Kunshan) CO., Ltd., increased capital of its subsidiary in the mainland China, MiTAC Information Systems (Kunshan) Co., Ltd., by RMB120 million with its own capital.	None	None
November 9, 2018	2017 5th session	The Board acted in favor of the motion for acceptance of the ESO previously issued by MiTAC International Corp. for exercise in Q3 2018 in the subscription of common shares for capitalization into new shares.	None	None

(II) Further to the aforementioned matters, other adverse or qualified opinions of the Independent Directors on the resolutions of the Boards on record or in written declaration: None.

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

Board of Directors' meeting Date	Term	Avoid the conflict of interest Name of director	Subject Matter	Reasons for the avoidance of the conflict of interest	Participation in deliberation
January 25, 2018	2018 1st session	Miau, Matthew Feng Chiang Ho, Jhi-Wu	Review of the year-end bonus for the managers in 2017 for resolution.	Concurrently serving as manager	Passed unanimously as proposed by all attending directors entitled to vote.
August 10, 2018	2018 4th session	Miau, Matthew Feng Chiang Ho, Jhi-Wu	Review of the salary adjustment for the managers in 2018 for resolution.	Concurrently serving as manager	Passed unanimously as proposed by all attending directors entitled to vote.
		Miau, Matthew Feng Chiang Ho, Jhi-Wu	Review of the remuneration of employees to the managers in 2017 and the year-end bonus of 2018 for resolution.	Concurrently serving as manager	Passed unanimously as proposed by all attending directors entitled to vote.

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

1. The Company has established a "Board of Directors Meeting Procedure" and implemented accordingly; all major resolutions made by the Board of Directors are disclosed on the Company's website.
2. The Company also discloses information about Directors' and Supervisors' meeting attendance and continuing education regularly onto the "Corporate Governance" section of the Market Observation Post System, and thereby ensure the timeliness and transparency of information disclosed.
3. The Company has passed the motion for the establishment of the "Regulations for the Evaluation of the Performance of the Board" in the session held on November 8, 2016 thereby performance of the Board shall be subject to internal evaluation at least once a year and report to the Board.
4. The Company established the Audit Committee in 2019. The Company will also strengthen the functions of the Board of Directors as required by various laws and corporate governance in the future.

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

(III) Supervisors' participation in Board of Directors meetings: A total of 7 (A) board meetings were held in 2018; below are the attendance records:

Title	Name	Attendance in person (B)	Attendance rate (%) [B/A]	Note
Supervisor	Chiao, Yu-Cheng	4	80.00%	
Supervisor	Lien Hwa Rep: Ching, Hu-Shih	3	100.00%	Discharged on July 3, 2018 / to be present 3 times
Supervisor	Lien Hwa Representative: Su Liang	2	100.00%	Hold the position on July 3, 2018 / to be present 2 times

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 external auditors (e.g., the financial position, operation, and issues involved, and method and result of communication):
 1. The independent directors and supervisors of the Company can investigate the operation and financial position of the Company at any time, and request the Board of Directors and managers to report. Where necessary, they may contact the external auditors of the Company.
 2. The chief internal auditor of the Company shall present audit reports to the independent directors and supervisors at regular intervals.
 3. Summary of the communications among the Independent Directors, Supervisors, and Chief Internal Auditors in 2018:
 - (1) Report on the operation of the Auditing Office.
 - (2) The findings of the internal audit of the internal control system in 2017 indicated no material defect with the issuance of the "Declaration of Internal Control" for proof of the effectiveness in the design and implementation of the internal control system of the Company.
 - (3) Audit Plan in 2019.
 4. Summary of the communications among the Independent Directors, Supervisors, and certified public accountants in 2018:
 - (1) Communication with the governance unit:
 - (a) Scope of audit
 - Audit on the financial statements of the group
 - Materiality and audit opinions
 - (b) Matters for communication
 - Significant accounting estimate
 - Key audit matters
 - Major adjustment of listing
 - Other matters for communication
 - (c) Latest update in laws & regulations and accounting standards
 - Amendments to the Income Tax Act of Taiwan
 - IFRS 9 "Financial Instruments"
 - IFRS 15 "Revenue from Contracts with Customers"
 - IFRS 16 "Lease"
 - (2) Introduction to the amendments to the Company Act:
 - (a) Compromise of the latest amendments
 - (b) 6 major focuses of the amendments disclosed by the Executive Yuan
 - (c) Observation of the latest amendments

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

(IV) The pursuit of corporate governance, variation from the Corporate Governance Best Practice Principles for TWSE/GTSM-listed Companies and the reasons:

Assessment criteria	Corporate governance in action			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
I. Has the Company established and disclosed its corporate governance principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?”	✓		The Company has established corporate governance principles in accordance with “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and published onto its website and on MOPS.	Compliant with the rationale and practices of “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.”
II. Equity structure and shareholders’ equity: (I) Has the Company implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations?	✓		(I) The Company has appointed a designated company spokesperson for responding to the suggestions, queries, and disputes from the shareholders.	Compliant with the rationale and practices of “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.”
(II) Is the Company constantly informed of the identities of its major shareholders and the ultimate controller?	✓		(II) The Company can properly control the composition of major shareholders and the ultimate parties in control of these major shareholders, and declares the quantity of shareholding by the directors, supervisors, and major shareholders on a monthly basis in accordance with the Securities and Exchange Act.	
(III) Has the Company established and implemented risk management and firewalls on companies it is affiliated with?	✓		(III)The Company has established an internal control system and related rules and regulations in compliance with applicable legal rules, and has properly enforced such rules and regulations. In addition to self-assessment, the Board of Directors and the management has also reviewed the self-assessment results of the departments and the audit reports of the auditing functions at regular intervals or at any time as needed to materialize the enforcement of the internal control system. The Company seeks to establish viable financial, operation, and accounting systems in accordance with requirements, and for buttressing the management of the subsidiaries and affiliates for proper control to reduce operation risk. The transactions with subsidiaries and affiliates were made under the principle of equality and fairness, and they are bound by related rules and regulations governing business and financial transactions among the entities.	
(IV) Has the Company established internal policies that prevent insiders from trading securities against non-public information?	✓		(IV)The Company has established a set of “Material Internal Information Procedures” and “Integrity Code of Conduct” to outline insiders’ duty of confidentiality over material information. No insider is allowed to exploit material information for own gain or for the gains of others. The above procedures and code of conduct have been communicated to Directors, Supervisors, managers and all parties who come into contact with material insider information, whether due to identity, job role or controlling interest.	

Assessment criteria	Corporate governance in action													Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies																																																																																																																																																										
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III. The organization and functions of the Board of Directors (I) Does the Board of Directors have diversified policies regulated and implemented substantively according to the composition of the members?	✓		<div>(I) According to Article 20 of the “Corporate Governance Best Practice Principles” of the Company, the Board shall consist of members from a diversity of professions and expertise the detail of which is disclosed at the website of the Company. The practice of the Board for this end is shown below:</div> <table><tr><th rowspan="2">Title</th><th rowspan="2">Core Item Name</th><th rowspan="2">Sex</th><th rowspan="2">Age</th><th rowspan="2">Nationality</th><th rowspan="2">Specialization Background</th><th rowspan="2">Operation Judgment</th><th rowspan="2">Accounting and financial analysis capacity</th><th rowspan="2">Corporate management capacity</th><th colspan="3">Industry Knowledge</th><th rowspan="2">International Market insight</th><th rowspan="2">Leadership capacity</th><th rowspan="2">Decision-making capacity</th></tr><tr><th>Technology</th><th>Telecommunication</th><th>Venture capital</th></tr><tr><td>Chairman</td><td>Miau, Matthew Feng Chiang</td><td>Male</td><td>>50</td><td>US</td><td>Industry</td><td>✓</td><td></td><td>✓</td><td>✓</td><td></td><td></td><td>✓</td><td>✓</td><td>✓</td></tr><tr><td>Director</td><td>Ho, Jhi-Wu</td><td>Male</td><td>>50</td><td>Republic of China</td><td>Industry</td><td>✓</td><td></td><td>✓</td><td>✓</td><td></td><td></td><td>✓</td><td>✓</td><td>✓</td></tr><tr><td>Director</td><td>Hsu, Tzu-Hwa</td><td>Male</td><td>>50</td><td>Republic of China</td><td>Industry</td><td>✓</td><td></td><td></td><td></td><td></td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr><tr><td>Director</td><td>Way, Yung-Do</td><td>Male</td><td>>50</td><td>Republic of China</td><td>Finance Accountant</td><td>✓</td><td>✓</td><td></td><td></td><td></td><td></td><td>✓</td><td>✓</td><td>✓</td></tr><tr><td>Director</td><td>Chang, Kwang-Cheng</td><td>Male</td><td>>50</td><td>Republic of China</td><td>Academic</td><td>✓</td><td></td><td>✓</td><td></td><td></td><td></td><td>✓</td><td>✓</td><td>✓</td></tr><tr><td>Independent Director</td><td>Lu, Shyue-Ching</td><td>Male</td><td>>50</td><td>Republic of China</td><td>Industry</td><td>✓</td><td></td><td></td><td></td><td>✓</td><td></td><td>✓</td><td>✓</td><td>✓</td></tr><tr><td>Independent Director</td><td>Ma, Shaw-Hsiang</td><td>Male</td><td>>50</td><td>Republic of China</td><td>Industry</td><td>✓</td><td></td><td></td><td>✓</td><td></td><td></td><td>✓</td><td>✓</td><td>✓</td></tr><tr><td>Supervisor</td><td>Chiao, Yu-Cheng</td><td>Male</td><td>>50</td><td>Republic of China</td><td>Industry</td><td>✓</td><td></td><td>✓</td><td>✓</td><td></td><td></td><td>✓</td><td>✓</td><td>✓</td></tr><tr><td>Supervisor</td><td>Su Liang</td><td>Male</td><td>>50</td><td>Republic of China</td><td>Industry</td><td>✓</td><td></td><td>✓</td><td>✓</td><td></td><td></td><td>✓</td><td>✓</td><td>✓</td></tr></table>												Title	Core Item Name	Sex	Age	Nationality	Specialization Background	Operation Judgment	Accounting and financial analysis capacity	Corporate management capacity	Industry Knowledge			International Market insight	Leadership capacity	Decision-making capacity	Technology	Telecommunication	Venture capital	Chairman	Miau, Matthew Feng Chiang	Male	>50	US	Industry	✓		✓	✓			✓	✓	✓	Director	Ho, Jhi-Wu	Male	>50	Republic of China	Industry	✓		✓	✓			✓	✓	✓	Director	Hsu, Tzu-Hwa	Male	>50	Republic of China	Industry	✓					✓	✓	✓	✓	Director	Way, Yung-Do	Male	>50	Republic of China	Finance Accountant	✓	✓					✓	✓	✓	Director	Chang, Kwang-Cheng	Male	>50	Republic of China	Academic	✓		✓				✓	✓	✓	Independent Director	Lu, Shyue-Ching	Male	>50	Republic of China	Industry	✓				✓		✓	✓	✓	Independent Director	Ma, Shaw-Hsiang	Male	>50	Republic of China	Industry	✓			✓			✓	✓	✓	Supervisor	Chiao, Yu-Cheng	Male	>50	Republic of China	Industry	✓		✓	✓			✓	✓	✓	Supervisor	Su Liang	Male	>50	Republic of China	Industry	✓		✓	✓			✓	✓	✓	Compliant with the rationale and practices of “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.”
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(II) Apart from the Remuneration Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?		✓	(II) The Company established its Remuneration Committee in 2013; an Audit Committee will be established in 2019 as required by law. Other functional committees will be introduced as needed by the Company.																																																																																																																																																																					
(III) Has the Company established a set of policies and assessment tools to evaluate the board’s performance? Is performance evaluated regularly at	✓		(III)The Company has instituted the Regulations Governing the Evaluation of Board Performance in 2016. The Board has conducted evaluation on its performance at least once a year. The evaluation result for 2018 has been reported to the 1st session of the Board in 2019. Information on the evaluation result was posted in the section of “Corporate Governance” of the official																																																																																																																																																																					

Assessment criteria	Corporate governance in action			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
least on an annual basis?			website of the Company for viewing. The remuneration to the Directors of the Company is governed by Article 25 of the Articles of Incorporation whereby no more than 1% of the earnings in current period shall be appropriated as the remuneration to Directors and Supervisors in current year with reference to the operation result of the Company, and in commensuration with the individual contribution of the Directors and Supervisors to the performance of the Company at a reasonable level. The procedure for the determination of remuneration to Directors is governed by the “Regulations Governing the Evaluation of Board Performance” with reference to the contribution to the overall operation performance of the Company, the operation risk inherent to the industry in the future, and development trend. In addition, the individual performance attainment rate and contribution to the Company will also be considered for reasonable level of remuneration. The remuneration system is subject to adjustment from time to time depending on the state of operation and applicable laws for a proper balance of sustainable development and risk control.	
(IV) Are external auditors’ independence assessed on a regular basis?	✓		(IV) Each year, the Company evaluates independence of its financial statement auditors and submits to the board of directors’ meeting to make sure that no conflicting interest exists (i.e., the auditors do not own shares or hold job positions within the Company). Furthermore, the necessity to replace auditors is also evaluated on a yearly basis (i.e., whether the auditors are unchanged for 7 consecutive years, or whether they are subject to penalty or any occurrence that would compromise their independence). The Company’s financial statement auditors are appointed at the board’s resolution; the board only engages the Big Four accounting firms, hence there should be no doubt with regards to auditors’ independence and professional capabilities.	
IV. Has the TWSE/TPEX listed Company set up a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, handling matters relating to board meetings and shareholders meetings according to laws, handling corporate registration and amendment registration and producing minutes of board meetings and shareholders meetings)?	✓		The Company has set up a part-time corporate governance unit, and officers have experience in handling legal, financial, or stock affairs to handle matters in respect to corporate governance by authorization.	Compliant with the rationale and practices of “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.”

Assessment criteria	Corporate governance in action			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
V. Does the Company have established a communication channel for the stakeholders (including but not limited to stockholders, employees, customers and suppliers), set the stakeholder section on the Company's website, and responded to the stakeholders regarding their concerns over corporate social responsibilities?	✓		The Company has created a stakeholders section on its website and assigned dedicated personnel to communicate, handle and reply to stakeholders' queries. The CSR report has been made available on the website, which stakeholders may access and download at any time. Stakeholders Section: TEL: (03)396-2888 E-mail: stock@mic.com.tw	Compliant with the rationale and practices of "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies."
VI. Does the Company have commissioned a professional stock service agent to handle shareholders affairs?	✓		The Company has commissioned Chinatrust Bank as the share administration agency, which is responsible for handling shareholder meeting affairs.	Compliant with the rationale and practices of "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies."
VII. Information disclosure (I) Has the Company established a website that discloses financial, business, and corporate governance-related information?	✓		(I) The Company has a website (www.mic-holdings.com.tw) that discloses financial, business and corporate governance information in separate sections.	Compliant with the rationale and practices of "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies."
(II) Has the Company adopted other means to disclose information (e.g., English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the Company website)?	✓		(II) The Company has an English website and appoints dedicated personnel to gather and disclose information relating to the Company. The Company has a spokesperson and an acting spokesperson policy to address the public. Presentation materials of investor conferences are made publicly accessible on the Company's website and MOPS.	
VIII. Does the Company have other information that enables a better	✓		(I) Employee rights and privileges MiTAC firmly believes that people is the driving force for corporate development. For this	Compliant with the rationale and practices

Assessment criteria	Corporate governance in action			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
understanding of the Company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and insuring against liabilities of Company directors and supervisors)?			<p>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. Policies: (1) Labor/health insurance, pension contribution, employee training, safety and health measures, equal gender opportunities etc. (2) Provide different forms of fringe benefits for the employees with ceaseless effort, including group insurance protection, free physical examination, and subsidy for pleasure trips, gym, emergency aid, subsidy for matrimony/maternity/funeral, car loans, and subsidy for continuing education. 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 employees</p> <ol style="list-style-type: none"> 1. Policies: MiTAC has appointed designated personnel for managing employee relations. These personnel are responsible for caring for the employees. Scope of service: Emergency aid, employee complaint, handling complaints, employee health and hospitalization care, coordination of employee problems, prevention of sexual harassment at workplace, handling complaints and consultation in career development. MiTAC introduced the Employee Assistant Program in cooperation with an external consulting firm. Through psychological counseling and assistance from financial and legal experts, MiTAC helps its employees to relieve any psychological and life problems. 2. Implementation: More than 40 persons including the Company's employees and their dependents in Taiwan have sought the employee assistance program counseling service last year. The counseled issues were primarily related to legal aid and psychological counseling. Through the assistance of the "EAP", employees can receive appropriate help and strongly applauded this service. When employees or their families suffered from accidental injuries, natural disasters, or severe illness, or death, MiTAC will provide immediate and appropriate help in the form of financial aid. The purpose is to help these employees or families recovered from ailment and get back to their work quickly. This is the manifestation of The Company in caring for the employees and their families as an integral part of its corporate social responsibility. As mentioned, under the prerequisite of winning on both sides of the management and labor, this has been proven highly effective in bringing harmony and commitment to organizational stability at workplace. <p>(III) Investor relation: MiTAC firmly insists on the principles of sincerity and information disclosure, and spare no</p>	of "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies."

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			<p>effort in making corporate governance transparent. In practice, MiTAC discloses its state of operation and financial position to shareholders. With the establishment of the spokesperson and acting spokesperson system, the Company has performed its obligation in disclosure under due diligence. Specialists and electronic mailbox have been made available to handle investors' suggestions and queries.</p> <p>(IV) Supplier relations and stakeholders' rights: The group maintains long-term relationship with its suppliers to ensure continuity of material supply. Dedicated personnel have been assigned to resolve product-related problems and whatever queries raised by shareholders on the Company's website, in the "Stakeholder section", and thereby protect their interests.</p>																																							
			<p>(V) Continuing education of the Directors and Supervisors: All the Directors and Supervisors of the Company have respective professional background in the industry. Information on the continuing education of the Directors and Supervisors is shown at MOPS in the section of "Corporate Governance" for the reference of the investors at any time. The status of continuing education in 2018 and 2019 to the date this report was printed is shown below:</p> <table border="1"> <thead> <tr> <th>Title</th><th>Name</th><th>Organizer</th><th>Course name</th><th>Study hours</th></tr> </thead> <tbody> <tr> <td rowspan="3">Director</td><td rowspan="3">Miau, Matthew Feng Chiang</td><td>Taiwan Academy of Banking and Finance</td><td>Corporate Governance Forum - Information Security Trend and Enterprises' Coping Strategies</td><td>3</td></tr> <tr> <td>Taiwan Academy of Banking and Finance</td><td>Corporate Governance Forum - International Anti-Money Laundering and Countering of Terrorism Financing Trend</td><td>3</td></tr> <tr> <td>Taiwan Corporate Governance Association</td><td>"AI is Coming" and "Consumer to Business (C2B)"</td><td>3</td></tr> <tr> <td rowspan="2">Director</td><td rowspan="2">Ho, Jhi-Wu</td><td>Taiwan Corporate Governance Association</td><td>"AI is Coming" and "Consumer to Business (C2B)"</td><td>3</td></tr> <tr> <td>Taiwan Corporate Governance Association</td><td>Prevention of Corruption in Enterprises and Establishment of a Whistle-Blower System</td><td>3</td></tr> <tr> <td rowspan="4">Independent Director</td><td rowspan="4">Lu, Shyue-Ching</td><td>Taiwan Corporate Governance Association</td><td>Enterprises' Coping Strategies to Deal with Reformation of New Laws - Discussion About Focus and Practice of Latest Amendments to Company Act</td><td>3</td></tr> <tr> <td>Taiwan Corporate Governance Association</td><td>Talks about Anti-Corruption in Enterprises and Propagation of Information Security in terms of evolution of Bitcoin</td><td>3</td></tr> <tr> <td>Taiwan Corporate Governance Association</td><td>"AI is Coming" and "Consumer to Business (C2B)"</td><td>3</td></tr> <tr> <td>Taiwan Institute for Sustainable Energy</td><td>Sustainability and Strategies of Engineering Service Industry</td><td>3</td></tr> </tbody> </table>	Title	Name	Organizer	Course name	Study hours	Director	Miau, Matthew Feng Chiang	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Information Security Trend and Enterprises' Coping Strategies	3	Taiwan Academy of Banking and Finance	Corporate Governance Forum - International Anti-Money Laundering and Countering of Terrorism Financing Trend	3	Taiwan Corporate Governance Association	"AI is Coming" and "Consumer to Business (C2B)"	3	Director	Ho, Jhi-Wu	Taiwan Corporate Governance Association	"AI is Coming" and "Consumer to Business (C2B)"	3	Taiwan Corporate Governance Association	Prevention of Corruption in Enterprises and Establishment of a Whistle-Blower System	3	Independent Director	Lu, Shyue-Ching	Taiwan Corporate Governance Association	Enterprises' Coping Strategies to Deal with Reformation of New Laws - Discussion About Focus and Practice of Latest Amendments to Company Act	3	Taiwan Corporate Governance Association	Talks about Anti-Corruption in Enterprises and Propagation of Information Security in terms of evolution of Bitcoin	3	Taiwan Corporate Governance Association	"AI is Coming" and "Consumer to Business (C2B)"	3	Taiwan Institute for Sustainable Energy	Sustainability and Strategies of Engineering Service Industry	3	
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	Yes	No	Summary					
			Independent Director	Ma, Shaw-Hsiang	Financial Supervisory Commission	The 12th Taipei Corporate Governance Forum	3	
					Taiwan Corporate Governance Association	“AI is Coming” and “Consumer to Business (C2B)”	3	
			Representatives of institutional directors	Chang, Kwang-Cheng	Securities and Futures Institute	Discussion About Supervisor’s Legal Liability for False Financial Statements	3	
					Financial Supervisory Commission	The 12th Taipei Corporate Governance Forum	3	
			Representatives of institutional directors	Hsu, Tzu-Hwa	Financial Supervisory Commission	The 12th Taipei Corporate Governance Forum	6	
					Representatives of institutional directors	Way, Yung-Do	Taiwan Insurance Institute	
			Securities and Futures Institute	Instructions to Board of Directors Meetings and Shareholders’ Meeting in 2019			3	
			Taiwan Corporate Governance Association	Workshop for Increase in Company's Long-Term Value by Enterprise's Sustainable Governance			3	
			Representatives of institutional directors	Way, Yung-Do	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Information Security Trend and Enterprises’ Coping Strategies	3	
					Taiwan Stock Exchange Corporation	2018 ESG Investment Forum	3	
					Taiwan Corporate Governance Association	14th International Corporate Governance Forum	6	
					Securities and Futures Institute	Discussion About Focus and Practice of Latest Amendments to Company Act	3	
					Taiwan Corporate Governance Association	Introduction to New Corporate Governance Roadmap	1	
					Taiwan Corporate Governance Association	“AI is Coming” and “Consumer to Business (C2B)”	3	
					Taiwan Corporate Governance Association	Global Trend Analysis - Risk and Opportunity	3	
					Taiwan Academy of Banking and Finance	Corporate Governance School	3	
			Supervisor	Chiao, Yu-Cheng	Taiwan Corporate Governance Association	New Chance for Taiwan Under the Sino-US Trade War	3	
					Taiwan Corporate Governance Association	Analysis of International and Cross-Strait New Anti-Tax Avoidance Systems	3	
					Taiwan Corporate Governance Association	Talks About the Taxation Environment Transformation and Tax Reform Trend in the Cross-straits and U.S.A. in Terms of the Global Wave of Anti-tax Avoidance	3	

Assessment criteria	Corporate governance in action							Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies	
	Yes	No	Summary						
			Representatives of institutional directors	Su Liang	Financial Supervisory Commission	The 12th Taipei Corporate Governance Forum	6		
					Securities and Futures Institute	Seminar of Legal Compliance for Insider Equity Trading of TWSE-Listed Companies and Non-TWSE(TPEX)-Listed Companies	3		
					Taiwan Corporate Governance Association	“AI is Coming” and “Consumer to Business (C2B)”	3		
			(VI)Risk management policies, practices, and risk assessment standards: The Company has established internal policies and performs risk management and evaluation accordingly.						
			(VII) Execution of customer policy: The group maintains sound relationship with customers to secure profitability.						
			(VIII)Insurance against directors’ and supervisors’ liabilities: The Company has purchased liability insurance in accordance with “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”, details of which have been disclosed in the “Corporate Governance” section of MOPS.						
			The insured	The insurer	The amount insured	Term of policy (starting and ending)			
			All directors and supervisors	Fubon Insurance Co., Ltd.	NT\$369,180 thousand	November 15, 2018 to November 14, 2019			
			(IX) Licensing and certification of the internal auditors of the group:						
			1.IIA: 4 persons 2.CPA of the ROC:1 person						
IX. The improvement status for the result of Corporate Governance Evaluation announced by the Taiwan Stock Exchange and priority improvement plan and measures for areas to be improved.									
(I) Response to the 2018 Corporate Governance Evaluation Result:									
Evaluation Indicators in 2017					Improvement status				
Whether the Company's directors and supervisors complete the continuing education for the hours required under the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies”?					The directors/supervisors have completed the continuing education for the hours as required in 2018.				
Whether the Company's independent directors complete the continuing education for the hours required under the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies”?									
Whether the Company discloses the independent directors’ opinion toward important motions proposed by the Board of Directors in the annual report honestly? How the Company deals with the independent directors’ opinion?					Already disclosed in the 2018 annual report honestly.				

Assessment criteria	Corporate governance in action			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
Whether the Company issues the annual financial statements within two months at the end of the fiscal year?			The 2018 financial statements have been issued on February 27, 2019.	
(II) Matters required further improvements as stated in the 2018 Corporate Governance Evaluation Result and the measures to be taken:				
Evaluation Indicators in 2017			Priority improvement plan and measures	
Whether the Company holds the general shareholders' meeting by the end of May?			The 2019 general shareholders' meeting will be held on May 30.	
Whether the Company establishes an audit committee in accordance with relevant requirements?			The Company will establish the Audit Committee in 2019.	

(V) Disclosure of the organization, functions, and operation of the remuneration committee, if applicable:

1. The Company established a Remuneration Committee comprised of 3 outside experts who satisfied criteria of professionalism and independence. The committee holds meetings at least twice a year and exercises the following authorities in a professional and objective manner; its suggestions are raised for discussion in board meetings:
 - (1) Stipulate and regularly review the performance of the directors, supervisors and managers; as well as the compensation policies, systems, standards and structure.
 - (2) Regularly evaluate and stipulate director, supervisor and manager compensation.

2. Profiles of the Remuneration Committee members

April 1, 2019

Identity	Qualifications	Having more than 5 years of work experience and the following qualifications			Compliance with independence requirements (Note 1)								Number of concurrent roles as remuneration committee member in other public companies	Note
		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		
	Name													
Independent director and Members of the Remuneration Committee	Ma, Shaw-Hsiang			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent director and Members of the Remuneration Committee	Lu, Shyue-Ching			✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent director and Members of the Remuneration Committee	Tsai Ching-Yen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	3	

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

- (1) Not an employee of the Company or its subsidiaries or affiliates.
- (2) Not a director or supervisor of the Company or its subsidiaries or affiliates, except an independent director of an investee of the Company, of the parent of the Company, or subsidiaries.
- (3) The person, the spouse, underage children, who hold more than 1% of the outstanding shares or one of the top 10 shareholders who are natural persons or who hold shares of this company under the title of a third party.
- (4) Not the spouse, kin within the 2nd tier or the next of kin within the 3rd tier of any of the parties mentioned in (1)~(3).
- (5) Not a director, supervisor or employee of an institutional shareholders holding more than 5% of the outstanding shares of the Company, or of the top five institutional shareholders.
- (6) Not a director, supervisor, manager, or shareholder holding more than 5% of the outstanding shares of specific company or institution having business of financial transactions with the Company.
- (7) Not a professional, proprietor, partner, company or the owner, partner, director, supervisor, manager or spouse of the professional consulting entities providing services or consultation in business, law, finance, accounting and other for the Company or its subsidiaries or affiliates.
- (8) The provisions of Article 30 of the Company Act are not applicable.

3. The Operation of the Remuneration Committee

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

(2) Duration of service: June 21, 2016 to June 20, 2019. The Remuneration Committee has convened twice (A) in 2018. The eligibility of the members and attendance to the meetings are shown below:

Title	Name	Attendance in person (B)	Attendance by proxy	Percentage of actual attendance (%) (B/A)	Note
Convener	Ma, Shaw-Hsiang	2	0	100.00%	
Members	Lu, Shyue-Ching	2	0	100.00%	
Members	Cheng Chien-Jen	1	0	100.00%	Resigned on May 10, 2018
Members	Yeh Kuang-Shih	1	0	100.00%	New member holding the position on May 10, 2018 Resigned on February 1, 2019

Special notes:

- I. Where the Board may not accept or revise the recommendations of the Remuneration 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 Remuneration Committee: None.
- II. If there is any adverse opinion or qualified opinion of the members in the decision of specific motions in the Remuneration 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.
- III. Motions discussed by the Remuneration Committee and resolutions thereof and the Company's handling of the Committee members' opinion:

Date	Term	Motion	Resolutions	The Company's response towards members' opinions
January 25, 2018	1st session in 2018	Review and authorization of year-end bonus to managers in 2017	No objection and approval	None
		Review and authorization of remuneration to directors/supervisors in 2017	No objection and approval	None
August 10, 2018	2nd session in 2018	Review and authorization of raise of managers in 2018	No objection and approval	None
		Review and authorization of employee remuneration to managers in 2017, and review and authorization of mid-year bonus in 2018	No objection and approval	None

(VI) The practice of corporate social responsibility:

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

Assessment criteria	Corporate governance in action			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
II. Environment for sustainability (I) Is the Company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?	✓		(I) Upgrading the efficient use of all resources by means of, e.g., solar energy, remodeling of green lighting, adoption of LED lights, remodeling of air compression systems, optimization and remodeling of electromechanical equipment, adoption of variable-frequency devices and energy-saving appliances, generation of hot water by air compressor, remodeling of fuel boilers, automated control of air-conditioning system, adoption of duct-type energy saving electric fans, installation of heat-resistant curtains and insulation films. Implementing the Comismart environmental control system. using a large data analysis system effectively to improve operational efficiency and reduce operating costs, as well as to improve comfort and reduce energy consumption to fulfill corporate social responsibility. This system leveraging the IoT cloud-based service, and a variety of environmental sensors, will collect relevant information, can be for constructional energy monitoring (electricity, water), environment & safety monitoring applications (lighting control, IAQ monitoring, fire escape, video monitoring, surveillance equipment, etc.), as well as the largest electricity environment farm field of air conditioning equipment (ice machine system, AHU, FCU). By analysis the big data algorithms and technology to achieve the wisdom of energy-saving control device and can be controlled by APP through pushing message for alarm function. This is the most advanced IoT solution for energy management. In order to care the resources on the earth and mitigate the impact to the environment, the Group upholds paperless e-services, adopts environmentally-friendly recycled paper for photocopying, encourages employees to use double-sided printing, and adopts recycled toner cartridges and recycled plastic garbage bags.	Compliant with the rationale and practices of “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”.
(II) Has the Company developed an appropriate environmental management system, given its distinctive characteristics?	✓		(II) Installation of the platform for the management of restricted use of chemical substances, and the control of hazardous substances under ISO 14001.	
(III) Does the Company pay attention to the impact of climate change on the operational activities, implement greenhouse gas check, and form an energy-saving, carbon-reduction, and	✓		(III) MiTAC has the ability to track carbon footprint of its products, and has been disclosing carbon emission on the CDP (Carbon Disclosure Project) platform on an annual basis. In addition, MiTAC also sets reduction goals and takes step towards achieving them. 1. In environmental protection, the Company strictly requires no emission of	

Assessment criteria	Corporate governance in action			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
greenhouse emissions reduction strategy?			<p>industrial wastewater, zero air pollution, reduction of industrial solid wastes and emission of green house gases in conformity to standard for inspection.</p> <p>2. For the mitigation of global warming and energy saving, the Company requires the replacement of the obsolete T5 lights with LED light. The lighting of big office area was changed to zone control and the strip power supply previously used was replaced with zone control switch. In addition, the temperature of air-conditioning in office space has been adjusted upward for 1°C to 26°C to save unnecessary energy consumption.</p> <p>3. Installation of rainwater collection system for irrigation and reduced use of running water from tape for plantation.</p> <p>4. Introduction of ice water motors equipped with variable-frequency device to cut the electricity bill by 30%.</p> <p>5. Installation of IR sensor to lighting system for automatic control of the power switch to save unnecessary consumption of energy.</p> <p>6. Install the duct-type energy saving electric fans at the office premises to upgrade the effect of air conditioning system and save power at the same time.</p>	
<p>III. Support social charity</p> <p>(I) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?</p>	✓		<p>(I) The group duly observe the “United Nations Universal Declaration of Human Right”, “United Nations Guiding Principles on Business and Human Right”, and the “United Nations International Labor Organization” and respects internationally recognized basic human right, including the prohibition of hiring minors, elimination of force labor in any form, elimination of discrimination in employment, and abide local laws governing labor to protect the legitimate rights of the employees.</p> <p>The Group has established relevant systems and management rules regulating the rights and obligations of the employees and are running smoothly. In case of change in the regulatory environment, these systems will be adjusted accordingly.</p> <p>Employees can access to update information at the intranet of the Company.</p>	Compliant with the rationale and practices of “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”.
<p>(II) Does the Company have the complaint mechanism and channel established for employees and have it handled properly?</p>	✓		<p>(II) To provide employees with the channels via which they may state their suggestions and opinion, the Group’s Human Resource Department particularly set up the employee relation function to have dedicated personnel promote various employee care policies and employment assistance programs, and also established the available communication and complaint channels. Among the other things, the Company set up the “Speak Out” mailbox available to the employees who wish to state their opinion</p>	

Assessment criteria	Corporate governance in action			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			or file complaints. Upon receipt of any feedback by the employees, the person in charge of employee relations, if necessary, shall protect the complainant in an anonymous manner, and call the dedicated taskforce to propose the relevant corrective action plan, listen to the employees' opinion and conduct fair investigation to deal with the case.	
(III) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?	✓		(III) The Group also duly observes the Occupational Safety and Health Act with the enforcement of the following rules and regulations: 1. Provide a positive environment necessary for the performance of duties (lighting, CO2), inspection of the germ content in drinking water with disinfection, inspection on safety of buildings. 2. Healthy employees are identified as the Company's important assets. The Company provides the employees' health check-up once per two years, including the scope of inspection referred to in the Labor Health Protection Regulation and multiple cancer screening and ultrasonic inspections to take care of employees' health based on the conditions superior than those provided under laws and regulations. 3. Routine training on safety and health for the new employees, and organization of civil defense, fire fighting teams with routine training and drill. 4. Continued training will be provided for the labor safety and health personnel, first-aid personnel, fire safety management team. 5. For the prevention of accident and response to emergency, automatic non-invasive AED was placed at the main hall of the facilities at Hsinchu and Hwa Ya.	
(IV) Does the Company have established a mechanism of periodic communication with employees and have the employee notified in a reasonable manner regarding the potential impact of the operation changes?	✓		(IV) The group has an internal Portal system that gathers the latest news and announcements from various departments within the Company. Employees may access this information when they log in to their terminals each day. MiTAC holds a staff meeting at the beginning of each month. The President presides over this meeting and announces the latest development and the arrangement of the organization to all function heads and representatives of different functional areas. These executives will then disseminate such information to their subordinates. Any material change of management policy that is likely to affect employees' interests will be explained face-to-face by the respective department in the form of a seminar, and thereby eliminate employees' doubts.	
(V) Does the Company have an effective career capacity development training	✓		(V) To assist employees in their career planning, the group requires managers to engage employees in two-way discussions every six months about career plans. Department	

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

Assessment criteria	Corporate governance in action			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
supply agreement at any time with a major supplier, if the supplier is found to have violated its corporate social responsibilities and caused significant impacts against the environment or society?			suppliers to duly comply with all environmental protection requirements for the products supplied. In addition, MiTAC also demands the suppliers to participate and observe the EICC (Electronic Industry Code of Conduct). According to Article 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Securities Exchange Commission (SEC) of the USA announced the requirement for the disclosure of using conflict minerals. The Group is a issuer of ADR and shall declare with the SEC if the materials used contain conflict materials from particular African countries on an annual basis. For this reason, the Group banned the use of “conflict minerals” as an integral part of its green product policy of the suppliers in responding to the aforementioned investigation of the customers. In addition, investigation will be conducted every year on the materials necessary for using in the production process to defect possible use of conflict minerals and the supplying countries. Conduct an inspection at least once per year, and ask upstream suppliers to work with the Company by means of procurement. If suppliers fail to comply with the requirements about EICC and conflict minerals, the Company will consider termination of the contracts or agreements already signed by the suppliers, subject to the actual condition of the supply chains.	
IV. Intensification of disclosure (I) Has the Company disclosed relevant and reliable CSR information on its website and at the Market Observation Post System?	✓		(I) The Company uses its website and MOPS to make relevant and reliable disclosures of CSR information, including the Company's CSR report and annual report.	Compliant with the rationale and practices of “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”.
V. If the Company has established CSR principles in accordance with “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies,” please describe its current practices and any deviations from the Best Practice Principles: The Company has established its own CSR principles, which conform to the rationale and practices of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”				
VI. Other information useful to the understanding of corporate social responsibilities: 1. Responsibility of environmental protection (1) Systems and measures : a. In response to the requirement of RoHS/WEEE Directives and REACH, we have installed the green product platform with the organization of the green supply chain management. b. Conduct the inspection on conflict minerals at least once per year, and ask the upstream suppliers to work with the Company by means of procurement.				

Assessment criteria	Corporate governance in action			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
<p>(2)Status of implementation : 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. Already built the conflict minerals investigation system to verify the feedback about complicated supply chains in a transparent and traceable manner.</p> <p>2. Contribution to society:</p> <p>(1)Systems and measures : a. Sponsorship of the Y.S. Creative Award, which helps develop local design talents and improve industry competitiveness.</p> <p>b. Organize forums on campus to exchange with the university students and share with them the experience in industry.</p> <p>c. Participation in all kinds of industry seminars to share management and industry experience.</p> <p>(2)Status of implementation : a. We supported the Y.S. E.D Competition including the software design, industrial design, and micro film awards. MiTAC assisted the advocacy of this campaign and positively promoted on school campus. In addition, prominent figures of the industrial sector at home and abroad were invited to share their experience in the form of colloquium to encourage outstanding designers at home and upgrade the capacity of industrial design.</p> <p>b. Winners of Y.S. Creative Award are offered internship opportunity. Meanwhile, other top-performing students are also encouraged to submit internship applications.</p> <p>c. A total of 618 persons participating in the youth club/Y.S. Creative Award/blood donation/donation of drive recorder for 442 hours, with the total donated fund amounting to NT\$1.38 million in 2018.</p> <p>3. Social charity:</p> <p>(1)System and policy : a. The Company organized charity events from time to time and encourage the employees to take care of the social vulnerable groups within their means.</p> <p>b. Donated the own products and services to the social welfare units in need.</p> <p>(2)Status of implementation : a. Organized blood donation activities and encouraged healthy employees to take part in the activities.</p> <p>B. Donation of Mio GPS products and Mio Driver Recorder applied to social welfare groups' service vehicles to secure the driving safety and efficiency of duties. The recipients included Orphan Welfare Foundation.</p> <p>4. Consumers' rights and privileges:</p> <p>(1)Systems and measures : 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)Status of implementation : The Mio/MiVia/NAVMAN/MAGELLAN brands of the Group unveiled the following to the consumers.</p> <p>a. "Online Repair Service" allows the customers to request for repairs without the constraints of time and place.</p> <p>b. "Mio Online Service" offers round-the-clock question and answer for Mio product information.</p> <p>c. "Mio Online Update" allows for online product update through simple procedures.</p> <p>d. Mio Quick Map" allows the consumers to update their map through the facilitation of the selected distributors in Taiwan.</p>				

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

(VII) The practice of business integrity and measures:

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

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

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

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

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

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

(X) Implementation of the Internal Control System
1. Statement of Declaration of Internal Control

MiTAC Holdings Corporation
Statement of Declaration of Internal Control

Date: February 26, 2019

The result of the internal audit of the internal control system of the Company in 2018 with the following declaration:

- I. The Company understands that the establishment, implementation and maintenance of internal control system are the responsibility of the Board of Directors and managers of the Company. The Company already established such system. The purpose of the system is to reasonably ensure that the effectiveness and efficiency of operations (including profits, performance, and protecting the security of assets), reliability, timeliness, transparency, and regulatory compliance of reporting, as well as the compliance with applicable laws, regulations, and bylaws are achieved.
- II. Internal control system has its limits. No matter how perfect the system is, an effective internal control system can only provide reasonable assurance for the achievement of the three aforementioned goals; in addition, the effectiveness of internal control system may change along with the changing environment and circumstances. However, a self-monitor mechanism is installed in the internal control system of the Company. The Company will make corrections once the deficiencies are identified.
- III. The Company judges the effectiveness of the design and implementation of internal control based on the criteria for the effectiveness of internal control system provided in “Regulations Governing Establishment of Internal Control Systems by Public Companies” (hereinafter referred to as “Regulations”). The criteria for the effectiveness of internal control adopted by the Regulations divide internal control system into five elements based on the process of management control: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and communications, 5. Monitoring activities. Each of the elements in turn contains certain audit items, Please refer to the Regulations for aforementioned items.
- IV. The Company has adopted the aforementioned judgment items to evaluate the effectiveness of the design and implementation of internal control system.
- V. Basing on the aforementioned audit findings, the company holds that has reasonably preserved the achievement of the aforementioned goals within the aforementioned period ended on December 31, 2018 of internal control (including the monitoring 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 are effective.
- VI. This Statement of Declaration will be the major content of the annual report and prospectus of the Company and to be publicly disclosed. If the aforementioned disclosed content contains misrepresentation or nondisclosure, the Company is subject to the liability of Article 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This statement of declaration has been unanimously approved by the Board on February 26, 2019 with presence of 7 directors.

