

MITAC HOLDINGS CORP.

Annual Report 2019

www.mitac.com

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- I. Names, position, contact number and email address of the spokesman and deputy spokesman
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Deputy Spokesman: Huang, Hsiu-Ling / Vice President of Finance Center
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- II. Addresses and telephone numbers for HQ, branch offices and factories
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 3. Factory: N/A
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Linkou Branch Office: No. 200, Wenhua 2nd Road, Guishan District, Taoyuan City 33383, Taiwan, R.O.C.
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Office and factory address: No. 200, Wenhua 2nd Road, Guishan District, Taoyuan City 33383, Taiwan, R.O.C.
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Website: www.ctbcbank.com
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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- V. Foreign securities listing: N/A
- VI. Company website: www.mitac.com

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One. Letter to Shareholders

Dear shareholders,

On behalf of MiTAC Holdings Corporation 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 2019

In 2019, MiTAC Holdings generated consolidated revenues totaling NT\$25.832 billion (a 17% growth compared the year before last year) and pre-tax income of NT\$3.83 billion, which resulted in after-tax earnings per share of NT\$2.65. The Company did not publicly announce the financial budget for 2019. Therefore, there is not budget achievement information to be provided.

Business Operations Performance, R&D, Innovations, Applications and Awards in 2019:

1. MiTAC Computing Tech. Corp. (MCT) launched the new OCP (Open Compute Project) ESA Kit, AMD server and flash storage device.
2. MCT launched the Firestone multi-access edge computing server.
3. MCT launched the high-density GPU server for machine learning and deep learning model training of AI.
4. MCT launched the storage systems supporting NVMe over Fabrics (Ethernet and Fiber Channel), JBOF supporting PCIe Gen4 and JBOD storage system supporting SAS4.
5. MCT/ TYAN launched the servers and motherboards that support the second generation Intel® Xeon® scalable processors and Intel® Optane™ DC persistent memory, as well as the AMD EPYC™ 7002 series processor server platform.
6. MCT was granted the 2018 Best Supplier Award by its client, and was awarded Best Partner Award of the 2019 Open Data Center Committee.
7. MiTAC Digital Tech. Corp. (MDT) launched its first dual-cameras driving video recorder with analog to digital conversion.
8. MDT's brand Mio released its first radar driving video recorder.
9. Mio launched its first detachable dual-cameras driving video recorder for motorcycles.
10. MDT released 7-inch and 10-inch Android®9.0 system and passed GMS certification of rugged industrial tablet.
11. Mio MiVue™ driving video recorder product series received the “Best Choice” Award from Russian media Najdidevice, the “Editor’s Choice” Award from Russian IT-Expert, the “2019 Best IT Product Sward” from Channelworld.cz in the Czech Republic, and received the highest grading from “Which?”
12. Introduced versatile robotic process automation, and artificial intelligence technology applied to the back-end logistics operation system to improve efficiency.

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

Due to the Sino-U.S. trade war that has been carrying on for two years and the outbreak of the new coronavirus pneumonia (COVID-19) at the end of last year, the uncertainty of the overall market is increased, which adds to the challenge of flexibility and resilience on enterprises. In response to the tariff issue of the Sino-US trade war, in the Q4 of 2018, we resumed the Hsinchu factory and expanded the production lines subsequently. Thus, we managed to win the trust and support of our customers. Nonetheless, Mainland China bore the brunt of the COVID-19. Due to the outbreak, several measures such as personnel flow control have been taken. These measures indirectly caused problems to the supply chain. Order delays are unavoidable. Thus, the overall status of the outbreak will inevitably affect the global economy. In response to the pandemic, Mitac Group immediately formed a pandemic prevention and emergency center to keep abreast of the possible impact of the pandemic situation and comply with local regulations. The Group adopted contingency measures, including plant health management, employee care and overall anti-pandemic measures. Under the premise of employee health, the Group scheduled and adjusted production capacity and material supply in various factories around the world with great flexibility, so that operation and production can still be actively carried out under extreme conditions.

The 2020 global IT expenditure is expected to reach USD 3.9 trillion, with an increase of 3.4% from last year. Among those, the enterprise software market fastest growth rate. It is estimated that by the year 2022, enterprise IT expenditures on cloud products will grow faster than non-cloud IT products. Soon, more innovative business models will emerge, which will drive the demand for cloud service providers' building of data centers. According to the prediction of the "German Association of the Automotive Industry", the global new car market will reach 78.90 million vehicles in 2020. Although it has dropped by 1% compared to last year, more than half of the new cars will be connected to the Internet. The automotive industry is undergoing the largest transformation in history, with CASE (Connected, Autonomous, Shared, Electric) as a long-term vision to achieve safer and more efficient transportation.

With the release of 5G spectrum in various countries around the world and the successive transformation of business, 5G's high frequency bandwidth, low latency, intelligent distribution and edge features have allowed operators to launch various value-added services applications, such as artificial intelligence, deep learning, security monitoring and intelligent home. A new chapter of the intelligent era of IoT has started. In the era of industrial reshaping, Mitac Holdings Corp. uses the extension of core products and technologies to develop new business opportunities with industrial partners through strategic alliances.

Perspective of 2020 Business Vision Operations

MiTAC Computing Tech. Corp. specializes in cloud computing services, and its technology covers enterprise, data center, and carrier-grade servers, as well as industrial-grade products and R&D. With the experience of ODM and TYAN brands, and the integration with the open source communities, MCT hopes to play the role of a key solution provider in the telecommunications market opportunities brought by 5G. MiTAC Digital Tech. Corp., which focuses on automotive electronics, AIoT and professional business solutions, aims to work with partners to create a safer, more efficient and better driving environment in the infinitely possible field of connected vehicles through AI Vision Technology, computing and AIoT technologies to successively launch smart driving video recorders, networked driving video recorders and telematics boxes. Mitac Holdings Corp. continues to promote the digital transformation of the Group, pursue value-based growth and profitability, and give back long-term support to shareholders with steady growth and profitability.

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”.

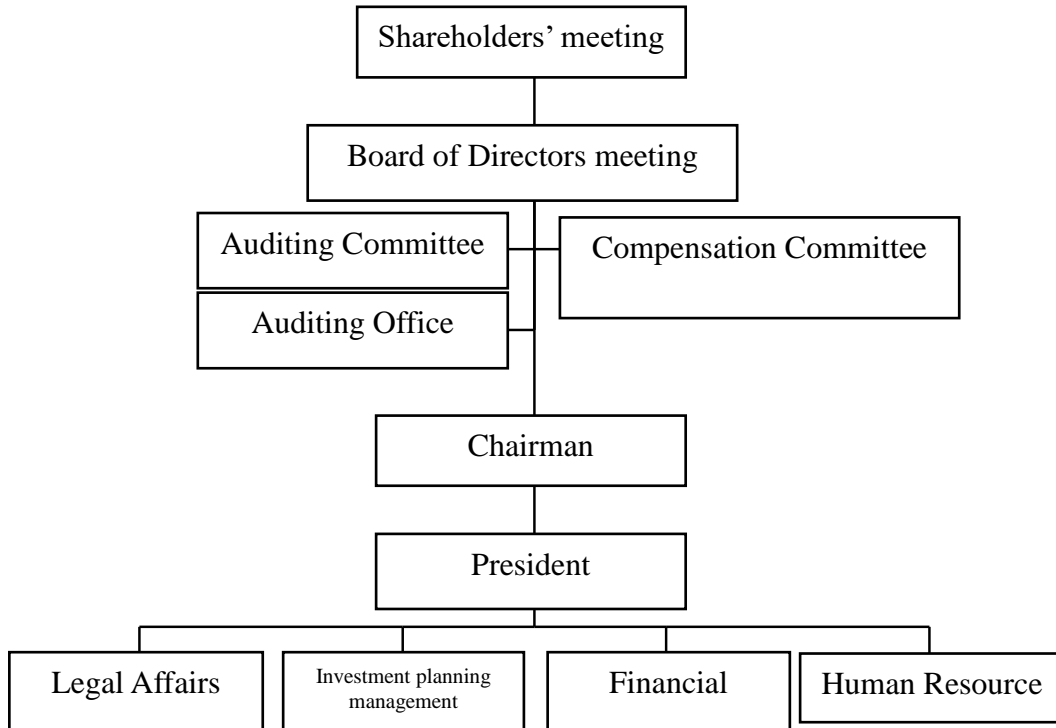
- MiTAC Computing Technology Corporation and MiTAC Information Systems Corp. won the “2016 Outstanding Partner Award” from INSPUR.
 - The outstanding design and sound quality in manufacturing and delivery enabled the Company to win the “2016 Supplier Quality Award” from Symantec.
 - TYAN of MiTAC Computing 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.
- 2019
- MiTAC Computing Technology Corporation was granted the 2018 Best Supplier Award by its client, and was awarded Best Partner Award of the 2019 Open Data Center Summit.
 - MiTAC Computing Technology Corporation took over as co-head of Open Compute Project Taiwan (OCP).
 - Mio MiVue™ driving recorder product series received the “Best Choice” Award from Russian media Najdidevice, the “Editor’s Choice” Award from Russian IT-Expert, the “2019 Best IT Product Award” from Channelworld.cz in the Czech Republic, and received the highest grading from “Which?” from UK.
 - MiTAC International Corp.'s IoT energy-saving technology has high efficiency and has won the ISO14001 Plus Awards model award for environmental performance management.
 - Subsidiary, MiTAC Computing Technology Corporation, invested in Hyve Design Solutions Corporation to expand into the US regional market.
- 2020
- MiTAC International Corp. obtained ISO 27001 certification, which greatly upgraded information security protection.

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

Three. Corporate Governance

I. Organizational system

(I) Organizational Chart



(II) Departmental Business Operation

Departments	Principal business operation
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, Presidents, Vice Presidents, Assistant Presidents, and managers of each department and division

(I) Information on the directors

Unit: share; % Apr. 15, 2020

Titles	Country or place of registration	Name	Sex	Elected/ appointed date	Term	Date First Elected	Shares held at time of election		Current quantity of shares held		Current shares held by spouse or minor children		Shares held in the names of others		Education and Experience	Positions currently held at MiTAC or other companies	Other managers, directors or supervisors in a spousal relationship or within the second degree of kinship			Note
							Shares held	Percentage	Shares held	Percentage	Shares held	Percentage	Shares held	Percentage			Title	Name	Relationship	
Chairman	US	Miau, Matthew Feng Chiang	Male	May. 30, 2019	3 yr	102.06.24	9,869,815	1.05%	10,870,287	1.01%	0	0.00%	0	0.00%	Santa Clara University, EMBA University of California Berkeley, California, USA, Bachelor, Electrical Engineering	Chairman, Lien Hwa Industrial Holdings 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 Century Insurance Co., Ltd. Independent Director, Cathay United Bank Company Limited Independent Director, Cathay Financial Holding Co. Ltd. Director, Synnex Corporation	NA	NA	NA	

Titles	Country or place of registration	Name	Sex	Elected/ appointed date	Term	Date First Elected	Shares held at time of election		Current quantity of shares held		Current shares held by spouse or minor children		Shares held in the names of others		Education and Experience	Positions currently held at MiTAC or other companies	Other managers, directors or supervisors in a spousal relationship or within the second degree of kinship			Note
							Shares held	Percentage	Shares held	Percentage	Shares held	Percentage	Shares held	Percentage			Title	Name	Relationship	
Director	ROC	Ho, Jhi-Wu	Male	May. 30, 2019	3 yr	102.06.24	2,485,337	0.27%	2,657,637	0.25%	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 Inc. Chairman and CEO of MiTAC Computing Technology Corp. Chairman and CEO of MiTAC Digital Technology Corp. Chairman, Tsu Fung Investment Corp. Director, 3-Probe Technologies Co., Ltd. Director, Loyal Fidelity Aerospace Corp. Director, Promise Technology, Inc. Director of Whetron Electronics Co., Ltd	NA	NA	NA	
Director	ROC	Chiao, Yu-Cheng (Note3)	Male	May. 30, 2019	3 yr	102.06.24	0	0.00%	0	0.00%	0	0.00%	0	0.00%	MSEE, Washington University, USA MS in Telecommunication Engineering, Chiao Tung University Chairman, Walsin Lihwa Chairman, Nuvoton Technology Corp.	Chairman and CEO, Winbond Electronics Corp. Director, Walsin Lihwa Director, Walsin Technology Corp. Director, Nuvoton Technology Corp. Independent Director, Synnex Technology International Corp. Independent Director, Taiwan Cement Corp.	NA	NA	NA	
Director	ROC	UPC Technology Corp.	-	May. 30, 2019	3 yr	102.06.24	77,486,490	8.27%	89,109,463	8.27%	0	0.00%	0	0.00%	None	None	NA	NA	NA	

Titles	Country or place of registration	Name	Sex	Elected/ appointed date	Term	Date First Elected	Shares held at time of election		Current quantity of shares held		Current shares held by spouse or minor children		Shares held in the names of others		Education and Experience	Positions currently held at MiTAC or other companies	Other managers, directors or supervisors in a spousal relationship or within the second degree of kinship			Note
							Shares held	Percentage	Shares held	Percentage	Shares held	Percentage	Shares held	Percentage			Title	Name	Relationship	
	ROC	Rep: Way, Yung-Do	Male	May. 30, 2019	3 yr	102.06.24	0	0.00%	0	0.00%	0	0.00%	0	0.00%	MBA of Georgia University BA of Accountancy, Soochow University Senior Auditor, Deloitte Haskins & Sells, USA CEO, Deloitte	Independent Director, SYNEX Technology International Corp. Independent Director, Far Eastern Dept. Stores Ltd. Independent Director, Cathay Financial Holding Co. Ltd. Independent Director, Cathay United Bank Company Limited Independent Director, Cathay Securities Corp. Director, Vanguard International Semiconductor Corp. Director, Iron Force Industrial Co., Ltd. Chairman of Board of Wincome Industrial Co. Director of Chilisun Electronics Corp. Supervisor, Kaimei Electronic Corp.	NA	NA	NA	

Titles	Country or place of registration	Name	Sex	Elected/ appointed date	Term	Date First Elected	Shares held at time of election		Current quantity of shares held		Current shares held by spouse or minor children		Shares held in the names of others		Education and Experience	Positions currently held at MiTAC or other companies	Other managers, directors or supervisors in a spousal relationship or within the second degree of kinship			Note
							Shares held	Percentage	Shares held	Percentage	Shares held	Percentage	Shares held	Percentage			Title	Name	Relationship	
	R.O.C.	Rep:Chang, Kwang-Cheng	Male	May. 30, 2019	3 yr	Sep. 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 Meteorology, 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	NA	NA	NA	NA	
Director	R.O.C.	MiTAC Inc.	-	May. 30, 2019	3 yr	Jun. 24, 2013	73,199,606	7.81%	84,179,546	7.81%	0	0.00%	0	0.00%	NA	NA	NA	NA	NA	
	R.O.C.	Rep: Hsu, Tzu-Hwa	Male	May. 30, 2019	3 yr	Sep. 13, 2013	0	0.00%	0	0.00%	0	0.00%	0	0.00%	PhD, Electronic Engineering, University of California, Berkeley, California, USA President, Walden International Investment Group,WIIG Vice Chairman of Board of East Tender Optoelectronics Corp. Independent Director of LuxNet Corp.	NA	NA	NA	NA	

Titles	Country or place of registration	Name	Sex	Elected/appointed date	Term	Date First Elected	Shares held at time of election		Current quantity of shares held		Current shares held by spouse or minor children		Shares held in the names of others		Education and Experience	Positions currently held at MiTAC or other companies	Other managers, directors or supervisors in a spousal relationship or within the second degree of kinship			Note
							Shares held	Percentage	Shares held	Percentage	Shares held	Percentage	Shares held	Percentage			Title	Name	Relationship	
	R.O.C.	Rep: Su, Liang (Note 2)	Male	May. 30, 2019	3 yr	Jul. 3, 2018	0	0.00%	0	0.00%	10	0.00%	0	0.00%	Master in Information Management, Tamkang University. Bachelor in Computing and Control Engineering, National Chiao Tung University Completion of Entrepreneurship Management Development Program, National Chengchi University	Vice chairman and President, MiTAC Inc. Chairman and President, MiTAC Information Technology Corp. Independent Director, Maobao Co., Ltd. Director, Easycard Corp. Director, Far Eastern Electronic Toll Collection Co., Ltd. Director, MiTAC Hikari Corp. Director, Ceci Engineering Consultants, Inc., Taiwan Director, FETC Intl. Co., Ltd. Director, Institute for Information Industry Supervisor, Easycard Investment Holding Co., Ltd.	NA	NA	NA	
Independent director	R.O.C.	Lu, Shyude-Ching	Male	May. 30, 2019	3 yr	Jun. 21, 2016	0	0.00%	0	0.00%	0	0.00%	0	0.00%	University of Hawaii System, Department of Electrical Engineering, EngD National Cheng Kung U., Department of Engineering Science, BS 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. Chairperson, Chunghwa Telecom Co., Ltd.	Director, Sercomm Corp. Director, CTCI Advanced Systems Inc. Director of XRSpace Co., Ltd Independent Director, Radium Life Tech. Co., Ltd.	NA	NA	NA	

Titles	Country or place of registration	Name	Sex	Elected/ appointed date	Term	Date First Elected	Shares held at time of election		Current quantity of shares held		Current shares held by spouse or minor children		Shares held in the names of others		Education and Experience	Positions currently held at MiTAC or other companies	Other managers, directors or supervisors in a spousal relationship or within the second degree of kinship			Note
							Shares held	Percentage	Shares held	Percentage	Shares held	Percentage	Shares held	Percentage			Title	Name	Relationship	
Independent director	R.O.C.	Ma, Shaw-Hsiang	Male	May. 30, 2019	3 yr	Jun. 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 Building Materials Processing and Warehousing Ltd.	Chairman, MAXON Corp. Director, Federal Corp.	NA	NA	NA	

Titles	Country or place of registration	Name	Sex	Elected/ appointed date	Term	Date First Elected	Shares held at time of election		Current quantity of shares held		Current shares held by spouse or minor children		Shares held in the names of others		Education and Experience	Positions currently held at MiTAC or other companies	Other managers, directors or supervisors in a spousal relationship or within the second degree of kinship			Note
							Shares held	Percentage	Shares held	Percentage	Shares held	Percentage	Shares held	Percentage			Title	Name	Relationship	
Independent director	R.O.C.	Tsai, Ching-Yen	Male	May. 30, 2019	3 yr	May. 30, 2019	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Honorary Doctorate, National Central University Postdoc., Harvard University PhD. Atmospheric Science, The University of Utah, USA Bachelor in Atmospheric Sciences, National Taiwan University Chairman, Golden Asia Fund Taiwan Ltd.. Chairman, Industrial Technology Research Institute Managing Director (Independent Director), China Development Financial Holding Corp. Managing Director (Independent Director), CDIB Capital Group Compensation Committee member, MiTAC Inc. Chairman, Science and Technology Committee, Association of East Asian Relations Chairman, Association for Taiwan-Japan Cooperation on Industrial Technology Minister without portfolio and Technology Advisor, Executive Yuan Vice Chairman, National Science Council Director General, Civil Aeronautics Administration, MOTC Director General, Central Weather Bureau, MOTC Professor of and Head of Atmospheric Science Department, National Taiwan University	Director, Loftechnology, Inc.	NA	NA	NA	

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

Note 2:Jul. 3, 2018 ~ Apr. 17, 2019 served as the representative of the legal person supervisor, and was selected as the representative of the legal person director on May 30, 2019.

Note 3:Former supervisor, May 30, 2019 was elected as director.

Table 1: Dominant shareholders of institutional shareholders

Apr. 15, 2020

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 holdings Corp. (Note 3)	31.89
	Synnex Technology International Corp.	5.18
	Yi Yuan Investment Corp.	1.62
	Liberty Stationery Corp.	1.55
	Mei An Investment Corp.	1.34
	Tong Da Investment Corp.	1.24
	Tsu Fung Investment Corp.	1.23
	MiTAC International Corp.	1.21
	Fubon Life Insurance Co.,Ltd.	1.20
	Investment account of Norges Bank entrusted for custody to Citibank Taiwan	1.16
MiTAC Inc. (Note 3)	Lien Hwa Industrial holdings Corp.	35.24
	Synnex Technology International Corp.	18.36
	Mei An Investment Corp.	10.54
	MiTAC International Corp.	8.69
	Tsu Fung Investment Corp.	5.35
	Miau, Matthew Feng Chiang	3.05
	Hua Cheng Investment Corp.	1.92
		1.18
	Bao Xin International Investment Co.,Ltd	
	Yi Feng Investment Corp..	0.75
	Hong Ding Investment Corp.	0.74

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

Note 2: Name the major shareholders (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 of the printing date of this annual report, as the institution shareholders have not stopped the transfer of shares on the date of 2020 Annual General Meeting, the relevant information and Note 3 of Table 2 below are the information on 2019 Annual General Meeting, the date on which share transfer was suspended.

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

Apr. 15, 2020

Name of institutional shareholder (Note 1)	Major shareholders of institutional shareholders (Note 2)	
	Name of shareholder	Percentage of shareholding (%)
Lien Hwa Industrial holdings Corp. (Note 3)	UPC Technology Corp.	9.68
	Yi Yuan Investment Corp.	9.14
	Yi Feng Investment Corp.	4.86
	Jason Chow	3.32
	Miao, Feng-Sheng	3.28
	Miau, Matthew Feng Chiang	3.19
	Miao, Feng-Chuan	3.02
	Y.S. Education Foundation	3.00
	Lien Hwa Industrial holdings Corp. Employee Welfare Committee	2.82
	MiTAC International Corp.	2.79
Synnex Technology International Corp.	MiTAC Inc.	14.91
	Fubon Life Insurance Co.,Ltd.	3.34
	Morgan Stanley & Co International PLC investment account held in custody by HSBC Bank (Taiwan) Limited	3.23
	Yuanta Taiwan High Yield Fund Special Account	3.12
	Lien Hwa Industrial holdings Corp.	2.99
	Tu, Shu-Wu	2.17
	Management Board of Public Service Pension Fund	2.00
	Rongxuan Investment Corp.	1.85
	Miau, Matthew Feng Chiang	1.71
	China Life Insurance Company Limited (Investment Department)	1.69
Yi Yuan Investment Corp.	Chuan Neng Ltd. (British Virgin Islands)	100.00
Liberty Stationery Corp.	Zhi-Jiang Investment Corp.	21.09
	Masateru Kadota	9.55
	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, Jheng	3.50
	Chang, Cheng	3.50
Mei An Investment Corp.	Vision Quest Overseas Ltd.	82.25
	JumpStart Investments Ltd.	16.67
	Others	1.08
Tong Da Investment Corp.	Ho Li Investment Corp.	19.99

Name of institutional shareholder (Note 1)	Major shareholders of institutional shareholders (Note 2)	
	Name of shareholder	Percentage of shareholding (%)
	Chou, Teh-Chien	0.05
	Synnex Technology International Corp.	19.99
	Hua Cheng Investment Corp.	19.99
	Wei Cheng Investment Corp.	19.99
	Tsu Fung Investment Corp.	19.99
Tsu Fung Investment Corp.	MiTAC International Corp.	100.00
MiTAC International Corp.	MiTAC Holdings Corp.	100.00
Fubon Life Insurance Co.,Ltd.	Fubon Financial Holding Co., Ltd.	100.00
Investment account of Norges Bank entrusted for custody to Citibank Taiwan	Special account for investment (Not applicable)	-
Hua Cheng Investment Corp.	Lien Hwa Industrial holdings Corp.	100.00
Bao Xin International Investment Co., Ltd.	Hon Hai Precision Industry Co., Ltd.	100.00
Yi Feng Investment Corp.	Heng Fu Ltd. (British Virgin Islands)	100.00
Hong Ding Investment Corp.	Tu, Evans S.W	8.55
	Tu, Hai-Chen	7.69
	Tu, Ying-Jong	41.88
	Tu, Ying-Hsuan	41.88

Note 1: If any of the major shareholders listed in Table 1 is an institution, shall 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.

Note 3: Information as of the date of share transfer suspension of 2019 Annual General Meeting.

Information on the directors and supervisors

Qualifications	Whether this person has more than five years of work experience and the following professional qualifications			Compliance with independence requirements (Note1)												Number of other public companies where the member also serves as an 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	11	12	
Chairman Miao, Matthew Feng Chiang			✓	-	-	-	-	-	✓	-	-	✓	✓	✓	✓	2 (Note 2)
Director Ho, Jhi-Wu			✓	-	-	-	-	✓	✓	-	-	✓	✓	✓	✓	
Director Chiao, Yu-Cheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Director MiTAC Inc. Rep: Hsu, Tzu-Hwa			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	
Director MiTAC Inc. Rep: Su, Liang			✓	✓	✓	✓	✓	-	✓	-	✓	✓	✓	✓	-	1
Director UPC Technology Corp. Rep: Way, Yung-Do		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	4 (Note 2)
Director UPC Technology Corp. Rep: Chang, Kwang-Cheng	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	
Independent Director Lu, Shyude-Ching			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Independent Director Ma, Shaw-Hsiang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Independent director Tsai, Ching-Yen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

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 any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4) Not a manager of (1), or spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of (2) or (3).
- (5) Not a director, supervisor, or employee of a institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or ranks as of its top five shareholders, or was appointed pursuant to Article 27 Paragraph 1 or 2 of the Company Act. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (6) Not a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company (this restriction does not apply to independent directors appointed in accordance with the Act or the laws and regulations of

the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).

- (7) Not the same person as the Company's Chairperson, President or person with equivalent position, or the director, supervisor or employee of company or institution of the spouse thereof. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (8) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company or ranks as of its top five shareholders. (The same does not apply, however, in cases where the corporate/institution holds 20% or more and no more than 50% of the total number of issued shares of the Company, or the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company in the most recent 2 years with an accumulated service compensation of less than NTD 500 thousand, or a spouse thereof. This restriction does not apply to any member of the Remuneration Committee, public tender offers Audit Committee or mergers and acquisition special committee, who exercises powers pursuant to relative regulations of the Securities and Exchange Act and Business Mergers And Acquisitions Act.
- (10) The member was or is not in a spousal relationship nor a relative within the second degree of kinship.
- (11) The provisions of Article 30 of the Company Act are not applicable.
- (12) Not elected to the government, institution or their representatives under Article 27 of the Company Act.

Note 2: In accordance with Article 4 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". No independent director of a public company may concurrently serve as an independent director of more than three other public companies.

Where an independent director of a financial holding company or of a TWSE listed or TPEX listed investment holding company concurrently serves as an independent director of more than one wholly owned subsidiary of that company, the number of such subsidiaries beyond one shall be included in the calculation of the number of subsidiaries at which the independent director concurrently serves under paragraph 1.

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

Unit: share; % Apr. 15, 2020

Titles	Nationality	Names	Sex	Elected/ appointed date	Shareholding		Shares currently held by spouse or dependents		Shares held in the names of others		Education and Experience	Concurrent duties in other companies	Manager who is the spouse or kin within the 2nd tier.			Note
					Shares held	Percentage	Shares held	Percentage	Shares held	Percentage			Title	Name	Relationship	
President	R.O.C.	Ho, Jhi-Wu	Male	Sep. 12, 2013	2,657,637	0.25%	0	0.00%	0	0.00%	MS in Computer Engineering, Fairleigh Dickinson University MA in International Economics, San Diego State University Marketing Manager, Pao Hwa Trading Co., Ltd.	Director and President, MiTAC Inc. Chairman and CEO of MiTAC Computing Technology Corp. Chairman and CEO of MiTAC Digital Technology Corp. Chairman, Tsu Fung Investment Corp. Director, 3-Probe Technologies Co., Ltd. Director, Loyal Fidelity Aerospace Corp. Director, Promise Technology, Inc. Director of Whetron Electronics Co., Ltd	NA	NA	NA	
Vice President and Head of Finance	R.O.C.	Huang, Hsiu-Ling	Female	Sep. 12, 2013	369,807	0.03%	0	0.00%	0	0.00%	Bachelor, Public Finance, National Chung Hsing University Director of General Management Dept., Hanrei Technology Corp.	Vice President, Finance Center, MiTAC Inc. Vice President of MiTAC Computing Technology Corp. Vice President of the Finance Center of MiTAC Digital Technology Corp. Director, Loyal Fidelity Aerospace Corp. Supervisor, Tsu Fung Investment Corp.	NA	NA	NA	
Chief Corporate Governance Officer	R.O.C.	Crystal Yang	Female	Aug. 12, 2019	0	0.00%	0	0.00%	0	0.00%	M.B.A., National Taiwan University Specialist, MiTAC International Corp. Vice President of Investment Department, MiTAC Inc. CEO, MiTAC International Corp.	Chairman, Jian Food Inc.. Chairman, Lian Yuan Investment Co., Ltd. Director, Synnex Technology International Corp. Director, ARES International Corp. Director, MiTAC Inc. Director, Ou Qi Catering Co., Ltd. Director, Y.S. Education Foundation Supervisor, Waffer Technology Corp.	NA	NA	NA	

Titles	Nationality	Names	Sex	Elected/ appointed date	Shareholding		Shares currently held by spouse or dependents		Shares held in the names of others		Education and Experience	Concurrent duties in other companies	Manager who is the spouse or kin within the 2nd tier.			Note
					Shares held	Percentage	Shares held	Percentage	Shares held	Percentage			Title	Name	Relationship	
												Supervisor, Shen-Tong Construction & Developments Co., Ltd. Supervisor, MiTAC Information Technology Corp. Supervisor, Lian Xun Management Consultant Co., Ltd.				

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

Remuneration for directors

2019

Unit: In thousands of New Taiwan Dollars/ thousand shares

Title	Name	Remuneration to the Directors								Total of A, B, C, and D in proportion to earnings before taxation (%)		Remuneration from holding employee positions								Total of A, B, C, D, E, F and G in proportion to earnings after taxation		Remuneration from subsidiaries or other investees in the parent company (%)	Remuneration from subsidiaries or other investees in the parent company (%)
		Compensation (A)		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 contained in the financial report	The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company		All companies in the financial statements		The Company	All companies contained in the financial report		
																Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares				
Chairman	Miau, Matthew Feng Chiang	504	504	-	-	3,250	3,250	140	140	0.14%	0.14%	-	13,418	-	-	2,100	-	2,100	-	0.21%	0.69%	100	
Director	Ho, Jhi-Wu																						
Director	Chiao, Yu-Cheng (Note 4)																						
Director	MiTAC Inc. Rep: Hsu, Tzu-Hwa Rep: Su, Liang (Note 4)																						
	UPC Technology Corp. Rep: Way, Yung-Do Rep: Chang, Kwang-Cheng																						
Independent Director	Lu, Shyude-Ching	192	192	-	-	1,300	1,300	64	64	0.06%	0.06%	-	-	-	-	-	-	-	0.06%	0.06%	-		
Independent Director	Ma, Shaw-Hsiang																						
Independent Director	Tsai, Ching-Yen (Note 4)																						

Note 1: The figure for pension is appropriated amount.

Note2: 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:Elected on May 30, 2019.

Note 5: The policy and system of remuneration to independent directors :The independent directors' remuneration of the company is recommended by the remuneration committee with reference to the evaluation results of the directors' performance evaluation, the company's operating performance, and the normal level of peer support, then the comments would be proposed to the board of directors to make a resolution.

Note 6:The total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, 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 the Directors is determined on the basis of the Articles of Incorporation of the Company through authorization to the Board and at the suggestion of the Compensation Committee, with reference to industry standard, and in consideration of the risk in the future. In addition, Pursuant to Article 25 of the Articles of Incorporation of the Company thereby the Company shall appropriate no more than 1% of its earnings, if applicable, as the remuneration to the Directors and Supervisors.

The Company established an Audit Committee on May 30, 2019 in place of supervisors and increased the number of directors. Therefore, the proportion of total remuneration in net profit after tax was 0.19%, which was slightly increased from the 0.11% of 2018.

Note 7: 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 8: 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)		Total of (A+B+C+D+E+F+G)+(H)	
	The Company	All companies in financial report	The Company	All investees
Less than 1,000,000	Miau, Matthew Feng Chiang/Ho, Jhi-Wu/Chiao, Yu-Cheng/MiTAC Inc./Hsu, Tzu-Hwa/Su, Liang/UPC Technology Corp./Way, Yung-Do/Chang, Kwang-Cheng/Lu, Shyude-Ching/Ma, Shaw-Hsiang/Tsai, Ching-Yen	Miau, Matthew Feng Chiang/Ho, Jhi-Wu/Chiao, Yu-Cheng/MiTAC Inc./Hsu, Tzu-Hwa/Su, Liang/UPC Technology Corp./Way, Yung-Do/Chang, Kwang-Cheng/Lu, Shyude-Ching/Ma, Shaw-Hsiang/Tsai, Ching-Yen	Chiao, Yu-Cheng/MiTAC Inc./Hsu, Tzu-Hwa/Su, Liang/UPC Technology Corp./Way, Yung-Do/Chang, Kwang-Cheng/Lu, Shyude-Ching/Ma, Shaw-Hsiang/Tsai, Ching-Yen	Chiao, Yu-Cheng/MiTAC Inc./Hsu, Tzu-Hwa/Su, Liang/UPC Technology Corp./Way, Yung-Do/Chang, Kwang-Cheng/Lu, Shyude-Ching/Ma, Shaw-Hsiang/Tsai, Ching-Yen
NT\$1,000,000(inclusive)~NT\$2,000,000 (exclusive)			Miau, Matthew Feng Chiang/Ho, Jhi-Wu	
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)				
NT\$3,500,000 (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	12	12	12	12

Remuneration to supervisors

2019

Unit: In thousands of New Taiwan Dollars

Unit: In thousands of New Taiwan Dollars

Title	Name	Remuneration to supervisors						Total of A, B, and C in proportion to earnings after taxation		Remuneration from invested businesses other than the subsidiaries of the parent company
		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 (Note 4)	48	48	250	250	8	8	0.01%	0.01%	0
Supervisor	Lien Hwa Industrial holdings Corp. (Note 5)									
	Rep: Su, Liang (Note 5)									

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

Note 2: The total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to supervisors 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 the Supervisors is determined on the basis of the Articles of Incorporation of the Company through authorization to the Board and at the suggestion of the Compensation Committee, with reference to industry standard, and in consideration of the risk in the future. In addition, Pursuant to Article 25 of the Articles of Incorporation of the Company thereby the Company shall appropriate no more than 1% of its earnings, if applicable, as the remuneration to the Directors and Supervisors. The Company established an Audit Committee on May 30, 2019 in place of supervisors. Therefore, the proportion of total remuneration in net profit after tax was 0.01%, which slightly decreased from the 0.03% of 2018.

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.

Note 4: Discharge on May 30, 2019.

Note 5: The legal person supervisor resigned and the representative was discharged on Apr. 17, 2019.

Salary Scale

Bracket of salaries paid to supervisors of the Company	Name of supervisor	
	Total of first 3 items (A+B+C)	
	The Company	All companies in the financial statements
Less than 1,000,000	Chiao, Yu-Cheng/ Lien Hwa Industrial holdings Corp./Su, Liang	Chiao, Yu-Cheng/ Lien Hwa Industrial holdings Corp./Su, Liang
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)		
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)		
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)		
NT\$5,000,000 (inclusive) ~NT\$10,000,000 (exclusive)		
NT\$10,000,000 (inclusive) ~NT\$15,000,000 (exclusive)		
NT\$15,000,000 (inclusive) ~NT\$30,000,000 (exclusive)		
NT\$30,000,000 (inclusive) ~NT\$50,000,000 (exclusive)		
NT\$50,000,000 (inclusive) ~NT\$100,000,000 (exclusive)		
More than NT\$100,000,000		
Total	3	3

Remuneration to President and Vice Presidents

2019

Unit: In thousands of New Taiwan Dollars/ thousand shares

Unit: in thousands of New Taiwan Dollars (thousand shares)

Title	Name	Salaries (A)		Pension (B)(Note 1)		Bonus and special expenses (C)		Employee remuneration (D) (Note 2)				Total of A, B, C, and D in proportion to earnings after taxation (%)		Remuneration from invested businesses other than the subsidiaries of the parent company (E)
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
								Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares			
CEO	Miau, Matthew Feng Chiang (Note 4)	-	9,586	-	164	-	8,520	2,500	-	2,500	-	0.09%	0.74%	108
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: Amount of remuneration paid in the last two (2) years by the Company and all companies included in the consolidated financial statements to the Company's President, and Vice Presidents, and their respective proportions to standalone net income, as well as the policies, standards, and packages by which they were paid, the procedures through which remunerations were determined, and their association with business performance and future risks: The remunerations to the President and the Vice Presidents are commensurate with their personal contribution to the overall operation performance of the Company at the recommendation of the Compensation Committee, peer levels, and the possible risks in the future. The percentage of the 2019 total remuneration to the President and Vice President of the Company in the net income after tax is equivalent to that in 2018. In addition, the 2019 earnings after tax has decreased compared to 2018. Therefore, the total remuneration to the Presidents and Vice Presidents of all companies in the consolidated financial statements is slightly lower than that in 2018. The amount of total remuneration as a percentage of net profit after tax was slightly higher than the 0.67% in 2018.

