

**MICRO-STAR INTERNATIONAL CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
MARCH 31, 2021 AND 2020**

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' REVIEW REPORT TRANSLATED FROM CHINESE

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

Introduction

We have reviewed the accompanying consolidated balance sheets of MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES (the "Group") as at March 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity" in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Note 4(3), the financial statements of certain insignificant consolidated subsidiaries were not reviewed by independent accountants. Those statements reflect total assets of NT\$20,607,403 thousand and NT\$13,862,081 thousand, constituting 25% and 24% of the consolidated total assets, and total liabilities of NT\$3,475,157 thousand and NT\$2,442,446 thousand,

constituting 9% and 10% of the consolidated total liabilities as at March 31, 2021 and 2020, and total comprehensive income of NT\$409,823 thousand and NT\$(42,815) thousand, constituting 10% and -4% of the consolidated total comprehensive income for the three months then ended.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Liang, Hua-Ling

Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

April 29, 2021

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

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

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2021, DECEMBER 31, 2020 AND MARCH 31, 2020
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2021 and 2020 are reviewed, not audited)

Assets		Notes	March 31, 2021		December 31, 2020		March 31, 2020	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 13,743,190	17	\$ 18,585,955	24	\$ 10,830,100	19
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		220,241	-	203,737	-	111,770	-
1136	Current financial assets at	6(4)						
	amortised cost		5,496,453	7	1,000,447	1	1,200,000	2
1150	Notes receivable, net	6(5)	131,733	-	113,287	-	68,909	-
1170	Accounts receivable, net	6(5)	26,850,827	33	21,867,246	28	16,163,743	28
1200	Other receivables		177,337	-	265,987	-	143,755	-
1220	Current income tax assets		21,534	-	34,759	-	16,337	-
130X	Inventories, net	6(6)	26,223,504	32	27,482,537	35	20,571,632	36
1410	Prepayments	6(7)	1,780,756	2	1,807,513	3	1,575,003	3
11XX	Total current assets		<u>74,645,575</u>	<u>91</u>	<u>71,361,468</u>	<u>91</u>	<u>50,681,249</u>	<u>88</u>
Non-current assets								
1517	Non-current financial assets at	6(3)						
	fair value through other							
	comprehensive income		129,438	-	124,338	-	151,975	-
1535	Non-current financial assets at	6(4) and 8						
	amortised cost		342,028	-	226,937	-	228,323	-
1600	Property, plant and equipment	6(8) and 8	5,421,003	7	5,130,094	7	4,853,175	9
1755	Right-of-use assets	6(9)	489,171	1	502,400	1	610,695	1
1760	Investment property - net	6(11)	186,612	-	207,637	-	271,225	1
1840	Deferred income tax assets		748,254	1	769,613	1	407,232	1
1900	Other non-current assets		72,018	-	75,028	-	86,950	-
15XX	Total non-current assets		<u>7,388,524</u>	<u>9</u>	<u>7,036,047</u>	<u>9</u>	<u>6,609,575</u>	<u>12</u>
1XXX	Total assets		<u>\$ 82,034,099</u>	<u>100</u>	<u>\$ 78,397,515</u>	<u>100</u>	<u>\$ 57,290,824</u>	<u>100</u>

(Continued)

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2021, DECEMBER 31, 2020 AND MARCH 31, 2020
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2021 and 2020 are reviewed, not audited)

	Liabilities and Equity	Notes	March 31, 2021		December 31, 2020		March 31, 2020	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(12)	\$ -	-	\$ 3,000,000	4	\$ 1,600,000	3
2120	Financial liabilities at fair value through profit or loss - current	6(2)	23,541	-	103,885	-	36,603	-
2150	Notes payable		-	-	-	-	79	-
2170	Accounts payable		27,661,890	34	27,177,751	35	16,111,469	28
2200	Other payables	6(13)	6,174,711	7	5,344,410	7	3,504,469	6
2230	Current income tax liabilities		2,367,919	3	1,604,500	2	600,661	1
2250	Provision for liabilities - current	6(16)	895,935	1	850,435	1	587,506	1
2280	Current lease liabilities		221,594	-	218,182	-	222,355	1
2365	Refund liabilities- current		3,914,760	5	3,555,792	5	1,526,217	3
2399	Other current liabilities, others		494,247	1	337,535	-	179,611	-
21XX	Total current liabilities		<u>41,754,597</u>	<u>51</u>	<u>42,192,490</u>	<u>54</u>	<u>24,368,970</u>	<u>43</u>
	Non-current liabilities							
2570	Deferred income tax liabilities		15,861	-	6,928	-	13,197	-
2580	Non-current lease liabilities		211,508	-	225,548	1	324,191	1
2640	Net defined benefit liability, non-current	6(15)	218,304	-	220,314	-	220,294	-
2670	Other non-current liabilities, others		243,012	1	212,383	-	198,669	-
25XX	Total non-current liabilities		<u>688,685</u>	<u>1</u>	<u>665,173</u>	<u>1</u>	<u>756,351</u>	<u>1</u>
2XXX	Total liabilities		<u>42,443,282</u>	<u>52</u>	<u>42,857,663</u>	<u>55</u>	<u>25,125,321</u>	<u>44</u>
	Equity attributable to owners of parent							
	Share capital	6(17)						
3110	Share capital - common stock		8,448,562	10	8,448,562	11	8,448,562	15
	Capital surplus	6(18)						
3200	Capital surplus		804,214	1	804,214	1	804,214	1
	Retained earnings	6(19)						
3310	Legal reserve		5,541,298	7	5,541,298	7	4,982,577	9
3320	Special reserve		794,525	1	794,525	1	505,966	1
3350	Unappropriated retained earnings		24,795,552	30	20,625,711	26	18,316,476	32
	Other equity interest							
3400	Other equity interest		(793,334)	(1)	(674,458)	(1)	(892,292)	(2)
31XX	Equity attributable to owners of the parent		<u>39,590,817</u>	<u>48</u>	<u>35,539,852</u>	<u>45</u>	<u>32,165,503</u>	<u>56</u>
3XXX	Total equity		<u>39,590,817</u>	<u>48</u>	<u>35,539,852</u>	<u>45</u>	<u>32,165,503</u>	<u>56</u>
3X2X	Total liabilities and equity		<u>\$ 82,034,099</u>	<u>100</u>	<u>\$ 78,397,515</u>	<u>100</u>	<u>\$ 57,290,824</u>	<u>100</u>

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

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share)
(UNAUDITED)