MiTAC Holdings Corporation

Chairman: Miao, Matthew Feng Chiang

President: Ho, Jhi-Wu

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

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

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

1. Shareholders' Meeting

Date of meeting	Summary of important motions	Resolutions	Status of implementation
June 22, 2018	1. Ratification of the Business Report and Financial Statements of 2017.	Voted and approved as proposed	Act in accordance with the resolution
	2. Ratification of the proposal for distribution of earnings in 2017. Shareholder Bonus: Cash dividend NT\$1.3 per share. Shareholder Bonus: Cash dividend NT\$1.5 per share.	Voted and approved as proposed	September 11, 2018 was set as the base date for allocation of cash dividends and recapitalization from issuance of new shares and distribution of stock, and cash dividends were allocated on October 3, 2018.
	3. Discussion on new share issue through capitalization of earnings	Voted and approved as proposed	
	4. Discussion on the amendment to the "Procedure for the Acquisition and Disposition of Assets" in part.	Voted and approved as proposed	Already completed the registration of change in August 2018, and operated in accordance with the amended "Articles of Incorporation".
	5. Discussion on lifting the ban of competition among the Directors.	Voted and approved as proposed	Act in accordance with the resolution

2. Board of Directors

Date of meeting	Term	Important resolutions
January 25, 2018	2018 1st session	1. Passed the motion of remuneration to Directors and Supervisors in 2017 amounting to NT\$5.4 million.
		2. Passed the motion of amendment to the Articles of Incorporation in part.
		3. Passed the motion of financing subsidiary within the limit of NT\$1 billion – MiTAC Digital Technology.
		4. Passed to inherit the employee stock option warrants, which were issued by MiTAC International Corp., executing subscription of common shares transferred into issuance of new shares: January 25, 2018 was set as the dividend day. The request for subscription in Q4 2017 totaled 434,000 shares.
March 23, 2018	2018 2nd session	1. Passed the motion of remuneration to employees in 2017 amounting to NT\$2,639 thousand.
		2. Ratified the financial statements of 2017.
		3. Ratified the proposal for distribution of earnings in 2017. Shareholder dividend: cash dividend at NT\$1.30/share and stock dividend at NT\$1.50/share.
		4. Passed to capitalize earnings into share capital against issuance of 121,689,895 new common shares.
		5. Passed the motion of amendment to the Articles of Incorporation in part.
		6. Passed releasing the prohibition on directors from participation in competitive business.
		7. Passed the motion of the date for the regular session of the Shareholders' Meeting in 2018 and the cause of the session.
		8. Passed the motion of the discharge of the previous financing limit to MiTAC International Corp. amounting to NT\$2.5 billion before maturity and granted an additional financing limit of NT\$2 billion.
May 10, 2018	2018 3rd	1. Passed the appointment of the Company's Remuneration Committee member, Mr. Yeh Kuang-Shih (the original member, Mr. Chen Chien-jen, resigned).

Date of meeting	Term	Important resolutions
	session	2. Passed the motion for acceptance of the employee stock warrants issued by MIC for exercise in the subscription for common shares for capitalization into new shares: May 10, 2018 was set as the base date for issuance of new shares. The common stock which has been ordered in Q1 of 2018 totaled 561,250.
August 10, 2018	2018 4th session	1. Passed that September 11, 2018 was set as the base date for allocation of cash dividends and recapitalization from issuance of new shares and distribution of stock. 2. Passed the motion for acceptance of the employee stock warrants issued by MIC for exercise in the subscription for common shares for capitalization into new shares: September 11, 2018 was set as the base date for issuance of new shares. The common stock which has been ordered from April 1, 2018 to July 31, 2018 totaled 384,630 shares.
November 9, 2018	2018 5th session	1. Passed the motion for acceptance of the employee stock warrants issued by MIC for exercise in the subscription for common shares for capitalization into new shares: November 9, 2018 was set as the base date for issuance of new shares. The common stock which has been ordered from August 17, 2018 to September 30, 2018 totaled 2,443,200 shares.
January 22, 2019	2019 1st session	1. Passed the motion for allocation of remuneration to directors/supervisors, NT\$3.6 million, in 2018. 2. Passed the motion for earlier termination of the facility to MDT amounting to NT\$1 billion and granting of the new facility, NT\$1 billion.
February 26, 2019	2019 2nd session	1. Passed the motion for allocation of remuneration to employees, NT\$3,313 thousand, in 2018. 2. Passed the 2018 financial statements. 3. Passed the motion for allocation of the 2018 earnings. Shareholder Bonus: Cash dividend NT\$1.50 per share and stock dividend NT\$1.50 per share 4. Passed the motion for recapitalization from issuance of new stock totaling 140,515,154 shares. 5. Passed the motion of amendment to the Articles of Incorporation in part. 6. Amendments to the Company's operational regulations. 7. Passed the motion for reelection of directors. 8. Passed the motion for nomination of candidates for directors and independent directors. 9. Passed the motion for termination of the non-competition restrictions on directors. 10. Passed the motion for the date and cause of the 2019 general shareholders' meeting to be held by the Company. 11. Appointment of the Company's Remuneration Committee member, Mr. Tsai Ching-Yen (the original member, Mr. Yeh Kuang-Shih, resigned). 12. Passed the motion for earlier termination of the facility to MIC amounting to NT\$2 billion and granting of the new facility, NT\$2 billion.

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

(XIV) Summary of resignation and removal from office for chairman, president, chief accounting officer, chief financial officer, internal audit officer and chief research & development officer: None.

V. Information of CPA Regarding Fee

Range of Information Regarding Fee

Name of CPA firm	Name of CPA		Audit Period	Notes
Pricewaterhouse Coopers	Wen, Fang-Yu	Cheng, Ya-Huei	January 1, 2018 – December 31, 2018	

Unit: In thousands of New Taiwan Dollars

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

Note: The fee for non-auditing service amounted to NT\$220 thousand and was incurred from the processing the registration for change in business licensing.

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

VI. Information on replacement of certified public accountants: None.

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

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

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

Title	Name	2018		Year-to-date April 1, 2019	
		Qty of shareholding Number increased (decreased)	Changes in shares pledged Number increased (decreased)	Qty of shareholding Number increased (decreased)	Changes in shares pledged Number increased (decreased)
Chairman and CEO	Miau, Matthew Feng Chiang	1,535,481	0	0	0
Director and President	Ho, Jhi-Wu	1,106,480	0	0	0
Director	MiTAC Inc.	9,533,788	0	0	0
	Rep.: Hsu, Tzu-Hwa	0	0	0	0
Director	UPC Technology Corp.	10,092,128	0	0	0
	Rep.: Way, Yung-Do	0	0	0	0
	Rep.: Chang, Kwang-Cheng	0	0	0	0
Independent Director	Lu, Shyue-Ching	0	0	0	0
Independent Director	Ma, Shaw-Hsiang	0	0	0	0
Supervisor	Chiao, Yu-Cheng	0	0	0	0
Supervisor	Lien Hwa Industrial Corp.	8,690,526	0	0	0
	Rep: Su Liang	0	0	0	0
Vice President and head of finance	Huang, Hsiu-Ling	460,116 (4,000)	0	0	0

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

(II) Information of equity transfer: Not applicable

(III) Information of equity pledge: Not applicable

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

April 1, 2019

Name	Shares held in own name		Shares held by spouse or dependents		Total shareholding		Related parties or spouse, kindred within the 2nd tier of the consanguinity among the Top 10 shareholders, their titles or names and relations		Note
	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Name	Relationship	
UPC Technology Corp. Rep.: Miao, Matthew Feng Chiang	77,486,490	8.27%	0	0.00%	0	0.00%	MiTAC Inc.	Common chairman	
							Lien Hwa Industrial Corp.	Common chairman	
							Tsu Fung Investment Corporation	The Chairman is the chairman of its parent company	
MiTAC Inc. Rep.: Miao, Matthew Feng Chiang	73,199,606	7.81%	0	0.00%	0	0.00%	UPC Technology Corp.	Common chairman	
							Lien Hwa Industrial Corp.	Common chairman	
							Tsu Fung Investment Corporation	The Chairman is the chairman of its parent company	
Lien Hwa Industrial Corp. Rep.: Miao, Matthew Feng Chiang	66,725,113	7.12%	0	0.00%	0	0.00%	UPC Technology Corp.	Investees valued under the equity method	
							MiTAC Inc.	Investees valued under the equity method	
							Tsu Fung Investment Corporation	The Chairman is the chairman of its parent company	
Fubon Life Insurance Rep.: Tsai, Ming-Hsiung	51,464,768	5.49%	0	0.00%	0	0.00%	None	None	
King's Town Bank Rep.: Tai, Cheng-Chih	32,742,323	3.50%	0	0.00%	0	0.00%	None	None	
An Mei Investment Co., Ltd. Rep.: Chu, Chung-Pin	20,039,791	2.14%	0	0.00%	0	0.00%	None	None	
Cathay Life Insurance	13,557,860	1.45%	0	0.00%	0	0.00%	None	None	
Investment account of group trust of New York City entrusted for custody to Dunbei Branch of Stand Chartered Taiwan	12,425,961	1.33%	0	0.00%	0	0.00%	None	None	
Tsu Fung Investment Corporation Rep.: Ho, Jhi-Wu	12,174,313	1.30%	0	0.00%	0	0.00%	UPC Technology Corp.	The chairman of the parent company is the chairman of the Company	
							MiTAC Inc.	The chairman of the parent company is the chairman of the Company	
							Lien Hwa Industrial Corp.	The chairman of the parent company is the chairman of the Company	
JP Morgan Chase Bank, N.A., Taipei Branch as Trustee of the investment account for Vanguard Emerging Markets Stock Index Fund managed by Vanguard Group	12,038,339	1.29%	0	0.00%	0	0.00%	None	None	

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

April 1, 2019; unit: share; %

Investee (Note)	Holdings of the Company		Directors, supervisors, and manager officers and Investment that directly or indirectly controls business		Aggregate investment	
	Shares held	Shareholding percentage	Shares held	Shareholding percentage	Shares held	Shareholding percentage
MiTAC International Corp.	1,695,026,630	100.00	-	-	1,695,026,630	100.00
MiTAC Computing Technology Corporation	232,757,102	100.00	-	-	232,757,102	100.00
MiTAC Digital Technology Co., Ltd.	100,100,000	100.00	-	-	100,100,000	100.00
Infopower Technologies Ltd.	6,774,199	33.33	-	-	6,774,199	33.33

Note: Investee accounted for under the equity method.

Four. Fund raising

I. Capital and Shares

(I) Sources of capital

1. Shares issued

Unit: share; NTD

Date	Issuance price	Authorized capital		Paid-in capital		Note		
		Shares held	Amount	Shares held	Amount	Sources of capital	Use property other than cash to offset share amount	Effective (approval) date and reference number of capital
March, 2018	10	1,100,000,000	11,000,000,000	819,563,468	8,195,634,680	Subscription by employee stock warrants in Q1 of 2018 amounting to NT\$5,612,500.	-	May 24, 2018 Ching-Shou-Shang-Tzi No. 10701057870
August, 2018	10	1,100,000,000	11,000,000,000	942,568,493	9,425,684,930	Subscription by employee stock warrants from April to August 2018 amounting to NT\$13,151,300. Recapitalization by NT\$1,216,898,950 from earnings	-	October 01, 2018 Ching-Shou-Shang-Tzi No. 10701124070
October, 2018	10	1,100,000,000	11,000,000,000	934,324,493	9,343,244,930	Annulment of treasury stock totaling NT\$82,440,000	-	October 26, 2018 Ching-Shou-Shang-Tzi No. 10701132770
November, 2018	10	1,100,000,000	11,000,000,000	936,767,693	9,367,676,930	Subscription by employee stock warrants in Q3 of 2018 amounting to NT\$24,432,000.	-	November 29, 2018 Ching-Shou-Shang-Tzi No. 10701149790

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

April 1, 2019/unit: share

Share category	Authorized capital			Note
	Outstanding	Unissued shares	Total	
Registered common shares	936,767,693	163,232,307	1,100,000,000	All outstanding shares are TWSE-listed.

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

(II) Composition of shareholders

April 1, 2019/unit: share

The composition of Shareholders Qty	Government institutions	Financial institutions	Other institutions	Foreign institutions and foreign individuals	Natural persons	Treasury Stock	Total
Number of persons	2	17	154	389	88,333	0	88,895
Qty of shareholding	24	109,911,254	287,100,172	209,341,392	330,414,851	0	936,767,693
Percentage %	0.00%	11.73%	30.65%	22.35%	35.27%	0.00%	100.00%

(III) Equity distribution

1. Common shares

April 1, 2019

Level of holding	No. of shareholders	Qty of shareholding	Percentage %
1 ~ 999	48,620	11,532,221	1.23%
1,000 ~ 5,000	27,789	61,333,977	6.55%
5,001 ~ 10,000	6,323	44,595,238	4.76%
10,001 ~ 15,000	2,342	28,599,861	3.05%
15,001 ~ 20,000	969	17,181,040	1.83%
20,001 ~ 30,000	1,029	25,377,117	2.71%
30,001 ~ 40,000	478	16,599,617	1.77%
40,001 ~ 50,000	284	12,967,998	1.38%
50,001 ~ 100,000	539	37,145,408	3.97%
100,001 ~ 200,000	267	37,620,346	4.02%
200,001 ~ 400,000	114	31,006,102	3.31%
400,001 ~ 600,000	40	19,220,120	2.05%
600,001 ~ 800,000	16	10,888,890	1.16%
800,001 ~ 1,000,000	13	11,670,979	1.25%
More than 1,000,001 shares	72	571,028,779	60.96%
Classified by actual needs			
Total	88,895	936,767,693	100.00%

2. Preferred stocks: None.

(IV) List of major shareholders

April 1, 2019/unit: share

Shareholding	Qty of shareholding (Note)	Percentage of shareholding (%)
Name of major shareholder		
UPC Technology Corp.	77,486,490	8.27%
MiTAC Inc.	73,199,606	7.81%
Lien Hwa Industrial Corp.	66,725,113	7.12%
Fubon Life Insurance	51,464,768	5.49%

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

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

Item \ Year		2017		2018		Year-to-date April 1, 2019 (Note 6)
		Before adjustment	After adjustment	Before adjustment	After adjustment	
Per-share Market price	Highest	40.20	37.70	35.90	30.13	32.15
	Lowest	30.75	28.25	23.40	23.40 (Note 5)	23.90
	Average	35.38		30.97		29.70
Per-share Net worth	Before distribution	43.50		40.96		-
	After distribution	36.61		34.23 (Note 1)		-
Per-share earnings	Weighted average shares(thousand shares)	797,566	917,000	920,166	1,058,191 (Note 1)	-
	EPS	3.24	2.81	3.58	3.11 (Note 1)	-
Per-share dividend	Cash dividend		1.29781055	1.50 (Note 1)		-
	Shares obtained as bonus shares dividend	Shares obtained from retained earnings		1.49747371		-
		Shares obtained from capitalization of surplus		-		-
	Accumulated unpaid dividend		-	-		-
Investment return analysis	Price/Earnings ratio (Note 2)		10.88	8.69 (Note 1)		-
	Price/Dividend ratio (Note 3)		27.12	20.75 (Note 1)		-
	Cash dividend yield rate (Note 4)		3.69%	4.82% (Note 1)		-

Note 1: The proposal for distribution of earnings in 2018 was passed by the Board pending on the ratification of the Shareholders' Meeting.

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

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

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

Note 5: The minimum price of per share is after the ex-dividend/ex-dividend date, so it doesn't need to adjust.

Note 6: Reviewed financial information on net value per share, earnings per share of the most recent quarter to the date this report was printed to be filled in. Other information to the day this report was printed shall be filled in other fields.

(VI) Dividend policy of the Company and implementation

1. Dividend policy stipulated in Articles of Incorporation:

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

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

2. The Company will maintain a stable dividend policy and distribute no less than 30% of the current year earnings as the shareholder dividend.
 3. The proposal of dividend distribution in this Shareholders' Meeting
Based on said principles, the Company's Board of Directors has proposed the motion for 2018 allocation of dividends on February 26, 2019, for cash dividend at NT\$1.50 per share and stock dividend at NT\$1.50 per share. The motion will be submitted to the general shareholders' meeting for approval on May 30, 2019.
 4. Anticipated material changes in dividend policy: The Company anticipates that there will be no material change in dividend policy.
- (VII) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at this shareholders' meeting

Item		Year	2019 (Projected)
Opening paid-up capital (NTD thousands)			9,367,677
Dividends for the current year	Cash dividends per share (NT\$)		1.50
	Stock dividends per share (from capitalization of earnings) (shares)		0.15
	Stock dividends per share (from capitalization of reserves) (shares)		-
Changes in business performance	Operating Income		Not applicable (Note)
	Year-on-year percentage variation of operating income		
	After-tax net income		
	Year-on-year percentage variation of after-tax net income		
	EPS		
	Year-on-year percentage variation of earnings per share		
	Yearly average return on investment (a reciprocal of yearly average P/E ratio)		
Pro forma EPS and P/E ratio	If capitalized earnings were entirely distributed as cash dividends instead	Pro forma EPS	Not applicable (Note)
		Pro forma yearly return on investment	
	Without capitalization of reserves	Pro forma EPS	
		Pro forma yearly return on investment	
	Without capitalization of reserves and if capitalized earnings were entirely distributed as cash dividends instead	Pro forma EPS	
		Pro forma yearly return on investment	

Note: According to the "Regulations Governing the Publication of Financial Forecasting of Public Companies", the Company did not disclose financial forecasting in complete form thereby not required for disclosure of financial forecast in 2019.

(VIII) Remunerations for employees, directors and supervisors

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

Annual profits concluded by the Company (i.e. pre-tax profit before distribution of employees'/Directors'/Supervisors' remuneration) shall be subject to employee remuneration of no lesser than 0.1% and director remuneration of no higher than 1%. Remuneration shall be distributed with the resolution of the Board of Directors. However, profits must first be taken to offset against cumulative losses if any.

Employees' remuneration, as mentioned above, can be paid in shares or cash and to employees of affiliated companies that satisfy certain criteria. This certain criteria may be determined under the Chairman's authority.

2. The basis for estimating the amount of employee bonuses and director/supervisor compensation, for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:
 - (1) The basis for the estimation of remunerations to employees, Directors and Supervisors in current period: The Company shall appropriate at least 0.1% of the EBT before the deduction of remuneration to employees as remuneration to employees in 2018. The estimation of the remuneration to Directors and Supervisor shall be based on the expected amount of payment.
 - (2) The basis for calculating the number of shares to be distributed as employee bonuses: Use the amount calculated by the closing price one day prior to the resolution date of the Board of Directors and after taking the impact of ex-right/ex-dividend into consideration to calculate the number of shares of the stock bonus.
 - (3) The accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure: Dispose based on the accounting estimated changes.
3. Board of Directors passed remuneration distribution:
 - (1) The amount of employee bonuses and director/supervisor compensation distributed in cash or shares. If there is a difference between the estimated amount and the actual amount of expense, disclose the value, the reason for the difference and response: The Board resolved to appropriate NT\$3,313 thousand as remuneration to employees and NT\$3,600 thousand as remuneration to Directors and Supervisors. There is no difference between the estimated amount and the actual amount.
 - (2) The amount of stock dividend paid to employees in proportion to the sum of the net income as stated in the separate financial statements and the total remunerations to employees: not applicable, as the Company did not pay out any stocks as remunerations to employees in 2018.
4. The actual distribution of employee bonuses and director/supervisor compensation for the previous fiscal year (with an indication of the number, dollar amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee bonuses and director/supervisor compensation, additionally the discrepancy, cause, and how it is treated:

	The actual distribution of amount in cash
Employee bonuses	2,639 thousand
Director/supervisor compensation	5,400 thousand

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

(IX) Share repurchases: None.

II. Issuance of corporate bonds: None.

III. The issuance of preferred shares: None.

IV. The issuance of ADR: None.

V. Employee stock option warrants: None.

VI. New restricted employee shares: None.

VII. M&A or acceptance of new shares from assignment of other companies: None.

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

Five. Operation Overview

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

I. Business Activities:

(I) Scope of business

1. Principal business activities

- (1) Cloud computing product business: this covers workstation, server, and storage expansion. Corporate and channel server/workstation series includes the dual and quadruple x86 server/workstation of Intel and AMD and support the single and dual server of IBM OpenPOWER architecture, high density server, and exclusive server/workstation platform, storage expansion, network and server customized to order. To align with the development trend of AI, the Company developed high-performance computer (GPU server) and also the design of the whole unit for computing, network, and storage solution. All-in-One LCD computer Mini PC, POS system and embedded industrial use Panel PC, quasi system and embedded motherboard.
- (2) Mobile communication products business: Including automotive electronics (such as in-car navigation, car audio amplifier), consumer electronics (such as PND, GPS dashcam recorder), professional electronic products (such as GPS for fleet management, industrial tablet PC), and smart navigation and cloud service.

2. Business distribution

Unit: In thousands of New Taiwan Dollars

Products \ Year	2018	Ratio (%)
Computer & communication products	30,751,819	100.00

3. Major running items and new products or technologies under planning for development

(1) Cloud computing products

- Cloud Computing Server
- Cloud Storage Server
- Rack-mounted servers
- Enterprise storage systems
- High-performance (GPU server)
- OCP
- Whole system and rack design
- POS system
- Embedded Motherboard
- Kiosk Panel PC

(2) Mobile communication product business

- Portable navigation device (PND)
- Carplay Display Audio & Connected Car Tablet & Navigation Box and

- telematic products
- Car Amplifier
- Bike Computer
- Outdoor Lighting Control
- Consumer electronic product, fitness navigation device for outdoor use
- Enterprise electronics
- Mobile cloud storage

(II) Industry overview

1. Current status of the industry and its development

According to major market surveys and the analysis on customer needs, as driven by the future trends, such as 5G, AI, AIOT and Edge Computing, et al., the traditional corporate server market, corporate storage device market and large-scale cloud data center infrastructure will keep growing, and the demand for HPC & GPU Server and edge computing computer will increase year by year.

In the server market where Intel x86 is identified as the mainstream item, new CPU models will be launched each year. This will trigger the needs for a new generation of server. The key competitor of CPU, AMD, also continues to struggle for market share in the server market, which indirectly pushed the demand for replacement of new servers. The demand for HPC server is also expected in the new market under the increasing demand for cloud computing and application, Big Data analysis and service, AI and machine learning. Open Compute Project (OCP) products that emphasize high density/multiple computation node and low energy consumption still constitute a portion of the market, as it has become a new choice for the construction of data centers apart from the standard Rack-mount Unit architecture. The increasing size of data in computing will drive for the stable growth in the demand for cloud storage and corporate storage.

Despite the high level of customization in the production process, the bid cloud data center business still relied on the specification widely adopted in market in the design. Besides, big data center will continue be rested with the Total Cost of Ownership (TCO). Further to the stability, utility, maintenance convenience, user friendly and simple handling of the system, energy consumption and efficiency will be more important. In the process of customization, the direct order with ODM/OEM manufacturers in customization will help to boost up growth of shipment under the ODM Direct business mode of joint venture.

For the small and medium data center firms, the size of the market is small as compared with the big data center, the lower level of customization allows for the integration of computing, network, and storage into the design of a whole system that could satisfy the needs of as another option for the installation or expansion of data center.

On the other hand, the application and prevailing use of IoT contributed to the growth of industrial use computer from a small market segment to a marketing of high growth with profit at the stable pace of 10% per year. This application is extensive, including retailing, medical care, military, transportation, gaming, aviation, factory automation, and energy. The market has its gravity in Europe and USA and the total of the two accounted for 70% of the total market assimilation.

With regards to POS (point-of-sale) systems, market research companies have estimated the global demand for POS systems to be between 2 million ~ 3 million units per year, translating to a steady growth at 7~10%. The POS (point-of-sale)

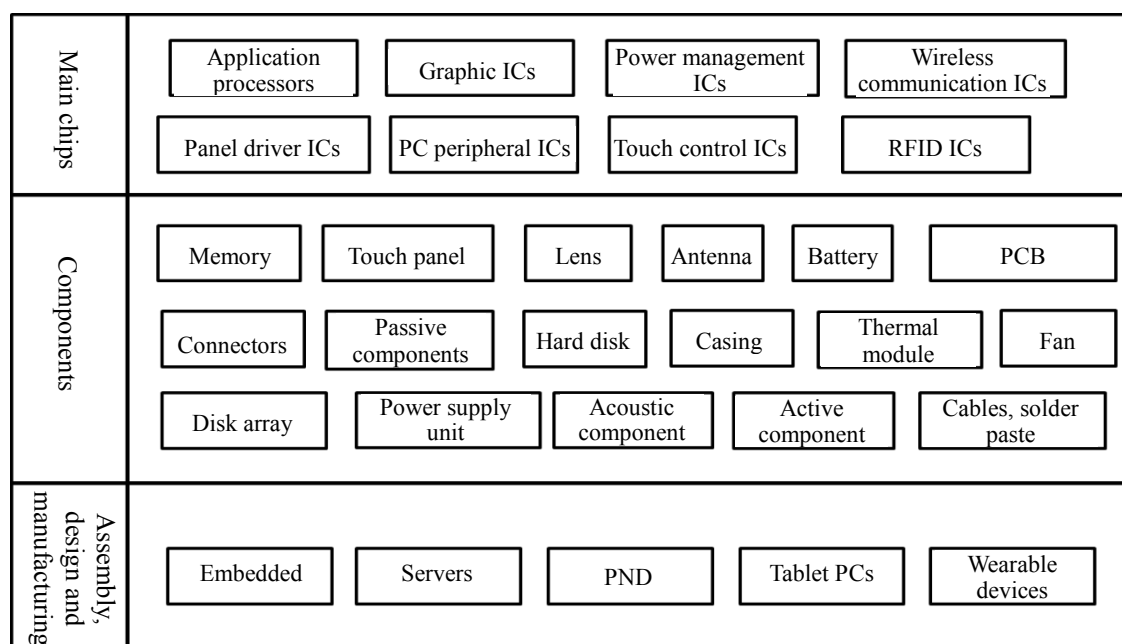
system, which is becoming a trend, develops more new business opportunities and applications, e.g. self-served ordering system in restaurants and self-checkout system at shopping malls. According to studies by international research and consultancy institutions, there will be increasing demands for POS systems to incorporate mobile payment.

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

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

2. Linkage of industry upstream, midstream and downstream

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



3. Development trends and degree of competition for our products

(1) Cloud computing products:

The Intel x86 architecture is still the mainstream product of server for a variety of casing (1U/2U/4U) for matching with the number of CUP (1P/2P/4P), and different types of software application servers to meet different market needs (small and medium enterprises, big multinational enterprises, and big cloud data center firms) in the performance of servers. The trend of AI drives the use of front-end machine learning forward, which in turn demand for high speed computer.

Corporate storage devices provide different types of supports to high density storage devices of different HDD interfaces (SAS, SATA, NVMe), and provide market segmentation with different storage framework (SAN, NAS, corporate storage or cloud storage) with higher density, capacity, transmission speed, and transmission interface.

As for product specification, products of high density and multiple computing node points and low energy consumption OCP specifications continue to grow. With the support of big cloud data center and the use of OCP products, a larger quantity was in demand but also attracted more competitors to the market. The technology for standard Rack-mount Unit multiple-purpose server has been well-developed. With the large number of ODM firms, differentiation strategy emerged as the vital issue for all R&D designers.

Because the trend of cloud computing increased the market for Thin Client computers, demand grew as a result. In the past, only remote access was possible, the computers have grown to support area browser and have evolved to support VOIP and video conferencing. Computers have evolved from small screens to the capacity to support multiple high resolution monitors, and fan-less architecture have become the norm. In terms of product structure, Thin Client PCs have also evolved from traditional micro independent cases to All-In-One, industrial and Panel PC/Box PC for retail applications. In terms of platforms, SOC integrated chips have been developed from x86 architecture. The embedded application in industry expanded from the use of particular industry to the domain of different public applications (e.g.: Smart Retailing). As such, product design tended to incline to multiple-function and small in dimension in the design. In addition, the physical appearance also became a concern.

(2) Mobile communication products:

Mobile communication products focus on the three major areas, namely automotive electronics, AIOT and professional tablet PCs. The automotive electronics include drive recorder, Advanced Driver Assistance Systems, navigation software/hardware solutions, and outdoor entertainment navigation. The image resolution and night vision sensation effects of drive recorders keep improving. Meanwhile, the drive recorders combine Advanced Driver Assistance System (such as front collision, lane offset, fatigue driving, pedestrian collision and stop & go), GPS speed photo reminder, blind spot detection and anti-theft functions to enhance the driving safety. The WIFI networking function can quickly transfer images to the cloud for storage, provide instant messages and execute remote control. The navigation software and hardware solutions integrates such functions as GPS, WIFI and Bluetooth, which can execute route planning and fleet management per the needs of special vehicles and improve the driving safety and work efficiency effectively. Also, for outdoor leisure activity enthusiasts, the Company releases bicycle navigation products with anti-vibration and waterproof characteristics, which are suitable for the outdoor environment, and equipped with such functions as GPS, WIFI and Bluetooth, able to plan riding routes, share the roadmap with friends and

upload the map to cloud platform for storage.

Based on the Internet of Vehicles, AIOT executes the cloud file storage, remote system control and driving behavior analysis (speeding, braking, acceleration, etc.), and extends to smart lighting systems equipped with sensor, tracking and monitoring functions, and then to the construction of smart city systems.

The professional tablet PCs and device management platforms are designed for the environment where special industries are situated. The products are durable, shatterproof and waterproof, equipped with such functions as 4G, LTE, WIFI, NFC, and Bluetooth, applicable to the areas including logistics, retail sale, sightseeing, medical care and industry, and may replace the traditional low-efficiency manual mode, improve work efficiency, cut costs and improve service quality effectively.

(III) Technology and R&D overview

1. Committed R&D expense

Unit: In thousands of New Taiwan Dollars

Item \ Year	2018
Research and development expense	2,186,024

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. Our competitiveness rested with the diversity of products, the complete series, a complete vertical supply system, and globalized production sites.

(1) Number of patents acquired in the most recent year to the day this report was printed is shown below:



Taiwan	Mainland China	Europe and USA
253	309	294




(2) Product development and brand power:

- A. TYAN displayed the Intel Xeon in the Computex 2018, which allows for the expansion of process to different server platforms. The Company provides flexible system options and high-performance computing server system for AI, in-depth learning, high-performance computing, high-density storage, and cloud computing. TYAN also worked in cooperation with industrial system integration firms to provide server motherboard for embedded application at high temperature to satisfy the needs for high-performance computing and high reliability under special environment.
- B. TYAN also exhibited a wide array of optimized HPC server platform for enterprises and data center at the SC' 18 held in Denver, Colorado, USA to boost up the momentum for growth in the HPC market. The diversity of application of TYAN HPC platform provides high-performance computing

users to meet the diversity of needs in different computing frameworks.

- C. Magellan SmartRV and SmartFleet: after the debut of an innovative personal GPS service, there was an advancement of the Smart GPS technology for applying to SUV or transport fleet. With this service users could receive LBS data in real-time for access to the private cloud of GPS. Fleet management operation could also manage its fleet through the wireless transmission means of its cloud system.
- D. ORV (Off-road Recreation Vehicle) SmartECO System: In addition to receiving LBS data in real-time for access to the private cloud of GPS, users could also plan for their traveling routes for pleasure. With the use of the cloud system, users could integrate smart phone, PC and GPS.
- E. Connected Car Tablet: this is exclusively designed for corporate users who have the needs in vehicle use management. With a built-in 3G/BT/WiFi wireless communication function, it could satisfy the needs of sending back vehicle information to the cloud in real-time, and the needs for interaction between the driving control center and driving communication. This meet the strict testing standard required for all motor vehicles.
- F. Industrial/medical COM Express motherboard module: The separate structure designed for the motherboard module and the serial port module fits various small-volume diversified flexible designs. (High-tech threshold and high-profit margin market)
- G. Quasi-system applicable to railway transportation (IEC50155) Applicable quasi-system: Via the quasi-system computer applicable to the global railway regulations, IEC50155, it can ensure stable operation of the computer system in the railway transportation process to be adapted to various rigid environmental variations and requirements. (High-tech threshold and high-profit margin market)
- H. High-extensible self-served terminal LCD computer: To satisfy the diversified needs for retailed automation equipment, the Company releases the flexible design allowing the free style of monitor and peripheral devices.
- I. Vehicle data record – MiVue series won the following awards in 2018:

Product Name	Region	Media	Award	Logo
MiVue 733	Poland	WavePC	Wave PC recommendation	
MiVue 733	Poland	Pricemamia.sk	Pricemania recommend	

Product Name	Region	Media	Award	Logo
MiVue 752 Dual	Poland	MOTOR magazine	Best DVR quality	
MiVue 785	Poland	MOTOR magazine	Comparative test for best DVR device in a car	
MiVue 786 WIFI	Poland	Independent tests from 1978	Very good	
MiVue 792	Poland	Mobility Managine	gadget of the year 2017	
MiVue C320	Poland	PcFormat	4th position with new price	
MiVue J60	Russia	Megaobzor	Editor Choice	

(IV) Long and short-term business development plans

1. Cloud computing product series

(1) Short-term business development plan: In terms of product strategy, the Company will continue to cooperate with existing customers and chip manufacturers in the development of workstations, servers and storage devices. Demand for servers in China has been growing in recent years. To capture this trend, MiTAC is actively looking for system integration service providers to cooperate in a long-term relationship, or local firms that can provide cash flows and logistics management

to serve customers in a timely manner.

- (2) Short-term business development plan: In terms of product strategy, the Company will continue to develop new server and storage device products to function as the propelling force to drive sales growth in the next three years. With regards to business strategy, the Company will expand its cooperation with leading server customers around the world and deliver products from modules to full-systems, from low-end to high-end and from single to multiple product lines. In order to maintain stable collaboration over long-term, the Company has to improve its capacity and speed for product development, control production quality and delivery, integrate supply chains throughout the world and maintain a global logistics and service network in order to consolidate MiTAC's position as a major ODM/OEM for server systems.

2. Mobile communication products

- (1) Short-term business development plan:

- A. Mobile handheld and digital family markets are at the beginning of rapid development. In the short run, the Company will operate with the latest market development conditions and focus on channels and ODM operations in European and US markets. We will also actively develop niche products and cultivate customers in different domains. SoLoMo (Social, Location, Mobile), a revolutionary and competitive item with the combination of different functions. Under innovative and professional product planning, and the R&D in design and production capacity, we provide customers with high added-value service. The Company seeks to strengthen its overall performance, enhance customer satisfaction for further cultivation of existing customers with brand loyalty. In addition, it will be integrated with private cloud, community content and Point of Interest as a niche product for launching to customers of different markets for further business development.
- B. Industrial use tablet PC and portable devices: The Company will be launching portable devices with equal emphasis in proprietary brand, ODM and OEM. In Europe, MiTAC's primary focus will be the promotion of proprietary brand; in USA, the Company will focus primarily on OEM whereas in Japan, ODM and OEM will receive equal attention.

- (2) Long-term business development plan

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

II. Market and an overview of production and sales

(I) Market analysis

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

Unit: In thousands of New Taiwan Dollars

Regions	2018
Taiwan	815,400
US	12,402,240
Europe	5,507,737
Others	12,026,442
Total	30,751,819

2. Market share

According to the surveys and research findings of DIGITIMES Research, MiTAC was ranked the 5th place by shipment volume of all ODM firms in whole system in 2018.

In the area of mobile communication products, automotive electronics of the Company was among the top 3 of the world in market share by brand.

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

(1) Cloud computing product

The data centers and cloud service providers keep growing in the USA and mainland China and thereby raise enterprises' willingness to invest in IT business. The demand for servers and storage market increases accordingly. Besides, there is also the demand for Big Data analysis, AI, IoT and edge computing. There is still room for growth in shipment of servers and storage devices in the world in 2019.

The increase in shipment volume and the decline of the average sale price compelled the internal big server firms to cut down the cost of production for enhancing competitive power and a larger share in the market. For this reason, energy efficiency and low cost will be the opportunity of the firms for the future of their products. In the future, computing will be converged at the server and energy efficiency will be the rule. After the launch of the TYAN brand and the server products supporting the Intel system architecture, the server products supporting AMD Zen+ architecture will continue to be launched. The 128-bit PCIe 3.1 channel provided by the processor will design a full flash (All-Flash). NVMe storage server and AI inference server and other models to meet the needs of the latest IT technology. 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.

(2) Mobile communication product business

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

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

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

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

(1) Competitive niche

A. Customer demand and control of the market: We grow with location based service markets. MiTAC jointly explores and invests in markets with regional software and hardware customers to understand terminal demand. MiTAC is also negotiating cooperation plans with various world-class information and communication firms so that it can fully grasp market trends, seize fluctuations in the market, and explore new products.

B. Cooperation with world-class software and hardware firms to secure the supply of material: This advantage includes the support of software firms in software development and the source of key components.

C. Research and development capability: Many of our products lead the market and win international awards, earning “number one” ranks.

D. Ceaseless advancement of quality and the expansion of production capacity: We have accumulated years of embedded product software-hardware integration technology, which is a major advantage in design and manufacturing.

E. Provide full-range service to the customers through the partners in the market of regional channels and the global logistics system of the Group.

(2) Favorable factors for prospects of development

- A. Integration of the supply chain of Internet-based equipment
The development and operation of the mode of distribution and global eCommerce allowed MiTAC to develop products of high unit price in a direct production and distribution mode of operation. This helps to upgrade the shipment efficiency and reduce the cost significantly. It also upgrades customer satisfaction.
 - B. Global eManufacturing model
After the trial running of the logistics model, the eManufacturing system of MiTAC International Corp. is well-developed. 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. This form of the integration of global division of labor allowed MiTAC to grow from a regional organization to an international manufacturer with global division of labor in R&D, engineering, manufacturing, and distribution .
 - C. Intensify the development of products of high added-value in response to the trend of development in the integration of wireless Internet communication and computers, MIC will continue to form strategic alliance with international leading manufacturers to develop the market jointly. MIC owns the excellent ability to engage in innovative design, research and development, production and integration in the GPS market, and takes the initiative to release multiple GPS models in the markets. Meanwhile, it also invests in developing the MDM (Mobile Device Management) software with a view to providing its software integration partners with a faster and complete full-range service.
 - D. Maintaining growth momentum in the market
In addition to continuing to invest resources in major markets such as North America and Europe, intensified cultivation of markets with enormous growth potential in GPS, such as Asia-Pacific and emerging markets such as China, Japan, and Eastern Europe will be our focal point of development.
 - E. Full-range of eSupply Chain
As dictated by the needs of global production, and the regional products of customer and segmentation, MiTAC is engaged in the design of key component modules and integration with the eCommerce of the upstream firms for timely delivery of goods worldwide and reduce the operation risk, cut down the inventory level, and provide timely delivery service to the customers.
- (3)Negative factors for the prospects of our development and our corresponding strategies

- A. The competition of cell phone and vehicle-mounted audio-visual system compelled the big firms to engage in the R&D, manufacturing, and post-delivery service of GPS products. Accordingly, the pressure on price intensified. 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) The modular design may shorten the time spent in developing new products and customization.
 - (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.
 - (e) Work with strategic partners to satisfy the most diversified demand for shipment with maximum marginal benefits.
- 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.