Note 4: Resigned the position of CEO on Apr. 14, 2020

Salary Scale

Brackets of salaries to the President and all Vice Presidents	Name of President and Vice Presidents	
	Total (A+B+C+D)+(E)	
	The Company	All investees
Less than 1,000,000	Huang, Hsiu-Ling	
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	Miau, Matthew Feng Chiang/Ho, Jhi-Wu	
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)		
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)		
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)		Miau, Matthew Feng Chiang/Huang, Hsiu-Ling
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	3	3

Names of managers entitled to employee remuneration and amount entitled

2019

Unit: In thousands of New Taiwan Dollars/ thousand shares

	Title	Name	Amount paid in shares	Amount paid in cash	Total	Total amount in proportion to earnings before taxation (%)
Managerial officer	CEO	Miau, Matthew Feng Chiang (Note 1)	0	2,800	2,800	0.10%
	President	Ho, Jhi-Wu				
	Vice president and head of finance	Huang, Hsiu-Ling				
	Chief Corporate Governance Officer	Crystal Yang				

Note 1: Resigned the position of CEO on Apr. 14, 2020

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

IV. Corporate governance

(I) The function of the Board: The Board convened for 6 instances (A) in 2019. The attendance of the Directors to the meetings is shown below:

Title	Name	Attendance in person B	Attendance by proxy	Percentage of actual	Note
Chairman	Miau, Matthew Feng Chiang	6	0	100.00%	Re-elected; Re-election on May 30, 2019
Director	Ho, Jhi-Wu	6	0	100.00%	Re-elected; Re-election on May 30, 2019
Director	Chiao, Yu-Cheng	2	0	66.67%	Newly elected; Re-election on May 30, 2019
Director	UPC Technology Corp. Rep: Way, Yung-Do	6	0	100.00%	Re-elected; Re-election on May 30, 2019
Director	UPC Technology Corp. Rep: Chang, Kwang-Cheng	5	1	83.33%	Re-elected; Re-election on May 30, 2019
Director	MiTAC Inc. Rep: Hsu, Tzu-Hwa	5	1	83.33%	Re-elected; Re-election on May 30, 2019
Director	MiTAC Inc. Rep: Su, Liang	3	0	100.00%	Newly elected; Re-election on May 30, 2019
Independent Director	Lu, Shyude-Ching	6	0	100.00%	Re-elected; Re-election on May 30, 2019
Independent Director	Ma, Shaw-Hsiang	6	0	100.00%	Re-elected; Re-election on May 30, 2019
Independent Director	Tsai, Ching-Yen	3	0	100.00%	Newly elected; Re-election on May 30, 2019

Other matters to be recorded:

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 to such Independent Directors' opinions.
Date	Term	Subject Matter		
Jan. 22, 2019	2 nd Board 17 th Meeting	The review of the year-end bonus for the managers in 2018 for resolution	NA	NA
		Discharge before maturity and additional limit of financing for subsidiary – MiTAC Digital Technology Corporation	NA	NA
Feb. 26, 2019	2 nd Board 18 th Meeting	Capitalization of earnings into share capital against issuance of 140,515,154 new common shares.	NA	NA
		Amendment to the “Procedure for the Acquisition and Disposition of Assets”, “Procedure for Derivative Trade”, “Procedures for Loaning Funds to Others” and “Procedures for Endorsements/Guarantees”.	NA	NA
		Discharge before maturity and additional limit of financing for subsidiary – MiTAC International Corp.	NA	NA
May. 09, 2019	2 nd Board 19 th Meeting	Partial amendments to “Internal Control System” and “Internal Audit Implementation Rules”.	NA	NA

Aug. 12, 2019	3 rd Board 2 nd Meeting	Review the salary adjustment of managers in 2019 for resolution.	NA	NA
		Review of the remuneration of employees to the managers in 2018 and the year-end bonus of 2019 for resolution.	NA	NA
		Adding and removing the limit of endorsement/guarantee for others	NA	NA
Nov. 07, 2019	3 rd Board 3 rd Meeting	Disposal of land use right and building of Shunda Computer Plant Co., Ltd., in Shunde District, Foshan City, China - a subsidiary of the Company's subsidiary, MiTAC International Corp.	NA	NA
		Acquisition of land from Hsinchu County Government by MiTAC International Corp.	NA	NA
		Adding and removing the limit of endorsement/guarantee for others	NA	NA

(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	Avoidance of Interest Name of director	Subject Matter	Reasons for the avoidance of the conflict of interest	Participation in deliberation
Jan. 22, 2019	2 nd Board 17 th Meeting	Miau, Matthew Feng Chiang Ho, Jhi-Wu	Review of the year-end bonus for the managers in 2018 for resolution.	Concurrently serving as manager	Passed unanimously as proposed by all attending directors entitled to vote.
Aug. 12, 2019	3 rd Board 2 nd Meeting	Miau, Matthew Feng Chiang Ho, Jhi-Wu	Review of the salary adjustment for the managers in 2019 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 2018 and the year-end bonus of 2019 for resolution.	Concurrently serving as manager	Passed unanimously as proposed by all attending directors entitled to vote.

III. Information on the Board's self (or peer) evaluation cycles, evaluation periods, scope, method and content of evaluation:
Status of Board evaluation:

Cycle	Period	Scope	Method	Content
Once a year	Jan. 1, 2019 - Dec. 31, 2019	1. The Board 2. Individual Board members 3. Compensation Committee 4. Audit Committee	1. Board self-evaluation 2. Board member self-evaluation 3. Functional Committee member self-evaluation	I. Performance evaluation of the Board 1. Level of participation in the operation of the company 2. Improvement on the decision making quality of the Board 3. Composition and structure of the Board 4. Election and continuing education of Directors 5. Internal Control

					<div>II. Performance evaluation on individual Board members:<div><div>1. Their grasp of the company's goals and missions.</div><div>2. Their recognition of director's duties.</div><div>3. Level of participation in the operation of the company</div><div>4. Their management of internal relationships and communication.</div><div>5. Directors' professionalism and continuing training</div><div>6. Internal Control</div></div><div>III. Functional committees (Compensation Committee and Audit Committee)<div><div>1. Level of participation in the operation of the company</div><div>2. Understanding in the Functional Committee's duties</div><div>3. Improvement on the decision making quality of the Functional Committee</div><div>4. Composition and election of Functional Committee members</div><div>5. Internal Control</div></div></div></div>	
IV. Enhancements to the functionality of the Board of Directors in the current and the most recent year (e.g. the establishment of an Audit Committee, improving information transparency etc.), and the progress of such enhancements: <div><div>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.</div><div>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.</div><div>3. The Company has passed the motion for the establishment of the “Regulations for the Evaluation of the Performance of the Board” in the Board session thereby performance of the Board shall be subject to internal evaluation at least once a year and report to the Board.</div><div>4. The Company has established the Audit Committee in place of Supervisors on May. 30, 2019.</div><div>5. In the years ahead, the Company will fortify the functions of the Board of Directors in responding to applicable legal rules and the requirements of corporate governance.</div></div>						

(II) The operation of the Audit Committee:

1. Three Independent Directors shall be elected on the General Shareholders' Meeting, and the three Independent Directors shall form the Audit Committee. The Committee shall convene meetings at least once a quarter, and are responsible for the fair presentation of the Company's financial statements, the selection (release) of CPAs and their independence and evaluation, the effective implementation of internal control, the Company's compliance with relevant laws and regulations, and the management control of the Company's existing or potential risks. Main duties are as follows:
 - (1) Adoption of or amendments to the Internal Control System pursuant to Article 14-1 of the Securities and Exchange Act.
 - (2) Effectiveness Evaluation of the Internal Control System.
 - (3) Adoption of or amendments to the procedures for handling material financial or business activities, such as acquisition or disposal of assets, derivatives

trading, loans of funds to others, and endorsements or guarantees for others pursuant to Article 36-1 of the Securities and Exchange Act.

- (4) Matters in which a director is an interested party.
 - (5) Derivatives trading of a material nature.
 - (6) Loans of funds, endorsements, or provision of guarantees of a material nature.
 - (7) The offering, issuance, or private placement of equity-type securities.
 - (8) The hiring or dismissal of a certified public accountant and their compensation.
 - (9) The appointment or discharge of a financial, accounting, or internal audit officer.
 - (10) Annual financial reports that are duly signed or sealed by the chairperson, managerial officer, and accounting officer.
 - (11) Other matters of material nature as prescribed by the Company or competent authority.
2. The Audit Committee was established on May 30, 2019, and held 2 [A] meetings in the most recent fiscal year (2019). The record of the Independent Directors' attendances is shown below:

Title	Name	Attendance in person (B)	Attendance by proxy	Percentage of actual attendance (%) (B/A) (Note)	Note
Audit Committee member (Convener)	Lu, Shyude-Ching	2	-	100%	New on board May. 30, 2019
Audit Committee member	Ma, Shaw-Hsiang	2	-	100%	New on board May. 30, 2019
Audit Committee member	Tsai, Ching-Yen	2	-	100%	New on board May. 30, 2019

Other matters to be recorded:

- I. For the operation of the Audit Committee in any of the following circumstances, please specify the date, term, the contents of the proposals, the opinions of all Auditing Committee members, and the Company's response to the opinions proposed by the Audit members:

(I) On issues stated in Article 14-5 of the Securities and Exchange Act:

Board of Directors			The opinions of Auditing Committee members	The Company's response to such Audit Committee's opinions.
Date	Term	Subject Matter		
Aug. 12, 2019	3 rd Board 2 nd Meeting	2019 Q2 financial report	Passed as proposed by all the attending members.	NA
		Removing the limit of NTD 22,792 thousand of endorsement/guarantee for others	Passed as proposed by all the attending members.	NA
Nov. 07, 2019	3 rd Board 3 rd Meeting	Evaluation of the independence and suitability of the CPAs	Passed as proposed by all the attending members.	NA
		Formulation of the	Passed as proposed	NA

		Company's 2020 audit plan	by all the attending members.	
		Amendments to the Charter of Audit Committee	Passed as proposed by all the attending members.	NA
		Adding and removing the limit of endorsement/guarantee for others, net decrease of NTD 10,653 thousand of endorsement/guarantee for others	Passed as proposed by all the attending members.	NA

(II) In addition to the aforementioned motions, other motions without approval by the Auditing Committee but passed by the Board with 2/3 of the Directors: None.

II. With respect to the avoidance of conflicting interest agendas, describe the names of independent directors, details of the relevant agendas, reasons for avoiding conflicting interest, and the voting decisions: None.

III. Enforcement of Corporate Governance Implemented by the Company and Reasons for Discrepancy (incl. material matters in the communication, method and results of the Company's financial position, sales performance).

(I) Communications between the Independent Directors, and internal audit officer: The internal audit officer regularly conducts audit business reports on the audit committee.

Date	Nature	Focus of communication	Suggestions and implementation
Aug. 12, 2019	1 st Meeting of the 1 st Audit Committee	1.2019 Q2 report on operation of the internal audit	1.None
Nov. 07, 2019	2 nd Meeting of the 1 st Audit Committee	1.2019 Q3 report on operation of the internal audit 2.2020 auditing plan	1.None 2.Propose to the Board after approval

(II) Communications between the Independent Directors and CPAs: The communication meetings should be held as least once every half year by the independent directors of the Audit Committee to commute with CPA. The CPA may use written forms of communication when necessary.

Date	Nature	Focus of communication	Suggestions and implementation
Aug. 12, 2019	1 st Meeting of the 1 st Audit Committee	Communication with the governance unit after the 2019 Q2 review and planning (I) The 2019 Q2 review scope and review findings (II) Communication plans of the current year (III) The role and responsibilities of the chief accountant (IV) Audit plan (V) Independence of audit personnel	None

(III) Supervisors' participation in Board of Directors meetings: A total of 6 (A) board meetings were held in 2019; below are the attendance records:

Title	Name	Attendance in person (B)	Attendance rate (%) [B/A]	Note
Supervisor	Chiao, Yu-Cheng	1	33.33%	1. Overall Director election on May 30, 2019. Audit Committee established in place of Supervisors. 2. Three Board Meetings were convened before the election. 3 meetings should be attended.
Supervisor	Lien Hwa Industrial Corp. Rep: Su, Liang	2	100.00%	Discharged on Apr. 17, 2019 / to be present 2 times

Other matters to be recorded:

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 CPAs (e.g., the financial position, operation, and issues involved, and method and result of communication):
 1. 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 CPAs 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 Supervisors, and Chief Internal Auditors in 2019:
 - (1) Report on the operation of the Auditing Office.
 - (2) The findings of the internal audit of the internal control system in 2018 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.
 4. Summary of the communications among Supervisors, and certified public accountants in 2019:
 - (1) Communication with the governing body
 - (a) Scope of audit
 - Audit on the financial statements of the group
 - Materiality and audit opinions.
 - (b) Matters of communication
 - Changes in accounting principles
 - Significant accounting estimate
 - key audit matters
 - Major adjustment of listing
 - Other matters for communication
 - (c) Recent updates to laws and accounting standards

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/TPEX-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?	✓		The Company has appointed a designated company spokesperson for responding to the recommendations, queries, and disputes from the shareholders.	
(II) Is the Company constantly informed of the identities of its major shareholders and the ultimate controller?	✓		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, 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?	✓		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, business, and accounting systems in accordance with requirements, and for buttressing the management of the subsidiaries and affiliates for proper control to reduce operation risk. The transactions with subsidiaries and affiliates were made under the principle of equality and fairness, and they are bound by related rules and regulations governing business and financial transactions among the entities.	

Assessment criteria	Corporate governance in action			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(IV) Has the Company established internal policies that prevent insiders from trading securities against non-public information?	✓		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, 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																																																																																											
	Yes	No	Summary																																																																																																				
III. Responsibilities of the Board of Directors and its formation (I) Does the Board of Directors have diversified policies regulated and implemented substantively according to the composition of the members?	✓		<p>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:</p> <p>1. The members of the current Board consist of 7 Directors and 3 Independent Directors. They have rich experience and professionalism in the fields of finance, commerce and management. The relevant implementation situation is as follows:</p> <table><tr><th rowspan="2">Title</th><th rowspan="2">Core items Name</th><th rowspan="2">Sex</th><th rowspan="2">Age</th><th rowspan="2">Nationality</th><th rowspan="2">Serving as employees concurrently</th><th colspan="3">Seniority of Independent Director</th><th rowspan="2">Expertise Background</th><th rowspan="2">Operational Judgment ability</th><th rowspan="2">Accounting and financial analysis ability</th><th rowspan="2">Operational and Management Ability</th><th rowspan="2">Crisis Management Ability</th><th colspan="4">Knowledge of Industry</th><th rowspan="2">Understanding of International Markets</th><th rowspan="2">Leadership</th><th rowspan="2">Decision Making</th></tr><tr><th>Under 3 years</th><th>3 to 9 years</th><th>Over 9 years</th><th>Technology</th><th>Telecommunication</th><th>Venture capital</th><th>Finance</th></tr><tr><td>Chairman</td><td>Miao, Matthew Feng Chiang</td><td>Male</td><td>>50</td><td>US</td><td></td><td></td><td></td><td></td><td>Industry</td><td>✓</td><td></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>✓</td><td></td><td></td><td></td><td>Industry</td><td>✓</td><td></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></td><td></td><td></td><td></td><td>Industry</td><td>✓</td><td></td><td></td><td>✓</td><td></td><td></td><td>✓</td><td></td><td>✓</td><td>✓</td><td>✓</td></tr></table>									Title	Core items Name	Sex	Age	Nationality	Serving as employees concurrently	Seniority of Independent Director			Expertise Background	Operational Judgment ability	Accounting and financial analysis ability	Operational and Management Ability	Crisis Management Ability	Knowledge of Industry				Understanding of International Markets	Leadership	Decision Making	Under 3 years	3 to 9 years	Over 9 years	Technology	Telecommunication	Venture capital	Finance	Chairman	Miao, 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	✓			✓			✓		✓	✓	✓	Compliant with the rationale and practices of “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.”
Title	Core items Name	Sex	Age	Nationality	Serving as employees concurrently	Seniority of Independent Director			Expertise Background	Operational Judgment ability	Accounting and financial analysis ability							Operational and Management Ability	Crisis Management Ability	Knowledge of Industry						Understanding of International Markets	Leadership	Decision Making																																																																											
						Under 3 years	3 to 9 years	Over 9 years				Technology	Telecommunication	Venture capital	Finance																																																																																								
Chairman	Miao, 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	✓			✓			✓		✓	✓	✓																																																																																			

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											
			Director	Chiao, Yu-Cheng	Male	> 50	Republic of China							✓
			Director	Way, Yung-Do	Male	> 50	Republic of China							✓
			Director	Chang, Kwang-Cheng	Male	> 50	Republic of China							✓
			Director	Su, Liang	Male	> 50	Republic of China							✓
			Independent Director	Lu, Shyude-Ching	Male	> 50	Republic of China			✓				✓
			Independent Director	Ma, Shaw-Hsiang	Male	> 50	Republic of China			✓				✓

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																																								
			<table><tr><td>Independent Director</td><td>Tsai, Ching-Yen</td><td>Male</td><td>>50</td><td>Republic of China</td><td></td><td>✓</td><td></td><td></td><td></td><td>Industry</td><td>✓</td><td>✓</td><td></td><td>✓</td><td></td><td></td><td></td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr></table> <p>2. Percentages are as follows: (1) Percentage of Directors who serve concurrently as an employee: 10% (2) Percentage of Independent Directors: 30% 3. The board of directors discloses the diversified policies on the composition of its members on the Company's website and MOPS.</p>																		Independent Director	Tsai, Ching-Yen	Male	>50	Republic of China		✓				Industry	✓	✓		✓				✓	✓	✓	✓	
Independent Director	Tsai, Ching-Yen	Male	>50	Republic of China		✓				Industry	✓	✓		✓				✓	✓	✓	✓																						
(II) Apart from the Compensation Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?		✓	Other functional committees will be introduced as needed by the Company.																																								
(III) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis? Are the results of the evaluation reported at the Board Meeting and used as reference for remuneration and the nomination for re-election?	✓		The Company has established methodology for evaluating the performance of its Board of Directors in 2016, and the performance evaluation is conducted at least once a year. The 2019 performance evaluation will be submitted to the 2020 Board Meeting, and relevant results of the evaluation are disclosed on the “Corporate Governance” Sector of the Company’s website. According to the Article 25 of the Company's Article of Incorporation, the Company shall set aside no higher than 1% of the earnings as the remuneration to Directors, and distribute reasonable remunerations taking account the Company's operating results, and the Director’s contribution to the Company's performance. The procedure for determining remuneration is based on the Company's “Procedure for the Performance Assessment of the Board”. In addition to the Company's overall operating performance, industry risks, and development trends, the Company also takes into consideration the individual performance and contribution to Company to determine a reasonable remuneration. The remuneration system is reviewed at any time in accordance with actual operation status of the Company and relevant laws to ensure the Company's sustainable operation and risk control.																																								
(IV) Are CPAs’ independence assessed	✓		The Company assesses the independence and suitability of CPAs at least once a year, with regard to their professional qualifications, their seniority in audit services, whether they are involved in the Company’s																																								

Assessment criteria	Corporate governance in action			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
on a regular basis?			interest (such as investing in the Company or serving as the Company's executive), and whether they have kinship relations to the Company's responsible person or managers, whether there is regular trainings for evaluation, and after obtaining the CPA's statement, the evaluation results will be submitted to the Audit Committee and the Board of Directors for approval.	
IV. Does the TWSE/TPEX listed company have an adequate number of corporate governance personnel with appropriate qualificationsto be in charge of corporate governance affairs including, but not limited to, providing directors and supervisors with required information for business execution, handling relevant matters with board meetings and shareholders meetings according to the laws, processing corporate registration and amendment registration, and preparing minutes of board meetings and shareholders meetings?	✓		<p>I. In order to implement corporate governance and promote the effective function of the Board, the Company has approved the appointment of Crystal Yang as Chief Corporate Governance Officer of the Company on August 12, 2019 by the Board. The Chief Corporate Governance Officer is the highest executive in charge of corporate governance related matters. The corporate governance personnel responsible for the corporate governance business of each relevant unit are responsible for various matters of corporate governance. The Company's Chief Corporate Governance Officer has more than 10 years of working experience at public offering companies engaged in financial, stock affairs or deliberations management.</p> <p>II. Implementation of major duties in 2019:</p> <ol style="list-style-type: none"> Board, Compensation Committee, Audit Committee: <ol style="list-style-type: none"> Summarize the meeting agenda, state the reason for the meeting, sent meeting notice to the members of the Committee or members of the Board seven days before the meeting, prepare sufficient meeting materials and send them together with the meeting notice. Notify the personnel of relevant departments or subsidiaries to attend the meeting depending on the content of the meeting. Invite CPAs, lawyers or other professionals to attend the meeting and explain, if required. Meeting agenda and matters of interest to the directors themselves or their legal representatives, and remind the Directors that interest should be avoided. The meeting minutes will be sent within 20 days after the meeting. Shareholders' Meeting: <ol style="list-style-type: none"> Register the date of the shareholders' meeting according to law. Prepare and publish the meeting notice, the meeting manual and the meeting minutes within the time limit. Assist Directors in taking office: Assisted the new directors to take office after the overall re-election at the 2019 General Shareholders' Meeting, by providing information on insider trading, and in signing relevant legal statements in accordance with the law. Assist Directors in continuing training: Provide information about Directors' continuing training, reminding them to complete the training hours and completing the application process in accordance with the "Directions for the Implementation of Continuing Education for Directors and Supervisors 	Compliant with the rationale and practices of "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies."

Assessment criteria	Corporate governance in action			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies												
	Yes	No	Summary													
			<p>of TWSE Listed and TPEX Listed Companies”.</p> <p>5. According to the Company's “Procedure for the Performance Assessment of the Board”, the performance of the Board and the functional committees is regularly evaluated to strengthen the efficiency of the Board and functional committees.</p> <p>6. Provide Directors with information required for business operation.</p> <p>7. Assist Directors in compliance with laws and regulations, and make matters such as declaration of shareholding changes according to law.</p> <p>8. Other matters as required by the Company’s Article of Incorporation or contract.</p> <p>III. 2019 Continuing Education Training</p> <table><tr><th>Organizer</th><th>Course name</th><th>Study hours</th></tr><tr><td>Securities and Futures Institute</td><td>Case Study on Fraud in Corporate Financial Statements</td><td>3</td></tr><tr><td>Taiwan Institute of Directors</td><td>Growth and Innovation of Enterprises</td><td>3</td></tr><tr><td>Taiwan Corporate Governance Association</td><td>Industry 4.0 and How Companies Lead Innovation Transformation</td><td>3</td></tr></table>	Organizer	Course name	Study hours	Securities and Futures Institute	Case Study on Fraud in Corporate Financial Statements	3	Taiwan Institute of Directors	Growth and Innovation of Enterprises	3	Taiwan Corporate Governance Association	Industry 4.0 and How Companies Lead Innovation Transformation	3	
Organizer	Course name	Study hours														
Securities and Futures Institute	Case Study on Fraud in Corporate Financial Statements	3														
Taiwan Institute of Directors	Growth and Innovation of Enterprises	3														
Taiwan Corporate Governance Association	Industry 4.0 and How Companies Lead Innovation Transformation	3														
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?	✓		<p>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.</p> <p>Stakeholders section: https://www.mitac.com/zh-TW/stakeholders/index</p> <p>TEL: +886-3-328-9000</p> <p>E-mail: stock@mic.com.tw</p>	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?	✓		<p>The Company has commissioned CTBC Bank as the share administration agency, which is responsible for handling shareholder meeting affairs.</p>	Compliant with the rationale and practices of “Corporate Governance												

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	
				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?	✓		The Company has a website (www.mitac.com) 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)?	✓		The Company has Simplified Chinese, Traditional Chinese and English language version 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.	
(III) Does the Company announce and report the annual financial report within two months after the end of the fiscal year, and announce and report Q1, Q2, Q3 financial reports and the operating status of each month in	✓		The Company has announced and reported the annual financial report within two months after the end of the fiscal year, and has, as early as possible, announced and reported the Q1, Q2, Q3 financial reports and the operating status of each month in advance of the prescribed deadline.	

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	
advance of the prescribed deadline?				
VIII. Does the Company have additional important information that is helpful to understand the operation of the corporate governance (including but not limited to the rights and care of employees, investor relationship, supplier relationship, rights of stakeholders, further education of directors and supervisors, implementation of risk management policies and measurement criteria, implementation of customer policies and liability insurance coverage for directors and supervisors)?	✓		<p>(I) Employee rights and privileges MiTAC firmly believes that people is the driving force for corporate development. For this reason, MiTAC highly values the rights and privileges of its employees and makes additional investment for their welfare to high standard further to the protection of the rights and privileges of the employees as required by law:</p> <p>1. Policies: (1) Labor/health insurance, pension contribution, employee training, safety and health measures, equal gender opportunities etc. (2) Provide different forms of fringe benefits for the employees with ceaseless effort, including group insurance protection, free physical examination, and subsidy for pleasure trips, gym, emergency aid, subsidy for matrimony/maternity/funeral, car loans, and subsidy for continuing education.</p> <p>2. Implementation: (1) Duly observe applicable legal rules for the protection of the rights of employees (2) Employee welfare is managed by designated personnel. (3) Designated employee relation personnel are appointed to respond to the personal needs of the employees. This service system is running well.</p> <p>(II) Concern for employees 1. Policies: MiTAC has appointed designated personnel for managing employee relations. These personnel are responsible for caring for the employees. Scope of service: Emergency aid, employee complaint, handling complaints, employee health and hospitalization care, coordination of employee problems, prevention of sexual harassment at workplace, handling complaints and consultation in career development. MiTAC introduced the Employee Assistant Program in cooperation with an external consulting firm. Through psychological counseling and assistance from financial and legal experts, MiTAC helps its employees to relieve any psychological and life problems.</p> <p>2. Implementation: 8.5% of the Taiwanese employees used the staff assistance program during the year. The topic of consultation is mainly on family counseling, personal health</p>	Compliant with the rationale and practices of “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.”

Assessment criteria	Corporate governance in action			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>care, legal assistance, and psychological counseling. According to the result of the satisfaction feedback of individual cases, employees are able to receive adequate help through this channel and have highly praised this service. When employees or their families suffered from accidental injuries, natural disasters, or severe illness, or death, MiTAC will provide immediate and appropriate help in the form of financial aid. The purpose is to help these employees or families recovered from ailment and get back to their work quickly. This is the manifestation of The Company in caring for the employees and their families as an integral part of its corporate social responsibility. As mentioned, under the prerequisite of winning on both sides of the management and labor, this has been proven highly effective in bringing harmony and commitment to organizational stability at workplace.</p> <p>(III) Investor relation: MiTAC firmly insists on the principles of sincerity and information disclosure, and spare no effort in making corporate governance transparent. In practice, MiTAC discloses its state of operation and financial position to shareholders. With the establishment of the spokesperson and acting spokesperson system, the Company has performed its obligation in disclosure under due diligence. The Company has set up a “Investor section” in its website. 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. The Company has set up a “Stakeholder section” in its website, and assigned dedicated personnel to resolve product-related problems and whatever queries raised by shareholders on the Company’s website thereby protect their interests.</p>	

Assessment criteria	Corporate governance in action			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies																																																																						
	Yes	No	Summary																																																																							
			<p>(V) Directors' continuing training: The Company's directors all have relevant expertise. Information about their ongoing education has been disclosed onto the "Corporate Governance" section of MOPS, and made readily accessible to investors. The 2019 training hours are in compliance with the regulation. The implementation of 2019 continuing training is as follows:</p> <table> <tr> <th>Title</th><th>Name</th><th>Organizer</th><th>Course name</th><th>Study hours</th></tr> <tr> <td rowspan="3">Chairman</td><td rowspan="3">Miau, Matthew Feng Chiang</td><td>Taiwan Insurance Institute</td><td>Impact of IFRS 17 on the Insurance Business Strategy</td><td>3</td></tr> <tr> <td>Taiwan Corporate Governance Association</td><td>Industry 4.0 and How Companies Lead Innovation Transformation</td><td>3</td></tr> <tr> <td>Taiwan Institute of Directors</td><td>Growth and Innovation of Enterprises</td><td>3</td></tr> <tr> <td rowspan="3">Director</td><td rowspan="3">Ho, Jhi-Wu</td><td>Taiwan Corporate Governance Association</td><td>Trends and Risk Management of Digital Technology and Artificial Intelligence</td><td>3</td></tr> <tr> <td>Taiwan Corporate Governance Association</td><td>Multinational Management and Sustainable Management</td><td>3</td></tr> <tr> <td>Securities and Futures Institute</td><td>Corporate Governance and Securities Laws</td><td>3</td></tr> <tr> <td rowspan="8">Director</td><td rowspan="8">Chiao, Yu-Cheng</td><td>Taiwan Corporate Governance Association</td><td>Deep Learning; Natural Language Understanding; Digital Threats from the Keyboard</td><td>3</td></tr> <tr> <td>Taiwan Corporate Governance Association</td><td>Strategic Innovation and Business Model; Industrial AI for Smart Manufacturing</td><td>3</td></tr> <tr> <td>Taiwan Corporate Governance Association</td><td>A.I. Thinking and Application</td><td>1.5</td></tr> <tr> <td>Taiwan Corporate Governance Association</td><td>The Missing Puzzle at Semiconductor from Global Cyber Threat</td><td>1.5</td></tr> <tr> <td>Taiwan Corporate Governance Association</td><td>World Economic Trends and Taiwan's Development Opportunities</td><td>1.5</td></tr> <tr> <td>Taiwan Corporate Governance Association</td><td>Overview analysis of Patents During Product Development Stage - Reduce Risks and Create High-value Patents</td><td>1.5</td></tr> <tr> <td>Taiwan Corporate Governance Association</td><td>Digital Decision-making - an Example of the Board Product Business Model</td><td>3</td></tr> <tr> <td>Taiwan Corporate Governance Association</td><td>Industry 4.0 and How Companies Lead Innovation Transformation</td><td>3</td></tr> <tr> <td rowspan="5">Representatives of institutional directors</td><td rowspan="5">Way, Yung-Do</td><td>Taiwan Corporate Governance Association</td><td>How Directors Lead the Enterprises in Response to the Rapid Changing Technology Environment</td><td>3</td></tr> <tr> <td>Taiwan Corporate Governance Association</td><td>Artificial Intelligence in Taiwan: Opportunities and Challenges for Industrial Transformation</td><td>3</td></tr> <tr> <td>Taiwan Corporate Governance Association</td><td>Analysis of the Top Ten Risks in the World in 2019</td><td>3</td></tr> <tr> <td>Taiwan Academy of Banking and Finance</td><td>Seminar of Practice of Board Function and Corporate Governance</td><td>3</td></tr> <tr> <td></td><td></td><td></td></tr> </table>	Title	Name	Organizer	Course name	Study hours	Chairman	Miau, Matthew Feng Chiang	Taiwan Insurance Institute	Impact of IFRS 17 on the Insurance Business Strategy	3	Taiwan Corporate Governance Association	Industry 4.0 and How Companies Lead Innovation Transformation	3	Taiwan Institute of Directors	Growth and Innovation of Enterprises	3	Director	Ho, Jhi-Wu	Taiwan Corporate Governance Association	Trends and Risk Management of Digital Technology and Artificial Intelligence	3	Taiwan Corporate Governance Association	Multinational Management and Sustainable Management	3	Securities and Futures Institute	Corporate Governance and Securities Laws	3	Director	Chiao, Yu-Cheng	Taiwan Corporate Governance Association	Deep Learning; Natural Language Understanding; Digital Threats from the Keyboard	3	Taiwan Corporate Governance Association	Strategic Innovation and Business Model; Industrial AI for Smart Manufacturing	3	Taiwan Corporate Governance Association	A.I. 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Assessment criteria	Corporate governance in action							Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies	
	Yes	No	Summary						
				Title	Name	Organizer	Course name	Study hours	
			Representatives of institutional directors		Way, Yung-Do	Securities and Futures Institute	Discussion on the Influence of New Law on Money Laundering Prevention and Control to Enterprises	3	
						Taiwan Insurance Institute	Discussion on the Liability of Directors and Supervisors and Liability Insurance of Directors and Supervisors and Important Staff	3	
						Securities and Futures Institute	Matters Needing Attention in the 2019 Board and Shareholders' Meeting	3	
						Taiwan Corporate Governance Association	For the Sustainability of Corporate Governance - Seminar on Increasing Company Long-Term Value	3	
			Representatives of institutional directors	Chang, Kwang-Cheng	Taiwan Securities Exchange Corporation	Promotion of Effective Functionality Boards	3		
					Securities and Futures Institute	Case Study on Fraud in Corporate Financial Statements	3		
			Representatives of institutional directors	Hsu, Tzu-Hwa	Taiwan Securities Exchange Corporation	ESG Investment Promotion Forum	3		
					Taiwan Securities Exchange Corporation	Task Force on Climate-related Financial Disclosures (TCFD) Promotion Forum	3		
			Representatives of institutional directors	Su, Liang	Taiwan Securities Exchange Corporation	Promotion of Effective Functionality Boards	3		
					Taiwan Securities Exchange Corporation	Task Force on Climate-related Financial Disclosures (TCFD) Promotion Forum	3		
					Taiwan Corporate Governance Association	Strategic Thinking of the Board of Directors for Enterprise Transformation	3		
					Taiwan Corporate Governance Association	Now You are a Venture Capitalist: A Must Know for Investors	3		
			Independent Director	Lu, Shyude-Ching	Taiwan Corporate Governance Association	Industry 4.0 and How Companies Lead Innovation Transformation	3		
					Securities and Futures Institute	Defense the Business Secrets	3		
					Taiwan Corporate Governance Association	Fintech and Financial Supervision Technology Practice and Case Study	3		
Independent Director	Ma, Shaw-Hsiang	Securities and Futures Institute	Skills for Directors and Supervisors to Interpret Financial Information	3					
		Taiwan Securities Exchange Corporation	Promotion of Effective Functionality Boards	3					
Independent Director	Tsai, Ching-Yen	Securities and Futures Institute	Case Study on Fraud in Corporate Financial Statements	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													
					Securities and Futures Institute	Principles and Applications of Artificial Intelligence	3									
			<p>(VI) Risk management policies, practices, and risk assessment standards: The Company has established internal policies and performs risk management and evaluation accordingly.</p> <p>(VII) Execution of customer policy: The group maintains sound relationship with customers to secure profitability.</p> <p>(VIII) Professional liability insurance for the protection of Directors and Manager: As per the requirement of the “Corporate Governance Best Practice Principles for TWSE/TPEX-listed Companies”, MiTAC has taken professional liability insurance to protect the directors and the supervisors. Information is being disclosed at the “corporate governance” section of MOPS.</p> <table><tr><th>Insured</th><th>The insurer</th><th>The amount insured</th><th>Term of policy (starting and ending)</th></tr><tr><td>All directors and managerial officers</td><td>Fubon Insurance Co., Ltd.</td><td>NT\$366,720 thousand</td><td>Nov. 15, 2019 ~ Nov. 14, 2020</td></tr></table> <p>(IX) Licensing and certification of the internal auditors of the group:</p> <p>1. IIA: 4 persons</p> <p>2. CPA of the ROC:1 person</p>					Insured	The insurer	The amount insured	Term of policy (starting and ending)	All directors and managerial officers	Fubon Insurance Co., Ltd.	NT\$366,720 thousand	Nov. 15, 2019 ~ Nov. 14, 2020	
Insured	The insurer	The amount insured	Term of policy (starting and ending)													
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Assessment criteria	Corporate governance in action			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	

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 2019 Corporate Governance Evaluation Result:

Evaluation Indicators in 2018	Improvement status
Has the Company established an Audit Committee that meets the requirements?	The Company has established the Audit Committee on May 30 2019.
Does the Company hold General Shareholders' Meeting before the end of May?	The Company has held the 2019 Annual General Shareholders' Meeting on May 30, 2019.
Has the Company held at least 6 Board Meetings during the year under review?	The Company has held 6 Board Meetings during 2019.
Did the company have full-time corporate governance personnel responsible for matters relating to corporate governance, and disclose the unit's operations and implementation in the annual report and on its website.	The Company has appointed a company secretary on August 12, 2019. And relevant information has been disclosed on the Company's website and this annual report.
Has the Company formulated and disclosed in detail on the company's website the internal and external personnel's reporting system for illegal (including corruption) and unethical behavior?	Relevant information has been disclosed on the Company's website.

(II) Matters required further improvements as stated in the 2019 Corporate Governance Evaluation Result and the measures to be taken:

Evaluation Indicators in 2018	Priority improvement plan and measures
Has the Company on its website or annual report discloses the integrity management policy, and specifies specific practices and plans to prevent dishonest behavior?	The company will organize education and training and arrange related courses to realization of business integrity.

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

1. The Company established a Compensation Committee comprised of 3 outside experts who satisfied criteria of professionalism and independence. The committee holds meetings at least twice a year and exercises the following authorities in a professional and objective manner; its suggestions are raised for discussion in board meetings:
 - (1) Review and revise the committee charter on a regular basis, and make necessary suggestions.
 - (2) Stipulate and regularly review the performance of the Company's Directors and managers; as well as the annual and long-term performance goal, compensation policies, systems, standards and structure.
 - (3) Regularly evaluate the achievement of the Company's Directors and managers' performance goals, and determine the content and amount of their individual remuneration based on the evaluation results obtained from the performance evaluation.

2. Profiles of the Compensation Committee members

Member type	Qualifications	Whether this person has more than five years of work experience and the following professional qualifications			Compliance with independence requirements (note 1)										If the member is also a member of the remuneration of other public companies, specify the number of these public companies.	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	9	10		
Independent director and member of the Compensation Committee	Ma, Shaw-Hsiang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent director and member of the Compensation Committee	Lu, Shyude-Ching			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent director and member of the Compensation Committee	Tsai, Ching-Yen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

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 any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4) Not a manager of (1), or spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of (2) or (3).
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or ranks as of its top five shareholders, or was appointed pursuant to Article 27 Paragraph 1 or 2 of the Company Act. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (6) Not a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company (this restriction does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).
- (7) Not the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a

director (or governor), supervisor, or employee of that other company or institution (this restriction does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).

- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company (this restriction does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a company or institute holding above 20% but less than 50% of the shares in the Company, a public company and its parent or subsidiary or a subsidiary of the same parent).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company in the most recent 2 years with an accumulated service compensation of less than NTD 500 thousand, or a spouse thereof. This restriction does not apply to any member of the Compensation Committee, public tender offers Audit Committee or mergers and acquisition special committee, who exercises powers pursuant to relative regulations of the Securities and Exchange Act and Business Mergers And Acquisitions Act.
- (10) The provisions of Article 30 of the Company Act are not applicable.

3. The Operation of the Compensation Committee

- (1) The Compensation Committee of MiTAC consists of 3 members.
- (2) Duration of service: May 30, 2019 to May 29, 2022. The Remuneration Committee held 2 meetings (A) in 2019; details of members' eligibility and attendance are as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Percentage of actual attendance (%) (B/A)	Note
Convener	Ma, Shaw-Hsiang	2	0	100.00%	Re-elected on May 30, 2019
Member	Lu, Shyude-Ching	2	0	100.00%	Re-elected on May 30, 2019
Member	Yeh, Kuang-Shih	1	0	100.00%	Resigned on Feb. 1, 2019
Member	Tsai, Ching-Yen	1	0	100.00%	New on board on Feb. 26, 2019 Re-elected on May 30, 2019

Other matters to be recorded:

- I. Where the Board may not accept or revise the recommendations of the Compensation Committee, specify the date and the instance of the Board session, and the content of the motions, the resolution of the Board, and the response to the opinions of the Compensation Committee: None.
- II. If there is any adverse opinion or qualified opinion of the members in the decision of specific motions in the Compensation Committee on record or with written declaration, specify the date and the instance of the committee meeting, the content of the motion, the opinions of all members and the response to the opinions of the members: None.
- III. Discussion matters and resolutions of Compensation Committee meetings, and the Company's response to members' opinions:

Date	Term	Subject Matter	Resolution Result	The Company's response to members' opinions
Jan. 22, 2019	1 st meeting in 2019	Review of the 2018 remuneration to managers for resolution.	No objection	NA
		Review of the 2018 remuneration to Directors and Supervisors for resolution.	No objection	NA

		Review of the fixed salary and meeting attendance fee to Audit Committee members for resolution.	No objection	NA
Aug. 12, 2019	2 nd meeting in 2019	Review of the salary adjustment for the managers in 2019 for resolution.	No objection	NA
		Review of the remuneration of employees to the managers in 2018 and the mid-year bonus of 2019 for resolution.	No objection	NA

4. Explanation of the link between performance evaluation and remuneration of directors and managers

According to Article 25 of the Articles of Incorporation, when the Company has a profit for any fiscal year, the Company shall allocate at least 0.1% of the profit as bonus to be issued to its employees and not in excess of 1% of the profit as compensation to directors of the Company.

Directors and managerial officers' remuneration are recommended by the remuneration committee with reference to the evaluation results of the performance evaluation, the team's operating performance, personal performance, and the normal level of peer support, then the comments would be proposed to the board of directors to make a resolution.