				Three months ended March 31			
				2021		2020	
Items	Notes			AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(20)			\$ 48,004,960	100	\$ 28,503,542	100
5000 Operating costs	6(6)(24)			(38,852,299)	(81)	(24,670,553)	(87)
5900 Net operating margin				<u>9,152,661</u>	<u>19</u>	<u>3,832,989</u>	<u>13</u>
Operating expenses	6(24)						
6100 Selling expenses				(2,400,907)	(5)	(1,210,844)	(4)
6200 General and administrative expenses				(438,575)	(1)	(279,288)	(1)
6300 Research and development expenses				(1,309,884)	(3)	(789,524)	(3)
6450 Expected credit (loss) gain				(7,658)	-	724	-
6000 Total operating expenses				(4,157,024)	(9)	(2,278,932)	(8)
6900 Operating profit				<u>4,995,637</u>	<u>10</u>	<u>1,554,057</u>	<u>5</u>
Non-operating income and expenses							
7100 Interest income	6(4)(21)			17,633	-	19,657	-
7010 Other income	6(22)			178,001	-	90,417	-
7020 Other gains and losses	6(23)			(34,398)	-	(139,454)	-
7050 Finance costs				(4,676)	-	(6,382)	-
7000 Total non-operating income and expenses				<u>156,560</u>	<u>-</u>	<u>(35,762)</u>	<u>-</u>
7900 Profit before income tax				5,152,197	10	1,518,295	5
7950 Income tax expense	6(26)			(982,356)	(2)	(267,786)	(1)
8200 Profit for the period				<u>\$ 4,169,841</u>	<u>8</u>	<u>\$ 1,250,509</u>	<u>4</u>
Other comprehensive income							
Components of other comprehensive loss that will not be reclassified to profit or loss							
8316 Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(3)			\$ 5,100	-	\$ -	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(26)			<u>4,507</u>	<u>-</u>	<u>-</u>	<u>-</u>
8310 Components of other comprehensive loss that will not be reclassified to profit or loss				<u>9,607</u>	<u>-</u>	<u>-</u>	<u>-</u>
Components of other comprehensive income (loss) that will be reclassified to profit or loss							
8361 Financial statements translation differences of foreign operations				(128,483)	-	(97,767)	-
8360 Components of other comprehensive loss that will be reclassified to profit or loss				(128,483)	-	(97,767)	-
8300 Total other comprehensive loss for the period				<u>(\$ 118,876)</u>	<u>-</u>	<u>(\$ 97,767)</u>	<u>-</u>
8500 Total comprehensive income for the period				<u>\$ 4,050,965</u>	<u>8</u>	<u>\$ 1,152,742</u>	<u>4</u>
Profit attributable to:							
8610 Owners of the parent				<u>\$ 4,169,841</u>	<u>8</u>	<u>\$ 1,250,509</u>	<u>4</u>
Comprehensive income attributable to:							
8710 Owners of the parent				<u>\$ 4,050,965</u>	<u>8</u>	<u>\$ 1,152,742</u>	<u>4</u>
Earnings per share (in dollars)	6(27)						
9750 Basic earnings per share				<u>\$ 4.94</u>		<u>\$ 1.48</u>	
9850 Diluted earnings per share				<u>\$ 4.90</u>		<u>\$ 1.47</u>	

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
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Equity attributable to owners of the parent											
	Notes	Capital Surplus				Retained Earnings			Other Equity Interest		Total equity	
		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 gains (losses) from financial assets measured at fair value through other comprehensive income
<u>2020</u>												
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 three months ended March 31, 2020		-	-	-	-	-	-	-	1,250,509	-	-	1,250,509
Other comprehensive loss for the three months ended March 31, 2020		-	-	-	-	-	-	-	-	(97,767)	-	(97,767)
Total comprehensive income (loss)		-	-	-	-	-	-	-	1,250,509	(97,767)	-	1,152,742
Due to donated assets received		-	-	-	296	-	-	-	-	-	-	296
Balance at March 31, 2020		\$ 8,448,562	\$ 628,134	\$ 130,592	\$ 1,028	\$ 44,460	\$ 4,982,577	\$ 505,966	\$ 18,316,476	(\$ 892,292)	\$ -	\$ 32,165,503
<u>2021</u>												
Balance at January 1, 2021		\$ 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
Profit for the three months ended March 31, 2021		-	-	-	-	-	-	-	4,169,841	-	-	4,169,841
Other comprehensive income (loss) for the year		-	-	-	-	-	-	-	-	(128,483)	9,607	(118,876)
Total comprehensive income (loss)		-	-	-	-	-	-	-	4,169,841	(128,483)	9,607	4,050,965
Balance at December 31, 2021		\$ 8,448,562	\$ 628,134	\$ 130,592	\$ 1,028	\$ 44,460	\$ 5,541,298	\$ 794,525	\$ 24,795,552	(\$ 775,304)	(\$ 18,030)	\$ 39,590,817

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 THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	For the three months ended March 31,	
		2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 5,152,197	\$ 1,518,295
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including right-of-use assets and investment properties)	6(24)	287,928	263,487
Amortization	6(24)	39	55
Expected credit loss (gain)		7,658	(724)
Net (gain) loss on financial assets and liabilities at fair value through profit or loss		(114,890)	85,388
Interest expense		4,676	6,382
Interest income	6(21)	(17,633)	(19,657)
Loss on disposal of property, plant and equipment	6(23)	19	36
Gain on lease modification	6(9)	(7)	(13)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		12,187	(33,711)
Notes receivable, net		(18,446)	(21,795)
Accounts receivable		(4,991,104)	1,042,624
Other receivables		89,173	84,014
Inventories, net		1,259,033	1,956,208
Prepayments		26,757	100,698
Other non-current assets		10,865	(4,155)
Changes in operating liabilities			
Notes payable		-	79
Accounts payable		484,139	(4,280,051)
Other payables		832,245	(341,458)
Provision for liabilities - current		45,500	30,786
Refund liabilities- current		358,968	(110,282)
Other current liabilities, others		170,896	55,667
Net defined benefit liability		(6,517)	(1,680)
Other non-current liabilities		20,452	-
Cash inflow generated from operations		3,614,135	330,193
Interest received		17,082	18,952
Interest paid		(6,616)	(5,274)
Income tax paid		(168,949)	(18,737)
Net cash flows from operating activities		3,455,652	325,134

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MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	For the three months ended March 31, 2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		(\$ 4,611,097)	(\$ 475)
Acquisition of property, plant and equipment	6(8)	(525,469)	(163,388)
Proceeds from disposal of property, plant and equipment		265	-
Increase in refundable deposits		(2,713)	(13,135)
Acquisition of investment properties	6(11)	-	(307)
Net cash flows used in investing activities		(5,139,014)	(177,305)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term borrowings		(3,000,000)	100,000
Repayment of the principal portion of lease liabilities		(60,790)	(57,251)
Payment of long-term borrowings		(14,212)	(242)
Increase (decrease) in guarantee deposits received		10,177	(251)
Due to donated assets received		-	296
Net cash flows (used in) from financing activities		(3,064,825)	42,552
Effect of exchange rate		(94,578)	(69,326)
Net (decrease) increase in cash and cash equivalents		(4,842,765)	121,055
Cash and cash equivalents at beginning of period	6(1)	18,585,955	10,709,045
Cash and cash equivalents at end of period	6(1)	\$ 13,743,190	\$ 10,830,100

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
THREE MONTHS ENDED MARCH 31, 2021 AND 2020

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

(Reviewed, not audited)

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 reported to the Board of Directors on April 29, 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 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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.

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

None.