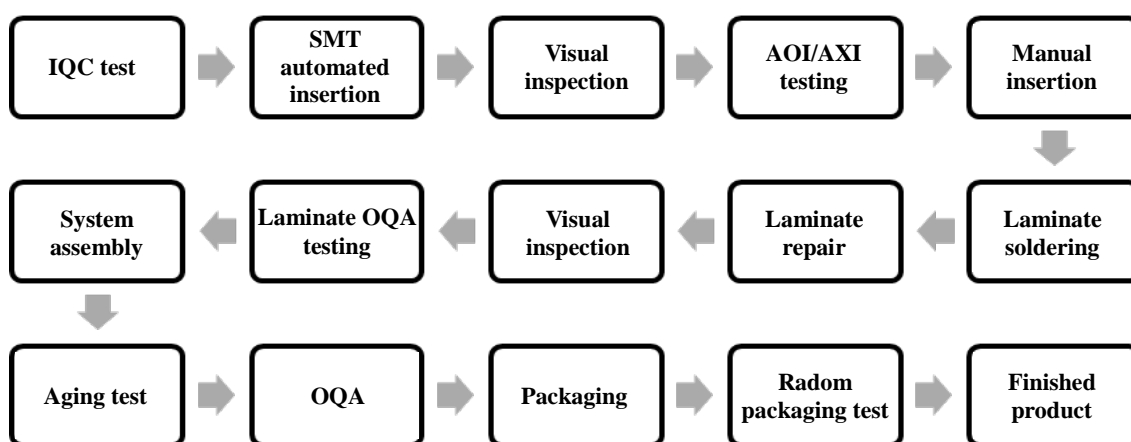
- (b) Diversify the supply channel of key components: We seek more sources of suppliers and secure the source of our suppliers and competitive pricing. We seek to establish good interaction with domestic firms that are already producing or planning to produce key components to maximize our choices.
- (c) Achieve the advantage of support by quantity: the promotion sale of product series helped to secure voluminous OEM/ODM orders, which could help to reduce the cost of purchase substantially.

(II) Important applications and production process for main products

1. Functions of major products

Product type	Major purpose and functions
Workstations	Graphical computing tool for designers
Servers	Data computing tool for businesses
Storage	Data storage tool for businesses
Desktop PCs	A necessary tool for individuals, households, schools, companies, and merchants.
Mobile Communication Devices	Audio-video-navigation head unit, consumer electronics (outdoor, physical fitness, driver navigation), fleet management system and application of cloud technology, and embedded system, industrial use tablet PC system.

2. Production process



(III) Supply of key materials

Component name	Origin	Supply status
CPU/ CHIPSET	Original manufacturers: USA, Japan, Taiwan, Korea, China	Fair
Image sensor	Original manufacturers: USA, Japan, Taiwan	Satisfactory
HDD	Suppliers: USA, Japan, Thailand	Satisfactory
SD card	Suppliers: Taiwan, China	Satisfactory
DRAM	Suppliers: Taiwan, USA, Korea, China	Fair
Flash	Suppliers: Taiwan, USA, Japan, Korea, China	Fair
PCB	Suppliers: Taiwan, USA, China, Korea	Satisfactory
Connector	Original manufacturers: USA, Japan, Taiwan, Korea, China	Satisfactory

LCD	Suppliers: Taiwan, Korea, Japan, China	Satisfactory
LAN	Suppliers: Taiwan, USA	Satisfactory
Camera Module	Suppliers: Taiwan, China	Satisfactory
Battery Pack	Suppliers: Taiwan, Japan, China, Korea	Satisfactory
PCI Card	Suppliers: Europe, USA	Satisfactory
Speaker	Suppliers: Taiwan, China	Satisfactory
Charger	Suppliers: Taiwan, China	Satisfactory
PSU	Suppliers: USA, China, Thailand	Fair
Motor	Suppliers: Taiwan, China	Satisfactory
Chassis	Suppliers: Taiwan, China, Malaysia	Satisfactory

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

1. The name of the supplier that accounted for more than 10% of the total purchase in any of the last two years, and the proportion of the purchase amount, the reason for the changes:

In thousands of New Taiwan Dollars

Item	2017				2018			
	Name	Amount	Proportion to net purchase of the year (%)	Relation with the issuer	Name	Amount	Proportion to net purchase of the year (%)	Relation to the issuer
1	Supplier B	9,775,155	23	None	Supplier A	2,815,944	11	None
2	Supplier A	6,694,251	16	None	Supplier B	1,896,750	7	None
3	Others	26,169,072	61		Others	21,517,405	82	
	Net purchase	42,638,478	100		Net purchase	26,230,099	100	

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

2. The name of the customer that accounted for more than 10% of the total sale in any of the last two years, and the proportion of the sale amount, the reason for the changes:

In thousands of New Taiwan Dollars

Item	2017				2018			
	Name	Amount	Proportion to net sale of the year (%)	Relation with the issuer	Name	Amount	Proportion to net sale of the year (%)	Relation to the issuer
1	Customer E	25,922,630	53	None	Customer E	9,258,013	30	None
2	Others	22,837,884	47		Others	21,493,806	70	
	Net sales	48,760,514	100		Net sales	30,751,819	100	

Note: The changes are the responses to market trend, product needs, prospect of the industry, R&D technology, sale profit, and the contracts with customers.

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

In thousands of New Taiwan Dollars/ unit

Production volume and value Main items	Year	2017			2018		
		Capacity	Volume	Value	Capacity	Volume	Value
Computer & communication products		19,719,276	16,320,758	42,638,478	33,468,841	25,227,014	26,230,099

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

In thousands of New Taiwan Dollars/ unit

Main items	Year	2017				2018			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Capacity	Value	Capacity	Value	Capacity	Value	Capacity	Value
Computer & communication products		228,259	677,982	17,328,471	48,082,532	307,755	815,400	25,584,191	29,936,419

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

Year		2017	2018	Year-to-date March 31, 2019
Employee Count	Direct Labor	3,031	3,708	3,696
	Indirect Labor	3,943	3,233	3,254
	Total	6,974	6,941	6,950
Average age		31.59	30.51	30.41
Average Years of service		5.43	5.21	5.16
Academic Qualification Distribution (%)	Ph.D.	0.16	0.41	0.40
	Master's degree	9.99	12.61	12.51
	College	38.69	37.26	36.09
	Senior High School	18.32	35.83	37.94
	Schools at the Senior Secondary Level and Below	32.84	13.89	13.06

IV. Environmental Disclosure

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

1. The Group is a professional assembly firm and the operation is mostly assembly works. As such, the problem of air pollution, water pollution and contamination of toxic substances for control is not found. In 1992, MiTAC received Certificate of Excellence during the 1st Environmental Evaluation for Top-500 Businesses organized by Environmental Protection Administration. In 1997, MiTAC attained ISO 14001 certification and continues to devote itself to preventing pollution. In 1999, MiTAC received from the Council of Labor Affairs a 2-year certification for having passed the Safety and Health System Evaluation. MiTAC will continue to enforce its environmental protection and work safety policies, and strive to sustain an operation that is free of pollution and hazard.
2. The Group categorized the environmental protection expenditures into the direct

environmental costs, indirect costs and others, collected the investment amount or expenses in the three aspects locally by region, and summarized them into the Group's environmental protection expenditures. In addition to the expenses required to satisfy the requirements under local laws and regulations, the Company also launched the energy-saving program to deal with the GHG (Greenhouse Gas) issue in various regions, e.g implementation of renewal energy, solar/recycling of resources/power saving: lighting management and summer air conditioner management, in order to achieve the goal for reduction of CO2 emissions. The direct environmental costs were primarily spent in upgrading the efficiency of energy utilization. Considering that the consumption of power by factory premises and offices accounted for the largest proportion of energy consumption, the Company continued to implement the Comismart environmental control system like the headquarter in Taiwan. The buildings of the headquarter in Shanghai will also keep investing in the environmental control system to continue controlling the energy consumption of the buildings effectively and seeking better efficiency of energy utilization.

(II) Environmental protection expenditure

1. Environment protection expenditure refers to all expenses related to environmental protection activities. It represents how dedicated a company is to the environment, and serves as a key indicator to the quality of environmental management. However, the definition and scope of environmental expenditure still differ from country to country.
2. MiTAC has been gathering data on the group's environmental expenditure since 2018, with new statistics on environmental protection expenditure covered as follows:
 - Environmental costs associated with the Company's operations (direct cost) amounted to NT\$ 31,419,918, which included expenses on the prevention of air/effluent/soil/groundwater pollution, efficient use of resources and disposal/treatment/recycling/reuse of commercial wastes.
 - Environmental management activity costs (indirect cost) amounted to NT\$ 2,924,657. The administrative costs included personnel expenses on environmental education, system management and validation, environmental monitoring and environmental protection-related activities.
 - Other environmental costs totaled NT\$ 2,703,212, which included R&D expenses (for studies on the mitigation/control of environmental impacts), social activity expenses (i.e., sponsoring environmental organizations, promotion of environmental information and so forth), taxes (i.e., energy levies) and other expenses (i.e., water treatment expenses).
 - Losses (including damage compensations) and fines incurred due to pollution of environment in the year of report up until the publication date of this annual report: The Company has not incurred any losses (including damage compensations) or fines due to environmental pollution; hence the sum is zero.

V. Employer and employee relationships

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

(I) Communication and inspiration

1. Communication

MiTAC routinely organizes a general assembly, management meetings and employee satisfaction surveys. Human Resource Department sets up the employee relation function to have dedicated personnel promote various employee care policies and employment assistance programs and also establishes the available communication channels.

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

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

2. Inspiration

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

- Employee of the year award: Winners of this award are commended personally by the President during the year-end gathering; in addition, the Company prepares commendation letters and offers bonuses and extra leaves as a show of gratitude to employees and their families.

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

(II) Welfare and training

1. Welfare

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

We deeply believe that happy families are the foremost support to our employees. The creation of an environment with proper balance between workload and daily lives will be the only way to allow for physical and psychological health of the employees so that they could indulge in their work, which in turn contribute to the sustainable development of the organization. For this end, the Group support the employees in taking care of their families thereby a hearty “temporary nursery care space” has been arranged in the office area. Employees who have the needs for day care of children may take their children to the workplace for reading and resting at a safe place. In so doing, the employees could take care of their children nearby and could have the peace of mind in concentrating on their works.

The Group works in cooperation with external professional consulting groups to hold “Employee Aid Program” to allow for physical and psychological health of the employees. This is a program participated by psychological counselor, lawyers, nutritionists, and wealth management expert to provide employees and families professional counseling in their daily lives, including the counseling service in pressure at workplace, interpersonal relation, family and marriage, interaction between the two sexes, law, wealth management and medical care. This arrangement

could help the employees to maintain proper balance at workplace, daily lives and health.

In addition, a well-organized Employee Welfare Committee also provides a variety of benefits for the employees. Each department nominated their representative to the committee. The Committee convenes regularly and organizes a diversity of benefits and events for the employees. It also established different social functions, a free gymnasium, aerobic dance room, and massage room. Professional massage therapists were recruited from outside to help employees to release their pressure. Subsidy will also be granted for employees in different occasions such as marriage, funerals, and other festivities to express the concern of the Company. Bonus will be given in Spring Festival, Dragon Boat Festival and Mid-Autumn Festival as reward to the employees for their effort. In this year, for example, subsidizes of more than NT\$5 million were released by the committee.

2. Employees' training and continuing education

We place great emphasis on the improvement of employees skills, which is why a robust training system has been implemented to train employees systematically from orientation, on-job skills, to management skills. In addition, other learning resources such as online courses, work mentors, life counselors and ongoing education subsidies are being offered to provide employees with an environment that supports continual learning and growth. In 2018, the Company has organized 700 training courses for the employees with the participation of 137,000 by head count for more than 336,000 hours.

(III) Retirement policy

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

(IV) Labor-management communication

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

(V) Work environment and employees' safety

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

(VI) Employee code of conduct

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

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

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

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

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

VI. Important contracts

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

Six. Financial Position

I. Condensed balance sheets and comprehensive income statements covering the last 5 years:

(I) Condensed balance sheets – IFRSs (consolidated)

Unit: In thousands of New Taiwan Dollars

Year Item		Financial information covering the last 5 years				
		December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018
Current assets		25,753,781	21,840,171	25,553,342	20,499,461	19,033,549
Property, Plant and Equipment		5,211,314	5,467,908	6,030,530	6,697,711	7,154,611
Intangible assets		316,694	119,005	96,980	134,987	102,788
Other assets		16,922,075	17,735,606	18,383,086	19,853,104	21,755,203
Total assets		48,203,864	45,162,690	50,063,938	47,185,263	48,046,151
Current liabilities	Before dividend	15,421,096	10,954,621	14,887,395	11,651,825	9,437,584
	After dividend	15,954,342	12,186,359	16,910,093	12,706,471	Unappropriated
Non-Current liabilities		631,149	653,660	660,130	784,822	805,240
Total liabilities	Before dividend	16,052,245	11,608,281	15,547,525	12,436,647	10,242,824
	After dividend	16,585,491	12,840,019	17,570,223	13,491,293	Unappropriated
Attributable to the shareholder's equity of the parent company		32,151,619	33,554,409	34,516,413	34,748,616	37,803,327
Share capital		7,694,106	7,778,113	8,156,048	8,190,022	9,367,677
Additional paid-in capital		22,122,720	22,352,475	22,446,436	22,537,691	23,370,899
Retained earnings	Before dividend	829,877	2,017,858	3,159,137	3,691,113	4,968,926
	After dividend	296,631	478,186	1,136,439	1,419,568	Unappropriated
Other equity		2,011,794	1,928,412	1,277,241	852,239	448,912
Treasury Stock		(506,878)	(522,449)	(522,449)	(522,449)	(353,087)
Non-Controlling Interest		0	0	0	0	0
Total equity	Before dividend	32,151,619	33,554,409	34,516,413	34,748,616	37,803,327
	After dividend	31,618,373	32,322,671	32,493,715	33,693,970	Unappropriated

(II) Condensed balance sheets – IFRSs (individual)

Unit: In thousands of New Taiwan Dollars

Year Item		Financial information covering the last 5 years				
		December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018
Current assets		2,892,086	2,743,234	3,432,107	2,510,868	640,871
Property, Plant and Equipment		2,875	2,141	1,407	673	3,980
Intangible assets		0	0	0	0	0
Other assets		29,266,776	31,017,134	32,236,183	33,909,252	37,675,525
Total assets		32,161,737	33,762,509	35,669,697	36,420,793	38,316,396
Current liabilities	Before dividend	10,118	208,100	1,153,284	1,672,177	513,069
	After dividend	543,364	1,439,838	3,175,982	2,726,823	Unappropriated
Non-Current liabilities		0	0	0	0	0
Total liabilities	Before dividend	10,118	208,100	1,153,284	1,672,177	513,069
	After dividend	543,364	1,439,838	3,175,982	2,726,823	Unappropriated
Attributable to the shareholder's equity of the parent company		32,151,619	33,554,409	34,516,413	34,748,616	374,803,327
Share capital		7,694,106	7,778,113	8,156,048	8,190,022	9,367,677
Additional paid-in capital		22,122,720	22,352,475	22,446,436	22,537,691	23,370,899
Retained earnings	Before dividend	829,877	2,017,858	3,159,137	3,691,113	4,968,926
	After dividend	296,631	478,186	1,136,439	1,419,568	Unappropriated
Other equity		2,011,794	1,928,412	1,277,241	852,239	448,912
Treasury Stock		(506,878)	(522,449)	(522,449)	(522,449)	(353,087)
Non-Controlling Interest		0	0	0	0	0
Total equity	Before dividend	32,151,619	33,554,409	34,516,413	34,748,616	37,803,327
	After dividend	31,618,373	32,322,671	32,493,715	33,693,970	Unappropriated

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

Unit: In thousands of New Taiwan Dollars

Item \ Year	Financial information covering the last 5 years				
	2014	2015	2016	2017	2018
Revenue	42,060,342	50,054,765	48,341,745	48,760,514	30,751,819
Gross profit	5,703,906	5,583,864	5,553,540	5,665,177	4,787,868
Operating income (loss)	(360,929)	296,470	683,344	739,881	333,896
Non-Operating Income and Expenses	1,411,752	1,717,633	2,377,593	2,162,407	3,138,818
Pre-Tax Income (loss)	1,050,823	2,014,103	3,060,937	2,902,288	3,472,714
Continuing department Net Income - current (Loss)	760,920	1,754,092	2,718,568	2,581,014	3,296,249
Loss from the discontinued department	0	0	0	0	0
Net Income - current (Loss)	760,920	1,754,092	2,718,568	2,581,014	3,296,249
Other current comprehensive income Income (loss) (net income)	782,609	(116,247)	(688,788)	(451,342)	(304,397)
Total current comprehensive income or loss	1,543,529	1,637,845	2,029,780	2,129,672	2,991,852
Net income attributable to: Parent company shareholders	761,086	1,754,092	2,718,568	2,581,014	3,296,249
Net income attributable to: Non-Controlling Interest	(166)	0	0	0	0
Total comprehensive income Attributable to parent company shareholders	1,543,695	1,637,845	2,029,780	2,129,672	2,991,852
Total comprehensive income Attributable to non-controlling shareholders	(166)	0	0	0	0
EPS	0.99	2.23	3.44	2.81	3.58

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

Unit: In thousands of New Taiwan Dollars

Item \ Year	Financial information covering the last 5 years				
	2014	2015	2016	2017	2018
Revenue	784,493	1,771,352	2,736,021	2,636,880	3,301,845
Gross profit	784,493	1,771,352	2,736,021	2,636,880	3,301,845
Operating income (loss)	757,113	1,743,184	2,702,751	2,602,340	3,270,650
Non-Operating Income and Expenses	9,495	19,581	19,038	28,695	35,068
Pre-Tax Income (loss)	766,608	1,762,765	2,721,789	2,631,035	3,305,718
Continuing department Net Income - current (Loss)	761,086	1,754,092	2,718,568	2,581,014	3,296,249
Loss from the discontinued department	0	0	0	0	0
Net Income - current (Loss)	761,086	1,754,092	2,718,568	2,581,014	3,296,249
Other current comprehensive income (net, after-tax)	782,609	(116,247)	(688,788)	(451,342)	(304,397)
Total current comprehensive income or loss	1,543,695	1,637,845	2,029,780	2,129,672	2,991,852
EPS	0.99	2.23	3.44	2.81	3.58

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

Year	Name of CPA firm	Name of CPA	Auditing opinions
2014	Pricewaterhouse Coopers	Liu, Yin-Fei, Wen, Fang-Yu	Modified unqualified opinion
2015	Pricewaterhouse Coopers	Liu, Yin-Fei, Wen, Fang-Yu	Modified unqualified opinion
2016	Pricewaterhouse Coopers	Wen, Fang-Yu, Cheng Ya-Huei	Unqualified opinion plus other matters section
2017	Pricewaterhouse Coopers	Wen, Fang-Yu, Cheng Ya-Huei	Unqualified opinion plus other matters section
2018	Pricewaterhouse Coopers	Wen, Fang-Yu, Cheng Ya-Huei	Unqualified opinion plus other matters section

II. Financial analysis covering the last 5 years:

(I) Financial analysis – IFRSs (consolidated)

Analysis items		Year	Financial analysis in the latest five years				
			2014	2015	2016	2017	2018
Financial structure (%)	Debt to asset ratio		33.30	25.70	31.05	26.35	21.31
	The ratio of long-term funds to property, plant and equipment		629.06	625.61	583.30	530.53	539.63
Debt servicing capability (%)	Current ratio		167.00	199.36	171.64	175.93	201.67
	Quick ratio		118.03	139.50	124.95	119.35	127.37
	Interest Coverage ratio		24.80	63.83	178.24	86.80	266.53
Operating efficiency (Note)	A/R turnover rate (times)		5.93	7.32	6.13	6.66	6.16
	Average collection days		61.55	49.86	59.54	54.80	59.25
	Inventory turnover rate (times)		4.55	5.60	5.59	5.71	3.50
	Payable turnover ratio (times)		5.11	6.74	5.78	5.93	4.89
	Average days in sales		80.21	65.17	65.29	63.92	104.28
	Property, plant, and equipment turnover rate (times)		8.08	9.37	8.40	7.66	4.43
	Total assets turnover (time)		0.91	1.07	1.01	1.00	0.64
Profitability	Return on assets (%)		1.71	3.81	5.74	5.36	6.94
	Return on equity (%)		2.42	5.33	7.98	7.45	9.08
	Pre-tax income to paid-up capital (%)		13.65	25.89	37.52	35.43	37.07
	Net profit margin (%)		1.80	3.50	5.62	5.29	10.71
	Earnings per share (NT\$)		0.99	2.23	3.44	2.81	3.58
Cash flow	Cash flow ratio (%)		-	30.75	4.98	27.34	11.11
	Cash flow adequacy ratio (%)		48.93	136.43	82.50	87.81	73.06
	Cash reinvestment ratio (%)		-	7.13	-	2.95	0.02
Leverage ratios	Operating leverage ratios		-	22.40	9.21	8.80	17.97
	Financial leverage ratios		-	1.12	1.02	1.04	1.04

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

1. The increase in the interest coverage ratio was primarily a result of the increase in profit resulting in the decrease in interest expenses in 2018.
2. The decrease in the inventory turnover rate and increase in the average days in sales was primarily a result of the differentiated product portfolio and earlier stock-up to respond to the market demand.
3. The decrease in the property, plant and equipment turnover rate and total asset turnover rate was primarily a result of the changes in the product portfolio resulting in the decrease in net sales this year.
4. The increase in the return on assets and return on equity was primarily a result of the increase in the income from disposition of investment resulting in the increase in the income after tax this year.
5. The increase in the net profit margin was primarily a result of the increase in the income from disposition of investment resulting in the increase in the income after tax this year.
6. The decrease in the cash flow ratio was primarily a result of the decrease in collected accounts receivable.
7. The decrease in the cash reinvestment ratio was primarily a result of the decrease in net cash inflow from operating activities.
8. The increase in the operating leverage ratio was primarily a result of the decrease in operating income.

(II) Financial analysis – IFRSs (individual)

Analysis \ Year		Financial analysis in the latest five years				
		2014	2015	2016	2017	2018
Financial structure (%)	Debt to asset ratio	0.03	0.61	3.23	4.59	1.33
	The ratio of long-term funds to property, plant and equipment	1,118,317.18	1,567,230.68	2,453,192.11	5,163,241.60	949,832.33
Debt servicing capability (%)	Current ratio	28,583.57	1,318.22	297.59	150.15	124.90
	Quick ratio	28,573.05	1,317.65	297.49	150.11	124.72
	Interest Coverage ratio	NA	NA	NA	NA	14,008.27
Operating efficiency	A/R turnover rate (times)	NA	NA	NA	NA	NA
	Average collection days	NA	NA	NA	NA	NA
	Inventory turnover rate (times)	NA	NA	NA	NA	NA
	Payable turnover ratio (times)	NA	NA	NA	NA	NA
	Average days in sales	NA	NA	NA	NA	NA
	Property, plant, and equipment turnover rate (times)	NA	NA	NA	NA	NA
	Total assets turnover (time)	NA	NA	NA	NA	NA
Profitability	Return on assets (%)	2.42	5.32	7.83	7.16	8.82
	Return on equity (%)	2.42	5.33	7.98	7.45	9.08
	Pre-tax income to paid-up capital (%)	9.96	22.66	33.37	32.12	35.28
	Net profit margin (%)	97.01	99.02	99.36	97.88	99.83
	EPS (\$)	0.99	2.23	3.44	2.81	3.58
Cash flow	Cash flow ratio (%)	29,704.76	26.44	72.56	40.07	135.25
	Cash flow adequacy ratio (%)	660.17	309.61	175.53	107.64	99.31
	Cash reinvestment ratio (%)	7.94	-	-	-	-
Leverage ratios	Operating leverage ratios	1.00	1.00	1.00	1.00	1.00
	Financial leverage ratios	1.00	1.00	1.00	1.00	1.00

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

1. The decrease in the assets to liabilities ratio was primarily a result of the decrease in loans from related parties.
2. The decrease in the ratio of long-term capital to property, plant and equipment was primarily a result of the increase in property, plant and equipment.
3. The decrease in the property, plant and equipment turnover rate was primarily a result of the increase in property, plant and equipment.
4. The increase in the return on assets and return on equity was primarily a result of the increase in the income after tax.
5. The increase in the cash flow ratio was primarily a result of the decrease in current liabilities.

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

1. Financial structure
 - (1) Debt to asset ratio = total liabilities / total assets
 - (2) The ratio of long-term funds to property, plant and equipment = (total equities + non-current liabilities) / net amount of property, plant and equipment.
2. Debt servicing capability
 - (1) Current ratio = current assets / current liabilities
 - (2) Quick ratio = (current assets - inventory-prepayments) / current liabilities
 - (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period
3. Operating capacity
 - (1) Receivables turnover (including accounts receivable and notes receivable from business activities) = net sales / average receivables balance (including accounts receivable and notes receivable from business activities).
 - (2) Average days of collection = 365 / Receivables turnover
 - (3) Inventory turnover = Cost of goods sold / Average inventory amount
 - (4) Payables turnover (including accounts payable and notes payable for business activities) = cost of sales / average payables balance (including accounts payable and notes payable for business activities).
 - (5) Average days in sales = 365 / Inventory turnover
 - (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment balance.
 - (7) Total assets turnover = Net sales / Average total assets
4. Profitability
 - (1) Return on assets = [Net Income or Loss + Interest expense \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 operating revenues - variable operating costs and expenses) / operating income.
 - (2) Degree of financial leverage = operating income / (operating income - interest expense).

III. The Supervisors' Review Report on the financial statement of the most recent year: refer to p. 109 for further information.

IV. Financial report in the most recent year: refer to p. 110-208 for further information.

- V. The Company's financial statement for the most recent fiscal year, certified by a CPA:**
See from P. 209 to P. 252.
- VI. If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, the annual report shall explain how said difficulties will affect the Company's financial situation:** None.

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

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

Unit: In thousands of New Taiwan Dollars

Item \ Year	December 31, 2017	December 31, 2018	Variation	
			Amount	%
Current assets	20,499,461	19,033,549	(1,465,912)	-7%
Property, Plant and Equipment	6,697,711	7,154,611	456,900	7%
Intangible assets	134,987	102,788	(32,199)	-24%
Other assets	19,853,104	21,755,203	1,902,099	10%
Total assets	47,185,263	48,046,151	860,888	2%
Current liabilities	11,651,825	9,437,584	(2,214,241)	-19%
Non-Current liabilities	784,822	805,240	20,418	3%
Total liabilities	12,436,647	10,242,824	(2,193,823)	-18%
Share capital	8,190,022	9,367,677	1,177,655	14%
Additional paid-in capital	22,537,691	23,370,899	833,208	4%
Retained earnings	3,691,113	4,968,926	1,277,813	35%
Other equity	852,239	448,912	(403,327)	-47%
Treasury Stock	(522,449)	(353,087)	169,362	-32%
Attributable to the shareholder's equity of the parent company	34,748,616	37,803,327	3,054,711	9%
Non-Controlling Interest	0	0	0	0%
Total equity	34,748,616	37,803,327	3,054,711	9%

The main reasons for any material change in the Company's assets, liabilities, or equity during the past two fiscal years:

1. Intangible assets: Primarily a result of amortization of computer and software.
2. Retained earnings: Primarily a result of the increase in the current net profit.
3. Other equity: Primarily a result of the increase in the exchange differences on translation of foreign financial statements and decrease in unrealized income on financial assets at fair value through other comprehensive income.
4. Treasury stock: Primarily a result of the annulment of the current treasury stock.

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

Unit: In thousands of New Taiwan Dollars

Item \ Year	2017	2018	Variation	
			Amount	%
Revenue	48,760,514	30,751,819	(18,008,695)	-37%
Gross profit	5,665,177	4,787,868	(877,309)	-15%
Operating income (loss)	739,881	333,896	(405,985)	-55%
Non-Operating Income and Expenses	2,162,407	3,138,818	976,411	45%
Pre-Tax Income (loss)	2,902,288	3,472,714	570,426	20%
Income tax expense	(321,274)	(176,465)	144,809	-45%
Net Income - current (Loss)	2,581,014	3,296,249	715,235	28%
Other current comprehensive income	(451,342)	(304,397)	146,945	-33%
Total current comprehensive income or loss	2,129,672	2,991,852	862,180	40%

Item \ Year	Year	2017	2018	Variation	
				Amount	%
(I)	The main reason for the significant change in revenue, operating income and earnings before taxation in the last 2 years: The decline in the operating revenue and operating income from the same period of last year was primarily a result of the changes in product portfolio. The increase in the income before tax from last year was primarily a result of the gains from disposition of the shares held in Synnex Corp., an investee under equity method, in 2018.				
(II)	Expected sales volume and basis of estimate: The Company does not prepare financial forecasts, hence it is not applicable.				
(III)	The possible effect upon the Company's financial operations as well as measures to be taken in response: No material effect.				

III. Cash flow review and analysis

Unit: In thousands of New Taiwan Dollars

Opening cash balance	Net cash flow from operating activities for the year	Annual cash outflow	Cash surplus (deficit) amount	Financing of cash deficits	
				Investment plans	Finance plans
8,056,991	1,049,333	(5,443,188)	3,663,136	-	-

- (I) Analysis of cash flow changes during this fiscal year
- Operating activities: Primarily a result of the operating profit and stock dividend revenue resulting in the net cash inflow from operating activities in the current period.
 - Annual cash outflow: Primarily a result of the factory construction, acquisition of equipment, repayment to bank loans and distribution of cash dividends.
- (II) Improvement plans for cash deficits: Not applicable.
- (III) Cash liquidity analysis for the next fiscal year

Unit: In thousands of New Taiwan Dollars

Opening cash balance	Net cash flow from operating activities for the year	Annual cash outflow	Cash surplus (deficit) amount	Financing of cash deficits	
				Investment plans	Finance plans
5,725,216	1,159,657	(2,697,035)	4,187,838	-	-

- Analysis of cash flow for the year:
 - Operating activities: Net cash inflow is expected from operating activities in 2019.
 - Cash outflow in the year: Scheduled to construct factory premises, acquisition of fixed assets, and allocation of cash dividends, et al..
- Improvement plans for cash deficit: Not applicable.

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

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

- (I) The reinvestment policy for the most recent fiscal year: The reinvestments of the Group are long-term strategic planning for future business demands, hoping to increase revenues and profits.
- (II) The main reasons for the profits/losses generated from reinvestments and the plan for

improving re-investment profitability: Profits were mainly caused by the stable growth of business and proper control of costs. The loss was mainly caused by the reason that it is still on the stage of developing new products or the sales of products fell short of expectation. In addition, the Group will consider elements from all perspectives and make proper management policy for non-operating reinvestees or investees with poor performance to improve management performance and control investment losses.

- (III) Investment plans for the coming year: The Company will follow the operating strategy to execute the global investment plans.

VI. Risk management issues

(I) Organization structure for risk management

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

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

1. The influence of the changes in interest rate and exchange rate, and inflation in 2018 on the profits (loss) of the Company.

Unit: In thousands of New Taiwan Dollars

Item	2018	
	Amount	As a percentage of Operating revenues %
Interest income (expense)	77,861	0.25
Exchange gains (losses) (including gains/losses on valuation of financial instruments)	12,884	0.04

Note: The influence of inflation on the profits (loss) of the Company is insignificant.

2. The response measures taken by the Company for interest and exchange rate

fluctuations and changes in the inflation rate:

- (1) The pricing, collection and payments for trade receivables and payables are mainly in USD along with one-basket currencies to reduce the effect of exchange rate fluctuation on the overall revenues.
 - (2) All derivative transactions the Company has currently undertaken are intended to hedge against foreign currency assets and liabilities shown on the balance sheet. As required by "Procedures for Derivatives Trading," the Company transacts financial instruments with banks and evaluates gains and losses on a regular basis to ensure that hedges remain effective in minimizing interest rate and exchange rate impacts on income.
 - (3) The Company maintains close interactions with banks and conducts regular assessments to secure the best borrowing rates, and therefore reduces impact of interest rate variations on income.
 - (4) The Company gathers regular information on exchange rate, interest rate, and the financial market. Meetings are held where appropriate to discuss the best course of action. In the occurrence of extreme market events, the executive management will be notified immediately for proper actions.
 - (5) In light of recent disasters caused by extreme weather conditions and rapid changes of interest rates and exchange rates around the world, it is increasingly important for businesses to source supplies that are stable and reasonably priced. To address this challenge, MiTAC has been monitoring changes in the market and making procurement plans in advance so that suppliers have ample time to find alternative materials or make advance purchases at their discretion. Since most of the supply chains are commonly affected by prolonged delivery, it has become apparent that the Company must devote greater attention to create demands, explore ways to reduce risks, manage uncertainties involving prolonged delivery and shortage of labor, relax inventory control and adjust cost control of non-production materials. Meanwhile, distributors shall carry additional inventory to avoid impact on earnings due to disruption of supply or volatile costs.
- (III) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:
1. The Group does not engage in high-risk and highly leveraged investments.
 2. Financing third parties was undertaken in accordance with the "Procedure for Financing". As of the December 31, 2018 and March 31, 2019, the Company and subsidiaries had balance of loans to third parties amounting to NT\$21,289,541 thousand and NT\$20,760,610 thousand, respectively.
 3. Endorsement/guarantees in favor of third parties were undertaken in accordance with the "Procedure for Undertaking Endorsements/Guarantees". As of the December 31, 2018 and March 31, 2019, the Company and subsidiaries had balance of endorsements/guarantees undertaken in favor of third parties amounting to NT\$926,422 thousand and NT\$926,864 thousand, respectively.
 4. Derivatives transactions are conducted in accordance with "Procedures for Derivatives Trading."

(IV) Research and development work to be carried out in the future, and further expenditures expected for research and development work:

1. In this year (2019), the Company planned to appropriate NT\$2.3 billion in R&D.
2. Research and development work to be carried out in the future

(1) Cloud computing product series

- AI and in-depth learning optimal design server platform
- Industrial grade embedded server platform
- High-performance GPU computing server
- Development of various industrial LCD panels (Industrial Panel PC)
- Development of small and medium size embedded LCD computer (Panel Mount/Open Frame Panel PC)
- Development of various sizes of self-service terminal LCD computer (Kiosk Panel PC)
- New generation Intel core embedded industrial board (Embedded Mother Board) development
- Development of industrial wide temperature and wide pressure 3.5 inches motherboard
- Development of industrial wide temperature and wide pressure 2.5 inches motherboard
- Development of industrial/medical COM Express motherboard modules
- Development of the barebones system (Box PC) for railway transportation (IEC50155)

(2) Mobile communication product series

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

(V) Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

The influence of US-China trade on the Group and responses:

MiTAC Group has global presence and has production sites in China and the USA. Subject to the development condition, the Company will seek the optimal production model based on the production cost, logistic cost and customer needs, and will also make good use of the production base in the USA to engage in assembly and production to mitigate the tariff impact. The production line installation project of the Hsinchu Science Park factory was initiated in 2018. It is expected that a part of the production capacity in the mainland China will be transferred back to the factory in Hsinchu in the middle of 2019. Therefore, no material impact should be imposed on the Company's financial position.

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

1. MiTAC has engaged in joint ventures with the supply chain for the development of substitute high melting point soldering materials. Through supply chain management, MiTAC demands its upstream suppliers to proceed to application for waiver and development of substitute new materials without the waiver clause so that the products

could meet the requirements of the RoHS waiver clause under the optimal cost structure and mode of operation.

2. The increase in wages in China and the backflow of manufacturing in the United States will have impact on the global planning and investment strategy. The best response to this change would be to introduce automated production lines. In addition, MiTAC will try to incorporate the concept of manufacturing 4.0 and enhance supply chain management with an intelligent system. By integrating automated machinery with the production system, the Company would be able to produce broad variety of products in small quantities at a faster rate.
 3. Since cloud service requires many medium and large data centers, the industrial trend, as mentioned in the previous chapter, is to skip the brands or to integrate factories and directly set specifications and search for manufacturers. In other words, we see ODM Direct as the business model of the future, one that requires intensive investments in total system solutions. One of the Company's most important problems in the future would be to integrate existing technologies for faster product launch.
 4. In order to protect our clients, company and individual information from intentional or accidental sabotage, and to manage and protect all stored or communicated data from damage, theft, disclosure, tampering, abuse and tort, the information security policy is stipulated, clearly stating the importance of maintaining information security and the implementation thereof, so that various organizations will clearly understand the information security policy, in turn complying with relevant control protocols to constantly improve the confidentiality, integrity and usability of all information service system operations. The ultimate goal is to ensure the information security of the company's businesses and uphold sustainable management philosophy.
- (VII) Effect on the Company's crisis management of changes in the Company's corporate image, and measures to be taken in response: None.
- (VIII) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken: None.
- (IX) Expected benefits and possible risks associated with any plant expansion and mitigation measures being or to be taken: None.
- (X) Risks associated with any consolidation of purchasing or sales operations, and mitigation measures being or to be taken:
- Purchasing: Main raw material procurement policy is based on the principle of maintaining two suppliers or more and distribution of purchasing and establishing safe stock with major suppliers and instantly updating changes in demand to maintain a long-term and close collaboration relationship and to ensure the sources of all materials.
- Sales: MiTAC's strong R&D and manufacturing capability has enabled it to maintain long-term relationship with existing customers while at the same time explore new customers to diversify revenue sources. There should not be any concentration in sales that would impact the Company's growth.
- (XI) Effect upon and risk to the Company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the Company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken:
- The Company is constantly aware of the identity of its controlling shareholders, and the name of the ultimate controller of its major shareholders. Shareholdings of directors, supervisors and major shareholders with more than 10% ownership interest are reported regularly in accordance with the Securities and Exchange Act.

(XII) Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: None.

(XIII) Litigation and non-contentious matters:

In the most recent fiscal year up till the publication date of this annual report, there had been no litigations, non-contentious cases, or administrative litigations involving the Company, the Company's director, supervisor, President, person-in-charge, any shareholder with more than 10% ownership interest, or any subsidiary of the Company that would have significant impact on shareholders' equity or securities prices, as described in Subparagraph 12, Paragraph 6, Article 20 of "Regulations Governing Information to be Published in Annual Reports of Public Companies."

(XIV) Other important risks, and mitigation measures being or to be taken:

1. Suppliers' profit-oriented strategy: Integration continues to be conducted in IT industry and further strategic alliance mode is adopted in the hope for finding the niche of the industry chain. The rise of Chinese suppliers coupled with rising wages in China, volatile commodity prices, and shift of focus towards hand-held devices and cloud applications all pose additional pressure to material costs and stability of supply. In response to this threat, MiTAC will discuss with its suppliers regularly on the choice and supply of materials and changes in the market, and adjust its procurement strategies accordingly.
2. The sound financial position of the suppliers will be a key issue for control thereby surveys and analysis have been conducted on the financial reports of the suppliers at regular intervals.

