msi®

# 微星科技股份有限公司
Micro-Star International Company Limited

# 一〇九年度 年報
# 2020 ANNUAL REPORT

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**Stock Code:2377**

# MICRO-STAR INTERNATIONAL CO., LTD.

# 2020 ANNUAL REPORT

**MSI annual report is available at:**
**Taiwan Stock Exchange Market Observation Post System:**
**http://mops.twse.com.tw**
**Company website:**
**http://www.msi.com**

**Printed on April 30, 2021**

*Notice to readers*
*This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.*

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None
**VI. COMPANY WEBSITE**
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# Ⅰ.Letter to Shareholders

Dear Shareholders:

In 2020, the spread of the COVID-19 pandemic had a significant impact on the global economy, and the work and life patterns in the areas affected by the pandemic also changed drastically. Long-distance working from home, learning from home and home entertainment, plus the product buying effect brought by the successive launch of cost-effective new products had all caused the demand for PC and e-sports related products to increase greatly; the rise in relative demand had also resulted in the lack of supply of multiple upstream electronic components and tight global logistics, making PC shipments clearly unable to meet the demand. Fortunately, thanks to the Company's good long-term relationship with the supply chain and channel customers, as well as the close grasp of the needs of the end users, the Company was able to respond appropriately and supply smoothly. With the concerted efforts of all employees of the Company and the full support of suppliers and customers, in 2020, both the annual revenue and profit reached new highs.

(Ⅰ) Operating Performance in 2020

1.Consolidated financial results

Unit: NT$ thousands

| Item \ Year | 2020 | 2019 | YoY amount | YoY % |
|---|---|---|---|---|
| Sales revenue | 146,502,789 | 120,491,417 | 26,011,372 | 21.59% |
| Gross profit | 21,302,840 | 15,862,156 | 5,440,684 | 34.30% |
| After-tax profit | 7,959,505 | 5,587,210 | 2,372,295 | 42.46% |
| Basic earnings per share(After-tax) (NT$) | 9.42 | 6.61 | 2.81 | 42.51% |
| Diluted earnings per share (After-tax) (NT$) | 9.34 | 6.56 | 2.78 | 42.38% |

2. Profitability analysis

| Item \ Year | | Financial Analysis for the Last Two-Years | |
|---|---|---|---|
| | | 2020 | 2019 |
| Financial structure(%) | Debt to asset ratio (%) | 54.67 | 48.61 |
| | Long-term capital to property, plant and equipment(%) | 705.74 | 648.29 |
| Solvency(%) | Current ratio(%) | 169.13 | 188.25 |
| | Quick ratio(%) | 99.71 | 103.70 |
| | Interest earned ratio (times) (%) | 30,141.93 | 27,783.82 |
| Profitability (%) | Return on assets (%) | 11.51 | 9.71 |
| | Return on shareholders'equity (%) | 23.92 | 18.33 |
| | Profit ratio (%) | 5.43 | 4.64 |
| | Basic after-tax EPS(NT$) | 9.42 | 6.61 |

3.Research and Development Status

As a benchmark brand in the global gaming field, MSI is the most trust-worthy name in the gaming and e-sports industry. We've dedicated countless hours and committed numerous resources to the e-sports community to be a strong supporter for the world's most aspiring and best gamers and used their knowledge and expertise in our products in return. MSI integrates the e-sports functions required by the players, saves the trouble of exploring and adjusting by the players themselves, and pushes the system performance to the extreme. MSI equals to True Gaming! -- a true e-sports brand.

In addition to being recognized in the field of e-sports, MSI is also a pioneer and leading brand in the field of global digital content creation. The Content Creation series inherits the profound technology accumulated by MSI from the many years in e-sports, integrating accurate color gamut display, abundant battery life, excellent sound experience and powerful performance in a simple and stylish lightweight model. It is the best partner especially for design and creative work professionals in fields such as photography, image editing, 3D graphics, audio and video editing! Furthermore, the MSI Business and Productivity series is not only beautiful and light, but also has ultimate performance, information security protection and long-lasting power, with a boutique-like appearance made by simple and clean lines, just like the extraordinary taste of the successful business persons.

MSI listens to the needs of customers and the market, invests in R&D and design resources to create high-quality and well received laptops, graphics cards, monitors, motherboards, desktops and accessories. The GAMING series launched has won unanimous praise from players. The Content Creation series, which is carefully crafted especially for the digital content creation community, is highly recognized in terms of artistic quality and efficiency, and has become a leader in the high-end product market. Besides, MSI integrates servers that conform to the concept of cloud, industrial computers that meet customer requirements, robots that lead smart life, and automotive electronics that realize humanity technology to provide the most complete AIoT solutions. It is also the leading brand in artificial intelligence, commercial and the Internet of Things market.

(Ⅱ) Operating Plan for 2021

To adjust to the future environment, MSI’s adopted operation guidelines, estimated goals and important sales strategies for 2021 are as follows:

1.Operation guideline

(1)Sales and marketing aspect: progressively explore new markets and new customers and establish a long-term entrusted stable business relationship with customers with potentials and sound financial status to create mutual benefits.

(2)Product R&D aspect: Develop products which meet users’ needs.

(3)Manufacturing, quality and service aspect: continue implementing automated manufacturing to increase quality and efficiency. Improve repair and services to enhance customer satisfaction.

(4)In business management: Continue to improve operational efficiency.

(5)Finance aspect: uphold the principle of steady and stable operation, and control various financial risks.

2. Expected Sales and Rationales

We cover a wide range of products. While we continuously devote our efforts in the market of high-end products and pursuit of stable growth of each product, we will seek to increase the shipment in new product development and marketing, including motherboards, display cards, laptops, PCs, gaming monitors, gaming peripherals, servers, industrial computers, and auto electronics. We anticipate room for growth in the market. The company’s objective is to increase the overall revenue, and will proactively broaden the market share of every product.

3.Important sales policies

(1)Production policy aspect: Always paying attention to the global major political and economic situations to respond to the possible change in market demand and the suppliers’ productivity. To increase capacity utilization rate by adopting planned procurement of components. To adopt flexible production to reduce stock level yet fulfilling customer’s order demand. To observe the dynamic of supply chains and to ensure an effective production of employees, equipment, materials, and manufacturing methods.

(2)Sales policy aspect: to provide good quality products that fulfill customers’ need. To gain a win-win success in sales target with our customers.

Looking forward into 2021, the COVID-19 pandemic still cannot be eliminated, and its impact on industry supply and demand still exists, however, the uncertainty towards the global ICT industry and the overall economic environment will gradually decrease. In the face of rapid changes in the external environment, the Company will continue to integrate departments such as business, marketing, R&D, and operation management to improve the operational performance. All colleagues will also promote various businesses in concert, so that the performance can continue to grow.As the outside environment changes rapidly, we will coordinate the sales, marketing, R&D, and operational departments, and keep raising the operational performance.The 2021 shipment forecast for motherboards and graphic cards is 24 million pieces.Our employees will work together to promote every business to maintain the continuous growth of performance.

I hereby on behalf of the MSI management team express our appreciation to all our shareholders, customers and suppliers. We also appreciate the hard efforts of all employees and directors made during the past year. We hope our shareholders will keep supporting and encouraging us. We will work harder to achieve a greater performance and sales results to share with you.

**Sincerely yours,**

**Chairman: Hsu, Hsiang**

# II. Introduction of the Company

(Ⅰ)Establishment date: August 4, 1986

(Ⅱ)Development history

| | |
|---|---|
| 1986 | ● Announced the 486 and 586 mainboards.<br>● MSI was established, focusing on the design and manufacture of Mainboards and Add-on Cards.<br>● Announced the 386DX mainboards.<br>● Announced the 1st overclocking 286 mainboards. |
| 1988 | ● Obtained TUV ISO 9002:1994 quality management system certification. |
| 1989 | ● Announced the 1st Barebone product. |
| 1991 | ● Announced the 1st Graphics Card product. |
| 1995 | ● Inaugurated the MSI Plant I in Jung-He, the suburb of Taipei.<br>● Obtained TUV ISO 9001:1994 quality management system certification. |
| 1998 | ● MSI became a public company as it went on IPO (Initial Public Offering) on the Taiwan Stock Exchange (TAIEX).<br>● Announced the industry's 1st mainboard designed for Socket 7 processor, which supports 100MHz FSB.<br>● Announced industry's 1st mainboard designed to support Dual PentiumR II processor. |
| 1999 | ● Obtained BVQI ISO 14001:1996 environmental management system certification. |
| 2000 | ● Announced the 1st Server product.<br>● Established MSI Computer (Shenzhen) Co., Ltd. |
| 2001 | ● Established MSI Electronics (Kunshan) Co., Ltd. |
| | ● Established China service center in Shanghai.<br>● Announced the 1st Optical Device product.<br>● Inaugurated the MSI Plant Ⅲ in Jung-He, Taipei County. |
| 2002 | ● Announced the world's 1st PC2PC WLAN mainboard.<br>● Announced the 1st MSI communication product.<br>● Announced the world's 1st PC2PC Bluetooth mainboard.<br>● Inaugurated its EU Hub in Netherlands. |
| 2003 | ● Announced the 1st Notebook product.<br>● Obtained BVQI OHSAS 18000:1999 occupational health and safety management system certification.<br>● Announced the 1st Pen Tablet PC product<br>● Obtained UL QS 9000:1998 quality management system certification. |
| 2004 | ● Announced the 1st Portable Multimedia Player product.<br>● MSI CE products won the Good Design Awards in Japan. |
| 2005 | ● MSI CE products won the iF Design Award in Germany. |
| 2006 | ● MSI CE products won the iF Design Award in Germany.<br>● MSI is the only one winner in Tom's Hardware Guide (Worldwide No. 1 online IT Media) Both "Editor's Choice awards for Intel® P975 and P965 platform.<br>● Announced the world's 1st Pocket Size DTV.<br>● Obtained UL QC 080000 hazardous substance process management system certification.<br>● Announced the world's 1st solar-powered notebook and MP3 Player product (Concept Product). |
| 2007 | ● Announced the 1st double-wheel and smart video & music interactive navigation service robot.<br>● The only one mainboard won the Best Choice of COMPUTEX 2007 award.<br>● Announced the world's 1st overclocking notebook.<br>● MSI Notebook (PR200) won the "Red Dot Award: Product Design 2007".<br>● Announced the world's 1st Crystal Collection Notebook product.<br>● Announced the world's 1st HATO Notebook (Concept Product). |

| | |
|---|---|
| 2008 | ● Announced the world's 1st Hybrid Storage Netbook.<br>● MSI has been ranked No. 19 of the Top 20 Taiwan Global Brands<br>● MSI has been awarded "16th Industrial Technology Advancement Awards" by the Ministry of Economic Affairs. "Excellent Enterprise Innovation Award" & "Individual Achievement Award" affirmed the MSI R&D innovation strategy and management.<br>● MSI is the only one winner of Best Enterprise of COMPUTEX TAIPEI 2008; MSI mainboard & notebook were honored to receive the "Best Choice of COMPUTEX TAIPEI 2008".<br>● Announced the 1st Car Infotainment product.<br>● Announced the world's 1st 10” Netbook product. |
| 2009 | ● MSI has been chosen as one of “2009 Top 50 Corporate Citizens” from CommomWealth Magazine (Issue 416) in Taiwan. MSI has been chosen as one of "2009 Top 70 CSR Excellent Enterprises" from Global Views magazine (Issue 273) in Taiwan.<br>● MSI Netbook & Car Infotainment product won the Best Choice of COMPUTEX TAIPEI 2009.<br>● Announced the world's power-saving No. 1 Netbook.<br>● Announced the 1st Ultra Slim Notebook.<br>● Announced the 1st All-in-One PC |
| 2010 | ● X-Slim X340 was handed the Taiwan Excellence Silver Award and voted second most popular.<br>● MSI Big Bang-Fuzion mainboard and Telematics both won Best Choice of COMPUTEX.<br>● MSI participated in 2010 Taiwan Excellence Award selection, and all nominated products won the prize. |
| 2011 | ● MSI Won one of Top 100 Taiwan Brands Distinguished among 500 brands.<br>● All the 23 products MSI participated in Taiwan Excellence Award selection won the prize, WindTop AE2420 3D AIO won the Gold Award.<br>● MSI Z68A-GD80 (G3), GT780DXR and N460GTX Hawk receive CES Innovations Award Honors. |
| 2012 | ● MSI X79 Series Mainboards break the World Record of 170MHz Base Clock and 5.83GHz CPU Clock of Sandy<br>● MSI GT70 notebook is the only winner awarded Buyer's Choice, Best Choice, and Media's Choice in Computex 2012.<br>● 15 products of MSI got 2012 Taiwan Excellence Award.<br>● MSI Z68A-GD80 (G3) and GT780DXR won CES 2012 Innovations Award. |
| 2013 | ● The No. 1 and Only Best Choice Golden Awarded Motherboard- MSI Z87-GD65 GAMING<br>● MSI Taiwan Excellence Award Winner, 15 years of affirmation. Eleven product of the leading company are awarded<br>● MSI has won the 2013 CES Innovations Awards with the GT70 Dragon Edition notebook and the N680GTX Lightning graphics card. |
| 2014 | ● MSI GS70 laptop and AG2712A gaming All-in-One PC are prestigious CES Innovations 2014 honorees.<br>● MSI has been awarded from Taiwan Excellence for 16 consecutive years. A total of 13 MSI products are awarded, including the Z87M GAMING motherboard, the GK-601 Dragon Edition gaming keyboard, the ultrathin GS70 laptop, the GT60 3K Edition laptop, the N780 Lightning graphics card, the AG2712A gaming All-in-One PC and the Adora24 ultra-slim All-in-One PC. In 2014, MSI was selected as one of the top 20 brands in the "Best Taiwan Global Brands"<br>● MSI Z97 XPOWER AC won COMPUTEX TAIPEI 2014 d&i and Best Choice Award |
| 2015 | ● MSI has been awarded from Taiwan Excellence for 17 consecutive years. 8 products are awarded, including MB/ VGA/ NB/ AIO products.<br>● MSI GT72 Dominator Pro laptop, GS30 Shadow, AG240 4K Edition AIO and X99 GAMING 9 are prestigious CES Innovations 2015 honorees.<br>● MSI was selected as one of the top 20 brands in the "2015 Best Taiwan Global Brands".<br>● Honored as World’s 4th Best Laptop Brand of 2015 and NO.1 in Ranking of Asian Brands by Laptop Magazine. |
| 2016 | ● MSI GS40 Phantom, AIO Gaming 27XT, and Vortex Gaming Tower won CES 2016 Innovations Award.<br>● GT80 Titan won iF DESIGN AWARD 2016<br>● MSI GAMING notebook won Readers' Choice Awards 2016 |

| | |
|---|---|
| 2017 | ● MSI VR One Backpack PC, GS63VR Stealth Pro gaming laptop and Z270 GAMING M7 gaming motherboard won CES 2017 Innovations Award.<br>● MSI has been awarded from Taiwan Excellence, including gaming NB, MB, VGA, Desktop and headset products.<br>● MSI won two iF Design Awards with Z270 TOMAHAWK gaming motherboard and Trident 3 gaming desktop PC. |
| 2018 | ● MSI won the CES 2018 Best E-sports Innovation Gold Award with its powerful and clear-cut Trident 3 Arctic. In addition, along with Trident 3 Arctic, MSI Technology's high-performance Z370 GODLIKE GAMING e-sports motherboard, top GTX 1080Ti Lightning e-sports display card, innovative Optix MPG27CQ curved e-sports display and the new generation Infinite X e-sports desktop also won five CES 2018 Innovation Awards in the computer hardware and component category and the e-sports category.<br>● MSI passed the rigorous tests in the four areas of “Research and Development”, “Design”, “Quality” and “Marketing” with its products such as notebooks, motherboard, display card, e-sports desktops, e-sports peripherals, industrial computers and servers to win the Taiwan Excellence Award for 20 consecutive years. Not only that, the VR One e-sports backpack, in addition to be the winner of Taiwan Excellence Awards, won the "Silver Award" for its emphasis on the wireless VR e-sports experience.<br>● Winning the internationally renowned iF Product Design Award, known as the Oscar Award for Product Design, means an exceptional glory of the product for being selected out of thousands of its kind. As the world-leading e-sports brand, MSI shone forth to win 3 major iF awards with its outstanding e-sports GL63 which carries gaming-panel display, the lightest and thinnest backpack e-sports box VR ONE, and the pure white high-quality motherboard X299 TOMAHAWK AC.<br>● For the 17th COMPUTEX Best Choice Award for Innovative Technology of the Year, MSI's 4 products stood out from the 350 competing items to win 5 awards. The MSI Optix MPG27 series of curved e-sports display won the double champions for "Best Design Award" and "Category Award". MSI has been developing its the automotive electronics brand for many years and its FUNTORO smart fleet management and cloud service platform, with its brilliant performance, won the "Gold Award". The MSI GE73 Raider RGB e-sports notebook, and MSI FUNTORO smart court business service solution, both claimed the "Category Award", once again affirming MSI's leading position in the global e-sports field, as well as its ambition to step into the field of software platform services.<br>● The Computex Taipei Innovation Design Award was jointly organized by the Taiwan External Trade Development Council (TAITRA) and iF International Forum Design GmbH (Germany). In 2018, MSI once again unveiled the breath-taking next-gen PRO 24X AIO computer to create a new era for the high -tech industry.<br>● MSI was nominated as one of the “2018 Taiwan Top 20 International Brands”in the “Taiwan International Brand Value Survey”conducted by Interbrand, a global authoritative brand value survey agency which was commissioned by Taiwan Institute of Economic Research under the program sponsored by the Industrial Development Bureau of the Ministry of Economic Affairs. |
| 2019 | ● MSI's products were favored by CES 2019 jurors with GS65 e-sports notebook, Infinite e-sports desktop, Trident X e-sports desktop, GeForce® RTX™ 2080 Ti GAMING X TR10 e-sports display card, Prestige PS341WU display, Optix MPG341QR smart e-sports display and Optix MAG271QR curved e-sports display claimed a total of 12 major awards for innovation including the CES Computer Hardware and Components Innovation Award, CES E-sports Innovation Award, CES High-performance Home Audio / Video Innovation Award, CES Computer Peripheral Innovation Award, CES e-sports Innovation Award and so forth.<br>● MSI passed the rigorous tests in the four areas of “Research and Development”, “Design”, “Quality” and “Marketing” with its notebooks, e-sports desktops, e-sports peripherals, industrial computers, automatic electronics, etc.” under the careful evaluation and discussion of more than 90 well-known local experts across the industry, government and academia to win the Taiwan Excellence Award for 21 consecutive years. Not only that, the game linking RGB colorful lighting curved LED e-sports screen Optix MPG27CQ/MPG27C, in addition to being the winner of Taiwan Excellence Awards, won the "Silver Award" for its characteristics of linking with games. |

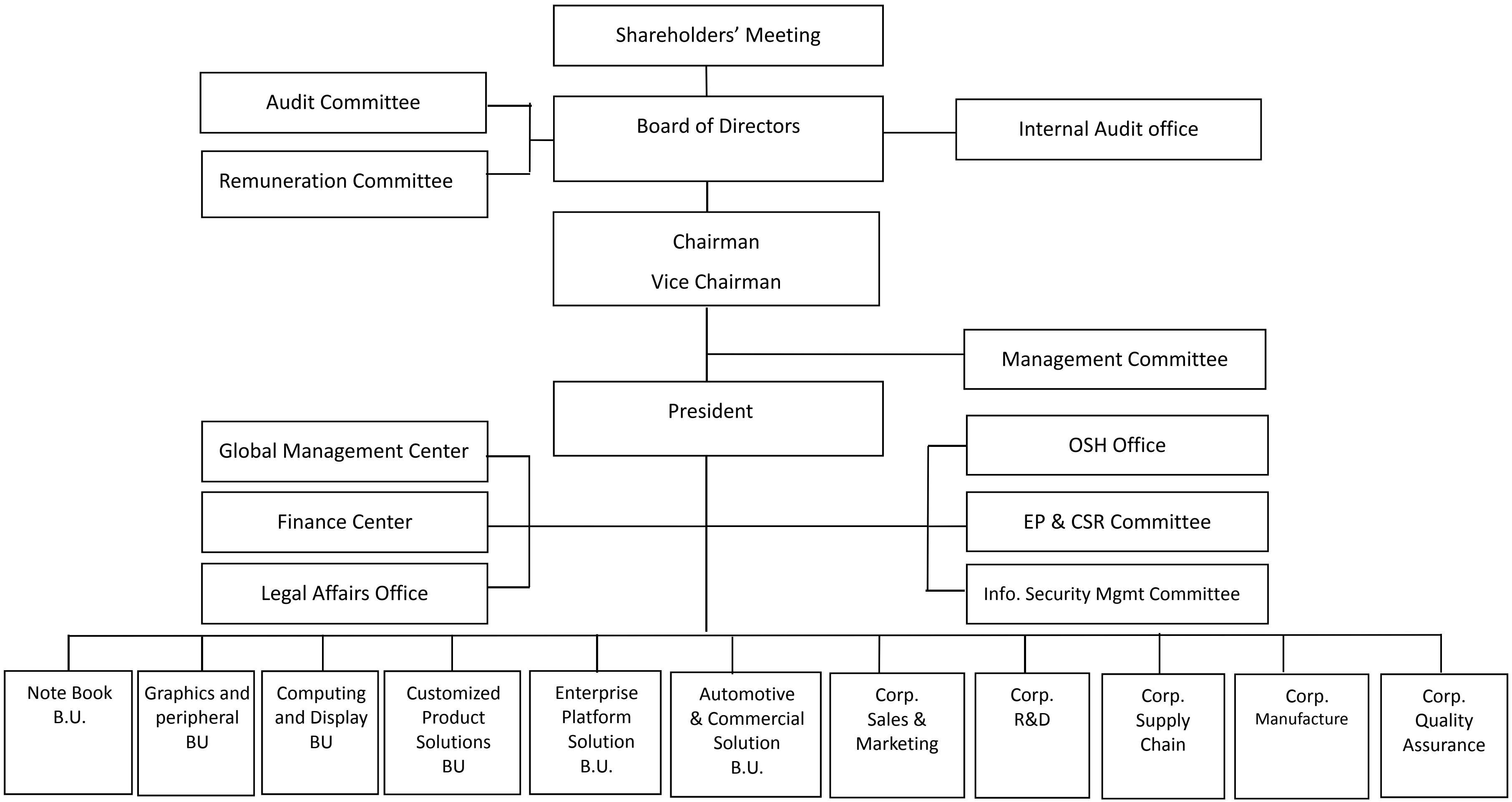
| | |
|---|---|
| | ● In 2019, MSI won the iF Design Award 2019 in 4 categories with its gaming laptop GF63 and GF75, military style motherboard MAG Z390 TOMAHAWK, and Optix MPG27CQ, the first gaming monitor synchronizing the game in the world.<br>● In Computex Taipei 2019, MSI received four design awards for the products: Trident X series desktop PC, gaming laptop GS75, Prestige PS341WU display, and MS-9A79 palm-size shockproof fanless Box PC.<br>● In the 18th COMPUTEX Best Choice Award, 5 of MSI's products beat the other 300 competitors and won 5 awards. The flagship gaming laptop MSI GT76 Titan has the most stunning performance and won the gold award. MSI Trident X Plus gaming PC, MSI Optix MPG341CQR monitor, MSI Prestige P100 Series creator PC, and MS-9A95 AIoT cloud server and smart management solution for global customer service under the edge computing structure received the "Category Rewards." It proves MSI's dominant position in the global gaming field, and ambition to extend into the creator market.<br>● Branding Taiwan valuation is hosted by the Industrial Development Bureau, MOEA. The Taiwan Institute of Economic Research hires the global brand valuation institution Interbrand to conduct the valuation by the same method used in the "Top 100 Global Brands" for BusinessWeek. The valuation result is an important indicator for measuring the positions of Taiwanese brands in the international market. MSI was selected as Top 20 Brands again in 2019. |
| 2020 | ● The global leading brand of gaming product MSI is recognized for its countless elite performance. It receives the CES Innovation Award 2020 in 10 categories.<br>● MSI is the leader of the gaming industry, has a strong brand, and again won the 28th Taiwan Excellence Award that covers four major aspects of "R&D," "Design," "Quality," and "Marketing." Subject to the prudent evaluation by the judges, MSI received 9 distinctions in the Taiwan Excellence Award 2020. Among others, the Prestige P100 desktop PC in the Content Creation series has won the Taiwan Excellence Silver Award 2020.<br>● In 2020, MSI GS66 Stealth gaming laptop, MSI MPG SEKIRA 500X gaming chassis, and MSI MPG SEKIRA 500G multitasking computer chassis stood out among other competitors' products, and won the Germany iF Design Award 2020, the Academy Award in the world of design.<br>● MSI was selected as Top 20 Brands again in 2020. |
| 2021 | ● With the strong strength of an e-sports and creators' leading brand, MSI was selected by the expert review team at the 29th Taiwan Excellence Award based on 4 major criteria: "R&D", "Design", "Quality", and "Marketing", and after rigorous evaluation, MSI won 7 awards in the 2021 Taiwan Excellence Award, among which, Creator P100 creator desktop won the 2021 Taiwan Excellence Silver Award. |

1. The most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report, include information on the following, Investment,merger and acquisition activities,corporate reorganization：None.
   (1) The most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report, include information on the following,merger and acquisition activities,corporate reorganization：None.
   (2) Investment in affiliates in the past year and up to the date of report：
   For investments in affiliated enterprises, please see page **98～101** of this report.
2. Instances in which a major quantity of shares belonging to directors, supervisors, or shareholders holding greater than a 10 percent stake in the company is transferred or otherwise changes hands; any change in managerial control; any material change in operating methods or type of business; and any other matters of material significance that could affect shareholders' equity. This section shall further explain how the above matters will affect the company:None.

# Ⅲ. Corporate governance report

(Ⅰ)Corporate Organization

1. Organization Chart



2.Major Corporate Function

| Department | Functions |
|---|---|
| Internal Audit Office | To investigate and assess the soundness, suitability, adequacy, status of implementation, and operating performance of departmental internal controls. |
| Management Committee | Analyze and discuss group strategy, operation, organization, senior manager appointment and removal, investment required for business development, new business and other critical topics; provide consultation and recommendations for the Board of Directors, and lead the management team to implement. |
| President | To manage the corporate operation and development affairs, to set development and operational goals, and to supervise implement process. |
| Global Management Center | Handle the general management and development of the company, including logistics, legal affairs, intellectual propertymanagement, sustainable business development planning, implementation and management, information system development, hardware and system software usage and maintenance, human resources administration, employee welfare, training and HR development, general affairs, factory affairs and asset management. Provide management and strategy recommendations to the President based on operational statistics. |
| Finance Center | (1) Accounting Division: Accounting and billing affairs, voucher preparation, receipt review, and financial reports' preparation and analysis.<br>(2)Finance Division: Fund dispatch, risk management, and registrar and transfer operation.<br>(3)Global Finance Division: investment management. |
| Legal Affairs Office | Responsible for regulatory compliance of the Company, contracts review and litigations. |
| OSH Office | Promote the actions in work safety and health. |
| EP & CSR Committee | Promote the actions of environmental protection and corporate social responsibility programs, review the annual objectives of economic, environmental, and social aspects, and periodically supervise the enforcement. |
| Info. Security Mgmt Committee | Promote information security management, and supervise the operation of the information security management mechanism. |
| Each Products B.U. | Product development, sales and related business. |
| Corp.Sales & Marketing | PO management, market cultivation, business information collection, and customer credit investigation. |
| Corp.R&D | Design, development and quality control of products; process enhancement; and technology improvement. |
| Corp.Supply Chain | Procurement, control and management of raw materials, and production scheduling and management. |
| Corp. Manufacture | Product manufacturing. |
| Corp.Quality Assurance | Quality assurance, quality control, customer complaints, and post-delivery service. |

(Ⅱ) Directors, Supervisors, President, Vice President, Assistant VP, and department heads

1. Directors

As of: April 13, 2021 Unit: Shares

| Title | Nationality/ Country of Origin | Name | Gender | Date elected | Term (Years) | Date of first elected | Shareholding when elected | | Current Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Executives, Directors or Supervisors who are spouses or within two degrees | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | Title | Name | Relation | |
| Chairman. | R.O.C | Hsu,Hsiang | Male | 2018.06.15 | 3 | 1986.07.23 | 51,983,151 | 6.15% | 51,983,151 | 6.15% | 13,408,517 | 1.59% | 9,376,328 | 1.11% | — | — | — | |
| Vice Chairman | | Huang,Chin-Ching | Male | 2018.06.15 | 3 | 1986.07.23 | 20,937,377 | 2.48% | 20,937,377 | 2.48% | 2,148,564 | 0.25% | 7,521,761 | 0.89% | Director | Liao,Chun-Keng | 2nd consanguinity | |
| Director | | Lin,Wen-Tung | Male | 2018.06.15 | 3 | 1986.07.23 | 25,672,499 | 3.04% | 25,672,499 | 3.04% | 62,895 | 0.01% | — | — | — | — | — | |
| Director | | Yu, Hsien-Neng | Male | 2018.06.15 | 3 | 1986.07.23 | 17,892,824 | 2.12% | 17,892,824 | 2.12% | 184,922 | 0.02% | — | — | — | — | — | |
| Director | | Kuo,Hsu-Kuang | Male | 2018.06.15 | 3 | 2018.06.15 | 0 | 0.00% | 75,000 | 0.01% | 0 | 0.00% | — | — | — | — | — | |
| Director | | Liao,Chun-Keng | Male | 2018.06.15 | 3 | 2018.06.15 | 35,000 | 0.00% | 60,000 | 0.01% | 0 | 0.00% | — | — | Vice Chairman | Huang,Chin-Ching | 2nd consanguinity | |
| Director | | Hung,Yu-Sheng | Male | 2018.06.15 | 3 | 2018.06.15 | 306,660 | 0.04% | 306,660 | 0.04% | 0 | 0.00% | — | — | — | — | — | |
| Independent Director ( Note1) | | Wang,Sung-Chou | Male | 2018.06.15 | 3 | 2003.05.28 | 0 | 0.00% | 0 | 0.00% | 468 | 0.00% | — | — | — | — | — | |
| Independent Director | | Liu ,Cheng-Yi | Male | 2018.06.15 | 3 | 2012.06.15 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | — | — | — | — | — | |
| Independent Director ( Note1) | | Hsu,Kao-Shan | Male | 2018.06.15 | 3 | 1998.02.28 | 418,686 | 0.05% | 418,686 | 0.05% | 220,924 | 0.03% | — | — | — | — | — | |

Note 1：Mr. Wang, Sung-Chou, existing director between May 28, 2003 and June 14, 2006 and independent director between June 14, 2006 and June 16, 2009, was elected again as independent director on June 15, 2012 and June 12, 2015; Mr.Hsu,Kao-Shan, existing director between Feb 28, 1998 and June 14, 2006, was elected as supervisor between June 14, 2006 and June 12, 2015 ,resigned on May 20, 2016, and elected as independent director on June 15, 2018.

| Title | Name | Education | Current Job | |
|---|---|---|---|---|
| | | Experience | Title | Representative |
| Chairman | Hsu,Hsiang | The electronic engineering from National Cheng Kung University.<br>The engineer of Sony Industries Taiwan Co., Ltd. | The Chairman of MSI<br>Director & President of MICRO-STAR NETHERLANDS HOLDING B. V. | <br>MICRO STAR INTERNATIONAL CO., LTD. |
| Vice Chairman | Huang,Chin-Ching | The electronics from Chung Yuan Christian University.<br>The engineer of Sony Industries Taiwan Co., Ltd. | The Vice Chairman and president of MSI<br>**Director & President of the following companies:**<br>MSI COMPUTER (AUSTRALIA) PTY. LTD.<br>MSI COMPUTER CAYMAN CO., LTD.<br>**Director of the following company:**<br>MSI COMPUTER CORP.<br>**Executive Director of the following company:**<br>MSI ELECTRONIC (KUNSHAN) CO., LTD. | <br><br>MICRO STAR INTERNATIONAL CO., LTD.<br>MICRO STAR INTERNATIONAL CO., LTD.<br><br>MICRO STAR INTERNATIONAL CO., LTD.<br><br>MICRO ELECTRONICS |
| Director | Lin,Wen-Tung | The electronic engineering from the Lien Ho Industrial and Technological Junior College.<br>The engineer of Sony Industries Taiwan Co., Ltd. | The Senior Vice President of MSI<br>**Director & President of**<br>MSI COMPUTER JAPAN CO., LTD.<br>**Director of the following company:**<br>MSI COMPUTER (AUSTRALIA) PTY. LTD. | <br><br>MICRO STAR INTERNATIONAL CO., LTD.<br><br>MICRO STAR INTERNATIONAL CO., LTD. |
| Director | Yu,Hsien-Neng | The electronics from Feng Chia University.<br>The engineer of Sony Industries Taiwan Co., Ltd. | The Senior Vice President of MSI<br>**Director & President of the following companies:**<br>MICRO-STAR INTERNATIONAL (B.V.I) HOLDING CO., LTD.<br>MSI POLSKA SP. Z O.O<br>**Director of the following company**<br>MSI COMPUTER CORP.<br>**Executive Director of the following companies:**<br>MSI COMPUTER (SHENZHEN) CO., LTD.<br>SHENZHEN MEGA INFORMATION CO., LTD. | <br><br>MSI PACIFIC<br>MSI HOLDING<br><br>MICRO STAR INTERNATIONAL CO., LTD.<br><br>MSI(B.V.I.)<br>MSI PACIFIC |
| Director | Kuo,Hsu-Kuang | The master of business administration from University of Southern Queensland<br>The manager of Chun-Sheng Computer | The Executive Vice President & NB BU GM of MSI | |
| Director | Liao,Chun-Keng | The master of business administration from University of South Australia<br>The sales manager of Magic Systech Inc | The Executive Vice President & GNP BU GM of MSI | |
| Director | Hung,Yu-Sheng | ITI International Business Administration Program<br>Shih Chien College of Design and Management<br>MA of Pou Chen Group | The Executive Vice President & CND BU GM of MSI<br>**The Executive Director of the following company:**<br>MSI (Shenzhen) Co., Ltd. | <br><br>STAR INFORMATION HOLDING CO., LTD |
| Independent Director | Wang,Sung-Chou | The master of business administration from National Chengchi University.<br>Director of the KGI INVESTMENT ADVISORY CORPORATION<br>China Securities Co., Ltd.( now KGI Securities Co., Ltd.)<br>Supervisor of the GARND PACIFIC PETROCHEMICAL CORPORATION、Videoland Inc. | Independent Director of MICRO STAR INTERNATIONAL CO., LTD.<br>**Director of the following company:**<br>Kae Lee Investment Co., Ltd.<br>**Supervisor of the following companies:**<br>KK Enterprise Co., Ltd.、Taiwan Sports Lottery Company | |
| Independent Director | Liu ,Cheng-Yi | The master of science in finance from The City University of New York.<br>Director of Administration Division of Micro Star International Co., Ltd.<br>Supervisor of TXC CORPORATION<br>Independent Director of Jochu Technology Co., Ltd.<br>The Assistant Manager of Twin Head International Corp. | None | |
| Independent Director | Hsu,Kao-Shan | Criminal investigation of Central Police University<br>Supervisor of Micro Star International Co., Ltd.<br>Attorney of Yung Jan Attorneys-At-Law | Li Tsai Attorneys-At-Law | |

| Criteria / Name | With over five years of job experience and the following business qualification | | | Independence Criteria(Note) | | | | | | | | | | | | Also an independent director of other public company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Teachers of public or private colleges for the subject of commerce, law, finance, accounting, or business | Judge, prosecutor, attorney, accountant, or business salespersons passed national exam & certified specialists or technicians | With job experience in commerce, law, finance, accounting, or business | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | |
| Hsu,Hsiang | | | ✓ | | | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Huang,Chin-Ching | | | ✓ | | | | | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | 0 |
| Lin,Wen-Tung | | | ✓ | | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Yu, Hsien-Neng | | | ✓ | | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Kuo,Hsu-Kuang | | | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Liao,Chun-Keng | | | ✓ | | | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | 0 |
| Hung,Yu-Sheng | | | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Wang,Sung-Chou | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Liu ,Cheng-Yi | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Hsu,Kao-Shan | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |

(1) Not an employee of the company or its affiliate.

(2) Not a director or supervisor of the company or its affiliate (except for independent directors appointed in accordance with the Act or the local laws by, and concurrently serving as such at, the company, its parent company, subsidiaries, or a subsidiary under the same parent company).

(3) Not the person himself, spouse or minor child, or individual shareholder holding more than 1% of the company's outstanding shares in the name of a third party, or top 10 shareholder.

(4) Not the spouse, relative within the second degree of consanguinity, or direct blood relative within the third degree of consanguinity of a manager, a person under (2) or (3).

(5) Not directly holding more than 5% of the company's outstanding shares, top 5 shareholder, or a director, supervisor or employee of a corporate shareholder appointing its representative as the director or supervisor of the company pursuant to Article 27 paragraphs 1 or 2 of the Company Act (except for independent directors appointed in accordance with the Act or the local laws by, and concurrently serving as such at, the company, its parent company, subsidiaries, or a subsidiary under the same parent company).

6) Not a director, supervisor, or employee of a company controlled by the same person holding the majority of the Board or the voting shares of the company and the other company (except for independent directors appointed in accordance with the Act or the local laws by, and concurrently serving as such at, the company, its parent company, subsidiaries, or a subsidiary under the same parent company).

(7) Not a director (governor), supervisor, or employee of a company or institution whose chairman, president, or a person holding an equivalent position is the same person or the spouse of the chairman, president, or a person holding an equivalent position at the company (except for independent directors appointed in accordance with the Act or the local laws by, and concurrently serving as such at, the company, its parent company, subsidiaries, or a subsidiary under the same parent company).

(8) Not a director (governor), supervisor, manager, or shareholder with more than 5% shareholding of a specific company or institution having financial or business relationship with the company (except for independent directors appointed in accordance with the Act or the local laws by, and concurrently serving as such at, the company, its parent company, subsidiaries, or a subsidiary under the same parent company) .

(9) Not a professional individual, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution, or their spouses, who provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider has received cumulative compensation exceeding NT$500,000 in the past 2 years; provided however that this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act.

(10) Not a spouse or relative within the second degree of consanguinity of any other director.

(11) No such situation under Article 30 of the Company Act.

(12) Not a government, corporate or its representative elected pursuant to Article 27 of the Company Act.

2. Information of the management

Base Date: April 13, 2021 Unit: Shares

| Title | Nationality /Country of Origin | Name | Gender | Date Elected | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Other Position | Managers who are Spouses or Within Two Degrees of Shareholding Kinship | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| Chairman | R.O.C | Hsu,Hsiang | Male | 1994.4 | 51,983,151 | 6.15% | 13,408,517 | 1.59% | 9,376,328 | 1.11% | The electronic engineering from National Cheng Kung University.<br>The engineer of Sony Industries Taiwan Co., Ltd. | Refer to page **11** | — | — | — | |
| President (Note1) | | Huang,Chin-Ching | Male | 2001.7 | 20,937,377 | 2.48% | 2,148,564 | 0.25% | 7,521,761 | 0.89% | The electronics from Chung Yuan Christian University.<br>The engineer of Sony Industries Taiwan co., Ltd. | Refer to page**11** | SVP | Liao,Chun-Keng | Note1 | |
| Senior Vice President of Management Committee | | Lin,Wen-Tung | Male | 2001.7 | 25,672,499 | 3.04% | 62,895 | 0.01% | — | — | The electronic engineering from the Lien Ho Industrial and Technological Junior College.<br>The engineer of Sony Industries Taiwan co., Ltd. | Refer to page **11** | — | — | — | |
| Senior Vice President of Management Committee | | Yu,Hsien-Neng | Male | 2001.7 | 17,892,824 | 2.12% | 184,922 | 0.02% | — | — | The electronics from Feng Chia University.<br>The engineer of Sony Industries Taiwan co., Ltd. | Refer to page **11** | — | — | — | |
| Senior Vice President of Management Committee | | Lu,Chi-Long | Male | 2001.7 | 18,650,835 | 2.21% | 1,965,350 | 0.23% | — | — | The electronics from National Taiwan University of Science and Technology.<br>The engineer of Sony Industries Taiwan co., Ltd. | None | — | — | — | |
| Executive Vice President & NB BU GM | | Kuo,Hsu-Kuang | Male | 2013.4 | 75,000 | 0.01% | 0 | 0.00% | — | — | The master of business administration from University of Southern Queensland<br>The manager of Chun-Sheng Computer | None | — | — | — | |
| Executive Vice President& GNP BU GM | | Liao,Chun-Keng | Male | 2014.4 | 60,000 | 0.01% | 0 | 0.00% | — | — | The master of business administration from University of South Australia<br>The Sales Manager of Magic Systech Inc. | None | EVP & GNP BU GM | Huang,Chin-Ching | Note1 | |
| Executive Vice President & CND BU GM | | Hung,Yu-Sheng | Male | 2012.4 | 306,660 | 0.04% | 0 | 0.00% | — | — | ITI International Business Administration Program<br>Shih Chien College of Design and Management<br>MA of Pou Chen Group | Refer to page **11** | — | — | — | |
| EPS BU GM | | Tsai,Rong-Fong | Male | 2010.3 | 123,647 | 0.01% | 297,646 | 0.04% | — | — | The electronics from Chung Yuan Christian University.<br>The General Manager of DTK Technology (Hong Kong). | None | — | — | — | |
| ACS BU GM | | Huang,Wen-Shan | Male | 2019.12 | 723 | 0.00% | 0 | 0.00% | — | — | The electronics from National Taiwan University of Science and Technology.<br>Twinhead International Corp. Assistant Manager | None | — | — | — | |

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Vice President & CPS BU GM | R.O.C | Wu,Ta-Hsin | Male | 2019.1 | 0 | 0.00% | 0 | 0.00% | — | — | Communications, University of the Pacific.<br>FIC Sales Director | None | — | — | — |
| Vice President of Corp. R&D | | Teng,Chi-Hung | Male | 2010.3 | 543,183 | 0.06% | 1,124 | 0.00% | — | — | The institute of electronics from National Chiao Tung University.<br>Ali Corporation Technical Manager | None | — | — | — |
| Vice President of Corp. Manufacture & Quality Assurance | | Li,Chao-Ming | Male | 2010.3 | 11,498 | 0.00% | 0 | 0.00% | — | — | The master of mechanical system from University of Liverpool<br>ACER INCORPORATED Manager | **President of the following companies:**<br>MSI COMPUTER (SHENZHEN) CO., LTD.<br>MSI ELECTRONICS (KUNSHAN) CO., LTD. | — | — | — |
| Vice President of Corp. Sales & Marketing | | Chiu,Chih-Keng | Male | 2015.4 | 152,925 | 0.02% | 0 | 0.00% | — | — | Institute of Technology and Industrial Engineering from St. John's & St. Mary's College<br>DTK Computer M.D. | **Director on behalf of MSI HOLDING & President of the following companies:**<br>MSI COMPUTER SARL<br>MSI COMPUTER EUROPE B.V.<br>MYSTAR COMPUTER B.V.<br>MSI COMPUTER (UK) LTD.<br>MSI ITLAY S.R.L.<br>LLC « MSI COMPUTER »<br>MSI IBERIA S.L. (MICRO-STAR NETHERLANDS HOLDING B.V. representative) | — | — | — |
| Vice President of Corp. Sales & Marketing | | Tung,Ti-Chun | Male | 2019.4 | 0 | 0.00% | 0 | 0.00% | — | — | University of Phoenix<br>DFI-ITOX Inc. Tech Support & MIS | Director & President of MSI COMPUTER CORP. and MICRO-STAR CANADA LTD. (MICRO-STAR INTERNATIONAL CO., LTD. representative) | — | — | — |
| Vice President of Corp. Supply Chain | | Chen,Te-Ling | Female | 2019.1 | 0 | 0.00% | 0 | 0.00% | — | — | Department of Foreign Languages and Literatures,National Taiwan University . D-LINK CORPORATION Administrator | None | — | — | — |
| Vice President of NB BU R&D Division | | Lin,Chin-Kuan | Male | 2014.4 | 363,375 | 0.04% | 0 | 0.00% | — | — | Institute of Electrical and Control Engineering from National Chiao Tung University<br>Wistron Corporation Manager | None | — | — | — |
| Vice President of NB BU R&D Division | | Lu,Kuo-Huang | Male | 2017.4 | 0 | 0.00% | 0 | 0.00% | — | — | Hwa Hsia Institute of Agricultural Technology | None | — | — | — |
| Vice President of NB Product Mgt. Division | | Peng,Jen-Fang | Male | 2017.4 | 159,671 | 0.02% | 0 | 0.00% | — | — | National Taiwan University of Science and Technology | None | — | — | — |
| Vice President of NB Operations Mgt. Division | | Pan,Tsai-Yu | Male | 2019.4 | 0 | 0.00% | 0 | 0.00% | — | — | National Taiwan Unversity Of Science and Technology<br>Askey Computer Corporation. Manager | None | — | — | — |
| Vice President of NB OEM sales Division | | Huang,Wen-Hui | Female | 2021.4 | 200 | 0.00% | 0 | 0.00% | — | — | The master of business administration from University of South Australia<br>The Purchasing Manager of Fujitsu Technology | None | — | — | — |
| Vice President of CND BU | | Yeh,Chun-Te | Male | 2020.4 | 10,000 | 0.00% | 3,155 | 0.00% | — | — | Szehai Institute of Technology and Commerce<br>First International Computer Supervisor | None | — | — | — |
| Vice President of EPS BU Sales & Marketing Division | | Lu,Cheng-Lung | Male | 2015.4 | 91,555 | 0.01% | 0 | 0.00% | — | — | Department of Business Administration, Tamkang University<br>JUMBO POWER TRADING CO., LTD. Special Assistant | None | — | — | — |
| Vice President of Corp. Marketing Division | | Cheng,Hui-Cheng | Male | 2019.4 | 0 | 0.00% | 0 | 0.00% | — | — | Fu Jen Catholic University<br>Wistron Corporation. Product manager | None | — | — | — |

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Vice President of Global Management Center | R.O.C | Tsai,Wei-Hsin | Male | 2010.3 | 77 | 0.00% | 0 | 0.00% | — | — | Chinese Culture University Department of International Business Administration<br>LITE-ON TECHNOLOGY CORP. Communications Group Accounting Department Assistant Vice President | None | — | — | — |
| Vice President of Finance Center | | Hung,Pao-Yu | Female | 2016.4 | 343,218 | 0.04% | 0 | 0.00% | — | — | Finance MBA, National Taiwan University<br>President Securities Corp. Underwriting Department Manager | **Supervisor of the following companies:**<br>MSI COMPUTER (SHENZHEN) CO., LTD. (MSI(B.V.I.)Representative)<br>SHENZHEN MEGA INFORMATIO CO., LTD. (MSI PACIFIC Representative)<br>MSI (Shenzhen) Co., Ltd. (STAR INFORMATION Representative)<br>MSI (Shanghai) Co., Ltd. (MSI PACIFIC Representative)<br>**Director on behalf of MICRO STAR of the following company:**<br>MSI PACIFIC INTERNATIONAL HOLDING CO., LTD.<br>**Director on behalf of MSI PACIFIC of the following companies:**<br>MICRO ELECTRONICS HOLDING CO., LTD.<br>MEGA TECHNOLOGY HOLDING CO., LTD.<br>MEGA COMPUTER CO., LTD.<br>MHK INTERNATIONAL CO., LTD.<br>STAR INFORMATION HOLDING CO., LTD.<br>**Director on behalf of MEGA TECHNOLOGY of the following company:**<br>RAIDEALS INC. | — | — | — |
| Assistant Vice President of Internal Auditing Office | | Liu,Chu-Hao | Male | 2010.3 | 10,000 | 0.00% | 14,609 | 0.00% | — | — | Department of Accounting, Tamkang University<br>Mag Technology Co., Ltd. Audit Assistant Manager | Supervisor of MSI ELECTRONIC (KUNSHAN) CO., LTD (MICRO ELECTRONICS Representative)<br>Supervisor of MSI KOREA CO., LTD.(MSI PACIFIC Representative<br>Supervisor of MSI COMPUTER JAPAN CO., LTD. (MICRO STAR Representative) | — | — | — |
| President & Chief Executive Officer<br>(Note2) | | Chiang,Sheng-Chang | Male | 2010.3 | 704,074 | 0.08% | 0 | 0.00% | — | — | The institute of electronics from National Chiao Tung University.<br>The assistant vice president of ALi Corporation. | None | — | — | — |

Note1：Mr. Huang,Chin-Ching and Mr. Liao,Chun-Keng are 2nd consanguinity

Note2：Mr. Chiang, Sheng-Chang Dismissed on July 7, 2020.

3. The Chairman, president, or equivalent officer (the most senior manager) is the same person, are spouses, or relatives within the first degree of consanguinity:None.

(Ⅲ)Remuneration paid during the most recent fiscal year to directors, supervisors, president and vice presidents

1.Remuneration of Directors, Supervisors

(1) Remuneration of Directors (including Independent Directors)

Unit：NT$

| Title | Name | Remuneration of Directors | | | | | | | | Ratio of Total Remuneration (A+B+C+D) to Net Income (%) | | Remuneration received by Directors who are also employees | | | | | | | | Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) | | Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Base Compensation(A) | | Severance Pay(B) | | Remuneration to Directors (C) | | Allowances(D) | | | | Salary, Bonuses, and Allowances(E) | | Severance Pay (F) | | Remuneration to Employee(G) | | | | | | |
| | | MSI | Companies in the consolidated financial statements | MSI | Companies in the consolidated financial statements | MSI | Companies in the consolidated financial statements | MSI | Companies in the consolidated financial statements | MSI | Companies in the consolidate financial statements | MSI | Companies in the consolidate financial statements | MSI | Companies in the consolidated financial statements | MSI | | Companies in the consolidated Financial statements | | MSI | Companies in the consolidated financial statements | |
| | | | | | | | | | | | | | | | | Cash amount | Stock amount | Cash amount | Stock amount | | | |
| Chairman | Hsu,Hsiang | 0 | 0 | 0 | 0 | 52,000,000 | 52,000,000 | 0 | 0 | 0.65% | 0.65% | 95,819,503 | 95,819,503 | 0 | 0 | 50,000,000 | 0 | 50,000,000 | 0 | 2.49% | 2.49% | None |
| Vice Chairman | Huang,Chin-Ching | | | | | | | | | | | | | | | | | | | | | |
| Director | Lin,Wen-Tung | | | | | | | | | | | | | | | | | | | | | |
| Director | Yu, Hsien-Neng | | | | | | | | | | | | | | | | | | | | | |
| Director | Kuo,Hsu-Kuang | | | | | | | | | | | | | | | | | | | | | |
| Director | Liao,Chun-Keng | | | | | | | | | | | | | | | | | | | | | |
| Director | Hung,Yu-Sheng | | | | | | | | | | | | | | | | | | | | | |
| Director(Note) | Chiang,Sheng-Chang | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Wang,Sung-Chou | 0 | 0 | 0 | 0 | 19,500,000 | 19,500,000 | 0 | 0 | 0.25% | 0.25% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.25% | 0.25% | None |
| Independent Director | Liu,Cheng-Yi | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Hsu,Kao-Shan | | | | | | | | | | | | | | | | | | | | | |

1.Please describe the payment policy, system, standard and structure of the independent director remuneration, and the relevance between the amount of the remuneration and the responsibilities, risks, contributed time, and other factors: Pursuant to Article 16-4 of the company's bylaws, and based on the company's operational performance, director's performance, and payment standard of the same industry, the remuneration committee will propose the recommendations to the Board of Directors to decide the remuneration of the company's independent directors

2.Remuneration received in the most recent year by the director of the company for rendering services (such as serving as a non-employed consultant) to any company listed in the Financial Report：None.

Note: Dismissed on July 7, 2020.

Remuneration Bracket

| Range of Remuneration | Name of Directors | | | |
|---|---|---|---|---|
| | Total of (A+B+C+D) | | Total of (A+B+C+D+E+F+G) | |
| | MSI | Companies in the consolidated financial statements H | MSI | Companies in the consolidated financial statements (Ｉ) |
| Below 1,000,000 | | | | |
| 1,000,000(included)～2,000,000(excluded) | | | | |
| 2,000,000(included)～3,500,000(excluded) | | | | |
| 3,500,000(included)～5,000,000(excluded) | | | | |
| 5,000,000(included)～10,000,000(excluded) | Hsu,Hsiang、Huang,Chin-Ching、Lin,Wen-Tung、Yu, Hsien-Neng、Chiang,Sheng-Chang、Kuo,Hsu-Kuang、Liao,Chun-Keng、Hung,Yu-Sheng、Wang,Sung-Chou、Liu ,Cheng-Yi、Hsu,Kao-Shan | Hsu,Hsiang、Huang,Chin-Ching、Lin,Wen-Tung、Yu, Hsien-Neng、Chiang,Sheng-Chang、Kuo,Hsu-Kuang、Liao,Chun-Keng、Hung,Yu-Sheng、Wang,Sung-Chou、Liu ,Cheng-Yi、Hsu,Kao-Shan | Wang,Sung-Chou、Liu ,Cheng-Yi、Hsu,Kao-Shan | Wang,Sung-Chou、Liu ,Cheng-Yi、Hsu,Kao-Shan |
| 10,000,000(included)～15,000,000(excluded) | | | | |
| 15,000,000(included)～30,000,000(excluded) | | | Hsu,Hsiang、Huang,Chin-Ching、Lin,Wen-Tung、Yu, Hsien-Neng、Chiang,Sheng-Chang、Kuo,Hsu-Kuang、Liao,Chun-Keng、Hung,Yu-Sheng | Hsu,Hsiang、Huang,Chin-Ching、Lin,Wen-Tung、Yu, Hsien-Neng、Chiang,Sheng-Chang、Kuo,Hsu-Kuang、Liao,Chun-Keng、Hung,Yu-Sheng |
| 30,000,000(included)～50,000,000(excluded) | | | | |
| 50,000,000(included)～100,000,000(excluded) | | | | |
| Over $100,000,000 | | | | |
| Total | 71,500,000 | 71,500,000 | 217,319,503 | 217,319,503 |

## 2. Remuneration of President and Vice Presidents

Unit：NT$

| Title | Name | Salary(A) | | Severance Pay(B) | | Bonuses and Allowances (C) | | Remuneration to Employee(D) | | | | Ratio of total compensation (A+B+C+D) to net income (%) | | **Compensation** paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | MSI | Companies in the consolidated financial statements | MSI | Companies in the consolidated financial statements | MSI | Companies in the consolidated financial statements | MSI | | Companies in the consolidated financial statements | | MSI | Companies in the consolidated financial statements | |
| | | | | | | | | Cash amount | Stock amount | Cash amount | Stock amount | | | |
| Chairman | Hsu,Hsiang | 79,304,039 | 79,304,039 | 1,944,000 | 1,944,000 | 160,397,000 | 160,397,000 | 112,000,000 | 0 | 112,000,000 | 0 | 4.44% | 4.44% | None |
| President | Huang,Chin-Ching | | | | | | | | | | | | | |
| Senior Vice President of Management Committee | Lin,Wen-Tung | | | | | | | | | | | | | |
| Senior Vice President of Management Committee | Yu,Hsien-Neng | | | | | | | | | | | | | |
| Senior Vice President of Management Committee | Lu,Chi-Long | | | | | | | | | | | | | |
| Executive Vice President & NB BU GM | Kuo,Hsu-Kuang | | | | | | | | | | | | | |
| Executive Vice President & GNP BU GM | Liao,Chun-Keng | | | | | | | | | | | | | |
| Executive Vice President & CND BU GM | Hung,Yu-Sheng | | | | | | | | | | | | | |
| EPS BU GM | Tsai,Rong-Fong | | | | | | | | | | | | | |
| ACS BU GM | Huang,Wen-Shan | | | | | | | | | | | | | |
| Vice President & CPS BU GM | Wu,Ta-Hsin | | | | | | | | | | | | | |
| Vice President of Corp. R&D | Teng,Chi-Hung | | | | | | | | | | | | | |
| Vice President of Corp. Manufacture & Quality Assurance | Li,Chao-Ming | | | | | | | | | | | | | |
| Vice President of Corp. Sales & Marketing | Chiu,Chih-Keng | | | | | | | | | | | | | |
| Vice President of Corp. Sales & Marketing | Tung,Ti-Chun | | | | | | | | | | | | | |
| Vice President of Corp. Supply Chain | Chen,Te-Ling | | | | | | | | | | | | | |
| Vice President of NB BU R&D Division | Lin,Chin-Kuan | | | | | | | | | | | | | |
| Vice President of NB BU R&D Division | Lu,Kuo-Huang | | | | | | | | | | | | | |
| Vice President of NB Product Mgt. Division | Peng,Jen-Fang | | | | | | | | | | | | | |
| Vice President of NB Operations Mgt. Division | Pan,Tsai-Yu | | | | | | | | | | | | | |
| Vice President of NB OEM sales Division | Huang,Wen-Hui | | | | | | | | | | | | | |
| Vice President of CND BU | Yeh,Chun-Te | | | | | | | | | | | | | |
| Vice President of EPS BU Sales & Marketing Division | Lu,Cheng-Lung | | | | | | | | | | | | | |
| Vice President of Corp. Marketing Division | Cheng,Hui-Cheng | | | | | | | | | | | | | |
| Vice President of Global Management Center | Tsai,Wei-Hsin | | | | | | | | | | | | | |
| Vice President of Finance Center | Hung,Pao-Yu | | | | | | | | | | | | | |
| President & Chief Executive Officer ( Note) | Chiang,Sheng-Chang | | | | | | | | | | | | | |

Note:Dismissed on July 7, 2020.