(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 April 1, 2021
Amendments to IFRS 16, 'Covid-19-related rent concessions beyond 30 June 2021'	
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 and the International Accounting Standard 34, "Interim financial reporting" as endorsed by the FSC.

(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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "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(%)			Note
			2021/3/31	2020/12/31	2020/3/31	
MICRO-STAR INTERNATIONAL CO., LTD.	MICRO-STAR NETHERLANDS HOLDING B.V. [MSI (HOLDING)]	Investment holding company	100	100	100	A and D
"	MSI COMPUTER CORP. [MSI (LA)]	Sales and maintenance of computers and electronic components	100	100	100	"
"	MSI PACIFIC INTERNATIONAL HOLDING CO., LTD. [MSI (PACIFIC)]	Investment holding company	100	100	100	A and C
"	MSI COMPUTER JAPAN CO., LTD. [MSI (JAPAN)]	Sales support and maintenance of computers and electronic components	100	100	100	"
"	MSI COMPUTER (AUSTRALIA) PTY. LTD. [MSI (AUSTRALIA)]	"	100	100	100	"
"	MSI COMPUTER (CAYMAN) CO., LTD. [MSI COMPUTER (CAYMAN)]	Investment holding company	100	100	100	A and D
"	MICRO-STAR CANADA LTD. [MSI (CANADA)]	Sales support of computers and electronic components	100	100	-	B, C and G
MSI (HOLDING)	MYSTAR COMPUTER B.V. [MYSTAR]	"	100	100	100	A and D
"	MSI COMPUTER SARL [MSI (SARL)]	"	100	100	100	"
"	MSI COMPUTER (UK) LTD. [MSI (UK)]	"	100	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	99	"
"	MSI COMPUTER EUROPE B.V. [MSI (EUROPE)]	Logistics services of computers and electronic components	100	100	100	"

Name of investor	Name of subsidiaries	Main business activities	Ownership(%)			Note
			2021/3/31	2020/12/31	2020/3/31	
MSI (HOLDING)	LLC MSI COMPUTER [MSI (RUSSIA)]	Sales support and maintenance of computers and electronic components	99	99	99	A and D
"	MSI COMPUTER TECHNOLOGIES LIMITED COMPANY [MSI (TURKEY)]	Sales support of computers and electronic components	99	99	99	A, D and F
"	MSI ITALY S.R.L. [MSI (ITALY)]	"	100	100	100	A and D
"	MSI IBERIA S.L. [MSI (IBERIA)]	"	100	100	100	"
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	1	"
"	LLC MSI COMPUTER [MSI (RUSSIA)]	Sales support and maintenance of computers and electronic components	1	1	1	"
"	MSI COMPUTER TECHNOLOGIES LIMITED COMPANY [MSI (TURKEY)]	Sales support of computers and electronic components	1	1	1	A, D and F
MSI (PACIFIC)	MSI KOREA CO., LTD. [MSI (KOREA)]	Sales and maintenance of computers and electronic components	100	100	100	A and D
"	STAR INFORMATION HOLDING CO., LTD. [STAR INFORMATION]	Investment holding company	100	100	100	A and C
"	MICRO-STAR INTERNATIONAL (B.V.I) HOLDING CO., LTD. [MSI (B.V.I.)]	"	100	100	100	"
"	MICRO ELECTRONICS HOLDING CO., LTD. [MICRO ELECTRONICS]	"	100	100	100	"
"	MEGA TECHNOLOGY HOLDING CO., LTD. [MEGA TECHNOLOGY]	"	100	100	100	"

Name of investor	Name of subsidiaries	Main business activities	Ownership(%)			Note
			2021/3/31	2020/12/31	2020/3/31	
MSI (PACIFIC)	MEGA COMPUTER CO., LTD. [MEGA COMPUTER]	Sales support of computers and electronic components	100	100	100	A and D
"	MHK INTERNATIONAL CO., LTD. [MSI (MHK)]	"	100	100	100	"
"	MSI (SHANGHAI) CO., LTD. [MSI (SHANGHAI)]	Sales and maintenance of computers and electronic components	100	100	100	A and C
"	SHENZHEN MEGA INFORMATION CO., LTD. [SHENZHEN MEGA INFORMATION]	Examination and maintenance of computers, and electronic components	100	100	100	"
MICRO ELECTRONICS	MSI ELECTRONICS (KUNSHAN) CO., LTD. [MSI ELECTRONICS (KUNSHAN)]	Manufacture and maintenance of computers, and electronic components	100	100	100	"
STAR INFORMATION	MSI (SHENZHEN) CO., LTD. [MSI SHENZHEN]	Sales and maintenance of computers and electronic components	100	100	100	"
MSI (B.V.I.)	MSI COMPUTER (SHENZHEN) CO., LTD. [MSI COMPUTER (SHENZHEN)]	Manufacture and maintenance of computers, and electronic components	100	100	100	"
MEGA TECHNOLOGY	MSI COMPUTER TRADING (SHENZHEN) CO., LTD. [MSI TRADING (SHENZHEN)]	Sales and maintenance of computers and electronic components	-	-	100	E and H
"	RAIDEALS INC. [RAIDEALS]	Sales computers and electronic components	100	100	100	A and C

Note A: The financial statements of the entity as of and for the three months ended March 31, 2021 and 2020 were not reviewed by the independent accountants as the entity did not meet the definition of significant subsidiary.

Note B: The financial statements of the entity as of and for the three months ended March 31, 2021 were not reviewed by the independent accountants as the entity did not meet the definition of significant subsidiary.

Note C: As of December 31, 2020, 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 D: As of December 31, 2020, 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 E: The financial statements of the entity as of and for the three months ended March 31, 2020 were not reviewed by the independent accountants as the entity did not meet the definition of significant subsidiary.

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

Note G: 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 H: 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	1.5~10 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.
- iv. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. The related information is disclosed accordingly.

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.
- F. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period. The related information is disclosed accordingly.

(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

Lease term

In determining the lease term, the Group takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option, including the expected changes of all facts and situation for the period from the commencement date of lease to the execution date of options. Also, the Group took into consideration the main factors, such as the contract terms and conditions during the option covered period and the importance to lessee's operation if the significant lease improvement and underlying assets incurred during the contract terms. When significant events or significant changes occur within the Group's control, the lease term will be re-estimated.