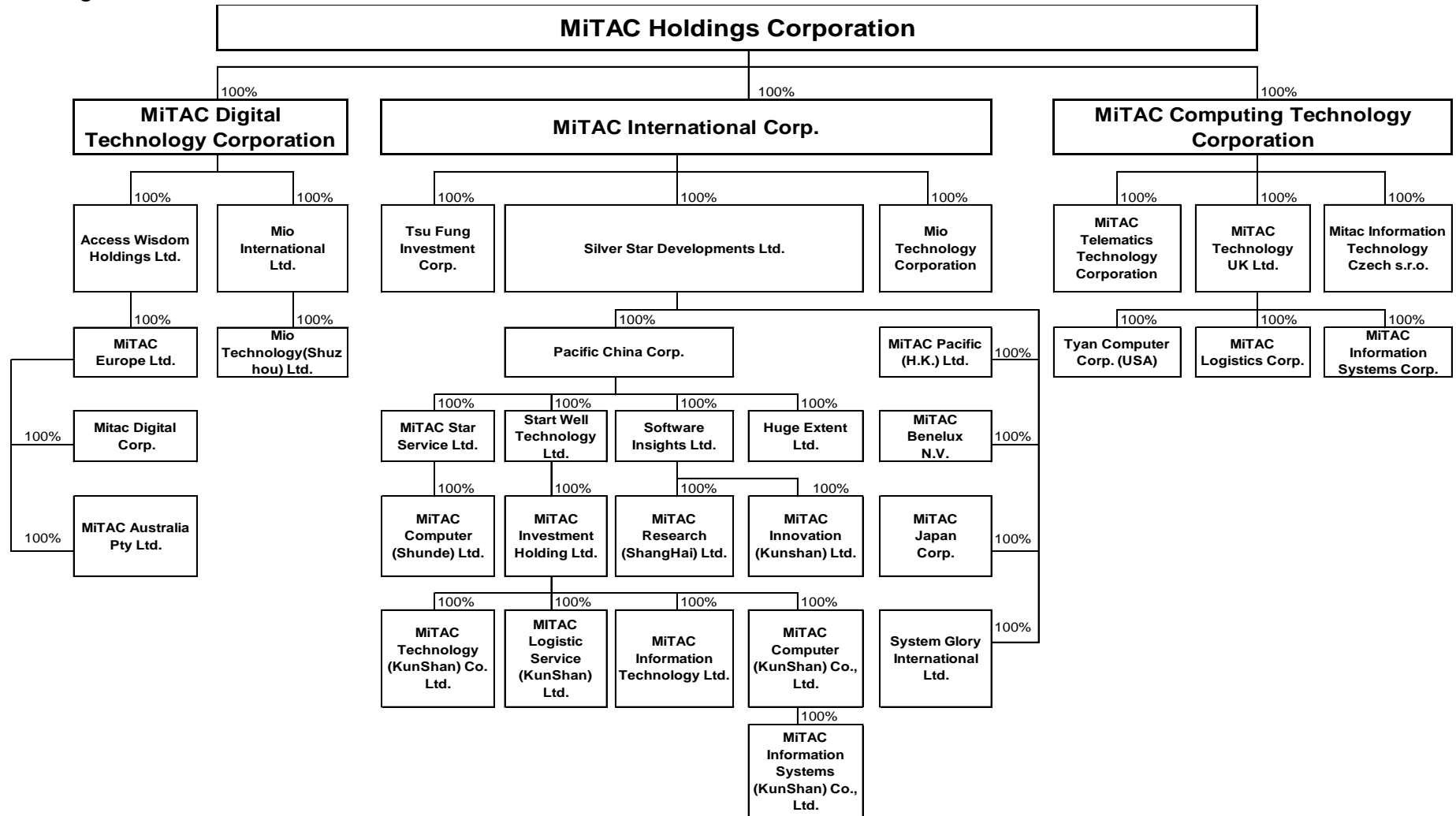
VII. Other important matters: None.

Eight. Important Notice

I. Information on affiliates

(I) The consolidated business reports of affiliates

1. Organizational Chart of Affiliates



2.

Basic information of each affiliate

Currency: NTD 1,000

Enterprise name	Date of incorporation	Address	Paid-in capital (Note 1)	Principal business or running items
MiTAC International Corp.	Dec. 08, 1982	No.1, R&D Road 2., Hsinchu Science Park, Hsinchu 30076, Taiwan, R.O.C.	NT\$16,950,266	The development, design, manufacturing, and sales of computers and peripherals, communications and related products
MiTAC Computing Technology Corporation	Jul. 25, 2014	3F, No.1, R&D Road 2., Hsinchu Science Park, Hsinchu 30076, Taiwan, R.O.C.	NT\$2,327,571	The development, design, manufacturing, and sales of computers and peripherals, communications and related products
Tsu Fung Investment Corporation	Feb. 16, 1998	10F, No. 77, Sec. 3, MinSheng E. Rd., Chungshan Dist. Taipei City, Taiwan, R.O.C.	NT\$1,321,847	General Investment
Silver Star Developments Ltd.	Jun. 05, 1990	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	US\$183,969	General Investment
MiTAC Japan Corp.	Apr. 30, 1983	Yasuda Shibaura-building No2 3F, Kaigan 3-2-12, Minato-ku, Tokyo, Japan 108-0022	YEN\$ 50,000	Sales of communication, computer peripherals, software and hardware and post-delivery maintenance and repair service
MiTAC Benelux N.V.	Sep. 13, 1993	Z5 Mollem 318 - 1730 Asse (Mollem), Belgium	EUR\$ 1,618	Sales of communication products and related post-delivery service
MiTAC Pacific (H.K.) Ltd.	Jun. 13, 1991	Level 12 28 Hennessy Road, Wanchai Hong Kong	US\$10	Import and export service
Pacific China Corp.	Dec. 27, 1996	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	US\$91,025	General Investment
MiTAC Computer (Shunde) Ltd.	Jan. 18, 1993	No .1, Shunda Road, Lunjiao Street, Shunde District, Foshan City, Guangdong P.R.C.	CNY\$ 416,705	Production of mainframe, motherboard, interface cards, displays, power supply, keyboards and related metal/plastic parts, and motherboard repair services.
System Glory International Ltd.	Oct. 25, 1995	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	US\$5,290	General Investment
Mio Technology Corporation	Jan. 17, 2000	9F, No. 77, Sec. 3, Minsheng E. Rd., Chungshan Dist. Taipei City, Taiwan, R.O.C.	NT\$2,500	Sales of communication products and related post-delivery service
Start Well Technology Ltd.	Apr. 20, 2000	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	US\$29,900	General Investment
MiTAC Computer (Kunshan) Co., Ltd	Nov. 01, 2000	No.269, No.2 Avenue2nd Road, Export Processing Zone, Changjiang South Road, Kunshan, Jiangsu, P.R.C	CNY\$ 510,505	Production of products relating to communication, computers, peripherals, software and hardware; sale of proprietary products.
Software Insights Ltd.	Jul. 18, 2000	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	US\$5,200	General Investment
MiTAC Star Service Ltd.	Jan. 12, 2001	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	US\$44,601	General Investment
MiTAC Technology (KunShan) Co., Ltd.	Jan. 28, 2002	No.269, No.2 Avenue2nd Road, Export Processing Zone, Changjiang South Road, Kunshan, Jiangsu, P.R.C	CNY\$ 8,277	Testing, maintenance, and technical consultation and after-sale service of computer parts and related products.
Mio International Ltd.	Feb. 06, 2004	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	US\$1,275	Sales of communication related products
MiTAC Research (ShangHai) Ltd.	Nov. 23, 2004	No. 213, Jiangchang San Rd., Zabei Dist., Shanghai, P.R.C.	CNY\$ 43,040	Research, development and technical consultation services
Huge Extent Ltd.	Jun. 22, 2006	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islandsfv	US\$8,000	General Investment
MiTAC Australia Pty Ltd.	Mar. 06, 2007	Unit 5, 43-51 College Street, Gladesville NSW 2111 Australia	AUD\$ 127	Sales of communication products and related post-delivery

Enterprise name	Date of incorporation	Address	Paid-in capital (Note 1)	Principal business or running items
				service
MiTAC Europe Ltd.	May 10, 2001	Spectrum House, Beehive Ring Road, London Gatwick Airport, RH6 0LG, UNITED KINGDOM	EUR\$ 6,665	Sales of communication products and related post-delivery service
Tyan Computer Corp.(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
MiTAC Logistics Corp.	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, and post-delivery service
Mio Technology (Suzhou) Ltd.	Dec. 04, 2003	No.33, Jiefang Road, Kunshan Economic & Technological Development Zone, Kunshan, Jiangsu, P.R.C.	CNY\$1,878	Sales of communication products and related post-delivery service
MiTAC Logistic Service (KunShan) Ltd.	Mar. 17, 2008	No. 269, 2nd Road, Export Processing Zone, Changjiang South Road, Kunshan, Jiangsu, P.R.C.	CNY\$ 6,821	Shipping agent, import/export, and warehouse service
MiTAC Digital Corp.	Nov. 21, 2008	279E, Arrow Hwy, San Dimas, CA 91773, USA	US\$45,000	Sales of communication products and related post-delivery service
MiTAC Information Technology Ltd.	Nov. 19, 2009	No. 300, 1st Avenue, Kunshan Economic & Technological Development Zone, Kunshan, Jiangsu, P.R.C.	CNY \$2,048	After-sale maintenance, testing, consultation and technical services relating to computers, communication devices, and consumer electronics; operation of a customer service center; professional data processing, analysis and integrated services, and ERP services
MiTAC Information Systems Corp.	Jul. 08, 2010	39889 Eureka Drive Newark, CA 94560	US\$25,000	Assembly, sales of computer peripherals, software and hardware and related products
MiTAC Innovation (KunShan) Ltd.	Jan. 21, 2011	No. 300, 1st Avenue, Kunshan Economic & Technological Development Zone, Kunshan, Jiangsu, P.R.C.	CNY\$ 6,571	Research, development and technical consultation services
MiTAC Telematics Technology Corporation	Jul. 24, 2014	Room 501, No.211, Jiang Chang San Road, Jingan District, Shanghai, P.R.C.	CNY\$ 2,000	Sale of proprietary products and provision of after-sale services
MiTAC Technology UK Ltd.	Aug. 01, 2014	Spectrum House, Beehive Ring Road, London Gatwick Airport, GATWICK, WEST SUSSEX, RH6 0LG, ENGLAND.	US\$62,910	General Investment
MiTAC Information Systems (Kunshan) Co., Ltd.	Sep. 17, 2015	1st Floor, Building 3, No.33, Jiefang Road, Kunshan Economic & Technological Development Zone, Kunshan, Jiangsu, P.R.C.	CNY\$150,000	Production of products relating to communication, computers, peripherals, software and hardware; sale of proprietary products.
MiTAC Investment Holding Ltd.	Nov. 06, 2015	Room 208-211, 2nd Floor, Area B, No. 300, 1st Avenue, Kunshan Economic & Technological Development Zone, Kunshan, Jiangsu, P.R.C.	CNY\$ 469,292	General Investment
MiTAC Digital Technology Corporation	Sep. 01, 2017	No. 200, Wenhua 2nd Road, Guishan District, Taoyuan City 33383, Taiwan R.O.C	NT\$1,001,000	Sales of electronic telecommunications, communications and software products and post-delivery service.
MiTAC Information Technology Czech s.r.o.	Sep. 04, 2017	č.p. 1181, 391 02 Sezimovo Ústí Czech Republic	CZK 8,100	Assembly and sales of computer and peripherals
Access Wisdom Holdings Ltd.	Oct. 23, 2017	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	US\$48,500	General Investment

Note 1: Please refer to Note 3 of the operation summary of each affiliate for the exchange rate on the date of the financial statement. (Page 106)

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

Industry	Name of affiliates	Connection with other affiliates in business operation
Manufacturing and sales of PC and communication products	MiTAC International Corp.	Manufacturing and sale of products, and provision of after-sale services
	MiTAC Computer (Kunshan) Co., Ltd.	Manufacturing and sale of products
	MiTAC Computer (Shunde) Ltd.	Manufacturing and sale of products
	MiTAC Computing Technology Corporation	Manufacturing and sale of products, and provision of after-sale services
	MiTAC Information Systems (Kunshan) Co., Ltd.	Manufacturing and sale of products
	MiTAC Digital Technology Corporation	Products sales and post-delivery service
Investment and Holding Companies	Silver Star Developments Ltd.	Investment in overseas subsidiaries for the manufacturing and sales of products and provision of after-sale services
	System Glory International Ltd.	General Investment
	Pacific China Corp.	Investment in overseas subsidiaries for the manufacturing and sales of products and provision of after-sale services
	Software Insights Ltd.	Investment in overseas subsidiaries for product research and development, and provision of technical consultation services
	Start Well Technology Ltd.	Investment in overseas subsidiaries for the manufacturing and sales of products and provision of after-sale services
	MiTAC Star Service Ltd.	Investment in overseas subsidiaries for the manufacturing and sales of products
	Huge Extent Ltd.	General Investment
	Tsu Fung Investment Corporation	General Investment
	MiTAC Technology UK Ltd.	Investment in overseas subsidiaries for the sales of products and provision of after-sale services
	MiTAC Investment Holding Ltd.	General Investment
	Access Wisdom Holdings Ltd.	General Investment
Technical Service	MiTAC Research (ShangHai) Ltd.	Research, development and technical consultation services
	MiTAC Technology (KunShan) Co., Ltd.	After-sale product maintenance and repair, and provision of technical consultation services
	MiTAC Information Technology Ltd.	After-sale product maintenance and repair, and provision of technical consultation services
	MiTAC Innovation (KunShan) Ltd.	Research, development and technical consultation services
	MiTAC Telematics Technology Corporation	Sale of proprietary products and provision of after-sale services
Trading	Mio Technology Corporation	Sale of products and provision of after-sale services
	MiTAC Japan Corp.	Sale of products and provision of after-sale services
	MiTAC Benelux N.V.	Sale of products and provision of after-sale services
	Mio International Ltd.	Sale of products
	Mio Technology (Suzhou) Ltd.	Sale of products and provision of after-sale services

	MiTAC Australia Pty Ltd.	Sale of products and provision of after-sale services
	MiTAC Europe Ltd.	Sale of products and provision of after-sale services
	Tyan Computer Corp.(USA)	Sale of products and provision of after-sale services
	MiTAC Logistics Corp.	Sale of products and provision of after-sale services
	MiTAC Digital Corp.	Sale of products and provision of after-sale services
Trading and assembly	MiTAC Information Systems Corp.	Assembly and sale of products, and provision of after-sale services
	MiTAC Information Technology Czech s.r.o.	Assembly and sale of products
Shipping agency and import/export trade	MiTAC Logistic Service (KunShan) Ltd.	Shipping agent, import/export, and warehouse service.
Import and export trading	MiTAC Pacific (H.K.) Ltd.	Import and export service

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

Enterprise name	Title	Name or representative	Shareholding	
			Shares held	Shareholding percentage
MiTAC International Corp.	Chairman	MiTAC Holdings Corporation /Rep: Miao, Matthew Feng Chiang	1,695,026,630	100%
	Director/President	MiTAC Holdings Corporation/Rep: Ho, Jhi-Wu	1,695,026,630	100%
	Director	MiTAC Holdings Corporation/Rep: Michael Lin	1,695,026,630	100%
	Director	MiTAC Holdings Corporation/Rep: Steve Chang	1,695,026,630	100%
	Supervisor	MiTAC Holdings Corporation/Rep: Ching, Hu-Shih	1,695,026,630	100%
MiTAC Computing Technology Corporation	Chairman	MiTAC Holdings Corporation/Rep: Ho, Jhi-Wu	232,757,102	100%
	Director	MiTAC Holdings Corporation /Rep: Miao, Matthew Feng Chiang	232,757,102	100%
	Director/President	MiTAC Holdings Corporation/Rep: Michael Lin	232,757,102	100%
	Supervisor	MiTAC Holdings Corporation/Rep: Crystal Yang	232,757,102	100%
MiTAC Digital Technology Corporation	Chairman	MiTAC Holdings Corporation/Rep: Ho, Jhi-Wu	100,100,000	100%
	Director	MiTAC Holdings Corporation /Rep: Miao, Matthew Feng Chiang	100,100,000	100%
	Director/President	MiTAC Holdings Corporation/Rep: Steve Chang	100,100,000	100%
	Supervisor	MiTAC Holdings Corporation/Rep: Crystal Yang	100,100,000	100%
Tsu Fung Investment Corporation	Chairman	MiTAC International Corp./Rep: Ho, Jhi-Wu	132,184,651	100%
	Director	MiTAC International Corp./Rep: Crystal Yang	132,184,651	100%
	Director	MiTAC International Corp./Rep: Chung, Shu-Ling	132,184,651	100%
	Supervisor	MiTAC International Corp./Rep: Huang, Hsiu-Ling		100%
Silver Star Developments Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
MiTAC Japan Corp.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
	Director/ President	Toshihiko Hara	0	0%
	Supervisor	Hsiu-Ling Huang	0	0%
MiTAC Benelux N.V.	Director	Ho Jhi-Wu	0	0%
	Director	Chang Le-Chun	0	0%
	Director	Yang Hsiang-Yun	0	0%
MiTAC Pacific (H.K.) Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
System Glory International Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
	Director	Yuan Chi-Ying	0	0%
Pacific China Corp.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
MiTAC Star Service Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
Software Insights Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
MiTAC Computer (Kunshan) Co., Ltd.	Chairman	Mitac Holdings Corporation/Rep: Steve Chang	N/A	100%
	Vice chairman	Mitac Holdings Corporation/Rep: J.J. Huang	N/A	100%
	Director	Mitac Holdings Corporation/Rep: Lin, Wen-Feng	N/A	100%
	Director/President	Mitac Holdings Corporation/Rep: Wu, Shun-Huang	N/A	100%
	Supervisor	Huang, Hsiu-Ling	N/A	0%
MiTAC Computer (Shunde) Ltd.	Chairman	MiTAC Star Service Ltd./Rep: Michael Lin	N/A	100%
	Vice chairman	MiTAC Star Service Ltd./Rep: J.J. Huang	N/A	100%
	Director/President	MiTAC Star Service Ltd./Rep: Chen, Chien-Hung	N/A	100%
	Supervisor	Huang, Hsiu-Ling	N/A	0%
MiTAC Research (ShangHai) Ltd.	Chairman	Software Insights Ltd./Rep: Ho, Jhi-Wu	N/A	100%
	Director/President	Software Insights Ltd./Rep: Lin, Wen-Feng	N/A	100%
	Director	Software Insights Ltd./Rep: Crystal Yang	N/A	100%
Mio Technology Corporation	Chairman	MiTAC International Corp./Rep: Ho, Jhi-Wu	250,000	100%
	Director/President	MiTAC International Corp./Rep: Steve Chang	250,000	100%
	Director	MiTAC International Corp./Rep: Li, Hui-Ling	250,000	100%
	Supervisor	MiTAC International Corp./Rep: Huang, Hsiu-Ling	250,000	100%
Start Well Technology Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
MiTAC Technology (KunShan) Co., Ltd.	Chairman	Mitac Holdings Corporation/Rep: Wang, Sen-Yeh	N/A	100%
	Director/President	Mitac Holdings Corporation/Rep: Chen, Chi-Ming	N/A	100%
	Director	Mitac Holdings Corporation/Rep: Chang, Wen-Chien	N/A	100%
	Supervisor	Huang, Hsiu-Ling	N/A	0%
Mio International Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
Huge Extent Ltd.	Director	Ho Jhi-Wu	0	0%

Enterprise name	Title	Name or representative	Shareholding	
			Shares held	Shareholding percentage
	Director	Yang Hsiang-Yun	0	0%
MiTAC Australia Pty Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
	Director	Wendy Hammond	0	0%
MiTAC Europe Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Chang Le-Chun	0	0%
	Director	Yang Hsiang-Yun	0	0%
Mio Technology (Suzhou) Ltd.	Chairman	Mio International Ltd./Rep: Steve Chang	N/A	100%
	Director/President	Mio International Ltd./Rep: Chao Chin	N/A	100%
	Director	Mio International Ltd./Rep: Chang, Wen-Chien	N/A	100%
	Supervisor	Doris Huang	N/A	0%
Tyan Computer Corp.(USA)	Director	Ho Jhi-Wu	0	0%
	Director	Danny Hsu	0	0%
	Director	Lin Chung-Liang	0	0%
MiTAC Logistics Corp.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
MiTAC Logistic Service (KunShan) Ltd.	Chairman	Mitac Holdings Corporation/Rep: Steve Chang	N/A	100%
	Director/President	Mitac Holdings Corporation/Rep: Wu, Shun-Huang	N/A	100%
	Director	Mitac Holdings Corporation/Rep: Lin Wen-Feng	N/A	100%
	Supervisor	Doris Huang	N/A	0%
MiTAC Digital Corp.	Director	Ho Jhi-Wu	0	0%
	Director/President	Chang Le-Chun	0	0%
	Director	Yang Hsiang-Yun	0	0%
MiTAC Information Technology Ltd.	Chairman	Mitac Holdings Corporation/Rep: Steve Chang	N/A	100%
	Director and President	Mitac Holdings Corporation/Rep: Chang, Wen-Chien	N/A	100%
	Director	Mitac Holdings Corporation/Rep: Billy Ho	N/A	100%
	Supervisor	Doris Huang	N/A	0%
MiTAC Information Systems Corp.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
	Director	Lin Chung-Liang	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: Lin Wen-Feng	N/A	100%
	Director	Software Insights Ltd./Rep: Michael Lin	N/A	100%
	Supervisor	Crystal Yang	N/A	0%
MiTAC Telematics Technology Corporation	Chairman/President	MiTAC Computing Technology Corporation/Rep: Michael Lin	N/A	100%
	Director	MiTAC Computing Technology Corporation/Rep: J.J. Huang	N/A	100%
	Director	MiTAC Computing Technology Corporation/Rep: Billy Ho	N/A	100%
	Supervisor	Doris Huang	N/A	0%
MiTAC Technology UK Ltd.	Director	MiTAC Computing Technology Corporation/Rep: Billy Ho	62,909,737	100%
	Director	MiTAC Computing Technology Corporation/Rep: Michael Lin	62,909,737	100%
	Director	MiTAC Computing Technology Corporation/Rep: Crystal Yang	62,909,737	100%
MiTAC Information Systems (Kunshan) Co., Ltd.	Chairman	MiTAC Computer (Kunshan) Co., Ltd/Rep: Steve Chang	N/A	100%
	Vice Chairman	MiTAC Computer (Kunshan) Co., Ltd/Rep: J.J. Huang	N/A	100%
	Director	MiTAC Computer (Kunshan) Co., Ltd/Rep: Lin Wen-Feng	N/A	100%
	Director/President	MiTAC Computer (Kunshan) Co., Ltd/Rep: Wu, Shun-Huang	N/A	100%
	Supervisor	Doris Huang	N/A	0%
Mitac Investment Holdings Ltd.	Chairman/President	Start Well Technology Ltd./Rep: Billy Ho	N/A	100%
	Director	Start Well Technology Ltd./Rep: Steve Chang	N/A	100%
	Director	Start Well Technology Ltd./Rep: J.J. Huang	N/A	100%
	Director	Start Well Technology Ltd./Rep: Wu, Shun-Huang	N/A	100%
	Supervisor	Doris Huang	N/A	0%
Mitac Information Technology Czech s.r.o.	President	Lin Chung-Liang	N/A	0%
Access Wisdom Holdings Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
	Director	Chang Le-Chun	0	0%

6. Operation summary of affiliates

Unit: In thousands of New Taiwan Dollars

Enterprise name	Capital	Total assets	Total liabilities	Net worth	Revenue	Operating income (loss)	Earnings in current period (after tax)	EPS (NT\$) (after-tax)
MiTAC International Corp.	16,950,266	36,824,316	4,974,669	31,849,647	286,096	(268,716)	2,884,461	1.70
Tsu Fung Investment Corporation	1,321,847	1,877,231	394	1,876,837	97,515	95,691	91,936	0.70
Silver Star Developments Ltd.-Consolidated	5,650,607	24,493,714	3,894,292	20,599,422	15,583,283	36,279	2,133,355	11.60
MiTAC Japan Corp.	13,910	81,180	41,041	40,139	144,052	4,126	2,218	2,218.00
MiTAC Benelux N.V.	56,961	131,569	81,615	49,954	104	104	(3,583)	(54.91)
MiTAC Pacific (H.K.) Ltd.	307	21,587	17,965	3,622	0	(289)	40	4.00
Pacific China Corp.	2,795,821	2,898,156	0	2,898,156	0	0	687	0.01
MiTAC Computer (Shunde) Ltd.	1,863,507	4,428,699	1,811,296	2,617,403	10,360,356	26,829	92,480	NA
System Glory International Ltd.	162,482	184,069	29,251	154,818	0	(16)	2,661	0.50
Mio Technology Corporation	2,500	3,725	30	3,695	0	(46)	(44)	(0.18)
Start Well Technology Ltd.	918,379	2,956,455	947,765	2,008,690	0	0	0	0.00
MiTAC Computer (Kunshan) Co., Ltd	2,282,978	4,304,678	1,426,328	2,878,350	4,526,300	(9,346)	41,474	NA
Software Insights Ltd.	159,721	165,443	30,715	134,728	0	0	0	0.00
MiTAC Star Service Ltd.	1,369,912	1,387,460	0	1,387,460	0	0	3	0.00
MiTAC Technology (KunShan) Co., Ltd.	37,015	152,362	117,458	34,904	180,662	3,562	2,338	NA
Mio International Ltd.	39,162	748,446	693,453	54,993	2,436,626	0	0	0.00
MiTAC Research (ShangHai) Ltd.	192,475	520,237	63,507	456,730	205,526	8,411	22,973	NA
Huge Extent Ltd.	245,720	245,720	0	245,720	0	0	0	0.00
MiTAC Australia Pty Ltd.	2,751	191,351	243,118	(51,767)	385,553	163	165	1.30
MiTAC Europe Ltd.	234,608	126,948	492,612	(365,664)	623,737	42,298	36,370	5.28
Tyan Computer Corporation-USA	121,334	949,409	315,912	633,497	933,685	3,804	5,791	5,791.00
MiTAC Logistics Corporation	87,538	635,430	388,035	247,395	2,362,359	1,346	(255)	(2.55)
Mio Technology(Suzhou) Ltd.	8,397	131,719	101,981	29,738	549,593	11,598	8,407	NA
MiTAC Logistic Service (KunShan) Ltd.	30,502	500,760	464,125	36,635	1,010,446	2,833	2,733	NA
MiTAC Digital Corporation	1,382,175	200,678	1,262,639	(1,061,961)	480,018	(24,646)	(39,798)	(0.88)
MiTAC Information Technology Ltd.	9,161	122,595	73,723	48,872	279,910	1,912	4,385	NA
MiTAC Information Systems Corp.	767,875	4,447,753	3,167,325	1,280,428	10,382,290	3,037	(1,854)	(618.00)
MiTAC Innovation (KunShan) Ltd.	29,384	84,637	15,097	69,540	55,384	2,159	7,435	NA
MiTAC Computing Technology Corporation	2,327,571	11,238,889	7,227,823	4,011,066	14,549,512	336,548	305,461	1.31
MiTAC Telematics Technology Corporation	8,944	18,373	13,433	4,940	60,004	1,705	1,722	NA
MiTAC Technology UK Ltd.	1,932,273	2,161,320	68,144	2,093,176	0	0	3,681	0.06
MiTAC Information Systems (KunShan) Co.,	670,800	669,917	2,627	667,290	0	(4,283)	(1,269)	NA
Mitac Investment Holdings Ltd,	2,098,674	3,047,010	2,616	3,044,394	4,280	(351)	63,099	NA
MiTAC Digital Technology Corporation	1,001,000	4,068,263	2,431,866	1,636,397	4,051,592	125,685	122,038	1.22
Mitac Information Technology Czech s.r.o.	11,054	13,408	11,130	2,278	0	(4,660)	(4,738)	NA
Access Wisdom Holdings Ltd.	1,489,678	14,004	0	14,004	0	(19)	125	0.00

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

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

Note 3: Based on the exchange rate of 2018

	Year-end	Average
USD:	30.715	30.149
EUR:	35.200	35.605
JPY:	0.278	0.273
RMB:	4.472	4.560
AUD:	21.665	22.527
CZK:	1.365	1.388

(II) Consolidated financial statements of affiliates

MiTAC Holdings Corporation

Declaration of Consolidated Financial Statements of Affiliates

The companies included in the consolidated financial statements of MHC in 2018 (January 1 2018 to December 31 2018) under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are identical with the companies to be included into the consolidated financial statements of the parent company and subsidiaries pursuant to IFRS 10. Furthermore, information for disclosure in the consolidated financial statements of the affiliates has also been disclosed in the aforementioned consolidated financial statements of the parent company and subsidiaries thereby it will not be necessary to compile the consolidated financial statements of the subsidiaries.

Hereby declared

Company name: MiTAC Holdings Corporation

Representative: Miao, Matthew Feng Chiang

February 26, 2019

(III) Affiliation report: None.

II. The status of private place of securities in the most recent year to the date this report was printed: None .

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

Unit: NTD thousand; share; %

Name of subsidiaries	Paid-in capital	Fund source	Shareholding ratio of the Company	Acquisition or disposal Date	Number of shares acquired and amount	Number of shares disposed and amount	Investment Income (loss)	Number of shares and amount holding as of the date of printing of the annual report	Creation of pledge	Endorsement and guarantee amount by the Company for subsidiaries	Loan amount to subsidiaries from the Company
Silver Star Developments Ltd.	US\$183,969 thousand	Own funds and borrowings	100%	2018 and 2019 to the date this report was printed.	215,180 shares -	-	-	1,652,139 shares \$77,002	None	-	-
Tsu Fung Investment Corporation	\$1,321,847	Own funds and borrowings	100%	2018 and 2019 to the date this report was printed.	1,585,627 shares -	-	-	12,174,313 shares \$276,085	None	-	-

Note: The shares acquired refer to the stock dividends.

IV. Other matters that require additional description: None.

V. Events that caused significant influence on shareholders' equity or stock price pursuant to Subparagraph II, Paragraph I, Article 36 of the Securities and Exchanges Act in the most recent year to the date this report was printed: None.

MITAC HOLDINGS CORPORATION SUPERVISORS' REPORT

The Board compiled the financial statements covering FY 2018 (January 1, 2018 to December 31, 2018), which have been audited by Wen, Fang-Yu, CPA, and Cheng Ya-Huei, of PwC Taiwan, and the business report and proposal for distribution of earnings for the same period. We have reviewed the aforementioned reports and statements, which were presented in conformity to applicable legal rules. We hereby present this report to your attention pursuant to Article 219 of the Company Act.

To:

2019 Regular Session of the Shareholders' Meeting, MiTAC Holdings Corporation.

Supervisors: Chiao, Yu-Cheng

Su Liang

(Representative of Lien Hwa Industrial Corp.)

March 8 2019

**MITAC HOLDINGS CORPORATION AND
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS**

DECEMBER 31, 2018 AND 2017

REPORT OF INDEPENDENT ACCOUNTANTS

PWCR18000279

To the Board of Directors and Shareholders of MiTAC Holdings Corporation

Opinion

We have audited the accompanying consolidated balance sheets of MiTAC Holdings Corporation and its subsidiaries (the “MiTAC Group”) as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the audit reports of other independent accountants, as described in the *Other matters* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the MiTAC Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

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

Key audit matters for the MiTAC Group's consolidated financial statements of the current period are stated as follows:

Sales revenue recognition

Description

For accounting policies on sales revenue recognition, please refer to Note 4(31). Considering that the sales revenue are material to its financial statements, the types of MiTAC Group products and sales terms are various, the timing of revenue recognition can only be determined when the controls of ownership for products are transferred to the customers based on contract terms of each different customer. Thus, we identified the sales revenue recognition as a key audit matter.

How our audit addressed the matter

We performed audit procedures including discussing with management and evaluating the policy of revenue recognition; tested the effectiveness of design and implementation of internal controls over recognition of revenue; sampled transaction terms and prices of customers and verified the supporting documents for delivery to ensure the accuracy of payment time and amount; selected sales transactions around the fiscal year-end date and verified transaction documents to ensure sales revenue are recorded in the proper period.

Valuation of inventory

Description

The MiTAC Group's inventories were mainly engaged in manufacturing and selling computer and its peripherals and communications products. Since the industry involved rapidly changing technology and were affected by market demand, there was higher risk of incurring inventory valuation losses or having obsolete inventory. The MiTAC Group's inventories were measured at the lower of cost and net realisable value. For a description of accounting policy on inventory valuation, please refer to Note 4(14), and for accounting estimates and assumption uncertainty in relation to inventory valuation,

please refer to Note 5(2). Considering the MiTAC Group's inventories were significant, items were voluminous and the valuation is associated with subjective judgement, we identified valuation of inventory as a key audit matter.

How our audit addressed the matter

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

Other matter- reference to reports of other independent accountants

We did not audit certain investments accounted for using the equity method that were included in the consolidated financial statements, whose financial statements were prepared under a different financial reporting framework. The Company converted the financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission. Share of profit (loss) of associates and joint ventures accounted for using equity method amounted to NT\$1,108,426 thousand and NT\$1,250,651 thousand for the years ended December 31, 2018 and 2017, respectively. Investments accounted for using equity method amounted to NT\$10,783,025 thousand and NT\$9,238,721 thousand as at December 31, 2018 and 2017, respectively. Those financial statements before adjustments were audited by other independent accountants 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.

Other matter - Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of MiTAC Holdings Corporation as at and for the years ended December 31, 2018 and 2017.

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

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

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

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

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

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

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

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

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

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

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

Wen, Fang-Yu

Cheng, Ya-Huei

For and on behalf of PricewaterhouseCoopers, Taiwan

February 26, 2019

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

MiTAC HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2018		December 31, 2017	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 5,725,216	12	\$ 8,056,991	17
1110	Financial assets at fair value through profit or loss - current	6(2)	114,424	-	9,313	-
1120	Financial assets at fair value through other comprehensive income - current	6(3)	837,497	2	-	-
1125	Available-for-sale financial assets - current	6(4)	-	-	1,091,146	2
1150	Notes receivable - net		92,212	-	85,441	-
1170	Accounts receivable - net	6(6) and 12(2)	4,720,458	10	4,042,515	9
1180	Accounts receivable - related parties - net	6(6) and 7	360,980	1	489,414	1
1200	Other receivables	7	76,621	-	59,453	-
1220	Current income tax assets		52,824	-	39,529	-
130X	Inventories	6(7)	6,488,102	14	6,221,954	13
1410	Prepayments		524,001	1	370,565	1
1470	Other current assets	6(8) and 8	41,214	-	33,140	-
11XX	Total Current Assets		19,033,549	40	20,499,461	43
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	3,190,291	7	-	-
1523	Available-for-sale financial assets - non-current	6(4)	-	-	1,957,284	4
1543	Financial assets carried at cost - non-current	6(5)	-	-	1,113,478	2
1550	Investments accounted for using equity method	6(9)	16,714,037	35	14,903,681	32
1600	Property, plant and equipment	6(10)	7,154,611	15	6,697,711	14
1760	Investment property - net	6(11)	1,128,292	2	1,146,830	3
1780	Intangible assets	6(12)	102,788	-	134,987	-
1840	Deferred income tax assets	6(28)	440,054	1	436,762	1
1900	Other non-current assets	6(8) and 8	282,529	-	295,069	1
15XX	Total non-current assets		29,012,602	60	26,685,802	57
1XXX	Total assets		\$ 48,046,151	100	\$ 47,185,263	100

(Continued)

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2018		December 31, 2017					
			AMOUNT	%	AMOUNT	%				
Current liabilities										
2100	Short-term borrowings	6(13)	\$	-	-	\$	2,137,655	5		
2120	Financial liabilities at fair value through profit or loss - current	6(14)		1,295	-		10,312	-		
2130	Contract liabilities - current	6(22)		165,442	-		-	-		
2170	Accounts payable			5,281,232	11		5,194,178	11		
2180	Accounts payable - related parties	7		57,817	-		71,262	-		
2200	Other payables	7		3,326,748	7		3,467,054	7		
2230	Current income tax liabilities	6(28)		233,017	-		327,433	1		
2250	Provisions - current	6(17)		133,202	-		182,337	-		
2300	Other current liabilities			238,831	1		261,594	1		
21XX	Total current Liabilities			9,437,584	19		11,651,825	25		
Non-current liabilities										
2550	Provisions - non-current	6(17)		124,095	-		109,293	-		
2570	Deferred income tax liabilities	6(28)		378,264	1		320,954	-		
2600	Other non-current liabilities	6(15)		302,881	1		354,575	1		
25XX	Total non-current liabilities			805,240	2		784,822	1		
2XXX	Total liabilities			10,242,824	21		12,436,647	26		
Share capital		6(18)								
3110	Common shares			9,367,677	19		8,190,022	17		
Capital surplus		6(19)								
3200	Capital surplus			23,370,899	49		22,537,691	49		
Retained earnings		6(20)								
3310	Legal reserve			837,787	2		579,686	1		
3350	Unappropriated retained earnings			4,131,139	9		3,111,427	7		
Other equity interest		6(21)								
3400	Other equity interest			448,912	1		852,239	1		
3500	Treasury stocks	6(16)	(353,087)	(1)	(522,449)	(1)
3XXX	Total equity			37,803,327	79		34,748,616	74		
Significant Contingent Liabilities And Unrecognized Contract Commitments										
Significant Events After the Balance Sheet Date		11								
3X2X	Total liabilities and equity		\$	48,046,151	100	\$	47,185,263	100		

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

MiTAC HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	Year ended December 31			
			2018		2017	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(22) and 7	\$ 30,751,819	100	\$ 48,760,514	100
5000	Operating costs	6(7) and 7	(25,963,951)	(84)	(43,095,337)	(88)
5900	Gross profit		<u>4,787,868</u>	<u>16</u>	<u>5,665,177</u>	<u>12</u>
	Operating expenses	6(26)(27)				
6100	Selling expenses		(1,093,521)	(4)	(1,268,344)	(3)
6200	General and administrative expenses		(1,174,427)	(4)	(1,244,975)	(2)
6300	Research and development expenses		(2,186,024)	(7)	(2,411,977)	(5)
6000	Total operating expenses		(4,453,972)	(15)	(4,925,296)	(10)
6900	Operating profit		<u>333,896</u>	<u>1</u>	<u>739,881</u>	<u>2</u>
	Non-operating income and expenses					
7010	Other income	6(23)	479,033	1	377,546	-
7020	Other gains and losses	6(24)	850,095	3	(91,506)	-
7050	Finance costs	6(25)	(13,078)	-	(33,826)	-
7060	Share of profit of associates and joint ventures accounted for using equity method	6(9)	<u>1,822,768</u>	<u>6</u>	<u>1,910,193</u>	<u>4</u>
7000	Total non-operating income and expenses		<u>3,138,818</u>	<u>10</u>	<u>2,162,407</u>	<u>4</u>
7900	Profit before income tax		<u>3,472,714</u>	<u>11</u>	<u>2,902,288</u>	<u>6</u>
7950	Income tax expense	6(28)	(176,465)	-	(321,274)	(1)
8200	Profit for the year		<u>\$ 3,296,249</u>	<u>11</u>	<u>\$ 2,581,014</u>	<u>5</u>
	Other comprehensive income (loss) - net					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Gains (losses) on remeasurements of defined benefit plans	6(15)	\$ 648	-	(\$ 26,532)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)(21)	(451,947)	(2)	-	-
8320	Share of profit of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(9)(21)	(70,311)	-	(4,318)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(28)	<u>4,559</u>	<u>-</u>	<u>4,510</u>	<u>-</u>
8310	Components of other comprehensive income that will not be reclassified to profit or loss		<u>(517,051)</u>	<u>(2)</u>	<u>(26,340)</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation of foreign financial statements	6(21)	369,024	1	(1,176,850)	(2)
8362	Unrealized income on valuation of available-for-sale financial assets	6(4)(21)	-	-	725,541	1
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6(9)(21)	(156,370)	-	26,307	-
8360	Components of other comprehensive income that will be reclassified to profit or loss		<u>212,654</u>	<u>1</u>	<u>(425,002)</u>	<u>(1)</u>
8300	Other comprehensive loss for the year		<u>(\$ 304,397)</u>	<u>(1)</u>	<u>(\$ 451,342)</u>	<u>(1)</u>
8500	Total comprehensive income for the year		<u>\$ 2,991,852</u>	<u>10</u>	<u>\$ 2,129,672</u>	<u>4</u>
9750	Basic earnings per share	6(29)	\$ 3.58		\$ 2.81	
9850	Diluted earnings per share	6(29)	\$ 3.55		\$ 2.79	