The performance evaluation indicators of directors and managerial officers are as follows:

Extent	Directors	Managerial officer
Indicators	Mastery of goals and tasks Responsibility of perception Degree of participation in operations Internal relationship management and communication Professional and continuous training Internal Control	Financial indicators (revenue, profit target) Non-financial indicators (key performance indicators responsible for functions)

(VI) Fulfillment of social responsibility and deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies:

Assessment criteria	Corporate governance in action			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
I. Does the Company conduct risk assessments of environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	✓		Based on the principle of materiality, the Company gathers opinions from stakeholders and corporate governance levels, identifies major issues at the environmental, social and economic levels, exposes them in the CSR, and conducts risk assessments, formulates policies and performance indicators to ensure a sound management and response to issues. For details, please refer to "Identification of Stakeholders" in the Company's CSR.	Compliant with the rationale and practices of "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies".
II. 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?	✓		The Company appoints the President Office and relevant corresponding units to be responsible for the presentation and implementation of corporate social responsibility policies, systems, or related management policies and specific promotion plans, and prepare the CSR on a regular basis.	
III. Environmental issues (I) Does the Company have an appropriate environmental management system established in accordance with its industrial character?	✓		The Company has set up an the platform for the management of restricted use of chemical substances, and the control of hazardous substances under ISO 14001 management system and management system for hazardous substances.	Compliant with the rationale and practices of "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies".
(II) Is the Company committed to enhance the utilization efficiency of resources and use renewable materials that are with low impact on the environmental?	✓		<ol style="list-style-type: none"> Enhance the efficient use of all resources, such as the use of photovoltaic energy, renovation for green lighting, the use of T5 energy efficient light bulbs, renovation of the air-conditioner compressors, optimization of electrical devices, the use of variable-frequency devices and green electrical appliances, the recycled use of heat from air compressor for water heating, renovation of fuel boilers, and the automated control of air-conditioning system. MiTAC implements the Comismart intelligent environmental control system, using a big 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, 	

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	
			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. 3. In order to cherish the Earth's resources and reduce the impact on the environment, the Group pursues paperless e-process. For paper, the Company encourages the employees to use environmentally friendly recycled photocopy paper and encourages double-sided printing. The Company also encourages the use of recycled toner cartridges and recycled plastic garbage bags.	
(III) Does the Company assess the potential risks and possibilities of climate changes to the Company now and in the future, and take measures to respond to climate-related issues?	✓		Based on GRI guidelines and materiality principles, the Company gathers opinions from stakeholders and corporate governance levels. Among the environmental issues, the Company identifies "climate change" as Mitac's core sustainable issues, and sets up carbon reduction targets in the plants, and introduces green design and green manufacturing. For details, please refer to the "Causes of climate change and global warming" in the Company's CSR.	
(IV) Does the Company record the greenhouse gas emissions, water consumption and total weight of waste produced in the past two years, and formulate policies on energy conservation and carbon reduction, greenhouse gas reduction, water consumption or other waste management?	✓		1. 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 industrial wastewater, zero air pollution, reduction of industrial solid wastes and emission of greenhouse gases in conformity to standard for inspection. (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. (3) Installation of rainwater collection system for irrigation and reduced use of running water from tape for plantation. (4) Introduction of ice water motors equipped with variable-frequency device to cut the electricity bill by 30%. (5) Installation of IR sensor to lighting system for automatic control of the power switches to save unnecessary consumption of energy. (6) Installation of duct-type energy-saving fans in the office area to improve the	

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>air-conditioning efficiency and achieve the power-saving effect.</p> <p>2. For information on greenhouse gas emissions, water consumption, and total weight of waste in the past two years, please refer to the Company's CSR on "Climate Change and Global Warming".</p>	
<p>IV. Social Issues</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>The Group duly observes the “Universal Declaration of Human Rights”, “United Nations Guiding Principles on Business and Human Right”, and the “International Labor Organization”, implements the provision of Responsible Business Alliance (RBA), 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, abides by local laws governing labor to protect the legitimate rights of the employees, formulates various procedures and management rules regarding employee rights and obligations including the "Employment Policy Declaration", "Prohibition of Child Work Standards", "Prohibition of Forced Labor Measures", and "Prohibition of Discriminatory Work Standards". Such procedures are revised at any time in compliance to relevant laws and regulations.</p> <p>In order to promote the employees’ understanding in the legal labor human rights, the Company has incorporated human rights education into the compulsory training for all employees, and compiled textbooks that cover the code of conduct of the Responsible Business Alliance (RBA) norms. In addition to the compulsory training for new employees, all employees are also scheduled to participate in online retraining.</p>	Compliant with the rationale and practices of “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”.
<p>(II) Does the Company formulate and implement reasonable employee benefits measures (including remuneration, vacation and other benefits, etc.), and appropriately reflect the results of operating performance in employee compensation?</p>	✓		<p>In addition to complying with the “Labor Standards Act” and relevant regulations, the Group conducts salary and welfare policy surveys every year, which is used as a reference for formulating reasonable and market competitive employee welfare measures and providing salary and compensation policies. In addition, performance evaluation is conducted every six months. Besides based on the individual’s performance, the Group provides two-track promotion opportunities and adjusts salary and performance bonuses to share the business results shared with its employees.</p>	
<p>(III) Does the Company provide employee with a safe and healthy work environment, and provide safety and health education to employees regularly?</p>	✓		<p>The Group also duly observes the Occupational Safety and Health Act with the enforcement of the following rules and regulations:</p> <ol style="list-style-type: none"> 1. Performs the necessary workplace environment tests (lighting, CO2, noise & organic solvent) every six months, and carry out the bacteria count test on drinking water every three months. 2. Carries out fire prevention, building security inspection and other safety procedures every year, and immediately implement improvements for prevention and 	

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>correction projects that require correction.</p> <p>3. Carries out health check-up on every employee every two years as healthy employees are an important asset of the Company. In addition to labor health protection rules health check-up items, there are also a number of cancer screenings and ultrasound examination, etc., to take care of employees with benefits superior to the laws and regulations.</p> <p>4. Carries out routine training on safety and health of the new employees, and organizes civil defense annually, firefighting teams with routine training and drill every six months.</p> <p>5. Arrange re-training courses for labor and security personnel on a regular basis, as well as re-training courses for first-aid personnel, fire management personnel, organic solvent operation supervisors, radiation safety operators, high-pressure gas specific equipment operators, etc. every three years.</p> <p>6. For the prevention of accident and response to emergency, automatic non-invasive AED was placed at the main hall of the facilities a Hsinchu and Hwa Ya.</p> <p>7. Posts the safety precaution notice in the work areas of the production area, and provides the employees with trainings regarding work safety.</p>	
(IV) Does the Company have an effective career capacity development training program established for the employees?	✓		To assist employees in their career planning, the group requires managers to engage employees in two-way discussions every six months about career plans. Department heads have been assigned the responsibility to organize professional training, while a global rotation system is in place to help employees develop multiple talents. These talent programs are run on a long-term basis to help enhance competitiveness. Furthermore, the Company encourages employees with managerial roles to undertake on-job postgraduate studies and EMBA programs to further refine their professional skills and management talents.	
(V) Does the Company comply with relevant laws and regulations and international standards for customer health and safety, customer privacy, marketing and labeling of products and services, and develop relevant consumer protection policies and complaint procedures?	✓		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 (https://www.mitac.com/zh-TW/stakeholders).	
(VI) Does the Company formulate a supplier management policy that	✓		All suppliers of the Company must pass supplier evaluation and comply with the supplier code of conduct.	

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	
requires suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and their implementation?			<ul style="list-style-type: none"> Raw material suppliers related to process: Must pass ISO9001 Quality Management System certification Factory and operation related contractors: Must obtain OHSAS18001 Occupational Health and Safety Assessment Series certification Local suppliers: Must obtain effective factory registration certificate and ISO14001 Environmental management certification issued by local government according to business type. 	
V. Does the Company prepare its non-financial reports such as Corporate Social Responsibility Report in accordance to the internationally-used reporting standards or guidelines? Have such reports been assured, verified or certified by a third party?		✓	The Company has prepared the CSR with reference to the internationally accepted GRI standards, but has not obtained the confidence or assurance opinions of the three-party verification unit. Obtaining of such certification will be planned in the future.	CSR has not obtained the confidence or assurance opinions of the three-party verification unit. Obtaining of such certification will be planned in the future.
VI. In the event the Company has established its own CSR principles in accordance with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”, please describe the differences between the actual implementation of CSR and the Company’s own CSR 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/GTSM Listed Companies.”				
VII. Other important information helpful for understanding the actual implementation of CSR: <ol style="list-style-type: none"> Responsibility of environmental protection <ol style="list-style-type: none"> 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. For conflict minerals, the Company evaluated the supply at least once a year, and through the power of purchasing, the Company urges upstream suppliers to cooperate. Status of implementation : a. For performing the corporate responsibility to environmental protection in the electronics industry, MiTAC upgrades its capacity in speeding up the procurement of green items for its products and parts through green procurement from the suppliers in order to supervise the suppliers to reduce or ban the use of hazardous substances in the production. b. A conflict minerals investigation system has been constructed to understand the response of complex supply chains in a transparent and traceable manner. Contribution to society: <ol style="list-style-type: none"> Systems and measures : a. Sponsorship of the Y.S. Creative Award, which helps develop local design talents and improve industry competitiveness. b. Organize forums on campus to exchange with the university students and share with them the experience in industry. c. Participation in all kinds of industry seminars to share management and industry experience. Status of implementation : a. We supported the Y.S. 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. 				

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>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. In 2019, we have participated in the youth club/Y.S. Creative Award/blood donation for 166 activity hours with 512 participants and a total donation of NT\$460,000.</p>	
3. Social charity:				
(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.			
	b. Donate our own products and services to the charity groups in need.			
(2)Implementation	: a. Organize blood donation activities and encourage healthy employees to participate.			
	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.			
4. Consumers' rights and privileges:				
(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.			
(2)Status of implementation	: The Mio/NAVMAN/MAGELLAN brands of the Group unveiled the following to the consumers.			
	a. "Online Repair Service" allows the customers to request for repairs without the constraints of time and place.			
	b. "Mio Online Service" offers round-the-clock question and answer for Mio product information.			
	c. "Mio Online Update" allows for online product update through simple procedures.			
	d. Mio Quick Map" allows the consumers to update their map through the facilitation of the selected distributors in Taiwan.			
5. Human rights:				
(1)Systems and measures	: 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 is concerned about the rights and privileges of its employees, and duly obeys the Responsible Business Alliance (RBA) and relevant labor regulations in countries where it operates. MiTAC strictly prohibits hiring of 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 in any way, whether in terms of recruitment or job duty.			
	c. The group is dedicated to maintain gender equality among gender diversity in workplace within gender diversity, and strives to ensure equal opportunities and protect employees' dignity by strictly prohibiting against sexual harassment in the workplace.			
(2)Status of implementation	: 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			

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>fully negotiated between employees and the management. No employment-related dispute has arisen so far.</p> <p>c. MiTAC has implemented a set of "Regulation Governing the Prevention of Sexual Harassment at Workplace and Complaints" and established a sexual harassment complaint hotline. Any complaint raised will be attended to by dedicated personnel. In addition, lectures on the prevention of sexual harassment are being held regularly to avoid sexual harassment in the workplace.</p> <p>For any sexual harassment problem that has occurred in the workplace, these policies and practices have been soundly enforced so far.</p> <p>6. Safety and health:</p> <p>(1)Systems and measures : MiTAC has been certified for ISO 14001 - Environmental Protection System and OHSAS 8001 Occupational Health and Safety Advisory Services System. These certifications were attained as reinforcements to the safety and health of employees at workplace, and to protect employees from occupational injury, death, and prevent protest that arise as a result. These certifications are regularly validated by third-party institutions and properly enforced throughout the organization.</p> <p>(2)Status of implementation : a. Protect the employees in safety and health, prevent occupational hazards, diseases, and potential danger, encourage the employees to participate in corrective action plans, and create a safe and healthy work environment.</p> <p>b. Continual performance improvement in environmental safety and health: MiTAC conducts routine audits and assesses investments where appropriate to continually improve its environmental safety and health management system.</p>				

(VII) Discrepancy from Ethic Corporate Management Best Practice Principles for TWSE/GTSM-listed Principles and the reasons:

Assessment criteria	Status of implementation			Discrepancy from Ethic Corporate Management Best Practice Principles for TWSE/GTSM-listed Principles and the reasons
	Yes	No	Summary	
I. With business integrity policy and action plan in place				
(I) Are the Company's guidelines on corporate conduct and ethics provided in internal policies and disclosed publicly? Have the Board of Directors and the senior management team demonstrated their commitments to implement the policies?	✓		MiTAC has implemented "Integrity Code of Conduct Board of Directors", reported it to the Board and was approved, 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 annually to enhance the ethical values of employees and to prevent dishonest behaviors from all personnel.	Compliant with the rationale and practices of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed Companies."
(II) Has the Company established an evaluation mechanism for the risk of dishonesty behaviors? Does the Company regularly analyze and evaluate business activities with a higher risk of dishonesty in the business scope, and formulate a plan to prevent dishonesty behaviors, which at least covers Paragraph 2 of Article 7 in Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies?	✓		MiTAC demands all employees to refrain from accepting improper gifts, so that they do not compromise the Company's interests for personal gains. In addition, all employees have the duty of confidentiality over business secrets of the Company and other relevant parties. For the prevention plan within business activities with a high risk of dishonesty in the business scope, the Company has established management measures such as preventing bribery and bribery, prohibiting the provision of illegal political contributions, prohibiting inappropriate charitable donations or sponsorship, and prohibiting inside transactions.	
(III) Has the Company established relevant policies for preventing any unethical conduct? Are the implementation and reviews of the relevant procedures, guidelines, punishment for violation, and rules of appeal, provided in the policies?	✓		"Business Integrity" has always been the cornerstone of the MiTAC's sustainable operation. MiTAC adheres to operational transparency, implements internal management, and sets various anti-corruption management policies as the basis for business operations. MiTAC has the "Procedures for Ethical Management and Guidelines for Conduct", "Employee Code of Conduct" and "Anti-corruption Policy" in place to provide complaint channels, 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. In the event of law amendments or poor implementation results, such policy will be adjusted timely to suit the present requirements.	
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?	✓		All procurement personnel of the Group has signed the "Letter of Integrity" and further promoted such self-requests to partner manufacturers. The Group signs an "Integrity Commitment Agreement" when dealing with important suppliers, for systematically tracking, identification and implementation of regulations, in aim to become a trustworthy partner of the stakeholders.	Compliant with the rationale and practices of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed Companies."

Assessment criteria	Status of implementation			Discrepancy from Ethic Corporate Management Best Practice Principles for TWSE/GTSM-listed Principles and the reasons
	Yes	No	Summary	
(II) Has the Company set up dedicated unit in charge of promotion and execution of the company's corporate conduct and ethics, and report to the Board about any operation policies, and plans and supervision on honesty and integrity and prevention of dishonesty on a regular basis (at least once a year)?	✓		The Human Resource Development Center is responsible for the establishment of business integrity policy and prevention measures, whereas the internal audit function is responsible for supervising execution of such policy and measures. The internal audit function conducts random audits on compliance status within the Company, and produces audit reports for review by the Board of Directors. 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?	✓		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 established effective accounting and internal control systems for the implementation of policies, prepared audit plans according to the evaluation result of dishonesty risks, and audit such execution and compliance, or hire external auditors to audit such execution and compliance?	✓		The Group has established an effective accounting system and internal control system for operating procedures that are potentially at high risk of dishonesty behaviors. The internal audit also conducts various audits based on the annual audit plan prepared by the risk assessment results. The implementation of the audit plan and follow-up improvement plans are reported the Audit Committee and the Board to ensure the effectiveness of audit implementation. In addition, through the annual corporate internal control self-assessment, all departments and subsidiaries of the Company must self-examine the effectiveness of the design and implementation of the internal control system.	
(V) Does the Company organize internal or external training on a regular basis to maintain business integrity?	✓		In order to implement the concept of business integrity, the Company has, on its internal and external official websites, strengthened the policy that all employees must complete online courses including the “Integrity Code of Conduct”, “Employee Code of Conduct”, “Anti-corruption Policy”, and “Prohibition of Insider Trading”. Through announcements and reminders, the Company ensures that employees understand the Company's emphasis on ethics and implement the spirit of integrity in daily work.	
III. Reporting of misconducts (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?	✓		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,	Compliant with the rationale and practices of “Ethical Corporate Management Best Practice Principles for TWSE/

Assessment criteria	Status of implementation			Discrepancy from Ethic Corporate Management Best Practice Principles for TWSE/GTSM-listed Principles and the reasons
	Yes	No	Summary	
			while the internal audit function is assigned to handle and investigate reported cases.	GTSM listed Companies.”
(II) Has the Company established standard operating procedures for investigations on reports, follow-up measures to be taken after the investigation is completed, and related confidentiality mechanisms?	✓		The Company has standard procedures in place to accept and investigate reported misconducts. The procedures call for an investigation panel to investigate and discipline wrongdoers, while at the same time introduce a confidentiality system that ensures confidentiality of the investigation process and safekeeping of audit-related documents.	
(III) Has the Company provided proper whistleblower protection?	✓		In order to protect the safety of the whistleblowers, the whistleblower or related documents are kept strictly confidential, to prevent the whistleblowers from being retaliated against, and also to establish a competent whistleblower system, so that no whistleblowers shall be treated unfavorably.	
IV. Increasing disclosure of information Does the Company have the contents of corporate management and its implementation disclosed on the website and MOPS?	✓		The Company has established “Integrity Code of Conduct” and published onto its website and at the “Corporate Governance” section of MOPS. Implementation progress of the Integrity Code of Conduct is disclosed in annual reports.	Compliant with the rationale and practices of “Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed Companies.”
V. If the Company has established business integrity policies in accordance with “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies,” please describe its current practices and any deviations from the Best Practice Principles: The Company has implemented Integrity Code of Conduct, which conforms to the rationality and practices of “Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed Companies.”				
VI. Other information relevant to understanding the Company’s business integrity (e.g., reviews of business integrity principles): The Board has approved the amendments to the “Integrity Code of Conduct” on Nov. 7, 2019, in compliance to the regulations of the competent authority and the needs of practical operations.				

(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 the understand pursuit of corporate governance better: None.

- (X) The implementation of the internal control system:
1. Statement of Declaration of Internal Control:

MiTAC Holdings Corporation

Statement of Declaration of Internal Control

Date: Feb. 27, 2020

Based on the findings of a self-assessment, MiTAC Holdings Corporation states the following with regard to its internal control system during the year 2019:

- 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. Any internal control system has its inherent limitations. No matter how well an internal control system is designed, it can only provide reasonable assurance regarding the achievement of the above three objectives. Moreover, the effectiveness of an internal control system may be altered as a result of changes in the 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. Based on the findings of such evaluation, the Company believes that, on December 31, 2019, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
- 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 27, 2020 with presence of 10 directors.

MiTAC Holdings Corporation

Chairman: Miao, Matthew Feng Chiang

Present: Ho, Jhi-Wu

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

- (XI) The punishments received by the Company and its internal personnel in accordance with laws, 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, where the result of such penalty could have a material effect on shareholder equity or securities prices: 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
May. 30, 2019	1. Ratification of the Business Report and Financial Statements of 2018.	Voted and approved as proposed	Act in accordance with the resolution.
	2. Ratification of the proposal for distribution of earnings in 2018. Shareholders' dividends: cash dividends at NT\$1.5 per share. Shareholders' dividends: Stock dividend NT\$1.5 per share	Voted and approved as proposed	Set Sep. 3, 2019 as the cash dividend distribution basis date, the basis date for new share issue through capitalization of earnings, and shares distribution basis date. Cash dividends were distributed on Sep. 25, 2019.
	3. Discussion on new share issue through capitalization of earnings	Voted and approved as proposed	
	4. Discussion on partially amending the "Articles of Incorporation"	Voted and approved as proposed	The amendments were made and registered in June 2019, and the Company is operated in accordance with the amended "Articles of Incorporation."
	5. Amendment to the "Procedure for the Acquisition and Disposition of Assets", "Procedure for Derivative Trade", "Procedures for Loaning Funds to Others", "Procedures for Endorsements/Guarantees" and "Procedures for Election of Directors and Supervisors".	Voted and approved as proposed	Matters shall be handled in accordance with the amended versions of "Procedure for the Acquisition and Disposition of Assets", "Procedure for Derivative Trade", "Procedures for Loaning Funds to Others", "Procedures for Endorsements/Guarantees" and "Procedures for Election of Directors and Supervisors".
	6. Adoption of the election of all Directors of the Company	10 Directors were elected. (Incl. 3 Independent Directors)	Act in accordance with the election result with term of 3 years.
	7. Discussion on releasing the Directors from non-competing restrictions.	Voted and approved as proposed	Act in accordance with the resolution

2. Board of Directors

Date of	Term	Important resolutions
Jan. 22, 2019	2 nd Board 17 th Meeting	1. Passed the motion of remuneration to Directors and Supervisors in 2018 amounting to NT\$3.6 million.
		2. Passed the motion of the discharge of the previous financing limit to MiTAC Digital Technology Corporation amounting to NT\$1 billion before maturity and granted an additional financing limit of NT\$1 billion.
Feb. 26, 2019	2 nd Board 18 th Meeting	1. Passed the motion of remuneration to employees in 2018 amounting to NT\$3,313 thousand.
		2. Ratified the financial statements of 2018.
		3. Passed the proposal for distribution of earnings in 2018. Shareholder dividend: cash dividend at NT\$1.50/share and stock dividend at

Date of	Term	Important resolutions
		NT\$1.50/share.
		4. Passed to capitalize earnings into share capital against issuance of 140,515,154 new common shares.
		5. Passed the motion of amendment to the Articles of Incorporation in part.
		6. Passed the amendments to the various Procedures of the Company
		7. Passed the proposal of the election of all Directors of the Company
		8. Passed the proposal of the nomination of Director and Independent Directors candidates
		9. Passed releasing the prohibition on directors from participation in competitive business.
		10. Passed the motion of the date for the regular session of the Shareholders' Meeting in 2019 and the cause of the session.
		11. Additional motion of the appointment of the members for the Remuneration Committee of The Company - Tsai, Ching-Yen (due to the resignation of the then Remuneration Committee member, Yeh, Kuang-Shih)
		12. Passed the proposal of the discharge of the previous financing limit to MiTAC International Corp. amounting to NT\$2 billion before maturity and granted an additional financing limit of NT\$2 billion.
May. 09, 2019	2 nd Board 19 th Meeting	Passed the additional budgeting for the East China Corporate HQ construction project of MiTAC Information Systems (KunShan) Co., Ltd., a subsidiary of MiTAC International Corp.
May. 30, 2019	3 rd Board 1 st Meeting	1. Passed the election of Chairman.
		2. Passed the appointment of member of Compensation Committee of the Company.

Date of meeting	Term	Important resolutions
Aug. 12, 2019	3 rd Board 2 nd Meeting	1. Set Sep. 3, 2019 as the cash dividend distribution basis date, the basis date for new share issue through capitalization of earnings, and shares distribution basis date.
		2. Establishment of position of Chief Corporate Governance Officer served by Crystal Yang, and the releasing of prohibition on managers from participation in competitive business.
Nov. 07, 2019	3 rd Board 3 rd Meeting	Passed the disposal of land use right and building of MiTAC Computer (Shunde) Ltd. in Shunde District, Foshan City, China - a subsidiary of the Company's subsidiary, MiTAC International Corp.
Jan. 21, 2020	3 rd Board 4 th Meeting	Passed the motion of remuneration to Directors in 2019 amounting to NT\$4.8 million.
Feb. 27, 2020	3 rd Board 5 th Meeting	1. Passed the motion of remuneration to employees in 2019 amounting to NT\$2,859 thousand.
		2. Ratified the financial statements of 2019.
		3. Passed the proposal for distribution of earnings in 2019. Shareholder dividend: cash dividend at NT\$1.00/share and stock dividend at NT\$1.20/share.
		4. Passed to capitalize earnings into share capital against issuance of 129,273,942 new common shares.
		5. To cope with the internal transfer within the financial statement accounting firm, the Board passed the resolution that starting 2020 Q1, the certified public accountants of PwC Taiwan would be changed from Wen, Fang-Yu and Cheng, Ya-Huei to Lin, Yu-Kuan and Cheng, Ya-Huei and evaluated that certified public accountants meet the criteria of independence and eligibility.
		6. Passed to change internal audit officer of the Company.
		7. Passed a loan of NT\$3 billion to the subsidiary - MiTAC Computing Technology Corporation
		8. Passed the partial amendment to "Procedures for Loaning Funds to Others", "Procedures for Endorsements/Guarantees" and "Rules of Procedure for Shareholders Meeting"..
		9. Passed the motion of the date for the regular session of the Shareholders' Meeting in 2020 and the cause of the session.

(XIII) A director 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 or dismissal of the company's chairman, president, accounting manager(s), financial manager(s), internal audit manager(s), corporate governance manager(s) and R&D manager(s) during the most recent FY or as of the date on which the annual report was printed:

Apr. 15, 2020

TITLE	NAME	DATE OF ASSUMING OFFICE	DATE OF RESIGNATION OR REMOVAL FROM OFFICE	REASON FOR RESIGNATION OR REMOVAL FROM OFFICE
Internal audit officer	Chien, Chih-Hung	Jan. 18, 2017	Feb. 27, 2020	Personnel change

V. Information of CPA Regarding Fee

Range of Information Regarding Fee

Name of CPA firm	Name of CPA		CPA auditing period	Remarks
Pricewaterhouse Coopers	Wen, Fang-Yu	Cheng, Ya-Huei	Jan. 1, 2019 - Dec. 31, 2019	

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\$130 thousand and was incurred from 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 ten percent or more, the amount by which the fees decreased, the proportional decrease, and the reasons therefor shall be disclosed: None.

VI. Information for changing CPA

(I) Ex-CPA

Date of change	February 27, 2020		
Reason and description for the change	To cope with the internal transfer within the accounting firm, starting 2020 Q1, the CPAs of PwC Taiwan would be changed from Wen Fang-Yu and Cheng, Ya-Huei to Lin, Yu-Kuan and Cheng, Ya-Huei		
Description is that the appointer or CPA terminates or refuse appointment.	Participants	CPA	Appointer
	Circumstance		
	Voluntarily terminate appointment	Not applicable	Not applicable
	Appointment is no longer accepted (continued)	Not applicable	Not applicable

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

(II) About the successor CPA

Name of CPA firm	Pricewaterhouse Coopers
Name of CPA	Lin, Yu-Kuan, Cheng, Ya-Huei
Date of appointment	February 27, 2020
Inquired with such accountant about the accounting treatment method of a specific transaction or the applicable accounting principle and his/her possible opinion on the financial report before appointment	NA
Written opinion of the successor certified public accountant in connection with any discrepancy of opinion between him/her and the former CPA	NA

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

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

VIII. Any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10

percent during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report

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

Title	Name	2019		As of Mar. 30, 2020	
		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	Miau, Matthew Feng Chiang	1,480,472 (480,000)	0	0	0
Director and President	Ho, Jhi-Wu	362,300 (70,000)	0	(120,000)	0
Director	Chiao, Yu-Cheng		0	0	0
Director	UPC Technology Corp.	11,622,973	0	0	0
	Rep: Way, Yung-Do	0	0	0	0
	Rep: Chang, Kwang-Cheng	0	0	0	0
Director	MiTAC Inc.	10,979,940	0	0	0
	Rep: Hsu, Tzu-Hwa	0	0	0	0
	Rep: Su, Liang	0	0	0	0
Independent Director	Lu, Shyude-Ching	0	0	0	0
Independent Director	Ma, Shaw-Hsiang	0	0	0	0
Independent Director	Tsai, Ching-Yen (Date on board: May 30, 2019)	0	0	0	0
Vice President and head of finance	Huang, Hsiu-Ling	63,235 (110,000)	0	(45,000)	0
Chief Corporate Governance Officer	Crystal Yang (Date on board: Aug. 12, 2019)	0	0	0	0
Supervisor	Lien Hwa Industrial holdings Corp. Rep: Su, Liang (Date of discharge: Apr. 17, 2019)	0	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.

Mar. 30, 2020

Name	Shares held in own name		Shares currently held by spouse or dependents		Shares held in the names of others		Disclosure of names and relationships between the top ten shareholders including spouses, 2nd tier relatives or closer, or the relationships		Note
	Shares held	Percentage	Shares held	Percentage	Shares held	Percentage	Name	Relationship	
UPC Technology Corp. Rep: Miao, Matthew Feng Chiang	89,109,463	8.27%	0	0.00%	0	0.00%	MiTAC Inc.	Common chairman	
							Lien Hwa Industrial Holdings Corp.	Common chairman	
							Miao, Matthew Feng Chiang	The chairman of this company	
MiTAC Inc. Rep: Miao, Matthew Feng Chiang	84,179,546	7.81%	0	0.00%	0	0.00%	UPC Technology Corp.	Common chairman	
							Lien Hwa Industrial Holdings Corp.	Common chairman	
							Miao, Matthew Feng Chiang	The chairman of this company	
Lien Hwa Industrial Holdings Corp. Rep: Miao, Matthew Feng Chiang	76,733,879	7.12%	0	0.00%	0	0.00%	UPC Technology Corp.	Common chairman	
							MiTAC Inc.	Common chairman	
							Miao, Matthew Feng Chiang	The chairman of this company	
Mei An Investment Corp. Rep: Hsu, Ai-Chen	24,873,559	2.31%	0	0.00%	0	0.00%	Miao, Matthew Feng Chiang	Spouse of the chairman of this company	
Fubon Life Insurance Co., Ltd. Rep: Tsai, Ming-Hsing	20,970,483	1.95%	0	0.00%	0	0.00%	NA	NA	
Mercuries Life Insurance Rep: Chen, Hsiang-Chieh	20,176,000	1.87%	0	0.00%	0	0.00%	NA	NA	
JPMorgan Chase Bank entrusted for custody to Vanguard Total International Stock Index Fund	14,569,259	1.35%	0	0.00%	0	0.00%	NA	NA	
JPMorgan Chase Bank N.A. Taipei Branch entrusted for custody to Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	12,178,539	1.13%	0	0.00%	0	0.00%	NA	NA	
Investment account of Norges Bank entrusted for custody to Citibank Taiwan	11,969,706	1.11%	0	0.00%	0	0.00%	NA	NA	
Miao, Matthew Feng Chiang	10,870,287	1.01%	0	0.00%	0	0.00%	UPC Technology Corp.	The chairman of this company	
							MiTAC Inc.	The chairman of this company	
							Lien Hwa Industrial Holdings Corp.	The chairman of this company	
							Mei An Investment Corp.	Spouse of the chairman of this company	

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

Apr. 15, 2020; unit: share; %

Investee (Note)	Holdings of the Company		Holding of directors, managers and enterprises directly or indirectly controlled by the company		Total investment	
	Shares held	Shareholding percentage	Shares held	Shareholding percentage	Shares held	Shareholding percentage
MiTAC Inc.	1,987,021,287	100.00	-	-	1,987,021,287	100.00
MiTAC Computing Technology Corp.	232,757,102	100.00	-	-	232,757,102	100.00
MiTAC Digital Technology Corp.	103,099,000	97.17	826,000	0.78	103,925,000	97.95
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	Issuing 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 (Approval) date and letter no.
Sep. 2019	10	1,500,000,000	15,000,000,000	1,077,282,847	10,772,828,470	Capitalization of earnings of NT\$1,405,151,540.	-	Sep. 23, 2019 Ching-Shou-Shang-Tzi No. 10801131390

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

March 30, 2020; Unit: shares

Share category	Authorized capital			Note
	Outstanding	Unissued shares	Total	
Registered common shares	1,077,282,847	422,717,153	1,500,000,000	Shares of listed companies

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

(II) Composition of shareholders

March 30, 2020; Unit: shares

The composition of Shareholders Qty	Government institutions	Financial institutions	Other institutions	QFII	Individual	Treasury Stock	Total
Number of persons	3	24	279	387	103,838	0	104,531
Qty of shareholding	116	65,055,857	351,143,378	198,455,958	462,627,538	0	1,077,282,847
Percentage	0.00%	6.04%	32.60%	18.42%	42.94%	0.00%	100.00%

(III) Diversification of Shareholding

1. Common shares

Mar. 30, 2020

Level of holding	No. of shareholders	Qty of shareholding	Percentage
1 ~ 999	47,854	11,660,186	1.08%
1,000 ~ 5,000	39,532	88,619,180	8.23%
5,001 ~ 10,000	8,647	64,075,862	5.95%
10,001 ~ 15,000	3,004	37,583,250	3.49%
15,001 ~ 20,000	1,479	26,600,336	2.47%
20,001 ~ 30,000	1,510	37,549,855	3.49%
30,001 ~ 40,000	625	21,971,240	2.04%
40,001 ~ 50,000	420	19,183,600	1.78%
50,001 ~ 100,000	772	55,137,608	5.12%
100,001 ~ 200,000	379	52,434,654	4.87%
200,001 ~ 400,000	154	41,844,670	3.88%
400,001 ~ 600,000	43	21,541,635	2.00%

Level of holding	No. of shareholders	Qty of shareholding	Percentage
600,001 ~ 800,000	19	13,177,930	1.22%
800,001 ~ 1,000,000	18	16,518,830	1.53%
More than 1,000,001 shares	75	569,384,011	52.85%
Total	104,531	1,077,282,847	100.00%

2. Preferred stocks: None.

(IV) List of major shareholders

March 30, 2020; Unit: shares

Name of major shareholder	Shareholding	Qty of shareholding	Percentage of shareholding (%)
UPC Technology Corp.		89,109,463	8.27%
MiTAC Inc.		84,179,546	7.81%
Lien Hwa Industrial holdings Corp.		76,733,879	7.12%
Mei An Investment Corp.		24,873,559	2.31%
Fubon Life Insurance Co., Ltd.		20,970,483	1.95%
Mercuries Life Insurance		20,176,000	1.87%
JPMorgan Chase Bank entrusted for custody to Vanguard Total International Stock Index Fund		14,569,259	1.35%
JPMorgan Chase Bank N.A. Taipei Branch entrusted for custody to Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds		12,178,539	1.13%
Investment account of Norges Bank entrusted for custody to Citibank Taiwan		11,969,706	1.11%
Miau, Matthew Feng Chiang		10,870,287	1.01%

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

Item \ Year		2018		2019		As of Apr. 15, 2020 (Note 5)
		Before adjustment	After adjustment	Before adjustment	After adjustment	
Market price per share	Highest	35.90	30.13	32.70	27.13	36.00
	Lowest	23.40	23.40	23.90	19.48	23.25
	Average	30.97		28.99		31.05
Net worth per share	Before distribution	40.96		37.21		-
	After distribution	34.23		32.26 (Note 1)		-
EPS	Weighted average shares (thousand shares)	920,166	1,058,191	1,061,382	1,188,748 (Note 1)	-
	EPS	3.58	3.11	2.65	2.37 (Note 1)	-
Dividend per share	Cash dividend	1.50		1.00		-
	Stock dividend	Shares obtained from retained earnings 1.50		1.20 (Note 1)		-

	Shares obtained from capitalizat ion of surplus	-	-	-
	Accumulated unpaid dividend	-	-	-
Analysis of ROI	PE (Note 2)	8.69	11.03	-
	PD (Note 3)	20.75	29.23	-
	Cash dividend yield % (Note 4)	4.82%	3.42%	-

Note 1: The proposal for distribution of earnings in 2019 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: Net worth per share and earnings per share should be based on auditor-reviewed data as at the latest quarter before the publication date of this annual report. For all other fields, calculations should be based on data as at the end of their respective years.

(VI) Dividend policy and its implementation

1. Dividend policy stipulated in Articles of Incorporation:

When allocating the earnings, the Company shall first estimate and reserve the taxes to be paid, offset its losses, set aside a legal capital reserve at 10% of the remaining earnings, and allocate reverse special reserve pursuant to relevant laws and regulations. If there is a surplus, the balance and the accumulated undistributed surplus will be determined by the Board for distribution. In circumstances of distributing in forms of issuance of new shares, such matter shall be first submitted to the Shareholders' Meeting for resolution before distribution. In circumstances of distributing in form of cash, pursuant to Paragraph 5, Article 240 of the Company Act, the distribution shall be determined by a majority of the Directors at a meeting attended by two-thirds or more of the total number of Directors, and then reported to the Shareholders' 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%.

The Company may distribute all or part of the legal reserve and capital reserve stipulated by Article 241 of the Company Act in form of cash and report to the Shareholders' Meeting, after such matter has been determined by a majority of the Directors at a meeting attended by two-thirds or more of the total number of Directors.

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

Under the above principle, the Company set Feb. 27, 2020 as the dividend day. Cash dividend amounting to NT\$1.00/share may be distributed after the Board resolution pursuant to the Company Act and the Company's Article of Incorporation. In addition, stock dividend shall amount to NT\$1.20/share, and will be presented to the regular session of the Shareholders' Meeting dated May 28, 2020 for ratification.

4. Anticipated significant changes in dividend policy: none.

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

Item		Year	2020 (Projected)
Opening paid-up capital (NTD thousands)			10,772,829
Dividends for the current year	Cash dividends per share (NT\$)		1.00
	Stock dividends per share (from capitalization of earnings) (shares)		0.12
	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	
		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 2020.

(VIII) Employees'/Directors'/Supervisors' remuneration

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

Annual profits concluded by the Company (i.e. pre-tax profit before distribution of employees'/Directors' 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 controlling or affiliated companies that satisfy certain criteria. This certain criteria may be determined under the Chairman's authority.

2. Basis of calculation for employees'/Directors'/Supervisors' remuneration and share-based remuneration; and accounting treatments for any discrepancies between the amounts estimated and the amounts paid:

- (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 and Directors as remuneration to employees in 2019. The estimation of the remuneration to

Directors shall be based on the expected amount of payment.

- (2) Basis of estimation for share-based employee remuneration: The number of shares to be paid as employee remuneration was determined based on the closing price one day before the board resolution date, after taking into consideration the effects of stock and cash dividends.
 - (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 remuneration employee and director/supervisor 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\$2,859 thousand as remuneration to employees and NT\$4,800 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 2019.
4. Actual payment of employees'/Directors'/Supervisors' remuneration in the previous year (including the number of shares allocated, the sum of cash paid, and the price at which shares were issued), and any differences from the figures estimated (explain the amount, the cause, and treatment of such discrepancies):

	The actual distribution of amount in cash
Remuneration to employee	3,313 thousand
Director/supervisor	3,600 thousand

Note: The actual distribution and the recognized remuneration to employee and director/supervisor is consistent.

(IX) Buy-back of the Company's shares by the company: None.

II. Issuance of corporate bonds: None.

III. The issuance of preferred shares: None

IV. The issuance of GDR: None

V. Status of employee stock option certificates: 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 funds allocation plan: None.