(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 March 31, 2021, the carrying amount of inventories was \$26,223,504.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	March 31, 2021	December 31, 2020	March 31, 2020
Cash on hand and petty cash	\$ 3,347	\$ 2,979	\$ 5,320
Checking accounts and demand deposits	12,064,657	13,480,057	9,137,430
Time deposits	1,675,186	5,102,919	1,687,350
Total	<u>\$ 13,743,190</u>	<u>\$ 18,585,955</u>	<u>\$ 10,830,100</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. The Group'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	March 31, 2021	December 31, 2020	March 31, 2020
Financial assets mandatorily measured at fair value through profit or loss			
Stock of publicly traded or listed companies	\$ 120,855	\$ 126,045	\$ 152,037
Derivatives – Forward exchange contract	98,617	37	21,870
Derivatives – Foreign exchange swap	-	79,260	-
	219,472	205,342	173,907
Evaluation adjustment	769	(1,605)	(62,137)
Total	\$ 220,241	\$ 203,737	\$ 111,770
Liability items	March 31, 2021	December 31, 2020	March 31, 2020
Financial liabilities held for trading			
Derivatives – Forward exchange contract	\$ 2,428	\$ 103,885	\$ 9,366
Derivatives – Foreign exchange swap	21,113	-	27,237
Total	\$ 23,541	\$ 103,885	\$ 36,603

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

	For the three months ended March 31,	
	2021	2020
Financial assets and liabilities mandatorily measured at fair value through profit or loss		
Equity instruments	\$ 15,225	(\$ 38,956)
Derivatives	153,938	48,493
	\$ 169,163	\$ 9,537

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:

	March 31, 2021		
	Contract Amount		
	Notional Principal		
Derivative Financial Assets	(In thousands)		Contract period
Forward exchange contracts	GBP	4,000	2021.02.17 ~ 2021.05.24
"	AUD	6,900	2021.01.20 ~ 2021.04.16
"	CAD	8,000	2021.01.22 ~ 2021.07.26
"	RUB	412,059	2021.03.12 ~ 2021.04.16
"	SEK	6,619	2021.02.22 ~ 2021.04.01
"	EUR	78,000	2021.01.13 ~ 2021.07.01

March 31, 2021			
Derivative Financial Liabilities	Contract Amount Notional Principal		Contract period
	(In thousands)		
Forward exchange contracts	GBP	5,000	2021.01.13～2021.04.26
"	CAD	6,000	2021.02.09～2021.05.21
"	RUB	53,092	2021.03.31～2021.04.16
Foreign exchange swap	USD	38,000	2021.02.04～2021.04.13
"	CNY	497,932	2020.11.27～2021.08.16
December 31, 2020			
Derivative Financial Assets	Contract Amount Notional Principal		Contract period
	(In thousands)		
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		Contract period
	(In thousands)		
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
March 31, 2020			
Derivative Financial Assets	Contract Amount Notional Principal		Contract period
	(In thousands)		
Forward exchange contracts	GBP	2,200	2020.03.06～2020.05.11
"	AUD	2,500	2020.03.16～2020.05.26
"	JPY	321,038	2020.03.03～2020.04.30
"	SEK	5,668	2020.03.04～2020.04.24
"	EUR	24,500	2019.11.28～2020.05.26

	March 31, 2020		
	Contract Amount Notional Principal		
Derivative Financial Liabilities	(In thousands)		Contract period
Forward exchange contracts	GBP	3,000	2020.03.20～2020.05.18
"	AUD	2,300	2020.03.24～2020.05.08
"	JPY	164,480	2020.02.27～2020.04.01
"	EUR	7,000	2020.03.24～2020.05.26
Foreign exchange swap	USD	20,000	2020.03.30～2020.04.10
"	CNY	480,758	2019.11.14～2020.08.17

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	March 31, 2021	December 31, 2020	March 31, 2020
Non-current items:			
Equity instruments			
Unlisted stocks	\$ 151,975	\$ 151,975	\$ 151,975
Valuation adjustment	(22,537)	(27,637)	-
Total	<u>\$ 129,438</u>	<u>\$ 124,338</u>	<u>\$ 151,975</u>

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 \$129,438, \$124,338 and \$151,975 as at March 31, 2021, December 31, 2020 and March 31, 2020, respectively.

B. As at March 31, 2021, December 31, 2020 and March 31, 2020, 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 \$129,438, \$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	March 31, 2021	December 31, 2020	March 31, 2020
Current items:			
Time deposits over three months	\$ 5,496,453	\$ 1,000,447	\$ 1,200,000
Non-current items:			
Pledge bank deposits	\$ 340,945	\$ 225,844	\$ 226,577
Others	1,083	1,093	1,746
Total	\$ 342,028	\$ 226,937	\$ 228,323

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

	For the three months ended March 31,	
	2021	2020
Interest income	\$ 2,108	\$ 1,965

B. As at March 31, 2021, December 31, 2020 and March 31, 2020, 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 \$5,838,481, \$1,227,384 and \$1,428,323, 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

	March 31, 2021	December 31, 2020	March 31, 2020
Notes receivable	\$ 131,733	\$ 113,287	\$ 68,909
Accounts receivable	\$ 26,874,228	\$ 21,885,338	\$ 16,191,023
Less: Allowance for doubtful accounts	(23,401)	(18,092)	(27,280)
	\$ 26,850,827	\$ 21,867,246	\$ 16,163,743

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

	March 31, 2021		December 31, 2020		March 31, 2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 23,836,181	\$ 131,733	\$ 19,204,696	\$ 113,287	\$ 14,023,481	\$ 68,909
1 to 75 days	2,945,885	-	2,633,841	-	1,981,137	-
76 to 365 days	91,352	-	45,859	-	184,522	-
Over 365 days	810	-	942	-	1,883	-
	\$ 26,874,228	\$ 131,733	\$ 21,885,338	\$ 113,287	\$ 16,191,023	\$ 68,909

The above ageing analysis was based on past due date.

- B. As of March 31, 2021, December 31, 2020 and March 31, 2020, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2020, the balance of receivables from contracts with customers amounted to \$17,205,783.
- 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 March 31, 2021, December 31, 2020 and March 31, 2020, 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 \$131,733, \$113,287, and \$68,909; \$26,850,827, \$21,867,246 and \$16,163,743, respectively.
- E. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(6) Inventories

March 31, 2021			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 10,825,263	(\$ 153,514)	\$ 10,671,749
Work-in-process	1,453,117	(2,450)	1,450,667
Finished goods	14,436,478	(335,390)	14,101,088
	<u>\$ 26,714,858</u>	<u>(\$ 491,354)</u>	<u>\$ 26,223,504</u>
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
	<u>\$ 27,966,905</u>	<u>(\$ 484,368)</u>	<u>\$ 27,482,537</u>
March 31, 2020			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 9,249,407	(\$ 131,011)	\$ 9,118,396
Work-in-process	1,335,862	(1,271)	1,334,591
Finished goods	10,481,237	(362,592)	10,118,645
	<u>\$ 21,066,506</u>	<u>(\$ 494,874)</u>	<u>\$ 20,571,632</u>

The cost of inventories recognised as expense for the period:

	For the three months ended March 31,	
	2021	2020
Cost of inventories recognised as expense	\$ 38,852,299	\$ 24,670,553
Losses (gains) on reversal of decline in market value	7,129 (40,109)

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 three months ended March 31, 2020.