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

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	Common shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Retained earnings		Other equity interest		Treasury stocks	Total equity
									Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		
Year 2017												
Balance at January 1, 2017		\$ 8,156,048	\$ 22,446,436	\$ 307,829	\$ 65,691	\$ 2,785,617		\$ 894,221	\$ -	\$ 383,020	(\$ 522,449)	\$ 34,516,413
Profit for 2017		-	-	-	-	2,581,014		-	-	-	-	2,581,014
Other comprehensive income (loss) for 2017		-	-	-	-	(26,340)		(1,169,851)	-	744,849	-	(451,342)
Total comprehensive income (loss)		-	-	-	-	2,554,674		(1,169,851)	-	744,849	-	2,129,672
Distribution of 2016 earnings	6(20)											
Legal reserve		-	-	271,857	-	(271,857)		-	-	-	-	-
Reversal of special reserve		-	-	-	(65,691)	65,691		-	-	-	-	-
Cash dividends		-	-	-	-	(2,022,698)		-	-	-	-	(2,022,698)
Employee stock options exercised	6(18)(19)	33,974	24,321	-	-	-		-	-	-	-	58,295
Subsidiaries received cash dividends paid by the parent company	6(19)	-	30,029	-	-	-		-	-	-	-	30,029
Net change of equity in associates accounted for using equity method	6(19)	-	36,905	-	-	-		-	-	-	-	36,905
Balance at December 31, 2017		\$ 8,190,022	\$ 22,537,691	\$ 579,686	\$ -	\$ 3,111,427		(\$ 275,630)	\$ -	\$ 1,127,869	(\$ 522,449)	\$ 34,748,616
Year 2018												
Balance at January 1, 2018		\$ 8,190,022	\$ 22,537,691	\$ 579,686	\$ -	\$ 3,111,427		(\$ 275,630)	\$ -	\$ 1,127,869	(\$ 522,449)	\$ 34,748,616
Effects on adoption of IFRS 9	12(4)	-	-	-	-	214,703		-	1,067,345	(1,127,869)	-	154,179
Balance at January 1, 2018 after adjustments		8,190,022	22,537,691	579,686	-	3,326,130		(275,630)	1,067,345	-	(522,449)	34,902,795
Profit for 2018		-	-	-	-	3,296,249		-	-	-	-	3,296,249
Other comprehensive income (loss) for 2018	6(21)	-	-	-	-	4,138		212,654	(521,189)	-	-	(304,397)
Total comprehensive income (loss)		-	-	-	-	3,300,387		212,654	(521,189)	-	-	2,991,852
Distribution of 2017 earnings	6(20)											
Legal reserve		-	-	258,101	-	(258,101)		-	-	-	-	-
Cash dividends		-	-	-	-	(1,054,646)		-	-	-	-	(1,054,646)
Stock dividends		1,216,899	-	-	-	(1,216,899)		-	-	-	-	-
Employee stock options exercised	6(18)(19)	43,196	20,860	-	-	-		-	-	-	-	64,056
Subsidiaries received cash dividends paid by the parent company	6(19)	-	15,607	-	-	-		-	-	-	-	15,607
Change of associates accounted for using equity method	6(19)	-	898,481	-	-	(15,584)		-	15,584	-	-	898,481
Proceeds from disposal of investments accounted for using equity method	6(19)(21)	-	(14,818)	-	-	-		-	-	-	-	(14,818)
Treasury stock retired	6(18)	(82,440)	(86,922)	-	-	-		-	-	-	169,362	-
Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	6(21)	-	-	-	-	49,852		-	(49,852)	-	-	-
Balance at December 31, 2018		\$ 9,367,677	\$ 23,370,899	\$ 837,787	\$ -	\$ 4,131,139		(\$ 62,976)	\$ 511,888	\$ -	(\$ 353,087)	\$ 37,803,327

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

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 3,472,714	\$ 2,902,288
Adjustments			
Adjustments to reconcile profit (loss)			
Bad debts expense	12(2)	-	8,041
Expected credit loss	12(2)	17,794	-
Loss on inventory market value decline	6(7)	30,550	58,895
Depreciation	6(10)(11)(26)	632,615	573,363
Amortization	6(12)(26)	95,402	95,933
Amortization of long-term prepaid rent		7,144	6,855
Interest income	6(23)	(90,939)	(56,677)
Interest expense	6(25)	13,078	33,826
Dividend income	6(23)	(189,020)	(127,379)
(Gain) loss of financial assets/liabilities at fair value through profit or loss	6(2)(14)(24)	(5,480)	33,837
Share of profit of associates and joint ventures accounted for using equity method	6(9)	(1,822,768)	(1,910,193)
(Gain) loss on disposal of investments	6(24)	(872,181)	1,266
Gain on disposal of property, plant and equipment	6(24)	(33,898)	(61,703)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(6,771)	(71,832)
Accounts receivable		(281,655)	4,795,933
Other receivables		(16,031)	15,995
Inventories		(126,167)	136,660
Prepayments		(153,436)	(95,511)
Other current assets		55,748	-
Changes in operating liabilities			
Accounts payable		(37,093)	(3,548,815)
Other payables		(138,861)	(348,692)
Other current liabilities		(117,633)	131,791
Contract liabilities		(19,453)	-
Provisions for liabilities		(34,158)	(40,361)
Accrued pension liabilities		(56,270)	(80)
Cash inflow generated from operations		323,231	2,533,440
Payment of interest		(14,523)	(33,385)
Receipt of interest		89,802	55,522
Payment of income tax		(225,601)	(242,932)
Cash dividend received		876,424	873,609
Net cash flows from operating activities		<u>1,049,333</u>	<u>3,186,254</u>

(Continued)

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of financial assets at fair value through profit or loss		\$ 912	\$ -
Decrease (increase) in other financial assets		24,089	(8,746)
Acquisition of financial assets at fair value through other comprehensive income		(500,439)	-
Acquisition of available-for-sale financial assets		-	(337,452)
Proceeds from disposal of financial assets at fair value through other comprehensive income		206,068	-
Proceeds from capital reduction of available-for-sale financial assets		-	493
Proceeds from capital reduction of financial assets at fair value through other comprehensive income		34,035	-
Acquisition of investments accounted for using equity method		(585,459)	(89,749)
Proceeds from disposal of investments accounted for using equity method	6(9)	1,716,328	-
Acquisition of property, plant and equipment	6(10)	(1,112,183)	(1,271,080)
Proceeds from disposal of property, plant and equipment		39,272	69,718
Increase in investment property	6(11)(31)	(5,208)	(11,474)
Increase in intangible assets	6(12)(31)	(63,205)	(137,453)
Decrease in refundable deposits		583	8,590
Increase in other non-current assets		-	(37,933)
Net cash flows used in investing activities		(245,207)	(1,815,086)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term borrowings		(2,137,655)	987,565
Increase in guarantee deposits		4,752	10,333
Employee stock options exercised		64,056	58,295
Cash dividends paid	6(20)(31)	(1,039,039)	(1,992,669)
Net cash flows used in financing activities		(3,107,886)	(936,476)
Effects of changes in exchange rates		(28,015)	(12,011)
Net (decrease) increase in cash and cash equivalents		(2,331,775)	422,681
Cash and cash equivalents at beginning of year	6(1)	8,056,991	7,634,310
Cash and cash equivalents at end of year	6(1)	<u>\$ 5,725,216</u>	<u>\$ 8,056,991</u>

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

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

- (1) MiTAC Holdings Corporation (the “Company”) was established by MiTAC International Corp. (“MiTAC International”) through a share conversion on September 12, 2013, and on the same date, the competent authority has approved for the Company’s shares to be listed on the Taiwan Stock Exchange (TWSE). MiTAC International became the Company’s wholly-owned subsidiary after conversion. The main business of the Company and its subsidiaries (collectively referred herein as the “Group”) is to design, manufacture and sell products related to investments, computers and its peripherals and communications.
- (2) In order to promote specialization of work for transforming and improving overall competitiveness of the Group, the Board of Directors of its subsidiary, MiTAC International, has resolved to divest its cloud computing products group to the newly established company, MiTAC Computing Technology Corporation (collectively referred herein as the “MiTAC Computing Technology”), as the consideration for the acquisition of 220,000 thousand newly issued ordinary shares of MiTAC Technology on the spin-off day, September 1, 2014. In addition, in 2017, the Board of Directors of MiTAC International has resolved to divest its mobile communication products group to the newly established company, MiTAC Digital Technology Corporation (collectively referred herein as the “MiTAC Digital Technology”), as the consideration for the acquisition of 100,000 thousand newly issued ordinary shares of MiTAC Digital Technology on the spin-off day, January 1, 2018. As a result, MiTAC International, MiTAC Computing Technology and MiTAC Digital Technology are the wholly-owned subsidiaries of the Company after the spin-off.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on February 26, 2019.

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”)
New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15, Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealized'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.
- (b) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(4).

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

- (a) IFRS 15 requires that, when products are sold with a right of return, the entity will recognize revenue in the amount of consideration to which the entity expects to be entitled. Revenue would not be recognized for products that the entity expects to be returned. The entity raises a refund liability and an asset representing its right to recover the products from the customer.

The asset is presented separately from the refund liability.

- (b) The Group has elected not to restate prior period financial statements and recognized the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. The significant effects of adopting the modified transition as of January 1, 2018 are summarised below:
- i. Under IFRS 15, liabilities in relation to expected sales discounts are recognized as refund liabilities, along with the cost of products with a right of return and related inventory in relation to expected sales returns are recognized as ‘cost of products to be returned’, but were previously presented the net value as ‘accounts receivable – allowance for sales returns and discounts’ in the balance sheet. As of January 1, 2018, other current liabilities, accounts receivable and other current assets were increased by \$279,765, \$191,747 and \$88,018, respectively.
 - ii. Under IFRS 15, liabilities in relation to product selling contracts are recognized as contract liabilities, but were previously presented as advance sales receipts (shown as ‘other current liabilities’) in the balance sheet. The balance was \$184,895 as of January 1, 2018.

C. Amendments to IAS 7, ‘Disclosure initiative’

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group expects to provide additional disclosure to explain the changes in liabilities arising from financing activities, please refer to Note 6(32).

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

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	January 1, 2019
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the

Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, 'Leases'

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

The Group expects to recognize the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period. On January 1, 2019, it is expected that 'right-of-use asset' and lease liability will be increased by \$455,606 and \$233,433, and long-term prepaid rent (shown as 'other non-current assets') will be decreased by \$222,173.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

These consolidated financial statements are prepared by the Group in accordance with the "Regulations 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) Financial assets and liabilities at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.
 - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets and present value of defined benefit obligation.
- B. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.
- C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognized as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated.

(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 structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
 - (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Main activities	Ownership (%)		Remarks
			December 31, 2018	December 31, 2017	
MiTAC Holdings Corp.	MiTAC International Corp.	Computer and its peripherals: design, manufacture and sell communications products	100%	100%	
MiTAC Holdings Corp.	MiTAC Computing Technology Corp.	Computer and its peripherals: design, manufacture and sell communications products	100%	100%	
MiTAC Holdings Corp.	MiTAC Digital Technology Corp.	Sales and service of electronic telecommunication, communication and software, etc	100%	100%	
MiTAC International Corp.	Tsu Fung Investment Corp.	General investments	100%	100%	
MiTAC International Corp.	Silver Star Developments Ltd.	General investments	100%	100%	
MiTAC International Corp.	Mio Technology Corp.	Sale of communication products and related after-sale services	100%	100%	
MiTAC International Corp.	MiWell Technology Corp.	Information/software services and retail business	-	100%	Note 4
MiTAC Computing Technology Corp.	MiTAC Technology UK Ltd.	General investments	100%	100%	
MiTAC Computing Technology Corp.	MiTAC Telematics Technology Corporation	Sales of self-produced products and related after-sale services	100%	100%	
MiTAC Computing Technology Corp.	MiTAC Information Technology Czech s.r.o.	Assemble and sales of computer and peripheral equipment	100%	100%	
MiTAC Digital Technology Corp.	Access Wisdom Holdings Ltd.	General investments	100%	-	Note 1

Investor	Subsidiary	Main activities	Ownership (%)		Remarks
			December 31, 2018	December 31, 2017	
MiTAC Digital Technology Corp.	Mio International Ltd.	Sale of communication and related products	100%	-	Note 2
Silver Star Developments Ltd.	System Glory International Ltd.	General investments	100%	100%	
Silver Star Developments Ltd.	Pacific China Corp.	General investments	100%	100%	
Silver Star Developments Ltd.	Best Profit Ltd.	General investments	-	100%	Note 3
Silver Star Developments Ltd.	Access Wisdom Holdings Ltd.	General investments	-	100%	Note 1
Pacific China Corp.	MiTAC Star Service Ltd.	General investments	100%	100%	
Pacific China Corp.	Software Insights Ltd.	General investments	100%	100%	
Pacific China Corp.	Start Well Technology Ltd.	General investments	100%	100%	
Pacific China Corp.	Huge Extent Ltd.	General investments	100%	100%	
Access Wisdom Holdings Ltd.	MiTAC Europe Ltd.	Sale of communication products and related after-sale services	100%	100%	
MiTAC Technology UK Ltd.	Tyan Computer Corp. (USA)	Sales of computer peripherals, hardware/ software and related products	100%	100%	
MiTAC Technology UK Ltd.	MiTAC Logistics Corp.	Sale of computer peripherals, hardware/software and related products	100%	100%	
MiTAC Technology UK Ltd.	MiTAC Information Systems Corp.	Assembling and sale of computer peripherals, hardware/software and related products	100%	100%	
MiTAC Europe Ltd.	MiTAC Digital Corp.	Sale of communication products and related after-sale services	100%	100%	
MiTAC Europe Ltd.	MiTAC Australia Pty Ltd.	Sale of communication products and related after-sale services	100%	100%	
Silver Star Developments Ltd.	MiTAC Japan Corp.	Sale of communication products, computer peripherals, hardware/software and related products and related after-sale services	100%	100%	
Silver Star Developments Ltd.	MiTAC Benelux N.V.	Sale of communication products and related after-sale services	100%	100%	

Investor	Subsidiary	Main activities	Ownership (%)		Remarks
			December 31, 2018	December 31, 2017	
Silver Star Developments Ltd.	MiTAC Pacific (H.K.) Ltd.	Sale of computer peripherals, hardware/software and related products	100%	100%	
Silver Star Developments Ltd.	Mio International Ltd.	Sale of communication and related products	-	100%	Note 2
Start Well Technology Ltd	MiTAC Investment Holding Ltd.	Investment holdings	100%	100%	
MiTAC Investment Holding Ltd.	MiTAC Computer (Kunshan) Ltd.	Manufacture of computers, computer peripherals, hardware/software and related products and sale of own-produced products	100%	100%	
MiTAC Investment Holding Ltd.	MiTAC Technology (Kunshan) Co., Ltd.	Testing, maintenance and display of computer components and related technical advisory services and after-sale services	100%	100%	
MiTAC Investment Holding Ltd.	MiTAC Logistic Service (Kunshan) Ltd.	Agency of freight transport, export and import trading and warehousing services.	100%	100%	
MiTAC Investment Holding Ltd.	MiTAC Information Technology Ltd.	After-sale maintenance, testing and technical advisory services of computers, communication products and consumer electronic products; establishment of customer service centers; customer data processing, analysis and integrated services and business administration services	100%	100%	
MiTAC Star Service Ltd.	MiTAC Computer (Shunde) Corp.	Manufacture of computer frame, motherboard, interface card, display, power supply, keyboard, related metal stamping parts and plastic parts and maintenance of motherboard	100%	100%	
MiTAC Computer (Kunshan) Ltd	MiTAC Information Systems (Kunshan) Co., Ltd.	Sales and manufacturing of computer accessories, hardware, software and related services	100%	100%	

Investor	Subsidiary	Main activities	Ownership (%)		Remarks
			December 31, 2018	December 31, 2017	
Software Insights Ltd.	MiTAC Research (Shanghai) Ltd.	Research, development and manufacture of computer software, sale of own-produced products and related technical advisory services	100%	100%	
Software Insights Ltd.	MiTAC Innovation (Kunshan) Ltd.	Research and development of calculator, server, mobile phone, PDA and GPS, and technical transfer, technical advisory and technical services of related R&D products	100%	100%	
Mio International Ltd.	Mio Technology (Suzhou) Ltd.	Sale of communication products and related after-sale services	100%	100%	

Note 1: After the reorganization in the first quarter of 2018, MiTAC Digital Technology Corp. held 100% shares of Access Wisdom Holdings Ltd. which was originally held by Silver Star Development Ltd.

Note 2: After the reorganization in the first quarter of 2018, MiTAC Digital Technology Corp. held 100% shares of Mio International Ltd. which was originally held by Silver Star Development Ltd.

Note 3: Subsidiary was closed in the second quarter of 2018.

Note 4: Subsidiary was closed on November 7, 2018.

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

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

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

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

B. Translation of foreign operations

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

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle 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 settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled 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

Effective 2018

- A. Financial assets at amortized cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Prior to 2018

A. Classifications

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

B. Recognition and assessment

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

(8) Financial assets at fair value through other comprehensive income

Effective 2018

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

- (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
- (b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

- (a) The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
- (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognized in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(9) Available-for-sale financial assets

Prior to 2018

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

- C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(10) Accounts and notes receivable

Effective 2018

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

Prior to 2018

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

(11) Impairment of financial assets

Effective 2018

For debt instruments measured at fair value through other comprehensive income and financial assets at amortized cost (including accounts receivable or contract assets that have a significant financing component, lease receivables, loan commitments and financial guarantee contracts), at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

Prior to 2018

- A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

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

(a) Financial assets measured at amortized cost

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

(b) Financial assets measured at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognized in profit or loss. Impairment

loss recognized for this category shall not be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(c) Available-for-sale financial assets

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

(12) Derecognition of financial assets

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

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

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

(13) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(14) Inventories

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

(15) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates

are accounted for using the equity method and are initially recognized at cost.

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

(16) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of discarded assets is derecognized when critical repairs are incurred, and other repair expenses are charged to profit or loss for the period when they incur.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. 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 financial year-end. 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 and structures (included utility equipment) | 5 ~ 55 years |
| Machinery and equipment | 2 ~ 10 years |
| Transportation equipment | 3 ~ 5 years |
| Leasehold improvements | 3 ~ 5 years |
| Other equipment | 2 ~ 7 years |
- E. The Group has recognized title of assets with significant risks and compensation not yet transferred and leases to lessees as operating leases. Rental income and expenses of operating leases are recognized over the leasing period on a straight line basis.

(17) Operating leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(18) Investment property

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

(19) Intangible assets

The use right of computer software was capitalised based on the acquisition cost and cost to prepare the specific software to become usable. Computer software was amortized based on the contract or on a straight-line basis over 5 years.

(20) Impairment of non-financial assets

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

(21) Borrowings

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

(22) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(23) Derecognition of financial liabilities

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

(24) Offsetting financial instruments

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

(25) Provisions

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

(26) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit 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. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

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

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

(27) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and 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. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(28) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 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 tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred 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 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 tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(29) 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.

(30) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved 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.

(31) Revenue recognition

Effective 2018

A. Sales of goods

- (a) The Group manufactures and sells cloud computing products and mobile communication products. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Revenue from sales is recognized based on the price specified in the contract, net of the sales returns and sales discounts. The Group provides to customers the sales return right and sales discounts and recognizes refund liability for expected sales discounts payable to customers in relation to sales by using the expected value method.
- (c) The Group's obligation to provide maintenance services for faulty products under the standard warranty terms is recognized as a provision.
- (d) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Sales of services

- (a) The Group provides technology services and installment repairs and maintenance services. Revenue from providing services is recognized in the accounting period in which the services are rendered. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.
- (b) Some contracts include multiple deliverables. Such services are accounted for as a single performance obligation as they are highly interrelated and indistinguishable.

C. Incremental costs of obtaining a contract

The Group recognizes an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The recognized asset is amortized on a systematic basis that is consistent with the transfers to the customer of the goods or services to which the asset relates.

Prior to 2018

- 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 is recognized when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.
- B. The Group offers customers volume discounts and right of return for defective products. The Group estimates appropriate discounts and returns based on regular way purchases or sales. Provisions for such liabilities are recorded when the sales are recognized.

(32) Business combinations and organization restructuring

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

fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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

(33) Operating segments

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

As of December 31, 2018, the carrying amount of inventories are described in Note 6 (7).

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash:		
Cash on hand and petty cash	\$ 710	\$ 618
Checking accounts and demand deposits	2,763,332	4,348,731
Cash equivalents:		
Time deposits	2,759,934	2,883,546
Structured deposits	201,240	273,900
Repurchased bonds	-	550,196
Total	<u>\$ 5,725,216</u>	<u>\$ 8,056,991</u>

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

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

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

<u>Items</u>	<u>December 31, 2018</u>
Current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Beneficiary certificates	\$ 108,648
Derivatives	-
	<u>108,648</u>
Valuation adjustment - Beneficiary certificates	850
Valuation adjustment - Derivatives	4,926
Total	<u>\$ 114,424</u>
<u>Items</u>	<u>December 31, 2017</u>
Current items:	
Financial assets held for trading	
Valuation adjustment - Derivatives	\$ 9,313

A. The Group recognized net loss of \$3,537 and net loss of \$30,018 on financial assets at fair value through profit or loss for the years ended December 31, 2018 and 2017, respectively.

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

		December 31, 2018			
Financial Instrument	Item	Notional Amount (in thousands)		Fair Marked Value (in thousands)	
MiTAC Digital Technology Corp.					
Forward foreign exchange - Sell	Advance booking EUR to buy USD	EUR	2,867	NTD	390
Forward foreign exchange - Sell	Advance booking AUD to buy USD	AUD	5,999	NTD	4,504
Access Wisdom Holdings Ltd.					
Forward foreign exchange - Sell	Advance booking EUR to buy USD	EUR	3,600	USD	1
Swap - Sell	Advance booking EUR to buy USD	EUR	800	USD	0
		December 31, 2017			
Financial Instrument	Item	Notional Amount (in thousands)		Fair Marked Value (in thousands)	
MiTAC International Corp.					
Forward foreign exchange - Buy	Advance booking USD to sell NTD	USD	10,000	NTD	2,570
Forward foreign exchange - Sell	Advance booking EUR to buy USD	EUR	610	NTD	8
MiTAC Computing Technology Corp.					
Forward foreign exchange - Buy	Advance booking USD to sell NTD	USD	20,000	NTD	5,140
Forward foreign exchange - Sell	Advance booking USD to buy NTD	USD	10,000	NTD	1,595

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

D. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at fair value through other comprehensive income

Items	December 31, 2018
Current items:	
Equity instruments	
Listed stocks	\$ 715,534
Valuation adjustment	121,963
Total	<u>\$ 837,497</u>
Non-current items:	
Equity instruments	
Listed stocks	\$ 1,025,545
Emerging stocks	874,494
Unlisted stocks	813,165
Subtotal	2,713,204
Valuation adjustment	477,087
Total	<u>\$ 3,190,291</u>

A. The Group recognized (\$451,947) in other comprehensive (loss) income for fair value change for the year ended December 31, 2018.

- B. The Group has elected to designate the above investments, which were held mainly for medium to long-term trading purposes, as investments in equity instruments measured at fair value through other comprehensive income. As of December 31, 2018, the fair value of investments was \$4,027,788.

(4) Available-for-sale financial assets

Items	December 31, 2017
Current items:	
Listed stocks	\$ 614,880
Beneficiary certificates	108,648
Subtotal	723,528
Adjustments of available-for-sale financial assets	367,618
Total	\$ 1,091,146
Non-current items:	
Listed stocks	\$ 1,025,777
Unlisted stocks	144,753
Subtotal	1,170,530
Adjustments of available-for-sale financial assets	786,754
Total	\$ 1,957,284

The Group recognized \$725,541 in other comprehensive income for fair value change and reclassified \$0 from equity to profit or loss for the year ended December 31, 2017.

(5) Financial assets carried at cost

Items	December 31, 2017
Non-current items:	
Unlisted stocks	\$ 1,188,870
Accumulated impairment - Financial assets carried at cost	(75,392)
Total	\$ 1,113,478

- A. According to the Group's intention, its investment in unlisted stocks should be classified as available-for-sale financial assets. However, as the stocks are not traded in active market, and no sufficient industry information of companies similar to the unlisted stocks and related financial information on the investee can be obtained, the fair value of the investment cannot be measured reliably. The Group classified those stocks as "financial assets carried at cost".
- B. As of December 31, 2017, no financial assets carried at cost held by the Group were pledged to others.

(6) Accounts receivable

	December 31, 2018	December 31, 2017
Third parties	\$ 4,818,223	\$ 4,316,399
Less: Allowance for sales returns and discounts	-	(191,747)
Allowance for bad debts	(97,765)	(82,137)
	4,720,458	4,042,515
Related parties	360,980	489,414
	<u>\$ 5,081,438</u>	<u>\$ 4,531,929</u>

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

	December 31, 2018	December 31, 2017
Not past due	\$ 4,451,745	\$ 4,307,554
Up to 90 days	655,582	480,489
91 to 180 days	46,575	5,908
Over 181 days	25,301	11,862
	<u>\$ 5,179,203</u>	<u>\$ 4,805,813</u>

The above ageing analysis was based on past due date.

B. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(7) Inventories

	December 31, 2018	December 31, 2017
	Book value	Book value
Raw materials	\$ 4,177,730	\$ 3,948,745
Work in process	462,748	116,388
Finished goods	1,847,624	2,156,821
Total	<u>\$ 6,488,102</u>	<u>\$ 6,221,954</u>

Expense and loss incurred on inventories:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Cost of goods sold	\$ 25,933,401	\$ 43,036,442
Loss on decline in market value	30,550	58,895
	<u>\$ 25,963,951</u>	<u>\$ 43,095,337</u>

(8) Other financial assets

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Current:		
Pledged deposits	\$ 8,944	\$ 33,140
Non-current:		
Pledged deposits	\$ 9,924	\$ 9,820
Total	<u>\$ 18,868</u>	<u>\$ 42,960</u>

A. Information relating to credit risk of other financial assets is provided in Note 12(2).

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

(9) Investments accounted for using the equity method

A.

<u>Investee company</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Getac Technology Corp.	\$ 4,850,015	\$ 4,562,535
3 Probe Technology Co., Ltd.	12,391	11,507
Lian Jie Investment Co., Ltd.	109,208	131,010
Lian Jie II Investment Co., Ltd.	37,060	33,259
Shen-Tong Construction & Development Co., Ltd.	86,590	82,751
Green Share Corp.	4,032	4,545
Harbinger II (BVI) Venture Capital Corp.	16,996	25,372
Mainpower International Ltd.	211,991	206,628
Synnex Corp.	10,802,228	9,251,465
Suzhou MiTAC Preclusion Technology Co., Ltd.	311,572	304,614
Loyal Fidelity Aerospace Corp.	132,371	141,649
Harbinger Ruyi Venture Ltd.	28,350	30,180
Harbinger Ruyi II Venture Ltd.	25,771	28,463
Infopower Technologies Ltd.	85,462	89,703
	<u>\$ 16,714,037</u>	<u>\$ 14,903,681</u>

B. The Group's recognized share of profit from associates accounted for using the equity method for the years ended December 31, 2018 and 2017 were \$1,822,768 and \$1,910,193, respectively, and recognized share of other comprehensive (loss) income from associates accounted for using the equity method were (\$226,681) and \$21,989, respectively.

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

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Methods of measurement
		December 31, 2018	December 31, 2017		
Getac Technology Corp.	Taiwan	32.87%	33.59%	Owned over 20% ownership	Equity method
Synnex Corp.	USA	10.23%	13.59%	Significant influence	Equity method

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

Balance sheet

	Getac Technology Corp.	
	December 31, 2018	December 31, 2017
Current assets	\$ 16,956,255	\$ 15,862,621
Non-current assets	11,207,435	9,920,434
Current liabilities	(9,034,525)	(8,682,418)
Non-current liabilities	(2,807,124)	(2,075,909)
Non-controlling interest	(1,568,865)	(1,441,203)
Total net assets	<u>\$ 14,753,176</u>	<u>\$ 13,583,525</u>
Share in associate's net assets	<u>\$ 4,850,015</u>	<u>\$ 4,562,535</u>
	Synnex Corp.	
	December 31, 2018	December 31, 2017
Current assets	\$ 218,068,912	\$ 170,815,793
Non-current assets	134,740,351	58,386,084
Current liabilities	(150,332,755)	(120,266,320)
Non-current liabilities	(96,872,806)	(40,879,050)
Total net assets	<u>\$ 105,603,702</u>	<u>\$ 68,056,507</u>
Share in associate's net assets	<u>\$ 10,802,228</u>	<u>\$ 9,251,465</u>

Statement of comprehensive income

	Getac Technology Corp.	
	For the year ended December 31, 2018	For the year ended December 31, 2017
Revenue	\$ 24,693,836	\$ 22,197,033
Profit for the period from continuing operations	\$ 2,418,377	\$ 2,046,213
Other comprehensive loss - net of tax	(120,032)	(455,295)
Total comprehensive income	\$ 2,298,345	\$ 1,590,918
Dividends received from associates	\$ 475,626	\$ 570,736

	Synnex Corp.	
	For the year ended December 31, 2018	For the year ended December 31, 2017
Revenue	\$ 604,603,137	\$ 518,703,208
Profit for the period from continuing operations	\$ 9,007,963	\$ 9,089,806
Other comprehensive (loss) income - net of tax	(1,953,723)	949,329
Total comprehensive income	\$ 7,054,240	\$ 10,039,135
Dividends received from associates	\$ 210,954	\$ 174,101

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

As of December 31, 2018 and 2017, the carrying amount of the Group's individually immaterial associates amounted to \$1,061,794 and \$1,089,681, respectively.

	For the year ended December 31, 2018	For the year ended December 31, 2017
Profit for the period from continuing operations	\$ 111,921	\$ 162,914
Other comprehensive (loss) income - net of tax	(145,394)	89,458
Total comprehensive (loss) income	(\$ 33,473)	\$ 252,372

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

	December 31, 2018	December 31, 2017
Getac Technology Corp.	\$ 7,653,957	\$ 8,415,545
Synnex Corp.	13,010,873	22,045,463
	\$ 20,664,830	\$ 30,461,008

G. On January 17, 2018, the Group's consolidated subsidiary, Silver Star Developments Ltd., disposed its investments accounted for using equity method, Synnex Corp., of 451,000 shares at a price of \$1,716,328, and the gain on disposal was \$962,416.

- H. The Group acquired investments accounted for using equity method, Synnex Corp., amounting to 242,102 shares in the open market from October 19 to October 24, 2018. The transaction price was US\$19,261 thousand.
- I. The Group holds 10.23% ownership in Synnex Corp. but has significant influence over Synnex Corp. as the Group is the major shareholder of Synnex Corp. and the Company's chairman Feng Chiang Miao serves as this company's honorary chairman.
- J. The Group holds 13.28% ownership in Mainpower International Ltd. but has significant influence over Mainpower International Ltd. as the Group serves as this company's corporate director.
- K. Synnex Corp.'s fiscal year ends on November 30, thus the Group uses the financial information on November 30 as the basis for the preparation of annual consolidated financial statements; Infopower Technologies Ltd.'s fiscal year ends on March 31, thus the Group uses the financial information on December 31 as the basis for the preparation of annual consolidated financial statements; other associates' fiscal year all end on December 31.

(10) Property, plant and equipment

	Land	Buildings and structures	Machinery	Computer and communication equipment	Transportation equipment	Office equipment	Leasehold improvements	Molding equipment	Other equipment	Construction in progress and equipment for inspection	Total
<u>At January 1, 2018</u>											
Cost	\$ 1,093,541	\$ 6,599,605	\$ 1,615,586	\$ 208,086	\$ 63,167	\$ 781,911	\$ 59,078	\$ 78,366	\$ 844,457	\$ 171,166	\$ 11,514,963
Accumulated depreciation and impairment	-	(2,259,513)	(1,207,243)	(163,741)	(42,072)	(594,033)	(13,182)	(37,135)	(500,333)	-	(4,817,252)
	<u>\$ 1,093,541</u>	<u>\$ 4,340,092</u>	<u>\$ 408,343</u>	<u>\$ 44,345</u>	<u>\$ 21,095</u>	<u>\$ 187,878</u>	<u>\$ 45,896</u>	<u>\$ 41,231</u>	<u>\$ 344,124</u>	<u>\$ 171,166</u>	<u>\$ 6,697,711</u>
<u>2018</u>											
At January 1	\$ 1,093,541	\$ 4,340,092	\$ 408,343	\$ 44,345	\$ 21,095	\$ 187,878	\$ 45,896	\$ 41,231	\$ 344,124	\$ 171,166	\$ 6,697,711
Additions	-	24,268	429,145	32,206	17,290	7,426	14,187	51,092	181,912	354,657	1,112,183
Disposal	-	(898)	-	(124)	(1,755)	(646)	(1,062)	-	(889)	-	(5,374)
Reclassifications	-	46,292	129,483	350	-	(124,119)	6,104	-	4,578	(63,752)	(1,064)
Depreciation	-	(227,440)	(162,480)	(29,909)	(11,058)	(18,698)	(11,864)	(34,116)	(116,787)	-	(612,352)
Effects of foreign exchange	6,087	(12,908)	(15,446)	(252)	(219)	1	(104)	-	(5,197)	(8,455)	(36,493)
At December 31	<u>\$ 1,099,628</u>	<u>\$ 4,169,406</u>	<u>\$ 789,045</u>	<u>\$ 46,616</u>	<u>\$ 25,353</u>	<u>\$ 51,842</u>	<u>\$ 53,157</u>	<u>\$ 58,207</u>	<u>\$ 407,741</u>	<u>\$ 453,616</u>	<u>\$ 7,154,611</u>
<u>At December 31, 2018</u>											
Cost	\$ 1,099,628	\$ 6,617,508	\$ 2,134,328	\$ 214,103	\$ 68,235	\$ 195,983	\$ 78,337	\$ 100,873	\$ 965,207	\$ 453,616	\$ 11,927,818
Accumulated depreciation and impairment	-	(2,448,102)	(1,345,283)	(167,487)	(42,882)	(144,141)	(25,180)	(42,666)	(557,466)	-	(4,773,207)
	<u>\$ 1,099,628</u>	<u>\$ 4,169,406</u>	<u>\$ 789,045</u>	<u>\$ 46,616</u>	<u>\$ 25,353</u>	<u>\$ 51,842</u>	<u>\$ 53,157</u>	<u>\$ 58,207</u>	<u>\$ 407,741</u>	<u>\$ 453,616</u>	<u>\$ 7,154,611</u>

	Land	Buildings and structures	Machinery	Computer and communication equipment	Transportation equipment	Office equipment	Leasehold improvements	Molding equipment	Other equipment	Construction in progress and equipment for inspection	Total
<u>At January 1, 2017</u>											
Cost	\$ 1,109,411	\$ 4,820,781	\$ 1,880,346	\$ 215,527	\$ 58,809	\$ 736,374	\$ 18,852	\$ 144,796	\$ 686,388	\$ 1,455,246	\$ 11,126,530
Accumulated depreciation and impairment	- (2,069,488)	(1,663,860)	(166,323)	(35,478)	(602,306)	(9,611)	(56,807)	(492,127)	- (5,096,000)		
	<u>\$ 1,109,411</u>	<u>\$ 2,751,293</u>	<u>\$ 216,486</u>	<u>\$ 49,204</u>	<u>\$ 23,331</u>	<u>\$ 134,068</u>	<u>\$ 9,241</u>	<u>\$ 87,989</u>	<u>\$ 194,261</u>	<u>\$ 1,455,246</u>	<u>\$ 6,030,530</u>
<u>2017</u>											
At January 1	\$ 1,109,411	\$ 2,751,293	\$ 216,486	\$ 49,204	\$ 23,331	\$ 134,068	\$ 9,241	\$ 87,989	\$ 194,261	\$ 1,455,246	\$ 6,030,530
Additions	-	428,314	270,822	26,952	8,991	109,050	33,442	22,182	180,661	190,666	1,271,080
Disposals	-	- (639)	(37)	(300)	(1,825)	(1,460)	- (3,754)	- (8,015)			
Reclassifications	-	1,440,065	(275)	643	-	10,651	9,544	-	54,118	(1,475,485)	39,261
Depreciation	- (216,045)	(77,194)	(32,094)	(10,834)	(62,145)	(4,815)	(68,940)	(81,352)	- (553,419)		
Effects of foreign exchange	(15,870)	(63,535)	(857)	(323)	(93)	(1,921)	(56)	-	190	739	(81,726)
At December 31	<u>\$ 1,093,541</u>	<u>\$ 4,340,092</u>	<u>\$ 408,343</u>	<u>\$ 44,345</u>	<u>\$ 21,095</u>	<u>\$ 187,878</u>	<u>\$ 45,896</u>	<u>\$ 41,231</u>	<u>\$ 344,124</u>	<u>\$ 171,166</u>	<u>\$ 6,697,711</u>
<u>At December 31, 2017</u>											
Cost	\$ 1,093,541	\$ 6,599,605	\$ 1,615,586	\$ 208,086	\$ 63,167	\$ 781,911	\$ 59,078	\$ 78,366	\$ 844,457	\$ 171,166	\$ 11,514,963
Accumulated depreciation and impairment	- (2,259,513)	(1,207,243)	(163,741)	(42,072)	(594,033)	(13,182)	(37,135)	(500,333)	- (4,817,252)		
	<u>\$ 1,093,541</u>	<u>\$ 4,340,092</u>	<u>\$ 408,343</u>	<u>\$ 44,345</u>	<u>\$ 21,095</u>	<u>\$ 187,878</u>	<u>\$ 45,896</u>	<u>\$ 41,231</u>	<u>\$ 344,124</u>	<u>\$ 171,166</u>	<u>\$ 6,697,711</u>

(11) Investment property

	Land	Buildings and structures	Total
At January 1, 2018			
Cost	\$ 824,084	\$ 620,926	\$ 1,445,010
Accumulated depreciation and impairment	-	(298,180)	(298,180)
	<u>\$ 824,084</u>	<u>\$ 322,746</u>	<u>\$ 1,146,830</u>
<u>2018</u>			
At January 1	\$ 824,084	\$ 322,746	\$ 1,146,830
Additions	5,208	-	5,208
Depreciation	-	(20,263)	(20,263)
Effects of foreign exchange	(161)	(3,322)	(3,483)
At December 31	<u>\$ 829,131</u>	<u>\$ 299,161</u>	<u>\$ 1,128,292</u>
At December 31, 2018			
Cost	\$ 829,131	\$ 613,313	\$ 1,442,444
Accumulated depreciation and impairment	-	(314,152)	(314,152)
	<u>\$ 829,131</u>	<u>\$ 299,161</u>	<u>\$ 1,128,292</u>
	Land	Buildings and structures	Total
At January 1, 2017			
Cost	\$ 823,358	\$ 617,157	\$ 1,440,515
Accumulated depreciation and impairment	-	(278,116)	(278,116)
	<u>\$ 823,358</u>	<u>\$ 339,041</u>	<u>\$ 1,162,399</u>
<u>2017</u>			
At January 1	\$ 823,358	\$ 339,041	\$ 1,162,399
Depreciation	-	(19,944)	(19,944)
Effects of foreign exchange	726	3,649	4,375
At December 31	<u>\$ 824,084</u>	<u>\$ 322,746</u>	<u>\$ 1,146,830</u>
At December 31, 2017			
Cost	\$ 824,084	\$ 620,926	\$ 1,445,010
Accumulated depreciation and impairment	-	(298,180)	(298,180)
	<u>\$ 824,084</u>	<u>\$ 322,746</u>	<u>\$ 1,146,830</u>

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

	For the year ended December 31, 2018	For the year ended December 31, 2017
Rental income from the lease of the investment property	\$ 43,596	\$ 42,274
Direct operating expenses arising from the investment property that generated rental income in the period	\$ 22,288	\$ 21,716
Direct operating expenses arising from the investment property that did not generate rental income in the period	\$ 7,812	\$ 8,136

B. The fair value of the investment property held by the Group on December 31, 2018 and 2017 were \$3,414,425 and \$3,239,838, respectively, which were revalued by independent appraisers and with reference to market transaction prices. Valuations were made using the market approach and cost approach which is categorised within Level 3 in the fair value hierarchy.