Five. Operation Overview

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

I. Business Activities:

(I) Scope of business

1. Principal business activities

- (1) Cloud computing products: General-purpose server / workstation product series, including Intel (Intel) and AMD / AMD single / dual / quad servers / workstations using x86 architecture, high-density servers using ARM architecture, and customized server / workstation complete platform, storage system, network and server system developed and produced for project customers. In response to the development trend of artificial intelligence applications, the Company focuses on the development of high-performance computing computers (HPC servers); in response to the increasing demand for edge computing, proposed an open EDGE server solution that meets industry standards. At the same time, the Company also provides RSD and assembly services for the needs of large data centers, integrated computing, network and optimized storage solutions. With the increasing demand for 5G and edge computing, the Company is also actively investing in high-performance, low-latency, and small-size edge computing servers. In response to the trend of open design architecture, MiTAC Computing Technology Corporation is committed to contributing more Open Computer Project (OCP)-compliant design coverage after becoming a platinum member of Open Computer Project (OCP). Such designs include: Racks, servers, storage, software and hardware integration solutions for telecommunications equipment rooms (CORD; Central Office Re-Structure as Datacenter). In addition, in the aspect of industrial automation and IoT applications, the Company provides All-In-One Panel PC, Mini PC, POS systems, embedded industrial Panel PC, barebone systems (BOX PC) and embedded motherboard product series, which meet the needs of diverse applications.
- (2) Mobile communication products: Including telematics products (i.e. in-car navigation, audio amplifier), consumer electronics (i.e. portable navigation device (PND), GPS-enabled digital drive recorder), enterprise electronics (i.e. fleet communication/navigation devices, industrial-use tablets), wellness wearable wristbands, smart navigation and cloud-based services.

2. Business distribution

Unit: In thousands of New Taiwan Dollars

Year	2019	Ratio (%)
Products		
Computer & communication	35,831,960	100.00

3. Major products and new products or technology under planning

- (1) Cloud computing product
 - Data center server

- Data center storage server
- Standard rack-mounted servers
- Enterprise high availability storage systems
- High Performance Computing (HPC) Server
- Open computer project (OCP) architecture and open edge server
- RSD and assembly services of integrated computing / network / storage solutions
- Smart store application product series (self-checkout system, artificial intelligence recognition device)
- Interactive Kiosk/ Kiosk Panel PC
- Intelligent IoT edge computing gateway
- Industrial Panel PC
- Wide temperature and pressure 3.5/2.5” main board for industrial use
- Industrial/medical use COM Express motherboard module
- Quasi system (Box PC) for railway transport use (IEC50155).

(2) Mobile communication product

- 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 addition, with the popularization of high-speed computing computers (HPC & GPU server) and 5G transmission used in artificial intelligence model training computation, the demand for high-performance, low-latency edge computing servers has also begun to emerge.

In the server market where Intel x86 is identified as the mainstream item, every Intel new CPU launch will drive a wave of server upgrade needs. The main competitor AMD bites into the mainstream market with its advantage in 7 nanometer process. The AMD EPYC processor consists of up to 64 computing cores, 8 sets of memory channels, and supports high-speed PCI Express 4.0 and other advanced technologies. It has gained its popularity among large data center

customers with strong product cost performance. In addition, due to the increasing diversity and maturity of AI and machine learning applications, related projects have also boosted the demand for high-performance computing servers (HPC). In data center applications that emphasize energy saving and high-density computing, besides the use of product architecture of standard rack-mount unit, OPC server is also gradually adopted in areas outside of the ultra-large data center, and is becoming a new option for building a data center. In recent years, because of the new business opportunities brought by 5G, OCP is also widely used in the soft-and hard-ware integration solutions in telecommunication facilities (CORD; Central Office Re-Structure as Datacenter) and open edge server.

Large data center customers focus on the optimization of total cost of ownership (TCO). Although the products are highly customized, the design still follows the specifications of mainstream products. In addition to the demand for system stability, availability, user-friendliness, easy management and maintenance, energy efficiency has become the main focus. In terms of logistics, large data center customers reduce the overall cost through direct orders from ODM, resulting in the growth of shipments through ODM Direct. Small and medium-sized data center firms use standard products for limited customization, and then reduce the overall cost of ownership through cluster-level building design and assembly services of integrated computing / network / storage solutions provided by the ODMs.

On the other hand, with the popularization of IoT issues and applications, the industrial computer field has changed from the previous niche field to the current high-growth and profitable market that continues to grow at a steady rate of 10% every year, covering a wide range of fields. Applications include retail, medical, military, transportation, gaming, aerospace, factory automation, and energy. The market is mostly concentrated in Europe, the United States and Japan, and the willingness of enterprises to introduce industrial tablet PC solutions is also increasing..

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 automation of POS has become the major trend. There have been many business opportunities and applications developed for POS systems in areas such as self-service ordering at restaurants, self-service checkout at retail stores. According to studies by international research and consultancy institutions, there will be increasing demands for POS systems to incorporate mobile payment features.

For tablets above 10-inch of size, Windows OS from Microsoft has been the dominant operating system in the market. But with its free licensing and the advantages of high-level customization, Android has rapidly risen in emerging markets and applications, such as warehouse 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 IoV positioning or autonomous driving system, have been developed as well. The above products are combined with the Company's existing cloud software and hardware services to provide customers with overall solutions. Through the

combination of GPS technology and IoT products, we will work with customers toward this new industry.

2. Association between upstream, midstream, and downstream industry participants
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.

Main chips	<div>Application processors</div> <div>Graphic ICs</div> <div>Power management ICs</div> <div>Wireless communication ICs</div> <div>Panel driver ICs</div> <div>PC peripheral ICs</div> <div>Touch control ICs</div> <div>RFID ICs</div>
Components	<div>Memory</div> <div>Touch panel</div> <div>Lens</div> <div>Antenna</div> <div>Battery</div> <div>PCB</div> <div>Connectors</div> <div>Passive components</div> <div>Hard disk</div> <div>Casing</div> <div>Thermal module</div> <div>Fan</div> <div>Disk array</div> <div>Power supply unit</div> <div>Acoustic component</div> <div>Active component</div> <div>Cables, solder paste</div>
Assembly, design and manufacturing	<div>Embedded</div> <div>Servers</div> <div>PND</div> <div>Tablet PCs</div> <div>Wearable devices</div>

3. Development trends and degree of competition for our products

- (1) Cloud computing products:

Standard rack-mount servers are still the mainstream. It adopts the Intel / AMD x86 architecture, and meets various markets (such as small and medium-sized enterprises, large multinational enterprises and large cloud data center operators) through integration of different hardware specifications and corresponding software (including operating systems, virtualization software, and various application software). The technology is becoming relatively well-developed. With the large number of ODM firms, differentiation strategy emerged as the vital issue for all R&D designers. The OCP server, which emphasizes high-density computing and high energy efficiency, is favored in ultra-large data centers. With the development trend of the 5G mobile communication technology, major telecommunications operators have also begun to deploy OCP products as vRAN base stations.

With the evolution of software technical specifications, data storage is no longer limited to the traditional mechanism of providing data protection through RAID cards. Instead, it provides a low-cost, high-efficiency, high-availability, and easily expandable storage structure through software-defined methods. The demand for storage servers has therefore gradually emerged. Customers can install the distributed file system on the idle server hardware, and then quickly re-purpose it as a storage server to provide huge data storage. Traditional enterprise storage devices emphasize on the high availability of data and the device itself. The design of dual SAS controllers and dual-port SAS hard drives are used to provide enterprise

users with stable data access requirements. With the significant increase in data volume and the evolution of storage medium technology, enterprise storage equipment has gradually moved from SAS to NVMe which is based on PCI Express technology. This has not only reduced the overhead of storage protocol conversion, but also greatly improved the overall data throughput and access performance.

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: Focuses on the three major areas which are automotive electronics, smart networking, and professional tablets. The main automotive electronic products include driving recorders, advanced driving assistance systems, navigation software and hardware solutions, and outdoor entertainment navigation. In addition to the continuous evolution of image resolution and night vision sensitivity, the driving recorder combines advanced driving assistance systems (such as front-vehicle collision, lane shift, fatigue driving, pedestrian collision, front-vehicle start reminder), GPS speed camera detection, blind spot detection, anti-theft and other functions, in aim to further enhance driving safety. In addition, the WIFI connection function can quickly send images to the cloud storage, provide instant information and assist remote control. The navigation software and hardware solution is integrated with GPS, WIFI, Bluetooth and other functions, and can also perform route planning and fleet management to meet the needs of special vehicles, in order to effectively improving driving safety and work efficiency. In addition, the Company has launched bicycle navigation system for outdoor lovers. The product is anti-vibration and waterproof, suitable for outdoor environments, and is equipped with GPS, WIFI, Bluetooth and other functions. The product can plan the riding route, share the route with friends, and upload relevant data to the cloud platform for storage.

Based on IoV, intelligent networking is able to carry out functions ranging from cloud file storage, remote system control, driving behavior analysis (speeding, braking, acceleration, etc.), to smart lighting systems with sensing, tracking, and monitoring functions, and then further extending to intelligent city system construction.

The professional tablet and device management platforms are costumed to the needs of special industries. The products are durable, rugged and waterproof, and with 4G, LTE, WIFI, NFC, Bluetooth and other functions, they can be used in logistics, retail, tourism, medical, industrial and other

fields, to replace the traditional inefficient manual work. This effectively improves work efficiency, reduces costs and improves service quality.

(III) Technology and R&D overview

1. Committed R&D expense

Unit: In thousands of New Taiwan Dollars

Item \ Year	2019
Research and development expense	2,372,124

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, Russia, 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	China	Europe and America
277	337	276

(2) Product development and brand power:

- A. TYAN displayed the Intel Xeon and AMD EPYC processor in the Computex 2019, 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 GPGPU server platform for enterprises and data center at the SC' 19 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: The successor to the Company's

revolutionary personalized navigation service, the SmartGPS technology has been further expanded and applied to SUV and fleets. The improved service not only enables user to receive LBS data and access their personalized navigation data over cloud but also allows fleet managers to coordinate vehicles wirelessly over the cloud system.

- D. ORV (Off-road Recreation Vehicle) SmartECO System: This system not only allows users to receive LBS (location-based service) data but also enables access to personalized navigation data stored on cloud, which can be used to plan recreational routes. It integrates the functionalities of cloud system, smart phone, PC and navigation device.
- E. Connected Car Tablet: Designed exclusively for enterprise customers with vehicle management needs, the tablet has 3G/LTE/BT/WiFi connectivity built in and transmits real-time vehicle data to the cloud in order to achieve communication and interaction between the dispatch center and the driver. These tablets have been tested under more rigorous conditions for vehicle use.
- F. Industrial/medical use COM Express motherboard module: the separate design of motherboard module and serial interface module is suitable for the diversity of flexible design in small quantity. (high technology entrance barrier and high margin market)
- G. The BoxBC for railway transport (IEC50155): the quasisystem PC compatible with the IEC50155 standard for railway transport worldwide can ensure the stable running of computer system for railway transport under changeable and challenging environment and high demand. (high technology entrance barrier and high margin market)
- H. Highly expandable self-service terminal LCD (Kiosk Panel PC): With the rapid growth of retail automation equipment demand, various types of touch models have been launched, breaking through the old design framework, making the system extremely narrow frame and easy expansion and replacement Flexible design of devices (eg MSR, Smart Card Reader, Camera, Barcode Reader).
- I. MiTAC Digital Technology Corporation launched its first dual-lens driving recorder with analog to digital conversion, first radar driving recorder and the first detachable dual-lens driving recorder for motorcycles. In addition, the Company also released 7-inch and 10-inch Android®9.0 system and passed GMS certification of rugged industrial tablet.

J. MiVue series won the following awards in 2019:

Product Name	Region	Media	Award	Logo
MiVue i88	Russia	IT-Expert Magazine	Editor's choice	
MiVue J60	Russia	Najdidevice.ru	Optimal choice	
MiVue J85	Slovakia	PC Revue SK	Editor's tip Product features and video quality	
MiVue 798	UK	Which?	Scord 72% in dashcam pategory	

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

1. Cloud computing product series

- (1) Short-term business development plan: In terms of product strategy, the Company will continue to cooperate with existing customers and chip manufacturers in the development of work stations, servers and storage devices. Demand for servers in China has been growing in recent years. To capture this trend, the Group is actively looking for system integration service providers to cooperate in a long-term relationship, or local firms that can provide cash flows and logistics management to serve customers in a timely manner.
- (2) Long-term business development plan: In terms of product strategy, the Company will continue to develop new server and storage 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 the Group's position as a major ODM/OEM for server systems.

2. Mobile communication product series

(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	2019
Taiwan	827,127
US	17,333,518
Europe	4,565,210
Others	13,106,105
Total	35,831,960

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 2019. With regards to mobile communication products, MiTAC's auto electronic brand ranks firmly among the top 3 in the world.

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

(1) Cloud computing product

The business of cloud data centers continues to grow, and the amount of corporate data is also booming. Therefore, the server and storage market demand for cloud and enterprise is still expected to grow.

With the new market demand for big data analysis and application, AI, IoT and 5G edge computing, the diverse choices of standard architecture and OCP architecture, the 2020 global demand for servers and storage systems still have room for growth. However, on the supply side, it is necessary to continuously observe and the impact of and reponse to the Sino-US trade war and the COVID-19.

In light of increased shipment and declining average sales price, recently major international server firms committed themselves to lower production cost and increase product competitiveness and market share. As a result, energy efficiency and lower cost have become the opportunity for future products of these firms. In the future, computing will be converged at the server and energy efficiency will be the rule. Customers will appeal to low energy consumption or high-performance of the server. TYAN brand will launch different models of x86 servers, from basic to advanced levels. All will be equipped with the latest 14nm process of multi-core, multi-thread technology and support the DDR4 in running. Some products could also support advanced GPU. The Group is professed to work in cooperation with the customers in full effort, and will provide better service for professional IT personnel. Continued effort will be made in innovation for developing solutions with flexibility, reliability, high performance, high utility and low cost in operation to help the customers installing an ideal IT infrastructure. This is the optimal feedback to the changeable commercial environment and opportunities for the enterprises. Therefore, MiTAC has suitable products for the computer facilities of general enterprises, big computing center, datacenters, and cloud computing centers, public construction and government tender offers.

(2) Mobile communication product

As cloud computing grows, more smart features are needed, which in turn contributes to the rapid development of smart terminal devices. Whether

they are 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-dollar 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 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 computer , MiTAC will continue to form strategic alliance with international leading firms for joint development of market. MiTAC has strong capacity in differentiated innovative design, research and development, production and manufacturing integration in GPS market, and is the leader in launching different models of GPS communication products. The Company has also invested in MDM (Mobile Device Management) software development to provide faster and complete services for software integration partners.

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. 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:

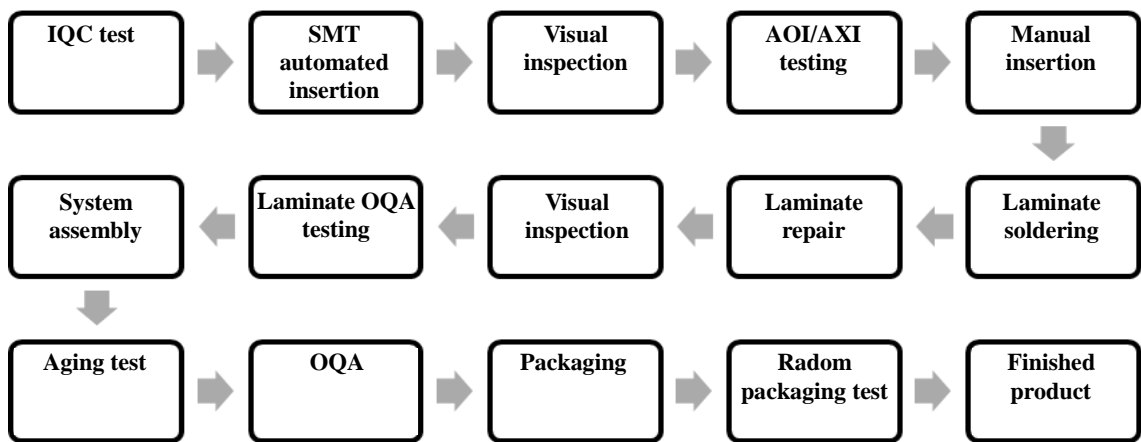
- (a) Improve the integration between PNDs and on-board information application. Differentiate our PNDs from smart phones with GPS functions.
 - (b) Emphasize R&D and innovation. Improve our result from R&D. Reduce product development cycle. Maintain our ability to launch new products. In addition, we 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) Modularized design, compress the lead-time for development of new products and customized products.
 - (b) Continue the development of high-level integrative solution with equal weight in hardware and software research and development.
 - (c) Global marketing in a wide array of business mode
 - (d) Launch a total solution for enhancing added value. Acquire Domain Knowledge of the industry for continued development of leading brands in technologies.
 - (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	Vehicle-mounted GPS audiovisual system, 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	Satisfactory
Image sensor	Original manufacturers: USA, Japan, Taiwan	Good
HDD	Original manufacturers: USA, Japan, Thailand	Good
SD card	Original manufacturers: Taiwan, Korea	Satisfactory
DRAM	Original manufacturers: Taiwan, USA, Korea, China	Good
Flash	Original manufacturers: Taiwan, USA, Japan, Korea, China	Good
PCB	Original manufacturers: Taiwan, USA, China, Korea	Good
Connector	Original manufacturers: USA, Japan, Taiwan, Korea, China	Good
LCD	Original manufacturers: Taiwan, Korea, Japan, China	Good
LAN	Original manufacturers: Taiwan, USA	Good
Camera Module	Original manufacturers: Taiwan, China	Good
Battery Pack	Original manufacturers: Taiwan, Japan, China, Korea	Good
Speaker	Original manufacturers: Taiwan, China	Good
PCI Card	Original manufacturers: Europe, USA	Good

Component name	Origin	Supply status
Charger	Original manufacturers: Taiwan, China	Good
PSU	Original manufacturers: USA, China, Thailand	Satisfactory
Motor	Original manufacturers: Taiwan, China	Good
Chassis	Original manufacturers: Taiwan, China	Good

(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 amount of purchase, the proportion, the reason for the changes:

In thousands of New Taiwan Dollars

Item	2018				2019			
	Name	Amount	Ratio to net annual purchase (%)	Relation with the issuer	Name	Amount	Ratio to net annual purchase (%)	Relation with the issuer
1	Supplier A	2,815,944	11	None	Supplier A	1,970,898	6	None
2	Others	23,414,155	89		Others	29,944,905	94	
	Net purchase	26,230,099	100		Net purchase	31,915,803	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 amount of purchase, the proportion, the reason for the changes:

In thousands of New Taiwan Dollars

Item	2018				2019			
	Name	Amount	Ratio to net annual sales (%)	Relation with the issuer	Name	Amount	Ratio to net annual sales (%)	Relation with the issuer
1	Customer A	9,258,013	30	None	Customer A	5,355,068	15	None
2	Customer B	63,474	0	None	Customer B	5,321,094	15	None
3	Customer C	1,998,484	7	None	Customer C	4,349,024	12	None
4	Customer D	2,476,467	8	None	Customer D	3,781,545	11	None
5	Others	16,955,381	55		Others	17,025,229	47	
	Net sales	30,751,819	100		Net sales	35,831,960	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 & value Main items	Year	2018			2019		
		Capacity	Volume	Value	Capacity	Volume	Value
Computer & communication products		33,468,841	25,227,014	26,230,099	52,718,623	44,424,933	31,915,803

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

In thousands of New Taiwan Dollars/ unit

Sales volume & value Main items	Year	2018				2019			
		Domestic sales		Export		Domestic sales		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Computer & communication products		307,755	815,400	25,584,191	29,936,419	297,467	827,127	44,235,672	35,004,833

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

Year		2018	2019	As of Mar. 31, 2020
Number of employees	Direct Labor	3,233	3,654	3,673
	Indirect Labor	3,708	3,979	4,046
	Total	6,941	7,633	7,713
Average age		30.51	32.65	33.96
Average years of service		5.21	5.74	6.39
Education levels (%)	Ph.D.	0.41	0.16	0.17
	Master's degree	12.61	9.80	10.95
	College	37.26	40.08	44.56
	Senior High School	35.83	37.07	32.33
	Schools at the Senior Secondary Level and Below	13.90	12.89	11.99

IV. Environmental Expenditure 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:

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.

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 headquarters in Taiwan. The buildings of the headquarters 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 2019, with new statistics on environmental protection expenditure covered as follows:
 - Environmental costs associated with the Company's operations (direct cost) amounted to NT\$ 27,862,005, 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\$ 3,265,424. 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\$ 3,007,893, which included R&D expenses (for studies on the mitigation/control of environmental impacts), social activity expenses (i.e., sponsoring environmental organizations, promotion of environmental information and so forth), taxes (i.e., energy levies) and other expenses (i.e., water treatment expenses).
 - Losses (including damage compensations) and fines incurred due to pollution of environment in the year of report up until the publication date of this annual report: The Company has not incurred any losses (including damage compensations) or fines due to environmental pollution; hence the sum is zero.

V. Employer and employee relationships

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

(I) Communication and inspiration

1. Communication

MiTAC routinely organizes a general assembly, management meetings and employee satisfaction surveys. An employee relations unit has been created within the Human Resource Department, where dedicated personnel are assigned to implement employee care measures and communication 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 the meeting across the company or office area, and to reduce the risk of travel to and from the office areas, MiTAC has spent nearly NT\$10 million to install video-conferencing equipment in 9 offices including Taiwan, China, USA, and UK. This advanced equipment delivers high image quality and stable audio stream, which enhances the efficiency of conferences and minimizes the need to have employees travel between office locations. Meanwhile, MiTAC employees are able to learn the Company's business performance and latest product information through internal channels such as intranet, monthly/quarterly publications, and the general assembly. Together, these measures ensure the completeness of internal communication within the Company.

2. Inspiration

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

- Employee of the year award: Winners of this award are commended personally by the President during the year-end gathering; in addition, the Company prepares commendation letters and offers bonuses and extra leaves as a show of gratitude to employees and their families.
- Department/individual patent award: This award is intended to encourage employees in creating patents that are relevant to their jobs. Incentives are provided from proposal, application to approval stage of a patent application; at the end of each year, departments and individuals are assessed for the patents created, and those who exhibit outstanding performance are commended with department/individual awards.
- Long-term service award: As an appreciation for employees' long-time contribution and commitment to the Company, senior employees with 5, 10, 15, 20, 25, and 30-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. On the other hand, when employees are injured in an accident and became unable to maintain their families, or lost their lives and property due to natural disasters, the Company provides immediate "emergency relief funds" as an appropriate assistance to facilitate employees and their family members to recover from physical and mental ailment as soon as possible, thereby improving loyalty among employees.

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. In addition, the Company allocates an annual budget for "0-Interest Car Purchase Loan" to help employees solve the commuting problems. A total of 20 employees applied for the loan in 2019 and the Company has distributed nearly NT\$5 million of loans.

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.

Moreover, 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, travel subsidy, and lucky-draw at year-end parties as rewards to the employees for their effort. In 2019, for example, subsidizes of nearly NT\$20 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 2019, the Company

has organized 400 training courses for the employees with the participation of 135,000 by head count for more than 354,000 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. Moreover, a labor-management meeting is held quarterly to explain the Company's operation overview to employees, and invite employees to participate in discussions about labor conditions and labor benefits. 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. 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 (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions) 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. In the future, the Group will continue to implement diverse communication channels and strive to provide open and transparent communications between supervisors and employees and among peers. Therefore, the possibility of losses due to labor disputes is extremely low.

VI. Important contracts

Contract nature	Participants	Contract start/end date	Main contents	Restrictions
Master Supply Agreement Restatement	Customer A	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.	NA
Business agreement	Customer C	From July 1, 2015 to July 1, 2018; automatically renewable on a yearly basis.	To outline terms concerning the production, delivery, payment and warranty of computer-related products.	NA
Purchasing Agreement	Customer D	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.	NA

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				
		Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2019
Current assets		21,840,171	25,553,342	20,499,461	19,033,549	23,189,327
Property, Plant and Equipment		5,467,908	6,030,530	6,697,711	7,154,611	7,810,995
Intangible assets		119,005	96,980	134,987	102,788	89,448
Other assets		17,735,606	18,383,086	19,853,104	21,755,203	24,320,612
Total assets		45,162,690	50,063,938	47,185,263	48,046,151	55,410,382
Current liabilities	Before dividend	10,954,621	14,887,395	11,651,825	9,437,584	14,102,831
	After dividend	12,186,359	16,910,093	12,706,471	10,842,736	Unappropriated
Non-current liabilities		653,660	660,130	784,822	805,240	1,752,805
Total liabilities	Before dividend	11,608,281	15,547,525	12,436,647	10,242,824	15,855,636
	After dividend	12,840,019	17,570,223	13,491,293	11,647,976	Unappropriated
Attributable to the shareholder's equity of the parent company		33,554,409	34,516,413	34,748,616	37,803,327	39,489,824
Share capital		7,778,113	8,156,048	8,190,022	9,367,677	10,772,829
Additional paid-in capital		22,352,475	22,446,436	22,537,691	23,370,899	23,400,002
Retained earnings	Before dividend	2,017,858	3,159,137	3,691,113	4,968,926	4,998,381
	After dividend	478,186	1,136,439	1,419,568	2,158,622	Unappropriated
Other equity		1,928,412	1,277,241	852,239	448,912	671,699
Treasury Stock		(522,449)	(522,449)	(522,449)	(353,087)	(353,087)
Non-Controlling Interest		0	0	0	0	64,922

Total equity	Before dividend	33,554,409	34,516,413	34,748,616	37,803,327	39,554,746
	After dividend	32,322,671	32,493,715	33,693,970	36,398,175	Unappropriated

Note: The proposal of distribution from 2019 Profits is subject to the resolution of the shareholders' general meeting, and the cash dividend of \$ 1,077,283 is distributed according to the company's articles of association by resolution of the board.

(II) Condensed balance sheets – IFRSs (individual)

Unit: In thousands of New Taiwan Dollars

Year Item		Financial information covering the last 5 years				
		Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2019
Current assets		2,743,234	3,432,107	2,510,868	640,871	246,615
Property, Plant and Equipment		2,141	1,407	673	3,980	3,184
Intangible assets		0	0	0	0	0
Other assets		31,017,134	32,236,183	33,909,252	37,671,545	40,470,219
Total assets		33,762,509	35,669,697	36,420,793	38,316,396	40,720,018
Current liabilities	Before dividend	208,100	1,153,284	1,672,177	513,069	1,230,194
	After dividend	1,439,838	3,175,982	2,726,823	1,918,221	Unappropriated
Non-current liabilities		0	0	0	0	0
Total liabilities	Before dividend	208,100	1,153,284	1,672,177	513,069	1,230,194
	After dividend	1,439,838	3,175,982	2,726,823	1,918,221	Unappropriated
Attributable to the shareholder's equity of the parent company		33,554,409	34,516,413	34,748,616	37,803,327	39,489,824
Share capital		7,778,113	8,156,048	8,190,022	9,367,677	10,772,829
Additional paid-in capital		22,352,475	22,446,436	22,537,691	23,370,899	23,400,002
Retained earnings	Before dividend	2,017,858	3,159,137	3,691,113	4,968,926	4,998,381
	After dividend	478,186	1,136,439	1,419,568	2,158,622	Unappropriated
Other equity		1,928,412	1,277,241	852,239	448,912	671,699
Treasury Stock		(522,449)	(522,449)	(522,449)	(353,087)	(353,087)
Non-Controlling Interest		0	0	0	0	0
Total equity	Before dividend	33,554,409	34,516,413	34,748,616	37,803,327	39,489,824
	After dividend	32,322,671	32,493,715	33,693,970	36,398,175	Unappropriated

Note: The proposal of distribution from 2019 Profits is subject to the resolution of the shareholders' general meeting, and the cash dividend of \$ 1,077,283 is distributed according to the company's articles of association by resolution of the board.

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

Unit: In thousands of New Taiwan Dollars
(EPS in NT\$)

Item \ Year	Financial information covering the last 5 years				
	2015	2016	2017	2018	2019
Revenue	50,054,765	48,341,745	48,760,514	30,751,819	35,831,960
Gross profit	5,583,864	5,553,540	5,665,177	4,787,868	5,189,724
Operating income (loss)	296,470	683,344	739,881	333,896	500,960
Non-Operating Income and Expenses	1,717,633	2,377,593	2,162,407	3,138,818	2,581,948
Pre-Tax Income (loss)	2,014,103	3,060,937	2,902,288	3,472,714	3,082,908
Continuing department Net Income - current (Loss)	1,754,092	2,718,568	2,581,014	3,296,249	2,773,789
Loss from the discontinued department	0	0	0	0	0
Net Income - current (Loss)	1,754,092	2,718,568	2,581,014	3,296,249	2,773,789
Other current comprehensive income (loss) (net income)	(116,247)	(688,788)	(451,342)	(304,397)	244,200
Total current comprehensive income or loss	1,637,845	2,029,780	2,129,672	2,991,852	3,017,989
Net income attributable to: Parent company shareholders	1,754,092	2,718,568	2,581,014	3,296,249	2,817,880
Net income attributable to: Non-Controlling Interest	0	0	0	0	(44,091)
Total comprehensive income Attributable to parent company shareholders	1,637,845	2,029,780	2,129,672	2,991,852	3,063,366
Total comprehensive income Attributable to non-controlling shareholders	0	0	0	0	(45,377)
EPS	2.23	3.44	2.81	3.11	2.65

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

Unit: In thousands of New Taiwan Dollars
(EPS in NT\$)

Item \ Year	Financial information covering the last 5 years				
	2015	2016	2017	2018	2019
Revenue	1,771,352	2,736,021	2,636,880	3,301,845	2,861,497
Gross profit	1,771,352	2,736,021	2,636,880	3,301,845	2,861,497
Operating income (loss)	1,743,184	2,702,751	2,602,340	3,270,650	2,827,265
Non-Operating Income and Expenses	19,581	19,038	28,695	35,068	13,053
Pre-Tax Income (loss)	1,762,765	2,721,789	2,631,035	3,305,718	2,840,318
Net income (loss) for the year from the continuing department	1,754,092	2,718,568	2,581,014	3,296,249	2,817,880
Loss from the discontinued department	0	0	0	0	0
Net Income - current (Loss)	1,754,092	2,718,568	2,581,014	3,296,249	2,817,880
Other current comprehensive income or loss (net after-tax value)	(116,247)	(688,788)	(451,342)	(304,397)	245,486
Total current comprehensive income or loss	1,637,845	2,029,780	2,129,672	2,991,852	3,063,366
EPS	2.23	3.44	2.81	3.11	2.65

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

Year	Name of CPA firm	Name of CPA	Auditing opinions
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
2019	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				
		2015	2016	2017	2018	2019
Financial structure (%)	Debt to asset ratio	25.70	31.05	26.35	21.31	28.61
	Ratio of long-term capital to property, plant and equipment	625.61	583.30	530.53	539.63	528.83
Debt servicing capability (%)	Current ratio	199.36	171.64	175.93	201.67	164.43
	Quick ratio	139.50	124.95	119.35	127.37	105.95
	Interest Coverage ratio	63.83	178.24	86.80	266.53	56.14
Operating efficiency (Note)	A/R turnover rate (times)	7.32	6.13	6.66	6.16	6.01
	Average collection days	49.86	59.54	54.80	59.25	60.73
	Inventory turnover rate (times)	5.60	5.59	5.71	3.50	3.7
	Payable turnover ratio (times)	6.74	5.78	5.93	4.89	5.47
	Average days in sales	65.17	65.29	63.92	104.28	98.64
	Property, plant, and equipment turnover rate (times)	9.37	8.40	7.66	4.43	4.78
	Total assets turnover (time)	1.07	1.01	1.00	0.64	0.69
Profitability	Return on assets (%)	3.81	5.74	5.36	6.94	5.45
	Return on equity (%)	5.33	7.98	7.45	9.08	7.17
	Pre-tax income to paid-up capital (%)	25.89	37.52	35.43	37.07	28.61
	Net profit margin (%)	3.50	5.62	5.29	10.71	7.74
	Earnings per share (NT\$)	2.23	3.44	2.81	3.11	2.65
Cash flow	Cash flow ratio (%)	30.75	4.98	27.34	11.11	1.65
	Cash flow adequacy ratio (%)	136.43	82.50	87.81	73.06	59.52
	Cash reinvestment ratio (%)	7.13	-	2.95	0.02	-
Leverage ratios	Operating leverage ratios	22.40	9.21	8.80	17.97	14.22
	Financial leverage ratios	1.12	1.02	1.04	1.04	1.12

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

1. Debt-to-asset ratio increased mainly due to increased short-term borrowings.
2. The changes of debt service coverage ratio are mainly due to the decrease in profit and increase in interest for loans in 2019.
3. The decrease in profitability (%) is mainly due to the decrease in gains on sale of investments resulting in a decrease in income before (after) tax of the year.
4. The decrease in current cash flow ratio is mainly due to the increase in accounts receivable and inventory.
5. The decrease in cash re-investment ratio is mainly due to the decrease in net cash inflow from operating activities.
6. The decrease in operating leverage is mainly due to the increase in operation net gain.

(II) Financial analysis – IFRSs (individual)

Analysis \ Year		Financial analysis in the latest five years				
		2015	2016	2017	2018	2019
Financial structure (%)	Debt to asset ratio	0.61	3.23	4.59	1.33	3.02
	Ratio of long-term capital to property, plant and equipment	1,567,230.68	2,453,192.11	5,163,241.60	949,832.33	1,240,256.72
Debt servicing capability (%)	Current ratio	1,318.22	297.59	150.15	124.90	20.04
	Quick ratio	1,317.65	297.49	150.11	124.72	19.96
	Interest Coverage ratio	NA	NA	NA	14,008.27	1,364.2
Operating efficiency (Note)	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 (%)	5.32	7.83	7.16	8.82	7.13
	Return on equity (%)	5.33	7.98	7.45	9.08	7.29
	Pre-tax income to paid-up capital (%)	22.66	33.37	32.12	35.28	26.36
	Net profit margin (%)	99.02	99.36	97.88	99.83	98.47
	EPS (\$)	2.23	3.44	2.81	3.11	2.65
Cash flow	Cash flow ratio (%)	26.44	72.56	40.07	135.25	33.48
	Cash flow adequacy ratio (%)	309.61	175.53	107.64	99.31	42.67
	Cash reinvestment ratio (%)	-	-	-	-	-
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 debt-to-asset ratio: mainly due to the increase in short-term borrowings
2. The increase in ratio of long-term capital to property, plant and equipment: mainly due to the increase in common shares.
3. The decrease in current ratio and quick ratio: mainly due to the increase in other receivables – related parties and short-term borrowings.
4. The decrease in debt service coverage ratio: mainly due to the decrease in operating revenues and the increase in interest for loans.
5. The decrease in return on equity (%): mainly due to the decrease in income after tax and increase in share capital.
6. The decrease in earnings before taxation in proportion to paid-in capital (%): mainly due to the decrease in earnings before tax and the increase in paid-in capital.
7. The decrease in current cash flow ratio (%): mainly due to the increase in current liabilities.
8. The decrease in cash flow ratio: mainly due to the decrease in cash inflow from operating activities and increase in cash dividend distribution.

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 Audit Committee's Review Report on the financial statement of the most recent year: refer to P. 132 for further information.

IV. Financial report in the most recent year: refer to P. 133 -234 for further information.

- V. Parent Company only financial statement for the most recent fiscal year, certified by a CPA: See from P. 235 - 276.**
- 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	Dec. 31, 2018	Dec. 31, 2019	Variation	
			Amount	%
Current assets	19,033,549	23,189,327	4,155,778	22%
Property, Plant and Equipment	7,154,611	7,810,995	656,384	9%
Intangible assets	102,788	89,448	(13,340)	-13%
Other assets	21,755,203	24,320,612	2,565,409	12%
Total assets	48,046,151	55,410,382	7,364,231	15%
Current liabilities	9,437,584	14,102,831	4,665,247	49%
Non-Current liabilities	805,240	1,752,805	947,565	118%
Total liabilities	10,242,824	15,855,636	5,612,812	55%
Share capital	9,367,677	10,772,829	1,405,152	15%
Additional paid-in capital	23,370,899	23,400,002	29,103	0%
Retained earnings	4,968,926	4,998,381	29,455	1%
Other equity	448,912	671,699	222,787	50%
Treasury Stock	(353,087)	(353,087)	0	-
Attributable to the shareholder's equity of the parent company	37,803,327	39,489,824	1,686,497	4%
Non-Controlling Interest	0	64,922	64,922	-
Total equity	37,803,327	39,554,746	1,751,419	5%
The main reasons for any material change in the Company's assets, liabilities, or equity during the past two fiscal years:				
1. Current assets: mainly due to the increase in accounts receivable and inventories.				
2. Current liabilities, non-current liabilities and total liabilities: mainly due to the increase in short-term and long-term borrowings				
3. Other equity: mainly due to exchange differences from the translation of financial statements of foreign operations and the increase in unrealized financial assets profits at fair value through other comprehensive income				

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

Unit: In thousands of New Taiwan Dollars

Item \ Year	2018	2019	Variation	
			Amount	%
Revenue	30,751,819	35,831,960	5,080,141	17%
Gross profit	4,787,868	5,189,724	401,856	8%
Operating income	333,896	500,960	167,064	50%
Non-Operating Income and Expenses	3,138,818	2,581,948	(556,870)	-18%
Net profit before tax	3,472,714	3,082,908	(389,806)	-11%
Income tax expense	(176,465)	(309,119)	(132,654)	75%
Current period net profit	3,296,249	2,773,789	(522,460)	-16%
Other comprehensive income	(304,397)	244,200	548,597	-180%
Total current comprehensive income or loss	2,991,852	3,017,989	26,137	1%
Current period net income	3,296,249	2,817,880	(478,369)	-15%

Item \ Year	2018	2019	Variation	
			Amount	%
attributable to the shareholder's equity of the parent company				
Current period comprehensive profit and loss attributable to the shareholder's equity of the parent company	2,991,852	3,063,366	71,514	2%
(I) The main reasons for any material change in operating revenues, operating income, and income before tax during the past two fiscal years:				
1. The increase in operating profit compared to the same period in the previous year is mainly due to the change in product portfolio, and the increase in operating revenues and margin compared to the same period in the previous year.				
2. The increase in other current comprehensive income compared to the same period in the previous year is mainly due to the increase in unrealized financial assets profits at fair value through other comprehensive income.				
(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

(I) Analysis of cash flow for the year

Unit: In thousands of New Taiwan Dollars

Opening cash balance	Net cash flow from operating activities for the year	Net cash flow from investing activities for the year	Net cash flow from financing activities for the year	Ending cash balance
5,725,216	232,759	(2,542,094)	3,303,760	6,664,566

- (1) Operating activities: The amount of cash in flow from operating activities was NT\$ 232,759 thousand. This was mainly due to operating profits and the change in net assets and net liabilities related to operating activities.
- (2) Investing activities: The amount of cash outflow from investing activities was NT\$2,542,094 thousand. This was mainly due to the increase in acquisition of property, plant and equipment.
- (3) Financing activities: The amount of cash inflow from financing activities was NT\$3,303,760 thousand. This was mainly due to the increase in short-term and long-term borrowings.

(II) Improvement plans for cash deficit: 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
6,664,566	1,681,767	(2,396,381)	5,949,952	-	-

1. Analysis of cash flow for the year:

- (1) Operating activities: Net cash inflow is expected from operating activities in 2020, which is mainly due to the net change in assets and liabilities related to profit and operating activities.
- (2) Full-year cash outflow: The outflow is expected to be spent on plant

construction, purchase of equipment and payment of cash dividends.