(7) Prepayments

	March 31, 2021	December 31, 2020	March 31, 2020
Overpaid tax for offsetting the future tax payable	\$ 907,709	\$ 972,344	\$ 829,341
Office supplies	594,762	539,955	518,330
Prepayment for goods	30,451	57,650	17,124
Others	247,834	237,564	210,208
	<u>\$ 1,780,756</u>	<u>\$ 1,807,513</u>	<u>\$ 1,575,003</u>

(8) Property, plant and equipment

	2021				
	Land	Buildings	Machineries	Others	Total
At January 1					
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)
	<u>\$ 1,462,807</u>	<u>\$ 1,739,831</u>	<u>\$ 1,441,311</u>	<u>\$ 486,145</u>	<u>\$ 5,130,094</u>
Balance at January 1	\$ 1,462,807	\$ 1,739,831	\$ 1,441,311	\$ 486,145	\$ 5,130,094
Additions	-	24,445	383,150	117,874	525,469
Reclassifications	-	14,285	680	(11,922)	3,043
Disposals	-	-	(23)	(261)	(284)
Depreciation charge	-	(67,480)	(95,893)	(50,458)	(213,831)
Net exchange differences	(3,465)	(8,883)	(8,487)	(2,653)	(23,488)
Balance at March 31	<u>\$ 1,459,342</u>	<u>\$ 1,702,198</u>	<u>\$ 1,720,738</u>	<u>\$ 538,725</u>	<u>\$ 5,421,003</u>
At March 31					
Cost	\$ 1,459,342	\$ 5,619,907	\$ 3,602,310	\$ 1,984,385	\$ 12,665,944
Accumulated depreciation	-	(3,917,709)	(1,881,572)	(1,445,660)	(7,244,941)
	<u>\$ 1,459,342</u>	<u>\$ 1,702,198</u>	<u>\$ 1,720,738</u>	<u>\$ 538,725</u>	<u>\$ 5,421,003</u>

	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)
	<u>\$ 1,462,282</u>	<u>\$ 1,863,767</u>	<u>\$ 1,106,858</u>	<u>\$ 460,526</u>	<u>\$ 4,893,433</u>
Balance at January 1	\$ 1,462,282	\$ 1,863,767	\$ 1,106,858	\$ 460,526	\$ 4,893,433
Additions	-	6,701	66,918	89,769	163,388
Reclassifications	-	23,562	32,185	(46,442)	9,305
Disposals	-	-	(1)	(35)	(36)
Depreciation charge	-	(66,828)	(86,447)	(35,857)	(189,132)
Net exchange differences	(963)	(9,781)	(9,720)	(3,319)	(23,783)
Balance at March 31	<u>\$ 1,461,319</u>	<u>\$ 1,817,421</u>	<u>\$ 1,109,793</u>	<u>\$ 464,642</u>	<u>\$ 4,853,175</u>
At March 31					
Cost	\$ 1,461,319	\$ 5,263,723	\$ 2,623,905	\$ 1,799,231	\$ 11,148,178
Accumulated depreciation	-	(3,446,302)	(1,514,112)	(1,334,589)	(6,295,003)
	<u>\$ 1,461,319</u>	<u>\$ 1,817,421</u>	<u>\$ 1,109,793</u>	<u>\$ 464,642</u>	<u>\$ 4,853,175</u>

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:

	March 31, 2021	December 31, 2020	March 31, 2020
	Carrying amount	Carrying amount	Carrying amount
Land	\$ 60,288	\$ 62,903	\$ 67,441
Buildings	377,357	387,566	490,567
Machinery and equipment	9,680	7,803	9,039
Other equipment	41,846	44,128	43,648
	<u>\$ 489,171</u>	<u>\$ 502,400</u>	<u>\$ 610,695</u>

	For the three months ended March 31,	
	2021	2020
	Depreciation charge	Depreciation charge
Land	\$ 1,979	\$ 2,119
Buildings	54,985	52,812
Machinery and equipment	754	596
Other equipment	5,059	4,865
	<u>\$ 62,777</u>	<u>\$ 60,392</u>

C. For the three months ended March 31, 2021 and 2020, the additions to right-of-use assets were \$58,124 and \$204,719, respectively.

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

	For the three months ended March 31,	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,939	\$ 2,843
Expense on leases of low-value or short-term assets	17,141	10,059
Expense on variable lease payments	7,558	8,427
Gain on lease modification	7	13

E. For the three months ended March 31, 2021 and 2020, the Group's total cash outflow for leases were \$87,430 and \$78,574, 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 \$24,866 and \$29,189 based on operating lease contracts for the three months ended March 31, 2021 and 2020, respectively. None of these included variable lease payments.

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

	March 31, 2021	December 31, 2020	March 31, 2020
Less than 1 year	\$ 83,253	\$ 83,885	\$ 50,353
Between 1 and 5 years	104,978	105,775	48,345
Total	<u>\$ 188,231</u>	<u>\$ 189,660</u>	<u>\$ 98,698</u>

(11) Investment property

	2021	2020
	<u>Buildings</u>	<u>Buildings</u>
At January 1		
Cost	\$ 950,590	\$ 1,167,190
Accumulated depreciation	(742,953)	(866,631)
	<u>\$ 207,637</u>	<u>\$ 300,559</u>
Balance at January 1	\$ 207,637	\$ 300,559
Additions	-	307
Reclassifications	(8,224)	(12,368)
Depreciation charge	(11,320)	(13,963)
Net exchange differences	(1,481)	(3,310)
Balance at March 31	<u>\$ 186,612</u>	<u>\$ 271,225</u>
At March 31		
Cost	\$ 949,081	\$ 1,117,499
Accumulated depreciation	(762,469)	(846,274)
	<u>\$ 186,612</u>	<u>\$ 271,225</u>

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

	<u>For the three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Rental income from the lease of the investment property	<u>\$ 24,866</u>	<u>\$ 29,189</u>
Direct operating expenses arising from the investment property	<u>\$ 15,811</u>	<u>\$ 18,635</u>

B. As of March 31, 2021, December 31, 2020 and March 31, 2020, the fair value of the Group's investments in property amounting to \$2,144,367, \$2,437,773 and \$2,878,734, respectively, as derived from market prices in the nearby area, are included in Level 2.

(12) Short-term borrowings

March 31, 2021: None.

<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	<u>\$ 3,000,000</u>	0.73%~0.85%	None
<u>Type of borrowings</u>	<u>March 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	<u>\$ 1,600,000</u>	0.88% ~ 0.94%	None

(13) Other payables

	March 31, 2021	December 31, 2020	March 31, 2020
Accrued salary and bonus	\$ 1,950,048	\$ 1,685,707	\$ 1,077,803
Directors' remuneration and employees' compensation	1,218,970	796,500	679,930
Accrued freight	1,101,052	945,457	588,487
Advertising expenses payable	509,765	659,268	354,057
Accrued molding expense	348,846	333,861	246,455
Other accrued expenses	1,046,030	923,617	557,737
	<u>\$ 6,174,711</u>	<u>\$ 5,344,410</u>	<u>\$ 3,504,469</u>

(14) Long-term borrowings

March 31, 2021: None.

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)
				<u>\$ -</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	March 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	\$ 15,914
Less: current portion				(15,914)
				<u>\$ -</u>

(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 pension costs under defined contribution pension plans of the Group for the three months ended March 31, 2021 and 2020 were \$881 and \$1,228, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2022 amount to \$11,593.
- 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 three months ended March 31, 2021 and 2020, were \$75,530 and \$54,786, respectively.