(12) Intangible assets

	December 31, 2018	December 31, 2017
At January 1		
Cost	\$ 356,904	\$ 319,502
Accumulated amortization and impairment	(221,917)	(222,522)
	\$ 134,987	\$ 96,980
At January 1	\$ 134,987	\$ 96,980
Additions	63,205	134,043
Amortization	(95,402)	(95,933)
Effects of foreign exchange	(2)	(103)
At December 31	\$ 102,788	\$ 134,987
At December 31		
Cost	\$ 353,188	\$ 356,904
Accumulated amortization and impairment	(250,400)	(221,917)
	\$ 102,788	\$ 134,987

Details of amortization of intangible assets are as follows:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Operating costs	\$ 1,317	\$ -
Selling expenses	24,312	28,549
Administrative expenses	28,118	25,243
Research and development expenses	41,655	42,141
	<u>\$ 95,402</u>	<u>\$ 95,933</u>

(13) Short-term borrowings

	December 31, 2018	December 31, 2017
Unsecured bank borrowings	\$ -	\$ 2,137,655
Interest rates	-	0.88%~2.38%

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

Items	December 31, 2018	December 31, 2017
Current items:		
Financial liabilities held for trading		
Valuation adjustment - Derivatives	\$ 1,295	\$ 10,312

A. The Group recognized net gain of \$9,017 and net loss of \$3,819 for the years ended December 31, 2018 and 2017, respectively.

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

		December 31, 2018		
Financial Instrument	Item	Notional Amount (in thousands)		Fair Market Value (in thousands)
MiTAC Digital Technology Corp.				
Forward foreign exchange - Sell	Advance booking EUR to buy USD	EUR	3,556	(NTD 771)
Silver Star Developments Ltd.				
Swap - Sell	Advance booking EUR to buy USD	EUR	2,300	(USD 17)
		December 31, 2017		
Financial Instrument	Item	Notional Amount (in thousands)		Fair Market Value (in thousands)
MiTAC International Corp.				
Forward foreign exchange - Sell	Advance booking USD to buy NTD	USD	10,000	(NTD 265)
Forward foreign exchange - Sell	Advance booking EUR to buy USD	EUR	6,698	(NTD 2,388)
Forward foreign exchange - Sell	Advance booking AUD to buy USD	AUD	6,914	(NTD 3,841)
MiTAC Computing Technology Corp.				
Forward foreign exchange - Buy	Advance booking USD to sell NTD	USD	10,000	(NTD 88)
Forward foreign exchange - Sell	Advance booking USD to buy NTD	USD	20,000	(NTD 529)
MiTAC Digital Corp.				
Forward foreign exchange - Sell	Advance booking CAD to buy USD	CAD	400	(USD 5)
MiTAC Europe Ltd.				
Swap - Sell	Advance booking EUR to buy USD	EUR	4,000	(USD 103)

(15) Pensions

A.(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Present value of defined benefit obligations	(\$ 542,954)	(\$ 539,827)
Fair value of plan assets	<u>266,521</u>	<u>206,515</u>
Net defined benefit liability	<u>(\$ 276,433)</u>	<u>(\$ 333,312)</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2018			
Balance at January 1	(\$ 539,827)	\$ 206,515	(\$ 333,312)
Current service cost	(4,296)	-	(4,296)
Interest (expense) income	(6,584)	2,550	(4,034)
	(550,707)	209,065	(341,642)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	6,187	6,187
Change in demographic assumptions	(7,471)	-	(7,471)
Change in financial assumptions	(8,606)	-	(8,606)
Experience adjustments	10,538	-	10,538
	(5,539)	6,187	648
Pension fund contribution	-	62,599	62,599
Paid pension	13,292	(11,330)	1,962
Balance at December 31	(\$ 542,954)	\$ 266,521	(\$ 276,433)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2017			
Balance at January 1	(\$ 536,658)	\$ 225,270	(\$ 311,388)
Current service cost	(4,039)	-	(4,039)
Interest (expense) income	(6,964)	2,983	(3,981)
	(547,661)	228,253	(319,408)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(839)	(839)
Change in demographic assumptions	(14,172)	-	(14,172)
Change in financial assumptions	(3,113)	-	(3,113)
Experience adjustments	(8,408)	-	(8,408)
	(25,693)	(839)	(26,532)
Pension fund contribution	-	8,641	8,641
Paid pension	33,527	(29,540)	3,987
Balance at December 31	(\$ 539,827)	\$ 206,515	(\$ 333,312)

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

A. MiTAC International Corp. :

	For the year ended December 31, 2018	For the year ended December 31, 2017
Discount rate	1.000%	1.250%
Future salary increase	2.000%	2.000%

B. MiTAC Computing Technology Corp. :

	For the year ended December 31, 2018	For the year ended December 31, 2017
Discount rate	1.125%	1.250%
Future salary increase	2.000%	2.000%

C. MiTAC Digital Technology Corp. :

	For the year ended December 31, 2018
Discount rate	1.125%
Future salary increase	2.000%

For the year ended December 31, 2017 : None.

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

The analysis was as follows:

A. MiTAC International Corp. :

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2018				
Effect on present value of defined benefit obligation	\$ 3,094	(\$ 3,202)	(\$ 3,117)	\$ 3,028
December 31, 2017				
Effect on present value of defined benefit obligation	\$ 7,164	(\$ 7,446)	(\$ 7,267)	\$ 7,028

B. MiTAC Computing Technology Corp :

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2018				
Effect on present value of defined benefit obligation	\$ 7,615	(\$ 7,918)	(\$ 7,715)	\$ 7,459

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2017				
Effect on present value of defined benefit obligation	\$ 7,608	(\$ 7,919)	(\$ 7,727)	\$ 7,463

C. MiTAC Digital Technology Corp. :

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2018				
Effect on present value of defined benefit obligation	\$ 3,483	(\$ 3,625)	(\$ 3,532)	\$ 3,412

December 31, 2017 : None.

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

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2019 amounts to \$9,187.

(g) As of December 31, 2018, the weighted average duration of that retirement plan is 9.1~11.7 years.

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

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

(c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2018 and 2017 were \$100,101 and \$91,903, respectively.

(16) Share-based payment

A. As of December 31, 2018 and 2017, the Company's share-based payment arrangements were as follows

Type of arrangement	Grant date	Quantity granted (shares in thousands)	Contract period	Vesting conditions
Eleventh stock option incentive plan	2012.10.11	19,375 (Note 1)	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

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

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

	For the year ended December 31, 2018		For the year ended December 31, 2017	
	No of options (shares in thousands)	Weighted average exercise price (in dollars)	No of options (shares in thousands)	Weighted average exercise price (in dollars)
Options outstanding at beginning of the period	6,261	\$ 16.30	9,956	\$ 17.40
Options forfeited	(1,941)	13.71	(298)	17.40
Options exercised	(4,320)	14.83	(3,397)	17.16
Options outstanding at end of the period	-		6,261	16.30
Options exercisable at end of the period	-		6,261	
Options approved and not yet issued at the end of the period	-		-	

C. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2018 and 2017 were \$33.05 (in dollars) and \$33.52 (in dollars), respectively.

D. As of December 31, 2018 and 2017, outstanding compensatory employee stock option plan is as follows:

As of December 31, 2018 : None.

As of December 31, 2017

Range of exercise price (in dollars)	Number of options outstanding at the end of the year		Weighted average exercise price (in dollars)
	In thousands of shares	Expected weighted average residual year	
\$16.30	6,261	0.75	\$ 16.30

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

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

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility (Note 1)	Expected option life (year)	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars) (Note 2)
Eleventh employee stock options	2012.10.11	10.15	10.15	36.14%	3.47	0%	0.88%	2.79

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

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

F. Expenses incurred on share-based payment transactions for the years ended December 31, 2018 and 2017 : None.

(17) Provisions

Warranty	For the year ended December 31, 2018	For the year ended December 31, 2017
Beginning balance	\$ 291,630	\$ 333,393
Additional provisions	143,888	143,941
Used during the period	(178,046)	(184,302)
Effects of foreign exchange	(175)	(1,402)
Ending balance	<u>\$ 257,297</u>	<u>\$ 291,630</u>

Analysis of total provisions:

	December 31, 2018	December 31, 2017
Current	<u>\$ 133,202</u>	<u>\$ 182,337</u>
Non-current	<u>\$ 124,095</u>	<u>\$ 109,293</u>

(18) Share capital

A. As of December 31, 2018, the Company's authorized capital was \$11,000,000, consisting of 1.1 billion shares, and the paid-in capital was \$9,367,677 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

	2018	2017
Outstanding shares as of January 1	798,732	795,335
Capital increase of earnings	121,690	-
Capital increase of treasury stock acquired by the subsidiaries	(1,801)	-
Employee stock options exercised	4,320	3,397
Changes in outstanding shares during the year	124,209	3,397
Outstanding shares as of December 31	922,941	798,732

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, 2018	
		Number of shares (shares in thousands)	Carrying amount
Subsidiary - Tsu Fung Investment Corp.	Stock conversion	12,174	\$ 276,085
Subsidiary - SSDL	"	1,652	77,002

Name of company holding the shares	Reason for reacquisition	December 31, 2017	
		Number of shares (shares in thousands)	Carrying amount
MiTAC Holdings Corp.	Transferred to employees	8,244	\$ 169,362
Subsidiary - Tsu Fung Investment Corp.	Stock conversion	10,589	276,085
Subsidiary - SSDL	"	1,437	77,002

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury shares should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, 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 Act, 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. The number of treasury stocks to be reissued to employees that were retired during the year ended December 31, 2018, was 8,244 thousand shares.
- (e) In accordance with the Financial Supervisory Commission, Securities and Futures Bureau, No.1010047490, the Company shall not appropriate special reserve proportionately to the shareholding ratio for the difference of ending market price below the carrying amount of the parent's stock held by the subsidiaries. If the market price reverses subsequently, the reversal amount shall be appropriated as special reserve proportionately to the shareholding ratio.

(19) Capital surplus

	Share premium	Treasury stock trnsactions	Net equity of associates and joint ventures accounted for under the equity method	Employee stock options	Total
At January 1, 2018	\$ 21,716,203	\$ 223,734	\$ 226,836	\$ 370,918	\$ 22,537,691
Employee stock options exercised	44,964	-	-	(24,104)	20,860
Changes from associates and joint ventures accounted for using the equity method	-	-	898,481	-	898,481
Subsidiaries received cash dividends paid by the parent company	-	15,607	-	-	15,607
Proceeds from disposal of investments accounted for using equity method	-	-	(14,818)	-	(14,818)
Write-down of treasury shares	(189,838)	102,916	-	-	(86,922)
At December 31, 2018	<u>\$ 21,571,329</u>	<u>\$ 342,257</u>	<u>\$ 1,110,499</u>	<u>\$ 346,814</u>	<u>\$ 23,370,899</u>

	Share premium	Treasury stock trnsactions	Net equity of associates and joint ventures accounted for under the equity method	Employee stock options	Total
At January 1, 2017	\$ 21,672,925	\$ 193,705	\$ 189,931	\$ 389,875	\$ 22,446,436
Employee stock options exercised	43,278	-	-	(18,957)	24,321
Changes from associates and joint ventures accounted for using the equity method	-	-	36,905	-	36,905
Subsidiaries received cash dividends paid by the parent company	-	30,029	-	-	30,029
At December 31, 2017	<u>\$ 21,716,203</u>	<u>\$ 223,734</u>	<u>\$ 226,836</u>	<u>\$ 370,918</u>	<u>\$ 22,537,691</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 Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(20) Retained earnings

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

in the distributable earnings.

E. On June 22, 2018, the appropriation of earnings for the year ended December 31, 2017 resolved by the shareholders is as follows:

	For the year ended December 31, 2017	
	Account	Dividend per share (in dollars)
Legal reserve	\$ 258,101	
Cash dividend	1,054,646	\$ 1.3
Stock dividend	1,216,899	1.5
Total	<u>\$ 2,529,646</u>	<u>\$ 2.8</u>

F. On February 26, 2019, the appropriation of earnings for the year ended December 31, 2018 proposed by the Board of Directors and to be approved by the shareholders is as follows:

	For the year ended December 31, 2018	
	Account	Dividend per share (in dollars)
Legal reserve	\$ 329,625	
Special reserve	12,264	
Cash dividend	1,405,152	\$ 1.5
Stock dividend	1,405,152	1.5
Total	<u>\$ 3,152,193</u>	<u>\$ 3.0</u>

(21) Other equity items

	2018		
	Unrealized gains (losses) on valuation	Currency translation	Total
At January 1 after adjustments	\$ 1,067,345	(\$ 275,630)	\$ 791,715
Reclassified to retained earnings upon disposal			
- Group	(49,852)	-	(49,852)
- Associates	15,584	-	15,584
Reclassified to profit or loss upon disposal			
- Associates	-	112,032	112,032
Revaluation			
- Group	(451,947)	-	(451,947)
- Associates	(69,242)	-	(69,242)
Currency translation differences:			
- Group	-	369,024	369,024
- Associates	-	(268,402)	(268,402)
At December 31	<u>\$ 511,888</u>	<u>(\$ 62,976)</u>	<u>\$ 448,912</u>

	2017		
	Available-for-sale investments	Currency translation	Total
At January 1	\$ 383,020	\$ 894,221	\$ 1,277,241
Reclassified to profit or loss upon disposal			
- Associates	172	1,593	1,765
Revaluation			
- Group	725,541	-	725,541
- Associates	19,136	-	19,136
Currency translation differences:			
- Group	- (	1,176,850) (	1,176,850)
- Associates	-	5,406	5,406
At December 31	<u>\$ 1,127,869</u>	<u>(\$ 275,630)</u>	<u>\$ 852,239</u>

(22) Operating revenue

	For the year ended December 31, 2018
Revenue from contracts with customers	<u>\$ 30,751,819</u>

A. Disaggregation of revenue from contracts with customers

	For the year ended December 31, 2018
Cloud computing product	\$ 22,004,923
Mobile communication product	5,394,210
Others	3,352,686
	<u>\$ 30,751,819</u>

B. Contract liabilities

The Group has recognized the following revenue-related contract liabilities:

	December 31, 2018
Contract liabilities:	
Contract liabilities – sales of goods	\$ 161,374
Contract liabilities – others	4,068
	<u>\$ 165,442</u>

C. Operating revenue for 2017

	For the year ended December 31, 2017
Sales	\$ 48,658,506
Other revenue	102,008
Total	<u>\$ 48,760,514</u>

(23) Other income

	For the year ended December 31, 2018	For the year ended December 31, 2017
Interest income:		
Interest income from bank deposits	\$ 90,939	\$ 56,677
Rental revenue	114,335	103,913
Dividend income	189,020	127,379
Other income	84,739	89,577
Total	<u>\$ 479,033</u>	<u>\$ 377,546</u>

(24) Other gains and losses

	For the year ended December 31, 2018	For the year ended December 31, 2017
Gains on disposals of property, plant and equipment	\$ 33,898	\$ 61,703
Gains (losses) on disposal of investments	872,181	(1,266)
Net currency exchange gains (losses)	7,404	(80,408)
Gains(losses) on financial assets liabilities at fair value through profit or loss	5,480	(33,837)
Other losses	(68,868)	(37,698)
Total	<u>\$ 850,095</u>	<u>(\$ 91,506)</u>

(25) Finance costs

	For the year ended December 31, 2018	For the year ended December 31, 2017
Interest expense	<u>\$ 13,078</u>	<u>\$ 33,826</u>

(26) Expenses by nature

	For the year ended December 31, 2018	For the year ended December 31, 2017
Employee benefit expense	\$ 4,954,721	\$ 5,028,346
Depreciation on property, plant and equipment and investment property	632,615	573,363
Amortization charges	95,402	95,933
Total	<u>\$ 5,682,738</u>	<u>\$ 5,697,642</u>

(27) Employee benefit expense

	For the year ended December 31, 2018	For the year ended December 31, 2017
Wages and salaries	\$ 4,356,524	\$ 4,444,354
Labor and health insurance fees	320,580	322,838
Pension costs	108,431	99,923
Other personnel expenses	169,186	161,231
	<u>\$ 4,954,721</u>	<u>\$ 5,028,346</u>

- A. According to the amended articles, the profit (pre-tax profit before deduction of employees' compensation and directors' and supervisors' remuneration) of the current year shall be distributed as employees' compensation and directors' and supervisors' remuneration, which will be resolved by the Board of Directors. The ratio shall not be lower than 0.1% for employees and not be higher than 1% for directors and supervisors. If a company has accumulated deficit, earnings should be reserved to cover losses. Employees' compensation can be distributed in cash or shares and shall be distributed to the employees of subsidiaries of the Company who meet certain specific requirements. The Chairman of the Board is authorized to set the qualification requirements.
- B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at 0.1% of gain on pre-tax profit before deduction of employees' compensation and directors' and supervisors' remuneration. Directors' and supervisors' remuneration were accrued under 1% of gain on pre-tax profit before deduction of employees' compensation and directors' and supervisors' remuneration.
- C. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at \$3,313 and \$2,639, respectively; and directors' and supervisors' remuneration was accrued at \$3,600 and \$5,400, respectively. The aforementioned amounts were recognized in salary expenses. Employees' cash bonus and directors' and supervisors' remuneration of 2018 and 2017 as resolved at the Board of Directors of the Company were in agreement with those amounts recognized in the 2018 and 2017 consolidated financial statements.
- D. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors and the shareholders at the shareholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(28) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Current tax:		
Current tax on profits for the period	\$ 116,013	\$ 384,228
Tax on undistributed surplus earnings	2,503	45,209
Adjustments in respect of prior years	(1,775)	(501)
Total current tax	<u>116,741</u>	<u>428,936</u>
Deferred tax:		
Origination and reversal of temporary differences	56,432	(144,834)
Impact of change in tax rate	<u>3,292</u>	<u>37,172</u>
Total deferred tax	<u>59,724</u>	<u>(107,662)</u>
Income tax expense	<u>\$ 176,465</u>	<u>\$ 321,274</u>

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

	For the year ended December 31, 2018	For the year ended December 31, 2017
Actuarial gain (losses) on defined benefit obligations	\$ 130	(\$ 4,510)
Impact of change in tax rate	(4,689)	-
Total	<u>(\$ 4,559)</u>	<u>(\$ 4,510)</u>

B. Reconciliation between income tax expense and accounting profit

	For the year ended December 31, 2018	For the year ended December 31, 2017
Tax calculated based on profit before tax and statutory tax rate	\$ 733,711	\$ 1,021,398
Tax on undistributed earnings	2,503	45,209
Unrecognized deferred income tax liabilities	(421,447)	(218,892)
Tax exempt income by tax regulation	(184,013)	(607,910)
Income that should adjust in line with tax law	-	67,512
Change in assessment of realisation of deferred tax assets	(20,425)	(64,557)
Effects from foreign income	64,619	41,843
Impact of change in tax rate	3,292	37,172
Over estimation of prior year's income tax	(1,775)	(501)
Income tax expense	<u>\$ 176,465</u>	<u>\$ 321,274</u>

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

For the year ended December 31, 2018					
	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Effects of exchange rate changes	Ending balance
Deferred tax assets:					
Temporary differences:					
Warranty provision	\$ 43,580	\$ 28	\$ -	\$ -	\$ 43,608
Loss from decline in inventory price to market value	54,720	3,208	-	1,640	59,568
Unrealized estimate payable	176,229	(22,026)	-	-	154,203
Others	162,233	15,706	4,559	177	182,675
Subtotal	<u>\$ 436,762</u>	<u>(\$ 3,084)</u>	<u>\$ 4,559</u>	<u>\$ 1,817</u>	<u>\$ 440,054</u>
Deferred tax liabilities:					
Temporary differences:					
Equity investments	(320,474)	(56,554)	-	-	(377,028)
Others	(480)	(756)	-	-	(1,236)
Subtotal	<u>(320,954)</u>	<u>(57,310)</u>	<u>-</u>	<u>-</u>	<u>(378,264)</u>
Total	<u>\$ 115,808</u>	<u>(\$ 60,394)</u>	<u>\$ 4,559</u>	<u>\$ 1,817</u>	<u>\$ 61,790</u>
For the year ended December 31, 2017					
	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Effects of exchange rate changes	Ending balance
Deferred tax assets:					
Temporary differences:					
Warranty provision	\$ 50,051	(\$ 6,471)	\$ -	\$ -	\$ 43,580
Loss from decline in inventory price to market value	23,248	33,293	-	(1,821)	54,720
Unrealized estimate payable	161,813	14,416	-	-	176,229
Others	101,921	57,515	4,510	(1,713)	162,233
Subtotal	<u>\$ 337,033</u>	<u>\$ 98,753</u>	<u>\$ 4,510</u>	<u>(\$ 3,534)</u>	<u>\$ 436,762</u>
Deferred tax liabilities:					
Temporary differences:					
Equity investments	(320,474)	-	-	-	(320,474)
Others	(9,389)	8,909	-	-	(480)
Subtotal	<u>(329,863)</u>	<u>8,909</u>	<u>-</u>	<u>-</u>	<u>(320,954)</u>
Total	<u>\$ 7,170</u>	<u>\$ 107,662</u>	<u>\$ 4,510</u>	<u>(\$ 3,534)</u>	<u>\$ 115,808</u>

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

December 31, 2018				
Year incurred	Amount filed / assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2011	Assessed	\$ 172,967	\$ 172,967	2021
2012	Assessed	297,134	297,134	2022
2014	Assessed	36,392	36,392	2024
December 31, 2017				
Year incurred	Amount filed / assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2011	Assessed	\$ 172,967	\$ 172,967	2021
2012	Assessed	297,134	297,134	2022
2014	Assessed	36,392	36,392	2024

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

	December 31, 2018	December 31, 2017
Deductible temporary differences	\$ 771,542	\$ 845,065

F. The Company has not recognized taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2018 and 2017, the amounts of temporary difference unrecognized as deferred tax liabilities were \$13,260,881 and \$10,299,940, respectively.

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

H. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(29) Earnings per share

For the year ended December 31, 2018			
	Amount	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>	<u>after tax</u>		
Profit attributable to ordinary shareholders of the parent	\$ 3,296,249	920,166	\$ 3.58
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 3,296,249		
Less: Effect of dilutive potential common stocks issued by investee companies	(20,246)		
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	1,524	
Employees' bonus	-	155	
Net income attributable to common stockholders plus dilutive effect of common stock equivalents	\$ 3,276,003	921,845	\$ 3.55

For the year ended December 31, 2017			
	Amount	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>	<u>after tax</u>		
Profit attributable to ordinary shareholders of the parent	\$ 2,581,014	917,000	\$ 2.81
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,581,014		
Less: Effect of dilutive potential common stocks issued by investee companies	(12,555)		
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	3,812	
Employees' bonus	-	95	
Net income attributable to common stockholders plus dilutive effect of common stock equivalents	\$ 2,568,459	920,907	\$ 2.79

- A. Basic earnings per share is calculated with the gain or loss attributable to the shareholders of the ordinary shares issued by the Company, divided with outstanding weighted average ordinary shares during the period, and deducted with weighted average treasury shares.
- B. For the year ended December 31, 2017, the outstanding weighted average shares was retrospectively adjusted based on retained earnings capitalization ratio in 2018.

(30) Operating leases

The Group leases building assets to others under non-cancellable operating lease agreements. These leases have terms expiring between 1 and 5 years, and all these lease agreements are not renewable at the end of the lease period. Rental revenue of \$114,335 and \$103,913 were recognized for the years ended December 31, 2018 and 2017, respectively. The future aggregate minimum lease receivable under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
Not later than one year	\$ 85,900	\$ 66,267
Later than one year but not later than five years	116,660	66,186
	<u>\$ 202,560</u>	<u>\$ 132,453</u>

(31) Supplemental cash flow information

A. Investing activities with partial cash payments :

	For the year ended December 31, 2018	For the year ended December 31, 2017
Purchase of intangible assets	\$ 63,205	\$ 134,043
Add: Opening balance of other payables	-	3,410
Cash paid during the period	<u>\$ 63,205</u>	<u>\$ 137,453</u>
Increase of investment property	\$ 5,208	\$ -
Add: Opening balance of other payables	-	11,474
Cash paid during the period	<u>\$ 5,208</u>	<u>\$ 11,474</u>

B. Financing activities with partial cash payments :

	For the year ended December 31, 2018	For the year ended December 31, 2017
Declaration of cash dividend	\$ 1,054,646	\$ 2,022,698
Less: subsidiaries received cash dividends paid from parent company	(15,607)	(30,029)
Cash paid during the period	<u>\$ 1,039,039</u>	<u>\$ 1,992,669</u>

(32) Changes in liabilities from financing activities

	Short-term borrowings	Guarantee deposit received	Liabilities from financing activities- gross
At January 1, 2018	\$ 2,137,655	\$ 21,971	\$ 2,159,626
Changes in cash flow from financing activities (	2,137,655)	4,752	(2,132,903)
Impact of changes in foreign exchange rate	-	472	472
At December 31, 2018	<u>\$ -</u>	<u>\$ 27,195</u>	<u>\$ 27,195</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Getac Technology Corp. and subsidiaries	Associates
Synnex Corp. and subsidiaries	Associates
Shen-Tong Construction & Developments Co., Ltd. and subsidiaries	Associates
Infopower Technologies Ltd.	Associates
Loyal Fidelity Aerospace Co., Ltd.	Associates
Synnex Technology International Corp. and subsidiaries	Common Chairman
Harbinger Venture Management Company Ltd.	Common Chairman
Lien Hwa Industrial Corp. and subsidiaries	Common Chairman
UPC Technology Corp.	Common Chairman
MITAC Incorporated Co., Ltd.	Common Chairman
ShenTong Information Co., Ltd. and subsidiaries	The Group's Chairman was this company's director

(2) Significant related party transactions and balances

A. Operating revenue:

(a)

	<u>For the year ended December 31, 2018</u>	<u>For the year ended December 31, 2017</u>
Sales of goods:		
-Associates-Synnex Corp. and subsidiaries	\$ 2,696,117	\$ 4,044,627
-Associates-Others	173,081	140,905
-Other related parties	2,117	654
Total	<u>\$ 2,871,315</u>	<u>\$ 4,186,186</u>

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

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

B. Purchases:

(a)

	<u>For the year ended December 31, 2018</u>	<u>For the year ended December 31, 2017</u>
Purchases of goods:		
-Associates	\$ 150,454	\$ 81,569
-Other related parties	<u>220,991</u>	<u>377,244</u>
Total	<u>\$ 371,445</u>	<u>\$ 458,813</u>

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

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

C. Receivables from related parties:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Accounts receivable:		
-Associates-Synnex Corp. and subsidiaries	\$ 360,968	\$ 489,240
-Associates-Others	12	47
-Other related parties	<u>-</u>	<u>127</u>
Subtotal	<u>360,980</u>	<u>489,414</u>
Other receivables:		
-Associates-Getac Technology Corp. and subsidiaries	36,868	22,047
-Associates-Synnex Corp. and subsidiaries	24,189	1,039
-Associates-Others	-	835
-Other related parties	<u>1,897</u>	<u>1,983</u>
Subtotal	<u>62,954</u>	<u>25,904</u>
Total	<u>\$ 423,934</u>	<u>\$ 515,318</u>

D. Payables to related parties:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Accounts payable:		
-Associates	\$ 9,564	\$ 5,468
-Other related parties	<u>48,253</u>	<u>65,794</u>
Subtotal	<u>57,817</u>	<u>71,262</u>
Other payables:		
-Associates	1,155	2,832
-Other related parties	<u>713</u>	<u>908</u>
Subtotal	<u>1,868</u>	<u>3,740</u>
Total	<u>\$ 59,685</u>	<u>\$ 75,002</u>

E. Property transactions:

(a) Acquisition of property, plant and equipment:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Other related parties	\$ 691	\$ 2,738

(b) Disposal of property, plant and equipment:

For the year ended December 31, 2018 : None.

	For the year ended December 31, 2017
	Proceeds Gain/(loss)
Associates	\$ 450 (\$ 342)

(c) Acquisition of financial assets:

	Account	Transaction share (Shares in thousands)	Item	Acquisition amount for the year ended December 31, 2018
Associates	Investments accounted for using equity method	476	Shen-Tong Construction & Developments Co., Ltd.	\$ 4,755

For the year ended December 31, 2017 : None.

F. Rent revenue

For the years ended December 31, 2018 and 2017, the rental revenue collected from leasing offices and factories to associates amounted to \$19,849 and \$19,405, respectively.

G. Expenses

	For the year ended December 31, 2018	For the year ended December 31, 2017
Associates	\$ 14,801	\$ 16,829
Other related parties	3,314	7,241
Total	\$ 18,115	\$ 24,070

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

(3) Key management compensation

	For the year ended December 31, 2018	For the year ended December 31, 2017
Salaries and other short-term employee benefits	\$ 44,826	\$ 47,161
Post-employment benefits	546	534
Total	\$ 45,372	\$ 47,695

8. PLEDGED ASSETS

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

Pledged asset	Book Value		Purpose
	December 31, 2018	December 31, 2017	
Time deposits (shown as "other non-current assets")	\$ 9,924	\$ 9,820	Guarantee deposit
Demand deposits and Time deposits (shown as "other current assets")	8,944	18,260	Customs guarantee
Time deposits (shown as "other current assets")	-	14,880	Guarantees from derivative financial instrument transactions
	<u>\$ 18,868</u>	<u>\$ 42,960</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Operating lease arrangement

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

	December 31, 2018	December 31, 2017
Not more than 1 year	\$ 179,998	\$ 65,635
More than 1 year but not more than 5 years	136,738	95,283
Over 5 years	99,346	49,644
Total	<u>\$ 416,082</u>	<u>\$ 210,562</u>

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

	December 31, 2018	December 31, 2017
Property, plant and equipment	<u>\$ 465,038</u>	<u>\$ 674,184</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. Financial instruments by category

	December 31, 2018	December 31, 2017
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 114,424	\$ -
Financial assets held for trading	-	9,313
	<u>\$ 114,424</u>	<u>\$ 9,313</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	<u>\$ 4,027,788</u>	<u>\$ -</u>
Available-for-sale financial assets		
Available-for-sale financial assets	\$ -	\$ 3,048,430
Financial assets at cost	-	1,113,478
	<u>\$ -</u>	<u>\$ 4,161,908</u>
Financial assets at amortised cost		
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	\$ 5,725,216	\$ 8,056,991
Notes receivable	92,212	85,441
Accounts receivable	4,720,458	4,042,515
Accounts receivable - related parties	360,980	489,414
Other receivables	76,621	59,453
Guarantee deposits paid	18,788	19,371
Other financial assets	18,868	42,960
	<u>\$ 11,013,143</u>	<u>\$ 12,796,145</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or		
Financial liabilities held for trading	<u>\$ 1,295</u>	<u>\$ 10,312</u>
Financial liabilities at amortised cost		
Short-term borrowings	\$ -	\$ 2,137,655
Accounts payable	5,281,232	5,194,178
Accounts payable - related parties	57,817	71,262
Other accounts payable	3,326,748	3,467,054
Guarantee deposits received	27,195	21,971
	<u>\$ 8,692,992</u>	<u>\$ 10,892,120</u>

B. Financial risk management policies

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance. The Group uses derivative financial instruments to hedge certain risk exposures (see Notes 6(2), 6(14)).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. 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, AUD and CNY). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2018		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 327,637	30.715	\$ 10,063,386
EUR:NTD	6,986	35.200	245,907
AUD:NTD	6,245	21.665	135,288
USD:CNY	87,914	6.868	2,700,264
EUR:USD	6,700	1.146	235,840
<u>Non-monetary items</u>			
CNY:USD	69,672	0.146	311,572
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	307,660	30.715	9,448,768
EUR:NTD	6,582	35.200	231,674
AUD:NTD	5,999	21.665	129,968
USD:CNY	140,804	6.868	4,324,782

December 31, 2017			
(Foreign currency: functional currency)	Foreign currency amount	Exchange	Book value
	(In thousands)	rate	(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 330,855	29.760	\$ 9,846,234
EUR:NTD	9,029	35.570	321,147
AUD:NTD	7,370	23.185	170,868
USD:CNY	86,654	6.519	2,578,831
<u>Non-monetary items</u>			
CNY:USD	66,728	0.153	304,614
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	291,173	29.760	8,665,299
EUR:NTD	7,679	35.570	273,126
AUD:NTD	7,089	23.185	164,364
USD:CNY	122,429	6.519	3,643,492

- iv. Total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2018 and 2017, amounted to \$7,404 and (\$80,408), respectively.
- v. When the exchange rates for USD, AUD, EUR and CNY to NTD, EUR to USD, and USD to CNY increased or decreased by 1%, with all other factors the same at December 31, 2018 and 2017, net profit before tax would increase or decrease by (\$7,555) and \$1,708 for the years ended December 31, 2018 and 2017, respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. 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.

- ii. 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 comprehensive income (loss) would have increased/decreased by \$40,278 and \$30,484 for the years ended December 31, 2018 and 2017, respectively, as a result of gains/losses on equity securities classified as financial assets at fair value through other comprehensive income and available-for-sale financial assets.

Cash flow and fair value 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. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of financial instruments settled based on the agreement.
- ii. 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.
- iii. Individual risk limits are set based on internal or external factors in accordance with limits set by credit control manager. The utilisation of credit limits is regularly monitored.
- iv. For banks and financial institutions, only the institutions with good credit quality are accepted as counterparties.
- v. The default occurs when it expects that the contact payments cannot be recovered and are transferred to overdue receivables.
- vi. The Group classifies customers' accounts receivable, contract assets and rents receivable in accordance with customer types. The Group applies the simplified approach to estimate expected credit loss under individual basis.
- vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

viii. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable is as follows:

	2018
At January 1_IAS 39	\$ 82,137
Adjustments under new standards	-
At January 1_IFRS 9	82,137
Provision for impairment	17,794
Write-offs	(1,838)
Effect of foreign exchange	(328)
At December 31	<u>\$ 97,765</u>

ix. Credit risk information of 2017 is listed below:

- (i) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board of directors. The utilization of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.
- (ii) No credit limits were exceeded during the year ended December 31, 2017, and management does not expect any significant losses from non-performance by these counterparties.
- (iii) The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2017
1 to 90 days	\$ 480,489
91 to 180 days	5,908
Over 181 days	11,862
	<u>\$ 498,259</u>

(iv) Movements on the provision for impairment of accounts receivable are as follows :

	<u>Group provision</u>
	<u>2017</u>
At January 1	\$ 75,982
Provision for impairment	8,041
Write-offs during the period	(1,168)
Effect of foreign exchange	(718)
At December 31	<u>\$ 82,137</u>

(v) 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, 2017</u>
Group 1	\$ 2,663,735
Group 2	1,643,819
	<u>\$ 4,307,554</u>

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

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

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

<u>December 31, 2018</u>	<u>Less than</u> <u>1 year</u>	<u>Between 1</u> <u>and 2 year</u>	<u>Between 2</u> <u>and 3 years</u>	<u>Over</u> <u>3 years</u>
Accounts payable	\$ 5,339,049	\$ -	\$ -	\$ -
Other payables	3,326,748	-	-	-
Guarantee deposits	9,677	5,997	3,458	8,063

<u>December 31, 2017</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 year</u>	<u>Between 2 and 3 years</u>	<u>Over 3 years</u>
Short-term borrowings	\$ 2,137,655	\$ -	\$ -	\$ -
Accounts payable	5,265,440	-	-	-
Other payables	3,467,054	-	-	-
Guarantee deposits	4,097	7,407	5,819	4,648

Derivative financial liabilities

As of December 31, 2018 and 2017, the Group's derivative financial liabilities mature within one year.

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

(3) Fair value information

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

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

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

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

- B. Fair value information of investment property at cost is provided in Note 6(11).

- C. Financial instruments not measured at fair value

Including the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, refundable deposits, short-term borrowings, notes payable, accounts payable other payables and guarantee deposits received are approximate to their fair values.

- D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

- (a) The related information of natures of the assets and liabilities is as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
<u>Recurring fair value measurements</u>				
Financial assets:				
Forward exchange contracts	\$ -	\$ 4,926	\$ -	\$ 4,926
Equity securities	3,115,417	563,844	458,025	4,137,286
Total	<u>\$ 3,115,417</u>	<u>\$ 568,770</u>	<u>\$ 458,025</u>	<u>\$ 4,142,212</u>

Recurring fair value measurements

Financial liabilities:

Forward exchange contracts	<u>\$ -</u>	<u>\$ 1,295</u>	<u>\$ -</u>	<u>\$ 1,295</u>
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December 31, 2017	Level 1	Level 2	Level 3	Total
<u>Recurring fair value measurements</u>				
Financial assets:				
Forward exchange contracts	\$ -	\$ 9,313	\$ -	\$ 9,313
Equity securities	2,467,124	469,575	111,731	3,048,430
Total	<u>\$ 2,467,124</u>	<u>\$ 478,888</u>	<u>\$ 111,731</u>	<u>\$ 3,057,743</u>

Recurring fair value measurements

Financial liabilities:

Forward exchange contracts	<u>\$ -</u>	<u>\$ 10,312</u>	<u>\$ -</u>	<u>\$ 10,312</u>
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(b) The methods and assumptions the Group used to measure fair value are as follows:

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

	Listed shares	Open-end fund
	Closing price	Net worth
Market quoted price		

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.
- iii. When assessing non-standard and low-complexity financial instruments, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
- v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted

accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

- vi. The Group takes into account adjustments for credit risk to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.
- E. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.
- F. The following table presents the changes in level 3 instruments as at December 31, 2018 and 2017:

	Equity securities	
	2018	2017
January 1	\$ 111,731	\$ 72,845
Acquired in the year	50,322	-
(Losses) gains recognized in other comprehensive income	(67,941)	38,186
Adjustment of IFRS 9 transition	362,291	-
Effects of foreign exchange	1,622	700
December 31	<u>\$ 458,025</u>	<u>\$ 111,731</u>

- G. For the years ended December 31, 2018 and 2017, there was no transfer into or out from Level 3 except financial assets at fair value through other comprehensive income transferred from certain equity investments on January 1, 2018 on application of IFRS 9.
- H. Investment department is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, and reviewing the information periodically.
- I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes significant unobservable inputs to valuation model used in Level 3 fair value measurements:

Non-derivative equity instrument:	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Unlisted shares	\$ 458,025	Net asset value	Net asset value	-	The higher the net asset value, the higher the fair value.

Non-derivative equity instrument:	Fair value at December 31, 2017	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Unlisted shares	\$ 111,731	Net asset value	Net asset value	-	The higher the net asset value, the higher the fair value.

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

December 31, 2018						
Financial assets	Input	Change	Recognized in profit or loss		Recognized in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Equity instrument	Net asset value	±1%	\$ -	\$ -	\$ 4,580	\$ 4,580

December 31, 2017						
Financial assets	Input	Change	Recognized in profit or loss		Recognized in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Equity instrument	Net asset value	±1%	\$ -	\$ -	\$ 1,117	\$ 1,117

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, IFRS 9, were as follows:

		Available-for- sale-equity	Held-to- maturity	Effects	
	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income-equity	Measured at amortised cost	Retained earnings	Others equity
IAS 39	\$ 9,313	\$ 3,048,430	\$ 1,113,478	(\$207,928)	\$ 1,127,869
Transferred into and measured at fair value through profit or loss	108,648	(108,648)	-	-	-
Transferred into and measured at fair value through other comprehensive income-equity	-	1,113,478	(1,113,478)	-	-
Fair value adjustment	-	154,179	-	-	154,179
Impairment loss adjustment	-	-	-	207,928	(207,928)
IFRS 9	<u>\$ 117,961</u>	<u>\$ 4,207,439</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,074,120</u>
Investments accounted for using equity method				6,775	(6,775)
				<u>\$ 6,775</u>	<u>\$ 1,067,345</u>

- A. Under IAS 39, because the equity instruments, which were classified as: available-for-sale financial assets and financial assets at cost, amounting to \$2,939,782 and \$1,113,478, respectively, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income" amounting to \$4,207,439, increased retained earnings and decreased other equity interest in the amounts of \$207,928 and \$53,749, respectively on initial application of IFRS 9.
 - B. The Group reclassified financial assets at fair value through profit or loss, which were initially classified as available-for-sale financial assets under IAS 39, amounting to \$108,648 under IFRS 9.
 - C. The Group recognized investments accounted for using equity method to increase retained earnings and decrease other equity interest by \$6,775 under effect on initial application of IFRS 9.
- (5) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017
- A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.
Sales of goods
 - (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 is recognized when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.
 - (b) The Group offers customers volume discounts and right of return for defective products. The Group estimates appropriate discounts and returns based on regular way purchases or sales. Provisions for such liabilities are recorded when the sales are recognized.