2. Improvement plans for cash deficit: Not applicable.

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

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

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

VI. Risk management issues

(I) Organization structure for risk management

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

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

- 1. The influence of the changes in interest rate and exchange rate, and inflation in 2019 on the profits (loss) of the Company.

Unit: In thousands of New
Taiwan Dollars

2019

Item	Amount	As a
		percentage of Operating revenues %
Interest income (expense)	33,499	0.09
Exchange gains (losses) (including gains/losses on valuation of financial instruments)	(24,884)	(0.07)

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 of 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) Policies on high-risk and highly leveraged investments, loans to third parties, endorsements / guarantees, and trading of derivatives; describe the main causes of profit or loss incurred and future responsive measures:

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 2019.12.31 and 2020.03.31, the Company and subsidiaries had balance of loans to third parties amounting to NT\$18,549,231 thousand and NT\$18,870,330 thousand, respectively.
 3. Endorsement/guarantees in favor of third parties were undertaken in accordance with the “Procedure for Undertaking Endorsements/Guarantees”. As of the 2019.12.31 and 2020.03.31, the Company and subsidiaries had balance of endorsements/guarantees undertaken in favor of third parties amounting to NT\$1,350,844 thousand for both period.
 4. Trading of derivatives is conducted in accordance with "Derivatives Trading Procedures."
- (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 (2020), the Company planned to appropriate NT\$2.2 billion in R&D.
 2. Future R&D plans
 - (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 the new generation of Intel core Embedded Motherboard
 - R&D of embedded industrial use main board for terminal application
 - Development of Industrial Panel PC in different sizes
 - Development of Panel Mount/Open Frame Panel PC in medium to small sizes
 - Development of Kiosk Panel PC in different sizes
 - Development of the new generation of Intel core Embedded Motherboard
 - Development of Industrial use wide temperature and voltage range 3.5” motherboard.
 - Development of Industrial use wide temperature and voltage range 2.5” motherboard.
 - Development of Industrial/Medical use COM Express motherboard module.
 - Development of quasi system Box PC for railway transport (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. A part of the production capacity in the mainland China has been 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) Financial impacts and responsive measures in the event of technological or industrial changes:

1. MiTAC has engaged in joint ventures with the supply chain for the development of substitute non-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 impact of the COVID-19 epidemic and the future situation of the Sino-US trade are expected to have effects the global strategy planning and investment strategy. The best response to this change would be to continue in the introduction of automated production lines in all factories. 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. Due to COVID-19, the demand for teleworking and other related services has increased, resulting in a large demand for medium-to-large data center for cloud services, and the proportion of whole system and rack design shipment is expected to increase. Thus, strengthening logistics operations and financial scheduling capabilities will effectively turn the challenges into business opportunities.
4. In order to protect the information assets of customers, companies, and individuals from internal or external deliberate or accidental damage, and to protect and manage the data stored or transmitted, to prevent incidents such as damage, theft, leakage, tampering, abuse, and infringement, the company clearly declares the importance of maintaining information security and implements it, through the formulation of information security policy, so that all units can truly understand the information security policy. The Company follows the relevant control procedures to continuously improve the confidentiality, integrity and availability of all operations of each information service system, so as to maintain the information security and sustainable business philosophy of all business of the company.

(VII) Crisis management, impacts, and responsive measures in the event of a change in corporate image: 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, 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.

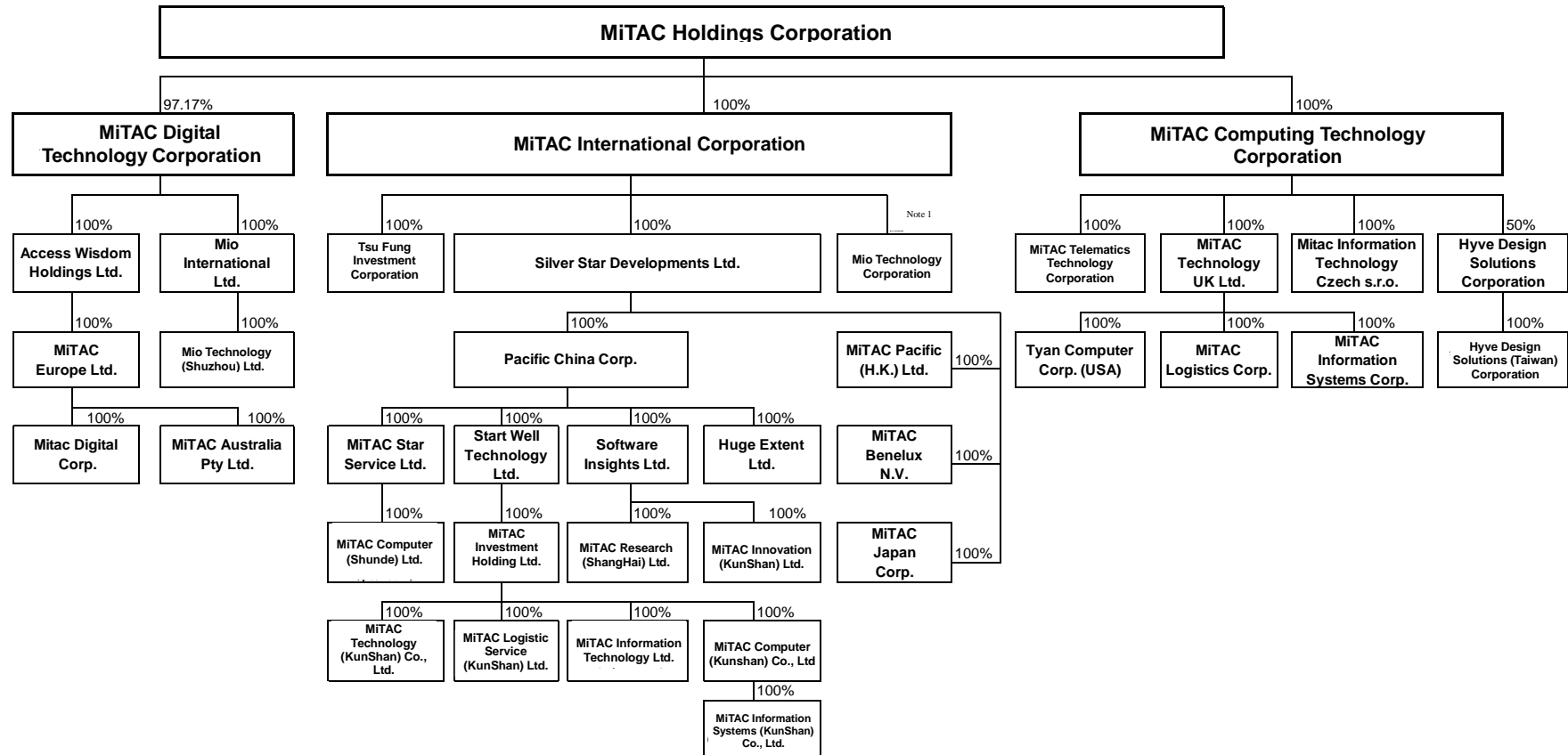
VII. Other important matters: None.

Eight. Important Notice

I. Information on affiliates

(I) The consolidated business reports of affiliates

1. Organizational Chart of Affiliates



Note 1: Mergerd by MiTAC International Corp. on December 10th, 2019.

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, Yan-Fa 2nd Rd., Hsin-Chu Science and Industrial Park, Hsinchu City, Taiwan, R.O.C.	NT\$19,870,213	The development, design, manufacturing, and sales of computers and peripherals, communications and related products.
MiTAC Computing Technology Corp.	Jul. 25, 2014	3F, No.1, Yan-Fa 2nd Rd., Hsin-Chu Science and Industrial Park, Hsinchu City, Taiwan, R.O.C..	NT\$2,327,571	The development, design, manufacturing, and sales of computers and peripherals, communications and related products.
Tsu Fung Investment Corp.	Feb. 16, 1998	10F, No. 77, Sec. 3, Minsheng E. Rd., Chungshan Dist. Taipei City, Taiwan, R.O.C.	NT\$1,428,847	General Investment
Silver Star Developments Ltd.	Jun. 05, 1990	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	US\$176,299	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\$89,910	General Investment
MiTAC Computer (Shunde) Ltd.	Jan. 18, 1993	No.1, Shunda Road, Lunjiao Street, ShunDe District, Foshan City, Guangdong Province, China	CNY\$ 416,705	Production of mainframe, motherboard, interface cards, displays, power supply, keyboards and related metal/plastic parts, and motherboard repair services.
Mio Technology Corp. (Note 2)	Jan. 17, 2000	9F, No. 77, Sec. 3, Minsheng E. Rd., Chungshan Dist. Taipei City, Taiwan, R.O.C.	NT\$0	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	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 Islands	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 service

Enterprise name	Date of incorporation	Address	Paid-in capital (Note 1)	Principal business or running items
MiTAC Europe Ltd.	May 10, 2001	Unit 27, Hortonwood 33, Telford, Shropshire, England, TF1 7EX	EUR\$ 11,065	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 Development Zone, Jiangsu Province, 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	21660 E. Copley Drive, Suite 170 Diamond Bar, CA 91765 U.S.A	US\$45,000	Sales of communication products and related post-delivery service
Mitac Information Technology Ltd.	Nov. 19, 2009	No. 300, Di Yi Da Dao, Kunshan Development Zone, Jiangsu Province. 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 U.S.A	US\$25,000	Assembly, sales of computer peripherals, software and hardware and related products
MiTAC Innovation (KunShan) Ltd.	Jan. 21, 2011	No. 300, Di Yi Da Dao, Kunshan Development Zone, Jiangsu Province, P.R.C	CNY\$ 6,571	Research, development and technical consultation services
MiTAC Telematics Technology Corp.	Jul. 24, 2014	Rm. 501, No. 211, Jiangchang 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. 1, 2014	Unit 27, Hortonwood 33, Telford, Shropshire, England, TF1 7EX	US\$62,910	General Investment
MiTAC Information Systems (Kunshan) Co., Ltd.	Sep. 17, 2015	1F, Bld 3, No. 33, Jiefang Road, Kunshan Development Zone, Jiangsu Province	CNY\$240,000	Production of products relating to communication, computers, peripherals, software and hardware; sale of proprietary products.
MiTAC Investment Holding Ltd.	Nov. 06, 2015	Rm. 208-211, 2F, Section B, No. 300, Di Yi Da Dao, Kunshan Development Zone, Jiangsu Province. P.R.C	CNY\$ 469,292	General Investment
MiTAC Digital Technology Corp.	Sep. 01, 2017	No. 200, Wenhua 2nd Rd., Kuei Shan Dist., Taoyuan City, Taiwan, R.O.C.	NT\$1,061,000	Sales of electronic telecommunications, communications and softare 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\$39,800	General Investment
Hyve Design Solutions Corp.	Apr. 05, 2019	The Corporation Trust Company Corporation Trust Center 1209 Orange St Wilmington, Delaware 19801 County of New Castle	US\$4,000	Computers and peripherals and related products.
Hyve Design Solutions (Taiwan) Corp.	Jun. 18, 2019	4F, No. 202, Wenhua 2nd Road, Guishan District, Taoyuan City, Taiwan, R.O.C.	US\$3	Computers and peripherals and related products.

Note 1: Please refer to Note 4 of the operation summary of each affiliate for the exchange rate on the date of the financial statement. (Page 129)

Note 2: Merged by MiTAC International Corp. on Dec. 10, 2019.

3. Information on the same shareholder deemed as controlling or in a parent-subsidary 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 Corp.	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 Corp.	Products sales and post-delivery service
	Hyve Design Solutions Corp.	Manufacturing and sale of products, and provision of after-sale services
	Hyve Design Solutions (Taiwan) Corp.	Manufacturing and sale of products, and provision of after-sale services
Investment and holding company	Silver Star Developments Ltd.	Investment in overseas subsidiaries for the manufacturing and sales of products and provision of after-sale services
	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 Corp.	General Investment
	MiTAC Technology UK Ltd.	Investment in overseas subsidiaries for the sales of products and provision of after-sale services
	MiTAC Investment Holding Ltd.	General Investment
	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 Corp.	Sale of proprietary products and provision of after-sale services
Trading	Mio Technology Corp. (Note 1)	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	MiTAC Information Systems	Assembly and sale of products, and provision of after-sale

assembly	Corp.	services
	Mitac Information Technology Czech s.r.o.	Assembly and sale of products
Shipping agency and Import and export trading	MiTAC Logistic Service (KunShan) Ltd.	Shipping agent, import/export, and warehouse service.
	MiTAC Pacific (H.K.) Ltd.	Import and export service

Note 1: Merged by MiTAC International Corp. on Dec. 10, 2019.

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 Corp. /Rep: Miao, Matthew Feng Chiang	1,987,021,287	100%
	Director/President	MiTAC Holdings Corp./Rep: Ho, Jhi-Wu	1,987,021,287	100%
	Director	MiTAC Holdings Corp./Rep: Michael Lin	1,987,021,287	100%
	Director	MiTAC Holdings Corp./Rep: Steve Chang	1,987,021,287	100%
MiTAC Computing Technology Corp.	Chairman	MiTAC Holdings Corp.n/Rep: Ho, Jhi-Wu	232,757,102	100%
	Director	MiTAC Holdings Corp. /Rep: Miao, Matthew Feng Chiang	232,757,102	100%
	Director/President	MiTAC Holdings Corp./Rep: Michael Lin	232,757,102	100%
	Supervisor	MiTAC Holdings Corp./Rep: Crystal Yang	232,757,102	100%
MiTAC Digital Technology Corp.	Chairman	MiTAC Holdings Corp./Rep: Ho, Jhi-Wu	103,099,000	97.17%
	Director	MiTAC Holdings Cor. /Rep: Miao, Matthew Feng Chiang	103,099,000	97.17%
	Director/President	MiTAC Holdings Corp.n/Rep: Steve Chang	103,099,000	97.17%
	Supervisor	Tsu Fung Investment Corp./Rep: Crystal Yang	1,000	0%
Tsu Fung Investment Corp.	Chairman	MiTAC International Corp./Rep: Ho, Jhi-Wu	142,884,651	100%
	Director	MiTAC International Corp./Rep: Crystal Yang	142,884,651	100%
	Director	MiTAC International Corp./Rep: Chung, Shu-Ling	142,884,651	100%
	Supervisor	MiTAC International Corp./Rep: Huang, Hsiu-Ling	142,884,651	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%
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 Investment Holding Ltd./Rep: Steve Chang	N/A	100%
	Vice chairman	MiTAC Investment Holding Ltd /Rep: J.J.Huang	N/A	100%
	Director	MiTAC Investment Holding Ltd /Rep: Lin Wen-Feng	N/A	100%
	Director/President	MiTAC Investment Holding Ltd /Rep: Wu, Shun-Huang	N/A	100%
	Supervisor	Huang, Hsiu-Ling	N/A	0%
MiTAC Computer (Shunde) Ltd.	Chairman	MiTAC Star Service Ltd./Rep: Michael Lin	N/A	100%
	Vice chairman	MiTAC Star Service Ltd./Rep: J.J. Huang	N/A	100%
	Director/President	MiTAC Star Service Ltd./Rep: Chen, Chien-Hung	N/A	100%
	Supervisor	Huang, Hsiu-Ling	N/A	0%
MiTAC Research (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%
	Supervisor	Cheng,Shiao-Wen	N/A	0%
Mio Technology Corporation (Note)	Chairman	MiTAC International Corp./Rep: Ho, Jhi-Wu	0	100%
	Director/President	MiTAC International Corp./Rep: Steve Chang	0	100%
	Director	MiTAC International Corp./Rep: Li, Hui-Ling	0	100%
	Supervisor	MiTAC International Corp./Rep: Huang, Hsiu-Ling	0	100%
Start Well Technology Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
MiTAC Technology (KunShan) Co., Ltd.	Chairman	MiTAC Investment Holding Ltd /Rep: Wang, Sen-Yeh	N/A	100%
	Director/President	MiTAC Investment Holding Ltd /Rep: Chen, Chih-Ming	N/A	100%
	Director	MiTAC Investment Holding Ltd /Rep: Chang Wen-Chien	N/A	100%
	Supervisor	Huang, Hsiu-Ling	N/A	0%

Enterprise name	Title	Name or representative	Shareholding	
			Shares held	Shareholding percentage
Mio International Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
Huge Extent Ltd.	Director	Ho Jhi-Wu	0	0%
	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 (Shuzhou) 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	Huang, Hsiu-Ling	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 Investment Holding Ltd /Rep: Steve Chang	N/A	100%
	Director/President	MiTAC Investment Holding Ltd /Rep: Wu, Shun-Huang	N/A	100%
	Director	MiTAC Investment Holding Ltd /Rep: Lin Wen-Feng	N/A	100%
	Supervisor	Huang, Hsiu-Ling	N/A	0%
MiTAC Digital Corp.	Director	Ho Jhi-Wu	0	0%
	Director	Chang Le-Chun	0	0%
	Director	Yang Hsiang-Yun	0	0%
Mitac Information Technology Ltd.	Chairman	MiTAC Investment Holding Ltd /Rep: Steve Chang	N/A	100%
	Director and President	MiTAC Investment Holding Ltd /Rep: Chang Wen-Chien	N/A	100%
	Director	MiTAC Investment Holding Ltd /Rep: Ho, Jhi-Wu	N/A	100%
	Supervisor	Huang, Hsiu-Ling	N/A	0%
MiTAC Information Systems Corp.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
	Director	Lin Chung-Liang	0	0%
	Director/President	Charlotte C.Y. Chou	0	0%
MiTAC Innovation (KunShan) Ltd.	Chairman	Software Insights Ltd./Rep: Ho, Jhi-Wu	N/A	100%
	Director/President	Software Insights Ltd./Rep: 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 Corp.	Chairman/President	MiTAC Cloud Technology Co., Ltd./Rep: Michale Lin	N/A	100%
	Director	MiTAC Digital Technology Corp./Rep: J.J. Huang	N/A	100%
	Director	MiTAC Cloud Technology Co., Ltd./Rep: Ho, Jhi-Wu	N/A	100%
	Supervisor	Huang, Hsiu-Ling	N/A	0%
MiTAC Technology UK Ltd.	Director	MiTAC Cloud Technology Co., Ltd./Rep: Ho, Jhi-Wu	62,909,737	100%
	Director	MiTAC Cloud Technology Co., Ltd./Rep: Michale Lin	62,909,737	100%
	Director	MiTAC Cloud Technology Co., Ltd./Rep: Crystal Yang	62,909,737	100%
MiTAC Information Systems (Kunshan) Co., Ltd.	Chairman	MiTAC Information Systems (Kunshan) Co., Ltd./Rep: Steve Chang	N/A	100%
	Vice chairman	MiTAC Information Systems (Kunshan) Co., Ltd./Rep: J.J. Huang	N/A	100%
	Director	MiTAC Information Systems (Kunshan) Co., Ltd./Rep: Micheal Lin	N/A	100%
	Director/President	MiTAC Information Systems (Kunshan) Co., Ltd./Rep: Wu, Shun-Huang	N/A	100%
	Supervisor	Huang, Hsiu-Ling	N/A	0%
MiTAC Investment Holding Ltd	Chairman/President	Start Well Technology Ltd./Rep: Ho, Jhi-Wu	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	Huang, Hsiu-Ling	N/A	0%
Mitac Information Technology Czech s.r.o.	President	Lin Chung-Liang	N/A	0%

Enterprise name	Title	Name or representative	Shareholding	
			Shares held	Shareholding percentage
Access Wisdom Holdings Ltd.	Director	Ho Jhi-Wu	0	0%
	Director	Yang Hsiang-Yun	0	0%
	Director	Chang Le-Chun	0	0%
Hyve Design Solutions Corp.	Director	Dennis Polk	0	0%
	Director	Ho Jhi-Wu	0	0%
	Director	Marshall Witt	0	0%
	Director/President	Lin Chung-Liang	0	0%
Hyve Design Solutions (Taiwan) Corp.	Chairman	HDS USA/Rep: Ho, Jhi-Wu	100,000	100%
	Director	HDS USA/Rep: Dennis Polk	100,000	100%
	Director	HDS USA/Rep: Marshall Witt	100,000	100%
	Director	HDS USA/Rep: Michael Lin	100,000	100%

Note: Merged by MiTAC International Corp. on Dec. 10, 2019.

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.	19,870,213	38,574,326	3,600,373	34,973,953	299,903	(263,813)	2,564,988	1.29
Tsu Fung Investment Corp.	1,428,847	2,440,654	335	2,440,319	87,340	83,893	83,965	0.59
Silver Star Developments Ltd.-Consolidated	5,285,453	24,199,741	3,432,400	20,767,341	15,282,674	166,779	1,751,790	9.94
MiTAC Japan Corp.	13,800	80,503	38,630	41,873	171,486	3,303	2,108	2,108.00
MiTAC Benelux N.V.	54,355	122,115	77,666	44,449	101	(358)	(3,319)	(50.87)
MiTAC Pacific (H.K.) Ltd.	300	6,301	2,747	3,554	0	(371)	19	1.90
Pacific China Corp.	2,695,491	2,795,488	0	2,795,488	0	0	115	0.00
MiTAC Computer (Shunde) Ltd.	1,793,917	3,826,982	1,137,046	2,689,936	9,665,061	135,783	176,864	NA
Mio Technology Corp. (Note 3)	0	0	0	0	0	0	2	NA
Start Well Technology Ltd.	896,402	2,880,115	919,492	1,960,623	0	0	1	0.00
MiTAC Computer (Kunshan) Co., Ltd.	2,197,724	4,789,729	1,960,673	2,829,056	4,870,325	25,954	60,446	NA
Software Insights Ltd.	155,899	161,485	29,980	131,505	0	0	0	0.00
MiTAC Star Service Ltd.	1,337,130	1,354,263	0	1,354,263	0	0	4	0.00
MiTAC Technology (KunShan)Co., Ltd.	35,632	201,283	170,868	30,415	275,125	(2,158)	(3,309)	NA
Mio International Ltd.	38,225	761,658	707,981	53,677	2,245,930	0	0	0.00
MiTAC Research Shanghai	185,288	513,793	58,701	455,092	206,669	8,704	16,014	NA
Huge Extent Ltd.	239,840	239,840	0	239,840	0	0	0	0.00
MiTAC Australia Pty Ltd.	2,668	201,251	270,262	(69,011)	301,391	(18,820)	(19,256)	(151.62)
MiTAC Europe Ltd.	371,674	53,538	204,793	(151,255)	453,817	52,953	51,415	4.78
Tyan Computer Corp.-USA	118,431	1,036,346	425,028	611,318	730,186	(15,391)	(7,238)	(7,238.00)
MiTAC Logistics Corp.	85,444	239,294	1	239,293	436,803	2,495	(2,250)	(22.50)
Mio Technology (Suzhou) Ltd.	8,083	81,136	49,684	31,452	202,458	2,566	2,934	NA
MiTAC Logistic Service (KunShan) Ltd.	29,363	327,534	290,132	37,402	1,038,849	1,993	2,218	NA
MiTAC Digital Corp.	1,349,100	178,291	107,496	70,795	266,334	65,103	1,141,761	25.37
Mitac Information Technology Ltd.	8,819	81,985	38,327	43,658	191,763	(4,193)	(3,520)	NA
MiTAC Information Systems Corp.	749,500	6,870,519	5,772,767	1,097,752	15,185,901	(124,171)	(156,761)	(52,253.67)
MiTAC Innovation (KunShan) Ltd.	28,286	88,775	18,160	70,615	57,554	2,278	3,814	NA
MiTAC Computing Technology Corp.	2,327,571	14,382,781	10,627,598	3,755,183	19,106,494	462,335	86,922	0.37
MiTAC Telematics Technology Corp.	8,610	170,511	161,786	8,725	245,127	3,757	4,123	NA
MiTAC Technology UK Ltd.	1,886,034	1,948,363	66,513	1,881,850	0	0	(166,249)	(2.64)
MiTAC Information Systems (Kunshan) Co., Ltd.	1,033,200	1,300,695	271,901	1,028,794	0	(4,399)	(1,066)	NA
MiTAC Investment Holding Ltd	2,020,302	3,280,834	277,076	3,003,758	10,704	(372)	75,879	NA
MiTAC Digital Technology Corp.	1,061,000	4,569,549	2,744,519	1,825,030	4,909,643	187,290	232,350	2.24
Mitac Information Technology Czech s.r.o.	10,735	855	0	855	2,354	(1,295)	(1,380)	NA
Access Wisdom Holdings Ltd.	1,454,030	112,887	12,045	100,842	0	(17)	82,472	2.07
Hyve Design Solutions Corp.	119,920	188,279	163,036	25,243	184,351	(97,620)	(97,620)	(122.03)
Hyve Design Solutions (Taiwan) Corp.	102	175,776	175,674	102	110,788	(26)	0	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: Merged by MiTAC International Corp. on Dec. 10, 2019.

Note 4: Based on the exchange rate of 2019.

	Year-end	Average
USD:	29.980	30.912
EUR:	33.590	34.617
JPY:	0.276	0.284
RMB:	4.305	4.472
AUD:	21.005	21.492
CZK:	1.325	1.348

(II) Consolidated financial statements of affiliates

MiTAC Holdings Corporation

Declaration of Consolidated Financial Statements of Affiliates

In connection with the Consolidated Financial Statements of Affiliated Enterprises of Mitac Holding Corporation (the “Consolidated FS of the Affiliates”), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2019 in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those required to be included in the Consolidated Financial Statements of Mitac Holding Corporation and its subsidiaries (the “Consolidated FS of the Group”) in accordance with International Financial Reporting Standard 10, as well as that, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, Mitac Holding Corporation does not prepare a separate set of Consolidated FS of Affiliates.

Very truly yours,

Company name: MiTAC Holdings Corporation

Rep: Miao, Matthew Feng Chiang

February 27, 2020

(III) Affiliation report: None.

- II. The status of private placement of securities in the most recent year to the date this annual 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\$176,299 thousand	Own funds and borrowings	100%	2019 and 2020 as of the printing date of this annual report	247,820 shares -	-	-	1,899,959 shares \$77,002	NA	-	-
Tsu Fung Investment Corp.	\$1,428,847	Own funds and borrowings	100%	2019 and 2020 as of the printing date of this annual report	1,826,146 shares -	4,516,000 shares \$155,237	-	9,484,459 shares \$187,031	NA	-	-

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 III, Article 36 of the Securities and Exchanges Act in the most recent year to the date this annual report was printed: None.**

MiTAC Holdings Corporation
Audit Committee's Review Report

2019 financial statements (January 1, 2019 to December 31, 2019) of MiTAC Holdings Corp. are prepared by the board of directors and audited by Wen Fang-Yu and Cheng Ya-Huei, CPAs, PricewaterhouseCoopers (PwC), Taiwan. These financial statements, along with 2019 business reports and earnings distribution plan, have been reviewed by us as Audit Committee of the Company and these reports and statements are indeed compliance with the related laws and regulations. Pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this review report for your consideration.

Submit to

2020 Annual Meeting of Shareholders, MiTAC Holdings Corporation

MiTAC Holdings Corporation
Chairman of the Audit Committee: LU,
SHYUE-CHING

February 27, 2020

**MiTAC HOLDINGS CORPORATION AND
SUBSIDIARIES**
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2019 AND 2018

REPORT OF INDEPENDENT ACCOUNTANTS

PWCR19000254

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, 2019 and 2018, 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 matter – reference to audit reports of other independent accountants 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, 2019 and 2018, 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 audit of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants”, “Rule No. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25, 2020” and generally accepted auditing standards in the Republic of China (ROC GAAS); and 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) for our audit of the consolidated financial statements as of and for the year ended December 31, 2018. Our responsibilities under those standards are further described in the Independent accountants’ 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(33). 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 conducted audit procedures, including: discussed with management and evaluated the policy of revenue recognition; assessed the effectiveness of design and implementation of internal controls over recognition of revenue; sampled the transactions of terms, performance obligations, and prices and verifying the supporting documents for delivery to ensure the proper timing and amounts of recognition; selected sales transactions for a specific period prior to and after the balance sheet date and verified transaction documents to ensure sales revenue are recorded in the proper period.

Valuation of inventory

Description

The MiTAC Group is mainly engaged in manufacturing and selling computers, computer peripherals

and communications products. Due to rapid technological innovations and fluctuations in market demands, there is a higher risk of inventory obsolescence. The MiTAC Group's inventories are measured at the lower of costs and net realisable values. For description of accounting policies on valuation of inventories, please refer to Note 4(14), and for uncertainty of accounting estimates and assumptions in relation to valuation of inventories, please refer to Note 5(2). Considering the MiTAC Group's inventories were material to the consolidated financial statements and with various categories, and the valuation process was subject to management's judgment, it was identified as a key audit matter.

How our audit addressed the matter

We performed audit procedures, including: discussed with management and evaluated the policies of inventory valuation; validated inventory aging report through checking the logic of calculating aged inventories and confirming the appropriateness of categorization of aged inventories; and validated the basis in determining net realizable values of obsolete or slow-moving inventories in order to evaluate the reasonableness of allowance for inventory valuation losses.

Other matter- reference to audit reports of other independent accountants

We did not audit a certain indirectly held investment accounted for using equity method that was included in the consolidated financial statements, whose financial statements were prepared under a different financial reporting framework. We have performed necessary audit procedures on conversion of those financial statements into financial information 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. Those financial statements prior to conversion 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 report of the other independent accountants. Share of profit (loss) of associates and joint ventures accounted for using equity method amounted to NT\$1,585,642 thousand and NT\$1,108,426 thousand for the years ended December 31, 2019 and 2018, respectively. Investments accounted for using equity method amounted to NT\$11,569,372 thousand and NT\$10,783,025 thousand as at December 31, 2019 and 2018, respectively.

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, 2019 and 2018.

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, are responsible for overseeing the MiTAC Group’s financial reporting process.

Independent accountants’ 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 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 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 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 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 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 27, 2020

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, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 6,664,566	12	\$ 5,725,216	12
1110	Financial assets at fair value through profit or loss - current	6(2)	99,948	-	114,424	-
1120	Financial assets at fair value through other comprehensive income - current	6(3)	892,050	2	837,497	2
1136	Financial assets at amortised cost - current	6(4)	490,770	1	-	-
1150	Notes receivable - net		92,751	-	92,212	-
1170	Accounts receivable - net	6(5) and 12(2)	6,183,075	11	4,720,458	10
1180	Accounts receivable - related parties - net	6(5), 7 and 12(2)	289,650	1	360,980	1
1200	Other receivables	7	131,562	-	76,621	-
1220	Current income tax assets		26,588	-	52,824	-
130X	Inventories	6(6)	7,761,668	14	6,488,102	14
1410	Prepayments		484,459	1	524,001	1
1460	Non-current assets held for sale - net	6(14)	33,531	-	-	-
1470	Other current assets	6(7) and 8	38,709	-	41,214	-
11XX	Total Current Assets		23,189,327	42	19,033,549	40
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	4,675,838	8	3,190,291	7
1550	Investments accounted for using equity method	6(8)	17,455,704	32	16,714,037	35
1600	Property, plant and equipment - net	6(9)	7,810,995	14	7,154,611	15
1755	Right-of-use assets	6(10) and 7	381,487	1	-	-
1760	Investment property - net	6(12)	1,242,821	2	1,128,292	2
1780	Intangible assets	6(13)	89,448	-	102,788	-
1840	Deferred income tax assets	6(31)	481,086	1	440,054	1
1900	Other non-current assets	6(7) and 8	83,676	-	282,529	-
15XX	Total non-current assets		32,221,055	58	29,012,602	60
1XXX	Total assets		\$ 55,410,382	100	\$ 48,046,151	100

(Continued)

MiTAC HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(15)	\$ 3,803,871	7	\$ -	-
2120	Financial liabilities at fair value through profit or loss - current	6(16)	8,637	-	1,295	-
2130	Contract liabilities - current	6(25)	274,968	1	165,442	-
2170	Accounts payable		5,783,558	11	5,281,232	11
2180	Accounts payable - related parties	7	62,992	-	57,817	-
2200	Other payables	6(18) and 7	3,362,875	6	3,326,748	7
2230	Current income tax liabilities		397,042	1	233,017	-
2250	Provisions - current	6(20)	142,592	-	133,202	-
2280	Lease liabilities - current	7	41,204	-	-	-
2300	Other current liabilities		225,092	-	238,831	1
21XX	Total current Liabilities		<u>14,102,831</u>	<u>26</u>	<u>9,437,584</u>	<u>19</u>
	Non-current liabilities					
2540	Long-term borrowings	6(17)	791,561	1	-	-
2550	Provisions - non-current	6(20)	109,714	-	124,095	-
2570	Deferred income tax liabilities	6(31)	382,573	1	378,264	1
2580	Lease liabilities - non-current	7	148,024	-	-	-
2600	Other non-current liabilities	6(18)	320,933	1	302,881	1
25XX	Total non-current liabilities		<u>1,752,805</u>	<u>3</u>	<u>805,240</u>	<u>2</u>
2XXX	Total liabilities		<u>15,855,636</u>	<u>29</u>	<u>10,242,824</u>	<u>21</u>
	Share capital	6(21)				
3110	Common shares		10,772,829	19	9,367,677	19
	Capital surplus	6(22)				
3200	Capital surplus		23,400,002	43	23,370,899	49
	Retained earnings	6(23)				
3310	Legal reserve		1,167,412	2	837,787	2
3320	Special reserve		12,265	-	-	-
3350	Unappropriated retained earnings		3,818,704	7	4,131,139	9
	Other equity interest	6(24)				
3400	Other equity interest		671,699	1	448,912	1
3500	Treasury stocks	6(21)	(353,087)	(1)	(353,087)	(1)
31XX	Equity attributable to owners of the parent		<u>39,489,824</u>	<u>71</u>	<u>37,803,327</u>	<u>79</u>
36XX	Non-controlling interests		<u>64,922</u>	<u>-</u>	<u>-</u>	<u>-</u>
3XXX	Total equity		<u>39,554,746</u>	<u>71</u>	<u>37,803,327</u>	<u>79</u>
	Significant Contingent Liabilities And Unrecognised Contract Commitments	9(1)(2)				
	Significant Events After the Balance Sheet Date	11				
3X2X	Total liabilities and equity		<u>\$ 55,410,382</u>	<u>100</u>	<u>\$ 48,046,151</u>	<u>100</u>

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, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Year ended December 31			
		2019		2018	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(25) and 7	\$ 35,831,960	100	\$ 30,751,819	100
5000 Operating costs	6(6) and 7	(30,642,236)	(85)	(25,963,951)	(84)
5900 Gross profit		5,189,724	15	4,787,868	16
Operating expenses	6(29)(30)				
6100 Selling expenses		(1,119,178)	(3)	(1,093,521)	(4)
6200 General and administrative expenses		(1,197,462)	(3)	(1,174,427)	(4)
6300 Research and development expenses		(2,372,124)	(7)	(2,186,024)	(7)
6000 Total operating expenses		(4,688,764)	(13)	(4,453,972)	(15)
6900 Operating profit		500,960	2	333,896	1
Non-operating income and expenses					
7010 Other income	6(26)	496,228	1	479,033	1
7020 Other gains and losses	6(27)	(98,262)	-	850,095	3
7050 Finance costs	6(28)	(55,905)	-	(13,078)	-
7060 Share of profit of associates and joint ventures accounted for using equity method	6(8)	2,239,887	6	1,822,768	6
7000 Total non-operating income and expenses		2,581,948	7	3,138,818	10
7900 Profit before income tax		3,082,908	9	3,472,714	11
7950 Income tax expense	6(31)	(309,119)	(1)	(176,465)	-
8200 Profit for the year		\$ 2,773,789	8	\$ 3,296,249	11

(Continued)

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	Year ended December 31			
			2019		2018	
			AMOUNT	%	AMOUNT	%
	Other comprehensive income (loss) - net					
	Components of other comprehensive income(loss) that will not be reclassified to profit or loss					
8311	(Losses) gains on remeasurements of defined benefit plans	6(18)	(\$ 24,960)	-	\$ 648	-
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)(24)	1,263,333	3	(451,947)	(2)
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(8)(24)	19,993	-	(70,311)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(31)	4,992	-	4,559	-
8310	Components of other comprehensive income(loss) that will not be reclassified to profit or loss		1,263,358	3	(517,051)	(2)
	Components of other comprehensive income(loss) that will be reclassified to profit or loss					
8361	Exchange differences on translation of foreign financial statements	6(24)	(637,983)	(2)	369,024	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(8)(24)	(381,175)	(1)	(156,370)	-
8360	Components of other comprehensive income(loss) that will be reclassified to profit or loss		(1,019,158)	(3)	212,654	1
8300	Other comprehensive income (loss) for the year		\$ 244,200	-	(\$ 304,397)	(1)
8500	Total comprehensive income for the year		\$ 3,017,989	8	\$ 2,991,852	10
	Profit (loss), attributable to:					
8610	Profit, attributable to owners of parent		\$ 2,817,880	8	\$ 3,296,249	11
8620	Loss, attributable to non-controlling interests		(\$ 44,091)	-	\$ -	-
	Comprehensive income(loss) attributable to:					
8710	Comprehensive income, attributable to owners of parent		\$ 3,063,366	8	\$ 2,991,852	10
8720	Comprehensive loss, attributable to non-controlling interests		(\$ 45,377)	-	\$ -	-
9750	Basic earnings per share	6(32)	\$	2.65	\$	3.11
9850	Diluted earnings per share	6(32)	\$	2.63	\$	3.09

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, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent													

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, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 3,082,908	\$ 3,472,714
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit (gain on reversal in expected credit loss) loss	12(2)	(14,812)	17,794
Loss on inventory market value decline	6(6)	231,906	30,550
Depreciation	6(29)	836,105	632,615
Amortization	6(13)(29)	84,614	95,402
Amortization of long-term prepaid rent		-	7,144
Compensation cost of employee share-based payment transactions	6(19)	718	-
Interest income	6(26)	(89,404)	(90,939)
Interest expense	6(28)	55,905	13,078
Dividend income	6(26)	(190,145)	(189,020)
Gain of financial assets/liabilities at fair value through profit or loss	6(27)	(9,828)	(5,480)
Share of profit of associates and joint ventures accounted for using equity method	6(8)	(2,239,887)	(1,822,768)
Loss (gain) on disposal of investments	6(27)	5,444	(872,181)
Gain on disposal of property, plant and equipment	6(27)	(255)	(33,898)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(539)	(6,771)
Accounts receivable		(1,478,028)	(281,655)
Other receivables		(52,830)	(16,031)
Inventories		(1,603,717)	(126,167)
Prepayments		39,542	(153,436)
Other current assets		2,321	55,748
Changes in operating liabilities			
Contract liabilities		109,526	(19,453)
Accounts payable		559,771	(37,093)
Other payables		30,338	(138,861)
Other current liabilities		(13,739)	(117,633)
Provisions for liabilities		(3,914)	(34,158)
Accrued pension liabilities		(3,358)	(56,270)
Cash (outflow) inflow generated from operations		(661,358)	323,231
Payment of interest		(50,117)	(14,523)
Receipt of interest		87,293	89,802
Cash dividend received		1,007,530	876,424
Payment of income tax		(150,589)	(225,601)
Net cash flows from operating activities		<u>232,759</u>	<u>1,049,333</u>

(Continued)

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through profit or loss		(\$ 78,000)	\$ -
Proceeds from disposal of financial assets at fair value through profit or loss		109,645	912
(Increase) decrease in other financial assets		(25,078)	24,089
Acquisition of financial assets at fair value through other comprehensive income		(360,062)	(500,439)
Proceeds from disposal of financial assets at fair value through other comprehensive income		37,299	206,068
Proceeds from capital reduction of financial assets at fair value through other comprehensive income		45,389	34,035
Increase in financial assets at amortised cost		(490,770)	-
Acquisition of investments accounted for using equity method		-	(585,459)
Proceeds from disposal of investments accounted for using equity method	6(8)	-	1,716,328
Proceeds from capital reduction of investments accounted for using equity method		20,307	-
Acquisition of property, plant and equipment	6(9)	(1,622,516)	(1,112,183)
Proceeds from disposal of property, plant and equipment		17,521	39,272
Increase in investment property	6(12)	(125,783)	(5,208)
Increase in intangible assets	6(13)	(71,351)	(63,205)
Decrease in refundable deposits		1,305	583
Net cash flows used in investing activities		(2,542,094)	(245,207)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term borrowings	6(35)	3,834,646	(2,137,655)
(Decrease) increase in guarantee deposits	6(35)	(3,250)	4,752
Employee stock options exercised		-	64,056
Repayment of principal portion of lease liabilities	6(35)	(44,205)	-
Proceeds from long-term borrowings	6(35)	791,561	-
Investments increased by non-controlling interest	6(33)	109,420	-
Cash dividends paid	6(34)	(1,384,412)	(1,039,039)
Net cash flows from (used in) financing activities		3,303,760	(3,107,886)
Effects of changes in exchange rates		(55,075)	(28,015)
Net increase (decrease) in cash and cash equivalents		939,350	(2,331,775)
Cash and cash equivalents at beginning of year	6(1)	5,725,216	8,056,991
Cash and cash equivalents at end of year	6(1)	<u>\$ 6,664,566</u>	<u>\$ 5,725,216</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, 2019 AND 2018

(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. However, as of December 31, 2019, the shareholding ratio to MiTAC Digital Technology was decreased to 97.17%.