Remuneration Bracket

| Range of Remuneration | Name of President and Vice President | |
|---|---|---|
| | MSI | Companies in the consolidated financial statements E |
| Below 1,000,000 | | |
| 1,000,000(included)～2,000,000(excluded) | | |
| 2,000,000(included)～3,500,000(excluded) | | |
| 3,500,000(included)～5,000,000(excluded) | | |
| 5,000,000(included)～10,000,000(excluded) | Lu,Kuo-Huang、Pan,Tsai-Yu i、Huang,Wen-Hui、Yeh,Chun-Te、Lu,Cheng-Lung、Cheng,Hui-Cheng、Chiang,Sheng-Chang | Lu,Kuo-Huang、Pan,Tsai-Yu i、Huang,Wen-Hui、Yeh,Chun-Te、Lu,Cheng-Lung、Cheng,Hui-Cheng、Chiang,Sheng-Chang |
| 10,000,000(included)～15,000,000(excluded) | Lu,Chi-Long、Tsai,Rong-Fong、Huang,Wen-Shan、Wu,Ta-Hsin、Teng,Chi-Hung、Li,Chao-Ming、Chiu,Chih-Keng、Tung,Ti-Chun、Chen,Te-Ling、Lin,Chin-Kuan、Peng,Jen-Fang、Tsai,Wei-Hsin、Hung,Pao-Yu | Lu,Chi-Long、Tsai,Rong-Fong、Huang,Wen-Shan、Wu,Ta-Hsin、Teng,Chi-Hung、Li,Chao-Ming、Chiu,Chih-Keng、Tung,Ti-Chun、Chen,Te-Ling、Lin,Chin-Kuan、Peng,Jen-Fang、Tsai,Wei-Hsin、Hung,Pao-Yu |
| 15,000,000(included)～30,000,000(excluded) | Hsu,Hsiang、Huang,Chin-Ching、Lin,Wen-Tung、Yu, Hsien-Neng、Kuo,Hsu-Kuang、Liao,Chun-Keng、Hung,Yu-Shen | Hsu,Hsiang、Huang,Chin-Ching、Lin,Wen-Tung、Yu, Hsien-Neng、Kuo,Hsu-Kuang、Liao,Chun-Keng、Hung,Yu-Shen |
| 30,000,000(included)～50,000,000(excluded) | | |
| 50,000,000(included)～100,000,000(excluded) | | |
| Over $100,000,000 | | |
| Total | 353,645,039 | 353,645,039 |

Names of managers receiving remuneration to employees, and status of allocation thereof

| | Title | Name | Stock Amount | Cash Amount | Total | Ratio of Total Amount to Net Income (%) |
|---|---|---|---|---|---|---|
| Managers | Chairman | Hsu,Hsiang | 0 | 113,900,000 | 113,900,000 | 1.43% |
| | President | Huang,Chin-Ching | | | | |
| | Senior Vice President of Management Committee | Lin,Wen-Tung | | | | |
| | Senior Vice President of Management Committee | Yu, Hsien-Neng | | | | |
| | Senior Vice President of Management Committee | Lu,Chi-Long | | | | |
| | Executive Vice President & NB BU GM | Kuo,Hsu-Kuang | | | | |
| | Executive Vice President & GNP BU GM | Liao,Chun-Keng | | | | |
| | Executive Vice President & CND BU GM | Hung,Yu-Sheng | | | | |
| | EPS BU GM | Tsai,Rong-Fong | | | | |
| | ACS BU GM | Huang,Wen-Shan | | | | |
| | Vice President & CPS BU GM | Wu,Ta-Hsin | | | | |
| | Vice President of Corp. R&D | Teng,Chi-Hung | | | | |
| | Vice President of Corp.Manufacture & Quality Assurance | Li,Chao-Ming | | | | |
| | Vice President of Corp. Sales & Marketing | Chiu,Chih-Keng | | | | |
| | Vice President of Corp. Sales & Marketing | Tung,Ti-Chun | | | | |
| | Vice President of Corp. Supply Chain | Chen,Te-Ling | | | | |
| | Vice President of NB BU R&D Division | Lin,Chin-Kuan | | | | |
| | Vice President of NB BU R&D Division | Lu,Kuo-Huang | | | | |
| | Vice President of NB Product Mgt. Division | Peng,Jen-Fang | | | | |
| | Vice President of NB Operations Mgt. Division | Pan,Tsai-Yu | | | | |
| | Vice President of NB OEM sales Division | Huang,Wen-Hui | | | | |
| | Vice President of CND BU | Yeh,Chun-Te | | | | |
| | Vice President of EPS BU Sales & Marketing Division | Lu,Cheng-Lung | | | | |
| | Vice President of Corp. Marketing Division | Cheng,Hui-Cheng | | | | |
| | Vice President of Global Management Center | Tsai,Wei-Hsin | | | | |
| | Vice President of Finance Center | Hung,Pao-Yu | | | | |
| | Assistant Vice President of Internal Auditing Office | Liu,Chu-Hao | | | | |
| | President & Chief Executive Officer | Chiang,Sheng-Chang | | | | |

3.The Company is in any situation under Article 10, paragraph 1, subparagraph 3, subsections 2-1 or 2-5 of the Regulations Governing Information to be Published in Annual Reports of Public Companies: No

4. Compare and state the ratio of total remuneration paid to the company's Directors, Supervisors, President, and V.P. by the company and the companies in the consolidated financial statements to net income in the last two years; also, describe the policy, standard, and combination of remuneration paid; moreover, the procedure of defining remuneration and its relation to business performance and future risks

(1)Analyze the ratio of the total remuneration paid to the company's Directors, Supervisors, President, and V.P. in the last two years to net income:

| Year / Item | Directors & Supervisors | | President and Vice President | |
|---|---|---|---|---|
| | Ratio of the total remuneration paid to the company's Directors, Supervisors in the last two years to net income | | Ratio of the total remuneration paid to the President, and V.P. in the last two years to net income | |
| | 2020 | 2019 | 2020 | 2019 |
| | 0.90% | 0.88% | 4.44% | 4.89% |
| 1.Policies of remuneration | Articles 19-1 of Incorporation of Micro-Star International Co., Ltd.<br>The pre-tax income of the current fiscal year shall first offset the accumulated deficits. If the balance is positive, then the Company shall allocate the remuneration to be distributed to employees, directors and supervisors in accordance with the following ratio.<br>Employee remuneration in the percentage of 6% to 10%. Individuals eligible for employee remuneration include the Company's employees and the employees of the Company's subsidiaries meeting certain requirements. Such requirements are to be set by the Board of Directors.<br>Remuneration to be distributed to directors and supervisors shall not exceed 1%.<br>The decision of the percentage of remuneration to be distributed to employees, directors and supervisors set forth in the preceding Paragraph, the forms of distribution (cash or stock dividends) and the amounts and shares thereof shall be made through the special resolutions of the Board of Directors and reported to the shareholders' meeting.<br><br>(The Company established an Audit Committee to replace supervisors on June 15, 2018) | | Carried out in accordance with the Company's Remuneration Management Regulations, Performance Review Regulation, Employee Bonus Evaluation and Distribution Rules. | |
| 2.Criteria and composition of remuneration | The remunerations of directors are distributed based on the number of directors and considering the contribution of individual directors to the Company. | | Includes base salary, Duty allowance and performance bonuses. | |
| 3.Procedures to fix remuneration | Resolved by the board meeting, and approved by the general meeting of shareholders. | | Based on their educational and professional backgrounds. | |
| 4.Interrelationship with MSI business | Based on the Company's performance and profitability. | | Remuneration is paid based on target achievement rate, performance, profitability and contribution of the respective. | |

(2) Except for the Company, all the other companies included in the Consolidated Statement did not pay remunerations for the directors, supervisors, president, and vice presidents of the Company.

## (Ⅳ) Corporate governance

1.Board of Directors

The Board had 10 (A) meetings in 2020 and up to date till the Annual Report printed:

| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate (%) (B/A) | Remarks |
|---|---|---|---|---|---|
| Chairman | Hsu,Hsiang | 10 | 0 | 100.00% | |
| Vice Chairman | Huang,Chin-Ching | 9 | 1 | 90.00% | |
| Director | Lin,Wen-Tung | 10 | 0 | 100.00% | |
| Director | Yu, Hsien-Neng | 9 | 1 | 90.00% | |
| Director | Chiang,Sheng-Chang | 3 | 0 | 100.00% | Note1 |
| Director | Kuo,Hsu-Kuang | 10 | 0 | 100.00% | |
| Director | Liao,Chun-Keng | 10 | 0 | 100.00% | |
| Director | Hung,Yu-Sheng | 10 | 0 | 100.00% | |
| Independent Director | Wang,Sung-Chou | 10 | 0 | 100.00% | Note2 |
| Independent Director | Liu,Cheng-Yi | 10 | 0 | 100.00% | Note2 |
| Independent Director | Hsu,Kao-Shan | 10 | 0 | 100.00% | Note2 |

Note1:Dismissed since his death on July 7, 2020, should have attended three times.

Note2:Independent directors attended in person in 2020 and up to date till the Annual Report printed (with an attendance rate of 100%).

Other matters that require to be recorded:

1. Should any of the following take place in a board meeting, the date and number of the meeting, the content of the proposal, opinions of all Independent Directors and the Company's response to such opinions shall be recorded:
   (1) For details of the date and number of the board meeting, the content of the proposal, opinions of all Independent Directors and the Company's response to such opinions, please see pages 41 ~ 43.
   (2) Items specified in Article 14-3 of the Securities and Exchange Act: No dissenting or qualified opinion.
   (3) Aside from the above matters, other resolutions adopted by the Board of Directors to which an Independent Director has a dissenting or qualified opinion that is on record or stated in a written statement: None.
2. For execution status of Directors' recusals from the resolutions due to conflicts of interests, the names of the Directors, content of the proposals and reasons for recusals as well as the participation in voting shall be recorded:
   (1) Date: 2020.1.17, 2020.3.20
   Name of the Director: Hsu,Hsiang. Huang,Chin-Ching. Yu,Hsien-Neng. Chiang,Sheng-Chang. Lin,Wen-Tung. Kuo,Hsu-Kuang. Liao,Chun-Keng. Hung,Yu-Sheng.
   Date: 2020.8.7, 2020.10.6, 2021.1.29, 2021.3.22
   Name of the Director:Hsu,Hsiang. Huang,Chin-Ching. Yu,Hsien-Neng. Lin,Wen-Tung. Kuo,Hsu-Kuang. Liao,Chun-Keng. Hung,Yu-Sheng.
   Agenda item: Proposal of the Remuneration committee.
   Reason for recusal and participation in voting: The Board of Directors reminded the Directors to pay attention to recusal due to conflict of interests and did not provide each Director's own remuneration details.
   Directors Hsu,Hsiang. Huang,Chin-Ching. Yu,Hsien-Neng. Lin,Wen-Tung. Chiang,Sheng-Chang . Kuo,Hsu-Kuang. Liao,Chun-Keng. Hung,Yu-Sheng. recused themselves from discussing and voting on the part of the proposal involving their own remuneration.
3. Board of Director Self (Peer) Evaluation Cycle and Period, Scope, Method, and Topic are as below:

Implementation of Board of Director Evaluation

| Cycle | Period | Scope | Method |
|---|---|---|---|
| Once per year | January 1, 2020 to December 31, 2020 | Board of Directors, individual director and functional committees | Internal self-evaluation questionnaire for the Board (functional committees) and each director |

Topic

The performance evaluation of the Board of Directors, directors, functional committees of 2020 was completed on January 29, 2021. The evaluation topics of each scope include the following:

(1) Board of Directors performance evaluation: The performance evaluation of the Board of Directors includes the level of participation in the company’s operation, decision quality of the Board of Directors, body and structure of the Board of Directors, selection of directors and continuing study, internal control.
(2) Individual director performance evaluation: The performance evaluation of individual directors includes the knowledge of the company’s objectives and tasks, understanding of the responsibilities of directors, level of participation in the company’s operation, internal relationship cultivation and communication, continuing study of the director’s profession, internal control.
(3) Functional committee’s performance evaluation: Including the level of participation in the company’s operation, understanding of the responsibilities of the functional committee, decision quality of the functional committee, body of the functional committee and selection of members, internal control.
(4) Disclosed in the Market Observation Post System: http://mops.twse.com.tw

4、The goals of the year and the most recent year on the strengthening of the board of directors’ functions：

(1) Voluntarily to establish Independent directors in 2012.
(2) To accommodate electronic voting during shareholders’ meetings, the Articles of Incorporation were revised on June 17, 2014, and the nomination system is adopted for the election of Board members.
(3) Since 2014, the Company's shareholders' meetings have adopted voting by poll, and the result of shareholders' votes for and against and the number of abstentions of each proposal are recorded in the minutes.
(4) In compliance with the competent authority's promotion of corporate governance, a position adjustment was carried out on January 1, 2019, and the Chairman and President positions are not held by the same person.
(5) In compliance with the competent authority's promotion of corporate governance, it is expected that a full re-election will be carried out upon the expiration of the term of office of Directors, adding one female Director.
(6) The average attendance rate of all Directors actually attending the Board meetings of the current Board of Directors (June 15, 2018 ~ as of the publication date of this Annual Report): 96.43%. The average attendance rate of all Directors actually attending the Board meetings of the current Board of Directors in 2020 as of the publication date of this Annual Report: 98.06%.

## 2. Audit Committee or Attendance of Supervisors at Board Meetings:

(1)Attendance of Supervisors at Board Meetings:The Company established an Audit Committee to replace supervisors on June 15, 2018 and the supervisors are relieved of the position starting on that day.

(2)Operation of the Audit Committee:

7 meetings (A) held by Audit Committee in 2020 and up to date till the Annual Report printed, the attendance of the independent directors is as follows:

| Title | Name | Attendance in Person (B) | Attendance Rate (%) 【B/A】 | Remarks |
|---|---|---|---|---|
| Independent director | Wang,Sung-Chou | 7 | 100.00% | June 15,2018 Newly appointed |
| Independent director | Liu,Cheng-Yi | 7 | 100.00% | June 15,2018 Newly appointed |
| Independent director | Hsu,Kao-Shan | 7 | 100.00% | June 15,2018 Newly appointed |

Other items that shall be recorded:

1. If any of the following applies to the operations of the Audit Committee , the date and session of the Board of Directors' Meeting, as well as the resolutions, resolutions of the Audit Committee and the corporation's actions in response to the opinions of the Audit Committee should be stated.
   (1)Items listed in Article 14(5) of the Securities and Exchange Act.
   (2)Except the items in the preceding issues, other resolutions approved by two-thirds of all directors but yet to be approved by the Audit Committee:None.
2. Execution process where the independent director abstain from begin a stakeholder, the name of the director, the content of proposal, the reson of abstinence and the results of the voting should be stated: None

| Audit Committee Meeting Date | Agenda | Audit Committee Resolution Results | Audit Committees' opinions | | | Corporation's responses to the comments of the Audit Committee | Execution process where the independent director abstain from begin a stakeholder | |
|---|---|---|---|---|---|---|---|---|
| | | | Wang,Sung-Chou | Liu,Cheng-Yi | Hsu,Kao-Shan | | The reson of abstinence | The results of the voting should be stated |
| 2020.1.17 (2020/1) | (1)Investment in preferred shares of BlueStack Systems, Inc. in the United States. | Proposal approved | None | None | None | None | None | None |
| 2020.03.20 (2020/2) | (1)2019 Financial Statement of this Company.<br>(2)The Statement on Internal Control System of 2019 of this Company. | Proposal approved | None | None | None | None | None | None |
| 2020.04.30 (2020/3) | (1)Business Performance Report - First Quarter 2020 | Proposal approved | None | None | None | None | None | None |
| 2020.08.07 (2020/4) | (1)Financial Report of second quarter, 2020<br>(2)Evaluated the independence of CPA engagement. | Proposal approved | None | None | None | None | None | None |
| 2020.11.10 (2020/5) | (1)Financial Report of third quarter, 2020 | Proposal approved | None | None | None | None | None | None |
| 2021.3.22 (2021/1) | (1)2020 Financial Statement of this Company.<br>(2)The Statement on Internal Control System of 2020 of this Company.<br>(3)Approved amendments to"Internal Control System" , "Implementation Rules for Internal Auditing". | Proposal approved | None | None | None | None | None | None |
| 2021.4.29 (2021/2) | (1)Business Performance Report - First Quarter 2021 | Proposal approved | None | None | None | None | None | None |

3.Communication between directors and head of internal audit and CPA (including material issues, audit methods and results relating to the corporation's finances and business).

(1) The internal audit supervisor submits an audit summary report to the Audit Committee on a monthly basis in accordance with the annual audit plan.

(2) The Company convenes an audit committee, and invites the accounting and auditing supervisors attend and invites relevant supervisors as needed.

(3)The independent directors and the internal audit office, and the CPA have the direct channel to communicate with each other, by phone, written correspondence, or face-to-face meeting. The communication is smooth.

(4)The independent directors shall call the communication meeting at least once per year with the CPA, and at least once per quarter with the internal audit office. For the communication details, please refer to the Company's website:https://tw.msi.com/about/company/

3. Corporate Governance Implementation Status and Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”

| Evaluation Item | Implementation Status | | | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons |
|---|---|---|---|---|
| | Y | N | Abstract Illustration | |
| 1. If the Company established and disclosed Corporate Governance Principles in accordance with Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies? | V | | The Company has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles has been disclosed on the Company’s website. | None |
| 2. Shareholding Structure & Shareholders’ Rights<br>(1) If the Company established internal procedures to handle shareholder suggestions, proposals, complaints and litigation and execute accordingly? | V | | In addition to the existing hotline and email channels, the Company has established an internal operating procedure, and has designated appropriate departments, such as Investor Relations, Public Relations, Legal Department, to handle shareholders’ suggestions, doubts, disputes and litigation. | None |
| (2) If the Company maintained of a list of major shareholders and a list of ultimate owners of these major shareholders? | V | | The Finance Dept is responsible for collecting the updated information of major shareholders and the list of ultimate owners of those shares. | None |
| (3) If risk management mechanism and “firewall” between the Company and its affiliates are in place? | V | | 「Group business management regulations」 are made to strictly regulate the activities of trading, endorsement and loans between the Company and its affiliates. In addition, the “Criteria of Internal Control Mechanism for a Public Company”, outlined by the Financial Supervisory Commission when drafting the guidelines for the “Supervision and Governance of Subsidiaries”, was followed in order to implement total risk control with espect to subsidiaries. | None |
| (4) If the Company established internal policies that forbid insiders from trading based on non-disclosed information? | V | | To protect shareholders’ rights and fairly treat shareholders, the Company has established the internal rules to forbid insiders trading on undisclosed information. The Company has also strongly advocated these rules in order to prevent any violations and has been disclosed on the Company’s website. | None |

<table>
<tr><td>3.Structure of Board of Directors and its responsibility<br>(1) Does the Board of Directors set and implement a diversification policy?</td><td>V</td><td></td><td>The Company has the “Corporate Governance Principles” in place and diversified policies are established with regard to the composition of members of the Board of Directors. The directors (including independent directors) are nominated. The Board of Directors members are nominated according to law by shareholders and naturally elected during a shareholders’ meeting.<br>Member diversification is considered by the Board members. Factors taken into account include, but are not limited to gender, age, cultures, educational background, race, professional experience, skills, knowledge and terms of service. The members of board of directors possess a diveres range of expertise in the fields of Operational Decision<br>Making, Operations Management, Crisis Management, Industy Knowledge, International Market Outlook, Leadership Decision Making, Finance& Accounting and law, can adequately fulfill the Company’s future development needs.
<table>
<tr><th>Name</th><th>Gender</th><th>Age</th><th>Operational Decision Making</th><th>Operation Management</th><th>Crisis Management</th><th>Industry Knowledge</th><th>International Market Outlook</th><th>Leadership Decision Making</th><th>Finance& Accounting</th><th>law</th></tr>
<tr><td>Hsu,Hsiang</td><td>Male</td><td>64</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>Huang,Chin-Ching</td><td>Male</td><td>63</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td></td><td></td></tr>
<tr><td>Lin,Wen-Tung</td><td>Male</td><td>63</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td></td><td></td></tr>
<tr><td>Yu, Hsien-Neng</td><td>Male</td><td>63</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td></td><td></td></tr>
<tr><td>Kuo,Hsu-Kuang</td><td>Male</td><td>54</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td></td><td></td></tr>
<tr><td>Liao,Chun-Keng</td><td>Male</td><td>57</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td></td><td></td></tr>
<tr><td>Hung,Yu-Sheng</td><td>Male</td><td>50</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td></td><td></td></tr>
<tr><td>Wang,Sung-Chou</td><td>Male</td><td>59</td><td></td><td>✓</td><td></td><td>✓</td><td>✓</td><td></td><td>✓</td><td></td></tr>
<tr><td>Liu,Cheng-Yi</td><td>Male</td><td>60</td><td></td><td>✓</td><td></td><td>✓</td><td>✓</td><td></td><td>✓</td><td></td></tr>
<tr><td>Hsu,Kao-Shan</td><td>Male</td><td>59</td><td></td><td>✓</td><td></td><td>✓</td><td>✓</td><td></td><td></td><td>✓</td></tr>
</table>
There are 10 (100%) male members and 0(0%) female members on the Board.7 (70%) of them are employees and 3 (30%) are non-employees. The average age is 59. The company will work on having 1 female member on the Board, reducing the number of employee-directors, and recruiting younger members.</td><td>None</td></tr>
<tr><td>(2) If the Company established any other functional committee in addition to Compensation Committee, Audit Committee as required by law?</td><td></td><td>V</td><td>In order for the sound supervision and reinforcement of management, the Company established the Remuneration Committee and Audit Committee. The functional committees shall be responsibilities for the Board of Directors.</td><td>The company has not yet established other functional committee.Scheduled to radually establish according to the laws and regulations as well as the practical requirement of the company.</td></tr>
</table>

<table>
<tr>
<td>(3) Does the company specify the process and method of the performance evaluation of the Board of Directors, conduct the annual evaluation, and report the evaluation results to the Board of Directors and use such for considering the remuneration and re-appointment of each director?</td>
<td>V</td>
<td></td>
<td>The Company has the Guidelines for Evaluating Performance of the Board of Directors in place.<br>Self-assessments are organized once a year and cover participation in corporate operation, quality of decisions made by the Board of Directors, the composition and structure of the Board of Directors, the election and continuing education of Board directors, among others. The questionnaires were sent out in November 2020 to respective directors. The 2020 Board of Directors self-assessment was completed on January 29, 2021. The Company has disclosed the results on the website of the Company and considered the remuneration and re-appointment of each directors to serve at the Remuneration Committee and the Board meeting.</td>
<td>None</td>
</tr>
<tr>
<td>(4) If the Company assess the independence of CPA periodically?</td>
<td>V</td>
<td></td>
<td>The Board has reviewed the qualification of CPA’s independency on August 7, 2020. The review includes the evaluation, as below items:
<table>
<tr><th>Assessment</th><th>assessment result(Y/N)</th><th>Independen (Y/N)</th></tr>
<tr><td>The designated accountant does not have direct or indirect financial interest relationship with the Company.</td><td>N</td><td>Y</td></tr>
<tr><td>The designated accountant does not have a financing or guarantee relationship with the Company or any director of the Company.</td><td>N</td><td>Y</td></tr>
<tr><td>The designated accountant does not have close business relationship or potential employment relationship with the Company.</td><td>N</td><td>Y</td></tr>
<tr><td>The designated accountant does/did not currently/ in the recent two years serve as a director, supervisor, or manager of the Company or play a role having significant influence on the audit case.</td><td>N</td><td>Y</td></tr>
<tr><td>The designated accountant does not promote or act as an intermediate for the shares or other securities issued by the Company.</td><td>N</td><td>Y</td></tr>
<tr><td>The designated accountant does not serve as the advocate of the Company nor as the representative of the Company to mediate the dispute between the Company and any third party.</td><td>N</td><td>Y</td></tr>
<tr><td>The designated accountant does not have kinship with any directors or managers of the Company or the person having significant influence on the audit service.</td><td>N</td><td>Y</td></tr>
</table>
The assessment results show that the declaration of independence has not been breached in the relationship between the Company and the CPAs; independence disqualified.</td>
<td>None</td>
</tr>
<tr>
<td>4. Does the public (OTC) company appoint the adequate number of competent corporate governance staff, and a corporate governance manager to be responsible for handling corporate governance scheme (including but not limited to providing information to the directors and supervisors necessary to perform their duties, assisting the directors and supervisors in legal compliance, processing the Board meetings and shareholders meetings according to the laws, processing company registration and registration of changes, and producing minutes of the Board meetings and shareholders meetings)?</td>
<td>V</td>
<td></td>
<td>The Financial Department of the Company is set up with dedicated corporate governance personnel who have more than 3 years of experience in the managerial work such as corporate finance, stock affairs and meeting proceedings with the scope of duties as follows: providing the information required by the directors to conduct business, propagating the regulations related to the operation, assisting the directors with compliance with laws and regulations, arranging for directors for further study, handling matters related to the board of directors and shareholders' meeting, changing registration and corporate governance, etc. The board of directors pass the resolution on March 21st, 2019 to have these personnel supervised by a corporate governance supervisor who is qualified as a manager and reports the implementation to the board of directors at least once a year.<br>Business execution in the most recent year is as follows: (1) Corporate governance and securities-related acts promotion (2) Assistance with the convening of Board of Directors and Shareholders Meetings (3) Preparation of the Board's agenda, provision of meeting materials and delivery of notices, reminding of avoidance of conflict of interests, production and mailing of the proceedings (4) Publication of the Company’s major news (5) Arrangement of the annual training of the directors (6) Registration of the shareholders' meeting, and production of the meetings notice, the annual report, the handbooks within the statutory time limit (7) Change registration with the Ministry of Economic Affairs after amendment of the by-laws or re-election of directors.(8)The educational programs provided for the first-time corporate governance staff</td>
<td>None</td>
</tr>
</table>

| | | | | |
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| | | | were completed as required. Please see page 28. | |
| 5. If the Company established communication channel with interested parties (Including but not limited to shareholders, employees, customers and suppliers, etc.) and disclosed key corporate social responsibility issues frequently enquired by stakeholders on the designated area of the corporate website? | V | | The Company's website has a "Stakeholder Section" under Corporate Social Responsibility, which provides information including investors/shareholders, customers/consumers, suppliers/contractors, employees, government agencies and the media to the stakeholders who are responsible for verification. The information is compiled through public information observatories, the Company's website, financial reports, corporate social responsibility reports and online questionnaires to confirm the issues concerned by the stakeholders on MSI and degree and importance of the concerns, and prioritize or incorporate the issues of concern into the Company's annual goals. In addition, the company's website discloses the information of the "Stakeholders' Complaints Channel" and provides the information to the responsible units through the contact window as the communication channel for the stakeholders and the Company responds to the important issues of concern to stakeholders by meetings, phone calls and emails to protect the rights and interests of all stakeholders. Relevant chapters on stakeholder concerns, communication methods and frequency, and information on topics of concern are disclosed at http://tw.msi.com/Corporate Governance/Corporate Social Responsibility/Corporate Social Responsibility Report. The information is reported to the Board of Directors at least once a year.<br>In addition, the "Stakeholders" section provides the contact windows for each stakeholder, the "stakeholder complaint submission" is disclosed on the company's website. Stakeholders may contact through meeting, phone, or e-mail. The critical issues which the stakeholders are concerned about will be answered properly to maintain the interests of each stakeholder.<br>The critical issues which the stakeholders are concerned about, communication method and frequency, and concerned issues are disclosed on http://tw.msi.com/corporate governance/CSR/CSR report. The Board of Directors receives the report at least once per year. The 2020 report has been presented to the Board on November 10, 2020.<br>Disclosure of Information<br>Market Observation Post System http://mops.twse.com.tw (Stock Code:2377)<br>MSI Investor Information https://tw.msi.com/about/investor/<br>MSI Corporate Governance https://tw.msi.com/about/company/<br>MSI CSR https://tw.msi.com/html/popup/csr_tw/index.html | None |
| 6. If the Company engaged professional transfer agent to host annual general shareholders' meeting? | V | | The Company has delegated the share administrations agency of Chinatrust Commercial Bank to handle shareholder meetings and related services. | None |
| 7. Information Disclosure<br>(1) If the Company set up a corporate website to disclose information regarding the Company's finance, business and corporate governance? | V | | The Company has a section on its website to disclose related information of its finance, operation, and corporate governance. Investors may also obtain information about the Company through the Market Observation Post System http://mops.twse.com.tw. | None |
| (2) If the Company adopted any other information disclosure channels (e.g., maintaining an English-language website, appointing designated personnel to handle information collection and disclosure, appointing spokespersons, webcasting investors conference, etc)? | V | | The Company has websites in 20 languages, including Chinese and English, such as http://tw.msi.com/(Chinese) and http://www.msi.com/about/investor (English) and dedicated employees to take charge of the Company's information collection and disclosure.<br>The spokesperson system isestablished and implemented. | None |
| (3) Does the company publish and file the annual financial report within two months after the end of the fiscal year, and make early publication and filing of the financial reports of the first, second, and third quarters, as well as the monthly operation reports? | V | | The company publishes and files the annual financial report, and financial reports of the first, second, and third quarters, as well as the monthly operation reports, within the statutory period. | Early publication/filing is subject to evaluation based on actual need. |
| 8. If the Company had other important information to facilitate better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)? | V | | 1. Employees' remuneration policy is regulated the distribution ratio in the Company's Articles of Incorporation and is handled according to the "Remuneration Guidelines", "the Employee Performance Regulations", and "the Employee Remuneration Distribution and Stock Option Regulations". Operation profits are shared with employees according to the fulfillment rate of business target, performance, and contribution.<br>2. The Company has an Employee Welfare Committee with steady funds coming from the Company holding | None |

| | | | | |
|---|---|---|---|---|
| (1) Employee rights | | | events and providing benefit programs for employees.<br>3. Besides having employees covered by Labor Insurance and National Health Insurance as required by law so that they can be assured safety while at work, the Company also offers the group insurance for extra protection to employees and their family. | |
| (2) Employee care employee wellness | V | | The Company was certified by OHSAS18001 (Occupation Health and Safety Assessment Series Certification) in December 2003 and received the "health promotion symbol for spontaneous healthy workplace certification". Besides periodical employee health examinations, the Company has a employee clinic, nursing room, various health-related tests, workshops, and training from time to time, there are also diversified society events and employees are provided with related consultation services and help solutions on issues such as career, workplace inter-person relationship, emotions at work, work management, physical and mental stress, communications between husband and wife, child care and education, gender relations, laws in life, wealth management, and tax reduction so that the health of employees in all aspects, physical, mental, and spiritual, is taken well care of. | None |
| (3) Investor relations | V | | The Company discloses information from time to time through the Market Observation Post System and the Company's website, and has the "Investor Relations Contact Window" available for the shareholders to contact by phone or through email in order to maintain the investor relationship. | No Deviation |
| (4) Supplier Relations | V | | 1. In order to protect the rights of suppliers, as long as not against regulatory requirements and damage to our shareholders' rights, financial information required by the suppliers for the Company's creditline evaluation will be provided.<br>2. In order to accomplish sustainable management for the Company and for all suppliers, suppliers continue to be asked to promise compliance with regulations concerning health and safety, the environment, labor, and ethics as well as guidelines for the management system and risk control and suppliers will receive educational training and periodic audits, among other related auxiliary measures, to help them keep enforcing and improving the said regulations and guidelines. | None |
| (5) Stakeholder rights | V | | 1. The Company discloses on its website information on corporate governance, finance, sustainability, and products and also related information on the Market Observation Post System for the stakeholders' reference.<br>2. The Company has a section "Contact MSI" on website. If stakeholders have issues about economy, environment, and society, they can communicate the issues with the Company through the said channel; this helps protect the rights of respective stakeholders. | None |
| (6) Further education status of directors and supervisors | V | | The Company's directors, supervisors, and high-ranking managers receive continuing education as required by "the Directions for the Implementation of Continuing Education for Directors and Supervisors" of TWSE Listed and TPEx Listed Companies on a yearly basis. The continuing education programs are listed below. | None |
| (7) Risk management policy and risk measurement measures | V | | The Company's policy towards risk management is to set various rules and regulations in order to weigh and evaluate possible impacts of the various risk matters on the profits and losses of the Company and to stipulate respective response policies accordingly.<br>For the analysis and evaluation of risk matters, other important risks and response measures, please refer to Page**90~97** | None |
| (8) Implementation of customer policy | V | | Regulations to be followed are established in the Company's internal control system to ensure fulfillment of customer service and product protection and the responsible unit is available for real-time communication during transaction with customers in order to ensure that customers' rights are protected. | None |
| (9) Purchase of liability insurance for directors and supervisors | V | | Directors are covered by the Company's D&O insurance. (And disclosed in the Market Observation Post System http://mops.twse.com.tw) | None |

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|---|
| 9. Please describe the improvements of the corporate governance evaluation results released by the corporate governance center of the Taiwan Stock Exchange Corporation in the last year, and propose priority matters or measures to strengthen areas yet unimproved.<br>Reasons for failure to get scores during corporate governance rating:<br>(1) To improve information disclosure of the English version materials, the English version meeting notice and meeting handbook were produced for the 2018 shareholders meeting and English version meeting notice, meeting handbook and annual report were produced in the 2018 shareholders meeting, both of which were required to be uploaded within a specified period.<br>(2)The Company set up the Audit Committees to replace the responsibilities of the supervisors.<br>(3)To follow the instructions of the competent authority in conducting to promote corporate governance, the Company implements position adjustment on January 1, 2019, with Mr. Hsu, Hsiang as Chairman of the Company, Mr. Chiang, Sheng-Chang as the Company's President and CEO, (Mr. Chiang, Sheng-Chang was dismissed since his death on July 7, 2020). On July 8, 2020, the Board of Directors appointed one of the founders, Mr. Huang, Chin-Ching, as the President, fulfilling the goal that the Chairman and President positions not being held by the same person.<br>(4) In compliance with the competent authority's promotion of corporate governance, it is expected that a full re-election will be carried out upon the expiration of the term of office of Directors, adding one female Director. |

Continuing Education/Training of Directors、Supervisors and Managements

| Year | Training Course | Host by | Duration | Attendees |
|---|---|---|---|---|
| 2003 | Corporate Governance | Fu Jen Catholic University | 3 hours | **All Directors**、Supervisors and Managements |
| 2004 | Corporate Governance and Risk Management | The Taiwan Corporate Governance Association | 3 hours | **All Directors**、Supervisors and Managements |
| 2005 | Use financial statements to analyze and improve business performance | Securities & Futures Institute | 3 hours | **Directors**、Supervisors and Managements |
| 2006 | Directors, Supervisors and Senior Managers' Responsibilities for Financial Reporting | Securities & Futures Institute | 3 hours | **All Directors**、Supervisors and Managements |
| 2007 | Audit Strategy of Corporate Governance and Enterprise Tax Planning | The Taiwan Corporate Governance Association | 3 hours | **All Directors**、Supervisors and Managements |
| 2008 | Business Transformation and Change Management | The Taiwan Corporate Governance Association | 3 hours | **All Directors**、Supervisors and Managements |
| 2009 | Brand Management and Innovation | The Taiwan Corporate Governance Association | 3 hours | **All Directors**、Supervisors and Managements |
| 2010 | Corporate Governance under International Taxation | The Taiwan Corporate Governance Association | 3 hours | **All Directors**、Supervisors and Managements |
| 2011 | Financial statements and analysis of trends in the industry | The Taiwan Corporate Governance Association | 3 hours | **All Directors**、Supervisors and Managements |
| 2012 | Disputes and Risks Caused by Taiwan Enterprises' Investment in China | The Taiwan Corporate Governance Association | 3 hours | **All Directors**、Supervisors and Managements |
| 2013 | Financial thinking of business transformation | The Taiwan Corporate Governance Association | 3 hours | **All Directors**、Supervisors and Managements |
| 2014 | New Trend of Internal Control Practice - Corporate Social Responsibility and Risk Management | The Taiwan Corporate Governance Association | 3 hours | **All Directors**、Supervisors and Managements |
| 2015 | Comprehensively improve adaptability - Enterprise crisis management | The Taiwan Corporate Governance Association | 6 hours | **All Directors**、Hsu,Fen-Lan、Hsu,Gau-Shan and Managements |
| 2015 | In 2015, the latest tax update issued the latest information analysis | Taiwan CPA Association, ROC | 6 hours | Hsu,Jun-Shyan (National Association of Certified Public Accountants lecturer) |
| 2016 | The reform and sustainable management of the board of directors; the key strategies and practices of breakthroughs in business innovation | The Taiwan Corporate Governance Association | 6 hours | **All Directors**、Supervisors and Managements |
| 2017 | Big Data Analysis and Corporate Fraud Detection | The Taiwan Corporate Governance Association | 3 hours | **All Directors(except** Tsai,Rong-Fong**)**、Supervisors and Managements |
| 2017 | Reconstruction of IT Security Strategy from Cyber Crime View | The Taiwan Corporate Governance Association | 3 hours | **All Directors(except** Tsai,Rong-Fong)、Supervisors and Managements |
| 2017 | Corporate Governance Forum series-sustainable operation | Taiwan academy of Banking and Finance | 3 hours | Tsai,Rong-Fong |
| 2017 | 2017 Insider Trading and Corporate Social Responsibility Forum | Securities & Futures Institute | 3 hours | Tsai,Rong-Fong |
| 2018 | The introduction for the latest income tax or value-added tax reforms in China and the United States and the trend and impact of global anti-tax avoidance regulations. | The Taiwan Corporate Governance Association | 3 hours | **All Directors**、Managements and Corporate overnance Officer |
| 2018 | Global Economic Outlook | The Taiwan Corporate Governance Association | 3 hours | **All Directors**、Managements and Corporate overnance Officer |
| 2018 | The 12th Taipei Corporate Governance Forum | Financial Supervisory Commission | 6 hours | Liao,Chun-Keng |
| 2018 | The 12th Taipei Corporate Governance Forum | Financial Supervisory Commission | 3 hours | Hung,Yu-Sheng |
| 2018 | 2018 Forbid Insider Trading Promotion Meeting | Taiwan Stock Exchange Corporation | 3 hours | Hung,Yu-Sheng、Kuo,Hsu-Kuang |
| 2018 | Discussion on fraud cases of corporate financial statements | Securities & Futures Institute | 3 hours | Kuo,Hsu-Kuang |
| 2019 | How could directors and supervisors supervising t the business risk and crisis management of the Company? | Taiwan Corporate Governance Association | 3 hours | All Directors、Managements and Corporate Governance Officer |
| 2019 | Impact from the U.S.-China Trade War to the industry in Taiwan and the reaction planning | Taiwan Corporate Governance Association | 3 hours | All Directors、Managements and Corporate Governance Officer |
| 2019 | 2019 Corporate Governance Practices Seminar | Corporate Governance Professionals Association | 3 hours | Corporate Governance Officer |
| 2019 | Corporate Governance and Business Operational Sustainability Course | Taiwan academy of Banking and Finance | 3 hours | Corporate Governance Officer |
| 2019 | Task Force on Climate-related Financial Disclosures (TCFD) Forum (educational program for corporate governance) | Taiwan Stock Exchange Corporation | 3 hours | Corporate Governance Officer |
| 2020 | Case analysis of the Company Act | Taiwan Corporate Governance Association | 3 hours | All Directors、Managements and Corporate Governance Officer |
| 2020 | Disconnected ICT Supply Chains: New Power Plays Unfolding | Taiwan Corporate Governance Association | 3 hours | All Directors、Managements and Corporate Governance Officer |
| 2020 | 2020 Seminar on Legal System for Beneficial Owners | Corporate Governance Professionals Association | 3 hours | Corporate Governance Officer |
| 2020 | 2020 Annual Session on the Promotion of Insider Trading and Insider Equity Trading Prevention | Securities & Futures Institute | 3 hours | Corporate Governance Officer |

## 4.Professional Qualifications and Independence Analysis of Remuneration Committee Members

(1)Established：The Borad of directors of the company set up the Remuneration Committee on December 18, 2011.

A.Remuneration Committee members information：

| Title | Criteria / Name | Meets one of the following professional qualification requirements, together with at least five years' work experience | | | Independence Criteria (Note) | | | | | | | | | | Number of other public companies in which the individual is concurrently serving as an Compensation Committee member | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | An instructor of higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university | A judge, public prosecutor, attorney, CPA, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company | Have work experience in the areas of commerce, law, finance, accounting, or otherwise necessary for the business of the company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | | |
| Independent Director | Hsu,Kao-Shan | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | |
| Independent Director | Wang,Sung-Chou | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | |
| Independent Director | Liu,Cheng-Yi | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | |

Note: If any member meets any of the following descriptions within two years prior to the appointment and during the term of office, please check the box of the corresponding number.

(1) Not an employee of the company or its affiliate.

(2) Not a director or supervisor of the company or its affiliate (except for independent directors appointed in accordance with the Act or the local laws by, and concurrently serving as such at, the company, its parent company, subsidiaries, or a subsidiary under the same parent company).

(3) Not the person himself, spouse or minor child, or individual shareholder holding more than 1% of the company's outstanding shares in the name of a third party, or top 10 shareholder.

(4) Not the spouse, relative within the second degree of consanguinity, or direct blood relative within the third degree of consanguinity of a manager, a person under (2) or (3).

(5) Not directly holding more than 5% of the company's outstanding shares, top 5 shareholder, or a director, supervisor or employee of a corporate shareholder appointing its representative as the director or supervisor of the company pursuant to Article 27 paragraphs 1 or 2 of the Company Act (except for independent directors appointed in accordance with the Act or the local laws by, and concurrently serving as such at, the company, its parent company, subsidiaries, or a subsidiary under the same parent company).

(6) Not a director, supervisor, or employee of a company controlled by the same person holding the majority of the Board or the voting shares of the company and the other company (except for independent directors appointed in accordance with the Act or the local laws by, and concurrently serving as such at, the company, its parent company, subsidiaries, or a subsidiary under the same parent company).

(7) Not a director (governor), supervisor, or employee of a company or institution whose chairman, president, or a person holding an equivalent position is the same person or the spouse of the chairman, president, or a person holding an equivalent position at the company (except for independent directors appointed in accordance with the Act or the local laws by, and concurrently serving as such at, the company, its parent company, subsidiaries, or a subsidiary under the same parent company).

(8) Not a director (governor), supervisor, manager, or shareholder with more than 5% shareholding of a specific company or institution having financial or business relationship with the company (except for independent directors appointed in accordance with the Act or the local laws by, and concurrently serving as such at, the company, its parent company, subsidiaries, or a subsidiary under the same parent company).

(9) Not a professional individual, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution, or their spouses, who provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider has received cumulative compensation exceeding NT$500,000 in the past 2 years; provided however that this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act.

(10) No such situation under Article 30 of the Company Act.

B. Attendance of Members at Remuneration Committee Meetings

① There are 3 members in the Remuneration Committee.

② Tenure of the current of Remuneration committee is from June 15, 2018 to June14, 2021. A total of 6 (A) meetings in 2020 and up to date till the Annual Report printed, The attendance record of the Remuneration Committee members was as follows:

| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate (%) B/A | Remarks |
|---|---|---|---|---|---|
| Convener | Hsu,Kao-Shan | 6 | 0 | 100% | |
| Member | Wang,Sung-Chou | 6 | 0 | 100% | |
| Member | Liu,Cheng-Yi | 6 | 0 | 100% | |

Other mentionable items:
1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

(2) Scope of duties and Excution in the most recent year:

A. Scope of duties

① Establishing and periodically reviewing the annual and long-term performance goals for the directors, supervisors, and managerial officers of this Corporation and the policies, systems, standards, and structure for their compensation.

② Periodically assessing the degree to which performance goals for the directors, supervisors, and managerial officers of this Corporation have been achieved, and setting the types and amounts of their individual compensation.

B. Execution in 2020 and up to date till the Annual Report printed

| Remuneration Committee Meeting Date | Session | Agenda | Remuneration Committee Resolution Results | Corporation's responses to the comments of the Remuneration Committee |
|---|---|---|---|---|
| 2020.01.17 | 2020/1 | (1) Promotion of managers and review of their salary structure.<br>(2) Distribution of year-end bonus of the Company's managers. | Proposal approved<br>Proposal approved | None<br>None |
| 2020.03.20 | 2020/2 | (1) Proposed distribution of 2019 compensation of employees and directors.<br>(2) Adjustment of the salary of the Company's managers and distribution of their performance bonus. | Proposal approved<br>Proposal approved | None<br>None |
| 2020.08.07 | 2020/3 | (1) Amendment of "the Employee Remuneration Distribution and Stock Option Regulations"<br>(2) Distribution of 2019 compensation for the Company's managers, directors. | Proposal aproved<br>Proposal approved | None<br>None |
| 2020.10.06 | 2020/4 | (1) Review the Company's Directors and managers' salary and remuneration standards and structure, and proposal for the new version of the "Promotion Management Measures".<br>(2) Proposal for the salary structure of the Company's new President and the issuance of managers' performance bonus. | Proposal approved<br>Proposal approved | None<br>None |
| 2021.01.29 | 2021/1 | (1) Distribution of year-end bonus of the Company's managers. | Proposal approved | None |
| 2021.03.22 | 2021/2 | (1) Proposed distribution of 2020 compensation of employees and directors.<br>(2) Adjustment of the salary of the Company's managers and distribution of their performance bonus. | Proposal approved<br>Proposal approved | None<br>None |

5.Differences between CSR enforcement and Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, and the reasons:

| Item | Implementation Status | | | Different from "the CSR best practice principles" issued by TWSE and its reason(s) |
|---|---|---|---|---|
| | Y | N | Summary | |
| 1. Does the company conduct risk evaluation for the environmental, social, and corporate governance topics related to the company's operation based on the materiality principle, and specify relevant risk management policy or strategy? | V | | MSI risk management policy is to evaluate the impact of various risk issues (including environmental、social and corporate governance issues) on the company's profit and loss. Based on the significance (responsibility、influence) of the contents to the company, various response policies has been formulated , report its operation and implementation status to the Board of Directors at least once a year.<br>The scope of risk management includes the main risks faced during the operation, including financial risk、legal risk、strategy and operational risk、information security risk, and climate risk.Our company continues to monitor and invest resources for risk control and response preparation through the Business Continuity Plan (BCP) irregularly. For related management policies and strategies, please refer to MSI's annual report or ESG report. | None |
| 2.If the Company set up a unit exclusively or concurrently to execute CSR policies and if the Board appointed member(s) of management team to supervise and report its implementation status to the Board? | V | | With regard to the framework of corporate social responsibilities promoted by the Company, the Board of Directors authorizes the general manager to command respective full-time (part-time) units to establish and discuss corporate social responsibilities-related policies and the enforcement of systems. Meanwhile, the sustainable development office is available to take charge of organizing related matters on corporate social responsibilities and to periodically report to the Board of Directors.<br>For the operation and implementation status, refer to the Company's ESG Report for details http://tw.msi.com. | None |
| 3. Environmental Topics<br>(1)If the Company established proper environment management system based on the characteristics of the industry where the Company belongs to? | V | | We establish related environmental management methods according to the operating and production characteristics. MSI have passed the certifications of ISO 14001、IECQ/QC 080000、ISO14064-1 & 2、ISO 14006 and ISO 14072. | None |
| (2)If the Company endeavored to utilize resources more efficiently and utilized renewable materials which have a lower impact on the environment? | V | | Based on the requirements of international regulations, customer requests and eco-labels, we identify related environmental aspects and impacts according to the standard process to discover significant influences as priorities for improvement. With technology and cost feasibility, we establish rigorous requirements for design management and implement them on product life cycle by considering resource conservation, recycling and reuse, energy saving, pollution prevention and other environmental impacts.<br>1. The packaging materials are designed in a way that they can be decomposed by hand without using tools for reduced consumption of composite materials.<br>2. The instruction manuals are electronized to realize paperless product publications for reduced use of pulp.<br>3. Modular design is adopted for products to improve recycling efficiency.<br>4.Soy ink is used for packaging and printing pigments to improve the recycling rate of packaging materials when discarded. | None |

| | | | | |
|---|---|---|---|---|
| (3) Does the company evaluate the current and future potential risks and opportunities due to climate change, and take measures in response to climate change topics? | V | | The probability and severity of natural disasters (including drought, mites, snowstorms, high temperature/heat waves, typhoons/strong rainfall) brought about by extreme weathers may affect the Company's production and operations. The risks may include production constraints, operations, equipment, and investment cost rise and inefficiency, etc.<br>By including the issue of climate change in the risk management of sustainable business operations. MSI aims to implement climate change management mechanism through “mitigation” and “adaption” for reduction of the magnitude of impact of climate change on businesses. The Company also strengthens its resilience through the risk through adoption of the carbonation measures of feasibility assessment through the management mechanism of climate change in the two directions of “mitigation” and “adjustment”. Continue to pay attention to changes in relevant domestic and international regulations after the Paris Climate Agreement and evaluate the internal response of the company. The Company strengthens its resilience through appropriate regulatory measures with the specific mehods as follows:<br>(1) Periodically check and update the organization’s carbon emission investigation to achieve the goal of reducing the greenhouse gas.<br>(2)Evaluate feasible technologies and materials for product design and reduce energy loss of products.<br>(3)Save water, improve the reuse rate of rainwater and wastewater, and establish emergency measures for water resources. | None |
| (4) Does the company calculate the emissions of greenhouse gas, water usage, and total weight of wastes in the past two years, and specify the policies for energy saving, carbon reduction, greenhouse gas emission reduction, water-saving, or other waste management? | V | | MSI has set the environmental protection and energy saving goals for various forms of energy/resourceof use, emissions and reductions through the environmental management system, and MSI has also set management guidelines for audits and improvements. For details, please refer to MSI's ESG report.<br>https://storage-asset.msi.com/html/popup/csr_tw/index.html | None |
| 4. Social Topics<br>(1)If the Company followed relevant labor laws, and internationally recognized human rights principal, and established appropriate management policies and procedures? | V | | MSI is a melting pot of talents from different ethnic groups all from over the world. Therefore, we treat employees in the same way without distinction of any kind, such as race, color, sex, age, religion, political or other opinions, national or social origins, or other status. All the employees are treated equally with regard to their opportunities in employment, appraisal, promotion, salary, benefits and training to ensure equality of their rights.<br>We ensure to respect labor rights and the implementation of equal treatment. | None |
| (2) Does the company specify and implement reasonable employee welfare measures (including compensation, leave, and other benefits), and properly reflect the management performance or achievements in the employee compensation? | V | | The Company has remuneration policies in place. Reasonable salaries and remunerations are given to employees according to their responsibilities and contribution at work as determined by the performance evaluation. Various remuneration regulations are approved by the Remuneration Committee. Meanwhile, the “Work Rules” of the Company clearly specify employee behavior and discipline, award/punishment are given according to employee performance. | None |

<table>
<tr><td>(3)If the Company provided safe and healthy working environment to employees and conducted relevant training on safety and health management to employees periodically?</td><td>V</td><td></td><td>The company has set up the Occupational Safety and Health management entities, Occupational Safety and Health committee, Meal Committee and medical care office, conducted regular safety and health training for employees and contractors to provide a safe workplace and ensure employee's physical and mental health.The company has received the ISO 45001 Occupational Safety and Health Management System Certification and the "Healthy Workplace Self-certified Health Promotion Label". In order to promote the safety of the working environment and physical protection of employees, the company continues to carry out related equipment maintenance and safety testing.<br>
<table>
<tr><th>Item</th><th>Equipment Maintenance (Safety Test)</th></tr>
<tr><td>Firefighting (fire extinguisher, smoke detector、Evacuation equipment)</td><td>Once/Monthly, quarterly,yearly</td></tr>
<tr><td>Air conditioning (heat dissipation, blower, ice water host)</td><td>Once/Monthly, quarterly,yearly</td></tr>
<tr><td>Electricity (generator, power outage maintenance、power supply equipment)</td><td>Once/Monthly, quarterly,yearly</td></tr>
<tr><td>Carbon dioxide</td><td>Once/Biannually (Test)</td></tr>
<tr><td>Noise</td><td>Once/Biannually (Test)</td></tr>
<tr><td>Illuminance</td><td>Once/Annually (Test)</td></tr>
<tr><td>Wind speed control (laboratory local exhaust)</td><td>Once/ Annually (Test)</td></tr>
<tr><td>Organic solvent (isopropyl alcohol, methanol, n-hexane)</td><td>Once/Biannually (Test)</td></tr>
<tr><td>Lead, tin</td><td>Once/Biannually (Test)</td></tr>
<tr><td>Drinking water</td><td>Once/Monthly(Test)</td></tr>
<tr><td>Employee cafeteria food ingredients and tableware</td><td>Bimonthly (Sampling test)</td></tr>
</table>
In order to provide employees with a safer and healthier working environment, the Company continues to strengthen and improve various facilities, including the replacement of new water dispensers and pipelines, toilet repairs, anti-skid parking lot floors and ramps, and the installation of weatherproof corridors.<br>
In addition, a pandemic prevention team was established during the pandemic, in addition to advocating for colleagues to perform business trip and travel control, working from home trials, cloud extensions, adopt flexible working hours, cooperate with wearing masks and temperature measurement, elevator by-floor control, and different meal pick-up times in employee canteen, it also distributes masks and hypochlorous acid sterilizing disinfectant, and strengthens the cleaning and disinfection of the air-conditioning and public areas such as meeting rooms, restaurants, elevators, and dormitories, to jointly keep tabs on the pandemic prevention and the health of colleagues.</td><td>None</td></tr>
<tr><td>(4)If the Company provided career planning, relevant training and skill development for employees?</td><td>V</td><td></td><td>The Company highly values training and career developments for its employees. In order to continue promoting quality talent cultivation and key skills management, there are the Regulations Governing Educational Training that address continuing education and training for employees. Meanwhile, budget is appropriated on a yearly basis to facilitate organization of various types of educational training. Lecturers are hired periodically or from time to time to hold workshops. Reflective of the different rankings and levels of professionalism, internal or external educational training is provided to help employees form complete professional skills and inspire them to seek self-growth.</td><td>None</td></tr>
</table>

| | | | | |
|---|---|---|---|---|
| (5) Does the company comply with the laws and international standards regarding customer health and safety, client privacy, marketing and labeling of products and services, and specify the policy of consumer rights and complaint procedures? | V | | Besides purchasing appropriate product liability insurance in order to protect the rights of customers and consumers, global service systems are created in countries and regions such as Taiwan, Europe, America, Japan, Korea, and China, including self-operated or outsourced maintenance sites and customer service centers and websites that have multiple language options. Downloading and updates online, after-sales service, product maintenance and repairs, technical support, and complaint procedures are available for consumers as well. Products by Micro-Star are marketed and labeled in compliance with applicable laws and regulations and industrial standards and there are dedicated departments to make sure that requirements are fulfilled according to internal operating and regulatory documents. Product verification, quality control, and third-party testing help ensure that products are marketed and labeled in compliance of applicable standards. | None |
| (6) Does the company specify any supplier management policy to request the suppliers to comply with the regulations regarding environmental protection, occupational health and safety, or worker' rights, and how is the enforcement status? | V | | The Company has established the Supplier Management Guidelines. New suppliers go through evaluation that covers human rights, the environmental and social responsibilities. For existing suppliers, there are also supplier evaluations from time to time in order to ensure that suppliers comply with corporate social responsibilities. It also reduces losses in bilateral transactions or good will because of the environmental or social responsibilities.<br>The Company specifies in the supplier procurement contract that if suppliers violate its corporate social responsibility policy and the violation has a significant influence on the environment and the society, Micro-Star may terminate or dismiss the terms and conditions in the contract at any time. The Company also enforces the policy that requires all suppliers to sign its custom procurement contract. | None |
| 5. Does the company prepare the corporate social responsibility reports according to the internationally accepted guidelines or instructions to disclose the company's non-financial information? Has any third-party verification agency provided affirmed or certified opinion for such report? | V | | The content structure of MSI's ESG report is prepared in accordance with GRI Standards of the Global Reporting Initiative (GRI) and the Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies, and certified by an independent third party (BSI Pacific Limited, Taiwan Branch) in accordance with the AA1000AP (AA1000 AccountAbility Principles) guarantee standard, and obtain the GRI Standard verification statement.<br>MSI's ESG report will be uploaded to the Market Observation Post System (MOPS) on 2021.06.30. | None |
| 6. If the Company established any guideline of corporate social responsibility in accordance with "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM-Listed Companies" and please state the implementation status of the guideline and any reasons for non-implementation: None.<br>Pursuant to the "Listed Company Corporate Governance Best Practice Principles" and passed by the Board of Directors, the Company has established the "MSI Corporate Governance Best Practice Principles", of which the Board of Directors. | | | | |

VII. Other material information that helps to understand the operation of corporate social responsibility:

MSI continues to engage the community and participate in education, charity auction and environmental protection activities through sponsorship and employee volunteers. In Taiwan, we not only get involved in public services through investment of our internal resources, but also joined in the activities of charity groups. Through the process of service to and in the communities, we expand our love and care into the world and unify our employees' values and commitment towards MSI's corporate social responsibilities. MSI will continue to make its presence in services for the rural areas and disadvantaged groups.

(1) Education and care

1. School lunch: This year, we sponsored the school lunch at remote schools in New Taipei City. 62 schools and about 6,480 disadvantage students benefited.
2. After-school programs: We launched the after-school program “MSI Guide Student Aspire” for disadvantaged students to raise their basic learning ability, their confidence despite of an inferior family background, develop their potential, and build a caring, warm society with mutual support. We opened 121 after-school programs at 34 elementary and junior high schools in New Taipei City, and about 1,830 students benefited.