- B. The effects and description of current balance sheets and comprehensive income statements if the Group continues adopting above accounting policies are as follow

Balance sheet items	December 31, 2018		
	Balance by using		Effects from changes in accounting policy
	Balance by using IFRS 15	previous accounting policies	
Accounts receivable	\$ 4,720,458	\$ 4,565,874	\$ 154,584
Other current assets	41,214	8,945	32,269
Contract liabilities	(165,442)	-	(165,442)
Other current liabilities	(238,831)	(217,420)	(21,411)

There was no effect on items in the comprehensive income statement.

Description:

- (a) Under IFRS 15, the net amounts in relation to expected sales return and discounts as well as return costs of related products refunds to customers, which were previously presented as ‘accounts receivable - allowance for sales returns and discounts’ in the balance sheet, are recognized as other current liabilities and other current assets, respectively.
- (b) Advance sales receipts (shown as ‘other current liabilities’ in the balance sheet) in relation to the contract were previously presented. Under IFRS 15, the advance sales receipts are recognized as contract liabilities.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company’s paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 5.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2) and (14).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

14. SEGMENT INFORMATION

(1) General information

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

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

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

The segment information provided to the Chief Operating Decision-Maker for the reportable segments and reconciliations are as follows:

For the year ended December 31, 2018				
Item	Mobile		Others	Total
	Cloud computing business group	communications business group		
Revenue	\$ 22,004,923	\$ 5,394,210	\$ 3,352,686	\$ 30,751,819
Segment gain (loss)	341,780	155,078	(162,962)	333,896

For the year ended December 31, 2017				
Item	Mobile		Others	Total
	Cloud computing business group	communications business group		
Revenue	\$ 40,613,816	\$ 6,512,046	\$ 1,634,652	\$ 48,760,514
Segment gain (loss)	1,053,912	(203,939)	(110,092)	739,881

(3) Reconciliation for segment income (loss)

The revenue from external customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income.

A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations for the years ended December 31, 2018 and 2017 is provided as follows:

Item	For the year ended December 31, 2018	For the year ended December 31, 2017
Profit for reportable segments	\$ 333,896	\$ 739,881
Unallocated:		
Share of profits and losses from affiliates and joint ventures accounted for using the equity method	1,822,768	1,910,193
Dividend revenue	189,020	127,379
Interest revenue	90,939	56,677
Net currency exchange gain (loss)	7,404 (	80,408)
Gain (loss) on disposal of investments	872,181 (	1,266)
Other income	156,506	149,832
Income before tax from operations	<u>\$ 3,472,714</u>	<u>\$ 2,902,288</u>

(4) Information on products and services

	For the year ended December 31, 2018	For the year ended December 31, 2017
Sales	\$ 30,425,495	\$ 48,658,506
Other revenue	326,324	102,008
Total	<u>\$ 30,751,819</u>	<u>\$ 48,760,514</u>

(5) Geographical information

For the years ended December 31, 2018 and 2017, revenues and noncurrent assets from certain regions are listed below:

	For the year ended December 31, 2018		For the year ended December 31, 2017	
	Revenue	Assets - non-current	Revenue	Assets - non-current
Taiwan	\$ 815,400	\$ 4,566,718	\$ 677,982	\$ 4,580,195
USA	12,402,240	725,518	30,112,859	743,125
Europe	5,507,737	123,514	8,019,823	136,282
Others	12,026,442	3,225,931	9,949,850	2,814,995
Total	<u>\$ 30,751,819</u>	<u>\$ 8,641,681</u>	<u>\$ 48,760,514</u>	<u>\$ 8,274,597</u>

(6) Major customer information

For the years ended December 31, 2018 and 2017, the major customer information of the Group are listed below:

For the year ended December 31, 2018			
Customer	Revenue	Percentage of total revenue	Segment
Customer E	\$ 9,258,013	30%	Cloud computing business group
For the year ended December 31, 2017			
Customer	Revenue	Percentage of total revenue	Segment
Customer E	\$ 25,922,630	53%	Cloud computing business group

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2018

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	Is a related party	General ledger account	Maximum outstanding balance during the year ended December 31, 2018	Balance at December 31, 2018	Actual amount drawn down	Interest rate	Nature of loan (Note 2)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 3)	Ceiling on total loans granted (Note 3)	Footnote
													Item	Value			
0	MiTAC Holdings Corp.	MiTAC International Corp.	Y	Other receivables-related parties	\$ 2,500,000	\$ 2,000,000	\$ -	0.880%-1.800%	2	\$ -	Operations	\$ -	None	\$ -	\$ 3,651,453	\$ 7,302,905	
0	MiTAC Holdings Corp.	MiTAC Computing Technology Corp.	Y	Other receivables-related parties	3,000,000	3,000,000	-	0.880%-2.250%	2	-	Operations	-	None	-	3,651,453	7,302,905	
0	MiTAC Holdings Corp.	MiTAC Digital Technology Corp.	Y	Other receivables-related parties	1,000,000	1,000,000	399,295	0.880%-2.400%	2	-	Operations	-	None	-	3,651,453	7,302,905	
1	MiTAC Computing Technology Corp.	MiTAC International Corp.	Y	Other receivables-related parties	1,700,000	1,490,000	1,490,000	0.907%	2	-	Operations	-	None	-	1,573,086	1,573,086	
1	MiTAC Computing Technology Corp.	MiTAC Information Technology Czech s.r.o.	Y	Other receivables-related parties	11,005	10,809	10,809	2.00%	2	-	Operations	-	None	-	1,573,086	1,573,086	
2	Silver Star Developments Ltd.	MiTAC International Corp.	Y	Other receivables-related parties	3,497,915	3,470,795	2,457,200	0.00%	2	-	Operations	-	None	-	7,259,364	7,259,364	
2	Silver Star Developments Ltd.	MiTAC Holdings Corp.	Y	Other receivables-related parties	3,347,935	1,935,045	399,295	0.00%	2	-	Operations	-	None	-	7,259,364	7,259,364	
2	Silver Star Developments Ltd.	Software Insights Ltd.	Y	Other receivables-related parties	30,955	30,715	30,715	0.00%	2	-	Operations	-	None	-	11,401,172	11,401,172	
2	Silver Star Developments Ltd.	Best Profit Ltd.	Y	Other receivables-related parties	762,763	-	-	0.00%	2	-	Operations	-	None	-	11,401,172	11,401,172	
2	Silver Star Developments Ltd.	Start Well Technology Ltd.	Y	Other receivables-related parties	947,223	939,879	939,879	0.00%	2	-	Operations	-	None	-	11,401,172	11,401,172	
2	Silver Star Developments Ltd.	MiTAC Benelux N.V.	Y	Other receivables-related parties	90,600	80,960	80,960	0.00%	2	-	Operations	-	None	-	11,401,172	11,401,172	
3	Tyan Computer Corp.(USA)	Mitac Information Systems Corp.	Y	Other receivables-related parties	232,163	230,363	230,363	2.83%	2	-	Operations	-	None	-	242,668	242,668	
4	Access Wisdom Holdings Ltd.	MiTAC Digital Corp.	Y	Other receivables-related parties	2,039,935	1,071,954	1,071,954	0.00%	2	-	Operations	-	None	-	2,979,355	2,979,355	
4	Access Wisdom Holdings Ltd.	MiTAC Europe Ltd.	Y	Other receivables-related parties	172,272	154,880	154,880	0.00%	2	-	Operations	-	None	-	2,979,355	2,979,355	
4	Access Wisdom Holdings Ltd.	Mio Technology (Suzhou) Ltd.	Y	Other receivables-related parties	93,720	-	-	0.00%	2	-	Operations	-	None	-	2,979,355	2,979,355	
4	Access Wisdom Holdings Ltd.	Silver Star Developments Ltd.	Y	Other receivables-related parties	464,325	460,725	245,720	0.00%	2	-	Operations	-	None	-	2,979,355	2,979,355	
5	MiTAC Digital Technology Corp.	MiTAC International Corp.	Y	Other receivables-related parties	500,000	500,000	400,000	0.907%-0.912%	2	-	Operations	-	None	-	623,112	623,112	
6	MiTAC International Corp.	MiTAC Computing Technology Corp.	Y	Other receivables-related parties	2,900,000	2,900,000	1,858,258	2.09%-3.10%	2	-	Operations	-	None	-	3,075,339	6,150,677	
6	MiTAC International Corp.	MiTAC Digital Technology Corp.	Y	Other receivables-related parties	2,000,000	2,000,000	337,865	2.06%-3.10%	2	-	Operations	-	None	-	3,075,339	6,150,677	
7	MiTAC Investment Holding Ltd.	MiTAC Technology (KunShan) Co., Ltd.	Y	Other receivables-related parties	31,395	13,416	-	4.35%	2	-	Operations	-	None	-	1,193,006	1,193,006	

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

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

Note 2: The nature of loan are as follows:

- (1) Ongoing business
(2) Short-term financing

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

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

- (2) MiTAC Computing Technology Corp.'s short-term financing limit should not exceed 20% of the net worth on the latest financial statements audited or reviews by independent accountants. Each financing should not exceed 10% of the net worth mentioned above.
(3) If Silver Star Developments Ltd. was lending to foreign subsidiaries owned 100% directly and indirectly by the ultimate parent company, the borrowing amount to each borrowing company and the total borrowing amount should not be higher than 200% of the paid-in capital on the latest financial statements audited by independent accountants.
(4) Silver Star Development Ltd.'s borrowing amount to each borrowing company and total borrowing amount of the parent company should not exceed 40% of the net worth on the latest financial statements audited by independent accountants.
(5) The borrowing amount and the total borrowing amount of Tyan Computer Corp. (USA) lending to the ultimate parent company's direct and indirect wholly-owned foreign subsidiaries should not exceed 200% of the paid-in capital on the
(6) If Access Wisdom Holdings 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.
(7) MiTAC Digital Technology Corp.'s short-term financing limit should not exceed 20% of the net worth on the latest financial statements audited or reviews by independent accountants. Each financing should not exceed 10% of the net worth mentioned above.
(8) MiTAC International Corp.'s total borrowing amount of short-term financing should not exceed 20% of the net worth on the latest financial statements audited or reviewed by independent accountants.
The borrowing amount for each borrowing company should not exceed 10% of the net worth of the Company.
(9) MiTAC Investment Holding Ltd.'s short-term financing limit should not exceed 20% of the net worth on the latest financial statements audited or reviews by independent accountants. Each financing should not exceed 10% of the net worth mentioned above.

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the year ended December 31, 2018

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2018	Outstanding endorsement/ guarantee amount at December 31, 2018	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/guarantee amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	MiTAC Holdings Corp.	Tyan Computer Corp.(USA)	3	\$ 18,257,263	\$ 299,228	\$ 299,228	\$ 299,228	\$ -	0.82%	\$ 18,257,263	Y	N	N	
0	MiTAC Holdings Corp.	MiTAC Computing Technology Corp.	2	18,257,263	516,495	516,495	516,495	-	1.41%	18,257,263	Y	N	N	
0	MiTAC Holdings Corp.	MiTAC Information Systems Corp.	3	18,257,263	452,850	-	-	-	0.00%	18,257,263	Y	N	N	
0	MiTAC Holdings Corp.	MiTAC International Corp.	2	18,257,263	24,091	230	230	-	0.00%	18,257,263	Y	N	N	
0	MiTAC Holdings Corp.	Mio Technology (Suzhou) Ltd.	3	18,257,263	6,203	-	-	-	0.00%	18,257,263	Y	N	Y	
0	MiTAC Holdings Corp.	MiTAC Digital Technology Corp.	2	18,257,263	18,894	18,894	18,894	-	0.05%	18,257,263	Y	N	N	
0	MiTAC Holdings Corp.	MiTAC Digital Corp.	3	18,257,263	91,575	91,575	-	-	0.25%	18,257,263	Y	N	N	
1	MiTAC International Corp.	MiTAC Digital Corp.	3	15,376,693	136,620	-	-	-	0.00%	15,376,693	N	N	N	
1	MiTAC International Corp.	MiTAC Digital Technology Corp.	3	15,376,693	300,000	-	-	-	0.00%	15,376,693	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 six categories; fill in the number of category each case belongs to:

(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 Holdings Corp. to each entity which is directly or indirectly held 50% or more of the voting power by the company should not exceed 50% of the net worth on the latest financial statements audited or reviewed by independent accountants.

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

(3) The endorsement and guarantees amount provided by MiTAC International Corp. to each entity which is directly or indirectly held 100% of the voting power should not exceed 50% of its net worth on

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

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES
Holding of marketable securities at the end of period (not including subsidiaries, associates and joint ventures)
December 31, 2018

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2018				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
MiTAC Holdings Corp.	Synnex Technology International Corp.	Same board chairman	Financial assets at fair value through other comprehensive income-non current	3,103,717	\$ 112,975	0.19	\$ 112,975	
MiTAC Holdings Corp.	The. Note. Co. Ltd.	None	Financial assets at fair value through other comprehensive income-non current	243,746	5,317	5.63	5,317	
MiTAC Holdings Corp.	JVP VIII, L.P.	None	Financial assets at fair value through other comprehensive income-non current	425,000	11,903	1.46	11,903	
MiTAC Holdings Corp.	WHETRON ELECTRONICS CO., LTD.	None	Financial assets at fair value through other comprehensive income-non current	6,550,000	262,000	9.05	262,000	
MiTAC Holdings Corp.	Harbinger VIII Venture Capital Corp.	None	Financial assets at fair value through other comprehensive income-non current	3,750,000	37,500	19.05	37,500	
MiTAC International Corp.	Lien Hwa Industrial Corp.	Same board chairman	Financial assets at fair value through other comprehensive income-non current	29,351,945	870,285	2.79	870,285	
MiTAC International Corp.	UPC Technology Corp.	Same board chairman	Financial assets at fair value through other comprehensive income-non current	15,711,849	182,257	1.21	182,257	
MiTAC International Corp.	COMPUCASE ENTERPRISE CO., LTD.	None	Financial assets at fair value through other comprehensive income-non current	10,000,000	234,200	8.83	234,200	
MiTAC International Corp.	MiTAC INC.	Same board chairman	Financial assets at fair value through other comprehensive income-non current	28,196,998	658,964	8.69	658,964	
MiTAC International Corp.	MiTAC Information Technology Corp.	The Company's chairman was this company's director.	Financial assets at fair value through other comprehensive income-non current	3,912,334	38,752	4.35	38,752	
MiTAC International Corp.	Overseas Investment & Development Corp.	MiTAC Inc.'s director.	Financial assets at fair value through other comprehensive income-non current	1,000,000	11,144	1.11	11,144	
MiTAC International Corp.	Harbinger Venture Capital Corp.	Same board chairman	Financial assets at fair value through other comprehensive income-non current	1,447,098	14,284	14.05	14,284	
MiTAC International Corp.	Harbinger VI Venture Capital Corp.	Same board chairman	Financial assets at fair value through other comprehensive income-non current	4,648,075	56,740	13.28	56,740	
MiTAC International Corp.	Harbinger VII Venture Capital Corp.	Same board chairman	Financial assets at fair value through other comprehensive income-non current	10,000,000	100,327	9.39	100,327	
Tsu Fung Investment Corp.	MiTAC Holdings Corp.	Ultimate parent company	Financial assets at fair value through other comprehensive income-current	12,174,313	300,097	1.30	300,097	Note 1
Tsu Fung Investment Corp.	Getac Technology Corp.	None	Financial assets at fair value through other comprehensive income-current	7,783,741	312,906	1.34	312,906	
Tsu Fung Investment Corp.	UPC Technology Corp.	None	Financial assets at fair value through other comprehensive income-current	15,887,296	184,293	1.23	184,293	
Tsu Fung Investment Corp.	Synnex Technology International Corp.	None	Financial assets at fair value through other comprehensive income-current	4,586,974	166,966	0.28	166,966	
Tsu Fung Investment Corp.	Lien Hwa Industrial Corp.	None	Financial assets at fair value through other comprehensive income-current	3,532,157	104,728	0.34	104,728	
Tsu Fung Investment Corp.	National Aerospace Fasteners Corporation	None	Financial assets at fair value through other comprehensive income-current	474,188	28,404	0.90	28,404	
Tsu Fung Investment Corp.	PROMISE Technology Inc.	None	Financial assets at fair value through other comprehensive income-current	5,000,000	40,200	3.10	40,200	
Tsu Fung Investment Corp.	MiTAC INC.	None	Financial assets at fair value through other comprehensive income-non current	14,717,192	343,941	4.54	343,941	
Tsu Fung Investment Corp.	MiTAC Information Technology Corp.	None	Financial assets at fair value through other comprehensive income-non current	2,380,122	23,575	2.64	23,575	
Tsu Fung Investment Corp.	Tung Da Investment Co., Ltd.	None	Financial assets at fair value through other comprehensive income-non current	4,848,125	87,178	19.99	87,178	Note 2
Tsu Fung Investment Corp.	Harbinger Venture Management Co., Ltd.	None	Financial assets at fair value through other comprehensive income-non current	862,922	11,918	19.99	11,918	
Tsu Fung Investment Corp.	Lien Yung Investment Corp.	None	Financial assets at fair value through other comprehensive income-non current	9,217,196	90,992	19.99	90,992	
Tsu Fung Investment Corp.	Uni-President Assets Management Corp.	None	Financial assets at fair value through profit or loss-current	4,554,531	75,994	-	75,994	
Tsu Fung Investment Corp.	Prudential Financial Money Market Fund	None	Financial assets at fair value through profit or loss-current	2,121,345	33,504	-	33,504	
Silver Star Developments Ltd. and its subsidiaries	MiTAC Holdings Corp.	Ultimate parent company	Financial assets at fair value through other comprehensive income-non current	1,652,139	40,725	0.18	40,725	Note 1
Silver Star Developments Ltd. and its subsidiaries	Global Strategic Investment Inc.(SAMOA)	None	Financial assets at fair value through other comprehensive income-non current	434,946	5,631	1.23	5,631	
Silver Star Developments Ltd. and its subsidiaries	Global Strategic Investment Inc.	None	Financial assets at fair value through other comprehensive income-non current	245,000	7,954	1.26	7,954	
Silver Star Developments Ltd. and its subsidiaries	Budworth Investments Ltd.	None	Financial assets at fair value through other comprehensive income-non current	853,920	22,454	14.83	22,454	
Silver Star Developments Ltd. and its subsidiaries	Panasas Inc.	None	Financial assets at fair value through profit or loss-non current	13,913	-	0.04	-	
Silver Star Developments Ltd. and its subsidiaries	Physi-Cal Enterprises	None	Financial assets at fair value through profit or loss-non current	354,080	-	3.54	-	

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

Note 2: MiTAC International Corp. sold its shares of Tung Da Investment Co., Ltd. to Tsu Fung Investment Corp., and such disposal gain has not yet been realised.

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES

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

For the year ended December 31, 2018

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2018		Addition		Disposal				Balance as at December 31, 2018	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Silver Star Developments Ltd.	Synnex Corp.	Investments accounted for under equity method	-	-	5,448,878	\$ 9,251,465	242,102	\$ 580,703	451,000	\$ 1,716,328	\$ 753,912	\$ 962,416	5,239,980	\$ 10,802,228

Note 1: Including cost of sales, capital surplus and transfers of other equity interest previously recognized.

Note 2: Including recognition for share of profit (loss) of and other comprehensive income of associates accounted for using equity method and adjustments of changes in net equity.

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES

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

For the year ended December 31, 2018

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
MiTAC Computing Technology Corp.	MiTAC Information Systems Corp.	Subsidiary	Sales	3,564,787	24.50%	Note1	Note3	Note1	1,813,079	55.06%	
MiTAC Computing Technology Corp.	MiTAC Computer (Shunde) Ltd.	Affiliate	Purchases	5,548,403	46.12%	Note2	Note3	Note2	(1,539,424)	44.66%	
MiTAC Computing Technology Corp.	Tyan Computer Corp.(USA)	Subsidiary	Sales	639,602	4.40%	Note1	Note3	Note1	-	-	
MiTAC Computing Technology Corp.	MiTAC Logistics Corp.	Subsidiary	Sales	1,939,064	13.33%	Note1	Note3	Note1	350,627	10.65%	
MiTAC Computing Technology Corp.	Synnex Corp. and its subsidiaries	Associate of affiliate	Sales	615,334	4.23%	Note1	Note3	Note1	80,710	2.45%	
MiTAC Computing Technology Corp.	MiTAC Computer (Kunshan) Ltd.	Affiliate	Purchases	164,584	1.37%	Note2	Note3	Note2	(95,190)	2.76%	Note4
MiTAC Digital Technology Corp.	MiTAC Europe Ltd.	Subsidiary	Sales	322,222	7.95%	Note1	Note3	Note1	244,744	23.07%	
MiTAC Digital Technology Corp.	MiTAC Australia Pty Ltd.	Subsidiary	Sales	240,993	5.95%	Note1	Note3	Note1	135,286	12.75%	
MiTAC Digital Technology Corp.	MiTAC Computer (Kunshan) Ltd.	Affiliate	Purchases	1,249,360	38.50%	Note2	Note3	Note2	(598,726)	56.55%	Note4
Silver Star Developments Ltd. and its subsidiaries	MiTAC Computing Technology Corp.	Affiliate	Sales	5,713,023	36.66%	Note1	Note3	Note1	1,634,614	23.72%	
Silver Star Developments Ltd. and its subsidiaries	MiTAC Digital Technology Corp.	Affiliate	Sales	1,311,476	8.42%	Note1	Note3	Note1	620,224	9.00%	Note4
MiTAC Technology UK Ltd. and its subsidiaries	MiTAC Computing Technology Corp.	Parent Company	Purchases	6,143,453	46.19%	Note2	Note3	Note2	(2,163,706)	60.72%	
MiTAC Technology UK Ltd. and its subsidiaries	Synnex Corp. and its subsidiaries	Associate of affiliate	Sales	2,027,564	14.85%	Note1	Note3	Note1	280,225	15.49%	
Access Wisdom Holdings Ltd and its subsidiaries	MiTAC Digital Technology Corp.	Parent Company	Purchases	604,814	71.31%	Note2	Note3	Note2	(400,772)	93.34%	

Note 1: The Group's credit term for foreign related parties is to collect within 5 months based on the net amount of receivables after offsetting against payables, which takes into consideration the reasonable amount of time for the Company to ship products to each company and for the companies to sell the products and collect the sales. The Group's credit term for domestic related parties is 3 months from the date of shipment for the collection of the net amount of receivables after offsetting against payables; the credit term for third parties is an average of 3 months after the date of shipment.

Note 2: The Group's payment term for foreign related parties is within 5 months for the collection of the net amount of receivables after offsetting against payables, which is in accordance with the Group's credit policies of accounts receivable with foreign related parties, the Group's payment term for domestic related parties is 3 months from the date of shipment from the counterparty for the net amount of receivables after offsetting against payables; the payment term for third parties is an average of 3 months after the date of shipment from the counterparty.

Note 3: The selling price to related parties is based on market value.

Note 4: There were certain transaction made through MiTAC Digital Technology Corp.'s subsidiary, Mio International Ltd.

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES

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

December 31, 2018

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2018		Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
			Amount receivables	Other receivables		Amount	Action taken		
MiTAC Computing Technology Corp.	MiTAC Information Systems Corp.	Subsidiary	\$ 1,813,079	\$ 1,338	1.36	\$ -	Not Applicable	\$ 154,629	\$ -
MiTAC Computing Technology Corp.	MiTAC Logistics Corp.	Subsidiary	350,627	-	4.23	-	Not Applicable	152,840	-
MiTAC Digital Technology Corp.	MiTAC Europe Ltd.	Subsidiary	244,744	38	1.15	89,077	Not Applicable	31,571	-
MiTAC Digital Technology Corp.	MiTAC Australia Pty Ltd.	Subsidiary	135,286	69	1.57	5,693	Not Applicable	38,526	-
Silver Star Developments Ltd. and its subsidiaries	MiTAC Computing Technology Corp.	Affiliate	1,634,614	27,960	2.24	-	Not Applicable	-	-
Silver Star Developments Ltd. and its subsidiaries	MiTAC Digital Technology Corp.	Affiliate	620,224	4,506	1.54	-	Not Applicable	-	Note1
MiTAC Technology UK Ltd. and its subsidiaries	Synnex Corp. and its subsidiaries	Associate of affiliate	280,225	-	7.49	-	Not Applicable	-	-

Note 1: There were certain transaction made through MiTAC Digital Technology Corp.'s subsidiary, Mio International Ltd.

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES
Significant inter-company transactions during the reporting periods
For the year ended December 31, 2018

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction				Footnote
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)	
0	MiTAC Holdings Corp.	MiTAC Digital Technology Corp.	1	Other receivables	\$ 438,606		0.91%	
1	MiTAC International Corp.	MiTAC Computing Technology Corp.	3	Other income	141,758		0.46%	
1	MiTAC International Corp.	MiTAC Computing Technology Corp.	3	Other receivables	1,889,273		3.93%	
2	MiTAC Computing Technology Corp.	MiTAC Technology UK Ltd. and its subsidiaries	3	Sales	6,143,453	Note4	19.98%	
2	MiTAC Computing Technology Corp.	MiTAC Technology UK Ltd. and its subsidiaries	3	Accounts receivable	2,163,706	Note4	4.50%	
2	MiTAC Computing Technology Corp.	MiTAC International Corp.	3	Other receivables	1,490,000	Note4	3.10%	
2	MiTAC Computing Technology Corp.	Silver Star Developments Ltd. and its subsidiaries	3	Purchases	5,713,023	Note5	18.58%	
2	MiTAC Computing Technology Corp.	Silver Star Developments Ltd. and its subsidiaries	3	Accounts payable	1,634,614	Note5	3.40%	
3	MiTAC Digital Technology Corp.	MiTAC International Corp.	3	Other receivables	400,000		0.83%	
3	MiTAC Digital Technology Corp.	Access Wisdom Holdings Ltd and its subsidiaries	3	Sales	604,814		1.97%	
3	MiTAC Digital Technology Corp.	Access Wisdom Holdings Ltd and its subsidiaries	3	Accounts receivable	400,772		0.83%	
3	MiTAC Digital Technology Corp.	Silver Star Developments Ltd. and its subsidiaries	3	Purchases	1,311,476		4.26%	Note7
3	MiTAC Digital Technology Corp.	Silver Star Developments Ltd. and its subsidiaries	3	Accounts payable	620,224		1.29%	Note7
4	Silver Star Developments Ltd. and its subsidiaries	MiTAC Holdings Corp.	2	Other receivables	399,295		0.83%	
4	Silver Star Developments Ltd. and its subsidiaries	MiTAC International Corp.	3	Other receivables	2,458,036		5.12%	
5	Access Wisdom Holdings Ltd.	Silver Star Developments Ltd.	3	Other receivables	245,720		0.51%	

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is "0".
- (2) The subsidiaries are numbered in order starting from "1".

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on

Note 4: The Group's credit term for foreign related parties is 5 months for the collection of the net amount of receivables after offsetting against payables, which takes into consideration the reasonable amount of time for the Company

Note 5: The Group's payment term for foreign related parties is 5 months for the collection of the net amount of receivables after offsetting against payables after checking and the transaction price is based on the international market

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

Note 7: There were certain transaction made through MiTAC Digital Technology Corp.'s subsidiary, Mio International Ltd.

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES
Information on investees (Does not include Mainland China invested companies)
For the year ended December 31, 2018

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognized by the Company for the year ended December 31, 2018	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares (Note)	Ownership (%)	Book value			
MiTAC Holding Corp.	MiTAC International Corp.	Taiwan	Development, design and manufacturing and sale of computers and its peripherals, telecommunication related products	\$ 24,739,187	\$ 26,239,187	1,695,026,630	100.00	\$ 31,508,825	\$ 2,884,461	\$ 2,868,854	Subsidiary
MiTAC Holding Corp.	MiTAC Computing Technology Corp.	Taiwan	Development, design and manufacturing and sale of computers and its peripherals, telecommunication related products	3,419,621	3,419,621	232,757,102	100.00	4,011,066	305,461	305,461	Subsidiary
MiTAC Holding Corp.	MiTAC Digital Technology Corp.	Taiwan	Sales and service of electronic telecommunication, communication and software, etc.	1,501,000	1,000	100,100,000	100.00	1,636,397	122,038	122,038	Subsidiary
MiTAC Holding Corp.	Infopower Technologies Ltd.	India	Manufacture and sale of electronic product.	84,500	84,500	6,774,199	33.33	85,462	(4,007)	(1,336)	Associate
MiTAC International Corp.	Getac Technology Corp.	Taiwan	Manufacturing and sale of notebook computers, military and industrial computer systems, etc.	1,391,549	1,391,549	190,396,939	32.87	4,850,015	2,212,459	-	Associate
MiTAC International Corp.	Tsu Fung Investment Corp.	Taiwan	Investment	625,000	625,000	132,184,651	100.00	1,906,088	91,936	-	Subsidiary
MiTAC International Corp.	3Probe Technologies Corp.	Taiwan	Information process service, sales of software and international trading.	16,839	16,839	1,086,000	23.25	12,391	3,805	-	Associate
MiTAC International Corp.	Lian Jie Investment Co., Ltd.	Taiwan	Investment	113,057	113,057	11,305,650	49.98	109,208	3,435	-	Associate
MiTAC International Corp.	Lian Jie II Investment Co., Ltd.	Taiwan	Investment	32,500	32,500	3,250,000	32.50	37,060	(2,988)	-	Associate
MiTAC International Corp.	Silver Star Developments Ltd. and its subsidiary	British Virgin Islands	Investment	5,650,607	5,700,586	183,968,961	100.00	20,599,422	1,143,061	-	Subsidiary
MiTAC International Corp.	Shen-Tong Construction & Development Co., Ltd.	Taiwan	Building and factory construction, leasing and sales	90,349	85,594	9,034,922	47.55	86,590	(1,926)	-	Associate
MiTAC International Corp.	Mio Technology Corp.	Taiwan	Sale of communication products and related after-sale services	13,204	13,204	250,000	100.00	3,695	(44)	-	Subsidiary
MiTAC International Corp.	Green Share Corp.	Taiwan	Sale of computers and its peripherals, and hardware, software and related products	7,839	7,839	783,900	48.99	4,032	(1,048)	-	Associate

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognized by the Company for the year ended December 31, 2018	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares (Note)	Ownership (%)	Book value			
MiTAC International Corp.	LFE AEROSPACE INDUSTRY CORP.	Taiwan	Electronic components manufacturing, aircraft and its parts manufacturing and wholesale industry.	121,475	121,475	11,233,750	17.85	118,267	(32,926)	-	Associate
MiTAC Computing Technology Corp.	MiTAC Technology UK Ltd. and its subsidiary	UK	Investment	1,815,642	1,815,642	62,909,737	100.00	2,012,849	4,774	-	Subsidiary
MiTAC Computing Technology Corp.	Mitac Information Technology Czech s.r.o.	Czech Republic	Assemble and sales of computer and peripheral equipment.	11,054	11,054	-	100.00	2,278	(4,738)	-	Subsidiary
MiTAC Digital Technology Corp.	Mio International Ltd. and its subsidiary	British Virgin Islands	Investment	69,959	-	1,275,001	100.00	77,052	8,407	-	Subsidiary
MiTAC Digital Technology Corp.	Access Wisdom Holdings Limited. and its subsidiary	British Virgin Islands	Investment	-	-	48,500,000	100.00	11,829	125	-	Subsidiary
Silver Star Developments Ltd. and its subsidiaries	Harbinger II(BVI) Venture Capital Corp.	British Virgin Islands	Investment	27,898	27,898	908,284	49.96	16,996	183	-	Associate
Silver Star Developments Ltd. and its subsidiaries	Mainpower International Ltd.	British Virgin Islands	Investment	168,933	168,933	5,500,001	13.28	211,991	71,100	-	Associate
Silver Star Developments Ltd. and its subsidiaries	Synnex Corp.	USA	Information process services, sales of computer peripheral, system and network products	1,041,924	490,958	5,239,980	10.23	10,802,228	9,007,963	-	Associate
Silver Star Developments Ltd. and its subsidiaries	Harbinger Ruyi Venture Ltd.	British Virgin Islands	Investment	30,715	30,715	1,000,000	28.57	28,350	(2,146)	-	Associate
Silver Star Developments Ltd. and its subsidiaries	Harbinger Ruyi II Venture Ltd.	British Virgin Islands	Investment	30,715	30,715	10,000	32.26	25,771	(1,869)	-	Associate
Tsu Fung Investment Corp.	LFE AEROSPACE INDUSTRY CORP.	Taiwan	Electronic components manufacturing, aircraft and its parts manufacturing and wholesale industry.	15,504	15,504	1,433,740	2.28	14,104	(32,926)	-	Associate

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2018

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Taiwan to Mainland China/		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee as of December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2018 (Note 2)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
MiTAC Computer (Shunde) Corp.	Manufacturing of computer cases and monitors. Etc.	\$ 1,863,507	2	\$ 1,225,551	\$ -	\$ -	\$ 1,225,551	\$ 92,480	100.00	\$ 92,480	\$ 2,617,403	\$ -	
MiTAC Computer (Kunshan) Co., Ltd.	Sales and manufacturing of computer accessories, hardware, software and related services	2,282,978	2	1,799,899	-	-	1,799,899	41,474	100.00	41,474	2,878,350	-	Note3
MiTAC Technology (Kunshan) Co., Ltd.	Testing, repair and display of computer components and related products, and related technical advisory services and after-sale services	37,015	2	30,715	-	-	30,715	2,338	100.00	2,338	34,904	-	
MiTAC Research (Shanghai) Ltd.	Research, development and production of computer software, sales of own-produced products and related technical advisory services	192,475	2	159,718	-	-	159,718	22,973	100.00	22,973	456,730	-	
Shzhou 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.	1,578,516	2	414,653	-	-	414,653	82,214	27.44	22,566	523,641	-	
Mio Technology (Suzhou) Ltd.	Sales of communication products and related after-sale services	8,397	2	7,679	22,883	-	30,561	8,407	100.00	8,407	29,738	-	
MiTAC Logistic Service (Kunshan) Ltd.	Agency of freight transport, export and import trading and warehousing services	30,502	2	30,715	-	-	30,715	2,733	100.00	2,733	36,635	-	
MiTAC Information Technology Ltd.	After-sales maintenance, testing, consulting services and related support technology services	9,161	2	9,215	-	-	9,215	4,385	100.00	4,385	48,872	-	
MiTAC Innovation (Kunshan) Ltd.	Research and development of computer, server, mobile phone, PDA, GNSS and GPS, and related technology transfer, technical services	29,384	2	30,715	-	-	30,715	7,435	100.00	7,435	69,540	-	
CGK Zhong Shan Co., Ltd.	Manufacture and sales of optical glass, in-touch display system components and touch display mode Organizations.	225,909	2	1,710	-	-	1,710	197	0.70	-	1,710	-	

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Taiwan to Mainland China/		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee as of December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2018 (Note 2)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Orient Optical Crystal Mfg. CO.	Manufacturing of protective cover glass	18,190	2	138	-	-	138	(25,571)	0.70	-	138	-	
MiTAC Telematics Technology Corporation	Sales of self-produced products and related after-sale services	8,944	1	2,241	-	-	2,241	1,722	100.00	1,722	4,940	-	
Vango Technologies Inc.	Research and development and manufacture and sales of integrated circuit and modular software, and related technology transfer, technical services	134,160	2	12,756	-	-	12,756	32,384	4.51	-	12,756	-	
MiTAC Investment Holding Ltd.	Investment Holdings	2,098,674	2	921,450	-	-	921,450	63,099	100.00	63,099	3,044,394	-	Note3
MiTAC Information Systems (Kunshan) Co., Ltd.	Sales and manufacturing of computer accessories, hardware, software and related services	670,800	3	-	-	-	-	(1,269)	100.00	(1,269)	667,290	-	

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 the company 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) recognized by the Company for the year ended December 31, 2018' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet generated any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
 - A. The financial statements were audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C..
 - B. The financial statements were audited and attested by R.O.C. parent company's CPA.
 - C. The financial statements were not audited and attested by independent accountants.
- (3) The basis for investment income (loss) recognition for MiTAC computer (Shunde) Corp., MiTAC Computer (Kunshan) Co., Ltd., MiTAC Research (Shanghai) Ltd., and Shzhou MiTAC Precision Technology Co., Ltd. is category B, the others are category C.

Note 3: Among the accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018 of MiTAC Computer (Kunshan) Co., Ltd., MiTAC Investment Holding Ltd remitted out USD 29,900 thousand.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
MiTAC International Corp.	\$ 4,125,095	\$ 5,008,151	Note 4
MiTAC Computing Technology Corp.	2,241	2,241	Note 5
MiTAC Digital Technology Corp.	22,883	22,883	981,838

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. 10520407530) issued by the Industrial Development Bureau of the Ministry of Economic Affairs, which exempts the Company from the limitation on the amount of investment in Mainland China..

Note 5: In accordance with the "Regulations Governing the Permission of Investment or Technical Cooperation in Mainland Area", MiTAC Computing Technology Corp. has acquired the Business Operation Headquarter Certificate (Jing-Shou-Gong-Zi Letter. No. 10520407530) issued by the Industrial Development Bureau of the Ministry of Economic Affairs, which exempts the Company from the limitation on the amount of investment in Mainland China..

B. Significant transactions conducted with investees in Mainland China:

MiTAC Digital Technology Corp. and MiTAC Computing Technology Corp's delivery service expenses with investees in Mainland China for the year ended December 31, 2018 amounted to \$37,512, for details of other significant transactions, please refer to table 1, table 2, table 5 and table 7.

MITAC HOLDINGS CORPORATION
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND REPORT OF INDEPENDENT
ACCOUNTANTS
DECEMBER 31, 2018 AND 2017

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

PWCR18000344

To the Board of Directors and Shareholders of MiTAC Holdings Corporation

Opinion

We have audited the accompanying parent company only balance sheets of MiTAC Holdings Corporation (the “Company”) as at December 31, 2018 and 2017, and the parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the audit reports of other independent accountants, as described in the Other matters section of our report, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of MiTAC Holdings Corporation as at December 31, 2018 and 2017, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

Basis for opinion

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

Key audit matters

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

As of December 31, 2018, the Company and its subsidiaries recognised MiTAC International Corporation and its subsidiaries (“MiTAC International”), MiTAC Computing Technology Corporation and its subsidiaries (“MiTAC Computing Technology”) and MiTAC Digital Technology Corporation and its subsidiaries (“MiTAC Digital Technology”), as investments accounted for using the equity method of NT\$31,508,825 thousand, NT\$4,011,066 thousand and NT\$1,636,397 thousand, respectively, please refer to Note 6(4) for the details. The aforementioned investments constitute 96.98% of the Company’s total assets, and are considered significant to the parent company only financial statements. Thus, we consider the key audit matters of MiTAC International, MiTAC Computing Technology and MiTAC Digital Technology as a key audit matter of the Company.

Sales revenue recognition

Description

For the accounting policies on sales revenue recognition, please refer to Note 4(31) of the consolidated financial statement. Considering that the sales revenue are material to its financial statements, the types of MiTAC International, MiTAC Computing Technology and MiTAC Digital Technology products and sales terms are various, the timing of revenue recognition can only be determined when the controls of ownership for products are transferred to the customers based on contract terms of each different customer. Thus, we identified the sales revenue recognition as a key audit matter.