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 27, 2020.

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 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.

IFRS 16, 'Leases'

- A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise 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.
- B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by FSC. Accordingly, on January 1, 2019, 'right-of-use asset' and lease liability were increased by \$455,606 and \$233,433, respectively, and long-term prepaid rent (shown as 'other non-current assets'), investments accounted for using equity method and retained earnings were decreased by \$222,173 and \$50, respectively.
- C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
 - (a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - (b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - (c) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$46,097 was recognised in 2019.
 - (d) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate range from 0.85% to 6.13%.

E. The Group recognised lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$	296,792
Less: Short-term leases	(	27,635)
Less: Low-value assets	(	1,939)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	\$	<u>267,218</u>
Incremental borrowing interest rate at the date of initial application		0.85%-6.13%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	\$	<u>233,433</u>

(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 2020 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 9, IAS 39 and IFRS7, ‘Interest rate benchmark reform’	January 1, 2020

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

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.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets and present value of defined benefit obligation.

B. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its 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.

(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 unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Main activities	Ownership (%)		Remarks
			December 31, 2019	December 31, 2018	
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	97.17%	100%	Note 2
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%	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 Computing Technology Corp.	Hyve Design Solutions Corporation	Assemble and sales of computer and peripheral equipment	50%	-	Note 3
MiTAC Digital Technology Corp.	Access Wisdom Holdings Ltd.	General investments	100%	100%	
MiTAC Digital Technology Corp.	Mio International Ltd.	Sale of communication and related products	100%	100%	

Investor	Subsidiary	Main activities	Ownership (%)		Remarks
			December 31, 2019	December 31, 2018	
Tsu Fung Investment Corp.	MiTAC Digital Technology Corp.	Sales and service of electronic telecommunication, communication and software, etc	0.001%	-	Note 2
Silver Star Developments Ltd.	System Glory International Ltd.	General investments	-	100%	Note 1
Silver Star Developments Ltd.	Pacific China Corp.	General investments	100%	100%	
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%	
Hyve Design Solutions Corporation	Hype Design Solutions(Taiwan) Corporation	Assemble and sales of computer and peripheral equipment	100%	-	Note 3
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, 2019	December 31, 2018	
Silver Star Developments Ltd.	MiTAC Pacific (H.K.) Ltd.	Sale of computer peripherals, hardware/software and related products	100%	100%	
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, 2019	December 31, 2018	
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: The liquidation of this company was completed on May 3, 2019.

Note 2: On May 23, 2019, MiTAC Digital Technology Corp. increased its capital by issuing new shares amounting to 6,000 thousand shares. MiTAC Holdings Corp. acquired 3,000 thousand shares, and Tsu Fung Investment Corp. acquired 1,000 thousand shares.

Note 3: Newly established subsidiary in the third quarter of 2019, the Group has substantial control over Hyve Design Solutions Corporation, thus was listed as a consolidated entity.

Note 4: On December 10, 2019, this company was merged with MiTAC International Corp.

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 recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value

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

B. Translation of foreign operations

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

- 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 recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises 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.

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

- 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 recognise 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 recognised and derecognised 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:

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 Group and the amount of the dividend can be measured reliably.

(9)Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (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 amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

(10)Accounts and notes receivable

- 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.

(11)Impairment of financial assets

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 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 Group recognises the impairment provision for lifetime ECLs.

(12)Derecognition of financial assets

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

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

- A. The contractual rights of the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the

Group has transferred substantially all risks and rewards of ownership of the financial asset.

- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(13) Leasing arrangements(lessor) – operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised 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) Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(16) 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 recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity 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 recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted

by the Group.

- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for 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 recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(17)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 recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of discarded assets is derecognised when critical repairs are incurred, and other repair expenses are charged to profit or loss for the period when they incur.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. 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 classified the leases wherein the Group retains the ownership of the assets along with significant risks and compensation has not yet been transferred as operating leases. The rental income and expenses are recognised using the straight-line method during the term of the lease.

(18) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

Effective 2019

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable; and
- (b) Variable lease payments that depend on an index or a rate.

The Group subsequently measures the lease liability at amortised cost using the interest method

and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability; and
- (b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(19) Operating leases (lessee)

Prior to 2018

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

(20) 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.

(21) 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.

(22) Impairment of non-financial assets

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

(23) Borrowings

Borrowings comprise long-term and short-term bank borrowings and other long-term and short-term loans. Borrowings are recognised 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 recognised in profit or loss over the period of the borrowings using the effective interest method.

(24) 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.

(25) Derecognition of financial liabilities

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

(26) Offsetting financial instruments

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

(27)Provisions

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

(28)Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. 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 recognised 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 recognised 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.

(29)Employee share-based payment

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

(30)Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 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 recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred 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 recognised 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, unrecognised and recognised 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 recognised 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 recognised 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.

(31)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.

(32)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.

(33)Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells cloud computing products and mobile communication products. Sales are recognised 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 recognised 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 recognises 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 recognised as a provision.
- (d) A receivable is recognised 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 recognised 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 recognised. If the payments exceed the services rendered, a contract liability is recognised.
- (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 recognises as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The recognised 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.

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

(35)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, 2019, the carrying amount of inventories is described in Note 6 (6).

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1)Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash:		
Cash on hand and petty cash	\$ 655	\$ 710
Checking accounts and demand deposits	4,173,574	2,763,332
Cash equivalents:		
Time deposits	2,045,199	2,759,934
Structured deposits	-	201,240
Repurchased bonds	445,138	-
Total	<u>\$ 6,664,566</u>	<u>\$ 5,725,216</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

Items	December 31, 2019	December 31, 2018
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 78,000	\$ 108,648
Derivatives	-	-
	78,000	108,648
Valuation adjustment - Beneficiary certificates	-	850
Valuation adjustment - Derivatives	21,948	4,926
Total	<u>\$ 99,948</u>	<u>\$ 114,424</u>

A. The Group recognised net gain of \$17,170 and net loss of \$3,537 on financial assets at fair value through profit or loss for the years ended December 31, 2019 and 2018, respectively.

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

	December 31, 2019					
Financial Instrument	Item	Notional Amount		Fair Market Value		
		(in thousands)		(in thousands)		
MiTAC Computing Technology Corp.						
Forward foreign exchange - Sell	Advance booking USD to buy NTD	USD	24,000	NTD	5,596	
Forward foreign exchange - Buy	Advance booking USD to sell NTD	USD	10,000	NTD	786	
Swap - Sell	Advance booking USD to buy NTD	NTD	27,500	NTD	8,323	
MiTAC Digital Technology Corp.						
Forward foreign exchange - Sell	Advance booking USD to buy NTD	USD	9,000	NTD	2,254	
Forward foreign exchange - Buy	Advance booking USD to sell NTD	USD	3,000	NTD	233	
Swap - Sell	Advance booking USD to buy NTD	USD	17,000	NTD	4,756	
	December 31, 2018					
Financial Instrument	Item	Notional Amount		Fair Market Value		
		(in thousands)		(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	

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, 2019	December 31, 2018
Current items:		
Equity instruments		
Listed stocks	\$ 718,157	\$ 715,534
Valuation adjustment	173,893	121,963
Total	<u>\$ 892,050</u>	<u>\$ 837,497</u>
Non-current items:		
Equity instruments		
Listed stocks	\$ 1,225,051	\$ 1,025,545
Emerging stocks	-	874,494
Unlisted stocks	1,802,315	813,165
Subtotal	3,027,366	2,713,204
Valuation adjustment	1,648,472	477,087
Total	<u><u>\$ 4,675,838</u></u>	<u><u>\$ 3,190,291</u></u>

A. The Group recognised \$1,263,333 and (\$451,947) in other comprehensive income (loss) for fair value change for the years ended December 31, 2019 and 2018, respectively.

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, 2019 and 2018, the fair value of investments was \$5,567,888 and \$4,027,788, respectively.

(4) Financial assets at amortised cost

Items	December 31, 2019
Current items:	
Structured deposits	<u><u>\$ 490,770</u></u>

A. As of December 31, 2018 : None.

B. As of December 31, 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$490,770.

C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(5) Accounts receivable

	December 31, 2019	December 31, 2018
Third parties	\$ 6,260,109	\$ 4,818,223
Less: Allowance for bad debts	(77,034)	(97,765)
	6,183,075	4,720,458
Related parties	289,650	360,980
	<u><u>\$ 6,472,725</u></u>	<u><u>\$ 5,081,438</u></u>

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Not past due	\$ 5,304,457	\$ 4,451,745
Up to 90 days	1,190,641	655,582
91 to 180 days	9,085	46,575
Over 181 days	45,576	25,301
	<u>\$ 6,549,759</u>	<u>\$ 5,179,203</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2018, the balance of receivables from contracts with customers amounted to \$4,723,676.

C. As of December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable was \$6,549,759 and \$5,179,203, respectively.

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

(6) Inventories

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
	<u>Book value</u>	<u>Book value</u>
Raw materials	\$ 4,851,569	\$ 4,177,730
Work in process	1,030,705	462,748
Finished goods	1,879,394	1,847,624
Total	<u>\$ 7,761,668</u>	<u>\$ 6,488,102</u>

Expense and loss incurred on inventories:

	<u>For the year ended December 31, 2019</u>	<u>For the year ended December 31, 2018</u>
Cost of goods sold	\$ 30,410,330	\$ 25,933,401
Loss on decline in market value	231,906	30,550
	<u>\$ 30,642,236</u>	<u>\$ 25,963,951</u>

(7) Other financial assets

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current:		
Pledged deposits	\$ 8,761	\$ 8,944
Non-current:		
Pledged deposits	35,185	9,924
Total	<u>\$ 43,946</u>	<u>\$ 18,868</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.

(8) Investments accounted for using equity method

A.

<u>Investee company</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Getac Technology Corp.	\$ 4,891,103	\$ 4,850,015
3 Probe Technology Co., Ltd.	12,850	12,391
Lian Jie Investment Co., Ltd.	109,468	109,208
Lian Jie II Investment Co., Ltd.	33,239	37,060
Shen-Tong Construction & Development Co., Ltd.	86,216	86,590
Green Share Corp.	-	4,032
Harbinger II (BVI) Venture Capital Corp.	-	16,996
Mainpower International Ltd.	211,748	211,991
Synnex Corp.	11,551,123	10,802,228
Suzhou MiTAC Preclusion Technology Co., Ltd.	311,984	311,572
Loyal Fidelity Aerospace Corp.	127,083	132,371
Harbinger Ruyi Venture Ltd.	20,117	28,350
Harbinger Ruyi II Venture Ltd.	26,334	25,771
Infopower Technologies Ltd.	74,439	85,462
	<u>\$ 17,455,704</u>	<u>\$ 16,714,037</u>

B. The Group's recognised share of profit from associates accounted for using equity method for the years ended December 31, 2019 and 2018 were \$2,239,887 and \$1,822,768, respectively, and recognised share of other comprehensive (loss) income from associates accounted for using equity method were (\$361,182) and (\$226,681), respectively.

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

<u>Company name</u>	<u>Principal place of business</u>	<u>Shareholding ratio</u>		<u>Nature of relationship</u>	<u>Methods of measurement</u>
		<u>December 31, 2019</u>	<u>December 31, 2018</u>		
Getac Technology Corp.	Taiwan	32.66%	32.87%	Owned over 20% ownership	Equity method
Synnex Corp.	USA	10.19%	10.23%	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, 2019	December 31, 2018
Current assets	\$ 18,561,740	\$ 16,956,255
Non-current assets	12,045,855	11,207,435
Current liabilities	(10,341,481)	(9,034,525)
Non-current liabilities	(3,593,374)	(2,807,124)
Non-controlling interest	(1,696,010)	(1,568,865)
Total net assets	<u>\$ 14,976,730</u>	<u>\$ 14,753,176</u>
Share in associate's net assets	<u>\$ 4,891,103</u>	<u>\$ 4,850,015</u>

	Synnex Corp.	
	December 31, 2019	December 31, 2018
Current assets	\$ 223,440,700	\$ 218,068,912
Non-current assets	145,870,358	134,740,351
Current liabilities	(138,121,517)	(150,332,755)
Non-current liabilities	(117,790,970)	(96,872,806)
Total net assets	<u>\$ 113,398,571</u>	<u>\$ 105,603,702</u>
Share in associate's net assets	<u>\$ 11,551,123</u>	<u>\$ 10,802,228</u>

Statement of comprehensive income

	Getac Technology Corp.	
	For the year ended December 31, 2019	For the year ended December 31, 2018
Revenue	\$ 26,952,910	\$ 24,693,836
Profit for the period from continuing operations	\$ 2,369,928	\$ 2,418,377
Other comprehensive loss - net of tax	(385,738)	(120,032)
Total comprehensive income	<u>\$ 1,984,190</u>	<u>\$ 2,298,345</u>
Dividends received from associates	<u>\$ 570,870</u>	<u>\$ 475,626</u>

	Synnex Corp.	
	For the year ended December 31, 2019	For the year ended December 31, 2018
Revenue	\$ 734,381,402	\$ 604,603,137
Profit for the period from continuing operations	\$ 14,914,583	\$ 9,007,963
Other comprehensive loss - net of tax	(2,498,726)	(1,953,723)
Total comprehensive income	\$ 12,415,857	\$ 7,054,240
Dividends received from associates	\$ 242,966	\$ 210,954

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, 2019 and 2018, the carrying amount of the Group's individually immaterial associates amounted to \$1,013,478 and \$1,061,794, respectively.

	For the year ended December 31, 2019	For the year ended December 31, 2018
Profit for the period from continuing operations	\$ 93,262	\$ 111,921
Other comprehensive loss - net of tax	(46,530)	(145,394)
Total comprehensive income (loss)	\$ 46,732	(\$ 33,473)

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

	December 31, 2019	December 31, 2018
Getac Technology Corp.	\$ 8,891,537	\$ 7,653,957
Synnex Corp.	20,233,785	13,010,873
	\$ 29,125,322	\$ 20,664,830

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 liquidation of the Group's investments accounted for using equity method, Harbinger II (BVI) Venture Capital Corp., was completed on August 20, 2019.

J. The liquidation of the Group's investments accounted for using equity method, Green Share Corp., was completed on December 24, 2019.

K. The Group holds 10.19% 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.

- L. 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.
- M. 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.

(9) 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 under inspection	Total
<u>At January 1, 2019</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>
<u>2019</u>											
At January 1	\$ 1,099,628	\$ 4,169,406	\$ 789,045	\$ 46,616	\$ 25,353	\$ 51,842	\$ 53,157	\$ 58,207	\$ 407,741	\$ 453,616	\$ 7,154,611
Additions	-	9,940	560,147	44,012	13,176	11,686	22,178	63,287	203,692	694,398	1,622,516
Disposal	-	(3)	(13,854)	(1,450)	(1,425)	(189)	-	-	(345)	-	(17,266)
Reclassifications(Note)	-	(12,414)	101,381	6,405	-	836	34,242	-	1,321	(175,934)	(44,163)
Depreciation	-	(229,838)	(259,726)	(32,391)	(10,563)	(19,632)	(19,223)	(31,018)	(153,464)	-	(755,855)
Effects of foreign exchange	(4,685)	(58,121)	(38,606)	(440)	(239)	(483)	(291)	-	(10,990)	(34,993)	(148,848)
At December 31	<u>\$ 1,094,943</u>	<u>\$ 3,878,970</u>	<u>\$ 1,138,387</u>	<u>\$ 62,752</u>	<u>\$ 26,302</u>	<u>\$ 44,060</u>	<u>\$ 90,063</u>	<u>\$ 90,476</u>	<u>\$ 447,955</u>	<u>\$ 937,087</u>	<u>\$ 7,810,995</u>
<u>At December 31, 2019</u>											
Cost	\$ 1,094,943	\$ 6,425,643	\$ 2,547,343	\$ 201,072	\$ 72,293	\$ 192,175	\$ 132,544	\$ 122,834	\$ 1,083,777	\$ 937,087	\$ 12,809,711
Accumulated depreciation and impairment	-	(2,546,673)	(1,408,956)	(138,320)	(45,991)	(148,115)	(42,481)	(32,358)	(635,822)	-	(4,998,716)
	<u>\$ 1,094,943</u>	<u>\$ 3,878,970</u>	<u>\$ 1,138,387</u>	<u>\$ 62,752</u>	<u>\$ 26,302</u>	<u>\$ 44,060</u>	<u>\$ 90,063</u>	<u>\$ 90,476</u>	<u>\$ 447,955</u>	<u>\$ 937,087</u>	<u>\$ 7,810,995</u>

Note: For the year ended December 31, 2019, the Group reclassified property, plant and equipment to investment property in the amount of \$40,965.

	Land	Buildings and structures	Machinery	Computer and communication equipment	Transportation equipment	Office equipment	Leasehold improvements	Molding equipment	Other equipment	Construction in progress and equipment under 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>

(10) Leasing arrangements – lessee

Effective 2019

- A. The Group leases various assets including land, buildings and structures, machinery and office equipment. Rental contracts are typically made for periods of 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants.
- B. Certain leased buildings with lease terms under 12 months are short-term lease agreements. Additionally, the leased office equipment were low-value assets.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2019	Year ended December 31, 2019
	Carrying amount	Depreciation charge
Land	\$ 303,651	\$ 17,362
Buildings and structures	77,120	41,965
Machinery	716	322
	<u>\$ 381,487</u>	<u>\$ 59,649</u>

D. For the year ended December 31, 2019, the additions to right-of-use assets was \$1,031.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31, 2019
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	\$ 5,768
Expense on short-term lease contracts	46,097
Expense on leases of low-value assets	8,721

F. For the year ended December 31, 2019, the Group's total cash outflow for leases was \$104,791.

(11) Leasing arrangements – lessor

Effective 2019

- A. The Group leases various assets including buildings and structures. Rental contracts are typically made for periods of 1 to 8 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.
- B. For the years ended December 31, 2019 and 2018, the Group recognised rent income in the amounts of \$119,315 and \$114,335, respectively, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2019	December 31, 2018
Not later than one	\$ 95,417	\$ 85,900
Later than one year but not later than five years	214,967	116,660
Over five years	9,502	-
	<u>\$ 319,886</u>	<u>\$ 202,560</u>

(12) Investment property

	Land	Buildings and structures	Total
At January 1, 2019			
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>
<u>2019</u>			
At January 1	\$ 829,131	\$ 299,161	\$ 1,128,292
Additions	125,783	-	125,783
Reclassified as non-current assets classified as held for sale	-	(21,263)	(21,263)
Reclassifications	-	40,965	40,965
Depreciation	-	(20,601)	(20,601)
Effects of foreign exchange	(701)	(9,654)	(10,355)
At December 31	<u>\$ 954,213</u>	<u>\$ 288,608</u>	<u>\$ 1,242,821</u>
At December 31, 2019			
Cost	\$ 954,213	\$ 598,434	\$ 1,552,647
Accumulated depreciation and impairment	-	(309,826)	(309,826)
	<u>\$ 954,213</u>	<u>\$ 288,608</u>	<u>\$ 1,242,821</u>

	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>

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

	For the year ended December 31, 2019	For the year ended December 31, 2018
Rental income from the lease of the investment property	<u>\$ 30,490</u>	<u>\$ 43,596</u>
Direct operating expenses arising from the investment property that generated rental income in the period	<u>\$ 18,212</u>	<u>\$ 22,288</u>
Direct operating expenses arising from the investment property that did not generate rental income in the period	<u>\$ 10,698</u>	<u>\$ 7,812</u>

B. The fair value of the investment property held by the Group on December 31, 2019 and 2018 were \$3,482,639 and \$3,414,425, 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.

(13)Intangible assets

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
At January 1		
Cost	\$ 353,188	\$ 356,904
Accumulated amortization and impairment	(250,400)	(221,917)
	<u>\$ 102,788</u>	<u>\$ 134,987</u>
At January 1	\$ 102,788	\$ 134,987
Additions	71,351	63,205
Amortization	(84,614)	(95,402)
Effects of foreign exchange	(77)	(2)
At December 31	<u>\$ 89,448</u>	<u>\$ 102,788</u>
At December 31		
Cost	\$ 264,109	\$ 353,188
Accumulated amortization and impairment	(174,661)	(250,400)
	<u>\$ 89,448</u>	<u>\$ 102,788</u>

Details of amortization of intangible assets are as follows:

	<u>For the year ended December 31, 2019</u>	<u>For the year ended December 31, 2018</u>
Operating costs	\$ 1,029	\$ 1,317
Selling expenses	18,130	24,312
Administrative expenses	12,228	28,118
Research and development expenses	53,227	41,655
	<u>\$ 84,614</u>	<u>\$ 95,402</u>

(14)Non-current assets held for the sale

To cooperate with the local government's urban development plan through land-use-right expropriation, the Board of Directors adopted a resolution on November 7, 2019 to dispose of the land-use-right and related buildings located in the Shunde District, Foshan City, China through public auction by the Land Development Center of Lunjiao Sub-District, Shunde District, Foshan City ("Foshan-Shunde Land Development Center") by way of land-use-right requisition on credit. After the land-use-right is sold, the Group can participate in the distribution of income from land-use-right sales as a compensation for the expropriation of the land-use-right and related buildings. The titles of land-use-right and related buildings have been transferred to and would be managed by Foshan-Shunde Land Development Center. The aforementioned land-use-right and buildings have not been publicly auctioned to third parties. The disposal of the land-use-right and buildings meets the criteria of sales to be highly probable, therefore the Group reclassified related assets as non-current assets held for sale in December 2019.

Non-current assets held for the sale:

	December 31, 2019
Right-of-use assets	\$ 12,268
Investment property	21,263
Total	<u>\$ 33,531</u>

(15) Short-term borrowings

	December 31, 2019	December 31, 2018
Unsecured bank borrowings	<u>\$ 3,803,871</u>	<u>\$ -</u>
Interest rates	<u>0.78%~2.60%</u>	<u>-</u>

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

Items	December 31, 2019	December 31, 2018
Current items:		
Financial liabilities held for trading		
Valuation adjustment - Derivatives	<u>\$ 8,637</u>	<u>\$ 1,295</u>

A. The Group recognised net loss of \$7,342 and net gain of \$9,017 for the years ended December 31, 2019 and 2018, respectively.

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

	December 31, 2019					
Financial Instrument	Item	Notional Amount (in thousands)		Fair Market Value (in thousands)		
MiTAC Computing Technology Corp.						
Forward foreign exchange - Sell	Advance booking USD to buy JPY	USD	554	(NTD	49)	
Forward foreign exchange - Buy	Advance booking USD to sell NTD	USD	17,000	(NTD	2,103)	
MiTAC Digital Technology Corp.						
Forward foreign exchange - Buy	Advance booking USD to sell NTD	USD	4,000	(NTD	453)	
Forward foreign exchange - Sell	Advance booking EUR to buy USD	EUR	5,091	(NTD	2,062)	
Forward foreign exchange - Sell	Advance booking AUD to buy USD	AUD	6,100	(NTD	2,919)	
Silver Star Developments Ltd.						
Forward foreign exchange - Sell	Advance booking EUR to buy USD	EUR	2,300	(USD	35)	
	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)	

(17) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2019</u>
Long-term bank borrowings				
Taipei Fubon Bank	The borrowing period was from October 15, 2019 to October 15, 2024 and the interest was paid monthly. The grace period was 2 years, if the grace period was over, the borrowing should be repaid monthly in 37 installments.	0.70%	None	\$ 500,000
Bank of Taiwan	The borrowing period was from October 15, 2019 to October 15, 2026 and the interest was paid monthly. The grace period was 2 years, if the grace period was over, the borrowing should be repaid monthly in 60 installments.	0.70%	None	201,813
Taishin International Bank	The borrowing period was from October 15, 2019 to October 15, 2024 and the interest was paid monthly. After 3 years from the date of first drawing, the borrowing should be repaid monthly in 24 installments.	0.75%	None	50,248

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2019</u>
E.SUN Commercial Bank	The borrowing period was from October 29, 2019 to October 15, 2026 and the interest was paid monthly. The grace period was 3 years, if the grace period was over, the borrowing should be repaid monthly in 48 installments.	0.75%	None	39,500
				791,561
Less: Current portion				-
				<u>\$ 791,561</u>

As of December 31, 2018 : None.

(18)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 and its domestic subsidiaries contribute 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 and its domestic subsidiaries 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 and its domestic subsidiaries will make contributions to cover the deficit by next March.

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	(\$ 570,152)	(\$ 542,954)
Fair value of plan assets	272,159	266,521
Net defined benefit liability	<u>(\$ 297,993)</u>	<u>(\$ 276,433)</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
2019			
Balance at January 1	(\$ 542,954)	\$ 266,521	(\$ 276,433)
Current service cost	(3,269)	-	(3,269)
Interest (expense) income	(5,896)	2,863	(3,033)
	(552,119)	269,384	(282,735)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	7,106	7,106
Change in demographic assumptions	(1,850)	-	(1,850)
Change in financial assumptions	(19,631)	-	(19,631)
Experience adjustments	(10,585)	-	(10,585)
	(32,066)	7,106	(24,960)
Pension fund contribution	-	8,767	8,767
Paid pension	14,033	(13,098)	935
Balance at December 31	(\$ 570,152)	\$ 272,159	(\$ 297,993)

	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)

- (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 and its domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and its domestic subsidiaries are 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, 2019 and 2018 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, 2019	For the year ended December 31, 2018
Discount rate	0.750%	1.000%
Future salary increase	2.000%	2.000%

B. MiTAC Computing Technology Corp. :

	For the year ended December 31, 2019	For the year ended December 31, 2018
Discount rate	0.750%	1.125%
Future salary increase	2.000%	2.000%

C. MiTAC Digital Technology Corp. :

	For the year ended December 31, 2019	For the year ended December 31, 2018
Discount rate	0.750%	1.125%
Future salary increase	2.000%	2.000%

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, 2019				
Effect on present value of defined benefit obligation	\$ 2,737	(\$ 2,828)	(\$ 2,746)	\$ 2,671
December 31, 2018				
Effect on present value of defined benefit obligation	\$ 3,094	(\$ 3,202)	(\$ 3,117)	\$ 3,028

B. MiTAC Computing Technology Corp :

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2019				
Effect on present value of defined benefit obligation	\$ 7,927	(\$ 8,225)	(\$ 7,984)	\$ 7,736

	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

C. MiTAC Digital Technology Corp. :

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2019				
Effect on present value of defined benefit obligation	\$ 3,448	(\$ 3,585)	(\$ 3,480)	\$ 3,366
December 31, 2018				
Effect on present value of defined benefit obligation	\$ 3,483	(\$ 3,625)	(\$ 3,532)	\$ 3,412

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, 2020 amounts to \$8,641.
- (g) As of December 31, 2019, the weighted average duration of that retirement plan is 8.5~11.5 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, 2019 and 2018 were \$109,467 and \$100,101, respectively.

(19) Share-based payment

A. As of December 31, 2019, the Company has no share-based payment arrangement.

B. As of December 31, 2018, 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.

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

As of December 31, 2019 : None.

	<u>For the year ended December 31, 2018</u>	
	<u>No of options (shares in thousands)</u>	<u>Weighted average exercise price (in dollars)</u>
Options outstanding at beginning of the period	6,261	\$ 16.30
Options forfeited	(1,941)	13.71
Options exercise	(4,320)	14.83
Options outstanding at end of the period	-	
Options exercisable at end of the period	-	
Options approved and not yet issued at the end of the period	-	

D. The weighted-average stock price of stock options at exercise dates for the year ended December 31, 2018 was \$33.05 (in dollars).

E. As of December 31, 2019 and 2018, there was no information about outstanding compensatory employee stock option plan.

F. 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	26.14%	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.

- G. The share-based payment arrangement of the subsidiary, MiTAC Digital Technology Corp., was as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Cash capital increase reserved for employee preemption of 2019	2019.4.16	900 thousand shares	Not applicable	Vested immediately

The fair value of stock options granted by MiTAC Digital Technology Corp. on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility (Note)	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
Cash capital increase reserved for employee preemption of 2019	2019.4.16	15.95	15.5	28.31%	0.08 years	0%	0.4639%	0.7976

Note: Expected price volatility rate was the forecast of future stock price measured by the historical stock price of similar companies which the industry that MiTAC Digital Technology Corp. belongs to. Referenced to the historical price volatility rate of prior year.

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

	For the year ended December 31, 2019	For the year ended December 31, 2018
Equity settlement	\$ 718	\$ -
(20)Provisions		
Warranty	For the year ended December 31, 2019	For the year ended December 31, 2018
Beginning balance	\$ 257,297	\$ 291,630
Additional provisions	145,115	143,888
Used during the period	(149,029)	(178,046)
Effects of foreign exchange	(1,077)	(175)
Ending balance	\$ 252,306	\$ 257,297
Analysis of total provisions:		
	December 31, 2019	December 31, 2018
Current	\$ 142,592	\$ 133,202
Non-current	\$ 109,714	\$ 124,095

(21)Share capital

A. As of December 31, 2019, the Company's authorized capital was \$15,000,000, consisting of 1.5 billion shares, and the paid-in capital was \$10,772,829 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

	2019	2018
Outstanding shares as of January 1	922,941	798,732
Capital increase of earnings	140,515	121,690
Capital increase of treasury stock acquired by the subsidiaries	(2,074)	(1,801)
Employee stock options exercised	-	4,320
Changes in outstanding shares during the year	138,441	124,209
Outstanding shares as of December 31	1,061,382	922,941

B. Treasury shares

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

		December 31, 2019	
<u>Name of company holding the shares</u>	<u>Reason for reacquisition</u>	<u>Number of shares (shares in thousands)</u>	<u>Carrying amount</u>
Subsidiary - Tsu Fung Investment Corp.	Stock conversion	14,000	\$ 276,085
Subsidiary - SSDL	"	1,900	77,002

		December 31, 2018	
<u>Name of company holding the shares</u>	<u>Reason for reacquisition</u>	<u>Number of shares (shares in thousands)</u>	<u>Carrying amount</u>
Subsidiary - Tsu Fung Investment Corp.	Stock conversion	12,174	\$ 276,085
Subsidiary - SSDL	"	1,652	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 five 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. In the fourth quarter of 2018, the number of treasury stocks to be reissued to employees was 8,244 thousand shares.
- (e) In accordance with the "Rule No. Financial-Supervisory-Commission, Securities and Futures Bureau, 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.

(22) Capital surplus

	Share premium	Treasury stock trnsactions	Net equity of associates and joint ventures accounted for using equity method	Changes in ownership interests in subsidiaries	Employee stock options	Total
At January 1, 2019	\$ 21,571,329	\$ 342,257	\$ 1,110,499	\$ -	\$ 346,814	\$ 23,370,899
Subsidiaries received cash dividends paid by the parent company	-	20,740	-	-	-	20,740
Changes from associates and joint ventures accounted for using the equity method	-	-	7,754	-	-	7,754
Changes in ownership interests in subsidiaries	-	-	-	609	-	609
At December 31, 2019	<u>\$ 21,571,329</u>	<u>\$ 362,997</u>	<u>\$ 1,118,253</u>	<u>\$ 609</u>	<u>\$ 346,814</u>	<u>\$ 23,400,002</u>

	Share premium	Treasury stock trnsactions	Net equity of associates and joint ventures accounted for using 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>

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.

(23) 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' accumulated deficit and then 10% of the remaining amount shall be set aside as legal reserve. Special reserve shall also be set aside or reversed pursuant to the regulations. Appropriation of the remainder along with prior year's accumulated unappropriated retained earnings shall be proposed by the Board of Directors, and shall be resolved by the stockholders when they are appropriated by issuing new shares. If the appropriation of retained earnings was appropriated in the form of cash, the appropriation should be in line with Article 240-5 of the Company Act, as resolved by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, and reported to the shareholders' meeting.

- 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.
- In line with Article 241 of the Company Act, all or part of the legal reserve and capital reserve could be appropriated as cash dividends as resolved by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, and reported to the shareholders' meeting.
- 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 May 30, 2019, the appropriation of earnings for the year ended December 31, 2019 resolved by the shareholders is as follows:

	For the year ended December 31, 2018	
	Amount	Dividend per share (in dollars)
Legal reserve	\$ 329,625	
Special reserve	12,265	
Cash dividend	1,405,152	\$ 1.5
Stock dividend	1,405,152	1.5
Total	<u>\$ 3,152,194</u>	<u>\$ 3.0</u>

- F. On February 27, 2020, the appropriation of earnings for the year ended December 31, 2019

proposed by the Board of Directors and to be approved by the shareholders is as follows:

For the year ended December 31, 2019		
	Amount	Dividend per share (in dollars)
Legal reserve	\$ 283,976	
Special reserve	(12,265)	
Cash dividend	1,077,283	\$ 1.0
Stock dividend	1,292,739	1.2
Total	<u>\$ 2,641,733</u>	<u>\$ 2.2</u>

(24) Other equity items

2019			
	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1	\$ 511,888	(\$ 62,976)	\$ 448,912
Reclassified to profit or loss upon disposal			
- Group	-	5,444	\$ 5,444
Reclassified to retained earnings upon disposal			
- Group	(39,681)	-	(39,681)
- Associates	(4,624)	-	(4,624)
Reclassified as non-controlling interest	-	(770)	(770)
Revaluation			
- Group	1,263,333	-	1,263,333
- Associates	22,511	-	22,511
Currency translation differences:			
- Group	-	(642,251)	(642,251)
- Associates	-	(381,175)	(381,175)
At December 31	<u>\$ 1,753,427</u>	<u>(\$ 1,081,728)</u>	<u>\$ 671,699</u>

	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			
- 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>

(25) Operating revenue

	For the year ended December 31, 2019	For the year ended December 31, 2018
Revenue from contracts with customers	<u>\$ 35,831,960</u>	<u>\$ 30,751,819</u>

A. Disaggregation of revenue from contracts with customers

	For the year ended December 31, 2019	For the year ended December 31, 2018
Cloud computing product	\$ 26,624,689	\$ 22,004,923
Mobile communication product	5,602,184	5,394,210
Others	3,605,087	3,352,686
	<u>\$ 35,831,960</u>	<u>\$ 30,751,819</u>

B. Contract liabilities

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

	December 31, 2019	December 31, 2018
Contract liabilities:		
Contract liabilities		
– sales of goods	\$ 271,321	\$ 161,374
Contract liabilities		
– others	3,647	4,068
	<u>\$ 274,968</u>	<u>\$ 165,442</u>

(26) Other income

	For the year ended December 31, 2019	For the year ended December 31, 2018
Interest income:		
Interest income from bank deposits	\$ 47,199	\$ 90,939
Interest income from financial assets measured at amortised cost	42,205	-
Total interest income	89,404	90,939
Rental revenue	119,315	114,335
Dividend income	190,145	189,020
Other income	97,364	84,739
Total	\$ 496,228	\$ 479,033

(27) Other gains and losses

	For the year ended December 31, 2019	For the year ended December 31, 2018
Gains on disposals of property, plant and equipment	\$ 255	\$ 33,898
(Losses) gains on disposal of investments	(5,444)	872,181
Net currency exchange (losses) gains	(34,712)	7,404
(Losses) gains on financial assets liabilities at fair value through profit or loss	9,828	5,480
Other losses	(68,189)	(68,868)
Total	(\$ 98,262)	\$ 850,095

(28) Finance costs

	For the year ended December 31, 2019	For the year ended December 31, 2018
Interest expense	\$ 50,137	\$ 13,078
Lease liabilities	5,768	-
	\$ 55,905	\$ 13,078

(29) Expenses by nature

	For the year ended December 31, 2019	For the year ended December 31, 2018
Employee benefit expense	\$ 5,423,670	\$ 4,954,721
Depreciation on property, plant and equipment, investment property and right-of-use assets	836,105	632,615
Amortization charges	84,614	95,402
Total	\$ 6,344,389	\$ 5,682,738

(30)Employee benefit expense

	For the year ended December 31, 2019	For the year ended December 31, 2018
Wages and salaries	\$ 4,787,730	\$ 4,356,524
Shared-based payments	718	-
Labor and health insurance fees	341,538	320,580
Pension costs	115,769	108,431
Other personnel expenses	177,915	169,186
	<u>\$ 5,423,670</u>	<u>\$ 4,954,721</u>

- A. According to the amended Articles of Incorporation, the profit (pre-tax profit before deduction of employees' compensation and directors' remuneration) of the current year shall be distributed as employees' compensation and directors' 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. If a company has an accumulated deficit, earnings should be reserved to cover losses. Employees' compensation can be distributed by stock or dividends, and employees must be working for the Company. The Chairman of the Board is authorised to set the qualification requirements.
- B. For the years ended December 31, 2019 and 2018, 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, 2019 and 2018, employees' compensation were accrued at \$2,859 and \$3,313, respectively; and directors' and supervisors' remuneration were accrued at \$4,800 and \$3,600, respectively. The aforementioned amounts were recognised in salary expenses. Employees' cash bonus and directors' and supervisors' remuneration of 2019 and 2018 as resolved at the Board of Directors of the Company were in agreement with those amounts recognised in the 2019 and 2018 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.