   We introduce social resources to hold the cross-field English only reading and learning program of "MSI Spreading Love ~ Embracing the World" to plan long-term and continuous English learning for disadvantaged students, in order to shorten English learning gap phenomenon caused by rural-urban disparity, different amount of resources, cultural stimulation, and differences in family social and economic conditions. A total of 20 remote schools and 480 students in Hsinchu County were benefited.
3. Technological creation: We sponsored the summer camps in elementary and junior high schools in New Taipei City, established the on-campus PowerTech club and participated in the New Taipei City contests and national competition. We promoted the PowerTech Youth Technological Creation Contest to every school, increased students’ craft skills and general science knowledge. 25 elementary and junior high schools in New Taipei City, and about 1,290 students benefited.
4. Special ed student family field trip: We sponsored the students of centralized special education classes in the third to sixth grade in elementary schools in New Taipei City, and their families to spend a day at Leo Foo Village. The special ed students were introduced to and have experienced a wide variety of animal and plant ecology through the outdoor explorations with their families. Special ed students and their families spent time in nature together, and learned things from these leisure activities. The field trip offered the opportunity to let the families with challenged children learn together, and relieve the parents’ nerve and burden of providing care. 80 special needs families and 320 students benefited.
5. Sistema Taiwan sponsorship: We sponsored Sistema Taiwan, a charitable program for music education, and supported the music education for disadvantaged kids to expand the possibility of life by learning music.

(2) Support for disadvantaged groups

1. Dream-Come-True fund: We supported diligent and hardworking students who come from underprivileged families or experience family crisis to complete school education through the "Implementation Plan for Educational Aid to Realize Dream Fund" We hope that these kids can commit themselves to learning without worrying about their family or personal hardship with the support from the DCT fund, and 320 students benefited, a total of 80 outstanding students under poverty line were benefited.
2. High-risk caregiver support program: We sponsored Hondao Senior Citizen’s Welfare Foundation MSI Program – providing the all-in-one services, family care services, respite care, and value-added services to high-risk families，A total of 775 people were served.
3. Department of Social Welfare of Taoyuan City's Small Satellite Training Program: Implements "Guarding with Heart, Guarding by MSI, and Making Society and Neighbors feel at ease" to strengthen preventive measures of the social safety net. Local community development associations or registered groups are supported by the Department of Social Welfare to set up small satellite bases in the jurisdiction of the unit to provide a safe space for children and youth's after-school activities, and then care for the families of the children and youth. There are a total of 500 disadvantaged families, about 1,000 children and youth and 200,000 person-time preventive care measures.

(3) Corporate Volunteering

1. Donation with love: The Horticultural Club initiated the activity of donating electronic receipts to do charity even during the pandemic and made donations to the Mennonite Social Welfare Foundation and the Genesis Social Welfare Foundation, not falling behind when spreading love.

   The Horticultural Club held activities of Sweet Macaron and Travel Following the Windmill, and the activity registration fees were donated to the Taiwan Fund for Children and Families and the Society of Wilderness

   Proceeds from the Photography Club's charity badge making activity were donated to the Andrew Charity Association.

   The Yoga Club sponsored the booth and fair vouchers for the 2020 New Year's End Thanksgiving Activity of the Taiwan Fund for Children and Families, and will donate all the proceeds.
2. Charity sale: Pet Love Club launched a charity sale of table calendars for public welfare donations.

(4) Medical Support

1. Blood donation: MSI invites the blood donation center to hold the blood donation event “Spread the Love Blood Donation Event” at the company every year. Department managers and colleagues join the blood donation, show care, and help patients to survive. This is a kind behavior with mutual benefits. 178 people donated 276 bags in 2020.

(5) Giving Back to the Community

1. Earth God Cultural Festival: Supported and sponsored the Earth God Cultural Festival held by Zhonghe District Office in New Taipei City.
2. Donation of police service equipment: Donated police service equipment to the Zhonghe Precinct of the New Taipei City Police Department.
3. New Taipei City Fire Department: Donated residential alarms for disaster prevention to the New Taipei City Fire Department.

(6) Computer Donation

1. Social Welfare Department, New Taipei City: Donated 30 desktop PCs for kids and 14 AIO PCs to the Good Day Platform for Underprivileged Families run by the Social Welfare Department of New Taipei City Government. Underprivileged kids can learn how to use the computers, enhance their basic skills, and increase their confidence in themselves.
2. Social Welfare Bureau of Taoyuan County Donated 20 laptops to the after-school care bases of the Social Welfare Bureau of Taoyuan County.
3. Luzhou Junior High School: Donated 20 laptops to the digital learning charity program for senior citizen, new immigrants, indigenous people, and children in the community of Luzhou Junior High School.
4. Kuangfu Elementary School: Donated one laptop to the Kuangfu Elementary School's after-school program for vulnerable children.

(7) Environmental Protection Activities

1. Protection of wetland ecosystem: MSI sponsored Taiwan Society of Wilderness (SOW) to fund Wugu wetlands conservation project to conduct ecological census, wading birds tidal flat construction, volunteering, and advocate environmental protection education.
2. Good Rice Action sponsorship: Sponsored the rice growing on 0.5 Jia agricultural land in Nan’ao. The harvested rice will be donated to the Good Day Platform for Underprivileged Families run by the Social Welfare Department of New Taipei City Government so that the underprivileged people can also enjoy delicious rice.
3. Tea sponsoring: We care about the concept of sustainable global environment and ecological conservation, protect water resources in Pinglin area, maintain the Feitsui Reservoir and take care of the health and life of tea growers in Pinglin area. We sponsor the New Taipei City Organic Agricultural Products Marketing Cooperative to promote organic tea cultivation and promotion project in Pinglin area. After the harvest, the tea will be donated to the Good Day platform of the New Taipei City Social Welfare Department, so that the elderly from vulnerable groups can gather and enjoy good tea.

VIII. If the company’s CSR report passes the inspection standards of any verification institution, please describe such situation: <MSI 2020 ESG Report> is based on the GRI Standard published by the Global Reporting Initiative (GRI), and verified by British Standards Institution (BSI) Taiwan Branch in accordance with AccountAbility1000 (AA1000) Guarantee Standards, and receives the GRI Standard: Core Option Verification Statement.

6. Difference between implementation of ethical corporate management and Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reasons:

Implementation of ethical corporate management

| Indicator | Operation | | | Variation from Corporate Governance Best Practice Principles and Reason |
|---|---|---|---|---|
| | Yes | No | Summary | |
| 1. Codify Ethical Management Policies and Plans<br>(1)Does the company specify the ethical management policy, which has been passed by the Board of Directors, and specify the policy and measures of ethical management in its regulations and external documents? Do the Board of Directors and Senior Management proactively perform the commitment to ethical management? | V | | The Board of Directors and senior management diligently perform their commitment to ethical management. Since we introduced the “Electronic Industry Citizenship Coalition (EICC) in 2008, we and our suppliers follow the highest moral and ethical standards. The requirements of honest business and prohibition of illegal profit are specified in the supplier agreements.<br>In order to prevent unethical conduct during the business activities, our “Procedures of Board of Directors Meetings” and “Responsibilities of Independent Directors” ask directors to recuse from any motion in the Board meeting with which they have conflict of interest without being asked to. The Board of Directors also passed the “Corporate Governance Guidelines,” “Ethical Management Guidelines,” “Code of Ethics” and “Work Rules” to specify and implement the ethical conduct of directors, managers, employees and suppliers, punishment of perpetrators, and complaint system. | None |
| (2)Does the company establish the evaluation mechanism of risk of unethical management, periodically analyze and evaluate the business activities with higher risk of unethical management in its course of business, and specify the plans of preventing unethical conduct accordingly, which at least cover the preventions of conduct set forth in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies? | V | | The company’s “Ethical Management Guidelines” specified the measures of preventing unethical conducts set forth in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, including prohibition on giving and receiving bribes, offering illegal political contribution, and engaging in improper charitable donation or sponsorship, providing or accepting unreasonable gifts, treatments, or other improper profits. | None |
| (3)Does the company specify and implement the procedures, behavioral guidelines, punishment of perpetrators, and complaint system in the plans of preventing unethical conduct, and periodically review and modify such plans? | V | | The company complies with the rule of conflict of interest and anti-corruption. In addition to asking all employees and suppliers to sign the moral ethics statements, providing internal and external training to new employees and suppliers, we also prohibit improper profits, or treatment from interested parties and other unethical conduct in the course of business activities. We specify the anti-corruption policy, reward and punishment procedures. The internal audit office develops the periodic audit scheme, accepts report of violation, and reports to the Board to prevent corruption incidents. | None |
| 2.Implementing ethical management<br>(1)Does the Company evaluate the ethical record of its transaction parties and explicitly include clauses on ethical behavior in contracts？ | V | | The Company has articles about honest behavior in its business contract and avoids doing business with people with records of dishonest behavior. | None |
| (2)Does the company set up a dedicated division of promoting ethical management under the Board of Directors, and periodically (at least annually) report the ethical management policy and plans of preventing unethical conduct to the Board, and supervise the enforcement? | V | | In order to prevent against conflicts of interest and to offer channels for proper statements, independent directors form the part-time unit in charge of ethical management at the Company in order to promote and consolidate honest operations and the unit reports to the Board of Directors periodically. | None |
| (3)Does the Company have a conflict-of-interest prevention policy with suitable channels for reporting such conflicts, and enforces such a policy？ | V | | In case of any illegal condition in violation of honest operation, complaints may be filed with or the condition may be reported to the Company’s supervisors or the Internal Audit Office. | None |
| (4)Does the company have an effective accounting system and internal control system in place in order to implement ethical management, and request the internal audit division to prepare the audit plans based on the risk evaluation of unethical conduct in order to inspect non-compliance with the unethical conduct prevention plan, or hire an accounting firm to do so? | V | | The Internal Audit Office audits the Company’s accounting system, internal control system, and fulfillment of honest operations on a yearly basis according to the Regulations Governing Establishment of Internal Control Systems by Public Companies and the Ethical Management Principles Prepare relevant audit plans and conduct the inspection accordingly | None |

| | | | | |
|---|---|---|---|---|
| (5)Does the Company regularly host internal and external training on ethical management? | V | | The company advertises the concept of ethical management on its website, and provides internal and external training to the employees.<br>Substantive measures for implementing ethical management policy in 2020 include the new employee consensus training program. The program covers the introduction to internal control and audit, prevention of unethical conduct, and how to report a violation. There were 279 people who participated in the 139.5-hour training session. | None |
| 3.Operation of the corporate whistleblower system<br>(1)Does the Company have an explicit whistleblower and incentive scheme in place that protects whistleblowers and assigns appropriate personnel for investigating the target of the whistleblower complaint？ | V | | In the event that stakeholders discover that the Company's directors and Independent directors, managers, and employees are engaged in illegal behavior in violation of ethical management (including corruption and immoral behavior), they may file a complaint with or report to the Company's supervisors or Internal Audit Office. If it is found to be true, punishment will be imposed according to the internal rules and applicable laws and regulations. | None |
| (2)Does the company specify the standard investigation process for reported violation, subsequent measures upon the completion of investigation, and relevant confidentiality mechanism? | V | | The company's "Procedures of Reporting Violation to Audit Office and Subsequent Measures" specify the standard investigation process, subsequent measures upon the completion of investigation, and relevant confidentiality mechanism | None |
| (3)Does the Company have measures to protect whistleblowers against retaliation？ | V | | The reporter and the receiving head shall assist the audit unit in conducting an investigation. No unilateral investigation, comments, transcribing the case and the reporter is allowed. No inquiry about or release of the true identity of the reporter or disciplining the reporter and the reported party is allowed, either. | None |
| 4.Greater disclosure<br>(1)Does the Company disclose is ethical management principles and progress on its promotion through its website or the Market Observation Post System website？ | V | | Besides in the Market Observation Post System, the contents of the Company's Ethical Management Principles and the promotion efficacy are disclosed on the Company's website http://tw.msi.com/. | None |
| 5.If the Company has drafted an ethical management principle according to "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies," the operation of the principle and the deviation from the principle should be clearly stated:<br>The Company has established "Code of Ethical" based on TWSE/GTSM's "Ethical Corporate Management Principles". | | | | |
| 6.Other material information that helps to understand the operation of the Company's ethical management (such as the Company's declaration of its resolve and policies to its business partners; the Company's invitation of training to its partners; and the Company's revision of its ethical management principles)：None | | | | |

7. How to search for the Corporate Governance Principles and applicable rules:

In order to create a corporate culture of ethical management and normalize its development, the Company has established the Ethical Management Principles, Code of Moral Conduct, and also the Board of Directors Rules of Procedure, Scope of Responsibilities of Independent Directors, and Corporate Governance Principles in compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies (all are disclosed on the Market Observation Post System website http://mops.twse.com.tw) in order to promote the operating efficiency, decision-making ability of the Board of Directors and the moral standards.

8. Other Information:

(1)Continuing education for directors: The Company holds seminars on topics relating corporate governance from time to time for directors to attend. The status of continuing education is disclosed on the Market Observation Post System website as required.
For detailed continuing education received by directors and high-ranking managers of the Company over the past few years, refer to Page **28**.

(2)Coverage of directors by liability insurance: The Company revised its Articles of Incorporation on June 9, 2004 that the Board of Directors may be authorized to decide to purchase liability insurance for all directors and supervisors to cover liability risk within the scope of their operation when duty. The Company purchases liability insurance for directors every year and disclose the information on the Market Observation Post System website.

(3)Presence of absence of an operating procedure for handling significant information: The Company has an operating procedure for handling information in place as part of its internal control system and periodically audits it.

(4)The selection and remuneration of the company's senior executives were approved by the board of directors and the remuneration committee. In order to implement the succession plan of key management and cooperate with the competent authorities to promote corporate governance. The succession plan was drafted several years ago, including assessment of current high-ranking managers based on their professionalism, performance, and personality traits, Continuous cultivation of successors at all levels within the organization and recruitment of excellent talents when needed to achieve internal benign competition and succession through the Leadership College, Sales and Marketing College, R&D College, Technical Skills College, E-School of the MSI University and other comprehensive training courses.continuous cultivation of successors at all levels within the organization (including Director and senior management) and recruitment of excellent talents when needed to achieve internal benign competition and succession.

On June 16, 2009, Mr. Chiang Shengchang, an excellent manager, was recruited into the board of directors and was promoted to be the executive vice president and general manager of the Desktop Platform Division in March 2010 so that he can have a complete experience. With the internal organization adjustment on Jan.1, 2019, the succession plan was formally launched as Mr. Hsu Hsiang becoming the chairman of the company and Mr. Chiang Shengchang the general manager and CEO of the Company， (Mr. Chiang, Sheng-Chang was dismissed on July 7, 2020), on July 8, 2020, the Board of Directors appointed one of the founders, Mr. Huang, Chin-Ching, as the President, adhering to the practice that the chairman and general manager of the Company are not the same person in the corporate governance goal. In addition, on June 15, 2018, outstanding managers Mr. Kuo, Hsu-Kuang, Mr. Liao, Chun-Keng, and Mr. Hung, Yu-Sheng were nominated to join the Board of Directors. On January 1, 2019, the three of them were promoted to Executive Vice Presidents and General Managers of various business units, In the future, the board of directors and management committee will continue to advance the succession plan, implement corporate governance and realize sustainable operation.

(5)Annual work focuses and operational situation of the Audit Committee:

| Annual work focuses | | Operational situation | |
|---|---|---|---|
| 1. | Main items reviewed by the audit committee: | Frequency | The first audit committee of the Company was established on June 15, 2018. It consists of three independent directors and Mr. Wang, Sung-Chou was elected as the convener. The current audit committee has held 13 meetings in 2020 and up to date till the Annual Report printed and operates smoothly. |
| | (1)Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act. | Depends on actual needs | |
| | (2)Assessment of the effectiveness of the internal control system. | Once per year | |
| | (3)Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act., of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others. | Depends on actual needs | |
| | (4)A matter bearing on the personal interest of a director. | Depends on actual needs | |
| | (5)A material asset or derivatives transaction. | Depends on actual needs | |
| | (6)A material monetary loan, endorsement, or provision of guarantee. | Depends on actual needs | |
| | (7)The offering, issuance, or private placement of any equity-type securities. | Depends on actual needs | |
| | (8)The hiring or dismissal of an attesting CPA, or the compensation given thereto. | Once per year | |
| | (9)The appointment or discharge of a financial, accounting, or internal auditing officer. | Personnel change | |
| | (10)Annual and semi-annual financial reports. | Once per quarter | |
| | (11)Any other material matter so required by the company or the Competent Authority. | Depends on the situation | |
| 2. | Independent Directors with internal audit supervisors | Once per quarter | Communicate with the audit supervisor on the following matters: the annual audit plan, the implementation of the audit plan for the previous year, internal control deficiencies and the improvement of anomalies, the audit report and the follow-up report, etc. |
| | Independent Directors with CPA | At least once per year | We communicate with our CPAs in writing or face-to-face about the following topics: Fair presentation of the financial statements, annual financial statement audit plan, individual entity of group audit, and Key Audit Matters. |

9. Internal Control System

(1)Statement of Internal Control System

Micro Star International Co., Ltd.
Statement of Internal Control System

March. 22, 2021

Based on the findings of self-assessment, the company states the following with regard to its internal control system in 2020:

1. The company is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of its Board of Directors and management. The aim of the internal control system is to provide reasonable assurance to effectiveness and efficiency of operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency, and regulatory compliance of reporting and compliance with applicable laws, regulations, and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the aforementioned three objectives. Moreover, the effectiveness of an internal control system may be subject to changes of environmental or circumstances. Nevertheless, the internal control system of the company contains self-monitoring mechanism and the company takes corrective actions whenever a deficiency is identified.
3. The company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing Establishment of Internal Control Systems by Public Companies (herein below, the “Regulations”). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (A) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component further contains several items. Please refer to the Regulations for details.
4. The company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the assessment mentioned in the preceding paragraph, the company believes that, as of December 31, 2020, its internal control system (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning effectiveness and efficiency of operations, reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will be integral part of the company’s Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This Statement has been passed by the Board of Directors in their meeting held on March. 22, 2021 with neither one of Ten attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Micro Star International Co., Ltd.

Chairman：HSU,HSIANG

President：Huang,Chin-Ching

(2)If the Company is requested by the SEC to retain CPA’S service for examining internal control system, the Independent Auditor’s Report must be disclosed:None

10. The penalties delivered to the Company and the staffs of the Company, or the penalties delivered by the Company to the staffs for violations of internal control system, the major nonconformity, and the corrective action in the most recent year and up to the date of the annual report: None.
11. The Major Resolutions of Shareholders' Meeting and Board Meetings in the most recent year and up to the date of the annual report:

(1)Major Resolutions of Shareholders' Meeting

| Meeting date | Abstract of important proposals | Execution situation |
|---|---|---|
| 2020.06.10 | 1. Report Item：<br>(1)Business report of 2019.<br>(2)Supervisors' review report of 2019.<br>(3)Report of Employees' Compensation and Directors' Compensation for 2019.<br>(4)The 2019 Earnings Distribution of cash dividends.<br>2. Adoption Items：<br>(1)To adopt 2019 Business Report and Financial Statements.<br>(2)To adopt the proposal for distribution of 2019 profits.<br>3. Discussion Items：<br>(1)Amendment to the "Articles of Incorporation" | 1. The 2020 shareholders' meeting minutes were disclosed on the Market Observation Post System website on June 16, 2020.<br>2. Remunerations for employees and directors were issued on August 14, 2020.<br>3. Distribution of 2019 earnings: Shareholders' bonus - dividend in the value of $5.0 per share; August 30, 2020 was set to be the record date and the dividends were issued on September 18, 2020.<br>4. To amend the articles of incorporation:The Ministry of Economic Affairs approved the registration change at on June 15, 2020. |

(2)Major Resolutions of Board Meetings

| Board of Directors Meeting | Session | Contents proposed | Opinion of independent director – Independent Director – Wang,Sung-Chou | Liu ,Cheng-Yi | Hsu,Kao-Shan | The company's handling of independent director's opinion |
|---|---|---|---|---|---|---|
| 2020.01.17 | 2020/1 | 1.Report Items:<br>(1)Derivative financial transactions report.<br>2.Adoption and Discussion Items：<br>(1)Approved Salary Compensation Committee's proposal<br>(2)Approved the Business Plan of 2020.<br>(3)Investment in preferred shares of BlueStack Systems, Inc. in the United States. | None | None | None | None |
| 2020.03.20 | 2020/2 | 1.Report Items：<br>(1)Internal Audit reports<br>(2)Derivative financial transactions report.<br>(3)Board of Directors self-evaluation or peer-evaluation report.<br>(4)The company is able to prepare the financial statements on its own.<br>2.Adoption and Discussion Items：<br>(1)Approved the 2019 Financial Statement.<br>(2)Approved the Statement on Internal Control System of 2019.<br>(3)Approved Salary Compensation Committee's proposal<br>(4)Approved matters related to the convening of the 2020 shareholders' meeting.<br>(5)Approved matters related to the shareholders' general meeting acceptance of shareholders' proposals.<br>(6)Approved the amendments to the Articles of Incorporation.<br>(7)Approved amendments to Procedure for the Rules of Procedure for Board of Directors Meetings<br>(8)Approved amendments to Remuneration Committee Charter<br>(9)Approved amendments to Audit Committee Charter<br>(10)Approved current Bank credit line and incremental credit line application. | None | None | None | None |
| 2020.04.30 | 2020/3 | 1.Report Items:<br>(1)Business Performance Report - First Quarter 2020<br>(2)Internal Audit reports<br>(3)Derivative financial transactions report.<br>2.Adoption and Discussion Items： | None | None | None | None |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | (1)Approved matters related to the convening of the 2020 shareholders' meeting.<br>(2)2019 Earnings Distribution and cash dividends plan<br>(3)Approved the incorporation of Canadian subsidiary. | | | | |
| 2020.07.08 | 2020/4 | 1.Report Items:N/A<br>2.Adoption and Discussion Items：<br>(1)Approve the appointment of President of the Company. | | | | |
| 2020.08.07 | 2020/5 | 1.Report Items:<br>(1)Report Items: Financial Report of second quarter, 2020.<br>(2)Whether or not are the Company's overdue accounts receivable in an evaluation report of financing in disguised form<br>(3)Internal Audit reports<br>(4)Derivative financial transactions report.<br>(5)Liability insurance for Directors.<br>2.Adoption and Discussion Items：<br>(1)Approved the proposition to determine the base date for the distribution of cash dividend to shareholders.<br>(2)Approved Salary Compensation Committee's proposal.<br>(3)Approved the evaluation of the independence ofCPA engagement. | None | None | None | None |
| 2020.10.06 | 2020/6 | 1.Report Items:<br>(1)Derivative financial transactions report.<br>2.Adoption and Discussion Items：<br>(1)Approved Salary Compensation Committee's proposal | None | None | None | None |
| 2020.11.10 | 2020/7 | 1.Report Items:<br>(1)Financial Report of third quarter, 2019.<br>(2)Internal Audit reports<br>(3)Derivative financial transactions report.<br>(4)Corporate governance report<br>(5)Report on the enforcement of intellectual property rights.<br>(6)Corporate ethical management report.<br>(7)Corporate Social Responsibility report.<br>(8)Communication with each stakeholder report.<br>(9)Risk management report.<br>2.Adoption and Discussion Items：<br>(1)Approved the 2020 audit plan.<br>(2)Approved the dissolution of a subsidiary- MSI Computer Trading (Shen Zhen) Co., Ltd. | None | None | None | None |
| 2021.01.29 | 2021/1 | 1.Report Items:<br>(1)Derivative financial transactions report.<br>(2)Board of Directors self-evaluation or peer-evaluation report.<br>2.Adoption and Discussion Items：<br>(1)Approved Salary Compensation Committee's proposal<br>(2)Approved the Business Plan of 2021. | None | None | None | None |
| 2021.03.22 | 2021/2 | 1.Report Items：<br>(1)Internal Audit reports<br>(2)Derivative financial transactions report.<br>2.Adoption and Discussion Items：<br>(1)Approved the 2020 Financial Statement.<br>(2)Approved the Statement on Internal Control System of 2020.<br>(3)Approved amendments to"Internal Control System" , "Implementation Rules for Internal Auditing".<br>(4)Approved the proposal for the change of the Company's custodian for the endorsement and guarantees' seal.<br>(5)Approved amendments to Procedure for the Rules of Procedure for Board of Directors Meetings<br>(6)Approved amendments to Audit Committee Charter<br>(7)Approved amendments to Remuneration Committee Charter.<br>(8)Approved Salary Compensation Committee's proposal<br>(9)Approved amendments to "Shareholders Meeting Rules of the Company" | None | None | None | None |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | (10)Approved matters related to the convening of the 2020 shareholders' meeting.<br>(11)Approved matters related to the shareholders' general meeting acceptance of shareholders' proposals.<br>(12)Approved the Election of directors. and Matters related to the shareholders' general meeting acceptance of directors (independent directors) candidates nominated by shareholders.<br>(13)Approved current Bank credit line and incremental credit line application.<br>(14)2020 Earnings Distribution and cash dividends plan. | | | | |
| 2021.04.29 | 2021/3 | 1.Report Items:<br>(1)Financial Reportof First Quarter 2020<br>(2)Internal Audit reports<br>(3)Derivative financial transactions report. | None | None | None | None |

12.Major Issues of Record or Written Statement Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors in most recent year and up to date of the annual report: None.

13.In the most recent year and as of the print and publication date of the annual report, is there any resignation or removal of the company's chairman, president, controller, financial officer, internal audit office, corporate governance officer, or research and development officer

| Occupational Title | Name | Date Assumed | Date Dismissed | Reason of Resignation or Dismissal |
|---|---|---|---|---|
| President & Chief Executive Officer | Chiang,Sheng-Chang | 2019.01.01 | 2020.07.07 | Death |

(Ⅴ)CPAs Fees

| Accounting Firm | Name of CPA | | Period Covered by CPAs' Audit | Remarks |
|---|---|---|---|---|
| PricewaterhouseCoopers, Taiwan | Liang, Hua-Ling | Lai, Chung-Hsi | 2020 | |

Unit: NT$ thousands

| Fee Range | Fee Items | Auditing Fees | Non-Auditing Fees | |
|---|---|---|---|---|
| | | | Amount | Items |
| 1 | Below 2,000 thousand | | 550 | Transfer pricing study consultant fee |
| 2 | 2,000 thousand (included) ~4,000 thousand | | | |
| 3 | 4,000 thousand (included) ~6,000 thousand | 4,262 | | |
| 4 | 6,000 thousand (included) ~8,000 thousand | | | |
| 5 | 8,000 thousand (included) ~10,000 thousand | | | |
| 6 | Over 10,000 thousand (included) | | | |

1. In case the non-auditing fees paid to CPAs, CPA firm and the CPA firm's related party account for over a quarter of the total auditing fees, the auditing amount and non-auditing amount; also, the non-auditing service must be disclosed: None (voluntary disclosure).
2. In case the auditing fee paid in the year retaining service from another CPA firm is less than the auditing fee paid in the year before, the amount of auditing fee before / after the change of CPA Firm and the reasons for the said change must be disclosed: None.
3. Reduction of auditing fees by more than 10% compared to the previous year: None.

(Ⅵ)Change of CPA's Information:None.

(VII)MSI's chairman, president, and managers in charge of its finance and accounting operations did not hold any positions within MSI's independent audit firm or its affiliates in the most recent year.

(Ⅷ)Information on Net Change in Shareholding and Net Change in Shares Pledged by Directors, Supervisors, Department Heads, and Shareholders of 10% shareholding or more

1.Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders:

Unit: shares

| Title | Name | 2020 (Note) | | 2021/1/1~2021/04/13 (Note) | |
|---|---|---|---|---|---|
| | | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Chairman | Hsu,Hsiang | 0 | 0 | 0 | 0 |
| Vice Chairman & President | Huang,Chin-Ching | 0 | 0 | 0 | 0 |
| Director & Senior Vice President of Management Committee | Lin,Wen-Tung | 0 | 0 | 0 | 0 |
| Director & Senior Vice President of Management Committee | Yu, Hsien-Neng | 0 | 0 | 0 | 0 |
| Director & Executive Vice President & NB BU GM | Kuo,Hsu-Kuang | 25,000 | 0 | 0 | 0 |
| Director & Executive Vice President & GNP BU GM | Liao,Chun-Keng | 20,000 | 0 | 0 | 0 |
| Director & Executive Vice President & CND BU GM | Hung,Yu-Sheng | 0 | 0 | 0 | 0 |
| Independent Director | Wang,Sung-Chou | 0 | 0 | 0 | 0 |
| Independent Director | Liu ,Cheng-Yi | 0 | 0 | 0 | 0 |
| Independent Director | Hsu,Kao-Shan | 0 | 0 | 0 | 0 |
| Senior Vice President of Management Committee | Lu,Chi-Long | 0 | 0 | 0 | 0 |
| EPS BU GM | Tsai,Rong-Fong | 5,000<br>(119,000) | 0 | (60,000) | 0 |
| ACS BU GM | Huang,Wen-Shan | 0 | 0 | 0 | 0 |
| Vice President & CPS BU GM | Wu,Ta-Hsin | 0 | 0 | 0 | 0 |
| Vice President of Corp. R&D | Teng,Chi-Hung | 0 | 0 | 0 | 0 |
| Vice President of Corp.Manufacture & Quality Assurance | Li,Chao-Ming | 0 | 0 | 0 | 0 |
| Vice President of Corp. Sales & Marketing | Chiu,Chih-Keng | 0 | 0 | 0 | 0 |
| Vice President of Corp. Sales & Marketing | Tung,Ti-Chun | 0 | 0 | 0 | 0 |
| Vice President of Corp. Supply Chain | Chen,Te-Ling | 0 | 0 | 0 | 0 |
| Vice President of NB BU R&D Division | Lin,Chin-Kuan | 0 | 0 | (7,000) | 0 |
| Vice President of NB BU R&D Division | Lu,Kuo-Huang | 0 | 0 | 0 | 0 |
| Vice President of NB Product Mgt. Division | Peng,Jen-Fang | 0 | 0 | 0 | 0 |
| Vice President of NB Operations Mgt. Division | Pan,Tsai-Yu | 0 | 0 | 0 | 0 |
| Vice President of NB OEM sales Division(Note1) | Huang,Wen-Hui | 0 | 0 | 0 | 0 |
| Vice President of CND BU(Note2) | Yeh,Chun-Te | 0 | 0 | 0 | 0 |
| Vice President of EPS BU Sales & Marketing Division | Lu,Cheng-Lung | 0 | 0 | 0 | 0 |
| Vice President of Corp. Marketing Division | Cheng,Hui-Cheng | 0 | 0 | 0 | 0 |
| Vice President of Global Management Center | Tsai,Wei-Hsin | 0 | 0 | 0 | 0 |
| Vice President of Finance Center | Hung,Pao-Yu | 0 | 0 | 0 | 0 |
| Assistant Vice President of Internal Auditing Office | Liu,Chu-Hao | 0 | 0 | 0 | 0 |
| President & Chief Executive Officer(Note3) | Chiang,Sheng-Chang | (413,000) | 0 | 0 | 0 |

Note1:April 1,2021 Newly appointed.
Note2: April 1,2020 Newly appointed.
Note3: Dismissed on July 7, 2020.

2.Information of Shares Transferred: Not transferred to related parties.

3.Information of Equity Pledged: None.

## (Ⅸ)Relationship among the Top Ten Shareholders

As of APR 13,2021 Unit：Share；％

| Name | Shareholding | | Spouse and Minor | | Shareholding by Nominee Arrangement | | Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees | | Remark |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | % | Shares | % | Shares | % | Name | Relations | |
| Hsu,Hsiang | 51,983,151 | 6.15% | 13,408,517 | 1.59% | 9,376,328 | 1.11% | Hsu,Fen-Lan | Spouse | |
| Vontobel Fund-MTX sustainable emerging Markets Leaders | 39,924,000 | 4.73% | - | - | - | - | | | |
| Cathay Life Insurance Co.,Ltd. | 29,626,000 | 3.51% | - | - | - | - | | | |
| Cathay Life Insurance Co.,Ltd.(HUANG,TIAO-KUEI) | - | - | - | - | - | - | | | |
| Lin,Wen-Tung | 25,672,499 | 3.04% | 62,895 | 0.01% | - | - | - | - | |
| New Labor Pension Fund | 21,131,000 | 2.50% | - | - | - | - | | | |
| Huang,Chin-Ching | 20,937,377 | 2.48% | 2,148,564 | 0.25% | 7,521,761 | 0.89% | - | - | |
| Lu,Chi-Lung | 18,650,835 | 2.21% | 1,965,350 | 0.23% | - | - | - | - | |
| Yu,Hsien-Neng | 17,892,824 | 2.12% | 184,922 | 0.02% | - | - | - | - | |
| Yuanta/P-shares Taiwan Dividend Plus ETF | 14,081,910 | 1.67% | - | - | - | - | | | |
| Hsu,Fen-Lan | 13,408,517 | 1.59% | 51,983,151 | 6.15% | 9,376,328 | 1.11% | Hsu,Hsiang | Spouse | |

## (Ⅹ)Ownership of Shares in Affiliated Enterprises：

As of Dec. 31, 2020 Unit：Share；%

| Long-Term Investment（Note） | Ownership by MSI | | Ownership by Directors, Management or Direct/Indirect affiliates | | Total | |
|---|---|---|---|---|---|---|
| | Shares | % | Shares | % | Shares | % |
| MICRO-STAR INTERNATIONAL (B.V.I.) HOLDING CO., LTD. | 0 | 0% | 47,465,071 | 100% | 47,465,071 | 100% |
| MSI COMPUTER CORP. | 575,458 | 100% | 0 | 0% | 575,458 | 100% |
| MYSTAR COMPUTER B.V. | 0 | 0% | 0 | 100% | 0 | 100% |
| MSI COMPUTER (AUSTRALIA) PTY. LTD. | 221,836 | 100% | 0 | 0% | 221,836 | 100% |
| MICRO-STAR NETHERLANDS HOLDING B.V. | 424,000 | 100% | 0 | 0% | 424,000 | 100% |
| MSI COMPUTER JAPAN CO., LTD. | 1,400 | 100% | 0 | 0% | 1,400 | 100% |
| MSI COMPUTER SARL | 0 | 0% | 0 | 100% | 0 | 100% |
| MSI COMPUTER (SHENZHEN) CO., LTD. | 0 | 0% | 0 | 100% | 0 | 100% |
| MSI COMPUTER (CAYMAN) CO., LTD. | 50,000 | 100% | 0 | 0% | 50,000 | 100% |
| MSI COMPUTER (UK) LTD. | 0 | 0% | 0 | 100% | 0 | 100% |
| MSI ELECTRONICS (KUNGSHAN) CO., LTD. | 0 | 0% | 0 | 100% | 0 | 100% |
| MSI COMPUTER EUROPE B.V. | 0 | 0% | 0 | 100% | 0 | 100% |
| STAR INFORMATION HOLDING CO., LTD. | 0 | 0% | 4,502,601 | 100% | 4,502,601 | 100% |
| MICRO ELECTRONICS HOLDING CO., LTD. | 0 | 0% | 33,315,472 | 100% | 33,315,472 | 100% |
| MSI PACIFIC INTERNATIONAL HOLDING CO., LTD. | 30,204,118 | 100% | 0 | 0% | 30,204,118 | 100% |
| MSI KOREA CO., LTD. | 0 | 0% | 80,000 | 100% | 80,000 | 100% |
| SHENZHEN MEGA INFORMATION CO., LTD. | 0 | 0% | 0 | 100% | 0 | 100% |
| MSI POLSKA SP. Z O.O. | 0 | 0% | 0 | 100% | 0 | 100% |
| MEGA TECHNOLOGY HOLDING CO., LTD. | 0 | 0% | 3,050,000 | 100% | 3,050,000 | 100% |
| MEGA COMPUTER CO., LTD. | 0 | 0% | 1 | 100% | 1 | 100% |
| LLC“ MSI COMPUTER” | 0 | 0% | 0 | 100% | 0 | 100% |
| MSI COMPUTER TECHNOLOGIES LIMITED COMPANY | 0 | 0% | 0 | 100% | 0 | 100% |
| MSI ITALY S.R.L. | 0 | 0% | 0 | 100% | 0 | 100% |
| MHK INTERNATIONAL CO., LTD. | 0 | 0% | 1 | 100% | 1 | 100% |
| MSI (SHENZHEN) CO., LTD. | 0 | 0% | 0 | 100% | 0 | 100% |
| MSI (SHANGHAI) CO., LTD. | 0 | 0% | 0 | 100% | 0 | 100% |
| RAIDEALS INC. | 0 | 0% | 0 | 100% | 0 | 100% |
| MSI IBERIA S.L. | 0 | 0% | 0 | 100% | 0 | 100% |
| MICRO-STAR CANADA LTD. | 100,000 | 100% | 0 | 0% | 100,000 | 100% |

Note: Long-term investment accounted for using equity method.

# Ⅳ. Capital Overview

## (Ⅰ)Capital and Shares

### 1.Capital and Shares

Unit:1,000 Shares；NT$ thousands

| Month /Year | Par Value (NT$) | Authorized Capital | | Paid-in Capital | | Remark | | |
|---|---|---|---|---|---|---|---|---|
| | | Shares | Amount (NT$1,000) | Shares | Amount (NT$1,000) | Sources of Capital | Capital Increased by Assets Other than Cash | Other |
| 1986.08 | — | 500 | 5,000 | 500 | 5,000 | Incorporation | None | — |
| 1990.06 | 10 | 3,000 | 30,000 | 3,000 | 30,000 | Issuance of Shares for cash 25,000 | None | — |
| 1991.08 | 10 | 6,000 | 60,000 | 6,000 | 60,000 | Issuance of Shares for cash 30,000 | None | — |
| 1994.05 | 10 | 10,000 | 100,000 | 10,000 | 100,000 | Issuance of Shares for cash 40,000 | None | — |
| 1995.07 | 10 | 18,000 | 180,000 | 18,000 | 180,000 | Issuance of Shares for cash 80,000 | None | — |
| 1996.10 | 16 | 60,000 | 600,000 | 40,750 | 407,500 | Issuance of Shares for cash137,500 and Capitalization of retained earnings 90,000 | None | JUL 10,1996 Taiwan-Finance-Securities-I-NO.41320 |
| 1997.06 | 30 | 100,000 | 1,000,000 | 70,800 | 708,000 | Issuance of Shares for cash 48,280 and Capitalization of retained earnings 244,500 and Capitalization of employees' bonuses 7,720 | None | APR 28,1997 Taiwan-Finance-Securities-I-No.32301 |
| 1998.04 | — | 126,000 | 1,260,000 | 109,200 | 1,092,000 | Capitalization of retained earnings 283,200, Capitalization of reserves 70,800 and Capitalization of employees' bonuses 30,000 | None | MAR 9, 1998 Taiwan-Finance-Securities-I- No.23751 |
| 1999.03 | 108 | 126,000 | 1,260,000 | 136,800 | 1,368,000 | Issuance of Shares for cash 276,000 | None | DEC 17,1998 Taiwan-Finance-Securities-I- No.98986 |
| 1999.07 | — | 320,000 | 3,200,000 | 196,376 | 1,963,760 | Capitalization of retained earnings 547,200 and Capitalization of employees' bonuses 48,560 | None | JUN 10,1999 Taiwan-Finance-Securities-I- No. 54332 |
| 2000.07 | — | 320,000 | 3,200,000 | 291,000 | 2,910,000 | Capitalization of retained earnings 883,692 and Capitalization of employees' bonuses 62,548 | None | MAY 26,2000 Taiwan-Finance-Securities-I- No.45969 |
| 2001.01 | — | 320,000 | 3,200,000 | 291,914 | 2,919,136 | Conversion of bonds 9,136 | None | — |
| 2001.05 | — | 680,000 | 6,800,000 | 376,582 | 3,765,818 | Capitalization of retained earnings 729,784 and Capitalization of employees' bonuses 116,898 | None | MAY 23,2001 Taiwan-Finance-Securities-I-No.132149 |
| 2002.01 | — | 680,000 | 6,800,000 | 386,027 | 3,860,270 | Conversion of bonds 94,451 | None | — |
| 2002.03 | — | 680,000 | 6,800,000 | 395,283 | 3,952,834 | Conversion of bonds 92,564 | None | — |
| 2002.07 | — | 680,000 | 6,800,000 | 555,632 | 5,556,326 | Capitalization of retained earnings 1,383,492 and Capitalization of employees' bonuses 220,000 | None | MAY 28,2002 Taiwan-Finance-Securities-I-No.129029 |
| 2003.09 | — | 960,000 | 9,600,000 | 660,477 | 6,604,775 | Capitalization of retained earnings 833,448 and Capitalization of employees' bonuses 215,000 | None | JUL 17,2003 Taiwan-Finance-Securities-I-No.0920132258 |
| 2003.11 | — | 960,000 | 9,600,000 | 670,395 | 6,703,956 | Conversion of bonds 99,181 | None | — |
| 2004.09 | — | 960,000 | 9,600,000 | 756,435 | 7,564,351 | Capitalization of retained earnings 670,395 and Capitalization of employees' bonuses 190,000 | None | JUN 28 ,2004 Taiwan-Finance-Securities-I- No.0930128388 |
| 2005.07 | — | 1,020,000 | 10,200,000 | 782,128 | 7,821,282 | Capitalization of retained earnings 226,931 and Capitalization of employees' bonuses 30,000 | None | JUL 11,2005 Taiwan-Finance-Securities-I- No.0940127923 |
| 2006.07 | — | 1,500,000 | 15,000,000 | 880,562 | 8,805,624 | Capitalization of retained earnings 860,341 and Capitalization of employees' bonuses 124,000 | None | JUL 21,2006 Financial-Supervisory-Securities-I No.0950132069 |
| 2007.07 | — | 1,500,000 | 15,000,000 | 882,447 | 8,824,474 | Employee stock option exercise 18,850 | None | — |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 2007.09 | — | 1,500,000 | 15,000,000 | 947,781 | 9,477,811 | Capitalization of retained earnings 528,337 and Capitalization of employees' bonuses 125,000 | None | JUL 9,2007 Financial-Supervisory-Securities-I No.0960035165 |
| 2007.10 | — | 1,500,000 | 15,000,000 | 950,277 | 9,502,770 | Employee stock option exercise 24,960 | None | — |
| 2008.02 | — | 1,500,000 | 15,000,000 | 950,754 | 9,507,540 | Employee stock option exercise 4,770 | None | — |
| 2008.05 | — | 1,500,000 | 15,000,000 | 950,937 | 9,509,372 | Employee stock option exercise 1,831 | None | — |
| 2008.08 | — | 1,500,000 | 15,000,000 | 951,304 | 9,513,040 | Employee stock option exercise 3,669 | None | — |
| 2008.09 | — | 1,500,000 | 15,000,000 | 951,459 | 9,514,590 | Employee stock option exercise 1,550 | None | — |
| 2008.10 | — | 1,500,000 | 15,000,000 | 1,007,696 | 10,076,965 | Capitalization of retained earnings 380,374 and Capitalization of employees' bonuses 182,000 | None | JUL 1,2008 Financial-Supervisory-Securities-I No.0970032658 |
| 2008.10 | — | 1,500,000 | 15,000,000 | 1,008,028 | 10,080,285 | Employee stock option exercise 3,320 | None | — |
| 2009.02 | — | 1,500,000 | 15,000,000 | 1,008,074 | 10,080,745 | Employee stock option exercise 460 | None | — |
| 2009.04 | — | 1,500,000 | 15,000,000 | 1,008,246 | 10,082,455 | Employee stock option exercise 1,710 | None | — |
| 2009.07 | — | 1,500,000 | 15,000,000 | 1,008,742 | 10,087,416 | Employee stock option exercise 4,961 | None | — |
| 2009.09 | — | 1,500,000 | 15,000,000 | 1,067,626 | 10,676,262 | Capitalization of retained earnings 504,123 and Capitalization of employees' bonuses 79,533<br>Employee stock option exercise 5,190 | None | JUL 1,2009 Financial-Supervisory-Securities-I No. 0980032766 |
| 2009.10 | — | 1,500,000 | 15,000,000 | 1,068,132 | 10,681,322 | Employee stock option exercise 5,060 | None | — |
| 2010.01 | — | 1,500,000 | 15,000,000 | 1,068,667 | 10,686,672 | Employee stock option exercise 5,350 | None | — |
| 2010.05 | — | 1,500,000 | 15,000,000 | 1,069,191 | 10,691,912 | Employee stock option exercise 5,240 | None | — |
| 2010.07 | — | 1,500,000 | 15,000,000 | 1,069,249 | 10,692,492 | Employee stock option exercise 580 | None | — |
| 2010.11 | — | 1,500,000 | 15,000,000 | 1,069,347 | 10,693,472 | Employee stock option exercise 980 | None | — |
| 2011.01 | — | 1,500,000 | 15,000,000 | 1,070,225 | 10,702,252 | Employee stock option exercise 8,780 | None | — |
| 2011.04 | — | 1,500,000 | 15,000,000 | 1,071,223 | 10,712,232 | Employee stock option exercise 9,980 | None | — |
| 2011.09 | — | 1,500,000 | 15,000,000 | 996,157 | 9,961,572 | Treasury stock cancellation 750,660 | None | JUL 4,2011 Financial-Supervisory-Securities-I No.1000031682<br>AUG 26,2011 Financial-Supervisory-Securities-I No. 1000040409 |
| 2011.11 | — | 1,500,000 | 15,000,000 | 964,157 | 9,641,572 | Treasury stock cancellation 320,000 | None | OCT 28,2011 Financial-Supervisory-Securities-I No.1000052520 |
| 2012.02 | — | 1,500,000 | 15,000,000 | 924,856 | 9,248,562 | Treasury stock cancellation 393,010 | None | FEB 13,2012 Financial-Supervisory-Securities-I No. 1010004861 |
| 2012.04 | — | 1,500,000 | 15,000,000 | 884,856 | 8,848,562 | Treasury stock cancellation 400,000 | None | APR 18,2012 Financial-Supervisory-Securities-I No.1010016081 |
| 2012.07 | — | 1,500,000 | 15,000,000 | 844,856 | 8,448,562 | Treasury stock cancellation 400,000 | None | JUL 18,2012 Financial-Supervisory-Securities-I No.1010033145 |

### (1)Type of shares

As of APR 13,2021 Unit：Shares

| Type of shares | Authorized Capital | | | Remarks |
|---|---|---|---|---|
| | Issued Shares (Note) | Un-issued Shares | Total Shares | |
| Common stock | 844,856,199 | 655,143,801 | 1,500,000,000 | Authorized capital stock, of which, 150,000 thousand shares are reserved for exercising Conversion of bonds and 80,000 thousand shares are reserved for employee stock options. |

Note：Listed stock.

### (2)Information for Shelf Registration: None.

## 2.Status of Shareholders

As of APR 13,2021 Unit：Shares

| QTY \ Status of Shareholders | Government Agencies | Financial Institutions | Other Juridical Persons | Domestic Natural Persons | Foreign Institutions & Natural Persons | Total |
|---|---|---|---|---|---|---|
| Number of Shareholders | 0 | 42 | 228 | 36,441 | 877 | 37,588 |
| Shareholding (shares) | 0 | 88,325,139 | 100,423,293 | 302,285,711 | 353,822,056 | 844,856,199 |
| % | 0.00% | 10.45% | 11.89% | 35.78% | 41.88% | 100.00% |

## 3.Shareholding Distribution Status

### (1)Common Shares

As of APR 13,2021 Unit：Shares

| Class of Shareholding | Number of Shareholders | Shareholding (Shares) | % |
|---|---|---|---|
| 1～ 999 | 20,585 | 3,211,680 | 0.38% |
| 1,000～ 5,000 | 13,389 | 25,439,125 | 3.01% |
| 5,001～ 10,000 | 1,561 | 11,546,410 | 1.37% |
| 10,001～ 15,000 | 519 | 6,458,917 | 0.76% |
| 15,001～ 20,000 | 232 | 4,226,253 | 0.50% |
| 20,001～ 30,000 | 278 | 6,989,208 | 0.83% |
| 30,001～ 40,000 | 152 | 5,405,383 | 0.64% |
| 40,001～ 50,000 | 96 | 4,420,360 | 0.52% |
| 50,001～ 100,000 | 259 | 18,894,009 | 2.24% |
| 100,001～ 200,000 | 152 | 21,548,243 | 2.55% |
| 200,001～ 400,000 | 119 | 33,580,946 | 3.97% |
| 400,001～ 600,000 | 66 | 32,678,144 | 3.87% |
| 600,001～ 800,000 | 29 | 20,120,283 | 2.38% |
| 800,001～1,000,000 | 23 | 21,061,336 | 2.49% |
| 1,000,001 or over | 128 | 629,275,902 | 74.49% |
| Total | 37,588 | 844,856,199 | 100.00% |

(2)Preferred share：The company did not issue any preferred share.

## 4.List of Major Shareholders

As of APR 13,2021 Unit：Shares

| Holder's Name \ Share holding | Shares | % |
|---|---|---|
| Hsu,Hsiang | 51,983,151 | 6.15% |
| Vontobel Fund-MTX sustainable emerging Markets Leaders | 39,924,000 | 4.73% |
| Cathay Life Insurance Co.,Ltd. | 29,626,000 | 3.51% |
| Lin,Wen-Tung | 25,672,499 | 3.04% |
| New Labor Pension Fund | 21,131,000 | 2.50% |
| Huang,Chin-Ching | 20,937,377 | 2.48% |
| Lu,Chi-Lung | 18,650,835 | 2.21% |
| Yu,Hsien-Neng | 17,892,824 | 2.12% |
| Yuanta/P-shares Taiwan Dividend Plus ETF | 14,081,910 | 1.67% |
| Hsu,Fen-Lan | 13,408,517 | 1.59% |

5. Market Price, Net Worth, Earnings, and Dividends per Share

Unit: Shares; NT$

| Items | | | | Year: 2020 | 2019 | As of April 30, 2021 |
|---|---|---|---|---|---|---|
| Market price per Share | Highest Market Price | | | 158.00 | 94.70 | 186.00 |
| | Lowest Market Price | | | 68.50 | 71.80 | 127.00 |
| | Average Market Price | | | 116.90 | 84.2 | 154.12 |
| Net worth per share | Before Distribution | | | 42.07 | 36.71 | 46.86(Note2) |
| | After Distribution | | | (Note1) | 32.51 | (Note1) |
| Earnings per share | Weighted average shares | | Basic | 844,856,199 | 844,856,199 | 844,856,199 (Note2) |
| | | | Diluted | 852,081,369 | 852,233,958 | 851,580,230 (Note2) |
| | Earnings per share | Before adjustment | Basic | 9.42 | 6.61 | 4.94 (Note2) |
| | | | Diluted | 9.34 | 6.56 | 4.9 (Note2) |
| | | After adjustment | Basic | (Note1) | 6.61 | - |
| | | | Diluted | (Note1) | 6.56 | - |
| Dividends per share | Cash dividends | Dividends from Retained earnings | | (Note1) | NT$4.2/Share | - |
| | | Dividends from Capital Surplus | | (Note1) | - | - |
| | Stock dividends | Dividends from Retained earnings | | - | - | - |
| | | Dividends from Capital Surplus | | - | - | - |
| | Accumulated undistributed dividends | | | - | - | - |
| Analysis of return on investment | Price/Earning Ratio | | Basic | 11.95 | 12.83 | - |
| | | | Diluted | 12.05 | 12.92 | - |
| | Price/Dividend Ratio | | | (Note1) | 20.19 | - |
| | Cash dividends yield rate | | | (Note1) | 4.95% | - |

Note1: Subject to the approval of 2021 annual shareholders' meeting.
Note2: 2021Q1 financial report was reviewed by CPA.

6.Dividend policy of the company and its implementation

(1)Dividend Policy

The Company is in a highly changeable industry. Many high-end lucrative products are in growth. The distribution of dividends shall be made taking into consideration the needs of Company future development and operation, and the interests of shareholders. If the annual results shall have profit, such profits should first pay all taxes and reimburse accumulative loss, then take 10% legal reserve and special reserve according to the Company Act. After previous deductions and reserves, the Company can take 10% to 90% of the distributable earnings plus undistributed retained earnings as bonus. The Board of Directors shall propose profit distribution plan to be approved by the shareholders' meeting.

Shareholders' bonus shall be distributed in accordance with the percentage of the shares owned among the total outstanding shares of the Company. Shareholders' bonus will be distributed through the forms of both cash and stock dividends. In such distribution combination, cash dividends shall take no less than 30% of the total distributed bonus.

In the event there are deductions under the account of shareholders' equity which cannot be allocated from after-tax profits of the current fiscal year, whether accumulated from previous year or occurred in the current year, the Company shall allocate sufficient special reserves from the beginning aggregate balance of undistributed earnings and subtract such shareholders’ equity deductions before profits distribution.

(2)Proposed Distribution of Dividend：

| 2020 | |
|---|---|
| Cash dividend from retain earnings | NT$6.1(per Share) |
| Total | NT$6.1(per Share) |

(3)Any expected major changes in the dividend policy: None

7.Impact to the company's business performance and earnings per share (EPS) for free shares allotment proposed by this shareholders' meeting: Not applicable.

8.Compensation for employees and directors

(1)Quantity or scope of compensation for employees, directors as prescribed by the articles of association (Article 19-1)

The pre-tax income of the current fiscal year shall first offset the accumulated deficits. If the balance is positive, then the Company shall allocate the remuneration to be distributed to employees and directors in accordance with the following ratio.

A. Employee remuneration in the percentage of 6% to 10%. Individuals eligible for employee remuneration include the Company’s employees and the employees of the Company’s subsidiaries meeting certain requirements. Such requirements are to be set by the Board of Directors.

B. Remuneration to be distributed to directors shall not exceed 1%.

The decision of the percentage of remuneration to be distributed to employees, directors set forth in the preceding Paragraph, the forms of distribution (cash or stock dividends) and the amounts and shares thereof shall be made through the special resolutions of the Board of Directors and reported to the shareholders’ meeting.

(2) Accouting methods for the differences between the remunerations’ provision amount and actual distribution amount:

The remunerations provision for employees, directors in 2020 is according to contemporary profits and with reference to the distribution ratio from the year before and the percentage specified in the Articles of Incorporation. In case of any difference between the actual distributed value decided by the Board of Directors, it will be handled as changes in accounting estimates.

(3)Situation of the Board of Directors’ passing remuneration distribution：

A. The amount of employee, director remuneration in cash or stock distribution. If it differs from the estimated amount in the recognized expense year, the balance, reason, and handling situation shall be disclosed:

The Board of Directirs passed a resolution, determining that the remuneration of employees in 2020 is NTD725,000,000, and the remuneration of directors in 2020 is NTD 71,500,000, which are the same as the recognized expense amount in 2020.

B. The proportion of employee remuneration amount in stock distribution based on the net profit after tax from stand alone financial statements of this period and the total employee remuneration: None

(4)For the actual distribution situation of employees, directors and supervisors remuneration last year (including distributed shares, amount, and stock price), if it differs from the recognized employees, directors and supervisors remuneration, the balance, reason, and handling situation shall be specified:

In 2019, the relevant information on the employees, directors and supervisors remuneration is summarized below: Employees bonus distribution:NTD 505,000,000; directors remuneration distribution:NTD49,500,000. It is the same as the recognized expense amount in 2019.

9.Repurchase by the company of its own shares: None.

(Ⅱ)Corporate bond: None.

(Ⅲ)Preferred shares: None.

(Ⅳ)Overseas depositary receipt: None.

(Ⅴ)Employee stock warrant: None.

(Ⅵ)Restricted Employee Shares: None.

(Ⅶ)The section on issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies shall specify the following matters:

1.If, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the company has completed any issuance of new shares in connection with a merger or acquisition or with acquisition of shares of any other company：None.

2. Where the board of directors has, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, adopted a resolution approving any issuance of shares in connection with a merger or acquisition or with acquisition of shares of any other company：None.

(Ⅷ)The status of implementation of capital allocation plans：

1. A description of the plan

Where various issuance or private placement of securities have yet to be completed, or have been completed in the most recent 3 years but where the benefits of the plan have yet to be realized：

All securities of the Company have been issued and no unrealized benefits.

2.Status of implementation: Not Applicable

# Ⅴ. Operation summary

## (Ⅰ)Business content

### 1.Scope of business

(1)The purpose for which the Company is formed shall be as follows:

1. Design of various computer hardware and software and manufacture, sale and purchase of computer products, parts and components;
2. Manufacture and sale of electronic components and parts;
3. Import-export trading business in relation of the foregoing businesses;
4. Agency business for quotation, bid and distribution of related products;
5. CC01030 Manufacturing business of electric appliances;
6. CC01060 Manufacturing business of wired communications equipments;
7. CC01070 Manufacturing business of wireless communications equipments;
8. CE01030 Manufacturing business of optical devices;
9. CH01040 Manufacturing business of toys;
10. F109040 Wholesale business of toys and entertainment products;
11. F113020 Wholesale business of electric appliances;
12. F113050 Wholesale business of office machines and equipments;
13. F113070 Wholesale business of telecommunications equipments and materials;
14. F209030 Retail business of toys and entertainment products;
15. F213030 Retail business of office machines and equipments;
16. F213060 Retail business of telecommunications equipments and materials;
17. F213010 Retail business of electric appliances;
18. CC01101 Manufacturing business of regulated RF telecommunications equipments and materials;
19. F401021 Import business of regulated RF telecommunications equipments and materials;
20. CF01011 Manufacturing business of medical equipments;
21. F108031 Wholesale business of medical equipments;
22. F208031 Retail business of medical equipments;
23. CE01010 Manufacturing business of general equipments; and
24. ZZ99999 All other businesses not prohibited or restricted by laws and regulations except businesses requiring special permits.