(16) Provisions for liabilities

Warranty	2021	2020
At January 1	\$ 850,435	\$ 556,720
Additional provisions	213,480	167,795
Used during the period	(168,053)	(136,958)
Exchange differences	73	(51)
At March 31	<u>\$ 895,935</u>	<u>\$ 587,506</u>

Analysis of total provisions:

	March 31, 2021	December 31, 2020	March 31, 2020
Current	<u>\$ 895,935</u>	<u>\$ 850,435</u>	<u>\$ 587,506</u>

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 March 31, 2021, 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 2020 earnings have been resolved by the Board of Directors on March 22, 2021 and the appropriations of 2019 earnings have been approved at the stockholders' meeting on June 10, 2020 as follows:

	2020		2019	
	Amount	Dividends per share (dollar)	Amount	Dividends per share (dollar)
Legal reserve	\$ 795,542		\$ 558,721	
Special reserve	(120,067)		288,559	
Cash dividend	5,153,623	\$ 6.10	3,548,396	\$ 4.20

The appropriations of 2020 earnings have not been approved by the stockholders as of April 29, 2021. 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:

For the three months ended March 31, 2021	Computer and peripherals segment	Other	Total
Total segment revenue	\$ 48,004,850	\$ 110	\$ 48,004,960
Timing of revenue recognition			
At a point in time	\$ 48,004,850	\$ 110	\$ 48,004,960

<u>For the three months ended March 31, 2020</u>	<u>Computer and peripherals segment</u>	<u>Other</u>	<u>Total</u>
Total segment revenue	<u>\$ 28,503,403</u>	<u>\$ 139</u>	<u>\$ 28,503,542</u>
Timing of revenue recognition			
At a point in time	<u>\$ 28,503,403</u>	<u>\$ 139</u>	<u>\$ 28,503,542</u>

(21) Interest income

	<u>For the three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Interest income from bank deposits	\$ 15,525	\$ 17,692
Interest income from financial assets measured at amortised cost	2,108	1,965
	<u>\$ 17,633</u>	<u>\$ 19,657</u>

(22) Other income

	<u>For the three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Rental revenue	\$ 24,866	\$ 29,189
Others	153,135	61,228
	<u>\$ 178,001</u>	<u>\$ 90,417</u>

(23) Other gains and losses

	<u>For the three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Gains on financial assets and liabilities at fair value through profit or loss	\$ 169,163	\$ 9,537
Net currency exchange losses	(221,321)	(131,311)
Net losses on disposal of property, plant and equipment	(19)	(36)
Other gains (losses)	17,779	(17,644)
	<u>(\$ 34,398)</u>	<u>(\$ 139,454)</u>

(24) Expenses by nature

	<u>For the three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Employee benefit expense	\$ 2,827,461	\$ 1,742,770
Depreciation charges	287,928	263,487
Amortisation charges	39	55
	<u>\$ 3,115,428</u>	<u>\$ 2,006,312</u>

(25) Employee benefit expense

	For the three months ended March 31,	
	2021	2020
Wages and salaries	\$ 2,562,850	\$ 1,509,796
Labor and health insurance fees	114,381	99,610
Pension costs	76,411	56,014
Other personnel expenses	73,819	77,350
Total	<u>\$ 2,827,461</u>	<u>\$ 1,742,770</u>

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 three months ended March 31, 2021 and 2020, employees' remuneration was accrued at \$384,000 and \$114,000, respectively; while directors' remuneration was accrued at \$38,470 and \$11,430, 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 March 31, 2021.

Employees' compensation and directors' remuneration of 2020 as resolved at the meeting of Board of Directors were in agreement with those amounts recognized in the 2020 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:

	For the three months ended March 31,	
	2021	2020
Current tax:		
Current tax on profits for the period	\$ 910,801	\$ 227,512
Prior year income tax underestimation (overestimation)	36,756	(10,000)
Total current tax	<u>947,557</u>	<u>217,512</u>
Deferred tax:		
Origination and reversal of temporary differences	34,799	50,274
Total deferred tax	<u>34,799</u>	<u>50,274</u>
Income tax expense	<u>\$ 982,356</u>	<u>\$ 267,786</u>

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

	For the three months ended March 31,	
	2021	2020
Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	\$ 4,507	\$ -

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

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

(27) Earnings per share

	For the three months ended March 31, 2021		
	Amount after tax	Retroactively adjusted weighted-average outstanding ordinary shares (in thousands)	Earnings per share (in NT dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 4,169,841	844,856	\$ 4.94
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 4,169,841	844,856	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	6,724	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 4,169,841	851,580	\$ 4.90

For the three months ended March 31, 2020			
	Amount after tax	Retroactively adjusted weighted-average outstanding ordinary shares (in thousands)	Earnings per share (in NT dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,250,509	844,856	\$ 1.48
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,250,509	844,856	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	8,299	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,250,509	853,155	\$ 1.47

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

None.

(2) Significant related party transactions

None.

(3) Key management compensation

	For the three months ended March 31,	
	2021	2020
Salaries and other employee benefits	\$ 163,272	\$ 96,563

8. PLEDGED ASSETS

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

Asset items	Book value			Purpose
	March 31, 2021	December 31, 2020	March 31, 2020	
Non-current financial assets at amortised cost	\$ 340,945	\$ 225,844	\$ 226,577	Performance security guarantee
Property, plant and equipment	-	116,383	126,700	For guarantee of long-term loans
	\$ 340,945	\$ 342,227	\$ 353,277	

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 220,241	\$ 203,737	\$ 111,770
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	129,438	124,338	151,975
Financial assets at amortised cost			
Cash and cash equivalents	13,743,190	18,585,955	10,830,100
Financial assets at amortised cost	5,838,481	1,227,384	1,428,323
Notes receivable	131,733	113,287	68,909
Accounts receivable	26,850,827	21,867,246	16,163,743
Other receivables	177,337	265,987	143,755
Guarantee deposits paid	67,429	64,716	55,377
	<u>\$ 47,158,676</u>	<u>\$ 42,452,650</u>	<u>\$ 28,953,952</u>

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	\$ 23,541	\$ 103,885	\$ 36,603
Financial liabilities at amortised cost			
Short-term borrowings	-	3,000,000	1,600,000
Notes payable	-	-	79
Accounts payable	27,661,890	27,177,751	16,111,469
Other payables	6,174,711	5,344,410	3,504,469
Long-term borrowings (including current portion)	-	14,184	15,914
Guarantee deposits received	222,560	212,383	198,669
	<u>\$ 34,082,702</u>	<u>\$ 35,852,613</u>	<u>\$ 21,467,203</u>
Lease liabilities	<u>\$ 433,102</u>	<u>\$ 443,730</u>	<u>\$ 546,546</u>

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:

March 31, 2021			
(Foreign currency: functional currency)	Foreign Currency Amount (In Thousands)	Exchange rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 504,285	28.5350	\$ 14,389,775
EUR: NTD	126,341	33.4800	4,229,883
KRW: NTD	32,110,217	0.0253	812,388
GBP: NTD	17,574	39.2300	689,418
JPY: NTD	1,921,343	0.2577	495,130
RUB: NTD	1,224,494	0.3769	461,512
CAD: NTD	18,170	22.6500	411,541
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	996,633	28.5350	28,438,914
EUR: NTD	26,183	33.4800	876,617
USD: RMB	15,413	6.5688	439,812
December 31, 2020			
(Foreign currency: functional currency)	Foreign Currency Amount (In Thousands)	Exchange rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
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
<u>Financial liabilities</u>			
<u>Monetary items</u>			
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)	March 31, 2020		
	Foreign Currency Amount (In Thousands)	Exchange rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 307,040	30.2250	\$ 9,280,277
EUR: NTD	54,910	33.2400	1,825,218
KRW: NTD	16,238,651	0.0248	402,719
GBP: NTD	9,073	37.2500	337,958
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	645,231	30.2250	19,502,120
EUR: NTD	10,426	33.2400	346,554
USD: RMB	10,726	7.1034	324,201

- vi. The exchange loss arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended March 31, 2021 and 2020 amounted to \$221,321 and \$131,311, respectively.
- vii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

(Foreign currency: functional currency)	For the three months ended March 31, 2021		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss (before tax)	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 143,898	\$ -
EUR: NTD	1%	42,299	-
KRW: NTD	1%	8,124	-
GBP: NTD	1%	6,894	-
JPY: NTD	1%	4,951	-
RUB: NTD	1%	4,615	-
CAD: NTD	1%	4,115	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1%	284,389	-
EUR: NTD	1%	8,766	-
USD: RMB	1%	4,398	-

For the three months ended March 31, 2020				
Sensitivity analysis				
(Foreign currency: functional currency)	Degree of variation	Effect on profit or loss (before tax)	Effect on other comprehensive income	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD: NTD	1%	\$ 92,803	\$ -	-
EUR: NTD	1%	18,252		-
KRW: NTD	1%	4,027		-
GBP: NTD	1%	3,380		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD: NTD	1%	195,021		-
EUR: NTD	1%	3,466		-
USD: RMB	1%	3,242		

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 three months ended March 31, 2021 and 2020 would have increased/decreased by \$973 and \$719, 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 \$1,036 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 three months ended March 31, 2021 and 2020, 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 March 31, 2021, December 31, 2020 and March 31, 2020, 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 three months ended March 31, 2021 and 2020 would have been \$0 and \$32 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 March 31, 2021, December 31, 2020 and March 31, 2020. The expected credit loss rate of the Group's overdue accounts receivable was not material as of March 31, 2021, December 31, 2020 and March 31, 2020.
- 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 March 31, 2021, December 31, 2020 and March 31, 2020.

(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:

	Less than 1 year	Between 1 to 2 years	Between 2 to 3 years	Over 3 years
March 31, 2021				
Accounts payable	\$27,661,890	\$ -	\$ -	\$ -
Other payables	6,174,711	-	-	-
Lease liabilities	228,793	135,049	38,591	35,012
Other financial liabilities	201	103,129	-	119,230

Non-derivative financial liabilities:

	Less than 1 year	Between 1 to 2 years	Between 2 to 3 years	Over 3 years
December 31, 2020				
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:

	Less than 1	Between 1	Between 2	
March 31, 2020	year	to 2 years	to 3 years	Over 3 years
Short-term borrowings	\$ 1,601,138	\$ -	\$ -	\$ -
Notes payable	79	-	-	-
Accounts payable	16,111,469	-	-	-
Other payables	3,504,469	-	-	-
Lease liabilities	233,178	191,688	103,222	31,929
Long-term borrowings				
(including current portion)	1,562	13,992	-	-
Other financial liabilities	1,418	104,858	-	92,393

Derivative financial liabilities

As of March 31, 2021, December 31, 2020 and March 31, 2020, 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:

March 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
-Equity security	\$ 121,624	\$ -	\$ -	\$ 121,624
-Forward exchange contract	-	98,617	-	98,617
Financial assets at fair value through other comprehensive income				
-Equity securities	-	-	129,438	129,438
Total	<u>\$ 121,624</u>	<u>\$ 98,617</u>	<u>\$ 129,438</u>	<u>\$ 349,679</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
-Forward exchange contract	\$ -	\$ 2,428	\$ -	\$ 2,428
-Foreign exchange swap	-	21,113	-	21,113
Total	<u>\$ -</u>	<u>\$ 23,541</u>	<u>\$ -</u>	<u>\$ 23,541</u>
December 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
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	<u>\$ 124,440</u>	<u>\$ 79,297</u>	<u>\$ 124,338</u>	<u>\$ 328,075</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
-Forward exchange contract	<u>\$ -</u>	<u>\$ 103,885</u>	<u>\$ -</u>	<u>\$ 103,885</u>

March 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
-Equity security	\$ 89,900	\$ -	\$ -	\$ 89,900
-Forward exchange contract	-	21,870	-	21,870
Financial assets at fair value through other comprehensive income				
-Equity securities	-	-	151,975	151,975
Total	<u>\$ 89,900</u>	<u>\$ 21,870</u>	<u>\$ 151,975</u>	<u>\$ 263,745</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
-Forward exchange contract	\$ -	\$ 9,366	\$ -	\$ 9,366
-Foreign exchange swap	-	27,237	-	27,237
Total	<u>\$ -</u>	<u>\$ 36,603</u>	<u>\$ -</u>	<u>\$ 36,603</u>

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 three months ended March 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

G. For the three months ended March 31, 2021 and 2020, 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).
- 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.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

March 31, 2021

Expressed in thousands of NTD

(Except as otherwise indicated)

Table 1

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of March 31, 2021				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	\$ 31,779	-	\$ 31,779	-
MSI (HOLDING)	Engie	-	Financial assets at fair value through profit or loss - current	80,000	32,596	-	32,596	-
MSI (HOLDING)	Iderdrola	-	Financial assets at fair value through profit or loss - current	80,000	29,302	-	29,302	-
MSI (HOLDING)	Deutsche Boerse	-	Financial assets at fair value through profit or loss - current	8,000	27,947	-	27,947	-
MICRO-STAR INTERNATIONAL CO., LTD.	BLUESTACK SYSTEM, INC.	-	Financial assets at fair value through other comprehensive income - non current	516,052	129,438	-	129,438	-

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 three months ended March 31, 2021

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	\$ (7,047,307)	(15)	60-100 days	Insignificant difference	Note 1	\$ 8,186,694	30	-
MICRO-STAR INTERNATIONAL CO., LTD.	MEGA COMPUTER	Second-tier Subsidiary	Sales	(2,122,407)	(4)	40-70 days	Insignificant difference	Note 1	1,917,827	7	-
MICRO-STAR INTERNATIONAL CO., LTD.	MYSTAR	Second-tier Subsidiary	Sales	(755,152)	(2)	30-100 days	Insignificant difference	Note 1	329,842	1	-
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (KOREA)	Second-tier Subsidiary	Sales	(1,605,939)	(3)	50-70 days	Insignificant difference	Note 1	(47,959)	-	-
MICRO-STAR INTERNATIONAL CO., LTD.	MSI COMPUTER (SHENZHEN)	Second-tier Subsidiary	Processing overhead	899,151	3	Note 2	Insignificant difference	Note 2	(2,937,817)	(11)	-
MICRO-STAR INTERNATIONAL CO., LTD.	MSI ELECTRONICS (KUNSHAN)	Second-tier Subsidiary	Processing overhead	427,055	1	Note 2	Insignificant difference	Note 2	(1,575,375)	(6)	-
MEGA COMPUTER	MSI (SHANGHAI)	Affiliated company	Sales	(2,234,253)	(100)	40-70 days	Insignificant difference	Note 1	2,911,110	100	-