(31)Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the year ended December 31, 2019	For the year ended December 31, 2018
Current tax:		
Current tax on profits for the period	\$ 321,518	\$ 116,013
Tax on undistributed surplus earnings	19,858	2,503
Adjustments in respect of prior years	2,289	(1,775)
Total current tax	<u>343,665</u>	<u>116,741</u>
Deferred tax:		
Origination and reversal of temporary differences	(34,546)	56,432
Impact of change in tax rate	-	3,292
Total deferred tax	<u>(34,546)</u>	<u>59,724</u>
Income tax expense	<u>\$ 309,119</u>	<u>\$ 176,465</u>

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

	For the year ended December 31, 2019	For the year ended December 31, 2018
Actuarial gain on defined benefit obligations	\$ 4,992	\$ 130
Impact of change in tax rate	-	(4,689)
Total	<u>\$ 4,992</u>	<u>(\$ 4,559)</u>

B. Reconciliation between income tax expense and accounting profit

	For the year ended December 31, 2019	For the year ended December 31, 2018
Tax calculated based on profit before tax and statutory tax rate	\$ 690,495	\$ 733,711
Tax on undistributed earnings	19,858	2,503
Unrecognised deferred income tax liabilities	(367,439)	(421,447)
Tax exempt income by tax regulation	(184,827)	(184,013)
Change in assessment of realisation of deferred tax assets	(29,996)	(20,425)
Effects from foreign income	75,141	64,619
Impact of change in tax rate	-	3,292
Over estimation of prior year's income tax	2,289	(1,775)
Income tax effect from return of dividends arising from overseas investments	103,598	-
Income tax expense	<u>\$ 309,119</u>	<u>\$ 176,465</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, 2019					
	Beginning balance	Recognised in profit or loss	Recognised in other comprehensive income	Effects of exchange rate changes	Ending balance
Deferred tax assets:					
Temporary differences:					
Warranty provision	\$ 43,608	\$ 670	\$ -	\$ -	\$ 44,278
Loss from decline in inventory price to market value	59,568	50,305	-	(1,262)	108,611
Unrealised estimate payable	154,203	(29,764)	-	-	124,439
Others	182,675	17,644	4,992	(1,553)	203,758
Subtotal	\$ 440,054	\$ 38,855	\$ 4,992	(\$ 2,815)	\$ 481,086
Deferred tax liabilities:					
Temporary differences:					
Equity investments	(377,028)	-	-	-	(377,028)
Others	(1,236)	(4,309)	-	-	(5,545)
Subtotal	(378,264)	(4,309)	-	-	(382,573)
Total	\$ 61,790	\$ 34,546	\$ 4,992	(\$ 2,815)	\$ 98,513
For the year ended December 31, 2018					
	Beginning balance	Recognised in profit or loss	Recognised 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
Unrealised estimate payable	176,229	(22,026)	-	-	154,203
Others	162,233	15,706	4,559	177	182,675
Subtotal	\$ 436,762	(\$ 3,084)	\$ 4,559	\$ 1,817	\$ 440,054
Deferred tax liabilities:					
Temporary differences:					
Equity investments	(320,474)	(56,554)	-	-	(377,028)
Others	(480)	(756)	-	-	(1,236)
Subtotal	(320,954)	(57,310)	-	-	(378,264)
Total	\$ 115,808	(\$ 60,394)	\$ 4,559	\$ 1,817	\$ 61,790

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

December 31, 2019				
Year incurred	Amount filed / assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2011	Assessed	\$ 15,425	\$ 15,425	2021
2012	Assessed	53,663	53,663	2022
2014	Assessed	36,388	36,388	2024

December 31, 2018				
Year incurred	Amount filed / assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2011	Assessed	\$ 172,951	\$ 172,951	2021
2012	Assessed	297,107	297,107	2022
2014	Assessed	36,389	36,389	2024

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

	December 31, 2019	December 31, 2018
Deductible temporary differences	\$ 995,072	\$ 771,542

F. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2019 and 2018, the amounts of temporary difference unrecognised as deferred tax liabilities were \$13,606,211 and \$13,260,881, respectively.

G. The Company's income tax returns through 2015 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.

(32) Earnings per share

For the year ended December 31, 2019			
	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	\$ 2,817,880	1,061,382	\$ 2.65
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,817,880		
Less: Effect of dilutive potential common stocks issued by investee companies	(22,531)		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	118	
Net income attributable to common stockholders plus dilutive effect of common stock equivalents	\$ 2,795,349	1,061,500	\$ 2.63

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	1,058,191	\$ 3.11
<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' compensation	-	155	
Net income attributable to common stockholders plus dilutive effect of common stock equivalents	\$ 3,276,003	1,059,870	\$ 3.09

- 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, 2018, the outstanding weighted average shares was retrospectively adjusted based on retained earnings capitalization ratio in 2019.

(33) Transactions with non-controlling interest

1. On May 23, 2019, the Group's subsidiary, MiTAC Digital Technology Corp., increased its capital by issuing new shares. However, the Group did not subscribe to those shares proportionately, and the Group's shareholding ratio was decreased by 2.83%. This transaction increased non-controlling interest by \$46,661, equity attributable to owners of parent increased by \$609. For the year ended December 31, 2019, the effect on equity attributable to owners of parent arising from changes in the equity of MiTAC Digital Technology Corp. are listed below:

	Year ended December 31, 2019	
Cash	\$	46,500
Increase in the carrying amount of non-controlling interest	(	46,661)
Currency translation differences		770
Capital surplus, changes in ownership interests in subsidiaries	\$	609

A. Acquisition of subsidiary

The Group's subsidiary, MiTAC Computing Technology Corporation newly established a subsidiary, Hyve Design Solutions Corporation, in July 2019 in order to expand the market in America and acquired 50% equity interests in Hyve Design Solutions Corporation. The transaction increased non-controlling interest and equity attributable to owners of parent both by \$62,920.

(34) Supplemental cash flow information

Financing activities with partial cash payments :

	For the year ended December 31, 2019	For the year ended December 31, 2018
Declaration of cash dividend	\$ 1,405,152	\$ 1,054,646
Less: subsidiaries received cash		
dividends paid from parent company	(20,740)	(15,607)
Cash paid during the period	\$ 1,384,412	\$ 1,039,039

(35) Changes in liabilities from financing activities

	Short-term borrowings	Guarantee deposit received	Lease liabilities	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2019	\$ -	\$ 27,195	\$ 233,433	\$ -	\$ 260,628
Changes in cash flow	3,834,646	(3,250)	(49,973)	791,561	4,572,984
Impact of changes in foreign exchange rate	(30,775)	(300)	-	-	(31,075)
Changes in other non-cash items	-	-	5,768	-	5,768
At December 31, 2019	\$ 3,803,871	\$ 23,645	\$ 189,228	\$ 791,561	\$ 4,808,305

	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
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
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, 2019</u>	<u>For the year ended December 31, 2018</u>
Sales of goods:		
-Associates-Synnex Corp. and subsidiaries	\$ 1,796,232	\$ 2,611,059
-Associates-Others	69,912	166,554
-Other related parties	53	1,738
	<u>1,866,197</u>	<u>2,779,351</u>
-Associates-Synnex Corp. and subsidiaries	\$ 185,431	\$ 85,058
-Associates-Others	3,251	6,527
-Other related parties	10	379
	<u>188,692</u>	<u>91,964</u>
Total	<u>\$ 2,054,889</u>	<u>\$ 2,871,315</u>

- (b) The selling price to related parties is determined based on the economic environment and market competition in the region of the related party.
- (c) The Group's term of credit for related parties is the same with third party clients. The payment is generally due around 3 months after delivery.

B. Purchases:

(a)

	<u>For the year ended December 31, 2019</u>	<u>For the year ended December 31, 2018</u>
Purchases of goods:		
-Associates	\$ 283,905	\$ 150,454
-Other related parties - Synnex Corp and subsidiaries	<u>674,819</u>	<u>220,991</u>
Total	<u>\$ 958,724</u>	<u>\$ 371,445</u>

- (b) The purchase price from related parties cannot be compared with the prices to third parties due to differences in product specifications.
- (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, 2019</u>	<u>December 31, 2018</u>
Accounts receivable:		
-Associates-Synnex Corp. and subsidiaries	\$ 288,577	\$ 360,968
-Associates-Others	<u>1,073</u>	<u>12</u>
Subtotal	<u>289,650</u>	<u>360,980</u>
Other receivables:		
-Associates-Getac Technology Corp. and subsidiaries	16,413	36,868
-Associates-Synnex Corp. and subsidiaries	93,045	24,189
-Associates-Others	116	-
-Other related parties	<u>4,190</u>	<u>1,897</u>
Subtotal	<u>113,764</u>	<u>62,954</u>
Total	<u>\$ 403,414</u>	<u>\$ 423,934</u>

D. Payables to related parties:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts payable:		
-Associates	\$ 24,639	\$ 9,564
-Other related parties - Synnex Corp and subsidiaries	<u>38,353</u>	<u>48,253</u>
Subtotal	<u>62,992</u>	<u>57,817</u>
Other payables:		
-Associates	66,153	1,155
-Other related parties	<u>3,543</u>	<u>713</u>
Subtotal	<u>69,696</u>	<u>1,868</u>
Total	<u>\$ 132,688</u>	<u>\$ 59,685</u>

E. Property transactions:

(a) Acquisition of property, plant and equipment:

	<u>For the year ended December 31, 2019</u>	<u>For the year ended December 31, 2018</u>
Other related parties	<u>\$ 8,825</u>	<u>\$ 691</u>

(b) Acquisition of financial assets:

	<u>Account</u>	<u>Transaction share (Shares in thousands)</u>	<u>Item</u>	<u>Acquisition amount for the year ended December 31, 2019</u>
Associates	Investments accounted for using equity method	4,562	Shen-Tong Construction & Developments Co., Ltd.	<u>\$ 45,620</u>

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

F. Lease transactions — lessee

(a) The Group leases buildings from Getac Technology Corp. and subsidiaries. Rental contracts are typically made for periods from years 2019 to 2023.

(b) Acquisition of right-of-use assets:

On January 1, 2019 (the date of initial application of IFRS 16), the Group increased right-of-use assets by \$51,551.

(c) Lease liabilities

(i) Outstanding balance:

	December 31, 2019
Associates	\$ 40,875

(ii) Interest expense

	Year ended December 31, 2019
Associates	\$ 2,844

Prior to 2018

For the year ended December 31, 2018, the rental expenditures of leasing buildings from Getac Technology Corp. and subsidiaries amounted to \$4,393.

G. Lease transactions — lessor

	For the year ended December 31, 2019	For the year ended December 31, 2018
Rent income		
Associates	\$ 31,182	\$ 19,849
Other related parties	1,384	1,191
Total	\$ 32,566	\$ 21,040

H. Expenses

	For the year ended December 31, 2019	For the year ended December 31, 2018
Associates	\$ 78,211	\$ 14,801
Other related parties	2,895	3,314
Total	\$ 81,106	\$ 18,115

(3) Key management compensation

	For the year ended December 31, 2019	For the year ended December 31, 2018
Salaries and other short-term employee benefits	\$ 45,032	\$ 44,826
Post-employment benefits	563	546
Total	\$ 45,595	\$ 45,372

8. PLEDGED ASSETS

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

Pledged asset	Book Value		Purpose
	December 31, 2019	December 31, 2018	
Time deposits (shown as "other non-current assets")	\$ 10,185	\$ 9,924	Guarantee deposit
Demand deposits and Time deposits (shown as "other current assets")	8,761	8,944	Customs guarantee
Time deposits (shown as "other non-current assets")	25,000	-	Pledged margin for commodity tax guarantee
	<u>\$ 43,946</u>	<u>\$ 18,868</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1)Contingencies

None.

(2)Commitments

A. Operating lease arrangement

Prior to 2018

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

	December 31, 2018
Not more than 1 year	\$ 83,207
More than 1 year but not more than 5 years	114,239
Over 5 years	99,346
Total	<u>\$ 296,792</u>

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

	December 31, 2019	December 31, 2018
Property, plant and equipment	<u>\$ 150,828</u>	<u>\$ 465,038</u>

10. SIGNIFICANT DISASTER LOSS:

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE:

Due to the outbreak of COVID-19 in mainland China since January 2020, China government promulgated various epidemic prevention policies which resulting in the decrease in workdays and strict transportation restriction. Therefore, the operation of the Group was partially affected by the human resource arrangement and breakages in supply chains. The Group immediately set up a COVID-19 response team, and closely contacted with customers and suppliers to reduce the impact on the operations. Along with the response of China government in loosening its epidemic restrictions, the ratio of work resumption has been gradually improved. However, the subsequent impact on the operations will be depending on the recovery of supply chains and development of the epidemic. As of the reporting date, the impact cannot be reliably estimated.

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 99,948</u>	<u>\$ 114,424</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	<u>\$ 5,567,888</u>	<u>\$ 4,027,788</u>
Financial assets at amortised cost		
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	\$ 6,664,566	\$ 5,725,216
Financial assets at amortised cost	490,770	-
Notes receivable	92,751	92,212
Accounts receivable	6,183,075	4,720,458
Accounts receivable - related parties	289,650	360,980
Other receivables	131,562	76,621
Guarantee deposits paid	17,483	18,788
Other financial assets	43,946	18,868
	<u>\$ 13,913,803</u>	<u>\$ 11,013,143</u>

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$ 8,637	\$ 1,295
Financial liabilities at amortised cost		
Short-term borrowings	\$ 3,803,871	\$ -
Accounts payable	5,783,558	5,281,232
Accounts payable - related parties	62,992	57,817
Other accounts payable	3,362,875	3,326,748
Guarantee deposits received	23,645	27,195
Long-term borrowings	791,561	-
	<u>\$ 13,828,502</u>	<u>\$ 8,692,992</u>
Lease liabilities	<u>\$ 189,228</u>	<u>\$ -</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(16)).

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, JPY 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, 2019			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 494,255	29.980	\$ 14,817,755
EUR:NTD	6,081	33.590	204,271
AUD:NTD	8,264	21.005	173,595
USD:CNY	106,092	6.964	3,180,631
<u>Non-monetary items</u>			
CNY:USD	72,470	0.144	311,984
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	489,384	29.980	14,671,731
EUR:NTD	6,031	33.590	202,597
CNY:NTD	6,100	21.005	128,131
USD:CNY	180,376	6.964	5,407,668

	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	9,449,768
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

- iv. Total exchange (loss) gain, including realized and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018, amounted to (\$34,712) and \$7,404, respectively.
- v. When the exchange rates for USD, AUD, EUR and CNY to NTD and USD to CNY increased or decreased by 1%, with all other factors the same at December 31, 2019 and 2018, net profit before tax would increase or decrease by (\$20,339) and (\$7,555) for the years ended December 31, 2019 and 2018, 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 and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

- ii. The Group's investments in equity securities comprise shares and open-end funds issued by the domestic companies. 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, post-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by \$780 and \$1,095, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$55,679 and \$40,278, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

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 delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience, the forecastability of the impact of global economic information to the future 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 following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;

- (iii) Default or delinquency in interest or principal repayments;
- (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vii. The Group classifies customers' repayment ability in accordance with the contract term and macroeconomic forecast included in the forecastability and related industry information. The Group applies the modified approach using group methodology to estimate expected credit loss.
- viii. 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.
- ix. The Group considered the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2019 and 2018, the loss rate methodology is as follows:

<u>At December 31, 2019</u>	<u>Group A</u>	<u>Group B</u>	<u>Total</u>
Expected loss rate	10% - 100%	0.014% - 0.020%	
Value	\$ 394,068	\$ 6,155,691	\$ 6,549,759
Allowance	76,174	860	77,034

<u>At December 31, 2018</u>	<u>Group A</u>	<u>Group B</u>	<u>Total</u>
Expected loss rate	10% - 100%	0.0275% - 0.050%	
Value	\$ 642,634	\$ 4,536,569	\$ 5,179,203
Allowance	95,901	1,864	97,765

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

	<u>2019</u>
At January 1	\$ 97,765
Reversal of impairment loss	(14,812)
Write-offs	(4,932)
Effect of foreign exchange	(987)
At December 31	<u>\$ 77,034</u>

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

(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, 2019</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 3 years</u>	<u>Over 3 years</u>
Short-term borrowings	\$ 3,813,539	\$ -	\$ -	\$ -
Accounts payable	5,846,550	-	-	-
Other payables	3,362,875	-	-	-
Lease liabilities	47,435	31,798	23,295	121,086
Guarantee deposits	7,076	3,790	1,716	11,063
Long-term borrowings	5,586	52,828	215,052	538,915

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

Derivative financial liabilities

As of December 31, 2019 and 2018, 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(12).

C. Financial instruments not measured at fair value

Including the carrying amounts of cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables, refundable deposits, short-term borrowings, notes payable, accounts payable other payables long-term borrowings 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, 2019	Level 1	Level 2	Level 3	Total
<u>Recurring fair value measurements</u>				
Financial assets:				
Forward exchange contracts	\$ -	\$ 21,948	\$ -	\$ 21,948
Equity securities	2,601,502	559,089	2,485,297	5,645,888
Total	<u>\$ 2,601,502</u>	<u>\$ 581,037</u>	<u>\$ 2,485,297</u>	<u>\$ 5,667,836</u>

Recurring fair value measurements

Financial liabilities:

Forward exchange contracts	<u>\$ -</u>	<u>\$ 8,637</u>	<u>\$ -</u>	<u>\$ 8,637</u>
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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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(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
Market quoted price	Closing price	Net worth

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, 2019 and 2018, 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, 2019 and 2018:

	Equity securities	
	2019	2018
January 1	\$ 458,025	\$ 111,731
Proceeds from capital reduction for the year	(45,389)	-
Acquired in the year	50,274	50,322
Transfer into level 3	1,088,481	-
Gains (losses) recognised in other comprehensive income	934,181 (	67,941)
Adjustment of IFRS 9 transition	-	362,291
Effects of foreign exchange	(275)	1,622
December 31	<u>\$ 2,485,297</u>	<u>\$ 458,025</u>

- G. For the year ended December 31, 2018, some equity investments were transferred to financial assets at fair value through other comprehensive income due to the initial application of IFRS 9 on January 1, 2018. For the year ended December 31, 2019, MITAC

Incorporated Co., Ltd. terminated trading its stocks on TPEX starting from April 23, 2019, and there is insufficient observable market information. As a result, the Group has transferred the fair value from Level 1 into Level 3 at the end of the month when the event occurred.

- 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, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Unlisted shares	\$ 2,485,297	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, 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.

- 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, 2019						
Financial assets	Input	Change	Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Equity instrument	Net asset value	±1%	\$ -	\$ -	\$ 24,853	\$ 24,853

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

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 (16).
- 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 5 and 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, 2019				
Item	Mobile			
	Cloud computing business group	communications business group	Others	Total
Revenue	\$ 26,624,689	\$ 5,602,184	\$ 3,605,087	\$ 35,831,960
Segment gain (loss)	230,085	289,076	(18,201)	500,960

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

(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, 2019 and 2018 is provided as follows:

Item	For the year ended December 31, 2019	For the year ended December 31, 2018
Profit for reportable segments	\$ 500,960	\$ 333,896
Unallocated:		
Share of profits and losses from affiliates and joint ventures accounted for using the equity method	2,239,887	1,822,768
Dividend revenue	190,145	189,020
Interest revenue	89,404	90,939
Net currency exchange (loss) gain	(34,712)	7,404
(Loss) gain on disposal of investments	(5,444)	872,181
Other income	102,668	156,506
Income before tax from operations	<u>\$ 3,082,908</u>	<u>\$ 3,472,714</u>

(4) Information on products and services

	For the year ended December 31, 2019	For the year ended December 31, 2018
Sales	\$ 35,388,203	\$ 30,425,495
Other revenue	443,757	326,324
Total	<u>\$ 35,831,960</u>	<u>\$ 30,751,819</u>

(5) Geographical information

For the years ended December 31, 2019 and 2018, revenues and noncurrent assets from certain

regions are listed below:

	For the year ended December 31, 2019		For the year ended December 31, 2018	
	Revenue	Assets - non-current	Revenue	Assets - non-current
Taiwan	\$ 827,127	\$ 5,004,965	\$ 815,400	\$ 4,566,718
USA	17,333,518	688,236	12,402,240	725,518
Europe	4,565,210	116,902	5,507,737	123,514
Others	13,106,105	3,798,324	12,026,442	3,225,931
Total	<u>\$ 35,831,960</u>	<u>\$ 9,608,427</u>	<u>\$ 30,751,819</u>	<u>\$ 8,641,681</u>

(6) Major customer information

For the years ended December 31, 2019 and 2018, the major customer information of the Group are listed below:

For the year ended December 31, 2019			
Customer	Revenue	Percentage of total revenue	Segment
Customer A	\$ 5,355,068	15%	Cloud computing business group
Customer B	5,321,094	15%	Cloud computing business group
Customer C	4,349,024	12%	Cloud computing business group
Customer D	3,781,545	11%	Cloud computing business group

For the year ended December 31, 2018			
Customer	Revenue	Percentage of total revenue	Segment
Customer A	\$ 9,258,013	30%	Cloud computing business group

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES
Loans to others
For the year ended December 31, 2019

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 1

No. (Note 1)	Creditor	Borrower	Is a related party	General ledger account	Maximum outstanding balance during the year ended December 31, 2019	Balance at December 31, 2019	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	\$ 2,000,000	\$ 2,000,000	\$ -	0.98%	2	\$ -	Operations	\$ -	None	\$ -	\$ 3,909,151	\$ 7,818,302	
0	MITAC Holdings Corp.	MITAC Computing Technology Corp.	Y	Other receivables-related parties	3,000,000	3,000,000	-	2.42%-2.72%	2	-	Operations	-	None	-	3,909,151	7,818,302	
0	MITAC Holdings Corp.	MITAC Digital Technology Corp.	Y	Other receivables-related parties	1,000,000	1,000,000	-	1.80%-2.71%	2	-	Operations	-	None	-	3,909,151	7,818,302	
1	MITAC Computing Technology Corp.	MITAC International Corp.	Y	Other receivables-related parties	1,490,000	370,000	-	0.907%-0.980%	2	-	Operations	-	None	-	1,502,354	1,502,354	
1	MITAC Computing Technology Corp.	MITAC Information Technology Czech s.r.o.	Y	Other receivables-related parties	11,000	-	-	2.00%	2	-	Operations	-	None	-	1,502,354	1,502,354	
2	Silver Star Developments Ltd.	MITAC International Corp.	Y	Other receivables-related parties	3,570,800	3,387,740	2,251,498	0.00%	2	-	Operations	-	None	-	8,042,594	8,042,594	
2	Silver Star Developments Ltd.	MITAC Holdings Corp.	Y	Other receivables-related parties	1,580,000	1,499,000	-	0.00%	2	-	Operations	-	None	-	40,212,970	40,212,970	
2	Silver Star Developments Ltd.	Software Insights Ltd.	Y	Other receivables-related parties	31,600	29,980	29,980	0.00%	2	-	Operations	-	None	-	40,212,970	40,212,970	
2	Silver Star Developments Ltd.	Best Profit Ltd.	Y	Other receivables-related parties	966,960	917,388	917,388	0.00%	2	-	Operations	-	None	-	40,212,970	40,212,970	
2	Silver Star Developments Ltd.	Start Well Technology Ltd.	Y	Other receivables-related parties	81,374	77,257	77,257	0.00%	2	-	Operations	-	None	-	40,212,970	40,212,970	
2	Silver Star Developments Ltd.	MITAC Benelux N.V.	Y	Other receivables-related parties	310,900	-	-	0.00%	2	-	Operations	-	None	-	40,212,970	40,212,970	
3	Tyan Computer Corp.(USA)	Mitac Information Systems Corp.	Y	Other receivables-related parties	237,000	224,850	224,850	2.83%	2	-	Operations	-	None	-	1,236,676	1,236,676	
4	Access Wisdom Holdings Ltd.	MITAC Digital Corp.	Y	Other receivables-related parties	1,102,840	-	-	0.00%	2	-	Operations	-	None	-	27,339	27,339	
4	Access Wisdom Holdings Ltd.	MITAC Europe Ltd.	Y	Other receivables-related parties	154,528	-	-	0.00%	2	-	Operations	-	None	-	27,339	27,339	
4	Access Wisdom Holdings Ltd.	Silver Star Developments Ltd.	Y	Other receivables-related parties	474,000	-	-	0.00%	2	-	Operations	-	None	-	27,339	27,339	
5	MITAC Digital Technology Corp.	MITAC International Corp.	Y	Other receivables-related parties	500,000	500,000	500,000	0.907%-0.980%	2	-	Operations	-	None	-	684,611	684,611	
5	MITAC Digital Technology Corp.	MITAC Europe Ltd.	Y	Other receivables-related parties	29,025	27,556	27,556	1.90%	2	-	Operations	-	None	-	684,611	684,611	
6	MITAC International Corp.	MITAC Computing Technology Corp.	Y	Other receivables-related parties	2,900,000	2,900,000	1,717,854	1.71%-3.30%	2	-	Operations	-	None	-	3,462,838	6,925,675	
6	MITAC International Corp.	MITAC Digital Technology Corp.	Y	Other receivables-related parties	2,000,000	2,000,000	-	2.20%-3.30%	2	-	Operations	-	None	-	3,462,838	6,925,675	
6	MITAC International Corp.	MITAC Technology (KunShan) Co., Ltd.	Y	Other receivables-related parties	31,390	29,980	29,980	2.70%	2	-	Operations	-	None	-	3,462,838	6,925,675	
7	MITAC Investment Holding Ltd.	MITAC Technology (KunShan) Co., Ltd.	Y	Other receivables-related parties	58,643	43,050	43,050	4.35%	2	-	Operations	-	None	-	5,861,411	5,861,411	
7	MITAC Investment Holding Ltd.	MITAC Information Systems (Kunshan) Co., Ltd.	Y	Other receivables-related parties	274,428	271,215	271,215	0.00%	2	-	Operations	-	None	-	5,861,411	5,861,411	
8	MITAC Research (Shanghai) Ltd.	MITAC Investment Holdings Ltd.	Y	Other receivables-related parties	317,988	271,215	271,215	0.00%	2	-	Operations	-	None	-	879,349	879,349	

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 40% 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) If Silver Star Developments Ltd. was lending to domestic 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 40% of the net assets on the latest financial statements audited by independent accountants.

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

(6) 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 40% 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) If MITAC Holdings Corp. was lending to domestic 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 net assets on the latest financial statements audited by independent accountants.

(10) If MITAC Research (Shanghai) Ltd. was lending to domestic 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 net assets on the latest financial statements audited by independent accountants.

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the year ended December 31, 2019

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, 2019	Outstanding endorsement/ guarantee amount at December 31, 2019	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	\$	\$	\$	\$	\$ -	0.72%	\$	Y	N	N	
0	MiTAC Holdings Corp.	MiTAC Computing Technology Corp.	2	19,545,7	516,49	516,49	516,49	-	1.32	19,545,7	Y	N	N	
0	MiTAC Holdings Corp.	MiTAC International Corp.	2	19,545,7	230	230	230	-	0.00%	19,545,7	Y	N	N	
0	MiTAC Holdings Corp.	MiTAC Digital Technology Corp.	2	19,545,7	3,914	3,914	3,91	-	0.01%	19,545,7	Y	N	N	
0	MiTAC Holdings Corp.	MiTAC Digital Corp.	3	19,545,7	91,57	-	-	-	0.00%	19,545,7	Y	N	N	
0	MiTAC Holdings Corp.	Access Wisdom Holdings Ltd.	3	19,545,7	15,42	-	-	-	0.00%	19,545,7	Y	N	N	
0	MiTAC Holdings Corp.	MiTAC Information Systems Corp.	3	19,545,7	549,000	549,000	549,000	-	1.40%	19,545,7	Y	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)

Having business relationship

(2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company. (4)

The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.

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.

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES
Holding of marketable securities at the end of period (not including subsidiaries, associates and joint ventures)
December 31, 2019

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, 2019				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	\$ 116,389	0.19	\$ 116,389	
MiTAC Holdings Corp.	The. Note. Co. Ltd.	None	Financial assets at fair value through other comprehensive income-non current	243,746	1,921	5.63	1,921	
MiTAC Holdings Corp.	JVP VIII, L.P.	None	Financial assets at fair value through other comprehensive income-non current	825,000	23,637	1.16	23,637	
MiTAC Holdings Corp.	WHETRON ELECTRONICS CO., LTD.	None	Financial assets at fair value through other comprehensive income-non current	6,550,000	135,395	9.05	135,395	
MiTAC Holdings Corp.	Harbinger VIII Venture Capital Corp.	None	Financial assets at fair value through other comprehensive income-non current	7,500,000	73,321	11.57	73,321	
MiTAC International Corp.	Lien Hwa Industrial Holdings Corporation	Same board chairman	Financial assets at fair value through other comprehensive income-non current	30,819,542	1,138,782	2.79	1,138,782	
MiTAC International Corp.	UPC Technology Corp.	Same board chairman	Financial assets at fair value through other comprehensive income-non current	16,179,561	179,593	1.21	179,593	
MiTAC International Corp.	COMPUCASE ENTERPRISE CO., LTD.	None	Financial assets at fair value through other comprehensive income-non current	10,000,000	282,500	8.83	282,500	
MiTAC International Corp.	Synnex Technology International Corporation	Same board Chairman	Financial assets at fair value through other comprehensive income-non current	5,245,000	196,688	0.31	196,688	
MiTAC International Corp.	MiTAC INC.	Same board chairman	Financial assets at fair value through other comprehensive income-non current	6,259,734	80,319	4.17	80,319	
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	31,016,697	1,241,071	8.69	1,241,071	
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	10,627	1.11	10,627	
MiTAC International Corp.	Harbinger Venture Capital Corp.	Same board chairman	Financial assets at fair value through other comprehensive income-non current	27,828	921	14.05	921	
MiTAC International Corp.	Harbinger VI Venture Capital Corp.	Same board chairman	Financial assets at fair value through other comprehensive income-non current	3,745,020	43,220	13.28	43,220	
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	104,679	9.39	104,679	
Tsu Fung Investment Corp.	MiTAC Holdings Corp.	Ultimate parent company	Financial assets at fair value through other comprehensive income-current	14,000,459	406,013	1.30	406,013	Note 1
Tsu Fung Investment Corp.	Getac Technology Corp.	None	Financial assets at fair value through other comprehensive income-current	7,783,741	363,501	1.34	363,501	
Tsu Fung Investment Corp.	UPC Technology Corp.	None	Financial assets at fair value through other comprehensive income-current	16,360,231	181,599	1.23	181,599	
Tsu Fung Investment Corp.	Synnex Technology International Corp.	None	Financial assets at fair value through other comprehensive income-current	4,586,974	172,011	0.28	172,011	
Tsu Fung Investment Corp.	Lien Hwa Industrial Holdings Corporation	None	Financial assets at fair value through other comprehensive income-current	3,708,764	137,039	0.34	137,039	
Tsu Fung Investment Corp.	PROMISE Technology Inc.	None	Financial assets at fair value through other comprehensive income-current	5,000,000	37,900	3.10	37,900	
Tsu Fung Investment Corp.	MiTAC INC.	None	Financial assets at fair value through other comprehensive income-non current	4,594,672	58,594	3.06	58,954	
Tsu Fung Investment Corp.	MiTAC Information Technology Corp.	None	Financial assets at fair value through other comprehensive income-non current	19,121,826	765,122	5.36	765,122	
Tsu Fung Investment Corp.	Tung Da Investment Co., Ltd.	None	Financial assets at fair value through other comprehensive income-non current	4,848,125	97,932	19.99	97,932	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	12,150	19.99	12,150	
Tsu Fung Investment Corp.	Lien Yung Investment Corp.	None	Financial assets at fair value through other comprehensive income-non current	9,217,196	99,361	19.99	99,361	
Tsu Fung Investment Corp.	Uni-President Assets Management Corp.	None	Financial assets at fair value through profit or loss-current	4,648,973	78,000	-	78,000	
Silver Star Developments Ltd. and its subsidiaries	MiTAC Holdings Corp.	Ultimate parent company	Financial assets at fair value through other comprehensive income-non current	1,899,959	55,099	0.18	55,099	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	5,198	1.23	5,198	
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	7,994	1.26	7,994	
Silver Star Developments Ltd. and its subsidiaries	Budworth Investments Ltd.	None	Financial assets at fair value through other comprehensive income-non current	134,908	64	14.83	64	
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	-	

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, 2019

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities	General ledger account (Note)	Counterparty (Note)	Relationship with the investor	Balance as at January 1, 2019		Addition		Disposal				Balance as at December 31, 2019	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
MITAC Computer (Shunde) Corp.	Liduoduo Public Structured Deposit	Financial assets at amortised cost	-	-	-	-	-	934,185	-	948,870	934,185	14,685	-	-
MITAC Computer (Shunde) Corp.	RMB ContinuousSerialDeposits FinancialProducts	Financial assets at amortised cost	-	-	-	-	-	370,230	-	373,116	370,230	2,886	-	-
MITAC Computer (Shunde) Corp.	RMB-StructuredDeposits	Financial assets at amortised cost	-	-	-	-	-	426,195	-	204,319	202,335	1,984	-	223,860
MITAC Computer (Shunde) Corp.	Liduoduo Public Structured Deposit	Financial assets at amortised cost	-	-	-	-	-	882,525	-	891,180	882,525	8,655	-	-
MITAC InformationSystems (Kunshan)Co., Ltd.	Liduoduo Public Structured Deposit	Financial assets at amortised cost	-	-	-	-	-	929,880	-	738,283	736,155	2,128	-	193,725
MITAC Research (ShangHai) Ltd.	"Ben Li Feng" RMB Wealth Management Product	Financial assets at amortised cost	-	-	-	-	-	1,127,910	-	1,135,525	1,127,910	7,615	-	-

Note: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

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, 2019

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	7,911,447	41.41%	Note1	Note3	Note1	4,203,046	75.06%	
MiTAC Computing Technology Corp.	MiTAC Computer (Shunde) Ltd.	Affiliate	Purchases	917,886	5.48%	Note2	Note3	Note2	(764,654)	18.01%	
MiTAC Computing Technology Corp.	Tyan Computer Corp.(USA)	Subsidiary	Sales	505,780	2.65%	Note1	Note3	Note1	-	-	
MiTAC Computing Technology Corp.	MiTAC Logistics Corp.	Subsidiary	Sales	554,058	2.90%	Note1	Note3	Note1	-	-	
MiTAC Computing Technology Corp.	Synnex Corp. and its subsidiaries	Associate of affiliate	Sales	538,026	2.82%	Note1	Note3	Note1	95,664	1.71%	
MiTAC Computing Technology Corp.	Synnex Technology International Corp. and subsidiaries	Others	Purchases	495,913	2.96%	Note2	Note3	Note2	(34,634)	0.82%	
MiTAC Computing Technology Corp.	MiTAC Telematics Technology Corporation	Subsidiary	Sales	233,106	1.22%	Note1	Note3	Note1	-	-	
MiTAC Digital Technology Corp.	MiTAC Europe Ltd.	Subsidiary	Sales	169,652	3.46%	Note1	Note3	Note1	-	-	
MiTAC Digital Technology Corp.	MiTAC Australia Pty Ltd.	Subsidiary	Sales	194,503	3.96%	Note1	Note3	Note1	43,040	3.63%	
MiTAC Digital Technology Corp.	MiTAC Computer (Kunshan) Ltd.	Affiliate	Purchases	1,498,410	43.36%	Note2	Note3	Note2	(1,108,782)	69.46%	Note4
Silver Star Developments Ltd. and its subsidiaries	MiTAC Computing Technology Corp.	Affiliate	Sales	1,021,978	6.69%	Note1	Note3	Note1	793,151	11.76%	
Silver Star Developments Ltd. and its subsidiaries	MiTAC Digital Technology Corp.	Affiliate	Sales	1,537,783	10.06%	Note1	Note3	Note1	1,127,560	16.71%	Note4
MiTAC Technology UK Ltd. and its subsidiaries	MiTAC Computing Technology Corp.	Parent Company	Purchases	8,971,286	55.54%	Note2	Note3	Note2	(4,203,046)	80.03%	
MiTAC Technology UK Ltd. and its subsidiaries	Synnex Corp. and its subsidiaries	Associate of affiliate	Sales	1,258,206	7.69%	Note1	Note3	Note1	192,913	8.07%	
Access Wisdom Holdings Ltd and its subsidiaries	MiTAC Digital Technology Corp.	Parent Company	Purchases	387,824	87.83%	Note2	Note3	Note2	(50,866)	72.74%	

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, 2019

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019		Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
			Amount receivables	Other receivables		Amount	Action taken		
Mitac Holdings Corp.	MiTAC Computing Technology Corp.	Subsidiary	\$ -	\$ 109,176	-	\$ -	Not Applicable	-	-
MiTAC Computing Technology Corp.	MiTAC Information Systems Corp.	Subsidiary	4,203,046	956	2.63	936,425	Subsequent receipts	780,370	-
Silver Star Developments Ltd. and its subsidiaries	MiTAC Computing Technology Corp.	Affiliate	793,151	15,334	0.84	-	Not Applicable	-	-
Silver Star Developments Ltd. and its subsidiaries	MiTAC Digital Technology Corp.	Affiliate	1,127,560	13,320	1.76	-	Not Applicable	-	Note 1
MiTAC Technology UK Ltd. and its subsidiaries	Synnex Corp. and its subsidiaries	Associate of affiliate	192,913	-	5.32	-	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, 2019

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 Computing Technology Corp.	1	Other receivables	\$ 109,176		0.20%	
1	MiTAC International Corp.	MiTAC Computing Technology Corp.	3	Other income	1,751,864		3.16%	
2	MiTAC Computing Technology Corp.	MiTAC Technology UK Ltd. and its subsidiaries	3	Sales	8,971,286	Note4	25.04%	
2	MiTAC Computing Technology Corp.	MiTAC Technology UK Ltd. and its subsidiaries	3	Accounts receivable	4,203,046	Note4	7.59%	
2	MiTAC Computing Technology Corp.	Silver Star Developments Ltd. and its subsidiaries	3	Purchases	1,021,978	Note5	2.85%	
2	MiTAC Computing Technology Corp.	Silver Star Developments Ltd. and its subsidiaries	3	Accounts payable	793,151	Note5	1.43%	
3	Silver Star Developments Ltd. and its subsidiaries	MiTAC International Corp.	3	Other receivables	2,254,319		4.07%	
4	MiTAC Digital Technology Corp.	MiTAC International Corp.	3	Other receivables	500,000		0.90%	
4	MiTAC Digital Technology Corp.	Access Wisdom Holdings Ltd and its subsidiaries	3	Sales	387,824	Note4	1.08%	
4	MiTAC Digital Technology Corp.	Silver Star Developments Ltd. and its subsidiaries	3	Purchases	1,537,783	Note4	4.29%	Note7
4	MiTAC Digital Technology Corp.	Silver Star Developments Ltd. and its subsidiaries	3	Accounts payable	1,127,560	Note5	2.03%	Note7

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

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

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

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

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

Note 4: The Group's credit term for foreign related parties is 5 months for the collection of the net amount of receivables after offsetting against payables, which takes into consideration the reasonable amount of time for the Company to ship the products to each company and for the collection of the accounts. The company's sales price with related parties is based on the international market trends and the region the sales were made.