(2)Proportion of each business

2020

Unit: NT$ thousands

| Major product | Sales revenue | % |
|---|---|---|
| Computer and peripherals | 146,502,789 | 100% |

(3) Current products and services of the Company

A. Motherboard: Intel® and AMD® platform Gaming, Content Creation and Business Professional motherboards.

B. Professional Graphics Card: NVIDIA® and AMD® platform graphics cards；Professional Gaming Gears: Keyboard, Mouse, Headset, Control Devices.

C. Server: Server system, GPGPU system, Workstation, Storage system, Edge computing system, Network application system, Intrusion prevention system (IPS) & Unified threat management (UTM), Telecom next generation firewall (NGFW), Facial recognition system, POS, and IoT gateway.

D. Desktop computer: Gaming Desktops, Mini Desktops, Desktops, All-in-One, Gaming ALL-in-One

E. Telematics and Automotive Electronics: Vehicle-mounted rugged telematics system, Cloud based fleet management solutions, Entertainment and advertisement system for public transportation vehicles.

F. Laptop: MSI Flagship High-Performance laptop, Ultra-Thin Gaming laptops, High-Performance Multi-Media laptops, Content Creation laptops, Portable Workstation laptops, Ultra-Portable Business laptops.

G. Monitors: Gaming Monitors for high-end Gamers.

H. Case (Others): Gaming Cases, Liquid Cooler, Power Supply and Gaming Chair.

I. AMR (Autonomous Mobile Robot)

(4) New products (services) planned to be developed

A. Motherboard:

- Development of motherboard with multi-core processors for better performance.
- Development of motherboard utilizing the latest AI and human-computer interaction technology, for better user experience
- Development of motherboard with better thermal solution and more durable components.
- Improvement of the RGB LED effects and better synchronization with other peripherals.

B. Professional Graphics Cards:

- Development of graphics card and thermal modules with better performance and lower energy consumption.
- Development of overclocking graphics card with the latest technology and components.
- Development of fans with better heat dissipation and lower noise.
- Development of graphics card with improved RGB lighting effects and functions.
- Continuous improvement and integration of graphics card S/W applications.
- Development of graphics card with “Real-Time Ray Tracing” and “AI deep learning” technologies.
- Development of Creator Series graphics card solution.

Professional Gaming Gears:

- Catering to the users’ needs, we plan to develop professional Gaming and Creator Series products such as: “Keyboard”, “Mouse”, “Headset” and “Wireless Devices” with innovative functions and effects.

- Development of Professional Gaming peripherals, like “Gaming Control Devices”, “Gaming Mouse Pad”, etc.
- Development of Professional Creator Series peripherals, like “Wireless Bluetooth thin and light Keyboard”, “Silent Wireless Mouse”, “Wireless Headset”, etc.

C. Server:

- Development of the new generation Server and GPGPU system with Intel® Eagle Stream and AMD® Genoa platform.
- Development of the new generation Network application system with Intel® Catlow & Tanner Ridge & Elkhart Lake platform.
- Development of the Telecom next generation firewall (NGFW) 16U chassis-based system
- Development of the next generation firewall (NGFW) with Intel® Whitley platform and switch fabric PAM4 400G enhancement.
- Development of the next generation firewall (NGFW) with AMD® Rome platform and switch fabric 100G enhancement.
- Development of the new generation Facial Recognition System with Intel® Tiger Lake-UP3 platform.
- Development of the new generation POS with Intel® Elkhart Lake platform.

D. Desktop computer:

- Continue to develop high-end Gaming Desktop computer series.
- Develop streaming Gaming Desktop product line.
- Continue to develop compact Content Creation Desktop series.
- Develop a PRO series Desktop product line.
- Continue to develop Mini PC series.
- Expand the All in one PC product line.
- Develop a Gaming system that combines AI and HMI technology.
- Continue to develop the exclusive thermal design-Silent Storm Cooling.
- Continue to develop software application that meets customer needs-MSI Center.

E. Telematics and Automotive Electronics:

- Vehicle-mounted rugged tablet with AI computing capability and Vehicle telematic gateway system, which provides networking and AI intelligent edge computing functions for trucks, agriculture vehicles, and heavy vehicles with enhanced waterproof, fall resistance, and shock resistance to ensure reliability in various extreme environments.
- Connected facial recognition with temperature measurement solutions for vehicle driver behavior monitor and passenger detection.
- Rugged UVC LED Purifier for public transportation vehicles.
- Cloud based content publishing and management system for public transportation vehicles, commercial buildings and stadium solutions.

- Next-generation high-resolution wireless projection system provides a complete customized solution based on video compression and streaming technology to enable local wireless screen projection and remote screen sharing.

F. Laptop:

- Develop World’s first full range of Gaming laptops with NVIDIA® RTX™ 30 series graphics.
- Develop all new “Business & Productivity” laptops with enterprise security and business needs.
- Continuing to promote ultra-thin Gaming laptop with the reduction of the size and weight of the body, while still maintaining both high performance and high heat dissipation capabilities, giving users the best experience and mobility.
- Keep on researching gamers’ habits to provide the optimal gaming experience.
- The continuous development and optimization of Mystic Light effects and the use of Gaming Mode, combining the keyboard and lighting effects to create the ultimate gaming immersion for any gamers.
- With Ambient link deeply integrated in games, information is displayed in real time through the per-key RGB keyboard and light modules which can present gamers a more engaging participation.
- Continue to optimize the S/W experience for Gaming laptops. In addition to the exisiting Gaming Mode, also developed an OSD interface that can aid gamers without interrupting their gaming experience. Simultaneously, the addition of automatic screen recording function gives the ability for players to share their experience to the community.
- Continue too optimize the quality and sound of built-in speakers in laptops.
- The use of different methods and materials to provide a much distinctive appearances of Gaming or Creator laptops, to cater different types of users.
- Develop exclusive laptops for all types of Creators, using AI technology to help detect editing and drawing software used, and optimally allocates the best system resources for them.
- Develop a dedicated cooling module for Creator’s laptop to maximize the performance of creative video editing software.
- Dedication to improving the panel specifications to achieve Creator’s high expectation in terms of resolution, color accuracy and color gamut.

G. Monitors:

- Development of the high-end curved Gaming monitors with features such as wide screen size, 4K and WQHD high resolution.
- Continuing the development of the Gaming monitors that adhere to the standard of eSports tournaments.
- Continuing the development of Gaming monitors that can show game-related status and information on the monitor panel
- Applying AI technology to Gaming monitors.
- Innovating monitors that are suitable for Professionals within the Multimedia and Content Creation industry.
- Continuing the development of Professional monitor that features eye-care and ergonomic design.

H. Case (Others):

- Develop ITX mini gaming cases in response to the growing trend of DIY PC and work from home/learn from home.
- Develop silence themed products, including silent fans, silent liquid coolers, silent cases, and silent power supplies, to provide comfortable and quiet gaming at home experience.
- Develop a case that can be fully self-assembled, allowing users to adjust the configuration of the case according to their needs.
- Add AI smart functions through MSI Center and integrated with MSI products. Starting from user experience, create a new AI gaming experience with three major themes: temperature control and heat dissipation, lighting experience, and smart monitoring.
- Develop a new liquid cooler fan control technology, with AI that can help automatically detect the temperature and independently adjust the speed of each fan to achieve the best performance and silence.
- Continue to invest in MSI elements to provide different user needs in the three product segments of MEG / MPG / MAG. MAG provides high-performance, stable and reliable products. In addition to MAG features, MEG and MPG also focus on AI integration and MSI's exclusive functions.
- Develop high wattage power supplies to meet the high-performance needs of future processors and graphics cards.
- Develop mid-tier non-modular power supplies in response to the demand for Commercial systems in the commercial market this year, with stability and easy installation as the main focus.
- I. AMR (Autonomous Mobile Robot):
- AMR Factory Automation related products.
- AMR Hospital Care related products.
- AMR Long Care related products.

2.Industry Overview

(1) Current Status and Development of the Industry

In 2020, the global PC market had a double-digit growth due to the demand for home office, distance learning, etc. driven by the pandemic.For the PC industry, upstream semiconductor companies keep developing new technology, gaming companies continuously launch major projects, competitions and livestreaming services prompt, content creators and other customers' demand for high-end PCs increases, and various applications deriving from AIoT. Sales of related products are given more opportunities.

The company's current development of related businesses is summarized as below:

A. Parts and components:

As the pandemic drove the demand for home office and distance learning, the global motherboard market experienced a double-digit growth in 2020. At the same time, with the vigorous development of the global e-sports-related industries, users' demand for high-end computing power is increasing, driving the demand for mid-to-high-end e-sports-specific motherboards and graphics cards.Looking forward to 2021, Intel, AMD and NVIDIA will all have new products launched, and the innovation of many game masterpieces is believed to stimulate PC platform users to upgrade or complete system replacement, the segmentation of demand will continue to be the trend. This will also drive users to choose products that better suit their needs. Considering these two factors, it is expected that MSI motherboards and display cards will have further growth in the middle and high-end computer market in 2021.

B. Systematic products:

The current global PC market has reached saturation point. The global PC market is becoming more and more saturated, but it has grown further due to the demand for home office and distance learning driven by the pandemic, High-end PCs such as e-sports ones have become the way out for manufacturers to seek transformation and growth, whether they produce desktops or notebooks. Moreover, the booming development of e-sports-related industries, the engagement of many operators and the continuous launch of various PC games are conducive to the expansion of the gaming and e-sports market. MSI has been deeply involved in the field of e-sports for many years with the system product development centered around users and software and hardware highly integrated as it continues to develop more user-friendly new functions. In the high-end PC markets such as e-sports, MSI has become the first choice for players. In addition, MSI has also created a new high-performance thin and light notebook for the creators, which adheres to the Company’s tradition of basing the design on the needs of creators with an aim , we look forward to becoming the best partner of every user.

C. Servers, industrial computers, and automobile electronics:

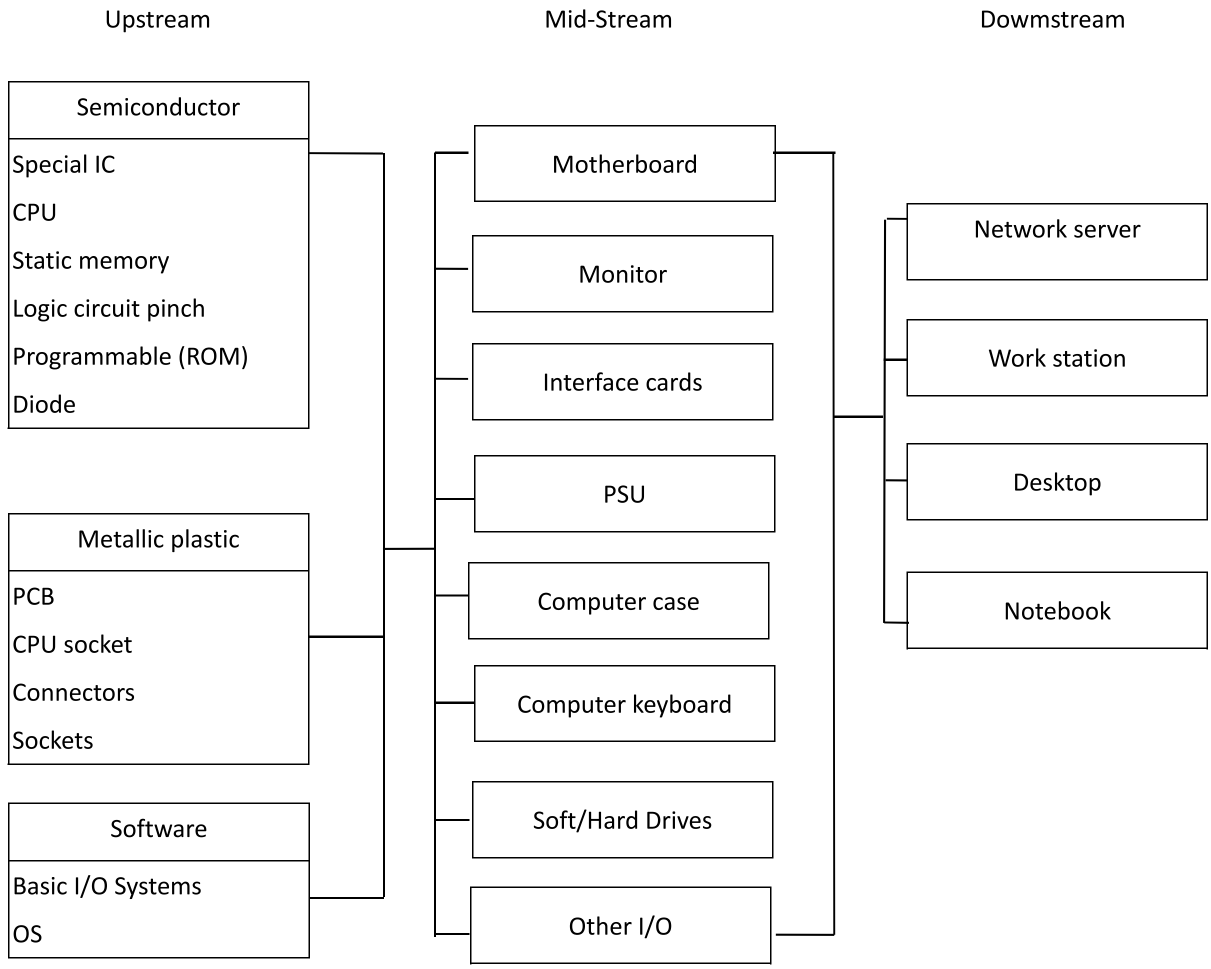
Industrial PCs are mainly applied in different industries and in a variety of special purposes; their design and functions are mostly tailored to different customer needs, which belongs to a business model of diverse products in small quantities. Customization and specialty also bring higher gross profits, and the average gross profit margin of global industrial computer manufacturers can reach as high as 30% to 40%.

IDC statistics show that global server shipments in 2020 are expected to grow by 3%, totaling 12.11 million units, and in 2021, shipments are expected to grow by 6%, totaling 12.89 million units. According to the analysis of the US "Commercial Vehicle Telematics Market" report, the global commercial vehicle telematics market size is US$8.49 billion in 2020, and it is expected that it will reach US$14.56 billion by 2026, with a compound annual growth rate of 9.4% from 2020 to 2026.

ITRI Industrial Economics and Knowledge Center (IEK) estimates that in 2030, global in-vehicle-related services will generate US$3 trillion in revenue, and the passenger economy will reach US$7 trillion in output value by 2050. The opportunities for in-vehicle Internet connection and safety auxiliary devices to become standard equipment are greatly increased. Vehicles with Internet connection provide information perceived by existing or autonomous vehicles collected through the sensor and the integration of multiple sensors, and thereby achieving decision-making and control functions.

The telematics system is the future trend. It has become a trend that the governments worldwide make laws to require all commercial vehicles to install Electronic Logging Devices (ELD). The increase of 5G connectivity plans and maturity of cloud technical application will further drive the growth of the global telematics system market. By combining the smart transportation system in the future, driver and vehicle safety will improve. Fleet owners can also enjoy more efficiency and opportunities for their commercial decisions.

(2)Correlation of the upstream, midstream, and downstream of the industry:




(3)Product development trends：

A. Parts and components:

Intel, AMD, and NVIDIA are the main chip suppliers for components and they all have new products that will be launched in 2021.The specifications and performance will exceed the existing products on the market. In particular, NVIDIA's new generation of graphics cards is in short supply, and it can be expected that a new wave of high-end computer market will have more significant growth with the launch of more gaming masterpieces. As for the manufacturing of PC components, Taiwanese manufacturers such as MSI are still in a leading position.

B.Systematic products:

The computer industry enters into a diverse and changeable stage. Product development is not limited to the hardware, but includes the integration of software and hardware platforms. MSI’s systematic products including laptop and desktop PCs are based on the fundamental needs of users. We upgrade the hardware, and emphasize on the progression of software functionality. We are devoted to the integration of software and hardware, and enhancement of users’ audiovisual experience, making it easier and more user-friendly to operate the products. In addition to the original e-sports and Content Creation series, our product line develops the latest business and productivity laptops and screens to meet the needs of business persons.

C. Servers, industrial computers, and automobile electronics:

The era of AIoT has arrived, and industrial computers have always been the core operating platform of various industries. In recent years, the industry has continued to face digital transformation, and the importance of industrial computers has increased day by day,Industrial computers are developing toward total solutions from hardware to software and from the front end to the back end. Vertical integration of services and applications requires the capability to develop the firmware and the technicality for vertical integration so that high-performance, integrative, expansive, and highly compatible system platforms may be applied to a variety of sectors. Therefore, individual manufacturers are developing the vertical integration application market and expediting their technicality required for a high level of integration. A flexible operational pattern and cost leadership will be the new wave of challenges.

Cloud computing brings the structural change to the server market. Although the deployment of large data centers can increase the shipment and revenue of server business, the demand of new servers will decrease since the business world utilizes the server applications through virtualization, or receives the services directly from the cloud service providers. ODM model and SI management stand side by side for MSI's server business. The conversion to the new platform Whitley is supported by our strength, the mainstream x86 structure. AMD structure starts to attract more customers, and increase the market share since it has a value per cost higher than Intel. Therefore, we also join the development of the AMD platform, while joining power structure and maintaining minimum shipments. We also deploy the ODM business in the global UTM market to provide comprehensive solutions for information security. In the future, AIoT will gradually complete its ecosystem through the combination of artificial intelligence + 5G + edge computing and other technologies. We have also stepped into the application of GPGPU/Edge Server to advance with the times and strengthen the multiple application fields of the servers.

In the development of automobile electronics, smart safety is the mainstream, including telematics, self-driving cars, and the Internet of vehicles, among others. With foreign heavyweight manufacturers putting in resources, Taiwan telematics suppliers are following suit and entering the automobile electronic field. MSI is a long-term investigator of telematics systems and has built a deep and solid R&D foundation. Certified by related international standards, it will continue to apply its robust capabilities in integrating software and hardware to contribute to total solutions such as FMS.

3. Overview of Technology and Research and Development

Research and development expenses and technologies or products successfully developed in the most recent year and up to the date the annual report was printed

Unit: NT$thousands

| Annual research and development expenditure | Research and development outcome |
|---|---|
| 2020.1.1~2020.12.31<br>3,724,340<br><br>2021.1.1~2021.3.31<br>1,309,884 | A. Motherboard<br>● Intel® 400 series motherboards support the 10th and 11th generation core processors.<br>● Intel® 500 series motherboards support the 10th and 11th generation core processors.<br>● AMD® 500 series motherboards supports the 3rd generation Ryzen™ processors<br>● Utilizing server grade PCB, 2oz thickened copper PCB and optimizing circuit to ensure high speed signal such as PCIe 4.0 running stable in long time.<br>● To improve the CPU performance by adopting Frozr Heatsink design, which is powered by double ball bearings fan. The exclusive Zero Frozr achieves the perfect balance between noise and performance.<br>● The heat dissipation design of FROZR HEATSINK adopts a double ball bearing design to provide the best performance for hardcore players. With the ZERO FROZR stop function, players can achieve a perfect balance between noise and performance.<br>● The OLED Dynamic Dashboard II has been upgraded to color panel, which is an on-board panel for Gamer to monitor all the status. It even allows Gamers to put customized logo by themselves.<br>● The pre-installed I/O Shielding gives end users a better DIY experience via pre-installed components and prevents users from damaging their motherboard while building the desktop, thereby decreasing RMA issue.<br>● The Audio Boost 5 HD is the latest sound technology, which enhances the bass effect with powerful sound experience. The Audio Boost 5 HD also received the Hi-Res Audio certification for its perfect sound performance.<br>● Exclusive CPU Cooler Tuning enhances CPU performance based on the system cooling condition.<br>● Next generation of M.2 Shield Frozr adopts the new improved “sandwich structure” to ensure the M.2 SSD is always in a good temperature environment even under full loading.<br>● The latest Wi-Fi 6E solution and LAN Manager provides the best online experience.<br>● The brand new MSI Center integrates all exclusive functions in one app to provide convenience to users.<br><br>B. Professional Graphics Cards<br>● Developed new graphics card with the MSI exclusive patented “TriFrozr” thermal design. This design is equipped with 3 fans and utilized the latest Torx fan, a huge heatsink and numerous heat pipes to provide maximum thermal efficiency. |

| | |
|---|---|
| | ● Developed graphics card with “Real-Time Ray Tracing” , “AI deep learning” and “graphic acceleration” technologies, for a new gaming experience.<br>● Developed a total S/W and H/W solution which utilized the latest GPU and visualization software for accelerated operation, to provide stunning images.<br>● Developed professional graphics cards dedicated for block chain application.<br>● Developed high-end graphics card with both water-cooling and fan-cooling based thermal solution. The new water-cooling architecture helps improved overall thermal efficiency for the chipset, memory and power module, to provide a more stable platform.<br>● MSI exclusive design of square thermal conduction surface, combined with large super heat pipes, to greatly improve thermal conductivity.<br>● MSI exclusive patented “Zero Frozr” energy-saving low-noise technology with temperature monitoring function, which automatically adjusts fan speed based on actual usage, to provide low temperature, silent and highly efficient cooling solution.<br>● Developed the new generation of MSI exclusive patented “Torx Fan 4.0” technology, with a further performance breakthrough. The exclusive drainage fan blade design creates a more concentrated wind current and wind pressure which makes the the second generation “TRI FROZR” dissipate heat faster<br>● Utilized high quality components: Hi-c Cap, SFC and Solid CAP, which passed MIL-STD-810G military standards. Solid and reliable materials make MSI synonymous with the highest quality and stability.<br>● Continuous improvement of MSI exclusive “Afterburner” application, which can accurately monitor and adjust clock, voltage and related parameters.<br>● Developed “MSI Center” which combines a variety of MSI calibration software and uses an integrated interface. The built-in AI intelligent engine can prioritize the allocation of system resources based on the most commonly used software by users, allowing users to optimize software applications, bringing superior experience and higher work efficiency.<br>● Exclusive cooperation between MSI and BlueStacks® to develop the MSI APP Player, allowing mobile games to seamlessly integrate with PCs, enjoying the large screen view and game control, and experiencing the high-performance PC gaming experience.<br>● Develop a variety of Gaming mouse designed for the needs of gamers, using the latest gaming-grade induction engine and special highly durable Japanese gaming microswitches. Light and balanced weight distribution and excellent ergonomic appearance provide gamers with the most comfortable experience.<br><br>C. Servers<br>● Develop the new architecture of High-speed computing.<br>● Develop the thermal solution of Server & GPGPU system with liquid cooling.<br>● Develop the new architecture of new generation Network application system |

- Develop the new architecture of next generation firewall (NGFW) & Unified threat management (UTM) & Intrusion prevention system (IPS).
- Develop the new generation Facial Recognition System.
- Develop the new generation POS.

D. Desktop computers

- Launched the Intel® and AMD® platform high-end gaming desktop series, and the latest NVIDIA® GeForce™ RTX™ 30 series gaming desktops.
- Expanded the Mini gaming desktop market and launched the latest Intel® series of Mini Gaming desktops such as Trident X, Trident AS, Trident A, and Trident 3.
- Launched the first AMD® platform Gaming desktop: MAG META series.
- Launched the MEG Aegis Ti5, the first Gaming desktop equipped with HMI technology.
- Continue to develop an exclusive heat dissipation technology - Silent Storm Cooling.
- The entire Gaming desktop series adopts 2.5G Ethernet and WiFi6 wireless network technology to provide players a smooth online gaming experience.
- Launched the Mini Business desktops Cubi series, and launched desktop computer products that meet the needs of the business market.
- Launched the All in One product line - PRO 22X/PRO 24X.
- Continue to develop the MSI Center, which contains cross-platform concept apps such as Duet Display (iOS) and MSI App (Android®).

E. Telematics and Automotive Electronics

- Vehicle-mounted rugged AI smart tablet and telematics gateway system, enable AI intelligent edge computing capabilities, provide networking and driver recognition and behavior monitoring AI functions for heavy industrial vehicles to improve vehicle safety and efficiency with further strengthen waterproof, fall resistance, and shock resistance to ensure system reliability in various applications.
- Connected entertainment systems for vehicles, including wired and wireless movie on-demand systems and two-zone independent audio and video systems, providing on-demand audio and video playback, Internet browsing, driving information, navigation, advertising, LBS application, and cloud background management.
- Hybrid Stadium & Arena Solution: wired and wireless hybrid video streaming solutions, providing real-time video, on-line ordering, audience voting and instant messaging, and other innovative services for stadium and arena environments.
- Next-generation high-resolution wireless projection system with 8K resolution multi-screen local and remote projection capability.

F. Laptops

| | |
|---|---|
| | ● MSI has penetrated the field of Gaming laptops for over 10 years. It currently has the most thorough laptops product line in the world, ranging from its large-scale flagship models, extreme thin and light, to the mid-level mainstream Gaming laptops. By covering this broad range, it allows consumers to choose the best suitable Gaming laptops base of their needs.<br>● MSI stayed ahead of the industry to bring a comprehensive product line based on the latest NVIDIA® RTX™ 30 graphics, and fully implemented new technology from the platform through collaboration with key partners to bring the best performance among the competition.<br>● Designed all new "Business & Productivity" laptops with enterprise security and business needs.<br>● The development and integration of "Passive Radiator" technology in speakers, using the double-sided Duo Wave driver design to greatly enhance the high and low frequency of the sound quality and volume of the speakers.<br>● Continue to cooperate with one of the top brands in the game industry "Steel Series®", and the use of MSI Mystic Light effect to create a personal and exclusive keyboard lighting with specific games.<br>● With the intense development of various social media & self-created media, the needs of editing audio, video, and pictures have grown to all time high. For the need of various Creators, MSI has precisely created an exclusive series of Creator laptops. using AI technology to help detect editing and drawing software used, and optimally allocates the best system resources for them, whether it is 3D modeling, dynamic images or even static picture editing.<br>● The newly developed "MSI Center" integrates different software tools across various product lines. By utilizing AI technology through Microsoft® Azure Cloud, MSI center can optimize gaming experience and speed up creative workflow. The innovative modular design allows users to install only the desired features, greatly improving user experience.<br>● MSI Design Center successfully implemented "etching" technology to the product's exterior design, bringing special edition design to life with 3D texture which greatly surpasses traditional print method.<br>● MSI Design Center conducts big amount of research on the design craftsmanship and the color trends to help determine the development direction. Picking the most popular representative colors to infuse into MSI laptops and customize the MSI's color plan.<br>● Continue to strengthen the laptop market for high-end professional mobile workstations, combining the product design and high-performance dedicated graphics cards to create more professional, efficient, and highly portable professional graphics laptops.<br><br>G. Monitors<br>● Development of the high-end curved Gaming monitor with features such as wide screen size, and 4K and WQHD high resolution.<br>● Continuing the development of the Gaming monitors that adhere to the standard of eSports tournaments and expanding the product coverage to the flat screen market. |

| | |
|---|---|
| | ● Development of a technology that can deeply integrate Gaming monitors with Gaming desktops and achieve the best gaming experience.<br>● Continuing the development of Gaming monitors that can show game-related status and information on the monitor panel. Cooperating with multiple gaming companies to promote the interactivity between the user and monitor, making the monitor more than just a display.<br>● Applying AI technology to Gaming monitors. With the information captured in big data, Gaming monitors now offers more personalized and user-friendly applications.<br>● Innovating monitors that are suitable for professionals within the Multimedia and Content Creation industry. Fine tuning the wide color gamut element that all the artists and creators care about.<br>● Continuing the development of Professional monitors that can help enhance the productivity for users with MSI eye-care technology & ergonomic design, both in the hardware and software aspect.<br>● A technological breakthrough, the world's leading 1000R curved display.<br><br>H. Case (Others)<br>● Develop high-end Gaming cases that are compatible with the latest Intel® / AMD® / NVIDIA® products, to support the Gaming needs of the DIY market.<br>● Develop case products used by Professional Designers and Content Creators to further support their high requirement needs.<br>● Develop liquid coolers to meet the high core heat dissipation requirements of current Intel® and AMD® processors, and match MSI gaming cases to provide a complete user experience.<br>● Introduce a power supply that can meet the wattage requirements of current Intel® and AMD® processors and high-end graphics cards, with MSI gaming cases to provide a complete user experience.<br><br>I. AMR (Autonomouse Mobile Robot)<br>● Develop AMR intelligent mobile robot based on AIOT.<br>● Develop several applications and field verifications of AMR-based compound assistive robots, including intelligent epidemic prevention and disinfection fleets and intelligent transportation fleets. |

4.Short-term and long-term development plan

(1)Short-term development plan：

Brand marketing: We continue to deepen the channel management with the self-expectation to be the first choice for e-sports products. After the success of the e-sports market, we have extended to the fields of content creators and business and productivity, pursuing laptops. At this stage, the main development direction of business marketing is to pursue the overall stable growth of various products such as laptops, desktops, motherboards, graphics cards, industrial computers, servers, and automotive electronics.

OEM: The Company works closely with international heavyweights in order to find out profitable commercial models. The economics of scale approach is adopted to continue bring down the production cost and to enhance the overall profits for the customers and the company.

Research and development, manufacturing, and service: From research and development of products to manufacturing, and mass production, customers are provided with high-quality products and after-sales services.

(2)Long-term development plan：

The Company builds on its solid R&D capabilities and has been well received among customers and users with its outstanding quality of products and optimal services. In the future, it will continue to be devoted to creating instant competitive advantages for its core capabilities and seeking opportunities to diversify its operations. Besides motherboards, display cards, laptops, servers, and desktop computers that it specializes in, it will also work hard to gradually become a profitable leader in other products such as industrial computers and automobile electronics.

(Ⅱ) Market Analysis and The Conditions of Sales and Production:

1. Market Analysis

(1)Sales Regions:

Unit: NT$ thousands

| Sales Region \ Year | | 2020 | | 2019 | |
|---|---|---|---|---|---|
| | | Net Sales | % | Net Sales | % |
| Export sales | Europe | 43,454,599 | 29.66% | 32,331,545 | 26.83% |
| | Asia | 50,153,441 | 34.23% | 49,677,491 | 41.23% |
| | America | 45,972,863 | 31.38% | 33,122,365 | 27.49% |
| | Others | 3,276,899 | 2.24% | 2,099,064 | 1.74% |
| Subtotal | | 142,857,802 | 97.51% | 117,230,465 | 97.29% |
| Domestic sales | | 3,644,987 | 2.49% | 3,260,952 | 2.71% |
| Total | | 146,502,789 | 100.00% | 120,491,417 | 100.00% |

(2) Market share and market demand and supply and market growth

A. Market Share

The Company is one of the heavyweight PC manufacturers in the world, with product lines including motherboards, display cards, desktop computers, laptops, and other commercial products. Because of its continuous devotion to increasing investment in research and development and brand management and focus on high-end markets with high gross profits such as that for Gaming, the Company is able to secure a steady leading position in terms of the sales and market shares of laptops and display cards. The motherboards, on the other hand, remain steady as one of the Top 3 on the market.

B. Supply

PCs are a mature sector. In 2021, approximately 357.4 million PCs will be shipped globally, which is an increase from 2020;, growly declined comparing with 2020. On emerging markets, however, business opportunities keep growing for Gaming. Multiple brands continue to invest in the research and development as well as marketing of Gaming-related products. Despite the competition, the Company will continue listening to the users in order to know their needs and will create products that meet users' needs with its professional R&D capabilities and production technology so as to become the No. 1 high-end brand referred by users.

C. Demand

As the gaming industry develops, players ask for enhanced audio and lighting effects in the games. The performance of regular low-priced computers cannot satisfy the players' need due to the rise of gaming competitions and livestream platforms. Therefore, the pursuit of performance directly increases the players' demand of mid- to high-end PCs, motherboards and display cards. In recent years, the significant growth of NVIDIA in gaming marketing also shows the shift of PC demand towards mid- and high-end products. The demand from content creators is not completely satisfied yet. According to the data published by the major software manufacturer Adobe, Such Company's creative platform has 25 million members, The demand of various content creation is high and complicated. MSI will also develop the products that tailor the users' need and become an indispensable partner for creators.

D. Competitive niche and advantageous and disadvantageous factors for future developments as well as response measures

① Competitive niche and advantageous factors for future developments

a. Outstanding product development capabilities

The Company has a management team with more than 20 years of experiences in research and development and technical experiences. The members are heads of respective business groups and supervisors at the main office. As such, they have a deep understanding of promising technologies and are efficient in making decisions. Meanwhile, they can combine numerous technical trends to make the best of teamwork. Research and development staff, on the other hand, are highly experienced professionals; they contribute to the outstanding R&D accomplishments of the Company and the award-winning stream of its products over the past years. The excellent rating with regard to its performance by professional media and user referral on respective major markets are the best proof.

b. Productivity featuring high quality and flexibility

From design, development, to mass production, the Company is known for its quality mass production technology and highly efficient productivity. Meanwhile, the Company constantly introduces and updates automatic and smart equipment in order to improve production quality and to bring down the cost. In addition, the Company has a systematic management process and complete educational training programs for operators so that the product yield rate exceeds 99%, which contributes significantly to both improved quality and product image.

c. Outstanding management capability

Information technology products are known for their short life cycle and fast changing prices. Potential competitors do not necessarily come from the same sector. In response to the quick changes in competition on the market, the Company pays attention to market dynamics at all times in order to respond quickly and to reduce the inventory stress. Risk management is concerned, the Company adheres to its credit policy for the security of outstanding accounts recevibable to keep the actual bad debt amount low. Therefore, its management capability demonstrated through both its management of the inventory and accounts receivable is highly recognized.

d. Sound management system and outstanding product quality

The Company is certified by ISO9001 Quality Management Systems, ISO14001 Environmental Management Systems, OHSAS18001 Occupational Health and Safety Assessment Series, IECQ QC 080000 Hazardous Substance Process Management System Requirements, IATF Automotive Quality Management System, and TL 9000 Telecommunications Quality Management System.

Order processing, material preparation, production control, field management, shipment and environmental protection, safety and health, risk management, and quality assurance are all included as part of standard and specification management. Engineering staff for research and development and manufacturing, among others, are also constantly devoted to the improvement of reasonable and automatic processes and reducing impacts on the environment as well as investigating alternative materials in order to improve the yield rate while at the same time bringing down the cost.

e. Pursuit of satisfying services for customers

Customers have increased demand for technical support and after-sales service. In order to increase customer satisfaction, the Company has after-sales service centers and online customer service available on major markets so that real-time assistance can be provided to customers and customers are entitled to convenient and quick services and technical support. The Company can also quickly keep track of market and user dynamics and investigate customer satisfaction to be the basis for quality advancement.

f. Flourishing developments of the Gaming and gaming sectors

According to Newzoo, a market research agency, global game players will reach 2.8 billion in 2021, and the overall output value of the gaming market will reach US$189.3 billion;

Furthermore, Digi Capital estimated that in 2023, the total revenue of software and hardware in the global gaming industry will exceed US$200 billion. Every government is getting serious about the gaming industry, and society has grown a higher recognition of it. There are large gaming competitions and livestreams domestically and overseas. The gaming industry market has been expanding. The company may land our products on the tremendous business opportunities brought by online gaming.

g.Rise of self-media

Nowadays, audiovisual and design content creation platforms are rising alongside the increase of communication bandwidth and speed. Each content creator’s requirements for hardware equipment vary, ranging from document, music creation, video shooting and editing. The requirements in common are stability and performance that tailor the scenario setting of the user. And MSI is inherently strong in such field.

② Disadvantageous factors for future developments

a. Short life span of information technology products. Spearheaded by main suppliers that have an effect on product development, downstream manufacturers can only follow market trends or the footsteps of international heavyweights in producing homogeneous products, which tends to result in price cut competition on the market and the difficulty to maintain reasonable profits. Many manufacturers in the industry try to secure their market share by reducing their prices, which, however, also squeezes the room for profitability.

b. Sectors accounting for a higher ratio in exportation is more easily affected by the volatility of exchange rate. Drastic changes in the exchange rate will affect their profitability.

C.Information communication continues to innovate. 5G, automotive electronics, and AIoT continue to increase demand for semiconductors. As the global wafer production capacity cannot be expanded immediately, it will crowd out the supply of semiconductors for PCs.

③ Countermeasures

a. Reinforced collaboration with key part suppliers in the upstream to develop competitive new products early on; devotion to R&D to help improve product efficacy and create high value-added and touching products for strengthened brand value and for creating reasonable profits for the Company; maintaining sufficient throughput to be capable of accepting ODM/OEM orders from international heavyweight clients and to improve income; and introduction of automatic and smart manufacturing to deal with diversification of products in small quantities and to more flexibly meet customers' demand by adjusting the production lines.

b. Increased ratio of paying in foreign currencies to bring up the natural hedging ratio to counterbalance assets and liabilities in foreign currencies and continued adoption of hedging measures such as foreign exchange hedging transactions to reduce risks associated with the volatility in exchange rate along with close attention paid to impacts of various policies of major countries, including tax reform and balance sheet reduction in the US and the changes in regional political and economic situations as a result of emerging trade protectionism and cautious response to impacts caused by capital flows in Asian and Central American countries, global exchange rates, and financial credit.

c.Fully grasp the needs of channel customers, and work closely with upstream suppliers to flexibly adjust production capacity to respond to changes in supply and demand in a timely manner and fulfill order shipments.

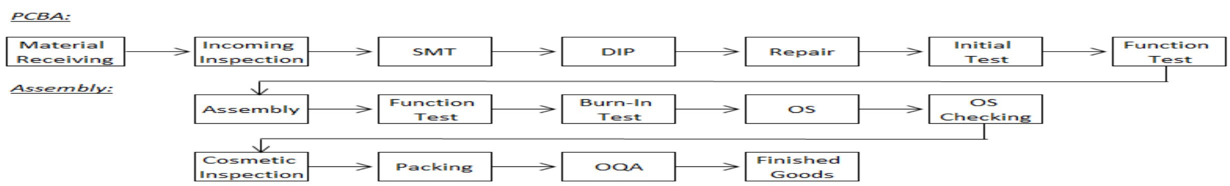
2. Important purposes and production/preparation processes of primary products

(1) Purposes of main products

The Company mainly manufactures and sells computers, motherboards, and interface cards. Motherboards are important components of computers that are responsible for output and input features, including sending images, controlling the network, sound effects, and other multi-media features; they are indispensable for computers.

| Name of product | Purpose |
|---|---|
| Motherboard | Important component of personal computers, taking care of internal computing, output, and input features of a computer system, the backbone of a computer |
| Laptop | A mobile PC with high-performance calculation. |
| Interface card | One of the important components of a PC, which converts the display information required by the computer system, drives and controls the display to present correct information, and an important component for human-machine dialogue. |

(2) Production processes



3. Supply of Major Raw Materials:

| Major Products | Major Raw Materials | Suppliers | Supply Status |
|---|---|---|---|
| Motherboard | Integrated Circuit | B | Stable supply available |
| | | C | Stable supply available |
| | Printed Circuit Board | Global Brands Manufacture Ltd. | Stable supply available |
| | | Palwonn Electronics (Suzhou) co., Ltd. | Stable supply available |

Note: Due to confidential business information and nondisclosure agreement concerns, some real vendors' names are substituted with codes.

4. Major Customers with over 10% Net Sales and Suppliers with over 10% total Purchases of the Last Two Fiscal Years:

(1) Purchases

Major Suppliers of the Last Two Fiscal Years

Unit: NT$ thousands

| Year | 2020 | | | | 2019 | | | | 2021Q1 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Item | Name | Amount | Percentage of net annual purchase〔%〕 | Relation with issuer | Name | Amount | Percentage of net annual purchase〔%〕 | Relation with issuer | Name | Amount | Percentage of net purchase of Q1〔%〕 | Relation with issuer |
| 1 | B | 27,881,168 | 22.45 | None | B | 23,226,957 | 23.17 | None | B | 7,853,316 | 23.30 | None |
| | Others | 96,289,780 | 77.55 | | Others | 77,018,531 | 76.83 | | Others | 25,846,485 | 76.70 | |
| | Net purchase amount | 124,170,948 | 100.00 | | Net purchase amount | 100,245,488 | 100.00 | | Net purchase amount | 33,699,801 | 100.00 | |

Note1: Due to confidential business information and nondisclosure agreement concerns, some real vendors' names are substituted with codes.

Note2: Causes of increase and decrease—Supply chain diversification.

(2) Sales: Not Applicable.

5. Production Quantities and Values of the Last Two Fiscal Years:

Unit: 1000 pieces; NT$ thousands

| Year / Product | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Capacity | Output | Amount | Capacity | Output | Amount |
| Computer and peripherals | 32,780 | 25,971 | 114,469,514 | 29,568 | 23,169 | 97,073,813 |

6. Sales Quantities and Values of the Last Two Fiscal Years:

Unit: 1000 pieces; NT$ thousands

| Year / Product | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Domestic Sales | | Export Sales | | Domestic Sales | | Export Sales | |
| | QTY | Amount | QTY | Amount | QTY | Amount | QTY | Amount |
| Computer and peripherals | 440 | 3,644,987 | 25,441 | 142,857,802 | 372 | 3,260,952 | 20,546 | 117,230,465 |

(Ⅲ)Employees

Status of employees over the past two years and up to the date of the report printed

| Item / Year | | 2020 | 2019 | As of April 30,2021 |
|---|---|---|---|---|
| Employee | Sales & Management | 1,023 | 1,013 | 1,042 |
| | Technician | 1,814 | 1,731 | 1,834 |
| | Total | 2,837 | 2,744 | 2,876 |
| Average age(years) | | 37.97 | 37.82 | 37.99 |
| Average years of service(years) | | 8.37 | 7.94 | 8.45 |
| Education (%) | Ph.D | 0.18 | 0.15 | 0.18 |
| | Masters | 21.94 | 20.30 | 22.43 |
| | College/University | 69.55 | 68.81 | 69.44 |
| | Senior High School | 7.01 | 8.97 | 6.68 |
| | Junior High School and below | 1.32 | 1.77 | 1.27 |
| | Total | 100.00 | 100.00 | 100.00 |

(Ⅳ)Environmental expenditures information

The company's operating activities are mainly about the production, assembly, research and development, sales of electronic products and related administrative operations as it belongs to the non-high pollution and high energy consumption industry, but the MSI is still committed to improving environmental protection and green product management. The relevant performance is as follows:

1. In the most recent year and as of the print and publication date of the annual report, is there any loss due to environmental contamination? Disclose the estimated amount now and possibly occurring in the future and responsive measures: None.
2. The management performance of the green products:
   (1) The total amount of fines or derivative losses incurred in the most recent year due to product violations of international environmental laws or clients' requirements on hazardous substances: None.
   (2) Issued "Green Product Control Regulations" and regularly revises them according to the latest international environmental protection laws and clients' requirements as the basis for the management of hazardous substances in the supply chain, as well as the internal green product design and selection criteria.
   (3)More than160,000 components have been certified by Green Products since 2010.

3.Environmental Management Performance:

The MSI operating activities are based on compliance with environmental laws 、continuous improvement of processes、work environment and equipment to reduce pollutant emissions、energy consumption and safety and health risks. Each environmental performance has a dedicated unit responsible for management and regular monitoring. The following will describe the status of various environmental performances during the reporting period.

(1) Passed the ISO 14001 environmental management system certification.

(2) Passed the 14064-1 Greenhouse Gas Accounting and Verification Certification for continuous improvement of greenhouse gas reduction.

(3) Our facilities and products' waste disposal management meet environmental protection requirements.

(4) The air/noise/sewage test results meet the requirements of the regional regulatory authorities.

4. Greenhouse Gas Management:

(1)The Company has carried out verification of greenhouse gas emission data since 2008 and has continually and actively implemented energy conservation practices.

(2)In 2010, the Company began to be surveyed for the Carbon Disclosure Project (CDP).

(3)MSI is committed to managing carbon emission and greenhouse gas emission. We pledge to achieve the following before 2030: 10% reduction in greenhouse gas emissions (2020 base),In 2020, in response to market demand, the Taoyuan plant has been added as a production base, and a new version of the greenhouse gas inventory standard (ISO-14064:2018) was introduced, resulting in changes in the scope and calculation method of the greenhouse gas emissions; and we will conduct continuous annual review on a rolling basis, Greenhouse Gas Emission of the reporting period(2020) : 61,345 tons CO2e.

(4)Environmental related emissions data for the past two years are as follows:

| Item / Year | 2020 | 2019 | Change(+/-) | Third-party verification status |
|---|---|---|---|---|
| Amount of greenhouse gas emissions (Metric Tons CO2e) | 61,345 | 59,092 | 2,253 | Verification has been conducted by Bureau Veritas Certification (Taiwan) Co., Ltd. (BVC) in accordance with ISO14064-1<br>・The verification statement is expected to be obtained on May 20, 2020 (ISO14064-1:2018) |
| Total water consumption (Megalitre) | 1,005.840 | 942.829 | 63,011 | Disclosed in the Corporate Social Responsibility Report (CSR), and verified by the British Standards Institution (BSI) Taiwan branch<br>・The CSR verification statement is expected to be obtained on June 4, 2020 |
| Amount of waste generated (Kilogram) | 6,977,645 | 6,047,637 | 930,008 | Disclosed in the Corporate Social Responsibility Report (CSR), and verified by the British Standards Institution (BSI) Taiwan branch<br>・The CSR verification statement is expected to be obtained on June 4, 2020 |

Note: The increase in the amount of greenhouse gas emissions, total water consumption, and waste generated in 2020 compared to 2019 is due to the inclusion into operation of the Taoyuan plant.

5. The electricity saving measures management:

Since the Company deals mainly with factory assemblies and office R&D processes, there are no highly energy-consuming operations at all. Water and electricity account for the majority of our consumption. As such, we are promoting water conservation, electricity saving, and improved power efficiency as part of our energy-saving efforts. Related measures are described below:

(1) Opening hours of boilers in the factory regulated living areas: Hot water usage is controlled by the IC card to reduce the use of fuels.

(2) Use of the air-compressor residual heat recycle system: Heat generated by the air compressor is recycled and re-heated to reduce the use of fuels.

(3) Air-cooling efficiency regulation: By means of regular inspections, hot spots for air-conditioning and areas with relatively few people go through proper temperature regulation to reduce the use of electricity resources.

(4) Zoned electricity consumption control: Electricity meters are installed in respective segments of production lines throughout the factory to control the electricity consumed for air-conditioning, lighting, and power. This is also enforced for the public cold-water machine room and nitrogen air compressor machine room.

(5) Lighting modification: Office spaces of Micro-Star have all been switched to use LED lights, which does not only increase the required lighting intensity in workplaces but also is more effective in terms of energy-saving.

(6) Water resource management: MSI adopts a water-free environmental production process. The primary water source is tap water to supply employee’s daily life. The main water resource management in respective plants promotes water-saving. The strategy is to improve the water usage facilities, such as installing water-saving valves, and water-saving faucets to save water in daily activities. With respect to wastewater treatment, the operational and production plants all meet the standards of sewage discharge prescribed by local government, and have reclaimed water systems in the factories. The recycled water is used for plant irrigation and toilet flushing.

6. Waste Electrical and Electronic Equipment Management:

(1) EU zone: entered into recycling system or undertaken waste product recycling plans according to EU's Waste Electrical and Electronic Equipment (WEEE) Directive and legal requirements in various EU nations. Products sold in EU zones should be entered into local recycling systems, and products need to be labeled with WEEE recycle bin to clearly ensure that we are in full compliance with WEEE Directive's regulations.

(2) Taiwan: recycling process of waste IT products is primarily handled by the Environmental Protection Administration (EPA) in Taiwan. The Company pays fees pertaining to recycle processing according to regulations for imported products, and these fees will be used toward recycling, issuing subsidies, audit approval for quantities processed, management of recycling firms, and administration duties by the EPA.

(3) Other zones: the Company undertakes relevant procedures and registers at qualified recycling systems according to local governmental requirements at different regions.

7. Corporate environmental protection expenditure and investments in 2020 are described as follows:

Amount (NTD)

| Item | 2020 | 2019 | The goal and benefits |
|---|---|---|---|
| The total expenditure on environmental protection | 23,914,457 | 20,629,333 | Includes waste disposal, sewage control and inspection, external environment management services, management system verification etc. |
| The total amount of investments in environmental protection | 307,703,000 | 247,474,000 | The company's environmental equipment operation and maintenance cost ensure that the equipment is working properly. |

8. The Company has been certified by ISO and the certificates can be found from below link.
https://storage-asset.msi.com/html/popup/csr_tw/about_management.html

(V) Employer-employee relations

1. The various employee benefits, continuing education, training, retirement system available at the Company and their implementation and the agreement between the employer and employees as well as protection of the various rights of employees

(1)Employee benefits:

The Company believes in sharing its operational accomplishments with its employees. We have the Employee Welfare Committee in place and we plan benefits for employees according to the Employee Welfare Guidelines so that our employees have a steady life and their rights are protected. The various benefits we offer to employees include group insurance, birthday giftfund, child birth and wedding giftfund, funeral and illness consolationfund, gifts (vouchers) on Labor Day and Mid-autumn Festival, arts and cultural events, society activities, periodic health examinations, travel subsidies, employee restaurants, cafeteria, dormitory, subsidies for gatherings, library, medical assistance room, nursery room, outstanding performance reward, year-end bonus, employee rewards, and other preferred solutions from time to time.

(2) Employee health management:

The Company cares about the health of its employees. There are professional medical assistance rooms available on respective premises and health examinations are organized periodically in order to keep track of and care about employees with abnormal health conditions. During flue seasons, there are reminders for employees so that they reduce visiting public areas and pay closer attention to personal hygiene. The Company also reinforce cleaning and disinfection of office areas and pay for the French trivalent Pasteur flu vaccine that it arranges for staff to receive. If a rapid screen is determined by the physician that finds a positive flu result, the employee will be entitled to 3 consecutive days off on official leave so that he/she can stay home and get well soon.

(3)Employee Assistance Program (EAP)：

The Employee Assistance Project (EAP) was initiated on 1 November, 2011. By dialing 8585 (help me, help me in Taiwanese), employees can get help for the following issues: work stress, emotional problems, tax, legal affairs, medical care, and others. By combing internal and external services, EAP helps employees to solve related problems and release work stress and emotions to regain mental health, so that their family will not need to worry about their physical and mental condition.

(4)Employee Development:

Employee development is our focus. Given employees are indispensable from the future development of MSI; therefore, we begin with the selection, education, and retention of employees. As for employee education, we start from plan and implement internal and external training for employees. We have also established the Training and Education Management Regulations as the reference of continuing education and internal training of employees. Employees at MSI can receive continuing education and seek self-development through comprehensive learning channels and resources, such as internal training, external training, and expatriation.

A.Newcomer general education

Regularly held newcomer consensus trainings with contents including work rules, employees' rights and related channels, the introduction to the MSI management system, green product concept, and corporate laws, general education of hazardous substance, business continuity management, first-aid knowledge, introduction of infirmary, fire safety, labor safety and health education, IT Center, and other trainings with basic concepts and case studies of current events. The training ratio for newcomers is 100%.

B.MSI University

We began planning the MSI University (MSIU) in 2009 to cope with the highly competitive business environment in the electronics industry with talent cultivation. By improving the R&D and innovation capacity in key technology and with the improvement of managerial competency and efficiency, we aim to enhance MSI employees' competitiveness in the electronics industry.

① Leadership College

With the planning focus of strengthening the awareness of the supervisors' role, understanding the Company's internal systems and operating procedures, and providing supervisors with leadership/management skills/employee care as the planning focus, a complete and fast compulsory management course has been designed, so that supervisors can have further training targeting their inadequate abilities, review what have been learned and learn something new, and the new supervisors can also quickly get the hang of the job. In 2020, we focused on leadership courses in aspects such as development of supervisory management skills, employee care and labor act practice, self-management and communication.

②Sales and Marketing College This series of courses include semi-annually skill development activities aimed at reinforcing the sales and management skills of overseas managers. A series of courses is also planned for sales executives overseas and at the head office to reinforce their abilities in market information surveying, selling and management and marketing. These courses simulate actual market scenarios in Europe and the US, and cover product knowledge, surveying customer needs, and actual selling at different stages. They focus on hands-on skills that can be directly applied to everyday operations.

③R & D College：Focuses on helping the staff expand their research and development vision and think about breakthrough methods. At the same time, the Company will study the application and development of artificial intelligence (AI), and continue to strengthen R&D management capabilities such as market analysis and product planning and problem analysis and resolution. At the same time, our internal R&D Technology Committee hosts R&D Managers' Conference quarterly to enable sharing and discussion of technology resources and applications through a cross-division information exchange platform for new technologies

④Technical Skills College Technical skills courses are designed to enable continuous development of manufacturing technology and mapping out of future directions.

⑤ E-School

In response to the sweeping wave of digital transformation, companies' business models, business strategies, and marketing tactics are all facing the challenges of digital transformation. In view of this, the newly established "E-School" under MSI University will focus on the development of digital thinking, professional knowledge and key skills required by digital talents, and establish a complete set of training courses from various aspects such as digital trends, digital technology and digital management to cultivate cross-field digital transformation talents.

| 2020 | Educational training | Expenditures (NT$) | Headcounts | Total hours |
|---|---|---|---|---|
| External training | Professional technical training | 563,281 | 93 | 645 |
| Internal training | Management skills training, professional training, general education | 1,780,201 | 3,808 | 8,513.5 |

(5)Pension plan:

The wage and pension system at MSI complies with local laws and regulations. The employee pension benefit plans are constituted precisely and apply to the length of service for all formal employees before the implementation of Labor Pension Act in July 1, in 2005. The plans are also applied to the seniority of those who choose to fall under the Labor Standards Act after the implementation of Labor Pension Act. In the name of Supervisory Committee of Business Entities Labor Retirement Reserve, retirement accounts are opened in Bank of Taiwan. In accordance with the old-age insurance system in the P.R.C., the MSIS and MSIK allocate pension premium for local workers based on a certain proportions of their payroll every month. The pensions of all staff would be made overall arrangements by the government. Please refer to page**147~151 & 217~221.**

(6)Since MSI was first established, in addition to constructing a positive, fair work environment and planning comprehensive employee benefits, we have also established the "Work Protocols" as the basic set of behavioral guide for employees to comply with. This is to clearly state the rights and obligations of both that the employees and the management, as well as employee behavior and ethics. The content of which is as follows:

A. Employees should abide by the law and the Articles of Association and to abide by the supervision of their supervisors.

B. Employees should not harm the good name and reputation of the Company, nor should employees use their positions to receive gifts.

C. Employees shall not disclose the company's business, technical, and other confidential information.

D. Establish the standards of employee salaries, cash rewards, bonuses, retirement, leaves, and standards of incentives and disincentives.

E. Sexual harassment prevention.

2.Losses borne due to employer-employee conflicts in the most recent year and up to the date the annual report was printed, possible estimated values at present and in the future, and countermeasures: There were no major employer-employee conflicts in the most recent year and up to the date the annual report was printed.

## (Ⅵ)**Material Contracts**

Important contracts that remained effective as of the date the annual report was printed and expired in the most recent year on supply and distribution, technical collaboration, engineering projects, long-term loans and that are sufficient to impact shareholders' equities:

| Nature of contract | Contracting Party | Term of Agreement | Main contents | Restrictions |
|---|---|---|---|---|
| Large authorization contract | Microsoft Corporation | From Aug.1, 2018 till termination by either party | GLOBAL PARTNER AGREEMENT Windows, Office, Apps & DSB software licensing | Non-negotiable |

# VI. Financial Information

(Ⅰ) Five-Year Financial Summary

1. Condensed Balance Sheet

(1) Condensed Balances Sheet (Consolidated)

Unit: NT$ thousands

| Item / Year | | Financial Summary for The Last Five Years (Note1) | | | | | As of March 31,2021 (Note2) |
|---|---|---|---|---|---|---|---|
| | | 2020 | 2019 | 2018 | 2017 | 2016 | |
| Current assets | | 71,361,468 | 53,761,821 | 49,356,897 | 43,185,288 | 44,556,225 | 74,645,575 |
| Property, plant and equipment (Note3) | | 5,130,094 | 4,893,433 | 4,738,544 | 5,087,802 | 5,092,392 | 5,421,003 |
| Intangible assets | | - | - | - | - | - | - |
| Other assets | | 1,905,953 | 1,693,454 | 1,078,732 | 880,299 | 819,167 | 1,967,521 |
| Total assets | | 78,397,515 | 60,348,708 | 55,174,173 | 49,153,389 | 50,467,784 | 82,034,099 |
| Current liabilities | Before distribution | 42,192,490 | 28,625,273 | 24,765,061 | 20,920,657 | 23,193,111 | 41,754,597 |
| | After distribution | (Note4) | 32,173,669 | 28,989,343 | 24,722,509 | 26,994,964 | (Note4) |
| Non-current liabilities | | 665,173 | 710,970 | 463,251 | 429,462 | 384,175 | 688,685 |
| Total liabilities | Before distribution | 42,857,663 | 29,336,243 | 25,228,312 | 21,350,119 | 23,577,286 | 42,443,282 |
| | After distribution | (Note4) | 32,884,639 | 29,452,594 | 25,151,971 | 27,379,139 | (Note4) |
| Equity attributable to shareholders of the parent | | 35,539,852 | 31,012,465 | 29,945,861 | 27,803,270 | 26,890,498 | 39,590,817 |
| Share capital | | 8,448,562 | 8,448,562 | 8,448,562 | 8,448,562 | 8,448,562 | 8,448,562 |
| Capital surplus | Before distribution | 804,214 | 803,918 | 1,226,049 | 1,225,615 | 2,070,471 | 804,214 |
| | After distribution | (Note4) | 803,918 | 803,620 | 1,225,615 | 1,225,615 | (Note4) |
| Retained earnings | Before distribution | 26,961,534 | 22,554,510 | 20,777,216 | 18,550,908 | 16,601,625 | 31,131,375 |
| | After distribution | (Note4) | 19,006,114 | 16,975,363 | 14,749,056 | 13,644,628 | (Note4) |
| Other equity interest | | (674,458) | (794,525) | (505,966) | (421,815) | (230,160) | (793,334) |
| Treasury shares | | - | - | - | - | - | 0 |
| Non-controlling interests | | - | - | - | - | - | 0 |
| Total equity | Before distribution | 35,539,852 | 31,012,465 | 29,945,861 | 27,803,270 | 26,890,498 | 39,590,817 |
| | After distribution | (Note4) | 27,464,069 | 25,721,579 | 24,001,418 | 23,088,645 | (Note4) |

Note1: The above financial information for each year was audited by CPA.