How our audit addressed the matter

Our audit procedures in relation to the above key audit matter including discussing with management and evaluating the policy of revenue recognition; tested the effectiveness of design and implementation of internal controls over recognition of revenue; sampled transaction terms and prices of customers and verified the supporting documents for delivery to ensure the accuracy of payment time and amount; selected sales transactions around the fiscal year-end date and verified transaction documents to ensure sales revenue are recorded in the proper period.

Valuation of inventory

Description

MiTAC Computing Technology and MiTAC Digital Technology's inventories were mainly engaged in manufacturing and selling computer and their peripherals and communications products. Since the industry involved rapidly changing technology and were affected by market demand, there was higher risk of incurring inventory valuation losses or having obsolete inventory. MiTAC Computing Technology and MiTAC Digital Technology's inventories were measured at the lower of cost and net realisable value. Considering MiTAC Computing Technology and MiTAC Digital Technology's inventories were significant, items were voluminous and the valuation is associated with subjective judgement, we identified valuation of inventory as a key audit matter.

How our audit addressed the matter

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

Other matter- reference to reports of other independent accountants

We did not audit certain investments accounted for under the indirect equity method that were included in the parent company only financial statements, whose financial statements were prepared under a different financial reporting framework. The Company converted the financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers". Share of profit (loss) of associates and joint ventures accounted for using equity method amounted to NT\$1,108,426 thousand and NT\$1,250,651 thousand for the years ended December 31, 2018 and 2017, respectively. Investments accounted for using equity method amounted to NT\$10,783,025 thousand and NT\$9,238,721 thousand as at December 31, 2018 and 2017, respectively. Those financial statements before adjustments were audited by other independent accountants 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.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor’s responsibilities for the audit of the parent company only financial statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those

risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

Wen, Fang-Yu

Cheng, Ya-Huei

For and on behalf of PricewaterhouseCoopers, Taiwan

February 26, 2019

The accompanying parent company only 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 parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

MITAC HOLDINGS CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

Assets			Notes		December 31, 2018		December 31, 2017	
					AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$	145,995	1	\$	453,595	1
1200	Other receivables			24	-		34	-
1210	Other receivables - related parties	7		487,494	1		2,056,509	6
1220	Current income tax assets			6,417	-		-	-
1410	Prepayments			941	-		730	-
11XX	Total Current Assets			640,871	2		2,510,868	7
Non-current assets								
1517	Financial assets at fair value	6(2)						
	through other comprehensive							
	income - non-current			429,695	1		-	-
1523	Available-for-sale financial assets	6(3)						
	- non-current			-	-		6,427	-
1550	Investments accounted for using	6(4)						
	equity method			37,241,750	97		33,902,725	93
1600	Property, plant and equipment	6(5)		3,980	-		673	-
1920	Guarantee deposits paid			100	-		100	-
15XX	Total Non-current assets			37,675,525	98		33,909,925	93
1XXX	Total assets		\$	38,316,396	100	\$	36,420,793	100

(Continued)

MiTAC HOLDINGS CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2018		December 31, 2017	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2200	Other payables		\$ 8,961	-	\$ 10,644	-
2220	Other payables - related parties	7	449,382	1	1,522,192	4
2230	Current income tax liabilities	6(14)	54,622	-	139,336	1
2300	Other current liabilities		104	-	5	-
21XX	Total Current Liabilities		513,069	1	1,672,177	5
2XXX	Total Liabilities		513,069	1	1,672,177	5
Equity						
Share capital		6(7)				
3110	Common stock		9,367,677	25	8,190,022	22
Capital surplus		6(8)				
3200	Capital surplus		23,370,899	61	22,537,691	63
Retained earnings		6(9)				
3310	Legal reserve		837,787	2	579,686	2
3350	Unappropriated retained earnings		4,131,139	11	3,111,427	8
Other equity interest		6(10)				
3400	Other equity interest		448,912	1	852,239	2
3500	Treasury stocks	6(7)	(353,087)	(1)	(522,449)	(2)
3XXX	Total equity		37,803,327	99	34,748,616	95
3X2X	Total liabilities and equity		\$ 38,316,396	100	\$ 36,420,793	100

The accompanying notes are an integral part of these parent company only financial statements.

MiTAC HOLDINGS CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except earnings per share)

			Year ended December 31			
			2018		2017	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(2)(4)		\$ 3,301,845	100	\$ 2,636,880	100
Operating expenses						
6200 General and administrative expenses	6(12)(13) and 7	(	31,195)	(1)	(34,540)	(1)
6900 Operating profit			3,270,650	99	2,602,340	99
Non-operating income and expenses						
7010 Other income	6(11) and 7		35,268	1	29,320	1
7020 Other gains and losses			36	-	(625)	-
7050 Finance costs		(	236)	-	-	-
7000 Total non-operating income and expenses			35,068	1	28,695	1
7900 Profit before income tax			3,305,718	100	2,631,035	100
7950 Income tax expense	6(14)	(	9,469)	-	(50,021)	(2)
8200 Profit for the year			\$ 3,296,249	100	\$ 2,581,014	98
Other comprehensive income						
Components of other comprehensive income that will not be reclassified to profit or loss						
8316 Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	6(2)(10)	(\$	23,711)	(1)	\$ -	-
8330 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(4)(10)	(	493,340)	(15)	(26,340)	(1)
8310 Components of other comprehensive income that will not be reclassified to profit or loss		(	517,051)	(16)	(26,340)	(1)
Components of other comprehensive income that will be reclassified to profit or loss						
8362 Unrealized income on valuation of available-for-sale financial assets	6(3)(10)		-	-	(1,073)	-
8380 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6(4)(10)		212,654	7	(423,929)	(16)
8360 Components of other comprehensive income that will be reclassified to profit or loss			212,654	7	(425,002)	(16)
8300 Other comprehensive loss for the year		(\$	304,397)	(9)	(\$ 451,342)	(17)
8500 Total comprehensive income for the year			\$ 2,991,852	91	\$ 2,129,672	81
9750 Basic earnings per share	6(15)		\$ 3.58		\$ 2.81	
9850 Diluted earnings per share	6(15)		\$ 3.55		\$ 2.79	

The accompanying notes are an integral part of these parent company only financial statements.

MITAC HOLDINGS CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

		Retained earnings					Other equity interest				
	Notes	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains or losses on available-for-sale financial assets	Treasury stocks	Total equity
Year 2017											
Balance at January 1, 2017		\$ 8,156,048	\$ 22,446,436	\$ 307,829	\$ 65,691	\$ 2,785,617	\$ 894,221	\$ -	\$ 383,020	(\$ 522,449)	\$ 34,516,413
Profit for 2017		-	-	-	-	2,581,014	-	-	-	-	2,581,014
Other comprehensive income (loss) for 2017		-	-	-	-	(26,340)	(1,169,851)	-	744,849	-	(451,342)
Total comprehensive income (loss)		-	-	-	-	2,554,674	(1,169,851)	-	744,849	-	2,129,672
Distribution of 2016 earnings	6(9)										
Legal reserve		-	-	271,857	-	(271,857)	-	-	-	-	-
Reversal of special reserve		-	-	-	(65,691)	65,691	-	-	-	-	-
Cash dividends		-	-	-	-	(2,022,698)	-	-	-	-	(2,022,698)
Employee stock options exercised	6(7)(8)	33,974	24,321	-	-	-	-	-	-	-	58,295
Subsidiaries received cash dividends paid by the parent company	6(8)	-	30,029	-	-	-	-	-	-	-	30,029
Net change of equity in associates accounted for using equity method	6(8)	-	36,905	-	-	-	-	-	-	-	36,905
Balance at December 31, 2017		\$ 8,190,022	\$ 22,537,691	\$ 579,686	\$ -	\$ 3,111,427	(\$ 275,630)	\$ -	\$ 1,127,869	(\$ 522,449)	\$ 34,748,616
Year 2018											
Balance at January 1, 2018		\$ 8,190,022	\$ 22,537,691	\$ 579,686	\$ -	\$ 3,111,427	(\$ 275,630)	\$ -	\$ 1,127,869	(\$ 522,449)	\$ 34,748,616
Effects on adoption of IFRS 9	12(4)	-	-	-	-	214,703	-	1,067,345	(1,127,869)	-	154,179
Balance at January 1, 2018 after adjustments		8,190,022	22,537,691	579,686	-	3,326,130	(275,630)	1,067,345	-	(522,449)	34,902,795
Profit for 2018		-	-	-	-	3,296,249	-	-	-	-	3,296,249
Other comprehensive income (loss) for 2018	6(10)	-	-	-	-	4,138	212,654	(521,189)	-	-	(304,397)
Total comprehensive income (loss)		-	-	-	-	3,300,387	212,654	(521,189)	-	-	2,991,852
Distribution of 2017 earnings	6(9)										
Legal reserve		-	-	258,101	-	(258,101)	-	-	-	-	-
Cash dividends		-	-	-	-	(1,054,646)	-	-	-	-	(1,054,646)
Stock dividends		1,216,899	-	-	-	(1,216,899)	-	-	-	-	-
Employee stock options exercised	6(7)(8)	43,196	20,860	-	-	-	-	-	-	-	64,056
Subsidiaries received cash dividends paid by the parent company	6(8)	-	15,607	-	-	-	-	-	-	-	15,607
Change of subsidiaries and associates accounted for using equity method	6(8)(10)	-	898,481	-	-	(15,584)	-	15,584	-	-	898,481
Proceeds from subsidiaries' disposal of investments accounted for using equity method		-	(14,818)	-	-	-	-	-	-	-	(14,818)
Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	6(10)	-	-	-	-	49,852	-	(49,852)	-	-	-
Treasury stock retired		(82,440)	(86,922)	-	-	-	-	-	-	169,362	-
Balance at December 31, 2018		\$ 9,367,677	\$ 23,370,899	\$ 837,787	\$ -	\$ 4,131,139	(\$ 62,976)	\$ 511,888	\$ -	(\$ 353,087)	\$ 37,803,327

The accompanying notes are an integral part of these parent company only financial statements.

MiTAC HOLDINGS CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 3,305,718	\$ 2,631,035
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(5)(12)	673	734
Share of profit of associates accounted for using equity method	6(4)	(3,295,017)	(2,636,880)
Interest income	6(11)	(34,770)	(29,320)
Dividend income	6(2)	(6,828)	-
Interest expense		236	-
Changes in operating assets and liabilities			
Changes in operating assets			
Prepayments		(211)	433
Other receivables - related parties		77,977	171,025
Changes in operating liabilities			
Other payables		(1,683)	1,437
Other payables - related parties		(35,918)	(83,543)
Other current liabilities		99	(60)
Cash inflow generated from operations		10,276	54,861
Cash dividend received	6(4)	735,583	677,918
Receipt of interest		36,418	29,296
Payment of interest		(236)	-
Payment of income tax		(88,092)	(91,953)
Net cash flows from operating activities		693,949	670,122
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Loans lent to related parties	7	(6,468,328)	(6,487,920)
Loans repaid from related parties	7	7,997,033	7,189,670
Acquisition of financial assets at fair value through other comprehensive income	6(2)	(446,979)	-
Acquisition of available-for-sale financial assets	6(3)	-	(7,500)
Acquisition of investments accounted for using equity method	6(4)	-	(91,150)
Acquisition of property, plant and equipment	6(5)	(3,980)	-
Decrease in refundable deposits		-	135
Net cash flows from investing activities		1,077,746	603,235
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase on loans from related parties	7	2,764,350	4,330,080
Repayment on loans to related parties	7	(3,853,055)	(3,841,830)
Employee stock options exercised		64,056	58,295
Cash dividends paid	6(9)	(1,054,646)	(2,022,698)
Net cash flows used in financing activities		(2,079,295)	(1,476,153)
Net decrease in cash and cash equivalents		(307,600)	(202,796)
Cash and cash equivalents at beginning of year	6(1)	453,595	656,391
Cash and cash equivalents at end of year	6(1)	\$ 145,995	\$ 453,595

The accompanying notes are an integral part of these parent company only financial statements.

MiTAC HOLDINGS CORPORATION
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

- (1) MiTAC Holdings Corporation (the “Company”) was established by MiTAC International Corp. (“MiTAC International”) through a share conversion on September 12, 2013, and on the same date, the competent authority has approved for the Company’s shares to be listed on the Taiwan Stock Exchange (TWSE). MiTAC International became the Company’s wholly-owned subsidiary after conversion. The main business of the Company is investment holding.
- (2) The Company in order to promote specialization of work for transforming and improving overall competitiveness, the Board of Directors of its subsidiary, MiTAC International, has resolved to divest its cloud computing products group to the newly established company, MiTAC Computing Technology Corporation (collectively referred herein as the “MiTAC Computing Technology”), as the consideration for the acquisition of 220,000 thousand newly issued ordinary shares of MiTAC Technology on the spin-off day, September 1, 2014. In addition, in 2017, the Board of Directors of MiTAC International has resolved to divest its mobile communication products group to the newly established company, MiTAC Digital Technology Corporation (collectively referred herein as the “MiTAC Digital Technology”), as the consideration for the acquisition of 100,000 thousand newly issued ordinary shares of MiTAC Digital Technology on the spin-off day, January 1, 2018. As a result, MiTAC International, MiTAC Computing Technology and MiTAC Digital Technology are the wholly-owned subsidiaries of the Company after the spin-off.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by the Board of Directors on February 26, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATION

- (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”)

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15, Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1,	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12,	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28,	January 1, 2018

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.
- (b) The Company has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(4).

B. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Company expects to provide additional disclosure to explain the changes in liabilities arising from financing activities, please refer to Note 6(16).

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

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The parent company only financial statement have been prepared in accordance with the

“Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(2) Basis of preparation

- A. Except for the following items, this parent company only financial statements have been prepared under the historical cost convention:
Financial assets and liabilities at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.
- 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 judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.
- C. In adopting IFRS 9 and effective January 1, 2018, the Company has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated.

(3) Foreign currency translation

Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan Dollars, which is the Company’s functional currency.

Foreign currency transactions and balances

- A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle 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 settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled 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.

(5) 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.

(6) Financial assets at fair value through other comprehensive income
Effective 2018

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
- (a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Available-for-sale financial assets

Prior to 2018

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

(8) Impairment of financial assets

Effective 2018

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost (including accounts receivable or contract assets that have a significant financing component, lease receivables, loan commitments and financial guarantee contracts), at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

Prior to 2018

- A. The Company 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 Company 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 Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
- (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) The disappearance of an active market for that financial asset because of financial difficulties;
- (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
- (g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
- (h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

(9) Derecognition of financial assets

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

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

- A. The contractual rights of the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company 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 Company has not retained control of the financial asset.

(10) Investments accounted for using equity method / subsidiary/ associates

- A. A subsidiary is an entity where the Company has the right to dominate its finance and operating policies (including special purpose entities), normally the Company owns more than 50% of the voting rights directly or indirectly in that entity. Subsidiaries are accounted for under the equity method in the Company's parent company only financial statements.
- B. Unrealized gains or losses resulting from inter-company transactions with subsidiaries are eliminated. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of the Company.
- C. After acquisition of subsidiaries, the Company recognizes proportionately the share of profit

and loss and other comprehensive income in the income statement as part of the Company's profit and loss and other comprehensive income, respectively. When the share of loss from a subsidiary exceeds the carrying amount of Company's interest in that subsidiary, the Company continues to recognize its share in the subsidiary's loss proportionately.

- D. According to "Regulations Governing the Preparation of Financial Statements by Securities Issuers", "Profit for the year" and "Other comprehensive income for the year" reported in an entity's parent company only statement of comprehensive income, shall equal to "profit for the year" and "Other comprehensive income" attributable to owners of the parent reported in that entity's consolidated statement of comprehensive income. Total equity reported in an entity's parent company only financial statements, shall be equal to equity attributable to owners of parent reported in that entity's consolidated financial statements.
- E. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- F. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- G. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- H. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- I. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company'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 Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

- J. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- K. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(11) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of discarded assets is derecognized when critical repairs are incurred, and other repair expenses are charged to profit or loss for the period when they incur.
- C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. 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 financial year-end. 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 transportation equipment are 5 years.
- E. The Company has recognized title of assets with significant risks and compensation not yet transferred and leases to lessees as operating leases. Rental income and expenses of operating leases are recognized over the leasing period on a straight line basis.

(12) Impairment of non-financial assets

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

(13) Derecognition of financial liabilities

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

(14) Offsetting financial instruments

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

(15) Employee benefits

A. Short-term employee benefits

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

B. Employees' compensation and directors' and supervisors' remuneration

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

(16) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and 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. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that

eventually vest.

(17) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 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 tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred 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 entity that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred 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 Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred 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 tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(18) 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.

(19) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved 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.

(20) Business combinations and organization restructuring

- A. The Company 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 Company's identifiable assets acquired and obligations borne, goodwill is recognized at the acquisition-date. If the fair value of the Company'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 recognized in profit or loss for the period at the acquisition date.
- C. The newly established investment holding company through share swap is jointly controlled under business combination. Under regulations of competent authority, the investment holding company is recorded at the carrying value and is included in the consolidated financial statements at the date of establishment.

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

The preparation of these financial statements requires management to make critical judgements in applying the Company'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 judgment and

assumptions made by the Company in applying its accounting policies and concerning future events do not involve significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The Company has no uncertainty on critical judgements, estimates and assumptions of accounting policies.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Checking accounts and demand deposits	\$ 5,995	\$ 153,575
Time deposits	140,000	-
Repurchased bonds	-	300,020
Total	<u>\$ 145,995</u>	<u>\$ 453,595</u>

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

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

(2) Financial assets at fair value through other comprehensive income

<u>Items</u>	<u>December 31, 2018</u>
Non-current items:	
Equity instruments	
Listed stocks	\$ 134,657
Unlisted stocks	<u>319,822</u>
Subtotal	454,479
Valuation adjustment	(<u>24,784</u>)
Total	<u>\$ 429,695</u>

A. The Company recognized (\$23,711) in other comprehensive loss for fair value change for the year ended December 31, 2018.

B. The Company has elected to designate the above investments, which were held mainly for medium to long-term trading purposes, as investments in equity instruments measured at fair value through other comprehensive income. As of December 31, 2018, the fair value of investments was \$429,695.

C. The Company received dividend income of \$6,828 for the year ended December 31, 2018.

(3) Available-for-sale financial assets

Items	December 31, 2017
Non-current items:	
Unlisted stocks	\$ 7,500
Adjustments of available-for-sale financial assets	(1,073)
Total	<u>\$ 6,427</u>

The Company recognized (\$1,073) in other comprehensive loss for fair value change for the year ended December 31, 2017.

(4) Investments accounted for under the equity method

A.

<u>Investee company</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Subsidiaries		
Mitac International Corporation	\$ 31,508,825	\$ 29,443,145
Mitac Computing Technology Corporation	4,011,066	4,368,957
Mitac Digital Technology Corporation	1,636,397	920
Associates		
Infopower Technologies Ltd.	85,462	89,703
	<u>\$ 37,241,750</u>	<u>\$ 33,902,725</u>

B. The Company's recognized share of profit from associates accounted for under the equity method for the years ended December 31, 2018 and 2017 were \$3,295,017 and \$2,636,880, respectively, and recognized share of other comprehensive loss from associates accounted for under the equity method were (\$280,686) and (\$450,269), respectively.

C. The Company received the stock dividends from MiTAC International Corp. for the years ended December 31, 2018 and 2017 were \$1,647,006 and \$1,765,812, respectively.

D. The Company received the cash dividends from MiTAC Computing Technology Corp. for the years ended December 31, 2018 and 2017 were \$728,755 and \$677,918, respectively.

E. The Board of Directors has resolved to establish MiTAC Digital Technology Corp. on August 10, 2017 and the amount of contribution to capital was \$1,000. MiTAC Digital Technology Corp. is wholly-owned by the Company.

F. For the information on subsidiaries of the Company, please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2018.

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

As of December 31, 2018 and 2017, the carrying amount of the Company's individually immaterial associates amounted to \$85,462 and \$89,703, respectively.

	<u>For the year ended December 31, 2018</u>	<u>For the year ended December 31, 2017</u>
Loss for the period from continuing operations	(\$ 4,007)	(\$ 1,795)
Other comprehensive income (loss)	-	-
Total comprehensive loss	<u>(\$ 4,007)</u>	<u>(\$ 1,795)</u>

(5) Property, plant and equipment

	For the year ended December 31, 2018	For the year ended December 31, 2017
Transportation equipment		
January 1	\$ 673	\$ 1,407
Additions	3,980	-
Depreciation	(673)	(734)
December 31	<u>\$ 3,980</u>	<u>\$ 673</u>
December 31		
Cost	3,980	3,670
Accumulated depreciation	-	(2,997)
Total	<u>\$ 3,980</u>	<u>\$ 673</u>

(6) Share-based payment

A. As of December 31, 2018 and 2017, the Company's share-based payment arrangements were as follows

Type of arrangement	Grant date	Quantity granted (shares in thousands)	Contract period	Vesting conditions
Eleventh stock option incentive plan	2012.10.11	19,375 (Note 1)	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

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

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

	For the year ended December 31, 2018		For the year ended December 31, 2017	
	No of options (shares in thousands)	Weighted average exercise price (in dollars)	No of options (shares in thousands)	Weighted average exercise price (in dollars)
Options outstanding at beginning of the period	6,261	\$ 16.30	9,956	\$ 17.40
Options forfeited	(1,941)	13.71	(298)	17.40
Options exercised	(4,320)	14.83	(3,397)	17.16
Options outstanding at end of the period	<u>-</u>		<u>6,261</u>	16.30
Options exercisable at end of the period	<u>-</u>		<u>6,261</u>	
Options approved and not yet issued at the end of the period	<u>-</u>		<u>-</u>	

C. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2018 and 2017 were \$33.05 (in dollars) and \$33.52 (in dollars), respectively.

D. As of December 31, 2018 and 2017, outstanding compensatory employee stock option plan is as follows:

As of December 31, 2018 : None.

As of December 31, 2017

Range of exercise price (in dollars)(Note)	Number of options outstanding at the end of the year		
	In thousands of shares	Expected weighted average residual year	Weighted average exercise price (in dollars)
\$16.30	6,261	0.75	\$16.30

Note : The exercise price had been adjusted according to the ratio of share conversion.

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 (year)	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars) (Note 2)
Eleventh employee stock options	2012.10.11	10.15	10.15	36.14%	3.47	0%	0.88%	2.79

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

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

F. Expenses incurred on share-based payment transactions for the years ended December 31, 2018 and 2017 : None.

(7) Share capital

A. As of December 31, 2018, the Company's authorized capital was \$11,000,000, consisting of 1.1 billion shares, and the paid-in capital was \$9,367,677 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

	2018	2017
Outstanding shares as of January 1	798,732	795,335
Capital increase of earnings	121,690	-
Capital increase of treasury stock acquired by the subsidiaries	(1,801)	-
Employee stock options exercised	4,320	3,397
Changes in outstanding shares during the year	124,209	3,397
Outstanding shares as of December 31	922,941	798,732

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, 2018	
		Number of shares (shares in thousands)	Carrying amount
Subsidiary - Tsu Fung Investment Corp.	Stock conversion	12,174	\$ 276,085
Subsidiary - SSDL	"	1,652	77,002

Name of company holding the shares	Reason for reacquisition	December 31, 2017	
		Number of shares (shares in thousands)	Carrying amount
MiTAC Holdings Corp.	Transferred to employees	8,244	\$ 169,362
Subsidiary - Tsu Fung Investment Corp.	Stock conversion	10,589	276,085
Subsidiary - SSDL	"	1,437	77,002

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury shares should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, 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 Act, 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. The numbers of treasury stock for being transferred to employees that were retired during the year ended December 31, 2018, were 8,244 thousand shares.

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

(8) Capital surplus

	Share premium	Treasury stock trnsactions	Net equity of associates and joint ventures accounted for under the equity method	Employee stock options	Total
At January 1, 2018	\$ 21,716,203	\$ 223,734	\$ 226,836	\$ 370,918	\$ 22,537,691
Employee stock options exercised	44,964	-	-	(24,104)	20,860
Changes from associates and joint ventures accounted for using the equity method	-	-	898,481	-	898,481
Subsidiaries received cash dividends paid by the parent company	-	15,607	-	-	15,607
Proceeds from disposal of investments accounted for using equity method adjustments	-	-	(14,818)	-	(14,818)
Treasury shares retired	(189,838)	102,916	-	-	(86,922)
At December 31, 2018	<u>\$ 21,571,329</u>	<u>\$ 342,257</u>	<u>\$ 1,110,499</u>	<u>\$ 346,814</u>	<u>\$ 23,370,899</u>
	Share premium	Treasury stock trnsactions	Net equity of associates and joint ventures accounted for under the equity method	Employee stock options	Total
At January 1, 2017	\$ 21,672,925	\$ 193,705	\$ 189,931	\$ 389,875	\$ 22,446,436
Employee stock options exercised	43,278	-	-	(18,957)	24,321
Changes from associates and joint ventures accounted for using the equity method	-	-	36,905	-	36,905
Subsidiaries received cash dividends paid by the parent company	-	30,029	-	-	30,029
At December 31, 2017	<u>\$ 21,716,203</u>	<u>\$ 223,734</u>	<u>\$ 226,836</u>	<u>\$ 370,918</u>	<u>\$ 22,537,691</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 Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(9) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Special reserve shall also be set aside pursuant to the regulations. Appropriation of the remainder plus prior year's accumulated unappropriated retained earnings shall be proposed by the Board of Directors and resolved by the stockholders.
- B. Earnings appropriation ratio and cash dividends ratio are decided by the Board of Directors, taking into account the Company's financial structure, future capital requirements and profitability, and cash dividends shall account for at least 10% of the total dividends appropriated. Earnings appropriation ratio and cash dividends ratio are subject to adjustments once approved by the stockholders.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. On June 22, 2018, the appropriation of earnings for the year ended December 31, 2017 resolved by the shareholders was as follows:

	For the year ended December 31, 2017	
	Account	Dividend per share (in dollars)
Legal reserve	\$ 258,101	
Cash dividend	1,054,646	\$ 1.3
Stock dividend	1,216,899	1.5
Total	<u>\$ 2,529,646</u>	<u>\$ 2.8</u>

F. On February 26, 2019, the appropriation of earnings for the year ended December 31, 2018 proposed by the Board of Directors and to be approved by the shareholders is as follows:

	For the year ended December 31, 2018	
	Account	Dividend per share (in dollars)
Legal reserve	\$ 329,625	
Special reserve	12,264	
Cash dividend	1,405,152	\$ 1.5
Stock dividend	1,405,152	1.5
Total	<u>\$ 3,152,193</u>	<u>\$ 3.0</u>

(10) Other equity items

	2018		
	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1 after adjustments	\$ 1,067,345	(\$ 275,630)	\$ 791,715
Reclassified to retained earnings upon disposal			
- Subsidiaries	(49,852)	-	(49,852)
- Associates	15,584	-	15,584
Revaluation- The Company	(23,711)	-	(23,711)
Revaluation- Subsidiaries and Associates	(497,478)	-	(497,478)
Currency translation differences - Subsidiaries and Associates	-	212,654	212,654
At December 31	<u>\$ 511,888</u>	<u>(\$ 62,976)</u>	<u>\$ 448,912</u>
	2017		
	Available-for-sale investments	Currency translation	Total
At January 1	\$ 383,020	\$ 894,221	\$ 1,277,241
Revaluation- The Company	(1,073)	-	(1,073)
Revaluation- Subsidiaries and Associates	745,922	-	745,922
Currency translation differences - Subsidiaries and Associates	-	(1,169,851)	(1,169,851)
At December 31	<u>\$ 1,127,869</u>	<u>(\$ 275,630)</u>	<u>\$ 852,239</u>

(11) Other income

	For the year ended December 31, 2018	For the year ended December 31, 2017
Interest income:		
Interest income from bank deposits	\$ 1,957	\$ 2,490
Interest income from loan to related parties	32,813	\$ 26,830
Other income	498	-
Total	<u>\$ 35,268</u>	<u>\$ 29,320</u>

(12) Expenses by nature

	For the year ended December 31, 2018	For the year ended December 31, 2017
Employee benefit expense	\$ 8,393	\$ 9,531
Depreciation	673	734
Total	<u>\$ 9,066</u>	<u>\$ 10,265</u>

(13) Employee benefit expense

	For the year ended December 31, 2018	For the year ended December 31, 2017
Wage and salaries	<u>\$ 8,393</u>	<u>\$ 9,531</u>

- A. According to the amended articles, the profit (pre-tax profit before deduction of employees' compensation and directors' and supervisors' remuneration) of the current year shall be distributed as employees' compensation and directors' and supervisors' remuneration, which will be resolved by the Board of Directors. The ratio shall not be lower than 0.1% for employees and not be higher than 1% for directors and supervisors. If a company has accumulated deficit, earnings should be reserved to cover losses. Employees' compensation can be distributed in cash or shares and shall be distributed to the employees of subsidiaries of the Company who meet certain specific requirements. The chairman of the Board is authorized to set the qualification requirements.
- B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at 0.1% of gain on pre-tax profit before deduction of employees' compensation and directors' and supervisors' remuneration. Directors' and supervisors' remuneration were accrued under 1% of gain on pre-tax profit before deduction of employees' compensation and directors' and supervisors' remuneration.
- C. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at \$3,313 and \$2,639, respectively; and directors' and supervisors' remuneration was accrued at \$3,600 and \$5,400, respectively. The aforementioned amounts were recognized in salary expenses. Employees' cash bonus and directors' and supervisors' remuneration of 2018 and 2017 as resolved at the Board of Directors of the Company were in agreement with those amounts recognized in the 2018 and 2017 parent company only financial statements.

D. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors and the shareholders at the shareholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(14) Income tax

A. Components of income tax expense:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Current tax:		
Current tax on profits for the period	\$ 6,966	\$ 4,812
Tax on undistributed surplus earnings	2,503	45,209
Total current tax	9,469	50,021
Income tax expense	<u>\$ 9,469</u>	<u>\$ 50,021</u>

B. Reconciliation between income tax expense and accounting profit

	For the year ended December 31, 2018	For the year ended December 31, 2017
Tax calculated based on profit before tax and statutory tax rate	\$ 661,144	\$ 447,276
Tax effects from expense disallowed by tax regulation	43	40
Tax exempt income by tax regulation	(654,221)	(442,504)
Tax on undistributed earnings	2,503	45,209
Income tax expense	<u>\$ 9,469</u>	<u>\$ 50,021</u>

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

D. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate.

(15) Earnings per share

For the year ended December 31, 2018			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 3,296,249	920,166	\$ 3.58
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 3,296,249		
Less: Effect of dilutive potential common stocks issued by investee companies	(20,246)		
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	1,524	
Employees' bonus	-	155	
Net income attributable to common stockholders plus dilutive effect of common stock equivalents	\$ 3,276,003	921,845	\$ 3.55
For the year ended December 31, 2017			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,581,014	917,000	\$ 2.81
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,581,014		
Less: Effect of dilutive potential common stocks issued by investee companies	(12,555)		
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	3,812	
Employees' bonus	-	95	
Net income attributable to common stockholders plus dilutive effect of common stock equivalents	\$ 2,568,459	920,907	\$ 2.79

- A. Basic earnings per share is calculated with the gain or loss attributable to the shareholders of the ordinary shares issued by the Company, divided with outstanding weighted average ordinary shares during the period, and deducted with weighted average treasury shares.
- B. For the year ended December 31, 2017, the outstanding weighted average shares was retrospectively adjusted based on retained earnings capitalization ratio in 2018.

(16) Changes in liabilities from financing activities

	Loan to related parties	Liabilities from financing activities-gross
At January 1, 2018	\$ 1,488,000	\$ 1,488,000
Changes in cash flow from financing activities	(1,088,705)	(1,088,705)
At December 31, 2018	<u>\$ 399,295</u>	<u>\$ 399,295</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Mitac International Corporation	Subsidiary
Mitac Computing Technology Corporation	Subsidiary
Mitac Digital Technology Corporation	Subsidiary
Silver Star Development Ltd. and subsidiaries	Subsidiary
Mitac Technology UK, Ltd. and subsidiary	Subsidiary
Getac Technology Corp. and subsidiaries	Associates
Synnex Corp. and subsidiaries	Associates
Shen Tong Construction & Developments Co., Ltd. and subsidiaries	Associates
Infopower Technologies Ltd.	Associates
Synnex Technology International Corp. and subsidiaries	Common Chairman
Harbinger Venture Management Company Ltd.	Common Chairman
Lien Hwa Industrial Corp. and subsidiaries	Common Chairman
UPC Technology Corp.	Common Chairman
MITAC Inc.	Common Chairman
MiTAC Information Technology Corp. and subsidiaries	The Company's chairman was this company's director

(2) Significant related party transactions and balances

A. Receivables from related parties:

	December 31, 2018	December 31, 2017
Other receivables (excluding loans to subsidiaries):		
Subsidiary - Mitac International	\$ 9,781	\$ 494
Subsidiary - Mitac Computing Technology	39,944	128,015
Subsidiary - Mitac Digital Technology	38,474	-
Total	<u>\$ 88,199</u>	<u>\$ 128,509</u>

Other receivables are mainly about tax paid on behalf of subsidiaries under consolidated tax

return.

B. Payables to related parties:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other payables (excluding loan from subsidiary):		
Subsidiary - Mitac International	\$ 48,193	\$ 34,192
Subsidiary - Mitac Computing Technology	<u>1,894</u>	<u>-</u>
Total	<u>\$ 50,087</u>	<u>\$ 34,192</u>

Other payables are mainly about tax refund received on behalf of subsidiaries under consolidated tax return.

C. Loans to /from related parties:

(a) Loans to related parties:

i. Outstanding balance:

	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Balance</u>	<u>Expiry Date</u>	<u>Balance</u>	<u>Expiry Date</u>
Subsidiary - Mitac International	\$ -	-	856,640	2018/3/29
Subsidiary - Mitac Computing Technology	-	-	1,071,360	2018/8/10
Subsidiary - Mitac Digital Technology	<u>399,295</u>	<u>2019/1/28</u>	<u>-</u>	
Total	<u>\$ 399,295</u>		<u>\$1,928,000</u>	

ii. Interest income

	<u>Year ended December 31, 2018</u>	<u>Year ended December 31, 2017</u>
Subsidiary - Mitac International	\$ 3,838	\$ 9,267
Subsidiary - Mitac Computing Technology	19,250	17,563
Subsidiary - Mitac Digital Technology	<u>9,725</u>	<u>-</u>
Total	<u>\$ 32,813</u>	<u>\$ 26,830</u>

The loans to subsidiaries are with a credit term of 1 year and carry interest at 0.8800%-2.400% and 0.8863%-1.7939% per annum for the years ended December 31, 2018 and 2017, respectively. The amounts of loan to and repayment from related parties were \$6,468,328 and \$7,997,033, respectively, for the year ended December 31, 2018. The amounts of loan to and repayment from to related parties were \$6,487,920 and \$7,189,670, respectively, for the year ended December 31, 2017.

(b) Loans from related parties:

Outstanding balance:

	December 31, 2018		December 31, 2017	
	Balance	Expiry Date	Balance	Expiry Date
Subsidiary - Silver Star Development Ltd. and subsidiaries	<u>\$ 399,295</u>	2019/4/1	<u>\$ 1,488,000</u>	2018/8/9

The loans from subsidiaries are with a credit term of 1 year and carry interest at 0% per annum for the years ended December 31, 2018 and 2017. The amounts of loan from and repayment to related parties were \$2,764,350 and \$3,853,055, respectively, for the year ended December 31, 2018. The amounts of loan from and repayment to related parties were \$4,330,080 and \$3,841,830, respectively, for the year ended December 31, 2017.

D. Endorsements and guarantees provided to related parties:

	December 31, 2018		December 31, 2017	
Subsidiary - Mitac International	\$	516,495	\$	516,495
Subsidiary - Mitac Computing Technology		299,228		626,718
Subsidiary - Mitac Digital Technology		110,699		30,294
Total	<u>\$</u>	<u>926,422</u>	<u>\$</u>	<u>1,173,507</u>

E. Expenses:

	For the year ended December 31, 2018		For the year ended December 31, 2017	
Subsidiary - Mitac International	\$	12,400	\$	12,400
Other related parties - Lien Hwa Industrial Corp. and subsidiaries		2,187		1,751
Total	<u>\$</u>	<u>14,587</u>	<u>\$</u>	<u>14,151</u>

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

(3) Key management compensation

	For the year ended December 31, 2018		For the year ended December 31, 2017	
Salaries and other short-term employee benefits	<u>\$</u>	<u>8,680</u>	<u>\$</u>	<u>8,192</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

None.

10. SIGNIFICANT DISASTER LOSS:

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE:

None.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company'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. Financial instruments by category

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ <u>429,695</u>	\$ <u>-</u>
Available-for-sale financial assets		
Available-for-sale financial assets	\$ <u>-</u>	\$ <u>6,427</u>
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	\$ 145,995	\$ 453,595
Other receivables	24	34
Other receivables - related parties	487,494	2,056,509
Guarantee deposits paid	<u>100</u>	<u>100</u>
	\$ <u>633,613</u>	\$ <u>2,510,238</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Other accounts payable	\$ 8,961	\$ 10,644
Other accounts payable - related parties	<u>449,382</u>	<u>1,522,192</u>
	\$ <u>458,343</u>	\$ <u>1,532,836</u>

B. Financial risk management policies

The Company'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 Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company'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 \$4,297 and \$64 for the years ended December 31, 2018 and 2017, respectively, as a result of gains/losses on equity securities classified as at fair value through other comprehensive income and available-for-sale.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of financial instruments settled based on the agreement.
- ii. For banks and financial institutions, only the institutions with good credit quality are accept as counterparties.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Group treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative

financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 2 year	Between 2 and 3 years	Over 3 years
<u>December 31, 2018</u>				
Other payables	\$ 458,343	\$ -	\$ -	\$ -
<u>December 31, 2017</u>				
Other payables	\$ 1,532,836	\$ -	\$ -	\$ -

(3) Fair value information

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

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

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

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

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, other receivables and other payables are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2018 and 2017 is as follows:

(a) The related information of natures of the assets and liabilities is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2018				
Recurring fair value measurements				
Equity securities	<u>\$ 112,975</u>	<u>\$ 267,317</u>	<u>\$ 49,403</u>	<u>\$ 429,695</u>
December 31, 2017				
Recurring fair value measurements				
Equity securities	<u>\$ -</u>	<u>\$ 6,427</u>	<u>\$ -</u>	<u>\$ 6,427</u>

(b) The methods and assumptions the Company used to measure fair value are as follows:

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

	<u>Listed shares</u>
Market quoted price	Closing price

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

- iii. When assessing non-standard and low-complexity financial instruments, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
 - iv. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the parent company only balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
 - v. The Company takes into account adjustments for credit risk to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.
- D. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.
- E. The following table presents the changes in level 3 instruments as at December 31, 2018 and 2017:

	Equity securities	
	2018	2017
January 1	\$ -	\$ -
Current purchase	50,322	-
Loss recognized in other comprehensive income	(919)	-
December 31	<u>\$ 49,403</u>	<u>\$ -</u>

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

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

Non-derivative equity instrument:	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Unlisted shares	\$ 49,403	Net asset value	Net asset value	-	The higher the net asset value, the higher the fair value.

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

			December 31, 2018			
			Recognized in profit or loss		Recognized in other comprehensive income	
Financial assets	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Equity instrument	Net asset value	±1%	\$ -	\$ -	\$ 494	\$ 494

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

	Available-for-sale-equity through other comprehensive income-equity	Effects	Retained earnings	Other equity interest
IFRS9/IAS 39	\$ 6,427	\$ -	\$ -	\$ -
Investments accounted for using equity method adjustment		\$ 214,703	(\$ 60,524)	

- A. Under IAS 39, because the equity instruments, which were classified as: available-for-sale financial assets, amounting to \$6,427, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income" on initial application of IFRS 9.
- B. The Company recognised investments accounted for using equity method to increase retained earnings and decrease other equity interest by \$214,703 and \$60,524, respectively, under effect on initial application of IFRS 9.

13. SUPPLEMENTARY DISCLOSURES (refer to p. 193-194 and p.197-208.)

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 5.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2) and (14).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 8.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 9.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

MiTAC Holdings Corporation

Chairman : Miao, Matthew Feng Chiang

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