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

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

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, 2019

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, 2019			Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	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	\$ 24,739,187	1,987,021,287	100.00	\$ 34,512,842	\$ 2,564,988	\$ 2,544,248	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	3,758,629	86,922	90,369	Subsidiary
MiTAC Holding Corp.	MiTAC Digital Technology Corp.	Taiwan	Sales and service of electronic telecommunication, communication and software, etc.	1,547,485	1,501,000	103,099,000	97.17	1,773,539	232,350	228,456	Subsidiary
MiTAC Holding Corp.	Infopower Technologies Ltd.	India	Manufacture and sale of electronic product.	80,820	80,820	6,774,199	33.33	74,439	(15,206)	(9,421)	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	32.66	4,891,103	2,129,188	-	Associate
MiTAC International Corp.	Tsu Fung Investment Corp.	Taiwan	Investment	625,000	625,000	142,884,651	100.00	2,440,318	83,965	-	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	12,850	3,177	-	Associate
MiTAC International Corp.	Lian Jie Investment Co., Ltd.	Taiwan	Investment	113,057	113,057	11,305,650	49.98	109,468	4,469	-	Associate
MiTAC International Corp.	Lian Jie II Investment Co., Ltd.	Taiwan	Investment	32,500	32,500	3,250,000	32.50	33,239	(2,559)	-	Associate
MiTAC International Corp.	Silver Star Developments Ltd. and its subsidiary	British Virgin Islands	Investment	5,285,453	5,515,389	176,299,302	100.00	20,767,341	1,751,790	-	Subsidiary
MiTAC International Corp.	Shen-Tong Construction & Development Co., Ltd.	Taiwan	Building and factory construction, leasing and sales	90,349	90,349	9,034,922	47.55	86,216	(784)	-	Associate
MiTAC International Corp.	Mio Technology Corp.	Taiwan	Sale of communication products and related after-sale services	-	13,204	-	-	-	2	-	Subsidiary
MiTAC International Corp.	Green Share Corp.	Taiwan	Sale of computers and its peripherals, and hardware, software and related products	-	7,839	-	-	-	29	-	Associate

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	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	15.40	113,562	(31,158)	-	Associate
MiTAC Computing Technology Corp.	MiTAC Technology UK Ltd. and its subsidiary	UK	Investment	1,769,403	1,769,403	62,909,737	100.00	1,727,666	(166,249)	-	Subsidiary
MiTAC Computing Technology Corp.	Mitac Information Technology Czech s.r.o.	Czech Republic	Assemble and sales of computer and peripheral equipment.	10,735	10,735	-	100.00	855	(1,380)	-	Subsidiary
MiTAC Computing Technology Corp.	Hyve Design Solutions Corporation	USA	Assemble and sales of computer and peripheral equipment.	59,060	-	400,000	50.00	12,621	(97,620)	-	Subsidiary
MiTAC Digital Technology Corp.	Mio International Ltd. and its subsidiary	British Virgin Islands	Investment	68,285	68,285	1,275,001	100.00	77,634	2,934	-	Subsidiary
MiTAC Digital Technology Corp.	Access Wisdom Holdings Limited. and its subsidiary	British Virgin Islands	Investment	-	-	48,500,000	100.00	111,410	82,472	-	Subsidiary
Silver Star Developments Ltd. and its subsidiaries	Harbinger II(BVI) Venture Capital Corp.	British Virgin Islands	Investment	-	27,230	-	0.00	-	(1,802)	-	Associate
Silver Star Developments Ltd. and its subsidiaries	Mainpower International Ltd.	British Virgin Islands	Investment	164,890	164,890	5,500,001	13.28	211,748	64,621	-	Associate
Silver Star Developments Ltd. and its subsidiaries	Synnex Corp.	USA	Information process services, sales of computer peripheral, system and network products	1,016,992	1,016,992	5,239,980	10.19	11,551,123	14,914,583	-	Associate
Silver Star Developments Ltd. and its subsidiaries	Harbinger Ruyi Venture Ltd.	British Virgin Islands	Investment	29,980	29,980	1,000,000	28.57	20,117	(2,256)	-	Associate
Silver Star Developments Ltd. and its subsidiaries	Harbinger Ruyi II Venture Ltd.	British Virgin Islands	Investment	29,980	29,980	10,000	32.26	26,334	(1,910)	-	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	1.97	13,521	(31,158)	-	Associate
Tsu Fung Investment Corp.	MiTAC Digital Technology Corp.	Taiwan	Sales and service of electronic telecommunication, communication and software, etc.	16	-	1,000	0.001	16	232,350	-	Subsidiary

Note 1: It originally was an investment of the subsidiary, MiTAC International Corp. Under the merger, Mio Technology (Suzhou) Ltd. was the dissolved company while the MiTAC International Corp. will be the surviving company for the year ended December 31, 2019. Note 2: This Company was liquidated in 2019.

MITAC HOLDINGS CORPORATION AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2019

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, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee as of December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
MiTAC Computer (Shunde) Corp.	Manufacturing of computer cases and monitors. Etc.	\$ 1,793,917	2	\$ 1,196,224	\$ -	\$ -	\$ 1,196,224	\$ 176,864	100.00	\$ 176,864	\$ 2,689,936	\$ -	
MiTAC Computer (Kunshan) Co., Ltd.	Sales and manufacturing of computer accessories, hardware, software and related services	2,197,724	2	1,756,828	-	-	1,756,828	60,446	100.00	60,446	2,829,056	-	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	35,632	2	29,980	-	-	29,980	(3,309)	100.00	(3,309)	30,415	-	
MiTAC Research (ShangHai) Ltd.	Research, development and production of computer software, sales of own-produced products and related technical advisory services	185,288	2	155,896	-	-	155,896	16,014	100.00	16,014	455,092	-	
Shzhou MiTAC Precision Technology Co., Ltd.	Design and manufacturing of computer chassis and its components, percision plastic injection mould, molding parts and molding equipment processing and maintenance and repair services.	1,519,569	2	404,730	-	-	404,730	76,643	27.44	76,643	524,333	-	
Mio Technology (Suzhou) Ltd.	Sales of communication products and related after-sale services	8,083	2	29,830	-	-	29,830	2,934	100.00	2,934	31,452	-	
MiTAC Logistic Service (Kunshan) Ltd.	Agency of freight transport, export and import trading and warehousing services	29,363	2	29,980	-	-	29,980	2,218	100.00	2,218	37,402	-	
MiTAC Information Technology Ltd.	After-sales maintenance, testing, consulting services and related support technology services	8,819	2	8,994	-	-	8,994	(3,520)	100.00	(3,520)	43,658	-	
MiTAC Innovation (Kunshan) Ltd.	Research and development of computer, server, mobile phone, PDA, GNSS and GPS, and related technology transfer, technical services	28,286	2	29,980	-	-	29,980	3,814	100.00	3,814	70,615	-	

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, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee as of December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
MiTAC Telematics Technology Corporation	Sales of self-produced products and related after-sale services	8,610	1	2,187	-	-	2,187	4,123	100.00	4,123	8,725	-	
MiTAC Investment Holding Ltd.	Investment Holdings	2,020,302	2	899,400	-	-	899,400	75,879	100.00	75,879	3,003,758	-	
MiTAC Information Systems (Kunshan) Co., Ltd.	Sales and manufacturing of computer accessories, hardware, software and related services	1,033,200	3	-	-	-	- (1,066)	(1,066)	100.00	(1,066)	1,028,794	-	

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 Chian.

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2019' 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, 2019 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, 2019	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.	\$ 4,026,383	\$ 4,888,308	20,984,372
MiTAC Computing Technology Corp.	2,187	2,187	Note 4
MiTAC Digital Technology Corp.	22,335	22,335	1,095,018

Note 4: 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. 10720413070) 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, 2019 amounted to \$23,766, for details of other significant transactions, please refer to table 1 and table 5.

MITAC HOLDINGS CORPORATION
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND REPORT OF INDEPENDENT
ACCOUNTANTS
DECEMBER 31, 2019 AND 2018

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

PWCR19000265

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, 2019 and 2018, 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, 2019 and 2018, 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 audit of the parent company only financial statements as of and for the year ended December 31, 2019 in accordance with “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants”, “Financial Supervisory Commission Order No. Financial-Supervisory-Securities-Auditing-1090360805 of February 25, 2020” and generally accepted auditing standards in the Republic of China (ROC GAAS); and 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) for our audit of the consolidated financial statements as of and for the year ended December 31, 2018. 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, 2019, the Company recognised MiTAC International Corporation and its subsidiaries, MiTAC Computing Technology Corporation and its subsidiaries and MiTAC Digital Technology Corporation and its subsidiaries, as investments accounted for using equity method, please refer to Note 6(3) for the details. The aforementioned investments accounted for using equity method constitute 98% of the Company's total assets. Thus, we consider the following key audit matters of the Company's investees also as key audit matters of the Company.

Sales revenue recognition

Description

Given that revenues are material to the financial statements of the subsidiaries that are accounted for using equity method, the types of 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 of investees as a key audit matter.

How our audit addressed the matter

We conducted audit procedures, including: discussed with management and evaluated the policy of revenue recognition; assessed the effectiveness of design and implementation of internal controls over recognition of revenue; sampled the transactions of terms, performance obligations, and prices and verifying the supporting documents for delivery to ensure the proper timing and amounts of recognition; selected sales transactions for a specific period prior to and after the balance sheet date and verified transaction documents to ensure sales revenue are recorded in the proper period.

Valuation of inventory

Description

Subsidiaries accounted for using equity method were mainly engaged in manufacturing and selling computers 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. Inventories of investees were measured at the lower of cost and net realisable value. Considering that these inventories were significant, items were voluminous and the valuation is associated with subjective judgement, we identified valuation of inventory of the subsidiaries as a key audit matter.

How our audit addressed the matter

We performed audit procedures, including: discussed with management and evaluated the policy of inventory valuation, validated inventory aging report through checking the logic of calculating aged inventories and confirming the appropriateness of categorization of aged inventories; and validated the basis in determining net realizable values of obsolete or slow-moving inventories in order to evaluate 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\$1,585,642 thousand and NT\$1,108,426 thousand for the years ended December 31, 2019 and 2018, respectively. Investments accounted for using equity method amounted to NT\$11,569,372 thousand and NT\$10,783,025 thousand as at December 31, 2019 and 2018, 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, 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:

7. 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.

8. 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.
9. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
10. 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.
11. 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.
12. 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 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 27 , 2020

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, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 56,403	-	\$ 145,995	1
1200	Other receivables		4	-	24	-
1210	Other receivables - related parties	7	181,297	1	487,494	1
1220	Current income tax assets		7,907	-	6,417	-
1410	Prepayments		1,004	-	941	-
11XX	Total Current Assets		246,615	1	640,871	2
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non-current	6(2)	350,664	1	429,695	1
1550	Investments accounted for using equity method	6(3)	40,119,449	98	37,241,750	97
1600	Property, plant and equipment	6(4)	3,184	-	3,980	-
1920	Guarantee deposits paid		106	-	100	-
15XX	Total Non-current assets		40,473,403	99	37,675,525	98
1XXX	Total assets		\$ 40,720,018	100	\$ 38,316,396	100

(Continued)

MiTAC HOLDINGS CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			Notes		December 31, 2019		December 31, 2018	
					AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Current borrowings	6(5)(16)	\$	1,000,000	2	\$	-	-
2200	Other payables			9,538	-		8,961	-
2220	Other payables - related parties	6(16) and 7		13,826	-		449,382	1
2230	Current income tax liabilities			206,726	1		54,622	-
2300	Other current liabilities			104	-		104	-
21XX	Total Current Liabilities			1,230,194	3		513,069	1
2XXX	Total Liabilities			1,230,194	3		513,069	1
Equity								
Share capital		6(7)						
3110	Common stock			10,772,829	27		9,367,677	25
Capital surplus		6(8)						
3200	Capital surplus			23,400,002	58		23,370,899	61
Retained earnings		6(9)						
3310	Legal reserve			1,167,412	3		837,787	2
3320	Special reserve			12,265	-		-	-
3350	Unappropriated retained earnings			3,818,704	9		4,131,139	11
Other equity interest		6(10)						
3400	Other equity interest			671,699	1		448,912	1
3500	Treasury stocks	6(7)	(	353,087)	(1)	(	353,087)	(1)
3XXX	Total equity			39,489,824	97		37,803,327	99
3X2X	Total liabilities and equity		\$	40,720,018	100	\$	38,316,396	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, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share)

		Year ended December 31			
Items	Notes	2019		2018	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(2)(3)	\$ 2,861,497	100	\$ 3,301,845	100
Operating expenses					
6200 General and administrative expenses	6(12)(13) and 7	(34,232)	(1)	(31,195)	(1)
6900 Operating profit		2,827,265	99	3,270,650	99
Non-operating income and expenses					
7010 Other income	6(11) and 7	15,128	-	35,268	1
7020 Other gains and losses		9	-	36	-
7050 Finance costs	6(5)	(2,084)	-	(236)	-
7000 Total non-operating income and expenses		13,053	-	35,068	1
7900 Profit before income tax		2,840,318	99	3,305,718	100
7950 Income tax expense	6(14)	(22,438)	(1)	(9,469)	-
8200 Profit for the year		\$ 2,817,880	98	\$ 3,296,249	100
Other comprehensive income					
Components of other comprehensive income(loss) 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)	(\$ 128,931)	(5)	(\$ 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(3)(10)	1,392,399	49	(493,340)	(15)
8310 Components of other comprehensive income(loss) that will not be reclassified to profit or loss		1,263,468	44	(517,051)	(16)
Components of other comprehensive income(loss) that will be reclassified to profit or loss					
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(3)(10)	(1,017,982)	(35)	212,654	7
8360 Components of other comprehensive income(loss) that will be reclassified to profit or loss		(1,017,982)	(35)	212,654	7
8300 Other comprehensive income (loss) for the year		\$ 245,486	9	(\$ 304,397)	(9)
8500 Total comprehensive income for the year		\$ 3,063,366	107	\$ 2,991,852	91
9750 Basic earnings per share	6(15)	\$ 2.65		\$ 3.11	
9850 Diluted earnings per share	6(15)	\$ 2.63		\$ 3.09	

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
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		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	Total Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain or loss on available-for-sale financial assets	Treasury stocks	Total equity	
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		-	-	-	-	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		-	-	-	-	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)	-	898,481	-	-	(15,584)	-	15,584	-	-	898,481	
Proceeds from subsidiaries' disposal of investments accounted for using equity method	6(8)	-	(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	6(7)(8)	(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	
Year 2019												
Balance at January 1, 2019		\$ 9,367,677	\$ 23,370,899	\$ 837,787	\$ -	\$ 4,131,139	(\$ 62,976)	\$ 511,888	\$ -	(\$ 353,087)	\$ 37,803,327	
Effects on adoption of IFRS 16		-	-	-	-	(50)	-	-	-	-	(50)	
Balance at January 1, 2019 after adjustments		9,367,677	23,370,899	837,787	-	4,131,089	(62,976)	511,888	-	(353,087)	37,803,277	
Profit for 2019		-	-	-	-	2,817,880	-	-	-	-	2,817,880	
Other comprehensive income(loss) for 2019		-	-	-	-	(22,376)	(1,017,982)	1,285,844	-	-	245,486	
Total comprehensive income(loss)		-	-	-	-	2,795,504	(1,017,982)	1,285,844	-	-	3,063,366	
Distribution of 2018 earnings	6(9)											
Legal reserve		-	-	329,625	-	(329,625)	-	-	-	-	-	
Special reserve		-	-	-	12,265	(12,265)	-	-	-	-	-	
Cash dividends		-	-	-	-	(1,405,152)	-	-	-	-	(1,405,152)	
Stock dividends		1,405,152	-	-	-	(1,405,152)	-	-	-	-	-	
Subsidiaries received cash dividends paid by the parent company	6(8)	-	20,740	-	-	-	-	-	-	-	20,740	
Change of subsidiaries and associates accounted for using equity method	6(8)(10)	-	7,754	-	-	4,624	-	(4,624)	-	-	7,754	
Proceeds from subsidiaries' disposal of investments accounted for using equity method	6(10)	-	-	-	-	(341)	-	341	-	-	-	
Proceeds from disposal of equity instruments measured at fair value through other comprehensive income		-	-	-	-	40,022	-	(40,022)	-	-	-	
Adjustments in equity due to non-subscription the new shares issued by subsidiaries proportionately to ownership		-	609	-	-	-	(770)	-	-	-	(161)	
Balance at December 31, 2019		\$ 10,772,829	\$ 23,400,002	\$ 1,167,412	\$ 12,265	\$ 3,818,704	(\$ 1,081,728)	\$ 1,753,427	\$ -	(\$ 353,087)	\$ 39,489,824	

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, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 2,840,318	\$ 3,305,718
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(4)(12)	796	673
Share of profit of associates accounted for using equity method	6(3)	(2,853,652)	(3,295,017)
Interest income	6(11)	(14,812)	(34,770)
Dividend income	6(2)	(7,845)	(6,828)
Interest expense	6(5)	2,084	236
Changes in operating assets and liabilities			
Changes in operating assets			
Prepayments		(63)	(211)
Other receivables - related parties		54,381	77,977
Changes in operating liabilities			
Other payables		406	(1,683)
Other payables - related parties		(41,889)	(35,918)
Other current liabilities		-	99
Cash (outflow) inflow generated from operations		(20,276)	10,276
Cash dividend received	6(3)	432,980	735,583
Receipt of interest		15,481	36,418
Payment of interest		(1,913)	(236)
Payment of income tax		(14,322)	(88,092)
Net cash flows from operating activities		411,950	693,949
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Loans lent to related parties	7	(2,787,274)	(6,468,328)
Loans repaid from related parties	7	3,186,569	7,997,033
Acquisition of financial assets at fair value through other comprehensive income	6(2)		
Acquisition of investments accounted for using equity method	6(3)	(49,900)	(446,979)
Proceeds from disposal of investments accounted for using equity method		(46,500)	-
Acquisition of property, plant and equipment	6(4)	16	-
Increase in refundable deposits		-	(3,980)
Net cash flows from investing activities		(6)	-
		302,905	1,077,746
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(5)(16)	1,000,000	-
Increase on loans from related parties	6(16) and 7	2,437,374	2,764,350
Repayment on loans to related parties	6(16) and 7	(2,836,669)	(3,853,055)
Employee stock options exercised		-	64,056
Cash dividends paid	6(9)	(1,405,152)	(1,054,646)
Net cash flows used in financing activities		(804,447)	(2,079,295)
Net decrease in cash and cash equivalents		(89,592)	(307,600)
Cash and cash equivalents at beginning of year	6(1)	145,995	453,595
Cash and cash equivalents at end of year	6(1)	\$ 56,403	\$ 145,995

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, 2019 AND 2018

(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. However, the shareholding ratio of the Company to MiTAC Digital Technology was decreased to 97.17% on December 31, 2019.

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 27, 2020.

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 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.

(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 2020 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 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

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
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
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

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 statements 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 at fair value through other comprehensive income.

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.

(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 recognised in profit or loss in the period in which they arise.

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

C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated

using the historical exchange rates at the dates of the initial transactions.

(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

- 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) Impairment of financial assets

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.

(8) 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.

(9) 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. Unrealised 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 statement of comprehensive income 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 recognised at cost.
- F. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the 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. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the 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 recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

- J. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- K. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(10) 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 recognised 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 derecognised 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.

(11) 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 recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for 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 recognised.

(12) Derecognition of financial liabilities

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

(13) Borrowings

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

(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 recognised 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 recognised 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 recognised 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 recognised

as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and 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 recognised 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 recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 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 recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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 recognised 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, unrecognised and recognised 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 recognised 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 recognised 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 acquire, the difference is recognised in profit or loss for the period at the acquisition date.
- C. The newly established investment holding company through share swap is jointly controlled under business combination. Under regulations of competent authority, the investment holding company is recorded at the carrying value and is included in the consolidated financial statements at the date of establishment.

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, 2019</u>	<u>December 31, 2018</u>
Checking accounts and demand deposits	\$ 11,403	\$ 5,995
Time deposits	-	140,000
Repurchased bonds	<u>45,000</u>	<u>-</u>
Total	<u>\$ 56,403</u>	<u>\$ 145,995</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, 2019</u>	<u>December 31, 2018</u>
Non-current items:		
Equity instruments		
Listed stocks	\$ 134,657	\$ 134,657
Unlisted stocks	<u>369,722</u>	<u>319,822</u>
Subtotal	504,379	454,479
Valuation adjustment	(153,715)	(24,784)
Total	<u>\$ 350,664</u>	<u>\$ 429,695</u>

A. The Company recognised (\$128,931) and (\$23,711) in other comprehensive loss for fair value change for the years ended December 31, 2019 and 2018, respectively.

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, 2019 and 2018, the fair value of investments were \$350,664 and \$429,695, respectively.

C. The Company received dividend income of \$7,845 and \$6,828 for the years ended December 31, 2019 and 2018, respectively.

(3) Investments accounted for under the equity method

A.

<u>Investee company</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Subsidiaries		
Mitac International Corporation	\$ 34,512,842	\$ 31,508,825
Mitac Computing Technology Corporation	3,758,629	4,011,066
Mitac Digital Technology Corporation	1,773,539	1,636,397
Associates		
Infopower Technologies Ltd.	74,439	85,462
	<u>\$ 40,119,449</u>	<u>\$ 37,241,750</u>

- B. The Company's recognised share of profit from associates accounted for under the equity method for the years ended December 31, 2019 and 2018 were \$2,853,652 and \$3,295,017, respectively, and recognised share of other comprehensive income(loss) from associates accounted for under the equity method were \$374,417 and (\$280,686), respectively.
- C. The Company received the stock dividends from MiTAC International Corp. for the years ended December 31, 2019 and 2018 were \$2,919,947 and \$1,647,006, respectively.
- D. The Company received the cash dividends from MiTAC Computing Technology Corp. for the years ended December 31, 2019 and 2018 were \$275,472 and \$728,755, respectively.
- E. For the year ended December 31, 2019, the Company received cash dividends from MiTAC Digital Technology in the amount of \$149,663.
- F. For the year ended December 31, 2019, the Company increased investment in MiTAC Digital Technology in the amount of \$46,500, equivalent to 3,000 thousand shares. Additionally, the Company sold 1,000 shares to Tsu Fung Investment Corporation at the price of \$16 in 2019.
- G. 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, 2019.
- H. 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, 2019 and 2018, the carrying amount of the Company's individually immaterial associates amounted to \$74,439 and \$85,462, respectively.

	<u>For the year ended December 31, 2019</u>	<u>For the year ended December 31, 2018</u>
Loss for the period from continuing operations	(\$ 15,206)	(\$ 4,007)
Other comprehensive income (loss)	-	-
Total comprehensive loss	<u>(\$ 15,206)</u>	<u>(\$ 4,007)</u>

- I. The financial year-end date of Infopower Technologies Ltd. is March 31, however, the preparation of the Company's parent company only financial statements is based the financial

information of Infopower Technologies Ltd. as of December 31.

(4) Property, plant and equipment

	For the year ended December 31, 2019	For the year ended December 31, 2018
Transportation equipment		
Opening net book amount as at January 1	\$ 3,980	\$ 673
Additions	-	3,980
Depreciation	(796)	(673)
Closing net book amount as at December 31	<u>\$ 3,184</u>	<u>\$ 3,980</u>
At December 31		
Cost	3,980	3,980
Accumulated depreciation	(796)	-
Total	<u>\$ 3,184</u>	<u>\$ 3,980</u>

(5) Short-term borrowings

Type of borrowings	December 31, 2019	December 31, 2018
Unsecured bank borrowings	<u>\$ 1,000,000</u>	<u>\$ -</u>
Borrowing interest rate	<u>0.78%</u>	<u>-</u>

Interest expense recognised in profit or loss amounted to \$2,084 for the year ended December 31, 2019.

(6) Share-based payment

A. As of December 31, 2019, the Company has no share-based payment arrangements.

B. As of December 31, 2018, 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.

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

As of December 31, 2019 : None.

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

D. The weighted-average stock price of stock options at exercise dates for the year ended December 31, 2018 was \$33.05 (in dollars).

E. Outstanding compensatory employee stock option plan :

As of December 31, 2019 and 2018: None.

F. 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.

G. Expenses incurred on share-based payment transactions for the years ended December 31, 2019 and 2018 : None.

(7) Share capital

A. As of December 31, 2019, the Company's authorized capital was \$15,000,000, consisting of 1.5 billion shares, and the paid-in capital was \$10,772,829 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

	2019	2018
Outstanding shares as of January 1	922,941	798,732
Capital increase of earnings	140,515	121,690
Capital increase of treasury stock acquired by the subsidiaries	(2,074)	(1,801)
Employee stock options exercised	-	4,320
Changes in outstanding shares during the year	138,441	124,209
Outstanding shares as of December 31	1,061,382	922,941

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, 2019	
		Number of shares (shares in thousands)	Carrying amount
Subsidiary - Tsu Fung Investment Corp.	Stock conversion	14,000	\$ 276,085
Subsidiary - SSDL	"	1,900	77,002
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

(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.

(8) Capital surplus

	Share premium	Treasury stock transactions	Net equity of associates and joint ventures accounted for using equity method	Changes in ownership interests in subsidiaries	Employee stock options	Total
At January 1, 2019	\$ 21,571,329	\$ 342,257	\$ 1,110,499	\$ -	\$ 346,814	\$ 23,370,899
Change in ownership interests in subsidiaries	-	-	-	609	-	609
Changes from associates and joint ventures accounted for using the equity method	-	-	7,754	-	-	7,754
Subsidiaries received cash dividends paid by the parent company	-	20,740	-	-	-	20,740
At December 31, 2019	<u>\$ 21,571,329</u>	<u>\$ 362,997</u>	<u>\$ 1,118,253</u>	<u>\$ 609</u>	<u>\$ 346,814</u>	<u>\$ 23,400,002</u>

	Share premium	Treasury stock transactions	Net equity of associates and joint ventures accounted for using 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>

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' accumulated deficit and then 10% of the remaining amount shall be set aside as legal reserve. Special reserve shall also be set aside or reversed pursuant to the regulations. Appropriation of the remainder along with prior year's accumulated unappropriated retained earnings shall be proposed by the Board of Directors, and shall be resolved by the stockholders when they are appropriated by issuing new shares. If the appropriation of retained earnings was appropriated in the form of cash, the appropriation should be in line with Article 240-5 of the Company Act, as resolved by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, and reported to the shareholders' meeting.
- 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.
- 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.
In line with Article 241 of the Company Act, all or part of the legal reserve and capital reserve could be appropriated as cash dividends as resolved by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, and reported to the shareholders' meeting
- 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 May 30, 2019, the appropriation of earnings for the year ended December 31, 2018 resolved by the shareholders was as follows:

	For the year ended December 31, 2018	
	Amount	Dividend per share (in dollars)
Legal reserve	\$ 329,625	
Special reserve	12,265	
Cash dividend	1,405,152	\$ 1.5
Stock dividend	1,405,152	1.5
Total	<u>\$ 3,152,194</u>	<u>\$ 3.0</u>

F. On February 27, 2020, the appropriation of earnings for the year ended December 31, 2019 proposed by the Board of Directors and to be approved by the shareholders is as follows:

	For the year ended December 31, 2019	
	Amount	Dividend per share (in dollars)
Legal reserve	\$ 283,976	
Special reserve	(12,265)	
Cash dividend	1,077,283	\$ 1.0
Stock dividend	1,292,739	1.2
Total	<u>\$ 2,641,733</u>	<u>\$ 2.2</u>

(10) Other equity items

	2019		
	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1	\$ 511,888	(\$ 62,976)	\$ 448,912
Disposal transferred to profit or loss - Subsidiaries and Associates	-	5,444	5,444
Reclassified to profit or loss upon disposal - Subsidiaries and Associates	(44,305)	-	(44,305)
Adjustments on the decrease of shareholding ratio to subsidiaries	-	(770)	(770)
Revaluation- The Company	(128,931)	-	(128,931)
Revaluation- Subsidiaries and Associates	1,414,775	-	1,414,775
Currency translation differences - Subsidiaries and Associates	-	(1,023,426)	(1,023,426)
At December 31	<u>\$ 1,753,427</u>	<u>(\$ 1,081,728)</u>	<u>\$ 671,699</u>

	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 and Associates	(34,268)	- (	34,268)
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>

(11) Other income

	For the year ended December 31, 2019	For the year ended December 31, 2018
Interest income:		
Interest income from bank deposits	\$ 765	\$ 1,957
Interest income from loan to related parties	14,047	32,813
Other income	316	498
Total	<u>\$ 15,128</u>	<u>\$ 35,268</u>

(12) Expenses by nature

	For the year ended December 31, 2019	For the year ended December 31, 2018
Employee benefit expense	\$ 9,727	\$ 8,393
Depreciation	796	673
Total	<u>\$ 10,523</u>	<u>\$ 9,066</u>

(13) Employee benefit expense

	For the year ended December 31, 2019	For the year ended December 31, 2018
Wage and salaries	\$ 4,027	\$ 4,921
Directors' remuneration	5,700	3,472
	<u>\$ 9,727</u>	<u>\$ 8,393</u>

A. According to the amended Articles of Incorporation, the profit (pre-tax profit before deduction of employees' compensation and directors' remuneration) of the current year shall be distributed as employees' compensation and directors' 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 an 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, 2019 and 2018, 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, 2019 and 2018, employees' compensation was accrued at \$2,859 and \$3,313, respectively; and directors' and supervisors' remuneration was accrued at \$4,800 and \$3,600, respectively. The aforementioned amounts were recognised in salary expenses. Employees' cash bonus and directors' and supervisors' remuneration of 2019 and 2018 as resolved at the Board of Directors of the Company were in agreement with those amounts recognised in the 2019 and 2018 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, 2019	For the year ended December 31, 2018
Current tax:		
Current tax on profits for the year	\$ 2,580	\$ 6,966
Tax on undistributed surplus earnings	19,858	2,503
Total current tax	22,438	9,469
Income tax expense	<u>\$ 22,438</u>	<u>\$ 9,469</u>

B. Reconciliation between income tax expense and accounting profit

	For the year ended December 31, 2019	For the year ended December 31, 2018
Tax calculated based on profit before tax and statutory tax rate	\$ 568,064	\$ 661,144
Tax effects from expense disallowed by tax regulation	59	43
Tax exempt income by tax regulation	(565,543)	(654,221)
Tax on undistributed earnings	19,858	2,503
Income tax expense	<u>\$ 22,438</u>	<u>\$ 9,469</u>

- C. The Company's income tax returns through 2015 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, 2019		
	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	\$ 2,817,880	1,061,382	\$ 2.65
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,817,880		
Less: Effect of dilutive potential common stocks issued by investee companies	(22,531)		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	118	
Net income attributable to common stockholders plus dilutive effect of common stock equivalents	\$ 2,795,349	1,061,500	\$ 2.63
	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	1,058,191	\$ 3.11
<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' compensation	-	155	
Net income attributable to common stockholders plus dilutive effect of common stock equivalents	\$ 3,276,003	1,059,870	\$ 3.09

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, 2018, the outstanding weighted average shares was

retrospectively adjusted based on retained earnings capitalization ratio in 2019.

(16) Changes in liabilities from financing activities

	<u>Current borrowings</u>	<u>Loan to related parties</u>	<u>Liabilities from financing activities-gross</u>
At January 1, 2019	\$ -	\$ 399,295	\$ 399,295
Changes in cash flow from financing activities	1,000,000	(399,295)	600,705
At December 31, 2019	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>

	<u>Loan to related parties</u>	<u>Liabilities from financing activities-gross</u>
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

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Mitac International Corporation	Subsidiary
Mitac Computing Technology Corporation	Subsidiary
Mitac Digital Technology Corporation	Subsidiary
Tsu Fung Investment Corporation	Subsidiary
Silver Star Development Ltd. and subsidiaries	Subsidiary
Mitac Technology UK, Ltd. and subsidiary	Subsidiary
Lien Hwa Industrial Corp. and subsidiaries	Common Chairman

(2) Significant related party transactions and balances

A. Receivables from related parties:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other receivables (excluding loans to subsidiaries):		
Subsidiary - Mitac International	\$ 8,029	\$ 9,781
Subsidiary - Mitac Computing Technology	109,176	39,944
Subsidiary - Mitac Digital Technology	64,092	38,474
Total	<u>\$ 181,297</u>	<u>\$ 88,199</u>

Other receivables are mainly about tax paid on behalf of subsidiaries under consolidated tax return.

B. Payables to related parties:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other payables (excluding loan from subsidiary):		
Subsidiary - Mitac International	\$ 13,826	\$ 48,193
Subsidiary - Mitac Computing Technology	-	1,894
Total	<u>\$ 13,826</u>	<u>\$ 50,087</u>

Other payables are mainly about tax refund received on behalf of subsidiaries under consolidated tax return.

C. Property transactions

Disposal of financial assets

			<u>For the year ended December 31, 2019</u>	
	<u>Account</u>	<u>No. of shares</u>	<u>Disposal proceeds</u>	<u>Gains (losses) on disposal</u>
Subsidiary - Tsu Fung Investment Corp.	Investments accounted for using equity method	1,000 shares	MiTAC Digital Technology	
			<u>\$ 16</u>	<u>\$ -</u>

D. Leasing arrangements — lessee

(a) For the years ended December 31, 2019 and 2018, the Company leased offices from a subsidiary, Mitac International Corporation., and other related party, Lien Hwa Industrial Holdings Corporation. The lease terms are 5 years and 1 year, respectively.

(b) Rental expense

	<u>For the year ended December 31, 2019</u>	<u>For the year ended December 31, 2018</u>
Subsidiary - Mitac International Corp	\$ 22	\$ -
Other related party- Lien Hwa Industrial Holdings Corporation and its subsidiaries	-	46
Total	<u>\$ 22</u>	<u>\$ 46</u>

E. Loans to /from related parties:

(c) Loans to related parties:

i. Outstanding balance:

As of December 31, 2019 : None

	December 31, 2018	
	<u>Balance</u>	<u>Expiry Date</u>
Subsidiary - Mitac Digital Technology	<u>\$ 399,295</u>	2019/1/28

ii. Interest income

	For the year ended December 31, 2019	For the year ended December 31, 2018
Subsidiary - Mitac International	\$ 510	\$ 3,838
Subsidiary - Mitac Computing Technology	12,715	19,250
Subsidiary - Mitac Digital Technology	822	9,725
Total	<u>\$ 14,047</u>	<u>\$ 32,813</u>

The loans to subsidiaries are with a credit term of 1 year and carry interest at 0.9800%-2.720% and 0.8800%-2.400% per annum for the years ended December 31, 2019 and 2018, respectively. The amounts of loan to and repayment from related parties were \$2,787,274 and \$3,186,569, respectively, for the year ended December 31, 2019. The amounts of loan to and repayment from to related parties were \$6,468,328 and \$7,997,033, respectively, for the year ended December 31, 2018.

(b) Loans from related parties:

Outstanding balance:

As of December 31, 2019 : None

	December 31, 2018	
	<u>Balance</u>	<u>Expiry Date</u>
Subsidiary - Silver Star Development Ltd. and subsidiaries	<u>\$ 399,295</u>	2019/4/1

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, 2019 and 2018. The amounts of loan from and repayment to related parties were \$2,437,374 and \$2,836,669, respectively, for the year ended December 31, 2019. 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.

F. Endorsements and guarantees provided to related parties:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Subsidiary - Mitac Computing Technology Corporation	\$ 516,495	\$ 516,495
Subsidiary - Mitac Technology UK, Ltd	830,205	299,228
Subsidiary - Others	4,144	110,699
Total	<u>\$ 1,350,844</u>	<u>\$ 926,422</u>

G. Expenses:

	<u>For the year ended December 31, 2019</u>	<u>For the year ended December 31, 2018</u>
Subsidiary - Mitac International	\$ 12,400	\$ 12,400
Other related parties - Lien Hwa Industrial Corp. and subsidiaries	1,736	2,141
Total	<u>\$ 14,136</u>	<u>\$ 14,541</u>

Expenses mainly pertain to services and other miscellaneous expenses.

(3) Key management compensation

	<u>For the year ended December 31, 2019</u>	<u>For the year ended December 31, 2018</u>
Salaries and other short-term employee benefits	<u>\$ 8,268</u>	<u>\$ 8,680</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

None.

10. SIGNIFICANT DISASTER LOSS:

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE:

Due to the outbreak of COVID-19 in mainland China since January 2020, China government promulgated various epidemic policies which resulting in the decrease in workdays and strict transportation restriction. Therefore, the operation of the Company was partially affected by the human resource arrangement and breakages in supply chains. The Company immediately set up a COVID-19 response team, and closely contact with customers and suppliers to reduce the impact on the operations. Along with the response of China government in loosening its epidemic restrictions,

the ratio of work resumption has been gradually improved. However, the subsequent impact on the operations will be depending on the recovery of supply chains and development of the epidemic. As of the reporting date, the impact cannot be reliably estimated.

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, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income		
Designation of equity instruments	<u>\$ 350,664</u>	<u>\$ 429,695</u>
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	\$ 56,403	\$ 145,995
Other receivables	4	24
Other receivables - related parties	181,297	487,494
Guarantee deposits paid	106	100
	<u>\$ 237,810</u>	<u>\$ 633,613</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Current borrowings	\$ 1,000,000	\$ -
Other accounts payable	9,538	8,961
Other accounts payable - related parties	13,826	449,382
	<u>\$ 1,023,364</u>	<u>\$ 458,343</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 financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio and controls the

risk.

- 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 \$3,507 and \$4,297 for the years ended December 31, 2019 and 2018, respectively, as a result of gains/losses on equity securities classified as at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

The Company's main interest rate risk arises from borrowings. However, the Company's borrowings were stated at fixed interest rate, thus the interest rate has no significant impact to the Company.

(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 accepted 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 years	Between 2 and 3 years	Over 3 years
December 31, 2019				
Current borrowings	\$ 1,000,470	\$ -	\$ -	\$ -
Other payables	23,364	-	-	-
December 31, 2018				
Other payables	\$ 458,343	\$ -	\$ -	\$ -

(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, guarantee deposits paid, short-term borrowings 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, 2019 and 2018 is as follows:

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

December 31, 2019	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Equity securities	\$ 116,389	\$ 137,317	\$ 96,958	\$ 350,664
December 31, 2018	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Equity securities	\$ 112,975	\$ 267,317	\$ 49,403	\$ 429,695

(c) 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:

	Listed shares
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, 2019 and 2018, 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, 2019 and 2018:

	Equity securities	
	2019	2018
January 1	\$ 49,403	\$ -
Current purchase	49,900	50,322
Loss recognized in other comprehensive income	(2,345)	(919)
December 31	<u>\$ 96,958</u>	<u>\$ 49,403</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, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Unlisted shares	\$ 96,958	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, 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, 2019			
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%	\$ -	\$ -	\$ 970	\$ 970
			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%	\$ -	\$ -	\$ 494	\$ 494

13. SUPPLEMENTARY DISCLOSURES: The details is on page 219 and page 223 to 234

MiTAC Holdings Corporation

Chairman: Miao, Matthew Feng Chiang

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