Note2: 2021Q1 financial report was reviewed by CPA.

Note3: MSI did not carry out asset revaluation from 2016 to 2021Q1.

Note4: Subject to the approval of annual shareholders' meeting 2021.

(2) Condensed Balance Sheet (Stand alone)

Unit: NT$ thousands

| Item / Year | | Financial Summary for The Last Five Years (Note1) | | | | |
|---|---|---|---|---|---|---|
| | | 2020 | 2019 | 2018 | 2017 | 2016 |
| Current assets | | 68,862,669 | 51,885,809 | 47,717,145 | 41,279,986 | 42,260,743 |
| Property, plant and equipment (Note2) | | 2,660,668 | 2,567,030 | 2,363,138 | 2,373,408 | 2,399,128 |
| Intangible assets | | - | - | - | - | - |
| Other assets | | 9,335,885 | 8,254,456 | 7,497,489 | 7,685,025 | 8,724,428 |
| Total assets | | 80,859,222 | 62,707,295 | 57,577,772 | 51,338,419 | 53,384,299 |
| Current liabilities | Before distribution | 44,922,050 | 31,246,204 | 27,296,657 | 23,228,722 | 26,262,842 |
| | After distribution | (Note3) | 34,794,600 | 31,520,939 | 27,030,574 | 30,064,695 |
| Non-current liabilities | | 397,320 | 448,626 | 335,254 | 306,427 | 230,959 |
| Total liabilities | Before distribution | 45,319,370 | 31,694,830 | 27,631,911 | 23,535,149 | 26,493,801 |
| | After distribution | (Note3) | 35,243,226 | 31,856,193 | 27,337,001 | 30,295,654 |
| Equity attributable to shareholders of the parent | | 35,539,852 | 31,012,465 | 29,945,861 | 27,803,270 | 26,890,498 |
| Share capital | | 8,448,562 | 8,448,562 | 8,448,562 | 8,448,562 | 8,448,562 |
| Capital surplus | Before distribution | 804,214 | 803,918 | 1,226,049 | 1,225,615 | 2,070,471 |
| | After distribution | (Note3) | 803,918 | 803,620 | 1,225,615 | 1,225,615 |
| Retained earnings | Before distribution | 26,961,534 | 22,554,510 | 20,777,216 | 18,550,908 | 16,601,625 |
| | After distribution | (Note3) | 19,006,114 | 16,975,363 | 14,749,056 | 13,644,628 |
| Other equity interest | | (674,458) | (794,525) | (505,966) | (421,815) | (230,160) |
| Treasury shares | | - | - | - | - | - |
| Non-controlling interests | | - | - | - | - | - |
| Total equity | Before distribution | 35,539,852 | 31,012,465 | 29,945,861 | 27,803,270 | 26,890,498 |
| | After distribution | (Note3) | 27,464,069 | 25,721,579 | 24,001,418 | 23,088,645 |

Note1：The above financial information for each year was audited by CPA.

Note2：MSI did not carry out asset revaluation from 2016 to 2020.

Note3：Subject to the approval of annual shareholders' meeting 2021.

2. Condensed Statement of Comprehensive Income

(1) Condensed Statement of Comprehensive Income (Consolidated)

Unit: NT$ thousands

| Item \ Year | Financial Summary for The Last Five Years (Note1) | | | | | As of March 31,2021 (Note2) |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2017 | 2016 | |
| Sales revenue | 146,502,789 | 120,491,417 | 118,527,273 | 106,419,905 | 102,190,503 | 48,004,960 |
| Net operating margin | 21,302,840 | 15,862,156 | 16,129,686 | 15,031,293 | 14,951,670 | 9,152,661 |
| Operating profit | 9,187,828 | 5,952,406 | 6,691,950 | 5,613,660 | 5,518,939 | 4,995,637 |
| Non-operating income and expenses | 409,065 | 566,027 | 459,184 | 364,892 | 303,233 | 156,560 |
| Profit before income tax | 9,596,893 | 6,518,433 | 7,151,134 | 5,978,552 | 5,822,172 | 5,152,197 |
| Income (Losses) from continuing operations for the year | 7,959,505 | 5,587,210 | 6,041,129 | 4,937,422 | 4,887,942 | 4,169,841 |
| Losses from discontinued operations | - | - | - | - | - | - |
| Profit for the year | 7,959,505 | 5,587,210 | 6,041,129 | 4,937,422 | 4,887,942 | 4,169,841 |
| Other comprehensive income for the year (Net of income tax) | 115,982 | (296,622) | (97,120) | (222,797) | (777,650) | (118,876) |
| Total comprehensive income for the year | 8,075,487 | 5,290,588 | 5,944,009 | 4,714,625 | 4,110,292 | 4,050,965 |
| Profit attributable to shareholders of the parent | 7,959,505 | 5,587,210 | 6,041,129 | 4,937,422 | 4,887,942 | 4,169,841 |
| Profit attributalbe to non-controlling interests | - | - | - | - | - | - |
| Total comprehensive income attributable to shareholders of the parent | 8,075,487 | 5,290,588 | 5,944,009 | 4,714,625 | 4,110,292 | 4,050,965 |
| Total comprehensive income attributable to non-controlling interests | - | - | - | - | - | - |
| Earnings per share (NT$) | 9.42 | 6.61 | 7.15 | 5.84 | 5.79 | 4.94 |

Note1: The above financial information for each year was audited by CPA.

Note2: 2021Q1 financial report was reviewed by CPA.

Note3: MSI did not capitalize its annual interest expense from 2016 to 2021Q1.

(2) Condensed Statement of Comprehensive Income (Stand alone)

Unit: NT$ thousands

| Item \ Year | Financial Summary for The Last Five Years (Note1) | | | | |
|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| Sales revenue | 144,805,966 | 118,740,373 | 116,988,422 | 105,404,563 | 100,749,878 |
| Net operating margin | 18,928,040 | 13,642,788 | 14,232,111 | 13,374,882 | 13,342,413 |
| Operating profit | 8,654,445 | 5,485,208 | 6,340,116 | 5,302,969 | 5,191,871 |
| Non-operating income and expenses | 773,635 | 919,011 | 689,118 | 549,147 | 542,204 |
| Profit before income tax | 9,428,080 | 6,404,219 | 7,029,234 | 5,852,116 | 5,734,075 |
| Income (Losses) from continuting operations for the year | 7,959,505 | 5,587,210 | 6,041,129 | 4,937,422 | 4,887,942 |
| Losses from discontinued operations | - | - | - | - | - |
| Profit for the year | 7,959,505 | 5,587,210 | 6,041,129 | 4,937,422 | 4,887,942 |
| Other comprehensive income for the year (Net of income tax) | 115,982 | (296,622) | (97,120) | (222,797) | (777,650) |
| Total Comprehensive income for the year | 8,075,487 | 5,290,588 | 5,944,009 | 4,714,625 | 4,110,292 |
| Profit attributable to shareholders of the parent | 7,959,505 | 5,587,210 | 6,041,129 | 4,937,422 | 4,887,942 |
| Profit attributalbe to non-controlling interests | - | - | - | - | - |
| Total comprehensive income attributable to shareholders of the parent | 8,075,487 | 5,290,588 | 5,944,009 | 4,714,625 | 4,110,292 |
| Total comprehensive income attributable to non-controlling interests | - | - | - | - | - |
| Earnings per share (NT$) | 9.42 | 6.61 | 7.15 | 5.84 | 5.79 |

Note1: The above financial information for each year was audited by CPA.

Note2: MSI did not capitalize its annual interest expense from 2016 to 2020.

3. Auditors' Opinions from 2016 to 2020

| Auditing Year | Accounting Firm | CPAs | Audit Opinion |
|---|---|---|---|
| 2016 | PricewaterhouseCoopers | Chou, Hsiao-Tzu<br>Lai,Chung-Hsi | Unqualified opinion with other matters paragraphs |
| 2017 | PricewaterhouseCoopers | Liang, Hua-Ling<br>Lai,Chung-Hsi | Unqualified opinion with other matters paragraphs |
| 2018 | PricewaterhouseCoopers | Liang, Hua-Ling<br>Lai,Chung-Hsi | Unqualified opinion with other matters paragraphs |
| 2019 | PricewaterhouseCoopers | Liang, Hua-Ling<br>Lai,Chung-Hsi | Unqualified opinion with other matters paragraphs |
| 2020 | PricewaterhouseCoopers | Liang, Hua-Ling<br>Lai,Chung-Hsi | Unqualified opinion with other matters paragraphs |

Note: CPA changed in 2017 due to PricewaterhouseCoopers' internal organization change.

(Ⅱ) Five-Year Financial Analysis

1. Financial Analysis for Consolidated Report

Financial Analysis for Consolidated Report

| Item | Year | Financial Analysis in the past Five Years (Note1) | | | | | As of March 31,2021 (Note2) |
|---|---|---|---|---|---|---|---|
| | | 2020 | 2019 | 2018 | 2017 | 2016 | |
| Financial structure % | Ratio of liabilities to assets | 54.67 | 48.61 | 45.72 | 43.44 | 46.72 | 51.74 |
| | Ratio of long-term capital to property, plant and equipment | 705.74 | 648.29 | 641.74 | 554.91 | 535.60 | 743.03 |
| Solvency % | Current ratio | 169.13 | 188.25 | 199.30 | 206.42 | 192.11 | 178.77 |
| | Quick ratio | 99.71 | 103.70 | 104.68 | 122.23 | 115.93 | 111.70 |
| | Times interest earned | 30,141.93 | 27,783.82 | 49,733.08 | 178,404.56 | 226,291.61 | 110,283.85 |
| Operating performance | Accounts receivable turnover (times) | 7.46 | 7.22 | 7.59 | 7.24 | 7.66 | 7.84 |
| | Average collection period | 49 | 51 | 48 | 50 | 48 | 47 |
| | Inventory turnover (times) | 4.91 | 4.56 | 5.19 | 5.45 | 5.42 | 5.68 |
| | Accounts payable turnover (times) | 5.26 | 5.92 | 6.61 | 5.36 | 5.10 | 5.67 |
| | Average days in sales | 74 | 80 | 70 | 67 | 67 | 64 |
| | Property, plant and equipment turnover (times) | 29.23 | 25.02 | 24.12 | 20.91 | 19.42 | 36.40 |
| | Total assets turnover (times) | 2.11 | 2.09 | 2.27 | 2.14 | 2.11 | 2.39 |
| Profitability | Ratio of return on total assets (%) | 11.51 | 9.71 | 11.60 | 9.92 | 10.08 | 20.81 |
| | Ratio of return on equity (%) | 23.92 | 18.33 | 20.92 | 18.05 | 18.57 | 44.40 |
| | Ratio of Profit before tax to paid-in capital (%) | 113.59 | 77.15 | 84.64 | 70.76 | 68.91 | 243.93 |
| | Profit ratio (%) | 5.43 | 4.64 | 5.10 | 4.64 | 4.78 | 8.69 |
| | Earnings per share (NT$) | 9.42 | 6.61 | 7.15 | 5.84 | 5.79 | 4.94 |
| Cash flow | Cash flow ratio (%) | 25.66 | 32.40 | 0.34 | 11.68 | 21.72 | 8.28 |
| | Cash flow adequacy ratio (%) | 79.89 | 80.93 | 49.76 | 83.34 | 94.93 | 91.93 |
| | Cash reinvestment ratio (%) | 17.54 | 13.84 | (10.00) | (3.80) | 5.97 | 7.52 |
| Leverage | Operating leverage | 1.55 | 1.74 | 1.64 | 1.73 | 1.76 | 1.35 |
| | Financial leverage | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

Note1: The above financial information for each year was audited by CPA.
Note2: 2021Q1 financial report was reviewed by CPA.

Analysis of financial ratio differences over 20% for the last two years:

| | |
|---|---|
| Ratio of return on equity | Profit for the year increased, causing the increase in ratio of return on equity. |
| Ratio of Profit before tax to paid-in capital | Profit before income tax this year increased, causing the increase in ratio of profit before tax to paid-in capital. |
| Earnings per share | Profit for the year increased, causing the increase in earnings per share. |
| Cash flow ratio | The increase in current libilities caused the decrease in cash flow ratio. |
| Cash reinvestment ratio | The net cash flow from operating activities this year increased while the cash dividend decreased, causing the increase in cash reinvestment ratio. |

2.Financial Analysis for separate report

Financial Analysis for Stand Alone Report

| Item | | Financial Analysis in the past Five Years(Note) 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| Financial structure % | Ratio of liabilities to assets | 56.05 | 50.54 | 47.99 | 45.84 | 49.63 |
| | Ratio of long-term capital to property, plant and equipment | 1,350.68 | 1,225.58 | 1,281.39 | 1,184.36 | 1,130.47 |
| Solvency % | Current ratio | 153.29 | 166.05 | 174.81 | 177.71 | 160.91 |
| | Quick ratio | 89.86 | 88.90 | 89.52 | 102.11 | 94.49 |
| | Times interest earned | 44,061.95 | 47,524.61 | 77,951.74 | 796,306.26 | 731,487.12 |
| Operating performance | Accounts receivable turnover (times) | 7.10 | 6.96 | 7.32 | 7.03 | 7.31 |
| | Average collection period | 51 | 52 | 50 | 52 | 50 |
| | Inventory turnover (times) | 4.97 | 4.58 | 5.20 | 5.49 | 5.48 |
| | Accounts payable turnover (times) | 5.45 | 6.11 | 6.73 | 5.40 | 5.15 |
| | Average days in sales | 73 | 80 | 70 | 66 | 67 |
| | Property, plant and equipment turnover (times) | 55.40 | 48.17 | 49.40 | 44.17 | 41.81 |
| | Total assets turnover (times) | 2.02 | 1.97 | 2.15 | 2.01 | 1.96 |
| Profitability | Ratio of return on total assets (%) | 11.11 | 9.31 | 11.11 | 9.43 | 9.50 |
| | Ratio of return on equity (%) | 23.92 | 18.33 | 20.92 | 18.05 | 18.57 |
| | Ratio of Profit before tax to paid-in capital (%) | 111.59 | 75.80 | 83.20 | 69.27 | 67.87 |
| | Profit ratio (%) | 5.50 | 4.71 | 5.16 | 4.68 | 4.85 |
| | Earnings per share (NT$) | 9.42 | 6.61 | 7.15 | 5.84 | 5.79 |
| Cash flow | Cash flow ratio (%) | 20.28 | 26.24 | (3.62) | 4.05 | 15.42 |
| | Cash flow adequacy ratio (%) | 67.52 | 70.28 | 37.15 | 69.60 | 84.70 |
| | Cash reinvestment ratio (%) | 15.36 | 12.49 | (15.44) | (9.91) | 3.93 |
| Leverage | Operating leverage | 1.48 | 1.63 | 1.54 | 1.62 | 1.65 |
| | Financial leverage | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

Note: The above financial information for each year was audited by CPA.

Analysis of financial ratio differences over 20% for the last two years:

| | |
|---|---|
| Ratio of return on equity | Profit for the year increased, causing the increase in ratio of return on equity. |
| Ratio of Profit before tax to paid-in capital | Profit before income tax this year increased, causing the increase in ratio of profit before tax to paid-in capital. |
| Earnings per share | Profit for the year increased, causing the increase in earnings per share. |
| Cash flow ratio | The increase in current libilities caused the decrease in cash flow ratio. |
| Cash reinvestment ratio | The net cash flow from operating activities this year increased while the cash dividend decreased, causing the increase in cash reinvestment ratio. |

Glossary:
1. Financial structure
(1) Ratio of liabilities to assets = Total liabilities / Total assets
(2) Ratio of long-term capital to property, plant, and equipment = (Total equity +Non-current liabilities) / Net property, plant, and equipment

2. Solvency
(1) Current ratio = Current assets / Current liabilities
(2) Quick ratio = (Current assets- Inventory-Prepaid expenses) / Current liabilities
(3) Times interest earned = Net income before tax and interest expense/ Interest expense of the year

3. Operating ability
(1) Accounts receivable turnover (including accounts receivable and notes receivable derived from business operation) = Net sales / Average accounts receivable (including accounts receivable and notes receivable derived from business operation).
(2) Average collection period = 365 / Accounts receivable turnover
(3) Inventory turnover = Cost of goods sold / Average inventory amount
(4) Accounts payable turnover (including accounts payable and notes payable derived from business operation) = Cost of goods sold / Average accounts payable (including accounts payable and notes payable derived from business operation)
(5) Average days in sales = 365 / Inventory turnover
(6) Property, plant, and equipment turnover = Net sales / Average net property, plant, and equipment
(7) Total assets turnover = Net sales / Average total assets

4. Profitability
(1) Ratio of return on total assets= [Net income (loss) + Interest expense x (1 - tax rate)] / Average total assets
(2) Ratio of return on Equity = Net income (loss) / Average total equity
(3) Profit ratio = Net income (loss) / Net sales
(4) Earnings per share = (Profit attributable to shareholders of the parent – preferred stock dividend) / Weighted average stock shares issued

5. Cash flow
(1) Cash flow ratio = Net cash flow from operating activity / Current liabilities
(2) Net cash flow adequacy ratio = Net cash flow from operating activity in the past five years / (Capital expenditure + Inventory increase + Cash dividend) in the past five years
(3) Cash reinvestment ratio = (Net cash flow from operating activity - Cash dividend) / (Gross property, plant, and equipment + Long-term investment + Other non-current assets + working capital)

6. Leverage
(1) Operating leverage = (Net Sales revenue – Variable operating cost and expense) / Operating profit
(2) Financial leverage = Operating profit / (Operating profit - interest expense)

(Ⅲ) Audit Committee's Review Report of 2020.

**Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2020 Business Report, Financial Statements, and proposal for allocation of earnings. The CPA firm of PWC was retained to audit MSI's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Micro-Star International Co., Ltd. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

Micro-Star International Co., Ltd.

Chairman of the Audit Committee:
Mr. Wang,Sung-Chou

March 22, 2021

(Ⅳ)Financial statements in the most recent years : Please refer to page**108～181**

(Ⅴ) Corporation-only financial report audited and attested by a CPA from the most recent year: Please refer to page **182～242**

(Ⅵ)State the financial position of the Company if any insolvency occurs in the Company or affiliates in the most recent year until the date this report is printed：None

# Ⅶ. Review of Financial Conditions, Financial Performance, and Risk Management

## (Ⅰ) Analysis of Financial Status

Comparison and Analysis of Financial Status

Unit: NT$ thousands

| Item \ Year | 2020 | 2019 | Difference | |
|---|---|---|---|---|
| | | | Amount | % |
| Current Assets | 71,361,468 | 53,761,821 | 17,599,647 | 32.74% |
| Property, plant, and equipment | 5,130,094 | 4,893,433 | 236,661 | 4.84% |
| Intangible assets | - | - | - | - |
| Other Assets | 1,905,953 | 1,693,454 | 212,499 | 12.55% |
| Total Assets | 78,397,515 | 60,348,708 | 18,048,807 | 29.91% |
| Current Liabilities | 42,192,490 | 28,625,273 | 13,567,217 | 47.40% |
| Non-current liabilities | 665,173 | 710,970 | (45,797) | (6.44%) |
| Total Liabilities | 42,857,663 | 29,336,243 | 13,521,420 | 46.09% |
| Equity attributable to shareholders of the parent | 35,539,852 | 31,012,465 | 4,527,387 | 14.60% |
| Share capital | 8,448,562 | 8,448,562 | 0 | 0.00% |
| Capital surplus | 804,214 | 803,918 | 296 | 0.04% |
| Retained Earnings | 26,961,534 | 22,554,510 | 4,407,024 | 19.54% |
| Other equity interest | (674,458) | (794,525) | 120,067 | 15.11% |
| Treasury shares | - | - | - | - |
| Non-controlling interests | - | - | - | - |
| Total Equity | 35,539,852 | 31,012,465 | 4,527,387 | 14.60% |

(1) Analysis of significant changes in assets, liabilities and equity for the last two years:
Current assets: The increase was mainly due to increase in cash, accounts receivable and inventory.
Total assets: The increase was mainly due to increase in current assets.
Current liabilities: The increase was mainly due to increase in short-term borrowings, accounts payable, other payables, tax liabilities and refund liabilities.
Total liabilities: The increase was mainly due to increase in current liabilities.

(2) Future plans for the major impact on financial position：The above deviations were caused by general business operations, having no major impact on MSI’s financial position.

( Ⅱ ) Analysis of Financial Performance

Comparison and Analysis of Financial Performance

Unit: NT$ thousands

| Item \ Year | 2020 | 2019 | Amount | % |
|---|---|---|---|---|
| Sales revenue | 146,502,789 | 120,491,417 | 26,011,372 | 21.59% |
| Net operating margin | 21,302,840 | 15,862,156 | 5,440,684 | 34.30% |
| Operating profit | 9,187,828 | 5,952,406 | 3,235,422 | 54.35% |
| Non-operating income and expenses | 409,065 | 566,027 | (156,962) | (27.73%) |
| Profit before income tax | 9,596,893 | 6,518,433 | 3,078,460 | 47.23% |
| Income (Losses) from continuting operations | 7,959,505 | 5,587,210 | 2,372,295 | 42.46% |
| Losses from discontinued operations | - | - | - | - |
| Profit for the year | 7,959,505 | 5,587,210 | 2,372,295 | 42.46% |
| Other comprehensive income for the year (Net of income tax) | 115,982 | (296,622) | 412,604 | 139.10% |
| Total comprehensive income for the year | 8,075,487 | 5,290,588 | 2,784,899 | 52.64% |
| Profit attributable to sharholders of the parent | 7,959,505 | 5,587,210 | 2,372,295 | 42.46% |
| Profit attributable to non-controlling interests | - | - | - | - |
| Total comprehensive income attributable to shareholders of the parent | 8,075,487 | 5,290,588 | 2,784,899 | 52.64% |
| Total comprehensive income attributable to Non-controlling interests | - | - | - | - |
| Earnings per share | 9.42 | 6.61 | 2.81 | 42.51% |

1. Analysis of significant changes in sales revenue, operating profit, and profit before income tax for the last 2 years:
   Sales revenue: The increase was mainly due to increase in shipments of computers and peripherals.
   Net operating margin: The increase was mainly due to increase in shipments and gross margin of computers and peripherals.
   Operating profit: The increase was mainly due to increase in net operating margin.
   Non-operating income and expenses: The decrease was mainly due to increase in other losses.
   Profit before income tax: The increase was mainly due to increase in net operating income.
   Income from continuting operations: The increase was mainly due to increase in net operating income.
   Profit for the year: The increase was mainly due to increase in net operating income.
   Other comprehensive income for the year: The increase was mainly due to increase of financial statements translation differences from foreign entities.
   Total comprehensive income for the year: The increase was mainly due to increase in profit for the year.
   Earnings per share: The increase was mainly due to increase in profit for the year.

2.Possible impact on financial performance and future plans:
   There is no disadvantage on future finance and business.

(Ⅲ)Analysis of Cash Flow

Unit：NT$ thousands

| Beginning cash balance (A) | Net cash flow from operating activities (B) | Cash inflow(outflow) (C) | Cash surplus (deficit) (A)+(B)+(C) | Remedial measures for the expected insufficient cash | |
|---|---|---|---|---|---|
| | | | | Investment plan | Financing plan |
| 10,709,045 | 10,824,668 | (2,947,758) | 18,585,955 | - | - |

1. Analysis of Cash flow change:
   (1) Operating activities: cash inflow 10,824,668
   (2) Investing activities: cash outflow 792,535
   (3) Financing activities: cash outflow 2,274,801
   (4) Exchange rate changes: cash inflow 119,578

2. Remedial actions for liquidity shortfall: Not Applicable.

| Item \ Year | 2020 | 2019 | Variance |
|---|---|---|---|
| Cash flow ratio | 25.66% | 32.40% | (20.80%) |
| Cash flow adequacy ratio | 79.89% | 80.93% | (1.29%) |
| Cash reinvestment ratio | 17.54% | 13.84% | 26.73% |
| Analysis of financial ratio change:<br>The increase in current libilities caused the decrease in cash flow ratio.<br>The net cash flow from operating activities this year increased while the cash dividend decreased, causing the increase in cash reinvestment ratio. | | | |

3. Cash flow analysis for the coming year:

Unit：NT$ thousands

| Beginning cash balance | Estimated net cash flow from operating activities | Estimated cash inflow(outflow) | Estimated Cash surplus (deficit) | Remedial measures for the expected insufficient cash | |
|---|---|---|---|---|---|
| | | | | Investment plan | Financing plan |
| 18,585,955 | 14,600,000 | (9,600,000) | 23,585,955 | - | - |
| (1) Analysis of cash flow change in current period:<br>A. Operating activities: Cash inflow this year is expected to be due to profit and working capital changes.<br>B. Investing and financing activities：Cash outflow this year is expected to be due to the issuance of cash dividend and equipments and short-term loans replacement.<br>(2) Remedial actions for liquidity shortfall: Not Applicable. | | | | | |

(Ⅳ) Recent years major capital expenditures and impact on financial and business: The Company had no capital expenditures that have a significant impact on the financial and business in 2020.

(Ⅴ)Reinvestment in recent years:

1.The company's reinvestment policy for the most recent fiscal year:

The re-investment policy of the Company is meant mainly to explore overseas markets and provide in-depth services in major countries so that the revenue and worldwide market shares can be increased.

2.The main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability: Income from reinvested businesses of the Company in 2020 totaled NT$667,569 thousand mainly due to COVID 19 pandamic economy, work from home, learn from home, increased consumer demand, growths in sales of overseas subsidiaries, and stable profits.

3.Investment plans for the coming year: Currently, no significant investment plans will be processed this year.

(Ⅵ)Risk analysis and evaluation in recent years and up to the date of the annual report printed

1.The impact of interest rate, exchange rate, and inflation on the Company’s income and expense and the responsive measures:

(1) Interest rate

The changing interest rate can impact the Company in two parts. As far as assets are concerned, income for the Company from cash and cash equivalents increases or decreases as the interest rate changes. For liabilities, expenditure on interest charged for short-term loans also increases or decreases as the interest rate changes. The impacts on the assets and liabilities from the changing interest rate as described above can be counterbalancing. If it is expected that the interest rate will significantly change, the Company can reduce its impact on the Company’s profits and losses by adjusting durations of deposits and borrowings or through interest rate swap.

(2) Exchange rate

Sales of the Company are mainly export-oriented. Among them, more than 70% are priced in USD. Among the materials purchased, also more than 90% are paid in USD. The natural hedging ratio is high. Plus the current exchange rate hedging that is adopted to reduce risks associated with the changing exchange rate, the impacts of changing exchange rate on the Company are not too huge. The Company will continue to reduce the impacts that the changing exchange rate has on profits and losses by undertaking hedging transactions.

(3) Inflation

Generally speaking, inflation affects the purchasing power and willingness of consumers and reduces the demand for consumer products; it will have a negative influence on the overall revenue and profits and losses of the Company. Impacts of inflation, however, are comprehensive; that is, not only individual companies are affected. In other words, the government financial departments shall stipulate related measures with macroeconomics in mind. Nevertheless, the Company will devoted to bringing down its production cost in order to keep its revenue by introducing products at a price that can better inspire consumers to buy and to accordingly reduce the negative impacts that inflation has on the Company's profits and losses.

2.Conducting high-risk and high-leverage investment, granting loans to others, endorsement & guarantee and directives policy, root cause of profit and loss, and the responsive measures:

The Company’s policy is not to undertake high-risk, high-leverage investments and not to lend funds to others or serve as endorser or guarantor. In terms of its policy on derivatives, it only engages itself in hedging transactions. The exchange rate hedging transactions the Company undertook in the most recent year accordingly reduced the impacts of the changing exchange rate on the Company’s profits and losses. In the future, such undertaking will keep going in order to reduce the impacts that the volatility in exchange rate on the Company's profitability.

3.R&D plans and budgeted R&D expense：

Products development planned in 2021

(1)Products development

A. Motherboards

- Development of the next generation of Intel® Gaming, Content Creation and Business Professional motherboards.
- Development of the new AMD® 500 Series Gaming and Business Professional motherboards for the Ryzen™ 5000 series processors.
- Development of the new AMD® TRX40 Series business professional motherboards for the new Ryzen™ Threadripper series processors.
- Development of high performance and more reliable motherboards that can support more core processors
- Development of high-specs motherboards with latest technology and better heat dissipation.
- Development of better thermal solution and coating for the heatsink on motherboard.
- Development of new RGB effect and materials for a better gamer experience.
- Development of more expansion cards for different functions and applications.
- Improvement of S/W applications to provide better performance and experience.

B. Professional Graphics Card

- Development of graphics card and thermal modules with better performance and lower energy consumption.
- Development of overclocking graphics card with the latest technology and components.
- Development of fans with better heat dissipation and lower noise.
- Development of graphics card with improved RGB lighting effects and functions.
- Continuous improvement and integration of graphics card S/W applications.
- Development of more professional Gaming peripherals
- Development of Creator Series graphics card solution.

C. Servers

- Development of the new generation Server and GPGPU system with Intel® Eagle Stream and AMD® Genoa platform.
- Development of the new generation Network application system with Intel® Catlow & Tanner Ridge & Elkhart Lake platform.
- Development of the Telecom next generation firewall (NGFW) 16U chassis-based system
- Development of the next generation firewall (NGFW) with Intel® Whitley platform and switch fabric PAM4 400G enhancement.
- Development of the next generation firewall (NGFW) with AMD® Rome platform and switch fabric 100G enhancement.
- Development of the new generation Facial Recognition System with Intel® Tiger Lake-UP3 platform.
- Development of the new generation POS with Intel® Elkhart Lake platform.

D. Desktop Computers

- Develop Intel® latest desktop computers on Rocket Lake and Alder Lake platforms.
- Develop a series of desktop computers with the latest AMD® platform.
- Develop Gaming desktops suitable for the use of games streaming.
- Develop compact Creator series desktops.
- Develop a series of desktops for Business professionals.
- Develop a series of All-in-one desktops for High-end Business applications.
- Continue to develop an exclusive heat dissipation technology - Silent Storm Cooling.
- Continue to develop software application - MSI Center that meets the needs of customers.
- Develop Gaming desktops that combine AI technologies to provide players with products that are more intuitive to use.

E. Telematics and Automotive Electronics

- Rugged tablet with AI computing capability for next-generation heavy vehicles.
- Rugged vehicle-mounted intelligent data communication gateway.
- 8K multi-screen wireless projection system.
- New generation MOD server.
- Face recognition and temperature measurement system.

- UVC sterilization system for vehicles.

F. Laptops
- Designed Gaming laptops with more immersive gaming experience.
- Incorporated AI applications into laptops.
- All new “Business & Productivity” laptops with enterprise security and business needs.
- Designed Professional laptops targeting at Content Creators, aimed to improve work efficiency.
- Devoted efforts to develop Professional Workstations with more linkage to professional ISVs.

G. Monitors
- Development of the high-end curved Gaming monitors with features such as wide screen size, 4K and WQHD high resolution.
- Continuing the development of the Gaming monitors that adhere to the standard of eSports tournaments.
- Continuing the development of Gaming monitors that can show game-related status and information on the monitor panel
- Applying AI technology to Gaming monitors.
- Innovating monitors that are suitable for professionals within the Multimedia and Content Creation industry.
- Innovating Professional monitors with high refresh rate that bring a more confortable viewing experience for users.
- Innovating Professional monitors with Smart Sensor and Active Noise Cancellation (ANC) Technology that bring the best viewing experience & enhanced productivity for users.
- Innovating curved professional monitor that bring the most comfortable environment for users while working for a long time.

H. Case (Others)
- Develop an AI control device to provide a better experience for the AI environment setting.
- Enhance the MSI Center software connection for all MSI products.
- Added liquid coolers around case products to provide a complete user experience.
- Provide peripheral wire accessories for ITX cases or vertical graphics card installations.
- Continue to conduct research and development on silence themed products, with the Silent Gale fan developed by MSI as the key player and apply it to MSI cases, liquid coolers, and power supply products.
- Enhanced fan stop technology for liquid coolers, cases, and power supplies. Users can save on power bills and have a quieter experience in low loading situations.

I. AMR (Autonomous Mobile Robot)
- AMR Factory Automation related products.
- AMR Hospital Care related products.
- AMR Long Care related products.

(2) Progress of unaccomplished R&D plans: Product design and development stage.
(3) Current progress of R&D projects yet to be completed: The overall progress is about 20% to 80% at present, depending on respective products involved.
(4) Major factors that affect the future success of R&D：A. Market factor B. Delayed key parts and components C. Shortage of parts and components.
(5)R&D budget in 2021：NT$3.75 billion
(6)Projection on mass production:2021～2022。

4.The impact of domestic and international policies and law change on the Company’s finance and the responsive measures：None
5.The impact of technology change and industrial change on the Company’s finance and the responsive measures：None
6.The impact of industrial image change on business risk management and the responsive measures：None
7.The expected effect, potential risk, and responsive measures of merger：None
8.The expected effect, potential risk. and responsive measures of plant expansion：None
9.The risk relating to excessive concentration on procurement and customer：None
10.The impact of massive stock transfer or change by directors, supervisors, and shareholders with over 10% shareholding, the risk, and the responsive measures：None
11.The impact of right to operate change on the Company. The risk, and the responsive measures：None

12.Legal and non-legal events：

(1)As of the publication date of annual report, whether the directors, supervisors, President, and shareholders with shareholding ratio over ten percent of the Company are involved in any significant litigation, non-litigation or administrative litigation cases, such cases have been sentenced or are currently pending, and the results there of have a significant impact on shareholders' equity or securities price：None

(2) Significant litigation, non-litigation or administrative litigation cases of the Company in the most recent years and up to the date, such cases that have been sentenced or are currently pending, and the results thereof that have a significant impact on shareholders' equity or securities price：None

13.Other significant risks and responsive measure：

(1) Risk management policy: The Company's policy towards risk management is to evaluate possible impacts of the various risk matters on the profits and losses of the Company and to stipulate respective response policies accordingly.

| Risk assessment | Impacts on profits and losses | Countermeasure |
|---|---|---|
| 1. Financial risk | The Company has an optimal financial structure; its debt ratio is 55% and net worth reaches 35.5 billion. Financial risk is hence not high. | Continue with the optimal financial structure in order to reduce financial risk |
| (1) Market risk (including exchange rate and interest rate) | Major products of the Company are sold to Europe, Asia, and America; they are not overly focused on a specific single market. Therefore, market risk is not high. | Continue to diversify areas of distribution in order to reduce market risk |
| (2 ) Credit risk | The primary credit risk of the Company comes from accounts receivable from its customers. Insurance has been purchased for the accounts receivable as safety measure to reduce such risk. Therefore, credit risk is not high. | Continue to have accounts receivable covered by insurance as safety measure to reduce credit risk |
| (3) Liquidity risk | The current ratio of the Company is up to 169%; the liquidity risk is not high. | Continue with the optimal current ratio in order to reduce liquidity risk |
| (4) For the nature and extent of significant financial risks, refer to Pages **161**～**167** , **233**～**239** for details. | | |
| 2. Legal risk - domestic laws and regulations | The Labor Standards Act was revised on December 21, 2016. (One fixed day off and one flexible rest day) | With the implementation of the new system under the Labor Standards Act, companies follow the Labor Standards Act while calculating the service hours, days available for leave, and overtime for their employees and calculation of overtime for working on days off is added to the revised Act. In addition, service on days off is under strict control in order to meet regulatory requirements. |
| | Labor Incident Act implemented from Jan. 1, 2020 | To comply with the Act, the Company holds seminars for managers in order to have better communication between supervisors and staffs and minimize the laber cases. Meanwhile, employees and his/her supervisors may receive emails from the Company when employees work overtime. The email is indicating the Compnay's care and willing to assist. Supervisors of employees may evaluate if any adjustment needed for the job loading. |

| | | |
|---|---|---|
| 3. Evaluation of strategic and operational risks | The Company successfully extended its scope of business from core products, such as computer motherboards, display cards, and laptops to servers and automobile electronics, among other diversified fields. As far as operation is concerned, as the management complexity increases, daily response mechanisms need to be developed for the evaluation of strategic and operational risks.<br>In terms of management, the strategy is to extend core specialties and combine the many technologies researched and developed over the years and to keep track of demand on the market for the industry. The hope is to create another wave of growths for the Company and to bring about maximum benefits for the Company's shareholders.<br>In order for strategic goals to be precisely fulfilled, the Company operates by connecting the value chain through its business departments and the functional main part when it comes to organization and operation. Annual goals are set according to the competition in the industry facing product business departments and managerial meetings are called for periodically to discuss the strategy and operational efficacy in order to adopt immediate countermeasures that help bring down operational risk. | (1) Periodically review the growths in core sectors<br>Set goals for growth, market share, and profitability that are higher than industrial averages<br>(2) Set reasonable return on investment based on the careful evaluation in advance and the management plan for a new business and demand that profits and losses reach a balance within a given period of time. Set phased strategic goals reflective of the nature of the sector involved, such as obtaining purchase orders from prospective customers, timely mass production, and securing a certain market share on the strategic target market.<br>(3) Related departments meet on a monthly basis to review the operational efficacy and examine and adjust the strategies on a quarterly basis; related organizational adjustment is made right away for unachievable ones in order to control risk.<br>(4) Keep timely track of daily operations around the world through the real-time information system, including shipment, stock, purchase order, operating fund, among others, and set the alert criteria.<br>(5) Gather managers around the world periodically to discuss management strategies that concern where the Company will go next. High-raking management is to adjust strategies taking into consideration resources available throughout the Company and the operational status.<br>In light of the rapidly changing operating environment for the high-tech industry, the Company proactively invests in information technology and the required talent internally and keeps track of changes in customers, products, and techniques externally. It will constantly review strategic and operational risks and adjust the Company resources in order to continue bringing about accomplishments and profits. |

4. Information security risk

The Company introduced ISO27001 in 2020 to establish relevant systems and documents in accordance with the specification content for compliance, after verification by a third party, the Company obtained the certificate on April 12, 2021

| Item | Policy Document Name | Content |
|---|---|---|
| 1 | Information security policy | Guidelines for information security, covering information security policy, review and evaluation |
| 2 | Information security organization | Structure and responsibilities of the information security organization, including:<br>1. Basic information security structure<br>2. Stakeholder group |
| 3 | Information asset classification and management | Asset classification and management measures, including:<br>1. Asset attributability<br>2. Information classification method |
| 4 | Personnel safety management | Explanations about safety management processes before, during, and after the employment, or change of employment, including:<br>1. Word descriptions and safety of resource allocation<br>2. User training<br>3. Safety and failure event reactions |
| 5 | Physical and environmental safety management | 1. Safe areas<br>2. Equipment safety<br>3. General control measures |
| 6 | Communication and operation management | 1. Operating process and responsibility<br>2. System planning and acceptance inspection<br>3. Malicious software prevention<br>4. Daily routine management<br>5. Internet management<br>6. Storage media processing and security<br>7. Information and software exchange<br>8. Subcontract processes |
| 7 | Access control regulation and management | 1. Operational requirements of access control<br>2. User access management<br>3. User responsibility<br>4. Internet access control<br>5. Operating system access control measures<br>6. Application system access control<br>7. Monitoring system access and use<br>8. Mobile computer process, and remote work access control<br>9. Third party access security |
| 8 | System development and maintenance | 1. System security requirements<br>2. Application system security<br>3. Password control measures<br>4. System documentation security<br>5. Development and support process security |
| 9 | Business Continuity Management (BCM) | 1. BCM planning and framework<br>2. Business impact analysis<br>3. Business Continuity Plans (BCP) preparation and implementation<br>4. BCP testing, maintenance, and revaluation |
| 10 | Information security breach management | 1. Information security breach management procedures<br>2. Information security breach handling and follow-up<br>3. Information security breach analysis and statistics |
| 11 | Information security audit | 1. Security policy and technical conformity review<br>2. System and operation management audit considerations |
| 12 | Risk evaluation management | 1. Asset authentication<br>2. Risk analysis<br>3. Risk handling<br>4. Legal compliance |
| 13 | Management review | Procedures and guidance for management review |

| | | |
|---|---|---|
| 5. Climate risks | The probability and severity of natural disasters (including drought, mites, snowstorms, high temperature/heat waves, typhoons/strong rainfall) brought about by extreme weathers may affect the Company's production and operations. The risks may include production constraints, operations, equipment, and investment cost rise and inefficiency, etc. There is no significant impact at present. | Climate change and potential disasters have made risk analysis and extremity forecast two very critical issues for the electronics industry. At MSI, we have performed impact analysis and risk assessment on areas we consider to be vulnerable given the prevailing climate and environmental changes. These assessments provide us with a general idea of our existing protections and risk exposure, which we may exploit to explore potential opportunities. Despite the fact that MSI is not an energy-intensive manufacturer, the Company has made pro-active statements about its control over GHG emission, signed various commitments and taken action to reduce GHG in living as well as operational activities. Meanwhile, strategies have been developed in response to environmental and operational impacts.<br>(1) Management Strategy<br>● Resilience to climate change: Implement risk identification, response and prevention measures in relation to climate change and avoid impact to operations.<br>● Promote low-carbon production: Adopt optimized technologies to reduce greenhouse gas emission, and set reduction goals.<br>● Incorporate green energy equipment: Acquire and utilize renewable energy equipment such as solar-powered heaters to reduce dependency on power grid.<br>● Improve energy efficiency: Devise energy and carbon reduction measures and enforce action plans for improved energy efficiency.<br>(2)Control Measures<br>● Identification、evaluation and analysis of impacts and risks associated with future climate.<br>● Adaptation planning and review.<br>● Energy/resource coordination.<br>● New protection facilities or improved disaster prevention equipment.<br>● Regular examination of asset and commercial insurance coverage to determine whether they are adequate for compensating losses caused by climate change. |

(2) Organizational structure of risk management

The Company has the “Continued Operational Management Procedure” in place to help reduce impacts and damages derived from emergency events facing the organization and to ensure normal operations of the Company for the sake of sustainable management, according to the three aspects of economy, environment, and society, risk policies are divided into financial, business management, ethical integrity, information security, climate change, suppliers, human resources, occupational safety and health, and other areas and legal compliances. Risk control measures include the Code of Corporate Governance, Code of Corporate Social Responsibility, Code of Integrity Management, and Code of Ethical Conduct have all been approved by the Company's Board of Directors.

The organization structure of the Company's risk management is implemented and operated by the President who coordinates and directs the risk management plan. The businesses and units responsible for management under the President are responsible for assessing the operational risks, production risks, environmental safety risks, information security risks, climate change risks, etc. and executes daily risk management. The President reports to the board of directors at least once a year.

Risk controlled management by functions:

A. Board of Directors: The Board is the top decision management of the whole Group’s risk controlled. To cope with the whole operational risk and business environment, the Board rules the risk management policy and supervise the operational risk can be controlled effectively and improve the management efficiency.

B. Internal Audit office: Responsible for the internal control system’s establishment and implement, Internal Audit procedures’ planning and execution, strengthen internal control function and make sure the effect contributes continuously to achieve the Group’s operation performance effective and efficiency and business result is reliable,on time, disclousure in line with Authority’s regulations.

C. Finance: Responsible for the Group’s financial operation, cash management and risk management to minimize the financial risk. Plan for the short, mid, long term finance and investment strategy.

D. Legal: Responsible not only documentation’s legal compliance, but also legal risk management, to comply with government’s supervision and hadle contracts and law suits dispute to minimize the Group’s legal risk.

E. Information: Responsible for the Group’s IT hardware and software’s planning, establishment, operation and maintanence.Evaluate each kind of information risks and take necessary actions to make sure the safty and minimize the risk.

F.Business: Responsible for marketing strategy, products promotion and control the market trend to minimize the operation risk.

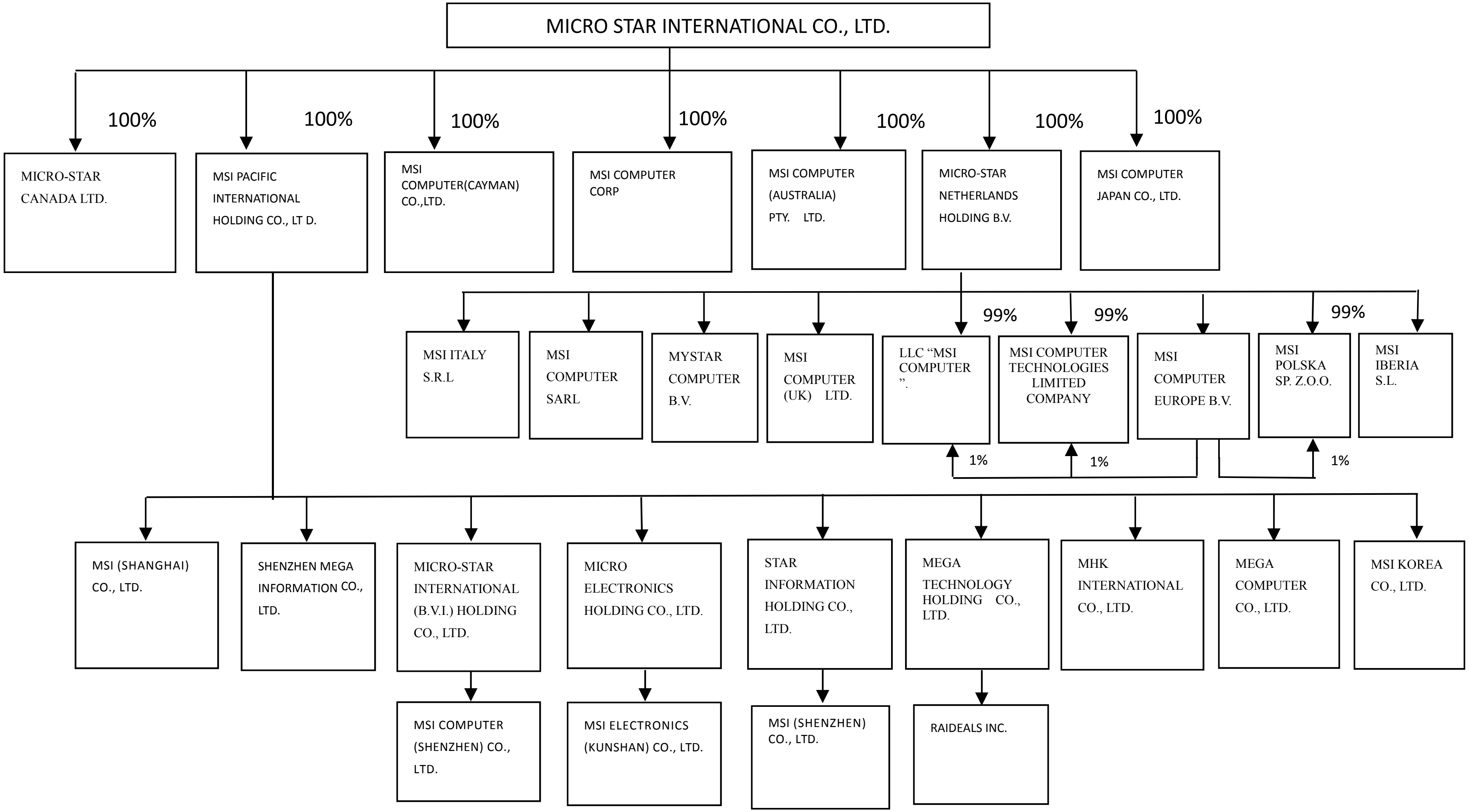
(Ⅶ)Other material events：None

(Ⅰ)Related party

1、Organizational structure of related party:

MICRO STAR INTERNATIONAL CO., LTD.

2020 Consolidated financial statements of the related party



2.Company profile of related party

(Unit: thousands)

| Name of corporation | Date of Establishment | Address | Capital | Major Business Scope |
|---|---|---|---|---|
| MICRO-STAR INTERNATIONAL (B.V.I.) HOLDING CO., LTD. | 1998.02.04 | TORTOLA,BRITISH VIRGIN ISLANDS | USD 47,521 | Holding company |
| MSI COMPUTER CORP. | 1998.03.25 | CA,U.S.A. | USD 460 | Sales and maintenance of computers and electronic components |
| MYSTAR COMPUTER B.V. | 1998.05.28 | EINDHOVEN,THE NETHERLANDS | EUR 2,027 | Sales support of computers and electronic components |
| MSI COMPUTER (AUSTRALIA) PTY. LTD. | 1998.07.31 | NSW,AUSTRALIA | AUD 222 | Sales support and maintenance of computers and electronic components |
| MICRO-STAR NETHERLANDS HOLDING B.V. | 1998.12.21 | EINDHOVEN,THE NETHERLANDS | EUR 1,102 | Holding company |
| MSI COMPUTER JAPAN CO., LTD. | 1999.01.21 | TOKYO,JAPAN | JPY 20,000 | Sales support and maintenance of computers and electronic components |
| MSI COMPUTER SARL | 1993.10.01 (1999.6.30purchase) | BUSSY SAINT GEORGES,FRANCE | EUR 730 | Sales support of computers and electronic components |
| MSI COMPUTER (SHENZHEN) CO., LTD. | 2000.04.12 | SHENZHEN,CHINA | USD 51,800 | Sales and manufacture of computers and electronic components |
| MSI COMPUTER (CAYMAN) CO., LTD. | 2001.02.13 | GEORGE TOWN,CAYMAN ISLANDS | USD 3,040 | Holding company |
| MSI COMPUTER (UK) LTD. | 2000.10.12 | STAINES,UK | EUR 1,130 | Sales support of computers and electronic components |
| MSI ELECTRONICS (KUNSHAN) CO., LTD. | 2001.12.18 | KUNSHAN,CHINA | USD 51,000 | Sales and manufacture of computers and electronic components |
| MSI COMPUTER EUROPE B.V. | 2002.04.09 | EINDHOVEN,THE NETHERLANDS | EUR 1,149 | Logistic |
| STAR INFORMATION HOLDING CO., LTD. | 2002.06.14 | TORTOLA,BRITISH VIRGIN ISLANDS | USD 4,503 | Holding company |

| | | | | |
|---|---|---|---|---|
| MICRO ELECTRONICS HOLDING CO., LTD. | 2002.06.14 | TORTOLA,BRITISH VIRGIN ISLANDS | USD 33,315 | Holding company |
| MSI PACIFIC INTERNATIONAL HOLDING CO., LTD. | 2002.06.18 | GEORGE TOWN,CAYMAN ISLANDS | USD 30,204 | Holding company |
| MSI KOREA CO., LTD. | 2002.12.27 | SEOUL,KOREA | KRW800,000 | Sales and maintenance of computers and electronic components |
| SHENZHEN MEGA INFORMATION CO., LTD. | 2003.11.19 | SHENZHEN,CHINA | USD 700 | Examines and maintenance of computers and electronic components |
| MSI POLSKA SP. Z O.O. | 2006.04.24 | WROCLAWSKIE,POLAND | EUR1,171 | Sales support and maintenance of computers and electronic components |
| MEGA TECHNOLOGY HOLDING CO., LTD. | 2008.04.01 | TORTOLA,BRITISH VIRGIN ISLANDS | USD3,050 | Holding company |
| MSI COMPUTER TRADING (SHENZHEN) CO., LTD. | 2008.04.01 | SHENZHEN,CHINA | USD- | Deregistration in June 2020. |
| MEGA COMPUTER CO., LTD. | 2008.02.25 | HONG KONG | HKD - | Sales support of computers and electronic components |
| LLC "MSI COMPUTER" | 2009.10.09 | MOSCOW,RUSSIA | EUR1,647 | Sales support and maintenance of computers and electronic components |
| MSI COMPUTER TECHNOLOGIES LIMITED COMPANY | 2010.11.04 | ISTANBUL,TURKEY | EUR77 | under liquidation |
| MSI ITALY S.R.L. | 2010.11.12 | MILANO,ITALY | EUR50 | Sales support of computers and electronic components |
| MHK INTERNATIONAL CO., LTD. | 2008.02.25 | HONG KONG | HKD - | Sales support of computers and electronic components |
| MSI (SHENZHEN) CO., LTD. | 2013.09.02 | SHENZHEN,CHINA | USD1,000 | Sales and maintenance of computers and electronic components |
| MSI (SHANGHAI) CO., LTD. | 2017.12.12 | SHANGHAI, CHINA | USD 1,000 | Sales and maintenance of computers and electronic components |

| | | | | |
|---|---|---|---|---|
| RAIDEALS INC. | 2018.03.23 | CA, U.S.A. | USD 50 | Sales and maintenance of computers and electronic components |
| MSI IBERIA S.L. | 2019.05.06 | BARCELONA, SPAIN | EUR 150 | Sales support of computers and electronic components |
| MICRO-STAR CANADA LTD. | 2020.01.30 | CANADA | CAD100 | Sales support and maintenance of computers and electronic components |

3.A controlling and hierarchical relationship according to Article 369.3 of Company Law：None

4.Business scope of MSI Group:

MICRO-STAR NETHERLANDS HOLDING B.V.、MICRO-STAR INTERNATIONAL（B.V.I.）HOLDING CO.,LTD.、MSI COMPUTER (CAYMAN)CO.,LTD.、STAR INFORMATION HOLDING CO., LTD.、MICRO ELECTRONICS HOLDING CO., LTD.、MSI PACIFIC INTERNATIONAL HOLDING CO., LTD.、MEGA TECHNOLOGY HOLDING CO., LTD. are holding and investment company. MSI headquarter and rest of affiliated companies are focused in IT industry. MSI Headquarter is focused on manufacturing and sales, MSI COMPUTER (SHENZHEN) CO., LTD. and MSI ELECTRONICS (KUNSHAN) CO., LTD. are MSI’s contract manufacture, SHENZHEN MEGA INFORMATION CO., LTD. is worldwide repair center, rest overseas companies are focus on sales and marketing, selling MSI own brand products.

5.Directors, Supervisors and Presidents of related party

Unit：shares

| Name of corporation | Title | Name of representative | Shareholding | |
|---|---|---|---|---|
| | | | Shares | % |
| MICRO STAR INTERNATIONAL (B.V.I.) HOLDING CO., LTD. | Director & President | MICRO STAR INTERNATIONAL CO., LTD. | 0 | 0% |
| | | Representative：Yu,Hsien-Neng | 0 | 0% |
| MSI COMPUTER CORP. | Director & President | MICRO STAR INTERNATIONAL CO.,LTD. | 575,458 | 100% |
| | | Representative：Tung,Ti-Chun | 0 | 0% |
| | Director | Huang,Chin-Ching | 0 | 0% |
| | Director | Yu,Hsien-Neng | 0 | 0% |
| MYSTAR COMPUTER B.V. | Director & President | MICRO STAR INTERNATIONAL CO.,LTD. | 0 | 0% |
| | | Representative：Chiu, Chih-Chien | 0 | 0% |
| | Director | Wang,Ming-Jung | 0 | 0% |
| MSI COMPUTER (AUSTRALIA) PTY. LTD. | Director & President | MICRO STAR INTERNATIONAL CO.,LTD. | 221,836 | 100% |
| | | Representative：Huang,Chin-Ching | 0 | 0% |
| | Director | Lin,Wen-Tung | 0 | 0% |
| | Director | Chen,Yuan-Kang | 0 | 0% |
| MICRO-STAR NETHERLANDS HOLDING B.V. | Director & President | MICRO STAR INTERNATIONAL CO.,LTD. | 424,000 | 100% |
| | | Representative：Hsu,Hsiang | 0 | 0% |
| MSI COMPUTER JAPAN CO., LTD. | Director & President | MICRO STAR INTERNATIONAL CO.,LTD. | 1,400 | 100% |
| | | Representative：Lin,Wen-Tung | 0 | 0% |
| | Supervisor | Liu, Chu-Hao | 0 | 0% |
| MSI COMPUTER SARL | Director & President | MICRO STAR INTERNATIONAL CO.,LTD. | 0 | 0% |
| | | Representative：Chiu, Chih-Chien | 0 | 0% |
| | Director | Wang,Ming-Jung | 0 | 0% |
| MSI COMPUTER (SHENZHEN) CO., LTD. | Executive Director | MICRO STAR INTERNATIONAL CO.,LTD. | 0 | 0% |
| | | Representative：Yu,Hsien-Neng | 0 | 0% |
| | Supervisor | Hung, Pao-Yu | 0 | 0% |
| | President | Li, Chao-Ming | | |
| MSI COMPUTER (CAYMAN) CO., LTD. | Director & President | MICRO STAR INTERNATIONAL CO.,LTD. | 50,000 | 100% |
| | | Representative：Huang,Chin-Ching | 0 | 0% |
| MSI COMPUTER (UK) LTD. | Director & President | MICRO STAR INTERNATIONAL CO.,LTD. | 0 | 0% |
| | | Representative：Chiu, Chih-Chien | 0 | 0% |
| | Director | Wang,Ming-Jung | 0 | 0% |
| MSI ELECTRONICS (KUNSHAN) CO., LTD. | Executive Director | MICRO STAR INTERNATIONAL CO.,LTD. | 0 | 0% |
| | | Representative：Huang,Chin-Ching | 0 | 0% |
| | Supervisor | Liu,Chu-Hao | 0 | 0% |
| | President | Li, Chao-Ming | | |
| MSI COMPUTER EUROPE B.V. | Director & President | MICRO STAR INTERNATIONAL CO.,LTD. | 0 | 0% |
| | | Representative：Chiu, Chih-Chien | 0 | 0% |

| | | | | |
|---|---|---|---|---|
| STAR INFORMATION HOLDING CO., LTD. | Director | MICRO STAR INTERNATIONAL CO.,LTD.<br>Representative：Hung, Pao-Yu | 0<br>0 | 0%<br>0% |
| MICRO ELECTRONICS HOLDING CO., LTD. | Director | MICRO STAR INTERNATIONAL CO.,LTD.<br>Representative：Hung, Pao-Yu | 0<br>0 | 0%<br>0% |
| MSI PACIFIC INTERNATIONAL HOLDING CO., LTD. | Director | MICRO STAR INTERNATIONAL CO.,LTD.<br>Representative：Hung, Pao-Yu | 30,204,118<br>0 | 100%<br>0% |
| MSI KOREA CO., LTD. | Director & President<br><br>Supervisor | MICRO STAR INTERNATIONAL CO.,LTD.<br>Representative：Kung,Fan-Shu<br>Liu, Chu-Hao | 0<br>0<br>0 | 0%<br>0%<br>0% |
| SHENZHEN MEGA INFORMATION CO., LTD. | Executive Director<br><br>Supervisor | MICRO STAR INTERNATIONAL CO.,LTD.<br>Representative：Yu,Hsien-Neng<br>Hung, Pao-Yu | 0<br>0<br>0 | 0%<br>0%<br>0% |
| MSI POLSKA SP. Z O.O. | Director & President | MICRO STAR INTERNATIONAL CO.,LTD.<br>Representative：Yu,Hsien-Neng | 0<br>0 | 0%<br>0% |
| MEGA TECHNOLOGY HOLDING CO., LTD. | Director | MICRO STAR INTERNATIONAL CO.,LTD.<br>Representative：Hung, Pao-Yu | 0<br>0 | 0%<br>0% |
| MSI COMPUTER TRADING (SHENZHEN) CO., LTD. | Deregistration | | | |
| MEGA COMPUTER CO., LTD. | Director | MICRO STAR INTERNATIONAL CO.,LTD.<br>Representative：Hung, Pao-Yu | 0<br>0 | 0%<br>0% |
| LLC “MSI COMPUTER” | Director & President<br><br>Director | MICRO STAR INTERNATIONAL CO.,LTD.<br>Representative：Chiu, Chih-Chien<br>Wang,Ming-Jung | 0<br>0<br>0 | 0%<br>0%<br>0% |
| MSI COMPUTER TECHNOLOGIES LIMITED COMPANY | liquidator | Cevat Binici | 0 | 0% |
| MSI ITALY S.R.L. | Director & President<br><br>Director | MICRO STAR INTERNATIONAL CO.,LTD.<br>Representative：Chiu, Chih-Chien<br>Wang,Ming-Jung | 0<br>0<br>0 | 0%<br>0%<br>0% |
| MHK INTERNATIONAL CO., LTD. | Director | MICRO STAR INTERNATIONAL CO.,LTD.<br>Representative：Hung, Pao-Yu | 0<br>0 | 0%<br>0% |
| MSI (SHENZHEN) CO., LTD. | Executive Director<br><br>Supervisor | MICRO STAR INTERNATIONAL CO.,LTD.<br>Representative：Hung,Yu-Sheng<br>Hung, Pao-Yu | 0<br>0<br>0 | 0%<br>0%<br>0% |
| MSI (SHANGHAI) CO., LTD. | Executive Director<br><br>Supervisor | MICRO STAR INTERNATIONAL CO.,LTD.<br>Representative：Wang, Yu-Pao<br>Hung,Pao-Yu | 0<br>0<br>0 | 0%<br>0%<br>0% |
| RAIDEALS INC. | Director & President | MICRO STAR INTERNATIONAL CO.,LTD.<br>Representative：Hung, Pao-Yu | 0<br>0 | 0%<br>0% |

| | | | | |
|---|---|---|---|---|
| MSI IBERIA S.L. | Director & President | MICRO STAR INTERNATIONAL CO.,LTD. | 0 | 0% |
| | | Representative：Chiu, Chih-Chien | 0 | 0% |
| | Director | Wang,Ming-Jung | 0 | 0% |
| MICRO-STAR CANADA LTD. | Director & President | MICRO STAR INTERNATIONAL CO.,LTD. | 100,000 | 100% |
| | | Representative：Tung,Ti-Chun | 0 | 0% |
| | Director | Liu,Yu-Hsien | 0 | 0% |

6.Business operation of the related party

Expressed in thousands of NTD
(Except as otherwise indicated)

| Name of corporation | Capital (unit: thousands) | Total Assets | Total Liabilities | Net Worth | Revenue | Operating Income (Loss) | Net Income (Loss) | Earning(Loss) Per Share (NTD) (after tax) |
|---|---|---|---|---|---|---|---|---|
| MICRO-STAR INTERNATIONAL (B.V.I.) HOLDING CO., LTD. | USD 47,521 (Rate 28.48) | 4,342,436 | 0 | 4,342,436 | 0 | (53) | 315,470 | 0.23 (NOTE 2) |
| MSI COMPUTER CORP. | USD 460 (Rate 28.48) | 17,079,726 | 17,007,121 | 72,605 | 29,200,713 | 47,395 | 39,396 | 3.01 (NOTE 2) |
| MYSTAR COMPUTER B.V. | EUR 2,027 (NOTE 1) (Rate 35.02) | 460,864 | 291,633 | 169,231 | 2,452,990 | 26,148 | 16,019 | 0.23 (NOTE 2) |
| MSI COMPUTER (AUSTRALIA) PTY.LTD. | AUD 222 (Rate 21.95) | 29,600 | 20,956 | 8,644 | 43,861 | 903 | 1,321 | 0.27 (NOTE 2) |
| MICRO-STAR NETHERLANDS HOLDING B.V. | EUR 1,102 (NOTE 1) (Rate 35.02) | 722,005 | 36,148 | 685,857 | 41,468 | (22,464) | 41,428 | 1.07 (NOTE 2) |
| MSI COMPUTER JAPAN CO., LTD. | JPY 20,000 (Rate 0.2763) | 86,136 | 66,898 | 19,238 | 130,056 | 4,185 | 4,692 | 0.85 (NOTE 2 |
| MSI COMPUTER SARL | EUR 730 (NOTE 1) (Rate 35.02) | 93,433 | 33,478 | 59,955 | 115,493 | 5,386 | 5,072 | 0.20 (NOTE 2) |
| MSI COMPUTER (SHENZHEN) CO., LTD. | USD 51,800 (Rate 28.48) | 5,598,277 | 1,406,141 | 4,192,136 | 3,091,619 | 215,422 | 315,391 | 0.21 (NOTE 2) |
| MSI COMPUTER (CAYMAN) CO., LTD. | USD 3,040 (Rate 28.48) | 132,820 | 15,271 | 117,549 | 9,930 | 792 | 175 | (0.00) (NOTE 2) |
| MSI COMPUTER (UK) LTD. | EUR 1,130 (NOTE 1) (Rate 35.02) | 34,549 | 15,208 | 19,341 | 80,222 | 3,820 | 3,826 | 0.10 (NOTE 2) |
| MSI ELECTRONIC (KUNSHAN) CO., LTD. | USD 51,000 (Rate 28.48) | 3,570,943 | 963,791 | 2,607,152 | 1,594,965 | 187,312 | 247,199 | 0.17 (NOTE 2) |
| MSI COMPUTER EUROPE B.V. | EUR 1,149 (Rate 35.02) | 207,644 | 154,162 | 53,482 | 290,859 | 8,063 | 6,159 | 0.15 (NOTE 2) |
| STAR INFORMATION HOLDING CO., LTD. | USD 4,503 (Rate 28.48) | 20,826 | 0 | 20,826 | 0 | (53) | (5,931) | (0.05) (NOTE 2) |
| MICRO ELECTRONICS HOLDING CO., LTD. | USD 33,315 (Rate 28.48) | 2,707,503 | 0 | 2,707,503 | 0 | (104) | 247,401 | 0.26 (NOTE 2) |
| MSI PACIFIC INTERNATIONAL HOLDING CO., LTD. | USD 30,204 (Rate 28.48) | 13,247,165 | 5,840,441 | 7,406,724 | 0 | (510) | 579,510 | 0.67 (NOTE 2) |
| MSI KOREA CO., LTD. | KRW 800,000 (Rate 0.0262) | 518,382 | 193,810 | 324,572 | 4,702,111 | 40,960 | 38,835 | 1.85 (NOTE 2) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| SHENZHEN MEGA INFORMATION CO., LTD. | USD 700<br>(Rate 28.48) | 42,075 | 19,111 | 22,964 | 33,784 | 0 | 1,071 | 0.05<br>(NOTE 2) |
| MSI POLSKA SP. Z O.O. | EUR1,171<br>(NOTE 1)<br>(Rate 35.02) | 78,877 | 43,678 | 35,199 | 161,833 | 4,494 | 3,232 | 0.08<br>(NOTE 2) |
| MEGA TECHNOLOGY HOLDING CO., LTD. | USD 3,050<br>(Rate 28.48) | 5,545 | 0 | 5,545 | 0 | (8) | 6,786 | 0.08<br>(NOTE 2) |
| MSI COMPUTER TRADING (SHENZHEN) CO., LTD. | USD -<br>(Rate 28.48) | 0 | 0 | 0 | 0 | (30) | 11,688 | -<br>(NOTE 3) |
| MEGA COMPUTER CO., LTD. | HKD -<br>(Rate 3.673) | 1,815,079 | 1,810,131 | 4,948 | 6,865,605 | (899) | (1,190) | -<br>(NOTE 2) |
| LLC “MSI COMPUTER” | EUR 1,647<br>(Rate 35.02) | 42,023 | 7,715 | 34,308 | 73,583 | 3,337 | 1,928 | 0.03<br>(NOTE 2) |
| MSI COMPUTER TECHNOLOGIES LIMITED COMPANY | EUR 77<br>(Rate 35.02) | 9 | 51 | (42) | 0 | 0 | 0 | 0<br>(NOTE 4) |
| MSI ITALY S.R.L. | EUR 50<br>(Rate 35.02) | 32,432 | 28,032 | 4,400 | 49,117 | 2,585 | 1,673 | 0.96<br>(NOTE 2) |
| MHK INTERNATIONAL CO., LTD. | HKD -<br>(Rate 3.673) | 79,555 | 54,782 | 24,773 | 164,745 | 7,104 | 2,942 | -<br>(NOTE 2) |
| MSI (SHENZHEN) Co., LTD. | USD 1,000<br>(Rate 28.48) | 8,345 | 518 | 7,827 | 0 | (7,031) | (5,986) | (0.21)<br>(NOTE2) |
| MSI (SHANGHAI) Co., LTD. | USD 1,000<br>(Rate 28.48) | 2,057,459 | 2,073,249 | (15,790) | 7,616,178 | 9,582 | 11,397 | 0.40<br>(NOTE2) |
| RAIDEALS INC. | USD 50<br>(Rate 28.48) | 9,160 | 7,285 | 1,875 | 257,336 | 370 | 280 | 0.20<br>(NOTE2) |
| MSI IBERIA S.L. | EUR150<br>(Rate 35.02) | 36,291 | 28,699 | 7,592 | 46,908 | 2,234 | 1,483 | 0.28<br>(NOTE2) |
| Micro-Star Canada Ltd. | CAD 100<br>(Rate 22.35) | 11,670 | 8,373 | 3,297 | 31,162 | 1,415 | 1,047 | 0.47<br>(NOTE2) |

Note 1：Capital includes surplus.

Note 2：Earnings per share was calculated based on each NTD of capital instead of each share.

Note 3: In June 2020, MSI COMPUTER TRADING (SHENZHEN) CO., LTD. has completed the deregistration process.

Note 4: MSI COMPUTER TECHNOLOGIES LIMITED COMPANY is under liquidation.

7.Consolidated Financial Statements of the parent company and subsidiaries：Please refer to page **108～181**

8.Related Party Report：Not Applicable

9. Affiliated companies' transaction on guarantee, endorsement, loans to others and derivatives: please refer to page **169~170**.

(Ⅱ)Subscription of marketable securities privately in the most recent years and up to the date of the report printed：None

(Ⅲ)Status of MSI Common Shares Acquired, Disposed of, and Held by Subsidiaries: None

(Ⅳ)Other Necessary Supplement: None.

(Ⅴ)Occurrence of events defined in Securities Transaction Law Article 36.2.2 that has great impact on shareholders' equity or security price in the most recent years and up to the date of the repost printed：None

# MICRO-STAR INTERNATIONAL CO., LTD.
# AND SUBSIDIARIES

## CONSOLIDATED FINANCIAL STATEMENTS AND

## INDEPENDENT AUDITORS' REPORT

## DECEMBER 31, 2020 AND 2019

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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.

# Representation Letter

In connection with the Consolidated Financial Statements of Affiliated Enterprises of MICRO-STAR INTERNATIONAL CO., LTD. and its subsidiaries (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, 2020 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 MICRO-STAR INTERNATIONAL CO., LTD. and its subsidiaries (the “Consolidated FS of the Group”) in accordance with International Financial Reporting Standard 10. Additionally, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, MICRO-STAR INTERNATIONAL CO., LTD. and its subsidiaries do not prepare a separate set of Consolidated FS of Affiliates.

Very truly yours,
MICRO-STAR INTERNATIONAL CO., LTD.
By

Hsu Hsiang, Chairman
March 22, 2021

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

## *Opinion*

We have audited the accompanying consolidated balance sheets of MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES (the "Group") as of December 31, 2020 and 2019, 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, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

## *Basis for opinion*

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China (the "Norm"), and we have fulfilled our ethical responsibilities in accordance with the Norm. Based on our audits and the audit reports of other independent auditors, we believe that the audit evidences we have obtained are 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 for the year ended December 31, 2020. 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 Group's consolidated financial statements for the year ended December 31, 2020 are stated as follows:

**Recognition of sales revenue generated from own-brand products**

<u>Description</u>

Please refer to Note 4(26) for accounting policies on revenue recognition. The sales revenue from own-brand products for the year ended December 31, 2020 is higher than previous year due to the substantial increase in demand for notebook computers and peripherals. The recognition of sales revenue generated from own-brand products is critical to the Group's consolidated financial statements. Therefore, it was identified as a key audit matter.

<u>How our audit addressed the matter</u>

We performed the following audit procedures in respect of the above key audit matter:

A. Obtained an understanding of and assessed internal controls in relation to sales revenue, and validated the operating effectiveness of those above-mentioned internal controls.
B. Obtained detailed listing of sales revenue from own-brand products in the current year, and validated supporting documents, including sales invoices, customer purchase orders and delivery documents to ensure the appropriateness of recognition.
C. Inspected contents and relevant evidences in relation to sales returns and discounts occurring subsequent to the reporting period.
D. Performed accounts receivable confirmation procedure to significant customers.

**Estimation of allowance for inventory valuation losses**

<u>Description</u>

Please refer to Note 4(13) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions applied on inventory valuation, and Note 6(6) for details of inventories. As of December 31, 2020, the balances of inventories and allowance for inventory valuation losses are NT$27,966,905 thousand and NT$484,368 thousand, respectively.

The Group is primarily engaged in manufacturing and sales of motherboards, interface cards, notebook computers and other electronic products. Due to the rapid technological innovations and competition within the industry as well as frequent releases of new products resulting in potential price fluctuations, there is a higher risk of inventory losses due from market value decline or obsolescence. The Group recognises inventories at the lower of cost and net realisable value. As the monetary values of allowance for inventory valuation losses is critical to the financial statements as of December 31, 2020. Therefore, it was identified as a key audit matter.

<u>How our audit addressed the matter</u>

We performed the following audit procedures in respect of the above key audit matter:

A. Inquired with management, and assessed the reasonableness in relation to the provision of allowance for inventory valuation losses.
B. Validated the accuracy of the system logic in calculating the ageing of inventories, and confirmed the consistency with the Group's policies.

C. Validated the appropriateness of system logic of the report of individually identified obsolete inventory prepared by management and confirmed the consistency with the Group's policies.
D. Sampled and tested the net realisable value basis of the individual inventory and validated the appropriateness.

### *Other matter –Reference to audits of other independent auditors*

We did not audit the financial statements of certain consolidated subsidiaries and investments accounted for under the equity method that are included in the consolidated financial statements. Those financial statements were audited by other independent auditors, whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on reports of the other independent auditors. Total assets of the above-mentioned entities (including investments accounted for under the equity method) amounted to NT$18,755,869 thousand and NT$11,727,830 thousand as of December 31, 2020 and 2019, constituting 24% and 19% of consolidated total assets, respectively. Sales revenue of the above-mentioned entities amounted to NT$35,899,397 thousand and NT$23,178,240 thousand for the years ended December 31, 2020 and 2019, constituting 25% and 19% of consolidated total sales revenue, respectively.

### *Other matter – Parent company only financial reports*

We have audited and expressed an unmodified opinion with other matter section on the parent company only financial statements of MICRO-STAR INTERNATIONAL CO., LTD. as of and for the years ended December 31, 2020 and 2019.

### *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 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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing the Group's financial reporting process.

## *Independent auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 auditors' 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 auditors' report. However, future events or conditions may cause the 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group

audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

Liang, Hua-Ling Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 22, 2021

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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.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

| | Assets | Notes | December 31, 2020 AMOUNT | % | December 31, 2019 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current assets** | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | $ 18,585,955 | 24 | $ 10,709,045 | 18 |
| 1110 | Financial assets at fair value through profit or loss - current | 6(2) | 203,737 | - | 152,805 | - |
| 1136 | Current financial assets at amortised cost | 6(4) | 1,000,447 | 1 | 1,200,000 | 2 |
| 1150 | Notes receivable, net | 6(5) | 113,287 | - | 47,114 | - |
| 1170 | Accounts receivable, net | 6(5) | 21,867,246 | 28 | 17,205,783 | 29 |
| 1200 | Other receivables | | 265,987 | - | 227,116 | - |
| 1220 | Current income tax assets | | 34,759 | - | 16,417 | - |
| 130X | Inventories, net | 6(6) | 27,482,537 | 35 | 22,527,840 | 37 |
| 1410 | Prepayments | 6(7) | 1,807,513 | 3 | 1,675,701 | 3 |
| 11XX | **Total current assets** | | 71,361,468 | 91 | 53,761,821 | 89 |
| | **Non-current assets** | | | | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income | 6(3) | 124,338 | - | 151,975 | - |
| 1535 | Non-current financial assets at amortised cost | 6(4) and 8 | 226,937 | - | 227,848 | - |
| 1600 | Property, plant and equipment | 6(8) and 8 | 5,130,094 | 7 | 4,893,433 | 8 |
| 1755 | Right-of-use assets | 6(9) | 502,400 | 1 | 474,897 | 1 |
| 1760 | Investment property - net | 6(11) | 207,637 | - | 300,559 | 1 |
| 1840 | Deferred income tax assets | 6(26) | 769,613 | 1 | 471,523 | 1 |
| 1900 | Other non-current assets | | 75,028 | - | 66,652 | - |
| 15XX | **Total non-current assets** | | 7,036,047 | 9 | 6,586,887 | 11 |
| 1XXX | **Total assets** | | $ 78,397,515 | 100 | $ 60,348,708 | 100 |

(Continued)

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

| | Liabilities and Equity | Notes | December 31, 2020 AMOUNT | % | December 31, 2019 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current liabilities** | | | | | |
| 2100 | Short-term borrowings | 6(12) | $ 3,000,000 | 4 | $ 1,500,000 | 3 |
| 2120 | Financial liabilities at fair value through profit or loss - current | 6(2) | 103,885 | - | 24,943 | - |
| 2170 | Accounts payable | | 27,177,751 | 35 | 20,391,520 | 34 |
| 2200 | Other payables | 6(13) | 5,344,410 | 7 | 3,844,835 | 6 |
| 2230 | Current income tax liabilities | | 1,604,500 | 2 | 402,714 | 1 |
| 2250 | Provision for liabilities - current | 6(16) | 850,435 | 1 | 556,720 | 1 |
| 2280 | Current lease liabilities | | 218,182 | - | 159,081 | - |
| 2365 | Refund liabilities- current | | 3,555,792 | 5 | 1,636,499 | 3 |
| 2399 | Other current liabilities, others | | 337,535 | - | 108,961 | - |
| 21XX | **Total current liabilities** | | 42,192,490 | 54 | 28,625,273 | 48 |
| | **Non-current liabilities** | | | | | |
| 2540 | Long-term borrowings | 6(14) and 8 | - | - | 15,095 | - |
| 2570 | Deferred income tax liabilities | 6(26) | 6,928 | - | 27,214 | - |
| 2580 | Non-current lease liabilities | | 225,548 | 1 | 247,767 | 1 |
| 2640 | Net defined benefit liability, non-current | 6(15) | 220,314 | - | 221,974 | - |
| 2670 | Other non-current liabilities, others | | 212,383 | - | 198,920 | - |
| 25XX | **Total non-current liabilities** | | 665,173 | 1 | 710,970 | 1 |
| 2XXX | **Total liabilities** | | 42,857,663 | 55 | 29,336,243 | 49 |
| | **Equity attributable to owners of parent** | | | | | |
| | Share capital | 6(17) | | | | |
| 3110 | Share capital - common stock | | 8,448,562 | 11 | 8,448,562 | 14 |
| | Capital surplus | 6(18) | | | | |
| 3200 | Capital surplus | | 804,214 | 1 | 803,918 | 1 |
| | Retained earnings | 6(19) | | | | |
| 3310 | Legal reserve | | 5,541,298 | 7 | 4,982,577 | 8 |
| 3320 | Special reserve | | 794,525 | 1 | 505,966 | 1 |
| 3350 | Unappropriated retained earnings | | 20,625,711 | 26 | 17,065,967 | 28 |
| | Other equity interest | | | | | |
| 3400 | Other equity interest | | ( 674,458) | ( 1) | ( 794,525) | ( 1) |
| 31XX | **Equity attributable to owners of the parent** | | 35,539,852 | 45 | 31,012,465 | 51 |
| 3XXX | **Total equity** | | 35,539,852 | 45 | 31,012,465 | 51 |
| 3X2X | **Total liabilities and equity** | | $ 78,397,515 | 100 | $ 60,348,708 | 100 |

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

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share)

| | | | Year ended December 31 | | | |
|---|---|---|---|---|---|---|
| | | | 2020 | | 2019 | |
| | Items | Notes | AMOUNT | % | AMOUNT | % |
| 4000 | Sales revenue | 6(20) | $ 146,502,789 | 100 | $ 120,491,417 | 100 |
| 5000 | Operating costs | 6(6)(24) | ( 125,199,949) | ( 85) | ( 104,629,261) | ( 87) |
| 5900 | Net operating margin | | 21,302,840 | 15 | 15,862,156 | 13 |
| | Operating expenses | 6(24) | | | | |
| 6100 | Selling expenses | | ( 7,053,359) | ( 5) | ( 5,508,321) | ( 4) |
| 6200 | General and administrative expenses | | ( 1,345,054) | ( 1) | ( 1,070,509) | ( 1) |
| 6300 | Research and development expenses | | ( 3,724,340) | ( 3) | ( 3,315,224) | ( 3) |
| 6450 | Expected credit gain(loss) | | 7,741 | - | ( 15,696) | - |
| 6000 | Total operating expenses | | ( 12,115,012) | ( 9) | ( 9,909,750) | ( 8) |
| 6900 | Operating profit | | 9,187,828 | 6 | 5,952,406 | 5 |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | 6(21) | 88,822 | - | 82,368 | - |
| 7010 | Other income | 6(22) | 576,975 | - | 632,915 | - |
| 7020 | Other gains and losses | 6(23) | ( 224,787) | - | ( 125,710) | - |
| 7050 | Finance costs | | ( 31,945) | - | ( 23,546) | - |
| 7000 | Total non-operating income and expenses | | 409,065 | - | 566,027 | - |
| 7900 | **Profit before income tax** | | 9,596,893 | 6 | 6,518,433 | 5 |
| 7950 | Income tax expense | 6(26) | ( 1,637,388) | ( 1) | ( 931,223) | ( 1) |
| 8200 | **Profit for the period** | | $ 7,959,505 | 5 | $ 5,587,210 | 4 |
| | **Other comprehensive income** | | | | | |
| | **Components of other comprehensive loss that will not be reclassified to profit or loss** | | | | | |
| 8311 | Actuarial loss on defined benefit plan | 6(15) | ($ 5,106) | - | ($ 10,079) | - |
| 8316 | Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income | 6(3) | ( 27,637) | - | - | - |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | 6(26) | 1,021 | - | 2,016 | - |
| 8310 | Components of other comprehensive loss that will not be reclassified to profit or loss | | ( 31,722) | - | ( 8,063) | - |
| | **Components of other comprehensive income (loss) that will be reclassified to profit or loss** | | | | | |
| 8361 | Financial statements translation differences of foreign operations | | 147,704 | - | ( 288,559) | - |
| 8360 | Components of other comprehensive income (loss) that will be reclassified to profit or loss | | 147,704 | - | ( 288,559) | - |
| 8300 | **Total other comprehensive income (loss) for the period** | | $ 115,982 | - | ($ 296,622) | - |
| 8500 | **Total comprehensive income for the period** | | $ 8,075,487 | 5 | $ 5,290,588 | 4 |
| | Profit attributable to: | | | | | |
| 8610 | Owners of the parent | | $ 7,959,505 | 5 | $ 5,587,210 | 4 |
| | Comprehensive income attributable to: | | | | | |
| 8710 | Owners of the parent | | $ 8,075,487 | 5 | $ 5,290,588 | 4 |
| | Earnings per share (in dollars) | 6(27) | | | | |
| 9750 | Basic earnings per share | | $ | 9.42 | $ | 6.61 |
| 9850 | Diluted earnings per share | | $ | 9.34 | $ | 6.56 |

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

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

| | | Equity attributable to owners of the parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Capital Surplus | | | | Retained Earnings | | | Other Equity Interest | | |
| | Notes | Share capital - common stock | Additional paid-in capital | Treasury stock transactions | Donated assets received | Employee stock warrants | Legal reserve | Special reserve | Unappropriated retained earnings | Financial statements translation differences of foreign operations | Unrealized losses from financial assets measured at fair value through other comprehensive income | Total equity |
| 2019 | | | | | | | | | | | | |
| Balance at January 1, 2019 | | $ 8,448,562 | $ 1,050,563 | $ 130,592 | $ 434 | $ 44,460 | $ 4,378,464 | $ 421,815 | $ 15,976,937 | ($ 505,966 ) | $ - | $ 29,945,861 |
| Profit for the year | | - | - | - | - | - | - | - | 5,587,210 | - | - | 5,587,210 |
| Other comprehensive loss for the year | | - | - | - | - | - | - | - | ( 8,063 ) | ( 288,559 ) | - | ( 296,622 ) |
| Total comprehensive income (loss) | | - | - | - | - | - | - | - | 5,579,147 | ( 288,559 ) | - | 5,290,588 |
| Appropriation of 2018 earnings | 6(19) | | | | | | | | | | | |
| Legal reserve | | - | - | - | - | - | 604,113 | - | ( 604,113 ) | - | - | - |
| Special reserve | | - | - | - | - | - | - | 84,151 | ( 84,151 ) | - | - | - |
| Cash dividends | | - | - | - | - | - | - | - | ( 3,801,853 ) | - | - | ( 3,801,853 ) |
| Cash distribution from capital surplus | | - | ( 422,429 ) | - | - | - | - | - | - | - | - | ( 422,429 ) |
| Due to donated assets received | 6(19) | - | - | - | 298 | - | - | - | - | - | - | 298 |
| Balance at December 31, 2019 | | $ 8,448,562 | $ 628,134 | $ 130,592 | $ 732 | $ 44,460 | $ 4,982,577 | $ 505,966 | $ 17,065,967 | ($ 794,525 ) | $ - | $ 31,012,465 |
| 2020 | | | | | | | | | | | | |
| Balance at January 1, 2020 | | $ 8,448,562 | $ 628,134 | $ 130,592 | $ 732 | $ 44,460 | $ 4,982,577 | $ 505,966 | $ 17,065,967 | ($ 794,525 ) | $ - | $ 31,012,465 |
| Profit for the year | | - | - | - | - | - | - | - | 7,959,505 | - | - | 7,959,505 |
| Other comprehensive income (loss) for the year | | - | - | - | - | - | - | - | ( 4,085 ) | 147,704 | ( 27,637 ) | 115,982 |
| Total comprehensive income (loss) | | - | - | - | - | - | - | - | 7,955,420 | 147,704 | ( 27,637 ) | 8,075,487 |
| Appropriation of 2019 earnings | 6(19) | | | | | | | | | | | |
| Legal reserve | | - | - | - | - | - | 558,721 | - | ( 558,721 ) | - | - | - |
| Special reserve | | - | - | - | - | - | - | 288,559 | ( 288,559 ) | - | - | - |
| Cash dividends | | - | - | - | - | - | - | - | ( 3,548,396 ) | - | - | ( 3,548,396 ) |
| Due to donated assets received | | - | - | - | 296 | - | - | - | - | - | - | 296 |
| Balance at December 31, 2020 | | $ 8,448,562 | $ 628,134 | $ 130,592 | $ 1,028 | $ 44,460 | $ 5,541,298 | $ 794,525 | $ 20,625,711 | ($ 646,821 ) | ($ 27,637 ) | $ 35,539,852 |

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

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

| | Notes | Year ended December 31 2020 | 2019 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | $ 9,596,893 | $ 6,518,433 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation (including right-of-use assets and investment properties) | 6(24) | 1,095,818 | 890,056 |
| Amortization | 6(24) | 200 | 224 |
| Expected credit (gain) loss | | ( 7,741 ) | 15,696 |
| Net loss (gain) on financial assets and liabilities at fair value through profit or loss | | 31,850 | ( 39,222 ) |
| Interest expense | | 31,945 | 23,546 |
| Interest income | 6(21) | ( 88,822 ) | ( 82,368 ) |
| Loss (gain) on disposal of property, plant and equipment | 6(23) | 540 | ( 2,906 ) |
| Gain on lease modification | 6(9) | ( 366 ) | ( 214 ) |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Financial assets at fair value through profit or loss | | 900 | - |
| Notes receivable, net | | ( 66,173 ) | ( 11,931 ) |
| Accounts receivable | | ( 4,652,441 ) | ( 1,179,668 ) |
| Other receivables | | ( 37,322 ) | ( 70,951 ) |
| Inventories, net | | ( 4,954,697 ) | ( 474,978 ) |
| Prepayments | | ( 131,812 ) | ( 294,679 ) |
| Other non-current assets | | 18,207 | 97,176 |
| Changes in operating liabilities | | | |
| Notes payable | | - | ( 200 ) |
| Accounts payable | | 6,786,231 | 5,457,896 |
| Other payables | | 1,497,850 | 427,104 |
| Provision for liabilities - current | | 293,715 | 55,625 |
| Refund liabilities- current | | 1,919,293 | ( 160,406 ) |
| Other current liabilities, others | | 215,321 | 16,728 |
| Net defined benefit liability | | ( 6,766 ) | ( 5,714 ) |
| Cash inflow generated from operations | | 11,542,623 | 11,179,247 |
| Interest received | | 86,784 | 84,991 |
| Interest paid | | ( 29,945 ) | ( 23,559 ) |
| Income tax paid | | ( 774,794 ) | ( 1,520,287 ) |
| Net cash flows from operating activities | | 10,824,668 | 9,720,392 |

(Continued)

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

| | Notes | Year ended December 31 2020 | 2019 |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of financial assets at fair value through other comprehensive income | 6(3) | $ - | ($ 151,975 ) |
| Acquisition of financial assets at amortised cost | | - | ( 616,024 ) |
| Proceeds from disposal of financial assets at amortised cost | | 200,464 | - |
| Acquisition of property, plant and equipment | 6(8) | ( 970,766 ) | ( 982,667 ) |
| Proceeds from disposal of property, plant and equipment | | 557 | 57,700 |
| Acquisition of investment properties | 6(11) | ( 316 ) | ( 3,602 ) |
| Increase in refundable deposits | | ( 22,474 ) | ( 15,894 ) |
| Net cash flows used in investing activities | | ( 792,535 ) | ( 1,712,462 ) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Increase (decrease) in short-term borrowings | | 1,500,000 | ( 1,500,000 ) |
| Repayment of the principal portion of lease liabilities | | ( 239,125 ) | ( 152,916 ) |
| Payment of long-term borrowings | | ( 1,039 ) | ( 843 ) |
| Increase (decrease) in guarantee deposits received | | 13,463 | ( 27,983 ) |
| Cash dividends paid | 6(19) | ( 3,548,396 ) | ( 3,801,853 ) |
| Cash distribution from capital surplus | 6(19) | - | ( 422,429 ) |
| Due to donated assets received | | 296 | 298 |
| Net cash flows used in financing activities | | ( 2,274,801 ) | ( 5,905,726 ) |
| Effect of exchange rate | | 119,578 | ( 208,839 ) |
| Net increase in cash and cash equivalents | | 7,876,910 | 1,893,365 |
| Cash and cash equivalents at beginning of year | 6(1) | 10,709,045 | 8,815,680 |
| Cash and cash equivalents at end of year | 6(1) | $ 18,585,955 | $ 10,709,045 |

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

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

1. HISTORY AND ORGANISATION

MICRO-STAR INTERNATIONAL CO., LTD. (the "Company") was incorporated as a company limited by shares under the laws of the Republic of China (R.O.C.) in August 1986 and started its operations in the same year. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in the manufacture and sale of motherboards and computer hardware. The shares of the Company have been listed on the Taiwan Stock Exchange since October 1998. The Company is the Group's ultimate parent company.

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 March 22, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new standards and amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

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 |
|---|---|
| Amendments 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 |
| Amendment to IFRS 16, 'Covid-19-related rent concessions' | June 1, 2020 (Note) |

Note：Earlier application from January 1, 2020 is allowed by FSC.

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

A. Amendment to IFRS 16, 'Covid-19-related rent concessions'

This amendment provides a practical expedient for lessees from assessing whether a rent concession related to COVID-19, and that meets all of the following conditions, is a lease modification:

(a) Changes in lease payments result in the revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) Any reduction in lease payments affects only payments originally due on or before June 30 2021; and

(c) There is no substantive change to other terms and conditions of the lease.

(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 2021 are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|---|
| Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9' | January 1, 2021 |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ' Interest Rate Benchmark Reform— Phase 2' | January 1, 2021 |

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

(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 3, 'Reference to the conceptual framework' | January 1, 2022 |
| 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, 2023 |
| Amendments to IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendments to IAS 1, 'Classification of liabilities as current or non -current' | January 1, 2023 |
| Amendments to IAS 1, 'Disclosure of accounting policies' | January 1, 2023 |
| Amendments to IAS 8, 'Definition of accounting estimates' | January 1, 2023 |
| Amendments to IAS 16, 'Property, plant and equipment:proceeds before intended use' | January 1, 2022 |
| Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract' | January 1, 2022 |
| Annual improvements to IFRS Standards 2018–2020 | 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

The consolidated financial statements of the Group have been prepared in accordance with the

"Regulations Governing the Preparation of Financial Reports by Securities Issuers", 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, the 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 at fair value through other comprehensive income.

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

B. The preparation of financial statements in conformity 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 unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) 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.

(d) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. 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:

| Name of investor | Name of subsidiaries | Main business activities | Ownership(%) 2020/12/31 | Ownership(%) 2019/12/31 | Note |
|---|---|---|---|---|---|
| MICRO-STAR INTERNATIONAL CO., LTD. | MICRO-STAR NETHERLANDS HOLDING B.V. [MSI (HOLDING)] | Investment holding company | 100 | 100 | B |
| 〃 | MSI COMPUTER CORP. [MSI (LA)] | Sales and maintenance of computers and electronic components | 100 | 100 | 〃 |
| 〃 | MSI PACIFIC INTERNATIONAL HOLDING CO., LTD. [MSI (PACIFIC)] | Investment holding company | 100 | 100 | A |
| 〃 | MSI COMPUTER JAPAN CO., LTD. [MSI (JAPAN)] | Sales support and maintenance of computers and electronic components | 100 | 100 | 〃 |
| 〃 | MSI COMPUTER (AUSTRALIA) PTY. LTD. [MSI (AUSTRALIA)] | 〃 | 100 | 100 | 〃 |
| 〃 | MSI COMPUTER (CAYMAN) CO., LTD. [MSI COMPUTER (CAYMAN)] | Investment holding company | 100 | 100 | B |
| 〃 | MICRO-STAR CANADA LTD. [MSI (CANADA)] | Sales support of computers and electronic components | 100 | - | C and F |
| MSI (HOLDING) | MYSTAR COMPUTER B.V. [MYSTAR] | 〃 | 100 | 100 | B |

| Name of investor | Name of subsidiaries | Main business activities | Ownership(%) 2020/12/31 | Ownership(%) 2019/12/31 | Note |
|---|---|---|---|---|---|
| MSI (HOLDING) | MSI COMPUTER SARL [MSI (SARL)] | Sales support of computers and electronic components | 100 | 100 | B |
| 〃 | MSI COMPUTER (UK) LTD. [MSI (UK)] | 〃 | 100 | 100 | 〃 |
| 〃 | MSI POLSKA SP. Z O. O. [MSI (POLSKA)] | Sales support and maintenance and after-sales services of computers and electronic components | 99 | 99 | 〃 |
| 〃 | MSI COMPUTER EUROPE B.V. [MSI (EUROPE)] | Logistics services of computers and electronic components | 100 | 100 | 〃 |
| 〃 | LLC MSI COMPUTER [MSI (RUSSIA)] | Sales support and maintenance of computers and electronic components | 99 | 99 | 〃 |
| 〃 | MSI COMPUTER TECHNOLOGIES LIMITED COMPANY [MSI (TURKEY)] | Sales support of computers and electronic components | 99 | 99 | B and D |
| 〃 | MSI ITALY S.R.L. [MSI (ITALY)] | 〃 | 100 | 100 | B |
| 〃 | MSI IBERIA S.L. [MSI (IBERIA)] | 〃 | 100 | 100 | B and E |
| MSI (EUROPE) | MSI POLSKA SP. Z O. O. [MSI (POLSKA)] | Sales support and maintenance and after-sales services of computers and electronic components | 1 | 1 | B |
| 〃 | LLC MSI COMPUTER [MSI (RUSSIA)] | Sales support and maintenance of computers and electronic components | 1 | 1 | 〃 |
| 〃 | MSI COMPUTER TECHNOLOGIES LIMITED COMPANY [MSI (TURKEY)] | Sales support of computers and electronic components | 1 | 1 | B and D |
| MSI (PACIFIC) | MSI KOREA CO., LTD. [MSI (KOREA)] | Sales and maintenance of computers and electronic components | 100 | 100 | B |

| Name of investor | Name of subsidiaries | Main business activities | Ownership(%) 2020/12/31 | Ownership(%) 2019/12/31 | Note |
|---|---|---|---|---|---|
| MSI (PACIFIC) | STAR INFORMATION HOLDING CO., LTD. [STAR INFORMATION] | Investment holding company | 100 | 100 | A |
| 〃 | MICRO-STAR INTERNATIONAL (B.V.I) HOLDING CO., LTD. [MSI (B.V.I.)] | 〃 | 100 | 100 | 〃 |
| 〃 | MICRO ELECTRONICS HOLDING CO., LTD. [MICRO ELECTRONICS] | 〃 | 100 | 100 | 〃 |
| 〃 | MEGA TECHNOLOGY HOLDING CO., LTD. [MEGA TECHNOLOGY] | 〃 | 100 | 100 | 〃 |
| 〃 | MEGA COMPUTER CO., LTD. [MEGA COMPUTER] | Sales support of computers and electronic components | 100 | 100 | B |
| 〃 | MHK INTERNATIONAL CO., LTD. [MSI (MHK)] | 〃 | 100 | 100 | 〃 |
| 〃 | MSI (SHANGHAI) CO., LTD. [MSI (SHANGHAI)] | Sales and maintenance of computers and electronic components | 100 | 100 | A |
| 〃 | SHENZHEN MEGA INFORMATION CO., LTD. [SHENZHEN MEGA INFORMATION] | Examination and maintenance of computers, and electronic components | 100 | 100 | 〃 |
| MICRO ELECTRONICS | MSI ELECTRONICS (KUNSHAN) CO., LTD. [MSI ELECTRONICS (KUNSHAN)] | Manufacture and maintenance of computers, and electronic components | 100 | 100 | 〃 |
| STAR INFORMATION | MSI (SHENZHEN) CO., LTD. [MSI SHENZHEN] | Sales and maintenance of computers and electronic components | 100 | 100 | 〃 |
| MSI (B.V.I.) | MSI COMPUTER (SHENZHEN) CO., LTD. [MSI COMPUTER (SHENZHEN)] | Manufacture and maintenance of computers, and electronic components | 100 | 100 | 〃 |
| MEGA TECHNOLOGY | MSI COMPUTER TRADING (SHENZHEN) CO., LTD. [MSI TRADING (SHENZHEN)] | Sales and maintenance of computers and electronic components | - | 100 | A and G |
| 〃 | RAIDEALS INC. [RAIDEALS] | Sales computers and electronic components | 100 | 100 | A |

Note A: These investee companies are included in the consolidated financial statement based on their financial statements which were audited by the Group's independent auditors for the corresponding period.

Note B: There investee companies are included in the consolidated financial statement based on their financial statements which were audited by other independent auditors for the corresponding period.

Note C: As of December 31, 2020, these investee companies are included in the consolidated financial statements based on their financial statements which were audited by the Group's independent auditors for the correponding period.

Note D: The subsidiary is in the process of liquidation.

Note E: Registration of MSI IBERIA was completed on May 6, 2019. Thus, it has been included in the consolidated financial statements from that date.

Note F: MSI CANADA received capital infusion from MSI on April 8, 2020. Thus, it has been included in the consolidated financial statements from that date.

Note G: On June 10, 2020, this subsidiary has cancelled the registration.

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

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

E. Significant restrictions: 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.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities, associates and joint arrangements 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 closing 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; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) 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 settle 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 readily convert to known amount of cash and subject to an insignificant effect of value of changes in rate. Time deposits and money market fund 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 at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

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.

(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 recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets' contractual cash flows represents 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. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(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 financial assets measured at amortised cost including accounts receivable that have a significant financing component, 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) Leasing arrangements (lesser)－Operating leases

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.

(13) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work-in-process comprises raw materials, direct labour, other direct costs and related production overheads. The item-by-item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Property, plant and equipment

A Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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 balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

| | |
|---|---|
| Buildings and structures | 3~55 years |
| Machinery and equipment | 2~10 years |
| Other properties (includes transportation equipment, office equipment, and leasehold improvements) | 1.5~10 years |

(15) Leasing arrangements (lessee) − right-of-use assets/ lease liabilities

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 mainly fixed payments, less any lease incentives that can be received.

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 mainly comprising the amount of the initial measurement of lease liability.

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.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(16) 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 years.

(17) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for 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 amortised historical cost would have been if the impairment had not been recognised.

(18) Borrowings

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

(19) 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.

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

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(21) Provisions

Provisions of warranties 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, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(22) 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, 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, together with adjustments for unrecognised past service costs. 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 government bonds (at the balance sheet date).

ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

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

Employees' remuneration and directors' and supervisors' remuneration are recognised as expense and liability, 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 number of shares based on the closing price at the previous day of the board meeting resolution.

(23) 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, in which cases the tax is recognised in other comprehensive income or 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 Group 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 income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(24) Share capital

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.

(25) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(26) Revenue recognition

A. Sales of goods

(a) The Group manufactures and sells motherboards, graphic cards, a variety of computer hardware, and electronic components. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, 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 the products is recognised based on the price specified in the contract, net of the estimated value added tax, returns and volume discounts and rebates. The volume discounts to the customers are estimated based on the anticipated annual sales quantities and the right of return for defective products is estimated on the basis of historical experience. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. The period between the transfer of the promised goods or services to the customer and payment by the customer does not exceed one year. As a result, the Group does not adjust any of the transaction prices for the time value of money.

(c) The Group's obligation to provide a refund 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. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Group recognises the incremental costs of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

(27) Operating segments

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

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The information is addressed below:

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation. As of December 31, 2020, the carrying amount of inventories was $27,482,537.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Cash on hand and petty cash | $ 2,979 | $ 4,210 |
| Checking accounts and demand deposits | 13,480,057 | 9,526,040 |
| Time deposits | 5,102,919 | 1,178,795 |
| Total | $ 18,585,955 | $ 10,709,045 |

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's time deposits with maturity periods over three months or pledged to others are reclassified as "financial assets at amortised cost." Details of financial assets at amortised cost are provided in Notes 6(4) and 8.

### (2) Financial assets and liabilities at fair value through profit or loss - current

| Asset items | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Stock of publicly traded or listed companies | $ 126,045 | $ 119,571 |
| Derivatives – Forward exchange contract | 37 | 3,660 |
| Derivatives – Foreign exchange swap | 79,260 | 52,981 |
| | 205,342 | 176,212 |
| Evaluation adjustment | ( 1,605) | ( 23,407) |
| Total | $ 203,737 | $ 152,805 |

| Liability items | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Financial liabilities held for trading | | |
| Derivatives – Forward exchange contract | $ 103,885 | $ 24,943 |

A. Amounts recognised in profit or loss in relation to financial assets and liabilities at fair value through profit or loss are listed below:

| | 2020 | 2019 |
|---|---|---|
| Financial assets and liabilities mandatorily measured at fair value through profit or loss | | |
| Equity instruments | $ 24,436 | $ 16,301 |
| Derivatives | ( 57,442) | ( 21,390) |
| | ($ 33,006) | ($ 5,089) |

B. The Group entered into contracts related to derivative financial assets and liabilities which were not accounted for under hedge accounting. The contract information are as follows:

| | December 31, 2020 | | |
|---|---|---|---|
| Derivative Financial Assets | Contract Amount Notional Principal (In thousands) | | Contract period |
| Forward exchange contracts | CAD | 1,000 | 2020.12.16～2021.03.24 |
| Foreign exchange swap | USD | 80,000 | 2020.11.06～2021.02.09 |
| 〃 | CNY | 591,911 | 2020.08.13～2021.05.17 |

| | December 31, 2020 | | |
|---|---|---|---|
| Derivative Financial Liabilities | Contract Amount Notional Principal (In thousands) | | Contract period |
| Forward exchange contracts | GBP | 6,000 | 2020.10.22～2021.03.08 |
| 〃 | AUD | 8,200 | 2020.10.28～2021.02.24 |
| 〃 | CAD | 6,000 | 2020.11.06～2021.03.24 |
| 〃 | KRW | 6,576,400 | 2020.12.02～2021.01.28 |
| 〃 | SEK | 7,575 | 2020.11.20～2021.02.08 |
| 〃 | EUR | 68,000 | 2020.08.25～2021.03.16 |

| | December 31, 2019 | | |
|---|---|---|---|
| Derivative Financial Assets | Contract Amount Notional Principal (In thousands) | | Contract period |
| Forward exchange contracts | EUR | 2,000 | 2019.10.21~2020.02.10 |
| 〃 | GBP | 500 | 2019.12.09~2020.02.18 |
| 〃 | KRW | 1,156,000 | 2019.12.30~2020.01.15 |
| 〃 | SEK | 4,650 | 2019.12.30~2020.02.10 |
| 〃 | JPY | 216,310 | 2019.12.04~2020.02.03 |
| Foreign exchange swap | USD | 94,000 | 2019.11.07~2020.02.24 |
| 〃 | CNY | 473,584 | 2019.08.14~2020.05.18 |

| Derivative Financial Liabilities | December 31, 2019<br>Contract Amount<br>Notional Principal<br>(In thousands) | | Contract period |
|---|---|---|---|
| Forward exchange contracts | CAD | 8,000 | 2019.10.21~2020.03.24 |
| 〃 | RUB | 224,291 | 2019.12.05~2020.01.16 |
| 〃 | EUR | 44,000 | 2019.10.15~2020.04.08 |
| 〃 | SEK | 2,852 | 2019.12.03~2020.01.08 |
| 〃 | GBP | 5,500 | 2019.10.17~2020.02.18 |
| 〃 | AUD | 6,500 | 2019.10.31~2020.02.24 |

The Group entered into forward foreign exchange contracts to hedge exchange risk. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

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

D. Information relating to price risk and fair value of financial assets at fair value through profit or loss is provided in Note 12(2)(3).

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

| Items | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Non-current items: | | |
| Equity instruments | | |
| Unlisted stocks | $ 151,975 | $ 151,975 |
| Valuation adjustment | ( 27,637) | - |
| Total | $ 124,338 | $ 151,975 |

A. The Group has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $124,338 and $151,975 as at December 31, 2020 and 2019, respectively.

B. As at December 31, 2020 and 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 fair value through other comprehensive income held by the Group were $124,338 and $151,975, respectively.

C. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.

D. Information relating to price risk and fair value of financial assets at fair value through other comprehensive income is provided in Note 12(2)(3).

(4) Financial assets at amortised cost

| Items | December 31, 2020 | December 31, 2019 |
| --- | --- | --- |
| Current items: | | |
| Time deposits over three months | $ 1,000,447 | $ 1,200,000 |
| Non-current items: | | |
| Pledge bank deposits | $ 225,844 | $ 226,083 |
| Others | 1,093 | 1,765 |
| Total | $ 226,937 | $ 227,848 |

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

| | 2020 | 2019 |
| --- | --- | --- |
| Interest income | $ 7,362 | $ 8,310 |

B. As at December 31, 2020 and 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 were $1,227,384 and $1,427,848, respectively.

C. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

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

(5) Notes and Accounts receivable

| | December 31, 2020 | December 31, 2019 |
| --- | --- | --- |
| Notes receivable | $ 113,287 | $ 47,114 |
| Accounts receivable | $ 21,885,338 | $ 17,237,493 |
| Less: Allowance for doubtful accounts | ( 18,092) | ( 31,710) |
| | $ 21,867,246 | $ 17,205,783 |

A. The ageing analysis of accounts receivable and notes receivable:

| | December 31, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| | Accounts receivable | Notes receivable | Accounts receivable | Notes receivable |
| Not past due | $ 19,204,696 | $ 113,287 | $ 14,068,801 | $ 47,114 |
| 1 to 75 days | 2,633,841 | - | 3,044,781 | - |
| 76 to 365 days | 45,859 | - | 120,008 | - |
| Over 365 days | 942 | - | 3,903 | - |
| | $ 21,885,338 | $ 113,287 | $ 17,237,493 | $ 47,114 |

The above ageing analysis was based on past due date.

B. As of December 31, 2020 and 2019, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers amounted to $16,075,372.

C. Most of the Group's accounts receivable have been insured or have collateral as security, and the Group will be able to obtain insurance claims or enforce a collateral in case these accounts default.

D. As of December 31, 2020 and 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 Group's notes and accounts receivable were $113,287 and $47,114; $21,867,246 and $17,205,783, respectively.

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

(6) Inventories

| | December 31, 2020 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | $ 8,292,346 | ($ 154,873) | $ 8,137,473 |
| Work-in-process | 1,502,072 | ( 2,198) | 1,499,874 |
| Finished goods | 18,172,487 | ( 327,297) | 17,845,190 |
| | $ 27,966,905 | ($ 484,368) | $ 27,482,537 |

| | December 31, 2019 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | $ 6,579,127 | ($ 130,049) | $ 6,449,078 |
| Work-in-process | 1,378,828 | ( 1,311) | 1,377,517 |
| Finished goods | 15,104,505 | ( 403,260) | 14,701,245 |
| | $ 23,062,460 | ($ 534,620) | $ 22,527,840 |

The cost of inventories recognised as expense for the period:

| | 2020 | 2019 |
|---|---|---|
| Cost of inventories recognised as expense | $ 125,199,949 | $ 104,629,261 |
| Gains on reversal of decline in market value | ( 48,625) | ( 191,805) |

The Group reversed a previous inventory write-down and accounted for as reduction of cost of goods sold because some inventories which were recognized as expense have been sold for the years ended December 31, 2020 and 2019.

(7) Prepayments

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Overpaid tax for offsetting the future tax payable | $ 972,344 | $ 922,464 |
| Office supplies | 539,955 | 490,408 |
| Prepayment for goods | 57,650 | 30,266 |
| Others | 237,564 | 232,563 |
| | $ 1,807,513 | $ 1,675,701 |

(8) Property, plant and equipment

| | 2020 | | | | |
|---|---|---|---|---|---|
| | Land | Buildings | Machineries | Others | Total |
| At January 1 | | | | | |
| Cost | $ 1,462,282 | $ 5,251,609 | $ 2,550,199 | $ 1,776,223 | $11,040,313 |
| Accumulated depreciation | - | ( 3,387,842) | ( 1,443,341) | ( 1,315,697) | ( 6,146,880) |
| | $ 1,462,282 | $ 1,863,767 | $ 1,106,858 | $ 460,526 | $ 4,893,433 |
| Balance at January 1 | $ 1,462,282 | $ 1,863,767 | $ 1,106,858 | $ 460,526 | $ 4,893,433 |
| Additions | - | 49,919 | 638,484 | 282,363 | 970,766 |
| Reclassifications | - | 85,038 | 43,543 | ( 84,090) | 44,491 |
| Disposals | - | ( 225) | ( 106) | ( 766) | ( 1,097) |
| Depreciation charge | - | ( 267,855) | ( 356,338) | ( 173,271) | ( 797,464) |
| Net exchange differences | 525 | 9,187 | 8,870 | 1,383 | 19,965 |
| Balance At December 31 | $ 1,462,807 | $ 1,739,831 | $ 1,441,311 | $ 486,145 | $ 5,130,094 |
| At December 31 | | | | | |
| Cost | $ 1,462,807 | $ 5,635,658 | $ 3,239,657 | $ 1,906,219 | $12,244,341 |
| Accumulated depreciation | - | ( 3,895,827) | ( 1,798,346) | ( 1,420,074) | ( 7,114,247) |
| | $ 1,462,807 | $ 1,739,831 | $ 1,441,311 | $ 486,145 | $ 5,130,094 |

| | 2019 | | | | |
|---|---|---|---|---|---|
| | Land | Buildings | Machineries | Others | Total |
| At January 1 | | | | | |
| Cost | $ 1,467,630 | $ 5,368,187 | $ 3,713,051 | $ 1,715,434 | $12,264,302 |
| Accumulated depreciation | - | ( 3,298,694) | ( 2,889,051) | ( 1,338,013) | ( 7,525,758) |
| | $ 1,467,630 | $ 2,069,493 | $ 824,000 | $ 377,421 | $ 4,738,544 |
| Balance at January 1 | $ 1,467,630 | $ 2,069,493 | $ 824,000 | $ 377,421 | $ 4,738,544 |
| Additions | - | 59,515 | 636,031 | 287,121 | 982,667 |
| Reclassifications | - | 25,963 | 800 | ( 61,740) | ( 34,977) |
| Disposals | - | - | ( 53,085) | ( 1,709) | ( 54,794) |
| Depreciation charge | - | ( 255,071) | ( 282,872) | ( 133,078) | ( 671,021) |
| Net exchange differences | ( 5,348) | ( 36,133) | ( 18,016) | ( 7,489) | ( 66,986) |
| Balance At December 31 | $ 1,462,282 | $ 1,863,767 | $ 1,106,858 | $ 460,526 | $ 4,893,433 |
| At December 31 | | | | | |
| Cost | $ 1,462,282 | $ 5,251,609 | $ 2,550,199 | $ 1,776,223 | $11,040,313 |
| Accumulated depreciation | - | ( 3,387,842) | ( 1,443,341) | ( 1,315,697) | ( 6,146,880) |
| | $ 1,462,282 | $ 1,863,767 | $ 1,106,858 | $ 460,526 | $ 4,893,433 |

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

(9) Leasing arrangements－lessee

A. The Group leases various assets including land, buildings, machinery and equipment, and other equipment. Rental contracts are typically made for periods of 3 months to 9 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, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | Carrying amount | Carrying amount |
| Land | $ 62,903 | $ 70,355 |
| Buildings | 387,566 | 361,312 |
| Machinery and equipment | 7,803 | 6,717 |
| Other equipment | 44,128 | 36,513 |
| | $ 502,400 | $ 474,897 |

| | 2020 | 2019 |
|---|---|---|
| | Depreciation charge | Depreciation charge |
| Land | $ 8,594 | $ 8,809 |
| Buildings | 217,471 | 132,799 |
| Machinery and equipment | 2,760 | 2,433 |
| Other equipment | 21,127 | 20,153 |
| | $ 249,952 | $ 164,194 |

C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were $301,039 and $290,570, respectively.

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

| | 2020 | 2019 |
|---|---|---|
| Items affecting profit or loss | | |
| Interest expense on lease liabilities | $ 10,050 | $ 6,450 |
| Expense on leases of low-value or short-term assets | 58,122 | 52,040 |
| Expense on variable lease payments | 29,530 | 37,443 |
| Gain on lease modification | 366 | 214 |

E. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases were $336,687 and $248,697, respectively.

F. The Group has applied the practical expedient to "Covid-19-related rent concessions". The amount is not significant, and the Group recognised changes in lease payments caused by rent concessions as deductions for expenses.

(10) Leasing arrangements – lessor

A. The Group leases buildings. Rental contracts are typically made for periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. The Group recognised rental income of $102,153 and $116,675 based on operating lease contracts for the years ended December 31, 2020 and 2019, respectively. None of these included variable lease payments.

C. The maturity analysis of the undiscounted lease payments in the operating lease is as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Less than 1 year | $ 83,885 | $ 71,211 |
| Between 1 and 5 years | 105,775 | 61,051 |
| Total | $ 189,660 | $ 132,262 |

(11) Investment property

| | 2020 Buildings | 2019 Buildings |
|---|---|---|
| At January 1 | | |
| Cost | $ 1,167,190 | $ 1,129,777 |
| Accumulated depreciation | ( 866,631) | ( 788,536) |
| | $ 300,559 | $ 341,241 |
| | | |
| Balance at January 1 | $ 300,559 | $ 341,241 |
| Additions | 316 | 3,602 |
| Reclassifications | ( 48,800) | 21,319 |
| Depreciation charge | ( 48,402) | ( 54,841) |
| Net exchange differences | 3,964 | ( 10,762) |
| Balance At December 31 | $ 207,637 | $ 300,559 |
| | | |
| At December 31 | | |
| Cost | $ 950,590 | $ 1,167,190 |
| Accumulated depreciation | ( 742,953) | ( 866,631) |
| | $ 207,637 | $ 300,559 |

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

| | 2020 | 2019 |
|---|---|---|
| Rental income from the lease of the investment property | $ 102,153 | $ 116,675 |
| Direct operating expenses arising from the investment property | $ 67,220 | $ 76,351 |

B. As of December 31, 2020 and 2019, the fair value of the Group's investments in property amounting to $2,437,773 and $3,403,426, respectively, as derived from market prices in the nearby area, are included in Level 2.

(12) Short-term borrowings

| Type of borrowings | December 31, 2020 | Interest rate range | Collateral |
|---|---|---|---|
| Bank borrowings | | | |
| Unsecured borrowings | $ 3,000,000 | 0.73%~0.85% | None |

| Type of borrowings | December 31, 2019 | Interest rate range | Collateral |
|---|---|---|---|
| Bank borrowings | | | |
| Unsecured borrowings | $ 1,500,000 | 0.88%～0.90% | None |

(13) Other payables

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Accrued salary and bonus | $ 1,685,707 | $ 1,303,131 |
| Accrued freight | 945,457 | 617,251 |
| Directors' remuneration and employees' compensation | 796,500 | 554,500 |
| Advertising expenses payable | 659,268 | 355,107 |
| Accrued molding expense | 333,861 | 217,077 |
| Other accrued expenses | 923,617 | 797,769 |
| | $ 5,344,410 | $ 3,844,835 |

(14) Long-term borrowings

| Type of borrowings | Borrowing period and repayment term | Interest rate range | Collateral | December 31, 2020 |
|---|---|---|---|---|
| Long-term bank borrowings | | | | |
| Secured borrowings | Starting from March 24, 2016 to March 24, 2021, repayment of principal and interest of USD 4,307.77 monthly and remaining principal on the due date. | Three month LIBOR plus 1.75% | Land and Building | $ 14,184 |
| Less: current portion | | | | ( 14,184) |
| | | | | $ - |

| Type of borrowings | Borrowing period and repayment term | Interest rate range | Collateral | December 31, 2019 |
|---|---|---|---|---|
| Long-term bank borrowings | | | | |
| Secured borrowings | Starting from March 24, 2016 to March 24, 2021, repayment of principal and interest of USD 4,307.77 monthly and remaining principal on the due date. | Three month LIBOR plus 1.75% | Land and Building | $ 16,026 |
| Less: current portion | | | | ( 931) |
| | | | | $ 15,095 |

(15) Pensions

A. (a) The Company has 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 would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

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

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Present value of defined benefit obligations | $ 535,344 | $ 524,869 |
| Fair value of plan assets | ( 315,030) | ( 302,895) |
| Net defined benefit liability | $ 220,314 | $ 221,974 |

(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 |
|---|---|---|---|
| 2020 | | | |
| Balance at January 1 | $ 524,869 | ($ 302,895) | $ 221,974 |
| Current service cost | 3,359 | - | 3,359 |
| Interest expense (income) | 3,674 | ( 2,120) | 1,554 |
| | 531,902 | ( 305,015) | 226,887 |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | ( 10,314) | ( 10,314) |
| Change in financial assumptions | 20,532 | - | 20,532 |
| Experience adjustments | ( 5,112) | - | ( 5,112) |
| | 15,420 | ( 10,314) | 5,106 |
| Pension fund contribution | - | ( 11,679) | ( 11,679) |
| Paid pension | ( 11,978) | 11,978 | - |
| Balance at December 31 | $ 535,344 | ($ 315,030) | $ 220,314 |

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
|---|---|---|---|
| 2019 | | | |
| Balance at January 1 | $ 502,487 | ($ 284,878) | $ 217,609 |
| Current service cost | 3,710 | - | 3,710 |
| Interest expense (income) | 5,025 | ( 2,849) | 2,176 |
| | 511,222 | ( 287,727) | 223,495 |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | ( 9,912) | ( 9,912) |
| Change in financial assumptions | 15,767 | - | 15,767 |
| Experience adjustments | 4,224 | - | 4,224 |
| | 19,991 | ( 9,912) | 10,079 |
| Pension fund contribution | - | ( 11,600) | ( 11,600) |
| Paid pension | ( 6,344) | 6,344 | - |
| Balance at December 31 | $ 524,869 | ($ 302,895) | $ 221,974 |

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. 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 assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

| | 2020 | 2019 |
|---|---|---|
| Discount rate | 0.30% | 0.70% |
| Future salary increases | 2.75% | 2.75% |

Assumptions regarding future mortality experience are set based on the fifth round of empirical life tables of the Taiwan life insurance industry.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

| | Discount rate | | Future salary increases | |
|---|---|---|---|---|
| | Increase 0.25% | Decrease 0.25% | Increase 0.25% | Decrease 0.25% |
| December 31, 2020 | | | | |
| Effect on present value of defined benefit obligation | ($ 12,970) | $ 13,446 | $ 11,756 | ($ 11,422) |
| December 31, 2019 | | | | |
| Effect on present value of defined benefit obligation | ($ 13,187) | $ 13,680 | $ 12,065 | ($ 11,713) |

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. 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.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to $11,593.

(g) As of December 31, 2020, the weighted average duration of the retirement plan is 10 years. The analysis of timing of the future pension payment was as follows:

| | |
|---|---|
| Within 1 year | $ 40,867 |
| 1-2 year(s) | 43,253 |
| 2-3 years | 30,900 |
| 3-4 years | 19,385 |
| 4-5 years | 16,930 |
| 6-10 years | 131,293 |
| Over 10 years | 268,910 |
| | $ 551,538 |

B. (a) Effective July 1, 2005, the Company has 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 contributes 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 percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(c) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019 were $247,872 and $279,412, respectively.

(16) Provisions for liabilities

| Warranty | 2020 | 2019 |
|---|---|---|
| At January 1 | $ 556,720 | $ 501,095 |
| Additional provisions | 852,712 | 748,955 |
| Used during the period | ( 558,931) | ( 693,294) |
| Exchange differences | ( 66) | ( 36) |
| At December 31 | $ 850,435 | $ 556,720 |

Analysis of total provisions:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Current | $ 850,435 | $ 556,720 |

The Group gives warranties on computer components and personal computers sold. Provision for warranty is estimated based on historical warranty data.

(17) Share capital

As of December 31, 2020, the Company's authorized capital was $15,000,000 (including 80,000 thousand shares reserved for employee stock options and 150,000 thousand shares reserved for convertible bonds issued by the Company), and the paid-in capital was $8,448,562 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

(18) Capital surplus

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

(19) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses, then 10% of the remaining amount shall be set aside or reversed as legal reserve. The balance plus unappropriated retained earnings at the beginning of the period shall be appropriated 10%~90% as proposed by the Board of Directors and resolved by the stockholders during their meeting.

B. The Company's dividend policy is summarized below: as the Company operates in a volatile business environment and is in the stable growth stage, except for the Company's future expansion plans, stockholders' interest is taken into consideration. The Group appropriated dividends in proportion to total number of shares, dividends could be distributed in stock or cash, and cash dividends shall account for at least 30% of the total dividends distributed.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. (a) 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.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

E. The appropriations of 2019 and 2018 earnings had been resolved at the stockholders' meeting on June 10, 2020 and June 14, 2019, respectively, were as follows:

| | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Amount | | Dividends per share (dollar) | | Amount | | Dividends per share (dollar) | |
| Legal reserve | $ | 558,721 | | | $ | 604,113 | | |
| Special reserve | | 288,559 | | | | 84,151 | | |
| Cash dividend | | 3,548,396 | $ | 4.20 | | 3,801,853 | $ | 4.50 |

The cash dividends of the Company from capital surplus that has been approved by the stockholders on June 14, 2019 amounted to $422,429.

The appropriation of 2019 earnings as approved by the stockholders is the same as with the appropriation resolved by the Board of Directors during its meeting on April 30, 2020. Information about earnings appropriation of the Company as resolved by Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(20) Operating revenue

The Group derives revenue from the transfer of goods at a point in time in the following major segment:

| 2020 | Computer and peripherals segment | | Other | | Total | |
|---|---|---|---|---|---|---|
| Total segment revenue | $ | 146,342,698 | $ | 160,091 | $ | 146,502,789 |
| Timing of revenue recognition | | | | | | |
| At a point in time | $ | 146,342,698 | $ | 160,091 | $ | 146,502,789 |

| 2019 | Computer and peripherals segment | | Other | | Total | |
|---|---|---|---|---|---|---|
| Total segment revenue | $ | 120,486,414 | $ | 5,003 | $ | 120,491,417 |
| Timing of revenue recognition | | | | | | |
| At a point in time | $ | 120,486,414 | $ | 5,003 | $ | 120,491,417 |

(21) Interest income

| | 2020 | | 2019 | |
|---|---|---|---|---|
| Interest income from bank deposits | $ | 81,460 | $ | 74,058 |
| Interest income from financial assets measured at amortised cost | | 7,362 | | 8,310 |
| | $ | 88,822 | $ | 82,368 |

(22) Other income

| | 2020 | 2019 |
|---|---|---|
| Rental revenue | $ 102,153 | $ 116,675 |
| Others | 474,822 | 516,240 |
| | $ 576,975 | $ 632,915 |

(23) Other gains and losses

| | 2020 | 2019 |
|---|---|---|
| Net currency exchange losses | ($ 77,078) | ($ 34,836) |
| Losses on financial assets and liabilities at fair value through profit or loss | ( 33,006) | ( 5,089) |
| Net (losses) gains on disposal of property, plant and equipment | ( 540) | 2,906 |
| Other losses | ( 114,163) | ( 88,691) |
| | ($ 224,787) | ($ 125,710) |

(24) Expenses by nature

| | 2020 | 2019 |
|---|---|---|
| Employee benefit expense | $ 8,192,801 | $ 7,247,568 |
| Depreciation charges | 1,095,818 | 890,056 |
| Amortisation charges | 200 | 224 |
| | $ 9,288,819 | $ 8,137,848 |

(25) Employee benefit expense

| | 2020 | 2019 |
|---|---|---|
| Wages and salaries | $ 7,229,216 | $ 6,241,522 |
| Labor and health insurance fees | 415,089 | 396,369 |
| Pension costs | 252,785 | 285,297 |
| Other personnel expenses | 295,711 | 324,380 |
| Total | $ 8,192,801 | $ 7,247,568 |

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 6%~10% for employees' compensation and shall not be higher than 1% for directors' remuneration.

B. For the years ended December 31, 2020 and 2019, employees' remuneration was accrued at $725,000 and $505,000, respectively; while directors' remuneration was accrued at $71,500 and $49,500, respectively. The aforementioned amounts were recognized in salary expenses respectively.

The employees' compensation and directors' remuneration were estimated and accrued based on the historical distribution ratio and the profit of the current year for the year ended December 31, 2020.

Employees' compensation and directors' remuneration of 2019 as resolved at the meeting of Board of Directors were in agreement with those amounts recognized in the 2019 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors and shareholders will be posted in the "Market Observation Post System" website of the Taiwan Stock Exchange.

(26)Income tax

A. Income tax expense

(a) Components of income tax expense:

| | 2020 | 2019 |
|---|---|---|
| Current tax: | | |
| Current tax on profits for the period | $ 1,906,717 | $ 999,237 |
| Tax on undistributed earnings | 52,357 | 76,902 |
| Prior year income tax overestimation | ( 4,331) | ( 138,530) |
| Total current tax | 1,954,743 | 937,609 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | ( 317,355) | ( 6,386) |
| Total deferred tax | ( 317,355) | ( 6,386) |
| Income tax expense | $ 1,637,388 | $ 931,223 |

(b) The income tax charge relating to components of other comprehensive income:

| | 2020 | 2019 |
|---|---|---|
| Remeasurement of defined benefit obligations | $ 1,021 | $ 2,016 |

(c) The income tax charged/(credited) to equity during the period: None.

B. Reconciliation between income tax expense and accounting profit

| | 2020 | 2019 |
|---|---|---|
| Tax calculated based on profit before tax and statutory tax rate (Note) | $ 2,063,059 | $ 1,409,440 |
| Effect from items disallowed by tax regulation | 16,800 | 16,800 |
| Temporary differences not recognised as deferred tax liabilities | ( 133,514) | ( 137,196) |
| Effect from investment tax credits | ( 302,078) | ( 282,279) |
| Prior year income tax overestimation | ( 4,331) | ( 138,530) |
| Effect of different tax rates in countries in which the group operates | ( 54,499) | ( 13,914) |
| Tax on undistributed earnings | 52,357 | 76,902 |
| Other | (406) | - |
| Income tax expense | $ 1,637,388 | $ 931,223 |

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

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

| | 2020 | | | |
|---|---|---|---|---|
| | January 1 | Recognised in profit or loss | Recognised in other comprehensive income | December 31 |
| Temporary differences: | | | | |
| -Deferred tax assets: | | | | |
| Unrealized gross profit | $ 203,265 | $ 234,846 | $ - | $ 438,111 |
| Loss on inventory | 110,357 | ( 13,816) | - | 96,541 |
| Allowance for bad debts excess tax limitation | 7,258 | ( 4,981) | - | 2,277 |
| Unrealized losses on forward exchange contract | - | 4,918 | - | 4,918 |
| Remeasurement of defined benefit obligations | 34,135 | - | 1,021 | 35,156 |
| Others | 116,508 | 76,102 | - | 192,610 |
| Subtotal | 471,523 | 297,069 | 1,021 | 769,613 |

| | 2020 | | | |
|---|---|---|---|---|
| | January 1 | Recognised in profit or loss | Recognised in other comprehensive income | December 31 |
| -Deferred tax liabilities: | | | | |
| Unrealised exchange gain | ( 20,490) | 14,406 | - | ( 6,084) |
| Unrealized gains on forward exchange contract | ( 6,340) | 6,340 | - | - |
| Others | ( 384) | ( 460) | - | ( 844) |
| Subtotal | ( 27,214) | 20,286 | - | ( 6,928) |
| Total | $ 444,309 | $ 317,355 | $ 1,021 | $ 762,685 |

| | 2019 | | | |
|---|---|---|---|---|
| | January 1 | Recognised in profit or loss | Recognised in other comprehensive income | December 31 |
| Temporary differences: | | | | |
| -Deferred tax assets: | | | | |
| Unrealized gross profit | $ 148,181 | $ 55,084 | $ - | $ 203,265 |
| Loss on inventory | 147,632 | ( 37,275) | - | 110,357 |
| Allowance for bad debts excess tax limitation | 1,257 | 6,001 | - | 7,258 |
| Unrealized exchange loss | 3,462 | ( 3,462) | - | - |
| Remeasurement of defined benefit obligations | 32,119 | - | 2,016 | 34,135 |
| Others | 105,553 | 10,955 | - | 116,508 |
| Subtotal | 438,204 | 31,303 | 2,016 | 471,523 |
| -Deferred tax liabilities: | | | | |
| Unrealised exchange gain | - | ( 20,490) | - | ( 20,490) |
| Unrealized gains on forward exchange contract | ( 1,755) | ( 4,585) | - | ( 6,340) |
| Others | ( 542) | 158 | - | ( 384) |
| Subtotal | ( 2,297) | ( 24,917) | - | ( 27,214) |
| Total | $ 435,907 | $ 6,386 | $ 2,016 | $ 444,309 |

D. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2020 and 2019, the amounts of temporary difference unrecognised as deferred tax liabilities were $5,887,126 and $5,042,672, respectively.

E. The Company’s income tax returns through 2017 have been assessed and approved by the Tax Authority.

(27) Earnings per share

| | 2020 | | |
|---|---|---|---|
| | Amount after tax | Retroactively adjusted weighted-average outstanding ordinary shares (in thousands) | Earnings per share (in NT dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 7,959,505 | 844,856 | $ 9.42 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 7,959,505 | 844,856 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 7,225 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 7,959,505 | 852,081 | $ 9.34 |

| | 2019 | | |
|---|---|---|---|
| | Amount after tax | Retroactively adjusted weighted-average outstanding ordinary shares (in thousands) | Earnings per share (in NT dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 5,587,210 | 844,856 | $ 6.61 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 5,587,210 | 844,856 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 7,378 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 5,587,210 | 852,234 | $ 6.56 |

## 7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

None.

(2) Significant related party transactions

None.

(3) Key management compensation

| | 2020 | 2019 |
|---|---|---|
| Salaries and other employee benefits | $ 464,093 | $ 350,353 |

8. PLEDGED ASSETS

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

| | Book value | | |
|---|---|---|---|
| Asset items | December 31, 2020 | December 31, 2019 | Purpose |
| Non-current financial assets at amortised cost | $ 225,844 | $ 226,083 | Performance security guarantee |
| Property, plant and equipment | 116,383 | 126,733 | For guarantee of long-term loans |
| | $ 342,227 | $ 352,816 | |

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

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase outstanding shares.

(2) Financial instruments

A. Financial instruments by category

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Financial assets | | |
| Financial assets at fair value through profit or loss | | |
| Financial assets mandatorily measured at fair value through profit or loss | $ 203,737 | $ 152,805 |
| Financial assets at fair value through other comprehensive income | | |
| Designation of equity instrument | 124,338 | 151,975 |
| Financial assets at amortised cost | | |
| Cash and cash equivalents | 18,585,955 | 10,709,045 |
| Financial assets at amortised cost | 1,227,384 | 1,427,848 |
| Notes receivable | 113,287 | 47,114 |
| Accounts receivable | 21,867,246 | 17,205,783 |
| Other receivables | 265,987 | 227,116 |
| Guarantee deposits paid | 64,716 | 42,242 |
| | $ 42,452,650 | $ 29,963,928 |
| Financial liabilities | | |
| Financial liabilities at fair value through profit or loss | | |
| Financial liabilities held for trading | $ 103,885 | $ 24,943 |
| Financial liabilities at amortised cost | | |
| Short-term borrowings | 3,000,000 | 1,500,000 |
| Accounts payable | 27,177,751 | 20,391,520 |
| Other payables | 5,344,410 | 3,844,835 |
| Long-term borrowings (including current portion) | 14,184 | 16,026 |
| Guarantee deposits received | 212,383 | 198,920 |
| | $ 35,852,613 | $ 25,976,244 |
| Lease liabilities | $ 443,730 | $ 406,848 |

B. Risk management policies

The Group's activities expose it to a variety of financial risks: including market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency.

iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

iv. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).

v. The Group's businesses involve some non-functional currency operations. 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, 2020 | | |
|---|---|---|---|
| (Foreign currency: functional currency) | Foreign Currency Amount (In Thousands) | Exchange rate | Book Value (NTD) |
| Financial assets | | | |
| Monetary items | | | |
| USD: NTD | $ 471,844 | 28.4800 | $ 13,438,119 |
| EUR: NTD | 94,927 | 35.0200 | 3,324,351 |
| RMB: NTD | 142,167 | 4.3770 | 622,264 |
| GBP: NTD | 10,763 | 38.9000 | 418,664 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD: NTD | 982,170 | 28.4800 | 27,972,190 |
| EUR: NTD | 25,630 | 35.0200 | 879,561 |
| USD: RMB | 23,215 | 6.5067 | 661,151 |

| (Foreign currency: functional currency) | December 31, 2019 Foreign Currency Amount (In Thousands) | Exchange rate | Book Value (NTD) |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD: NTD | $ 396,064 | 29.9800 | $ 11,873,988 |
| EUR: NTD | 51,697 | 33.5900 | 1,736,500 |
| RMB: NTD | 162,475 | 4.3050 | 699,454 |
| GBP: NTD | 7,794 | 39.3600 | 306,785 |
| CAD: NTD | 10,468 | 22.9900 | 240,670 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD: NTD | 673,526 | 29.9800 | 20,192,315 |
| USD: RMB | 16,433 | 6.9640 | 492,673 |
| EUR: NTD | 11,924 | 33.5900 | 400,520 |

vi. The exchange loss arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019 amounted to $77,078 and $34,836, respectively.

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

| | 2020 | | |
|---|---|---|---|
| | Sensitivity analysis | | |
| (Foreign currency: functional currency) | Degree of variation | Effect on profit or loss (before tax) | Effect on other comprehensive income |
| Financial assets | | | |
| Monetary items | | | |
| USD: NTD | 1% | $ 134,381 | $ - |
| EUR: NTD | 1% | 33,244 | - |
| RMB: NTD | 1% | 6,223 | - |
| GBP: NTD | 1% | 4,187 | - |
| Financial liabilities | | | |
| Monetary items | | | |
| USD: NTD | 1% | 279,722 | - |
| EUR: NTD | 1% | 8,976 | - |
| USD: RMB | 1% | 6,612 | - |

| (Foreign currency: functional currency) | 2019 Sensitivity analysis Degree of variation | Effect on profit or loss (before tax) | Effect on other comprehensive income |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD: NTD | 1% | $ 118,740 | $ - |
| EUR: NTD | 1% | 17,365 | - |
| RMB: NTD | 1% | 6,995 | - |
| GBP: NTD | 1% | 3,068 | - |
| CAD: NTD | 1% | 2,407 | - |
| Financial liabilities | | | |
| Monetary items | | | |
| USD: NTD | 1% | 201,923 | - |
| USD: RMB | 1% | 4,927 | - |
| EUR: NTD | 1% | 4,005 | - |

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. Diversification of the portfolio is done in accordance with the limits set by the Group.

ii. The Group has investments in equity securities. The prices of equity securities would change due to the change in 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, 2020 and 2019 would have increased/decreased by $996 and $769, as a result of gain or loss of equity instruments at fair value through profit or loss. Also, other components of equity would have increased/decreased by $995 and $1,216, 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

i. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. For the years ended December 31, 2020 and 2019, the Group borrowings are issued at variable rate denominated in US dollars.

ii. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

iii. As at December 31, 2020 and 2019, if interest rates on USD and NTD denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2020 and 2019 would have been \$113 and \$128 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(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, notes receivable and financial assets at amortised cost cash flow based on the agreed terms.

ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only parties with a rating of investment grade are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilisation of credit limits is regularly monitored. Credit risk arises from credit exposures to wholesale and retail customers, including outstanding receivables.

iii. The Group adopts assumptions, if the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 150 days.

v. 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.

vi. The Group applies the modified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis.

vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

viii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of debt instrument as at December 31, 2020 and 2019. The expected credit loss rate of the Group's overdue accounts receivable was not material as of December 31, 2020 and 2019.

ix. The Group applies the simplified approach to provide loss allowance for accounts receivable that have no significant impact. The Group had not recognized related impact as at December 31, 2020 and 2019.

(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. Such forecasting takes into consideration the Group's internal balance sheet ratio targets and external regulatory or legal requirements.

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:

| December 31, 2020 | Less than 1 year | Between 1 to 2 years | Between 2 to 3 years | Over 3 years |
|---|---|---|---|---|
| Short-term borrowings | $ 3,001,922 | $ - | $ - | $ - |
| Accounts payable | 27,177,751 | - | - | - |
| Other payables | 5,344,410 | - | - | - |
| Lease liabilities | 225,892 | 159,964 | 41,619 | 22,011 |
| Long-term borrowings (including current portion) | 13,552 | - | - | - |
| Other financial liabilities | 1,228 | 103,826 | - | 107,329 |

Non-derivative financial liabilities:

| December 31, 2019 | Less than 1 year | Between 1 to 2 years | Between 2 to 3 years | Over 3 years |
|---|---|---|---|---|
| Short-term borrowings | $ 1,500,037 | $ - | $ - | $ - |
| Accounts payable | 20,391,520 | - | - | - |
| Other payables | 3,844,835 | - | - | - |
| Lease liabilities | 194,646 | 144,775 | 80,921 | 38,352 |
| Long-term borrowings (including current portion) | 1,550 | 14,266 | - | - |
| Other financial liabilities | 605 | 106,506 | - | 91,809 |

Derivative financial liabilities

As of December 31, 2020 and 2019, the derivative financial liabilities mature within 1 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 and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an on going basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. The fair value information of the Group's investments in property is provided in Note 6(11).

C. Financial instruments not measured at fair value

The Group's cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, accounts payable, other payables, long-term borrowings and guarantee deposits received are approximate to their fair values. The transaction value information is provided in Note 12(2)A.

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 is as follows:

| December 31, 2020 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through profit or loss | | | | |
| -Equity security | $ 124,440 | $ - | $ - | $ 124,440 |
| -Forward exchange contract | - | 37 | - | 37 |
| -Foreign exchange swap | - | 79,260 | - | 79,260 |
| Financial assets at fair value through other comprehensive income | | | | |
| -Equity securities | - | - | 124,338 | 124,338 |
| Total | $ 124,440 | $ 79,297 | $ 124,338 | $ 328,075 |
| Liabilities: | | | | |
| Recurring fair value measurements | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| -Forward exchange contract | $ - | $ 103,885 | $ - | $ 103,885 |

| December 31, 2019 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through profit or loss | | | | |
| -Equity security | $ 96,164 | $ - | $ - | $ 96,164 |
| -Forward exchange contract | - | 3,660 | - | 3,660 |
| -Foreign exchange swap | - | 52,981 | - | 52,981 |
| Financial assets at fair value through other comprehensive income | | | | |
| -Equity securities | - | - | 151,975 | 151,975 |
| Total | $ 96,164 | $ 56,641 | $ 151,975 | $ 304,780 |
| Liabilities: | | | | |
| Recurring fair value measurements | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| -Forward exchange contract | $ - | $ 24,943 | $ - | $ 24,943 |

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

(a) The level 1 financial instruments-equity security held by the Group are listed shares, and the market quoted price is determined by the closing price of the security.

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

(c) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

(d) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

F. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

G. For the years ended December 31, 2020 and 2019, there was no transfer in or out from Level 3.

H. The Group entrusts an external evaluation agency to evaluate the fair value classified as Level 3.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.

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 2.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 3.

I. Derivative financial instruments transactions: Please refer to Note 6(2) and 12(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in

Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas: Please refer to table 7.

(4) Major shareholders information

Major shareholders information: Please refer to table 8.

14. SEGMENT INFORMATION

(1) General information and measurement of segment information

The Group operates business only in the manufacture and sale of motherboards and computer hardware and peripherals. The chief operating decision-maker is the Board of Directors, who considers the whole business as a single performance entity, and assesses performance, makes decisions and allocates resources based on financial information. It has identified that the Group has only one reportable operating segment.

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

The Group's Board of Directors mainly evaluates the performance of the operating segments based on the Group's quarterly financial statements.

(3) Reconciliation for segment income

The Group is a single reportable segment. The profit and loss, assets and liabilities of the segment are the profit and loss, assets and liabilities shown in the financial statements, so there is no reconciliation required.

(4) Information on products and services

Revenue from external customers is mainly from the sales of computer and peripherals and related components. Details of revenue are as follows:

| | 2020 | 2019 |
|---|---|---|
| Computer and peripherals sale revenue | $ 146,502,789 | $ 120,491,417 |

(5) Geographical information

Geographical information for the years ended December 31, 2020 and 2019 is as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Revenue | Non-current assets | Revenue | Non-current assets |
| Asia | $ 53,798,428 | $ 5,443,118 | $ 52,938,443 | $ 5,395,625 |
| Europe | 43,454,599 | 262,533 | 32,331,545 | 283,179 |
| America | 45,972,863 | 191,987 | 33,122,365 | 154,501 |
| Others | 3,276,899 | 12,274 | 2,099,064 | 852 |
| | $ 146,502,789 | $ 5,909,912 | $ 120,491,417 | $ 5,834,157 |

(6) Major customer information

The Group had no individual customer whose sales amount accounts for more than 10% of net operating revenue in the consolidated statement of comprehensive income.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

December 31, 2020

Expressed in thousands of NTD

Table 1

(Except as otherwise indicated)

| Securities held by | Marketable securities | Relationship with the securities issuer | General ledger account | As of December 31, 2020 | | | | Footnote |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of shares | Book value | Ownership (%) | Fair value | |
| MSI (HOLDING) | Ahold Delhaize Kon | - | Financial assets at fair value through profit or loss - current | 40,000 | $32,373 | - | $32,373 | - |
| MSI (HOLDING) | CVA ING Groep | - | Financial assets at fair value through profit or loss - current | 130,000 | 34,782 | - | 34,782 | - |
| MSI (HOLDING) | Danone | - | Financial assets at fair value through profit or loss - current | 20,000 | 37,653 | - | 37,653 | - |
| MSI (HOLDING) | Deutsche Boerse | - | Financial assets at fair value through profit or loss - current | 4,000 | 19,632 | - | 19,632 | - |
| MICRO-STAR INTERNATIONAL CO., LTD. | BLUESTACK SYSTEM, INC. | - | Financial assets at fair value through other comprehensive income - non current | 516,052 | 124,338 | - | 124,338 | - |

MICRO-STAR INTERNATIONAL CO., LTD. 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, 2020

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 2

| Transaction company (Note 4) | Name of the counter party (Note 4) | Relationship with the counterparty | Description of the transaction | | | | Description and reasons of difference in transaction terms compared to third party transactions | | Accounts or notes receivable (payable) | | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchases/(Sales) | Amount (Note 3) | % of total purchase (sale) | Credit terms | Unit price | Credit terms | Balance (Note 3) | % of total accounts or notes receivable/(payable) | |
| MICRO-STAR INTERNATIONAL CO., LTD. | MSI (LA) | Subsidiary | Sales | $(28,697,320) | (20) | 60-100 days | Insignificant difference | Note 1 | $8,887,796 | 38 | - |
| MICRO-STAR INTERNATIONAL CO., LTD. | MEGA COMPUTER | Second-tier Subsidiary | Sales | (6,899,121) | (5) | 40-70 days | Insignificant difference | Note 1 | 1,007,998 | 4 | - |
| MICRO-STAR INTERNATIONAL CO., LTD. | MYSTAR | Second-tier Subsidiary | Sales | (2,305,767) | (2) | 30-100 days | Insignificant difference | Note 1 | 370,601 | 2 | - |
| MICRO-STAR INTERNATIONAL CO., LTD. | MSI (KOREA) | Second-tier Subsidiary | Sales | (4,481,153) | (3) | 50-70 days | Insignificant difference | Note 1 | 21,356 | - | - |
| MICRO-STAR INTERNATIONAL CO., LTD. | MSI COMPUTER (SHENZHEN) | Second-tier Subsidiary | Processing overhead | 2,986,307 | 2 | Note 2 | Insignificant difference | Note 2 | (3,141,850) | (12) | - |
| MICRO-STAR INTERNATIONAL CO., LTD. | MSI ELECTRONICS (KUNSHAN) | Second-tier Subsidiary | Processing overhead | 1,191,748 | 1 | Note 2 | Insignificant difference | Note 2 | (1,765,669) | (7) | - |
| MEGA COMPUTER | MSI (SHANGHAI) | Affiliated company | Sales | 6,864,483) | (100) | 40-70 days | Insignificant difference | Note 1 | 1,803,576 | 100 | - |
| MSI (LA) | RAIDEALS | Affiliated company | Sales | (249,448) | (1) | 40-70 days | Insignificant difference | Note 1 | 6,244 | - | - |

Note 1: The credit terms to third parties are approximately 30 to 120 days.

Note 2: Credit terms depend on the financial condition of the paying firm.

Note 3: Balances after elimination in conformity with regulations.

Note 4: Corresponding transactions are not disclosed.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

December 31, 2020

Expressed in thousands of NTD

Table 3

(Except as otherwise indicated)

| Creditor | Counterparty | Relationship with the counterparty | Balance as of December 31, 2020 | Turnover rate | Overdue receivables | | Amount collected subsequent to the balance sheet date | Allowance for doubtful accounts |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Action taken | | |
| MICRO-STAR INTERNATIONAL CO., LTD. | MSI (LA) | Subsidiary | $8,887,796 | 4.06 | $- | - | $4,063,318 | $- |
| MICRO-STAR INTERNATIONAL CO., LTD. | MEGA COMPUTER | Second-tier Subsidiary | 1,007,998 | 6.57 | - | - | 505,655 | - |
| MICRO-STAR INTERNATIONAL CO., LTD. | MYSTAR | Second-tier Subsidiary | 370,601 | 7.22 | - | - | 337,834 | - |
| MSI (PACIFIC) (Note) | MICRO-STAR INTERNATIONAL CO., LTD. | Ultimate parent company | 5,129,249 | - | - | - | 778,929 | - |
| MSI COMPUTER (SHENZHEN) (Note) | MSI (PACIFIC) | Parent Company | 3,141,850 | - | - | - | 513,676 | - |
| MSI ELECTRONICS (KUNSHAN) (Note) | MSI (PACIFIC) | Parent Company | 1,765,669 | - | - | - | 265,253 | - |
| MSI (B.V.I.) | MSI (PACIFIC) | Parent Company | 133,094 | - | - | - | - | - |
| MEGA COMPUTER | MSI (SHANGHAI) | Affiliated company | 1,803,576 | 3.68 | - | - | 503,355 | - |

Note: Processing overhead receivable.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the year ended December 31, 2020

Expressed in thousands of NTD

Table 4

(Except as otherwise indicated)

| Number | Company name (Note 4) | Counterparty (Note 4) | Relationship | Transaction | | | |
|---|---|---|---|---|---|---|---|
| | | | | General ledger account | Amount (Note 1) | Transaction terms | Percentage of consolidated total operating revenues or total assets |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (KOREA) | Parent company to second-tier subsidiary | Sales | $4,481,153 | Note 2 | 3.06% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (LA) | Parent company to subsidiary | Sales | 28,697,320 | Note 2 | 19.59% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MEGA COMPUTER | Parent company to second-tier subsidiary | Sales | 6,899,121 | Note 2 | 4.71% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MYSTAR | Parent company to second-tier subsidiary | Sales | 2,305,767 | Note 2 | 1.57% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (LA) | Parent company to subsidiary | Accounts receivable | 8,887,796 | Note 2 | 11.34% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MEGA COMPUTER | Parent company to second-tier subsidiary | Accounts receivable | 1,007,998 | Note 2 | 1.29% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MYSTAR | Parent company to second-tier subsidiary | Accounts receivable | 370,601 | Note 2 | 0.47% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI ELECTRONICS (KUNSHAN) | Parent company to second-tier subsidiary | Processing overhead | 1,191,748 | Note 3 | 0.81% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI COMPUTER (SHENZHEN) | Parent company to second-tier subsidiary | Processing overhead | 2,986,307 | Note 3 | 2.04% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI ELECTRONICS (KUNSHAN) | Parent company to second-tier subsidiary | Manufacturing and operating expense | 101,223 | Note 2 | 0.07% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI COMPUTER (SHENZHEN) | Parent company to second-tier subsidiary | Manufacturing and operating expense | 91,305 | Note 2 | 0.06% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MEGA COMPUTER | Parent company to second-tier subsidiary | Manufacturing and operating expense | 241,539 | Note 2 | 0.16% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (EUROPE) | Parent company to second-tier subsidiary | Manufacturing and operating expense | 275,315 | Note 2 | 0.19% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MYSTAR | Parent company to second-tier subsidiary | Manufacturing and operating expense | 149,663 | Note 2 | 0.10% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (MHK) | Parent company to second-tier subsidiary | Manufacturing and operating expense | 163,720 | Note 2 | 0.11% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (POLSKA) | Parent company to second-tier subsidiary | Manufacturing and operating expense | 143,747 | Note 2 | 0.10% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (RUSSIA) | Parent company to second-tier subsidiary | Manufacturing and operating expense | 92,714 | Note 2 | 0.06% |

Table 4 Page 1

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 0 | MICRO-STAR INTERNATIONAL | MSI (LA) | Parent company to | Manufacturing and | 303,511 | Note 2 | 0.21% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | CO., LTD. | | subsidiary | operating expense | | | |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (SARL) | Parent company to second-tier subsidiary | Manufacturing and operating expense | 101,380 | Note 2 | 0.07% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (JAPAN) | Parent company to subsidiary | Manufacturing and operating expense | 125,728 | Note 2 | 0.09% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (KOREA) | Parent company to second-tier subsidiary | Manufacturing and operating expense | 85,106 | Note 2 | 0.06% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (UK) | Parent company to second-tier subsidiary | Manufacturing and operating expense | 79,073 | Note 2 | 0.05% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (LA) | Parent company to subsidiary | Other payables | 81,708 | Note 2 | 0.10% |
| 1 | MSI (PACIFIC) | MICRO ELECTRONICS | Subsidiary to second-tier subsidiary | Other payables | 88,636 | Note 3 | 0.11% |
| 1 | MSI (PACIFIC) | MSI (B.V.I.) | Subsidiary to second-tier subsidiary | Other payables | 133,094 | Note 3 | 0.17% |
| 1 | MSI (PACIFIC) | MSI ELECTRONICS (KUNSHAN) | Subsidiary to second-tier subsidiary | Other payables | 1,765,669 | Note 3 | 2.25% |
| 1 | MSI (PACIFIC) | MSI COMPUTER (SHENZHEN) | Subsidiary to second-tier subsidiary | Other payables | 3,141,850 | Note 3 | 4.01% |
| 1 | MSI (PACIFIC) | MICRO-STAR INTERNATIONAL CO., LTD. | Subsidiary to parent | Other receivables | 5,129,249 | Note 3 | 6.54% |
| 2 | MEGA COMPUTER | MSI (SHANGHAI) | Second-tier subsidiary to second-tier subsidiary | Sales | 6,864,483 | Note 2 | 4.69% |
| 2 | MEGA COMPUTER | MSI (SHANGHAI) | Second-tier subsidiary to second-tier subsidiary | Accounts receivable | 1,803,576 | Note 2 | 2.30% |
| 3 | MSI (LA) | RAIDEALS | Subsidiary to second-tier subsidiary | Sales | 249,448 | Note 2 | 0.17% |

Note 1: Balances after elimination in conformity with regulations.
Note 2: Transaction terms were approximately the same as those to third parties.
Note 3: Processing overhead was determined based on the quantities, contract amount and delivery time.
Note 4: Individual transactions not exceeding $50,000 and their corresponding transactions are not disclosed.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Information on investees (not including investees in Mainland China)
For the year ended December 31, 2020

Expressed in thousands of NTD
(Except as otherwise indicated)

Table5

| 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, 2020 | Investment income (loss) recognised by the Company for the year ended December 31, 2020 | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Balance as at December 31, 2020 | Balance as at December 31, 2019 | Number of shares | Ownership (%) | Book value | | | |
| MICRO-STAR INTERNATIONAL CO., LTD. | MSI (LA) | U.S.A | Sales and maintenance of computers and electronic components | $258,468 | $258,468 | 575,458 | 100.00 | $72,605 | $39,396 | $39,396 | Direct subsidiary |
| MICRO-STAR INTERNATIONAL CO., LTD. | MSI (AUSTRALIA) | Australia | Sales support and maintenance of computers and electronic components | 57,420 | 57,420 | 221,836 | 100.00 | 8,644 | 1,321 | 1,321 | Direct ubsidiary |
| MICRO-STAR INTERNATIONAL CO., LTD. | MSI (JAPAN) | Japan | Sales support and maintenance of computers and electronic components | 20,411 | 20,411 | 1,400 | 100.00 | 19,238 | 4,692 | 4,692 | Direct subsidiary |
| MICRO-STAR INTERNATIONAL CO., LTD. | MSI (PACIFIC) | Cayman Islands | Holding company | 1,511,382 | 1,511,382 | 30,204,118 | 100.00 | 7,406,724 | 579,510 | 579,510 | Direct subsidiary |
| MICRO-STAR INTERNATIONAL CO., LTD. | MSI (HOLDING) | Netherlands | Holding company | 45,724 | 45,724 | 424,000 | 100.00 | 685,857 | 41,428 | 41,428 | Direct subsidiary |
| MICRO-STAR INTERNATIONAL CO., LTD. | MSI COMPUTER (CAYMAN) | Cayman Islands | Holding company | 99,093 | 99,093 | 50,000 | 100.00 | 117,549 | 175 | 175 | Direct subsidiary |
| MICRO-STAR INTERNATIONAL CO., LTD. | MSI (CANADA) | Canada | Sales support of computers and electronic components | 2,150 | - | 100,000 | 100.00 | 3,297 | 1,047 | 1,047 | Direct subsidiary |
| MSI (PACIFIC) | MSI (KOREA) | South Korea | Sales and maintenance of computers and electronic components | 24,374 | 24,374 | 80,000 | 100.00 | 324,572 | 38,835 | - | Indirect subsidiary |
| MSI (PACIFIC) | MSI (B.V.I.) | British Virgin Island | Holding company | 1,784,681 | 1,784,681 | 47,465,071 | 100.00 | 4,342,436 | 315,470 | - | Indirect subsidiary |
| MSI (PACIFIC) | MICRO ELECTRONICS | British Virgin Island | Holding company | 1,168,593 | 1,168,593 | 33,315,472 | 100.00 | 2,707,503 | 247,401 | - | Indirect subsidiary |
| MSI (PACIFIC) | STAR INFORMATION | British Virgin Island | Holding company | 144,721 | 144,721 | 4,502,601 | 100.00 | 20,826 | (5,931) | - | Indirect subsidiary |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| MSI (PACIFIC) | MEGA TECHNOLOGY | British Virgin Island | Holding company | 92,819 | 92,819 | 3,050,000 | 100.00 | 5,545 | 6,786 | - | Indirect subsidiary |
| MSI (PACIFIC) | MEGA COMPUTER | Hong Kong | Sales support of computers and electronic components | - | - | 1 | 100.00 | 4,948 | (1,190) | - | Indirect subsidiary |
| MSI (PACIFIC) | MSI (MHK) | Hong Kong | Sales support of computers and electronic components | - | - | 1 | 100.00 | 24,773 | 2,942 | - | Indirect subsidiary |
| MSI (HOLDING) | MYSTAR | Netherlands | Sales support of computers and electronic components | 71,353 | 71,353 | - | 100.00 | 169,231 | 16,019 | - | Indirect subsidiary |
| MSI (HOLDING) | MSI (RUSSIA) | Russia | Sales support and maintenance of computers and electronic components | 68,258 | 68,258 | - | 99.00 | 33,748 | 1,928 | - | Indirect subsidiary |
| MSI (HOLDING) | MSI (POLSKA) | Poland | Sales support, maintenance and after-sales service of computers and electronic components | 46,077 | 46,077 | - | 99.00 | 35,020 | 3,232 | - | Indirect subsidiary |
| MSI (HOLDING) | MSI (SARL) | France | Sales support of computers and electronic components | 26,646 | 26,646 | - | 100.00 | 59,955 | 5,072 | - | Indirect subsidiary |
| MSI (HOLDING) | MSI (UK) | Britan | Sales support of computers and electronic components | 37,226 | 37,226 | - | 100.00 | 19,341 | 3,826 | - | Indirect subsidiary |
| MSI (HOLDING) | MSI (TURKEY) | Turkey | Sales support of computers and electronic components | 3,229 | 3,229 | - | 99.00 | (69) | - | - | Indirect subsidiary (Note 2) |
| MSI (HOLDING) | MSI (ITALY) | Italy | Sales support of computers and electronic components | 2,153 | 2,153 | - | 100.00 | 4,400 | 1,673 | - | Indirect subsidiary |
| MSI (HOLDING) | MSI (EUROPE) | Netherlands | Logistics services of computers and electronic components | 37,620 | 37,620 | - | 100.00 | 53,482 | 6,159 | - | Indirect subsidiary |
| MSI (HOLDING) | MSI (IBERIA) | Spain | Sales support of computers and electronic components | 5,177 | 5,177 | - | 100.00 | 7,592 | 1,483 | - | Indirect subsidiary |
| MSI (EUROPE) | MSI (RUSSIA) | Russia | Sales support and maintenance of computers and electronic components | 689 | 689 | - | 1.00 | 560 | 1,928 | - | Indirect subsidiary |
| MSI (EUROPE) | MSI (POLSKA) | Poland | Sales support, maintenance and after-sales service of computers and electronic components | 467 | 467 | - | 1.00 | 179 | 3,232 | - | Indirect subsidiary |
| MSI (EUROPE) | MSI (TURKEY) | Turkey | Sales support of computers and electronic components | 33 | 33 | - | 1.00 | 27 | - | - | Indirect subsidiary (Note 2) |
| MEGA TECHNOLOGY | RAIDEALS | U.S.A | Sales of computers and electronic components | 1,523 | 1,523 | - | 100.00 | 1,875 | 280 | - | Indirect subsidiary |

Note 1: The table is presented in New Taiwan dollars. Except for the initial investment amount is valued at historical exchange rate, the others are valued with exchange rate 1USD=28.48 NTD; 1EUR=35.02 NTD on December 31, 2020 and average rate with 1USD=29.5523 NTD; 1EUR=33.7135 NTD for the year ended December 31, 2020.

Note 2: As of December 31, 2020, the liquidation process has not been completed.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Information on investments in Mainland China - Basic information
For the year ended December 31, 2020

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020 | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020 | | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 | Net income of investee as of December 31, 2020 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the year ended December 31, 2020 (Note 2) | Book value of investments in Mainland China as of December 31, 2020 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020 | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | |
| MSI COMPUTER (SHENZHEN) | Manufacture and maintenance of computers, and electronic components | $1,726,857 | Note 1 | $1,726,857 | $- | $- | $1,726,857 | $315,391 | 100.00 | $315,391 | $4,192,136 | $- | - |
| MSI ELECTRONICS (KUNSHAN) | Manufacture and maintenance of computers, and electronic components | 1,772,675 | Note 1 | 1,772,675 | - | - | 1,772,675 | 247,199 | 100.00 | 247,199 | 2,607,152 | - | - |
| SHENZHEN MEGA INFORMATION | Examination and maintenance of computers, and electronic components | 23,940 | Note 1 | 23,940 | - | - | 23,940 | 1,071 | 100.00 | 1,071 | 22,964 | - | - |
| MSI COMPUTER TRADING (SHENZHEN) | Sales and maintenance of computers and electronic components | - | Note 1 | - | - | - | - | 11,688 | - | 11,688 | - | - | Note 3 |
| MSI (SHENZHEN) | Sales and maintenance of computers and electronic components | 30,092 | Note 1 | - | - | - | - | (5,986) | 100.00 | (5,986) | 7,827 | - | Note 4 |
| MSI (SHANGHAI) | Sales and maintenance of computers and electronic components | 29,275 | Note 1 | - | - | - | - | 11,397 | 100.00 | 11,397 | (15,790) | - | Note 5 |

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 | 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 |
|---|---|---|---|
| MICRO-STAR INTERNATIONAL CO., LTD. | $3,602,547 | $3,850,987 | $21,323,911 |

Note 1: The investments were made indirectly through 100% owned subsidiary of the Company.

Note 2: Evaluated based on audited financial statements of the investee companies.

Note 3: The amount of US $3,000 thousand was remitted by the Company's subsidiary, MSI (Pacific), to MSI COMPUTER TRADING (SHENZHEN).

Note 4: The amount of US $1,000 thousand was remitted by the Company's subsidiary, MSI (Pacific), to MSI (SHENZHEN).

Note 5: The amount of US $1,000 thousand was remitted by the Company's subsidiary, MSI (Pacific), to MSI (SHANGHAI).

Note 6: In pursuance of Shen-Zi Letter No.09704604680 from the Ministry of Economic Affairs dated August 29, 2008. The amended "Regulations for examination of investments and technical cooperation in Mainland Area" sets the limitation for investments in Mainland China to be higher of net book value or 60% of consolidated net book value.

Note 7: The table is presented in New Taiwan dollars. Except for the initial investment amount is valued at historical exchange rate, the others are valued with exchange rate 1USD=28.48 NTD on December 31, 2020 and average rate with 1USD=29.5523 NTD for the year ended December 31, 2020.

Information on investments in Mainland China - Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in third areas

For the year ended December 31, 2020

Expressed in thousands of NTD

Table 7

(Except as otherwise indicated)

| | Sales/ (Purchase) | | Property transaction | | Accounts receivable/ (payable) | | Amount of endorsements/guarantees secured with collaterals | | Accommodation of funds | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Investee in Mainland China | Amount | % | Amount | % | Balance as of December 31, 2020 | % | Balance as of December 31, 2020 | Purpose | Ceiling amount | Balance as of December 31, 2020 | Interest rate range | Interest expense | Others (Note) |
| MSI COMPUTER (SHENZHEN) | $ - | - | $ - | - | $ (3,141,850) | (12) | $ - | - | $ - | $ - | - | $ - | $ 2,986,307 |
| MSI ELECTRONICS (KUNSHAN) | - | - | - | - | (1,765,669) | (7) | - | - | - | - | - | - | 1,191,748 |
| MSI (SHANGHAI) | 6,864,483 | 100 | - | - | 1,803,576 | 100 | - | - | - | - | - | - | - |

Note: Processing overhead.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Major shareholders information

December 31, 2020

Table 8

| Name of major shareholders | Shares held as at December 31, 2020 | |
|---|---|---|
| | Number of shares | Ownership(%) |
| Hsu Hsiang | 51,983,151 | 6.15% |

# MICRO-STAR INTERNATIONAL CO., LTD.

## PARENT COMPANY ONLY FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

## DECEMBER 31, 2020 AND 2019

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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.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of MICRO-STAR INTERNATIONAL CO., LTD.

## *Opinion*

We have audited the accompanying parent company only balance sheets of MICRO-STAR INTERNATIONAL CO., LTD. (the "Company") as at December 31, 2020 and 2019, and the related 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, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2020 and 2019, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

## *Basis for opinion*

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China (the "Norm"), and we have fulfilled our ethical responsibilities in accordance with the Norm. Based on our audits and the audit reports of other independent auditors, we believe that the audit evidences we have obtained are sufficient and appropriate to provide a basis for our opinion.

## *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2020. 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.

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2020 are stated as follows:

### ***Recognition of sales revenue generated from own-brand products***

Description

Please refer to Note 4(24) for accounting policies on revenue recognition. The sales revenue from own-brand products for the year ended December 31, 2020 is higher than previous year due to the substantial increase in demand for notebook computers and peripherals. The recognition of sales revenue generated from own-brand products is critical to the Company's financial statements. Therefore, it was identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

A. Obtained an understanding of and assessed internal controls in relation to sales revenue, and validated the operating effectiveness of those above-mentioned internal controls.
B. Obtained detailed listing of sales revenue from own-brand products in the current year, and validated supporting documents, including sales invoices, customer purchase orders and delivery documents to ensure the appropriateness of recognition.
C. Inspected contents and relevant evidences in relation to sales returns and discounts occurring subsequent to the reporting period.
D. Performed accounts receivable confirmation procedure to significant customers.

### ***Estimation of allowance for inventory valuation losses***

Description

Please refer to Note 4(11) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions applied on inventory valuation, and Note 6(6) for details of inventories. As of December 31, 2020, the balances of inventories and allowance for inventory valuation losses are NT$27,539,446 thousand and NT$423,070 thousand, respectively.

The Company is primarily engaged in manufacturing and sales of motherboards, interface cards, notebook computers and other electronic products. Due to the rapid technological innovations and competition within the industry as well as frequent releases of new products resulting in potential price fluctuations, there is a higher risk of inventory losses due from market value decline or obsolescence. The Company recognises inventories at the lower of cost and net realisable value. As the monetary values of allowance for inventory valuation losses is critical to the financial statements as of December 31, 2020. Therefore, it was identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

A. Inquired with management, and assessed the reasonableness in relation to the provision of allowance for inventory valuation losses.
B. Validated the accuracy of the system logic in calculating the ageing of inventories, and confirmed the consistency with the Company's policies.

C. Validated the appropriateness of system logic of the report of individually identified obsolete inventory prepared by management and confirmed the consistency with the Company's policies.

D. Sampled and tested the net realisable value basis of the individual inventory and validated the appropriateness.

### *Other matter-Reference to audits of other independent auditors*

We did not audit the financial statements of certain investments accounted for under the equity method that are included in the parent company only financial statements. Those financial statements were audited by other independent auditors, whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on reports of the other independent auditors. Total assets of the above-mentioned investees (including investments accounted for under the equity method) amounted to NT$1,230,304 thousand and NT$1,097,458 thousand as at December 31, 2020 and 2019, constituting 1.52% and 1.75% of total assets, respectively. Comprehensive income of the above-mentioned investees amounted to NT$121,586 thousand and NT$88,436 thousand for the years ended December 31, 2020 and 2019, constituting 1.51% and 1.67% of total comprehensive income, respectively.

### *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 the audit committee, are responsible for overseeing the Company's financial reporting process.

### *Independent auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

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

Liang, Hua-Ling　　　　　　　　　　Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 22, 2021

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MICRO-STAR INTERNATIONAL CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

| | Assets | Notes | December 31, 2020 AMOUNT | % | December 31, 2019 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current assets** | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | $ 15,776,634 | 20 | $ 8,881,827 | 14 |
| 1110 | Financial assets at fair value through profit or loss - current | 6(2) | 79,297 | - | 56,641 | - |
| 1136 | Current financial assets at amortised cost | 6(4) | 1,000,000 | 1 | 1,200,000 | 2 |
| 1150 | Notes receivable, net | 6(5) | 672 | - | 3,929 | - |
| 1170 | Accounts receivable, net | 6(5) | 13,004,695 | 16 | 10,846,273 | 18 |
| 1180 | Accounts receivable - related parties | 7 | 10,287,629 | 13 | 6,632,030 | 11 |
| 1200 | Other receivables | | 219,767 | - | 157,760 | - |
| 130X | Inventories, net | 6(6) | 27,116,376 | 33 | 22,756,055 | 36 |
| 1410 | Prepayments | | 1,377,599 | 2 | 1,351,294 | 2 |
| 11XX | **Total current assets** | | 68,862,669 | 85 | 51,885,809 | 83 |
| | **Non-current assets** | | | | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income | 6(3) | 124,338 | - | 151,975 | - |
| 1550 | Investments accounted for under equity method | 6(7) | 8,313,914 | 11 | 7,496,491 | 12 |
| 1600 | Property, plant and equipment | 6(8) | 2,660,668 | 3 | 2,567,030 | 4 |
| 1755 | Right-of-use assets | 6(9) | 159,609 | - | 179,398 | - |
| 1840 | Deferred income tax assets | 6(22) | 713,301 | 1 | 407,702 | 1 |
| 1900 | Other non-current assets | | 24,723 | - | 18,890 | - |
| 15XX | **Total non-current assets** | | 11,996,553 | 15 | 10,821,486 | 17 |
| 1XXX | **Total assets** | | $ 80,859,222 | 100 | $ 62,707,295 | 100 |

(Continued)

MICRO-STAR INTERNATIONAL CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

| | Liabilities and Equity | Notes | December 31, 2020 AMOUNT | % | December 31, 2019 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current liabilities** | | | | | |
| 2100 | Short-term borrowings | 6(10) | $ 3,000,000 | 4 | $ 1,500,000 | 2 |
| 2120 | Financial liabilities at fair value through profit or loss - current | 6(2) | 103,885 | - | 24,943 | - |
| 2170 | Accounts payable | | 26,409,577 | 33 | 19,764,458 | 32 |
| 2200 | Other payables | 6(11) | 4,340,669 | 6 | 3,049,919 | 5 |
| 2220 | Other payables - related parties | 7 | 4,964,060 | 6 | 4,272,610 | 7 |
| 2230 | Current income tax liabilities | | 1,499,604 | 2 | 362,183 | 1 |
| 2250 | Provisions for liabilities - current | 6(13) | 873,229 | 1 | 579,337 | 1 |
| 2280 | Current lease liabilities | | 97,029 | - | 71,892 | - |
| 2365 | Refund liabilities-current | | 3,418,122 | 4 | 1,555,509 | 2 |
| 2399 | Other current liabilities, others | | 215,875 | - | 65,353 | - |
| 21XX | **Total current Liabilities** | | 44,922,050 | 56 | 31,246,204 | 50 |
| | **Non-current liabilities** | | | | | |
| 2570 | Deferred income tax liabilities | 6(22) | 6,084 | - | 26,830 | - |
| 2580 | Non-current lease liabilities | | 63,594 | - | 108,013 | - |
| 2640 | Net defined benefit liability, non-current | 6(12) | 220,314 | - | 221,974 | 1 |
| 2670 | Other non-current liabilities, others | | 107,328 | - | 91,809 | - |
| 25XX | **Total non-current liabilities** | | 397,320 | - | 448,626 | 1 |
| 2XXX | **Total Liabilities** | | 45,319,370 | 56 | 31,694,830 | 51 |
| | **Equity** | | | | | |
| | Share capital | 6(14) | | | | |
| 3110 | Share capital - common stock | | 8,448,562 | 10 | 8,448,562 | 13 |
| | Capital surplus | 6(15) | | | | |
| 3200 | Capital surplus | | 804,214 | 1 | 803,918 | 1 |
| | Retained earnings | 6(16) | | | | |
| 3310 | Legal reserve | | 5,541,298 | 7 | 4,982,577 | 8 |
| 3320 | Special reserve | | 794,525 | 1 | 505,966 | 1 |
| 3350 | Unappropriated retained earnings | | 20,625,711 | 26 | 17,065,967 | 27 |
| | Other equity interest | | | | | |
| 3400 | Other equity interest | | ( 674,458) | ( 1) | ( 794,525) | ( 1) |
| 3XXX | **Total equity** | | 35,539,852 | 44 | 31,012,465 | 49 |
| 3X2X | **Total liabilities and equity** | | $ 80,859,222 | 100 | $ 62,707,295 | 100 |

The accompanying notes are an integral part of these parent company only financial statements.

MICRO-STAR INTERNATIONAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

| | Items | Notes | Year ended December 31 2020 AMOUNT | 2020 % | 2019 AMOUNT | 2019 % |
|---|---|---|---|---|---|---|
| 4000 | Sales revenue | 6(17) and 7 | $ 144,805,966 | 100 | $ 118,740,373 | 100 |
| 5000 | Operating costs | 6(6)(20) and 7 | ( 125,877,926) | ( 87) | ( 105,097,585) | ( 89) |
| 5900 | Net operating margin | | 18,928,040 | 13 | 13,642,788 | 11 |
| | Operating expenses | 6(20) and 7 | | | | |
| 6100 | Selling expenses | | ( 6,079,422) | ( 4) | ( 4,689,816) | ( 4) |
| 6200 | General and administrative expenses | | ( 842,682) | ( 1) | ( 526,354) | - |
| 6300 | Research and development expenses | | ( 3,349,045) | ( 2) | ( 2,937,315) | ( 2) |
| 6450 | Expected credit loss | 6(5) | ( 2,446) | - | ( 4,095) | - |
| 6000 | Total operating expenses | | ( 10,273,595) | ( 7) | ( 8,157,580) | ( 6) |
| 6900 | Operating profit | | 8,654,445 | 6 | 5,485,208 | 5 |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | 6(18) | 49,551 | - | 57,384 | - |
| 7010 | Other income | | 216,357 | - | 240,016 | - |
| 7020 | Other gains and losses | 6(2)(19) | ( 138,396) | - | ( 50,864) | - |
| 7050 | Finance costs | | ( 21,446) | - | ( 13,504) | - |
| 7070 | Share of profit of associates and joint ventures accounted for using equity method, net | 6(7) | 667,569 | - | 685,979 | 1 |
| 7000 | Total non-operating income and expenses | | 773,635 | - | 919,011 | 1 |
| 7900 | **Profit before income tax** | | 9,428,080 | 6 | 6,404,219 | 6 |
| 7950 | Income tax expense | 6(22) | ( 1,468,575) | ( 1) | ( 817,009) | ( 1) |
| 8200 | **Profit for the year** | | $ 7,959,505 | 5 | $ 5,587,210 | 5 |
| | **Other comprehensive income** | | | | | |
| | **Components of other comprehensive loss that will not be reclassified to profit or loss** | | | | | |
| 8311 | Other comprehensive loss, before tax, actuarial losses on defined benefit plans | 6(12) | ($ 5,106) | - | ($ 10,079) | - |
| 8316 | Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income | | ( 27,637) | - | - | - |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | 6(22) | 1,021 | - | 2,016 | - |
| 8310 | Components of other comprehensive loss that will not be reclassified to profit or loss | | ( 31,722) | - | ( 8,063) | - |
| | **Components of other comprehensive income (loss) that will be reclassified to profit or loss** | | | | | |
| 8361 | Financial statements translation differences of foreign operations | | 147,704 | - | ( 288,559) | - |
| 8360 | Components of other comprehensive income (loss) that will be reclassified to profit or loss | | 147,704 | - | ( 288,559) | - |
| 8300 | **Total other comprehensive income (loss) for the year** | | $ 115,982 | - | ($ 296,622) | - |
| 8500 | **Total comprehensive income for the year** | | $ 8,075,487 | 5 | $ 5,290,588 | 5 |
| | Earnings per share (in dollars) | 6(23) | | | | |
| 9750 | Basic earnings per share | | $ | 9.42 | $ | 6.61 |
| 9850 | Diluted earnings per share | | $ | 9.34 | $ | 6.56 |

The accompanying notes are an integral part of these parent company only financial statements.

MICRO-STAR INTERNATIONAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

| | | | Capital Surplus | | | | Retained Earnings | | | Other Equity Interest | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | Share capital - common stock | Additional paid-in capital | Treasury stock transactions | Donated assets received | Employee stock warrants | Legal reserve | Special reserve | Unappropriated retained earnings | Financial statements translation differences of foreign operations | Unrealised losses from financial assets measured at fair value through other comprehensive income | Total equity |
| 2019 | | | | | | | | | | | | |
| Balance at January 1, 2019 | | $ 8,448,562 | $ 1,050,563 | $ 130,592 | $ 434 | $ 44,460 | $ 4,378,464 | $ 421,815 | $ 15,976,937 | ($ 505,966 ) | $ - | $ 29,945,861 |
| Profit for the year | | - | - | - | - | - | - | - | 5,587,210 | - | - | 5,587,210 |
| Other comprehensive loss for the year | | - | - | - | - | - | - | - | ( 8,063 ) | ( 288,559 ) | - | ( 296,622 ) |
| Total comprehensive income (loss) | | - | - | - | - | - | - | - | 5,579,147 | ( 288,559 ) | - | 5,290,588 |
| Appropriation of 2018 earnings | 6(16) | | | | | | | | | | | |
| Legal reserve | | - | - | - | - | - | 604,113 | - | ( 604,113 ) | - | - | - |
| Special reserve | | - | - | - | - | - | - | 84,151 | ( 84,151 ) | - | - | - |
| Cash dividends | | - | - | - | - | - | - | - | ( 3,801,853 ) | - | - | ( 3,801,853 ) |
| Cash dividends from capital surplus | 6(16) | - | ( 422,429 ) | - | - | - | - | - | - | - | - | ( 422,429 ) |
| Due to donated assets received | | - | - | - | 298 | - | - | - | - | - | - | 298 |
| Balance at December 31, 2019 | | $ 8,448,562 | $ 628,134 | $ 130,592 | $ 732 | $ 44,460 | $ 4,982,577 | $ 505,966 | $ 17,065,967 | ($ 794,525 ) | $ - | $ 31,012,465 |
| 2020 | | | | | | | | | | | | |
| Balance at January 1, 2020 | | $ 8,448,562 | $ 628,134 | $ 130,592 | $ 732 | $ 44,460 | $ 4,982,577 | $ 505,966 | $ 17,065,967 | ($ 794,525 ) | $ - | $ 31,012,465 |
| Profit for the year | | - | - | - | - | - | - | - | 7,959,505 | - | - | 7,959,505 |
| Other comprehensive income (loss) for the year | | - | - | - | - | - | - | - | ( 4,085 ) | 147,704 | ( 27,637 ) | 115,982 |
| Total comprehensive income (loss) | | - | - | - | - | - | - | - | 7,955,420 | 147,704 | ( 27,637 ) | 8,075,487 |
| Appropriation of 2019 earnings | 6(16) | | | | | | | | | | | |
| Legal reserve | | - | - | - | - | - | 558,721 | - | ( 558,721 ) | - | - | - |
| Special reserve | | - | - | - | - | - | - | 288,559 | ( 288,559 ) | - | - | - |
| Cash dividends | | - | - | - | - | - | - | - | ( 3,548,396 ) | - | - | ( 3,548,396 ) |
| Due to donated assets received | | - | - | - | 296 | - | - | - | - | - | - | 296 |
| Balance at December 31, 2020 | | $ 8,448,562 | $ 628,134 | $ 130,592 | $ 1,028 | $ 44,460 | $ 5,541,298 | $ 794,525 | $ 20,625,711 | ($ 646,821 ) | ($ 27,637 ) | $ 35,539,852 |

The accompanying notes are an integral part of these parent company only financial statements.

MICRO-STAR INTERNATIONAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

| | Notes | Year ended December 31 2020 | 2019 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | $ 9,428,080 | $ 6,404,219 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation (including right-of-use assets) | 6(8)(9)(20) | 280,442 | 157,384 |
| Amortization | 6(20) | 3 | 4 |
| Expected credit loss | 6(5) | 2,446 | 4,095 |
| Net loss (gain) on financial assets and liabilities at fair value through profit or loss | | 56,286 | ( 22,921 ) |
| Interest expense | | 21,446 | 13,504 |
| Interest income | 6(18) | ( 49,551 ) | ( 57,384 ) |
| Share of profit of associates and joint ventures accounted for using equity method | | ( 667,569 ) | ( 685,979 ) |
| Gain on disposal of property, plant and equipment | 6(19) | - | ( 11 ) |
| Gain on lease modification | 6(9) | ( 53 ) | ( 163 ) |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Notes receivable, net | | 3,257 | ( 1,552 ) |
| Accounts receivable | | ( 2,160,868 ) | ( 113,958 ) |
| Accounts receivable due from related parties | | ( 3,655,599 ) | ( 750,153 ) |
| Other receivables | | ( 60,584 ) | ( 70,283 ) |
| Inventories, net | | ( 4,360,321 ) | ( 589,004 ) |
| Prepayments | | ( 26,305 ) | ( 235,903 ) |
| Changes in operating liabilities | | | |
| Notes payable | | - | ( 200 ) |
| Accounts payable | | 6,645,119 | 5,105,653 |
| Other payables | | 1,288,865 | 295,762 |
| Other payables - related parties | | 691,450 | 600,849 |
| Provisions for liabilities - current | | 293,892 | 64,736 |
| Refund liabilities - current | | 1,862,613 | ( 147,149 ) |
| Other current liabilities, others | | 150,522 | 37,814 |
| Net defined benefit liability | | ( 6,766 ) | ( 5,714 ) |
| Cash inflow generated from operations | | 9,736,805 | 10,003,646 |
| Interest received | | 48,128 | 61,236 |
| Interest paid | | ( 19,561 ) | ( 13,859 ) |
| Income tax paid | | ( 656,478 ) | ( 1,403,648 ) |
| Net cash flows from operating activities | | 9,108,894 | 8,647,375 |

(Continued)

MICRO-STAR INTERNATIONAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

| | Notes | Year ended December 31 2020 | 2019 |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of financial assets at amortised cost | | $ - | ($ 471,064 ) |
| Proceeds from disposal of financial assets at amortised cost | | 200,000 | - |
| Acquisition of financial assets at fair value through other comprehensive income | 6(3) | - | ( 151,975 ) |
| Acquisition of investment accounted for using equity method | | ( 2,150 ) | - |
| Acquisition of property, plant and equipment | 6(8) | ( 270,927 ) | ( 298,543 ) |
| Proceeds from disposal of property, plant and equipment | | - | 13 |
| Increase in refundable deposits | | ( 5,836 ) | ( 13,291 ) |
| Net cash flows used in investing activities | | ( 78,913 ) | ( 934,860 ) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Increase (decrease) in short-term borrowings | | 1,500,000 | ( 1,500,000 ) |
| Repayment of the principal portion of lease liabilities | | ( 102,593 ) | ( 62,065 ) |
| Increase (decrease) in guarantee deposits received | | 15,519 | ( 24,081 ) |
| Cash dividends paid | 6(16) | ( 3,548,396 ) | ( 3,801,853 ) |
| Cash distribution from capital surplus | 6(16) | - | ( 422,429 ) |
| Due to donated assets received | | 296 | 298 |
| Net cash flows used in financing activities | | ( 2,135,174 ) | ( 5,810,130 ) |
| Net increase in cash and cash equivalents | | 6,894,807 | 1,902,385 |
| Cash and cash equivalents at beginning of year | 6(1) | 8,881,827 | 6,979,442 |
| Cash and cash equivalents at end of year | 6(1) | $ 15,776,634 | $ 8,881,827 |

The accompanying notes are an integral part of these parent company only financial statements.

MICRO-STAR INTERNATIONAL CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

MICRO-STAR INTERNATIONAL CO., LTD. (the "Company") was incorporated as a company limited by shares under the laws of the Republic of China (R.O.C.) in August 1986 and started its operations in the same year. The Company is primarily engaged in the manufacture and sale of motherboards and computer hardware. The shares of the Company have been listed on the Taiwan Stock Exchange since October 1998.

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 March 22, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new standards and amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

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 |
|---|---|
| Amendments 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 |
| Amendment to IFRS 16, 'Covid-19-related rent concessions' | June 1, 2020 (Note) |

Note : Earlier application from January 1, 2020 is allowed by FSC.

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

A. Amendment to IFRS 16, 'Covid-19-related rent concessions'

This amendment provides a practical expedient for lessees from assessing whether a rent concession related to COVID-19, and that meets all of the following conditions, is a lease modification:

(a) Changes in lease payments result in the revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) Any reduction in lease payments affects only payments originally due on or before June 30 2021; and

(c) There is no substantive change to other terms and conditions of the lease.

(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 2021 are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|---|
| Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9' | January 1, 2021 |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16, 'Interest rate benchmark reform - Phase 2' | January 1, 2021 |

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

(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 3, 'Reference to the conceptual framework' | January 1, 2022 |
| 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, 2023 |
| Amendments to IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendments to IAS 1, 'Classification of liabilities as current or non-current' | January 1, 2023 |
| Amendments to IAS 1, 'Disclosure of accounting policies' | January 1, 2023 |
| Amendments to IAS 8, 'Definition of accounting estimates' | January 1, 2023 |
| Amendments to IAS 16, 'Property, plant and equipment:proceeds before intended use' | January 1, 2022 |
| Amendments to IAS 37, 'Onerous contracts-cost of fulfilling a contract' | January 1, 2022 |
| Annual improvements to IFRS Standers 2018-2020 | January 1, 2022 |

The above standards and interpretations have no significant impact to the Company's financial condition and operating result 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 of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", 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, the parent company only 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 at fair value through other comprehensive income

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

B. The preparation of financial statements in conformity 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

The parent company only financial statements are presented in New Taiwan Dollars, which is the Company's functional and presentation currency.

A. Foreign currency transactions and balance

(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.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities 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 closing 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; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) 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 Company 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.

(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 settle within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settle 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 readily convert to known amount of cash and subject to an insignificant effect of value of changes in rate. Time deposits and money market fund 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 profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognised using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

(7) 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 recognize 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 represents 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.

(8) 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 Company'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. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company 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.

(10) Impairment of financial assets

For financial assets measured at amortised cost including accounts receivable that have a significant financing component, 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.

(11) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method.

The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads. The item-by-item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(12) Investments accounted for using the equity method / Subsidiaries

A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company 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.

B. Inter-company transactions, balances and unrealised gains or losses on transactions between the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of its subsidiaries' 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 a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise the losses in proportion to the ownership.

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 Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. 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 Company 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.

F. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(13) Property, plant and equipment

A Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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 balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

| | |
|---|---|
| Buildings and structures | 3~55 years |
| Machinery and equipment | 2~10 years |
| Other properties (include transportation equipment, office equipment, and leasehold improvements) | 1.5~10 years |

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

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 Company. 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 mainly fixed payments, less any lease incentives that can be received.

The Company 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 mainly comprising the amount of the initial measurement of lease liability.

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.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(15) 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 amortised historical cost would have been if the impairment had not been recognised.

(16) Borrowings

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

(17) 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.

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

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.

B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(19) Provisions

Provisions of warranties are recognised when the Company 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, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(20) 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, 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 Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The 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 government bonds (at the balance sheet date).

ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company’s decision to terminate an employee’s employment before the normal retirement date, or an employee’s decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

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

Employees' remuneration and directors' and supervisors' remuneration are recognised as expense and liability, 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 number of shares based on the closing price at the previous day of the board meeting resolution.

(21) 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, in which cases the tax is recognised in other comprehensive income or 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 income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(22) Share capital

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.

(23) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(24) Revenue recognition

A. Sales of goods

(a) The Company manufactures and sells motherboards, graphic cards, a variety of computer hardware, and electronic components. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' 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 the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

(b) Revenue from the products is recognised based on the price specified in the contract, net of the estimated value added tax, returns and volume discounts and rebates. The volume discounts to the customers are estimated based on the anticipated annual sales quantities and the right of return for defective products is estimated on the basis of historical experience. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. The period between the transfer of the promised goods or services to the customer and payment by the customer does not exceed one year. As a result, the Company does not adjust any of the transaction prices for the time value of money.

(c) The Company's obligation to provide a refund 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. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Company recognises the incremental costs of obtaining a contract as an expense when incurred although the Company expects to recover those costs.

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

The preparation of these parent company only 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 information is addressed below:

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory comsumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation. As of December 31, 2020, the carrying amount of inventories was $27,116,376.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Cash on hand and petty cash | $ 1,400 | $ 1,828 |
| Checking accounts and demand deposits | 11,445,155 | 8,363,399 |
| Time deposits | 4,330,079 | 516,600 |
| Total | $ 15,776,634 | $ 8,881,827 |

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's time deposits with maturity periods over three months are reclassified as "financial assets at amortised cost." Details of financial assets at amortised cost are provided in Note 6(4).

### (2) Financial assets and liabilities at fair value through profit or loss - current

| Asset items | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Derivatives – Forward exchange contract | $ 37 | $ 3,660 |
| Derivatives – Foreign exchange swap | 79,260 | 52,981 |
| | $ 79,297 | $ 56,641 |

| Liability items | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Financial liabilities held for trading | | |
| Derivatives – Forward exchange contract | $ 103,885 | $ 24,943 |

A. The Company recognised net loss of $57,442 and $21,390 for the years ended December 31, 2020 and 2019, respectively.

B. The Company entered into contracts related to derivative financial assets and liabilities which were not accounted for under hedge accounting. The contract information are as follows:

| Derivative Financial Assets | December 31, 2020 Contract Amount Notional Principal (In thousands) | | Contract period |
|---|---|---|---|
| Forward exchange contracts | CAD | 1,000 | 2020.12.16~2021.03.24 |
| Foreign exchange swap | USD | 80,000 | 2020.11.06~2021.02.09 |
| 〃 | CNY | 591,911 | 2020.08.13~2021.05.17 |

| Derivative Financial Liabilities | December 31, 2020 Contract Amount Notional Principal (In thousands) | | Contract period |
|---|---|---|---|
| Forward exchange contracts | GBP | 6,000 | 2020.10.22~2021.03.08 |
| 〃 | AUD | 8,200 | 2020.10.28~2021.02.24 |
| 〃 | CAD | 6,000 | 2020.11.06~2021.03.24 |
| 〃 | KRW | 6,576,400 | 2020.12.02~2021.01.28 |
| 〃 | SEK | 7,575 | 2020.11.20~2021.02.08 |
| 〃 | EUR | 68,000 | 2020.08.25~2021.03.16 |

| Derivative Financial Assets | December 31, 2019 Contract Amount Notional Principal (In thousands) | | Contract period |
|---|---|---|---|
| Forward exchange contracts | EUR | 2,000 | 2019.10.21~2020.02.10 |
| 〃 | GBP | 500 | 2019.12.09~2020.02.18 |
| 〃 | KRW | 1,156,000 | 2019.12.30~2020.01.15 |
| 〃 | SEK | 4,650 | 2019.12.30~2020.02.10 |
| 〃 | JPY | 216,310 | 2019.12.04~2020.02.03 |
| Foreign exchange swap | USD | 94,000 | 2019.11.07~2020.02.24 |
| 〃 | CNY | 473,584 | 2019.08.14~2020.05.18 |

| Derivative Financial Liabilities | December 31, 2019 Contract Amount Notional Principal (In thousands) | | Contract period |
|---|---|---|---|
| Forward exchange contracts | CAD | 8,000 | 2019.10.21~2020.03.24 |
| 〃 | RUB | 224,291 | 2019.12.05~2020.01.16 |
| 〃 | EUR | 44,000 | 2019.10.15~2020.04.08 |
| 〃 | SEK | 2,852 | 2019.12.03~2020.01.08 |
| 〃 | GBP | 5,500 | 2019.10.17~2020.02.18 |
| 〃 | AUD | 6,500 | 2019.10.31~2020.02.24 |

The Company entered into forward foreign exchange contracts to hedge exchange risk. However, these forward foreign exchange contracts are not accounted under Hedge Accounting.

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

D. Information relating to fair value of financial assets at fair value through profit or loss is provided in Note 12(3).

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

| Items | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Non-current items: | | |
| Equity instruments | | |
| Unlisted stocks | $ 151,975 | $ 151,975 |
| Valuation adjustment | ( 27,637) | - |
| Total | $ 124,338 | $ 151,975 |

A. The Company has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $124,338 and $151,975 as at December 31, 2020 and 2019, respectively.

B. As at December 31, 2020 and 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 fair value through other comprehensive income held by the Company were $124,338 and $151,975, respectively.

C. The Company has no financial assets at fair value through other comprehensive income pledged to others as collateral.

D. Information relating to price risk and fair value of financial assets at fair value through other comprehensive income is provided in Note 12(2)、(3).

(4) Financial assets at amortised cost

| Items | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Current items: | | |
| Time deposits over three months | $ 1,000,000 | $ 1,200,000 |

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

| | 2020 | 2019 |
|---|---|---|
| Interest income | $ 7,362 | $ 8,310 |

B. As at December 31, 2020 and 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 Company were $1,000,000 and $1,200,000, respectively.

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

(5) Notes and accounts receivable

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Notes receivable | $ 672 | $ 3,929 |
| Accounts receivable | $ 13,011,321 | $ 10,850,453 |
| Less: Allowance for doubtful accounts | ( 6,626) | ( 4,180) |
| | $ 13,004,695 | $ 10,846,273 |

A. The ageing analysis of accounts receivable and notes receivable :

| | December 31, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| | Accounts receivable | Notes receivable | Accounts receivable | Notes receivable |
| Not past due | $ 11,855,269 | $ 672 | $ 9,415,881 | $ 3,929 |
| 1 to 75 days | 1,136,575 | - | 1,418,600 | - |
| 76 to 365 days | 19,145 | - | 13,174 | - |
| Over 365 days | 332 | - | 2,798 | - |
| | $ 13,011,321 | $ 672 | $ 10,850,453 | $ 3,929 |

The above ageing analysis was based on past due date.

B. As of December 31, 2020 and 2019, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers amounted to $10,738,787.

C. Most of the Company’s accounts receivable have been insured, and the Company will be able to obtain insurance claims.

D. The Company does not hold any collateral.

E. As of December 31, 2020 and 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 Company’s notes and accounts receivable were $672 and $3,929; $13,004,695 and $10,846,273, respectively.

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

## (6) Inventories

| | December 31, 2020 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | $ 8,292,346 | ($ 154,873) | $ 8,137,473 |
| Work in progress | 1,502,072 | ( 2,198) | 1,499,874 |
| Finished goods | 17,745,028 | ( 265,999) | 17,479,029 |
| | $ 27,539,446 | ($ 423,070) | $ 27,116,376 |

| | December 31, 2019 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | $ 6,579,127 | ($ 130,049) | $ 6,449,078 |
| Work in progress | 1,378,828 | ( 1,311) | 1,377,517 |
| Finished goods | 15,179,947 | ( 250,487) | 14,929,460 |
| | $ 23,137,902 | ($ 381,847) | $ 22,756,055 |

The cost of inventories recognised as expense for the year:

| | 2020 | 2019 |
|---|---|---|
| Cost of inventories recognised as expense | $ 125,877,926 | $ 105,097,585 |
| Losses on decline (gains on reversal of decline) in market value | 41,223 | ( 245,353) |

The Company reversed a previous inventory write-down and accounted for as reduction of cost of goods sold because some inventories which were recognised as expense have been sold in 2019.

## (7) Investments accounted for using equity method

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| MSI PACIFIC INTERNATIONAL HOLDING CO., LTD. | $ 7,406,724 | $ 6,686,248 |
| MICRO-STAR NETHERLANDS HOLDING B.V. | 685,857 | 629,384 |
| MSI COMPUTER (CAYMAN) CO., LTD. | 117,549 | 123,564 |
| MSI COMPUTER CORP. | 72,605 | 36,011 |
| MSI COMPUTER JAPAN CO., LTD. | 19,238 | 14,531 |
| MSI COMPUTER (AUSTRALIA) PTY. LTD. | 8,644 | 6,753 |
| MICRO-STAR CANADA LTD. | 3,297 | - |
| | $ 8,313,914 | $ 7,496,491 |

A. Details of the Company's subsidiaries are provided in Note 4(3) of the Company's consolidated financial statements as of and for the year ended December 31, 2020.

B. For the years ended December 31, 2020 and 2019, certain investments accounted for using equity method were MSI COMPUTER CORP., MICRO-STAR NETHERLANDS HOLDING B.V., MSI COMPUTER (CAYMAN) CO., LTD., MSI KOREA CO., LTD., MEGA COMPUTER CO., LTD. and MHK INTERNATIONAL CO., LTD., such investments were recognised based on the investees' financial statements audited by independent auditors and the portion of above- mentioned subsidiaries accounted for using equity method was $121,586 and $88,436, respectively.

(8) Property, plant and equipment

| | 2020 | | | | |
|---|---|---|---|---|---|
| | Land | Buildings | Machineries | Others | Total |
| At January 1 | | | | | |
| Cost | $ 1,331,538 | $ 1,487,824 | $ 526,019 | $ 341,693 | $ 3,687,074 |
| Accumulated depreciation | - | ( 586,296) | ( 329,857) | ( 203,891) | ( 1,120,044) |
| | $ 1,331,538 | $ 901,528 | $ 196,162 | $ 137,802 | $ 2,567,030 |
| Balance at January 1 | $ 1,331,538 | $ 901,528 | $ 196,162 | $ 137,802 | $ 2,567,030 |
| Additions | - | 7,304 | 73,342 | 190,281 | 270,927 |
| Reclassifications | - | 28,890 | 43,543 | ( 72,433) | - |
| Depreciation charge | - | ( 36,937) | ( 67,866) | ( 72,486) | ( 177,289) |
| Balance at December 31 | $ 1,331,538 | $ 900,785 | $ 245,181 | $ 183,164 | $ 2,660,668 |
| At December 31 | | | | | |
| Cost | $ 1,331,538 | $ 1,524,018 | $ 640,751 | $ 429,069 | $ 3,925,376 |
| Accumulated depreciation | - | ( 623,233) | ( 395,570) | ( 245,905) | ( 1,264,708) |
| | $ 1,331,538 | $ 900,785 | $ 245,181 | $ 183,164 | $ 2,660,668 |

| | 2019 | | | | |
| --- | --- | --- | --- | --- | --- |
| | Land | Buildings | Machineries | Others | Total |
| At January 1 | | | | | |
| Cost | $ 1,331,538 | $ 1,445,791 | $ 412,750 | $ 300,924 | $ 3,491,003 |
| Accumulated depreciation | - | ( 554,322) | ( 343,443) | ( 230,100) | ( 1,127,865) |
| | $ 1,331,538 | $ 891,469 | $ 69,307 | $ 70,824 | $ 2,363,138 |
| Balance at January 1 | $ 1,331,538 | $ 891,469 | $ 69,307 | $ 70,824 | $ 2,363,138 |
| Additions | - | 20,028 | 148,435 | 130,080 | 298,543 |
| Disposals | - | - | - | ( 2) | ( 2) |
| Reclassifications | - | 22,005 | 800 | ( 22,805) | - |
| Depreciation charge | - | ( 31,974) | ( 22,380) | ( 40,295) | ( 94,649) |
| Balance at December 31 | $ 1,331,538 | $ 901,528 | $ 196,162 | $ 137,802 | $ 2,567,030 |
| At December 31 | | | | | |
| Cost | $ 1,331,538 | $ 1,487,824 | $ 526,019 | $ 341,693 | $ 3,687,074 |
| Accumulated depreciation | - | ( 586,296) | ( 329,857) | ( 203,891) | ( 1,120,044) |
| | $ 1,331,538 | $ 901,528 | $ 196,162 | $ 137,802 | $ 2,567,030 |

(9) Leasing arrangements – lessee

A. The Company leases various assets including buildings and other equipment. Rental contracts are typically made for periods of 3 months to 9 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, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | Carrying amount | Carrying amount |
| Buildings | $ 150,121 | $ 169,638 |
| Transportation equipment | 9,488 | 9,760 |
| | $ 159,609 | $ 179,398 |

| | 2020 | 2019 |
|---|---|---|
| | Depreciation charge | Depreciation charge |
| Buildings | $ 98,874 | $ 58,568 |
| Transportation equipment | 4,279 | 4,167 |
| | $ 103,153 | $ 62,735 |

C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were $83,729 and $188,292, respectively.

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

| | 2020 | 2019 |
|---|---|---|
| Items affecting profit or loss | | |
| Interest expense on lease liabilities | $ 2,086 | $ 1,603 |
| Expense on leases of low-value and short-term assets | 13,562 | 11,991 |
| Expense on variable lease payments | 29,530 | 37,443 |
| Gain on lease modification | 53 | 163 |

E. For the years ended December 31, 2020 and 2019, the Company's total cash outflow for leases were $147,771 and $113,102, respectively.

## (10) Short-term borrowings

| Type of borrowings | December 31, 2020 | Interest rate range | Collateral |
|---|---|---|---|
| Bank borrowings | | | |
| Unsecured borrowings | $ 3,000,000 | 0.73%～0.85% | None |

| Type of borrowings | December 31, 2019 | Interest rate range | Collateral |
|---|---|---|---|
| Bank borrowings | | | |
| Unsecured borrowings | $ 1,500,000 | 0.88%～0.90% | None |

## (11) Other payables

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Accrued salary and bonus | $ 1,186,226 | $ 922,399 |
| Directors' remuneration and employees' compensation | 796,500 | 554,500 |
| Accrued freight | 945,457 | 617,251 |
| Advertising expense payable | 659,268 | 355,107 |
| Accrued molding expense | 333,861 | 217,077 |
| Other accrued expenses | 419,357 | 383,585 |
| | $ 4,340,669 | $ 3,049,919 |

## (12) Pensions

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

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

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Present value of defined benefit obligations | $ 535,344 | $ 524,869 |
| Fair value of plan assets | ( 315,030) | ( 302,895) |
| Net defined benefit liability | $ 220,314 | $ 221,974 |

(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 |
|---|---|---|---|
| 2020 | | | |
| Balance at January 1 | $ 524,869 | ($ 302,895) | $ 221,974 |
| Current service cost | 3,359 | - | 3,359 |
| Interest expense (income) | 3,674 | ( 2,120) | 1,554 |
| | 531,902 | ( 305,015) | 226,887 |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | ( 10,314) | ( 10,314) |
| Change in financial assumptions | 20,532 | - | 20,532 |
| Experience adjustments | ( 5,112) | - | ( 5,112) |
| | 15,420 | ( 10,314) | 5,106 |
| Pension fund contribution | - | ( 11,679) | ( 11,679) |
| Paid pension | ( 11,978) | 11,978 | - |
| Balance at December 31 | $ 535,344 | ($ 315,030) | $ 220,314 |

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
|---|---|---|---|
| 2019 | | | |
| Balance at January 1 | $ 502,487 | ($ 284,878) | $ 217,609 |
| Current service cost | 3,710 | - | 3,710 |
| Interest expense (income) | 5,025 | ( 2,849) | 2,176 |
| | 511,222 | ( 287,727) | 223,495 |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | ( 9,912) | ( 9,912) |
| Change in financial assumptions | 15,767 | - | 15,767 |
| Experience adjustments | 4,224 | - | 4,224 |
| | 19,991 | ( 9,912) | 10,079 |
| Pension fund contribution | - | ( 11,600) | ( 11,600) |
| Paid pension | ( 6,344) | 6,344 | - |
| Balance at December 31 | $ 524,869 | ($ 302,895) | $ 221,974 |

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

| | 2020 | 2019 |
|---|---|---|
| Discount rate | 0.30% | 0.70% |
| Future salary increases | 2.75% | 2.75% |

Assumptions regarding future mortality experience are set based on the fifth round of empirical life tables of the Taiwan life insurance industry.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

| | Discount rate | | Future salary increases | |
|---|---|---|---|---|
| | Increase 0.25% | Decrease 0.25% | Increase 0.25% | Decrease 0.25% |
| December 31, 2020 | | | | |
| Effect on present value of defined benefit obligation | ($ 12,970) | $ 13,446 | $ 11,756 | ($ 11,422) |
| December 31, 2019 | | | | |
| Effect on present value of defined benefit obligation | ($ 13,187) | $ 13,680 | $ 12,065 | ($ 11,713) |

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. 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.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2021 amount to $11,593.

(g) As of December 31, 2020, the weighted average duration of the retirement plan is 10 years. The analysis of timing of the future pension payment was as follows:

| | | |
|---|---|---|
| Within 1 year | $ | 40,867 |
| 1-2 year(s) | | 43,253 |
| 2-3 years | | 30,900 |
| 3-4 years | | 19,385 |
| 4-5 years | | 16,930 |
| 6-10 years | | 131,293 |
| Over 10 years | | 268,910 |
| | $ | 551,538 |

B. (a) Effective July 1, 2005, the Company has 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 contributes 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 pension costs under defined contribution pension plans of the Company for the years ended December 31, 2020 and 2019 were $117,062 and $106,892, respectively.

(13) Provisions for liabilities

| Warranty | | 2020 | | 2019 |
|---|---|---|---|---|
| At January 1 | $ | 579,337 | $ | 514,601 |
| Additional provisions | | 852,890 | | 758,066 |
| Used during the period | ( | 558,932) | ( | 693,294) |
| Exchange differences | ( | 66) | ( | 36) |
| At December 31 | $ | 873,229 | $ | 579,337 |

Analysis of total provisions:

| | December 31, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| Current | $ | 873,229 | $ | 579,337 |

The Company gives warranties on computer components and personal computers sold. Provision for warranty is estimated based on historical warranty data.

(14) Share capital

As of December 31, 2020 , the Company's authorized capital was $15,000,000 (including 80,000 thousand shares reserved for employee stock options and 150,000 thousand shares reserved for convertible bonds issued by the Company), and the paid-in capital was $8,448,562 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

(15) Capital surplus

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

(16) 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 year's operating losses, then 10% of the remaining amount shall be set aside or reversed as legal reserve. The balance plus unappropriated retained earnings at the beginning of the period shall be appropriated 10%~90% as proposed by the Board of Directors and resolved by the stockholders during their meeting.

B. The Company’s dividend policy is summarized below: as the Company operates in a volatile business environment and is in the stable growth stage, except for the Company’s future expansion plans, stockholders’ interest is taken into consideration. The Company appropriated dividends in proportion to total number of shares, dividends could be distributed in stock or cash, and cash dividends shall account for at least 30% of the total dividends distributed.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company’s paid-in capital.

D. (a) 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.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

E. The appropriations of 2019 and 2018 earnings had been resolved at the stockholders' meeting on June 10, 2020 and June 14, 2019, respectively as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Amount | Dividends per share (dollar) | Amount | Dividends per share (dollar) |
| Legal reserve | $ 558,721 | | $ 604,113 | |
| Special reserve | 288,559 | | 84,151 | |
| Cash dividend | 3,548,396 | $ 4.20 | 3,801,853 | $ 4.50 |

The cash dividends of the Company from capital surplus that has been approved by the stockholders on June 14, 2019 amounted to $422,429.

The appropriation of 2019 earnings as approved by the stockholders is the same as with the appropriation resolved by the Board of Directors during its meeting on April 30, 2020. Information about earnings appropriation of the Company as resolved by Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

F. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(21).

(17) Operating revenue

The Company derives revenue from the transfer of goods at a point in time in the following major segment:

| 2020 | Computer and peripherals segment | Other | Total |
| --- | --- | --- | --- |
| Total segment revenue | $ 144,645,875 | $ 160,091 | $ 144,805,966 |
| Timing of revenue recognition | | | |
| At a point in time | $ 144,645,875 | $ 160,091 | $ 144,805,966 |

| 2019 | Computer and peripherals segment | Other | Total |
| --- | --- | --- | --- |
| Total segment revenue | $ 118,735,370 | $ 5,003 | $ 118,740,373 |
| Timing of revenue recognition | | | |
| At a point in time | $ 118,735,370 | $ 5,003 | $ 118,740,373 |

(18) Interest income

| | 2020 | 2019 |
| --- | --- | --- |
| Interest income from bank deposits | $ 42,189 | $ 49,074 |
| Interest income from financial assets measured at amortised cost | 7,362 | 8,310 |
| Total | $ 49,551 | $ 57,384 |

(19) Other gains and losses

| | 2020 | 2019 |
| --- | --- | --- |
| Losses on financial assets liabilities at fair value through profit or loss | ($ 57,442) | ($ 21,390) |
| Net currency exchange losses | ( 79,460) | ( 31,685) |
| Gains on disposal of property, plant and equipment | - | 11 |
| Other (losses) gains | ( 1,494) | 2,200 |
| | ($ 138,396) | ($ 50,864) |

(20) Expenses by nature

| | 2020 | 2019 |
| --- | --- | --- |
| Employee benefit expense | $ 4,910,328 | $ 3,813,370 |
| Depreciation charges | 280,442 | 157,384 |
| Amortisation charges | 3 | 4 |
| | $ 5,190,773 | $ 3,970,758 |

(21) Employee benefit expense

| | | 2020 | | 2019 |
|---|---|---|---|---|
| Wages and salaries | $ | 4,365,632 | $ | 3,346,942 |
| Labor and health insurance fees | | 231,595 | | 212,138 |
| Pension costs | | 121,975 | | 112,778 |
| Directors' remuneration | | 71,500 | | 49,500 |
| Other personnel expenses | | 119,626 | | 92,012 |
| Total | $ | 4,910,328 | $ | 3,813,370 |

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 6%~10% for employees' compensation and shall not be higher than 1% for directors' remuneration.

B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at $725,000 and $505,000, respectively; while directors' remuneration was accrued at $71,500 and $49,500, respectively. The aforementioned amounts were recognised in salary expenses respectively.

The employees' compensation and directors' remuneration were estimated and accrued based on the historical distribution ratio and the profit of the current year for the year ended December 31, 2020.

Employees' compensation and directors' remuneration of 2019 as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2019 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors and shareholders will be posted in the "Market Observation Post System" website of the Taiwan Stock Exchange.

(22) Income tax

A. Income tax expense

(a) Components of income tax expense:

| | 2020 | 2019 |
|---|---|---|
| Current tax: | | |
| Current tax on profits for the period | $ 1,751,542 | $ 852,051 |
| Tax on undistributed earnings | 52,357 | 76,902 |
| Prior year income tax overestimation | ( 10,000) | ( 124,148) |
| Total current tax | 1,793,899 | 804,805 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | ( 325,324) | 12,204 |
| Total deferred tax | ( 325,324) | 12,204 |
| Income tax expense | $ 1,468,575 | $ 817,009 |

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

| | 2020 | 2019 |
|---|---|---|
| Remeasurement of defined benefit obligations | $ 1,021 | $ 2,016 |

B. Reconciliation between income tax expense and accounting profit

| | 2020 | 2019 |
|---|---|---|
| Tax calculated based on profit before tax and statutory tax rate | $ 1,899,509 | $ 1,280,844 |
| Effect from items disallowed by tax regulation | 16,800 | 16,800 |
| Temporary differences not recognised as deferred tax liabilities | ( 133,514) | ( 137,196) |
| Effect from investment tax credits | ( 302,078) | ( 282,279) |
| Effect of different tax rates in countries in which the group operates | ( 54,499) | ( 13,914) |
| Tax on undistributed earnings | 52,357 | 76,902 |
| Prior year income tax overestimation | (10,000) | (124,148) |
| Income tax expense | $ 1,468,575 | $ 817,009 |

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

| | 2020 | | | |
|---|---|---|---|---|
| | January 1 | Recognised in profit or loss | Recognised in other comprehensive income | December 31 |
| Temporary differences: | | | | |
| -Deferred tax assets: | | | | |
| Unrealized losses on inventory valuation | $ 76,369 | $ 8,245 | $ - | $ 84,614 |
| Unrealized gross profit | 203,265 | 234,846 | - | 438,111 |
| Remeasurement of defined benefit obligations | 34,135 | - | 1,021 | 35,156 |
| Unrealized losses on forward exchange contract | - | 4,918 | - | 4,918 |
| Others | 93,933 | 56,569 | - | 150,502 |
| Subtotal | 407,702 | 304,578 | 1,021 | 713,301 |
| -Deferred tax liabilities: | | | | |
| Unrealized exchange gain | ( 20,491) | 14,407 | - | ( 6,084) |
| Unrealized gains on forward exchange contract | ( 6,339) | 6,339 | - | - |
| Subtotal | ( 26,830) | 20,746 | - | ( 6,084) |
| Total | $ 380,872 | $ 325,324 | $ 1,021 | $ 707,217 |

| | 2019 | | | |
|---|---|---|---|---|
| | January 1 | Recognised in profit or loss | Recognised in other comprehensive income | December 31 |
| Temporary differences: | | | | |
| -Deferred tax assets: | | | | |
| Unrealized losses on inventory valuation | $ 125,440 | ($ 49,071) | $ - | $ 76,369 |
| Unrealized gross profit | 148,181 | 55,084 | - | 203,265 |
| Remeasurement of defined benefit obligations | 32,119 | - | 2,016 | 34,135 |
| Unrealized exchange loss | 3,462 | ( 3,462) | - | - |
| Others | 83,613 | 10,320 | - | 93,933 |
| Subtotal | 392,815 | 12,871 | 2,016 | 407,702 |
| -Deferred tax liabilities: | | | | |
| Unrealized exchange gain | - | ( 20,491) | - | ( 20,491) |
| Unrealized gains on forward exchange contract | ( 1,755) | ( 4,584) | - | ( 6,339) |
| Subtotal | ( 1,755) | ( 25,075) | - | ( 26,830) |
| Total | $ 391,060 | ($ 12,204) | $ 2,016 | $ 380,872 |

D. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2020 and 2019, the amounts of temporary difference unrecognized as deferred tax liabilities were $5,887,126 and $5,042,672, respectively.

E. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

(23) Earnings per share

| | 2020 | | |
|---|---|---|---|
| | Amount after tax | Retroactively adjusted weighted-average outstanding ordinary shares (in thousands) | Earnings per share (in NT dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 7,959,505 | 844,856 | $ 9.42 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 7,959,505 | 844,856 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees compensation | - | 7,225 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 7,959,505 | 852,081 | $ 9.34 |

| | 2019 | | |
|---|---|---|---|
| | Amount after tax | Retroactively adjusted weighted-average outstanding ordinary shares (in thousands) | Earnings per share (in NT dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 5,587,210 | 844,856 | $ 6.61 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 5,587,210 | 844,856 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees compensation | - | 7,378 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 5,587,210 | 852,234 | $ 6.56 |

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company's shares are held by public, therefore there is no ultimate parent and controlling party.

(2) Names of related parties and relationship

| Names of related parties | Relationship with the Company |
|---|---|
| MSI COMPUTER (AUSTRALIA) PTY. LTD. [MSI (AUSTRALIA)] | Subsidiary |
| MSI COMPUTER CORP. [MSI (LA)] | Subsidiary |
| MSI COMPUTER JAPAN CO., LTD. [MSI (JAPAN)] | Subsidiary |
| MICRO-STAR NETHERLANDS HOLDING B.V. [MSI (HOLDING)] | Subsidiary |
| MSI PACIFIC INTERNATIONAL HOLDING CO., LTD. [MSI(PACIFIC)] | Subsidiary |
| MICRO-STAR CANADA LTD. [MSI (CANADA)] | Subsidiary |
| MSI COMPUTER SARL [MSI (SARL)] | Second-tier subsidiary |
| MYSTAR COMPUTER B.V. [MYSTAR] | Second-tier subsidiary |
| MSI COMPUTER (UK) LTD. [MSI (UK)] | Second-tier subsidiary |
| MSI KOREA CO., LTD. [MSI (KOREA)] | Second-tier subsidiary |
| MSI POLSKA SP. Z O.O. [MSI (POLSKA)] | Second-tier subsidiary |
| MSI ITALY S.R.L. [MSI (ITALY)] | Second-tier subsidiary |
| MSI COMPUTER EUROPE B.V. [MSI (EUROPE)] | Second-tier subsidiary |
| LLC MSI COMPUTER [MSI (RUSSIA)] | Second-tier subsidiary |
| MHK INTERNATIONAL CO., LTD. [MSI (MHK)] | Second-tier subsidiary |
| MEGA COMPUTER CO., LTD. [MEGA COMPUTER] | Second-tier subsidiary |
| MSI IBERIA S.L. [MSI IBERIA] | Second-tier subsidiary |
| SHENZHEN MEGA INFORMATION CO., LTD. [MSI SHENZHEN] | Second-tier subsidiary |
| MSI ELECTRONICS (KUNSHAN) CO., LTD.[MSI ELECTRONICS (KUNSHAN)] | Second-tier subsidiary |
| MSI COMPUTER (SHENZHEN) CO., LTD.[MSI COMPUTER (SHENZHEN)] | Second-tier subsidiary |

(3) Significant related party transactions

A. Sales revenue, net

| | 2020 | 2019 |
|---|---|---|
| Sales of goods: | | |
| MSI (LA) | $ 28,697,320 | $ 16,439,951 |
| Others | 13,689,041 | 11,828,366 |
| Total | $ 42,386,361 | $ 28,268,317 |

The sales price and payment terms to related parties were not significantly different from those sales to third parties.

B. Manufacturing expense - processing costs

| | 2020 | 2019 |
|---|---|---|
| Subsidiary： | | |
| MSI (PACIFIC) | $ - | $ 1,895,512 |
| Second-tier Subsidiary： | | |
| MSI ELECTRONICS (KUNSHAN) | 1,191,748 | 630,364 |
| MSI COMPUTER (SHENZHEN) | 2,986,307 | 1,627,044 |
| Total | $ 4,178,055 | $ 4,152,920 |

The Company subcontracts manufacturing to a second-tier subsidiary through first-tier subsidiaries. The transaction model is that the Company provides raw materials, mutually agreed with the second-tier subsidiary to process the products based on quantities, amounts and lead time of orders. The accounts payable would be paid depending on the cash flow situation of each company. The manner of carrying out the processing trade with the second-tier subsidiary is in accordance with (1998) Tai-Cai-Zheng (6) Letter No. 00747 of Securities and Futures Commission, Ministry of Finance, R.O.C. Starting July 1, 2019, the Company agreed on manufacturing items with the second-tier subsidiary directly.

C. Operating expenses - after-sales service and advertisement expense

| | 2020 | 2019 |
|---|---|---|
| Purchases of services: | | |
| Others | $ 2,166,466 | $ 1,769,312 |

The Company recognised the operating expenses monthly based on the amount of services provided by subsidiaries and second-tier subsidiaries, with the same credit term available to third parties.

D. Receivables from related parties

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Accounts receivable | | |
| MSI (LA) | $ 8,887,796 | $ 5,255,324 |
| Others | 1,399,833 | 1,376,706 |
| Total | $ 10,287,629 | $ 6,632,030 |

Accounts receivable mainly arises from sales, with the same credit term available to third parties.

E. Other payables

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| MSI (PACIFIC) | $ 4,719,950 | $ 4,095,703 |
| Others | 244,110 | 176,907 |
| Total | $ 4,964,060 | $ 4,272,610 |

The abovementioned other payables mainly arises from processing costs and purchases of services, with the same credit term available to third parties.

(4) Key management compensation

| | 2020 | 2019 |
|---|---|---|
| Salaries and other short-term employee benefits | $ 429,341 | $ 319,047 |
| Post-employment benefits | 2,052 | 1,944 |
| Total | $ 431,393 | $ 320,991 |

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

None.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase outstanding shares.

(2) Financial instruments

A. Financial instruments by category

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Financial assets | | |
| Financial assets at fair value through profit or loss | | |
| Financial assets mandatorily measured at fair value through profit or loss | $ 79,297 | $ 56,641 |
| Financial assets at fair value through other comprehensive income | | |
| Designation of equity instrument | 124,338 | 151,975 |
| Financial assets at amortised cost | | |
| Cash and cash equivalents | 15,776,634 | 8,881,827 |
| Financial assets at amortised cost | 1,000,000 | 1,200,000 |
| Notes receivable | 672 | 3,929 |
| Accounts receivable | 23,292,324 | 17,478,303 |
| Other receivables | 219,767 | 157,760 |
| Guarantee deposits paid | 24,719 | 18,883 |
| | $ 40,517,751 | $ 27,949,318 |

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Financial liabilities | | |
| Financial liabilities at fair value through profit or loss | | |
| Financial liabilities held for trading | $ 103,885 | $ 24,943 |
| Financial liabilities at amortised cost | | |
| Short-term borrowings | 3,000,000 | 1,500,000 |
| Accounts payable | 26,409,577 | 19,764,458 |
| Other accounts payables | 9,304,729 | 7,322,529 |
| Guarantee deposits received | 107,328 | 91,809 |
| | $ 38,925,519 | $ 28,703,739 |
| Lease liabilities | $ 160,623 | $ 179,905 |

B. 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 minimise potential adverse effects on the Company's financial position and financial performance.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

ii. Management has set up a policy to manage their foreign exchange risk against their functional currency.

iii. The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

iv. The Company hedges foreign exchange rate by using forward exchange contracts. However, the Company does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).

v. The Company's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

| (Foreign currency: functional currency) | December 31, 2020 Foreign Currency Amount (In Thousands) | Exchange rate | Book Value (NTD) |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD: NTD | $ 1,058,405 | 28.4800 | $ 30,143,386 |
| EUR: NTD | 110,096 | 35.0200 | 3,855,550 |
| RMB:NTD | 554,222 | 4.3770 | 2,425,829 |
| KRW:NTD | 17,763,543 | 0.0262 | 465,405 |
| GBP: NTD | 10,763 | 38.9000 | 418,664 |
| Non-monetary items | | | |
| USD: NTD | 266,744 | 28.4800 | 7,596,878 |
| EUR: NTD | 19,585 | 35.0200 | 685,857 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD: NTD | 1,007,071 | 28.4800 | 28,681,375 |
| RMB:NTD | 1,151,692 | 4.3770 | 5,040,956 |
| EUR: NTD | 27,089 | 35.0200 | 948,652 |

| (Foreign currency: functional currency) | December 31, 2019 Foreign Currency Amount (In Thousands) | Exchange rate | Book Value (NTD) |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD: NTD | $ 729,998 | 29.9800 | $ 21,885,332 |
| RMB:NTD | 609,253 | 4.3050 | 2,622,835 |
| EUR: NTD | 58,210 | 33.5900 | 1,955,278 |
| KRW:NTD | 18,048,735 | 0.0260 | 469,267 |
| GBP: NTD | 7,794 | 39.3600 | 306,785 |
| CAD:NTD | 10,292 | 22.9900 | 236,603 |
| RUB: NTD | 444,494 | 0.4843 | 215,268 |
| JPY:NTD | 660,692 | 0.2760 | 182,351 |
| AUD:NTD | 8,157 | 21.0050 | 171,332 |
| Non-monetary items | | | |
| USD: NTD | 228,346 | 29.9800 | 6,845,823 |
| EUR: NTD | 18,737 | 33.5900 | 629,384 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD: NTD | 693,808 | 29.9800 | 20,800,378 |
| RMB:NTD | 1,003,591 | 4.3050 | 4,320,458 |
| EUR: NTD | 13,210 | 33.5900 | 443,723 |
| JPY:NTD | 412,320 | 0.2760 | 113,800 |

vi. The exchange loss arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2020 and 2019 amounted to $79,460 and $31,685, respectively.

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

| | 2020 | | |
|---|---|---|---|
| | Sensitivity analysis | | |
| (Foreign currency: functional currency) | Degree of variation | Effect on profit or loss (before tax) | Effect on other comprehensive income |
| Financial assets | | | |
| Monetary items | | | |
| USD: NTD | 1% | $ 301,434 | $ - |
| EUR: NTD | 1% | 38,556 | - |
| RMB:NTD | 1% | 24,258 | - |
| KRW:NTD | 1% | 4,654 | - |
| GBP: NTD | 1% | 4,187 | - |
| Financial liabilities | | | |
| Monetary items | | | |
| USD: NTD | 1% | 286,814 | - |
| RMB:NTD | 1% | 50,410 | - |
| EUR: NTD | 1% | 9,487 | - |

| | | 2019 | |
|---|---|---|---|
| | | Sensitivity analysis | |
| (Foreign currency: functional currency) | Degree of variation | Effect on profit or loss (before tax) | Effect on other comprehensive income |
| Financial assets | | | |
| Monetary items | | | |
| USD: NTD | 1% | $ 218,853 | $ - |
| RMB:NTD | 1% | 26,228 | - |
| EUR: NTD | 1% | 19,553 | - |
| KRW:NTD | 1% | 4,693 | - |
| GBP: NTD | 1% | 3,068 | - |
| CAD:NTD | 1% | 2,366 | - |
| RUB: NTD | 1% | 2,153 | - |
| JPY:NTD | 1% | 1,824 | - |
| AUD:NTD | 1% | 1,713 | - |
| Financial liabilities | | | |
| Monetary items | | | |
| USD: NTD | 1% | 208,004 | - |
| RMB:NTD | 1% | 43,205 | - |
| EUR: NTD | 1% | 4,437 | - |
| JPY:NTD | 1% | 1,138 | - |

Price risk

i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income.

ii. The Company has investments in equity securities. The prices of equity securities would change due to the change in 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 for the years ended December 31, 2020 and 2019 would have increased/decreased by $995 and $1,216, 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 Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

(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, notes receivable and financial assets at amortised cost cash flow based on the agreed terms.

ii. The Company manages their credit risk taking into consideration the entire company's concern. For banks and financial institutions, only parties with a rating of investment grade are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilisation of credit limits is regularly monitored. Credit risk arises from credit exposures to wholesale and retail customers, including outstanding receivables.

iii. The Company adopts assumptions, if the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 150 days.

v. 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.

vi. The Company applies the modified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis.

vii. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.

viii. The Company used the forecastability to adjust historical and timely information to assess the default possibility of debt instrument on December 31, 2020 and 2019. The expected credit loss rate of the Company’s overdue accounts receivable was not material as of December 31, 2020 and 2019.

ix. The Company applies the simplified approach to provide loss allowance for accounts receivable that have no significant impact. The Company had not recognized the related impact as at December 31, 2020 and 2019.

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company’s liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Company’s internal balance sheet ratio targets and external regulatory or legal requirements.

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:

| December 31, 2020 | Less than 1 year | Between 1 to 2 years | Between 2 to 3 years | Over 3 years |
|---|---|---|---|---|
| Short-term borrowings | $ 3,001,922 | $ - | $ - | $ - |
| Accounts payable | 26,409,577 | - | - | - |
| Other payables | 9,304,729 | - | - | - |
| Lease liabilities | 100,705 | 53,088 | 4,727 | 3,043 |
| Other financial liabilities | - | - | - | 107,328 |

Non-derivative financial liabilities:

| December 31, 2019 | Less than 1 year | Between 1 to 2 years | Between 2 to 3 years | Over 3 years |
|---|---|---|---|---|
| Short-term borrowings | $ 1,500,037 | $ - | $ - | $ - |
| Accounts payable | 19,764,458 | - | - | - |
| Other payables | 7,322,529 | - | - | - |
| Lease liabilities | 75,925 | 67,262 | 33,706 | 5,069 |
| Other financial liabilities | - | - | - | 91,809 |

Derivative financial liabilities

As of December 31, 2020 and 2019, the derivative financial liabilities mature within 1 year.

iii. The Company 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 and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an on going basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The Group's cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings and guarantee deposits received are approximate to their fair values. The transaction value information is provided in Note 12(2)A.

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 is as follows:

| December 31, 2020 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through profit or loss | | | | |
| -Forward exchange contract | $ - | $ 37 | $ - | $ 37 |
| -Foreign exchange swap | - | 79,260 | - | 79,260 |
| Financial assets at fair value through other comprehensive income | | | | |
| -Equity securities | - | - | 124,338 | 124,338 |
| Total | $ - | $ 79,297 | $ 124,338 | $ 203,635 |
| Liabilities: | | | | |
| Recurring fair value measurements | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| -Forward exchange contract | $ - | $ 103,885 | $ - | $ 103,885 |

| December 31, 2019 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through profit or loss | | | | |
| -Forward exchange contract | $ - | $ 3,660 | $ - | $ 3,660 |
| -Foreign exchange swap | - | 52,981 | - | 52,981 |
| Financial assets at fair value through other comprehensive income | | | | |
| -Equity securities | - | - | 151,975 | 151,975 |
| Total | $ - | $ 56,641 | $ 151,975 | $ 208,616 |
| Liabilities: | | | | |
| Recurring fair value measurements | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| -Forward exchange contract | $ - | $ 24,943 | $ - | $ 24,943 |

D. The methods and assumptions the Company used to measure fair value are as follows:

(a) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, 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.

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

(c) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

E. For the years ended December, 2020 and 2019, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2020 and 2019, there was no transfer in or out from Level 3.

G. The Company entrusts an external evaluation agency to evaluate the fair value classified as Level 3.

## 13. SUPPLEMENTARY DISCLOSURES

### (1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.

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 2.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 3.

I. Derivative financial instruments transactions: Please refer to Notes 6(2) and 12(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas: Please refer to table 7.

(4) Minority shareholders information

Major shareholders information: Please refer to table 8.

14. SEGMENT INFORMATION

Not applicable.

Detailed tables are attached from Page **172 to 181**.

**Micro Star International Co., Ltd.**

**Chairman: Hsu, Hsiang**