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
March 31, 2021

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 3

Creditor	Counterparty	Relationship with the counterparty	Balance as of March 31, 2021	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	\$ 8,186,694	3.30	\$ -	-	\$ 1,942,380	\$ -
MICRO-STAR INTERNATIONAL CO., LTD.	MEGA COMPUTER	Second-tier Subsidiary	1,917,827	5.80	-	-	373,170	-
MICRO-STAR INTERNATIONAL CO., LTD.	MYSTAR	Second-tier Subsidiary	329,842	8.62	-	-	123,333	-
MSI (PACIFIC) (Note)	MICRO-STAR INTERNATIONAL CO., LTD.	Ultimate parent company	4,735,350	-	-	-	94,483	-
MSI COMPUTER (SHENZHEN) (Note)	MSI (PACIFIC)	Parent Company	2,937,817	-	-	-	-	-
MSI ELECTRONICS (KUNSHAN) (Note)	MSI (PACIFIC)	Parent Company	1,575,375	-	-	-	94,483	-
MSI (B.V.I.)	MSI (PACIFIC)	Parent Company	133,351	-	-	-	-	-
MEGA COMPUTER	MSI (SHANGHAI)	Affiliated company	2,911,110	3.79	-	-	755,856	-

Note: MSI (PACIFIC) processing overhead receivable between MICRO-STAR INTERNATIONAL CO., LTD. and both of MSI COMPUTER (SHENZHEN) and MSI ELECTRONICS (KUNSHAN).

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the three months ended March 31, 2021

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 4

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	\$ 1,605,939	Note 2	3.35%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (LA)	Parent company to subsidiary	Sales	7,047,307	Note 2	14.68%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MEGA COMPUTER	Parent company to second-tier subsidiary	Sales	2,122,407	Note 2	4.42%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MYSTAR	Parent company to second-tier subsidiary	Sales	755,152	Note 2	1.57%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (LA)	Parent company to subsidiary	Accounts receivable	8,186,694	Note 2	9.98%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MEGA COMPUTER	Parent company to second-tier subsidiary	Accounts receivable	1,917,827	Note 2	2.34%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MYSTAR	Parent company to second-tier subsidiary	Accounts receivable	329,842	Note 2	0.40%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI ELECTRONICS (KUNSHAN)	Parent company to second-tier subsidiary	Processing overhead	427,055	Note 3	0.89%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI COMPUTER (SHENZHEN)	Parent company to second-tier subsidiary	Processing overhead	899,151	Note 3	1.87%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MEGA COMPUTER	Parent company to second-tier subsidiary	Manufacturing and operating expense	78,929	Note 2	0.16%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (EUROPE)	Parent company to second-tier subsidiary	Manufacturing and operating expense	80,755	Note 2	0.17%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (LA)	Parent company to subsidiary	Manufacturing and operating expense	99,925	Note 2	0.21%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (LA)	Parent company to subsidiary	Other payables	63,809	Note 2	0.08%

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
1	MSI (PACIFIC)	MICRO ELECTRONICS	Subsidiary to second-tier subsidiary	Other payables	\$ 88,807	Note 3	0.11%
1	MSI (PACIFIC)	MSI (B.V.I.)	Subsidiary to second-tier subsidiary	Other payables	133,351	Note 3	0.16%
1	MSI (PACIFIC)	MSI ELECTRONICS (KUNSHAN)	Subsidiary to second-tier subsidiary	Other payables	1,575,375	Note 3	1.92%
1	MSI (PACIFIC)	MSI COMPUTER (SHENZHEN)	Subsidiary to second-tier subsidiary	Other payables	2,937,817	Note 3	3.58%
1	MSI (PACIFIC)	MICRO-STAR INTERNATIONAL CO., LTD.	Subsidiary to parent	Other receivables	4,735,350	Note 3	5.77%
2	MEGA COMPUTER	MSI (SHANGHAI)	Second-tier subsidiary to second-tier subsidiary	Sales	2,234,253	Note 2	4.65%
2	MEGA COMPUTER	MSI (SHANGHAI)	Second-tier subsidiary to second-tier subsidiary	Accounts receivable	2,911,110	Note 2	3.55%

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 three months ended March 31, 2021

Expressed in thousands of NTD

(Except as otherwise indicated)

Table 5

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2021			Net profit (loss) of the investee for the three months ended March 31, 2021	Investment income (loss) recognised by the Company for the three months ended March 31, 2021	Footnote
				Balance as at March 31, 2021	Balance as at December 31, 2020	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	\$ 125,486	\$ 52,388	\$ 52,388	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	9,820	1,119	1,119	Direct subsidiary
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	19,242	942	942	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (PACIFIC)	Cayman Islands	Holding company	1,511,382	1,511,382	30,204,118	100.00	7,640,085	333,477	333,477	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (HOLDING)	Netherlands	Holding company	45,724	45,724	424,000	100.00	678,995	21,393	21,393	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI COMPUTER (CAYMAN)	Cayman Islands	Holding company	99,093	99,093	50,000	100.00	117,904	128	128	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (CANADA)	Canada	Sales support of computers and electronic components	2,150	2,150	100,000	100.00	3,721	376	376	Direct subsidiary
MSI (PACIFIC)	MSI (KOREA)	South Korea	Sales and maintenance of computers and electronic components	24,374	24,374	80,000	100.00	343,416	29,634	-	Indirect subsidiary
MSI (PACIFIC)	MSI (B.V.I.)	British Virgin Island	Holding company	1,784,681	1,784,681	47,465,071	100.00	4,454,340	144,250	-	Indirect subsidiary
MSI (PACIFIC)	MICRO ELECTRONICS	British Virgin Island	Holding company	1,168,593	1,168,593	33,315,472	100.00	2,823,128	136,129	-	Indirect subsidiary
MSI (PACIFIC)	STAR INFORMATION	British Virgin Island	Holding company	144,721	144,721	4,502,601	100.00	20,705	(87)	-	Indirect subsidiary
MSI (PACIFIC)	MEGA TECHNOLOGY	British Virgin Island	Holding company	92,819	92,819	3,050,000	100.00	5,574	19	-	Indirect subsidiary
MSI (PACIFIC)	MEGA COMPUTER	Hong Kong	Sales support of computers and electronic components	-	-	1	100.00	4,689	(224)	-	Indirect subsidiary
MSI (PACIFIC)	MSI (MHK)	Hong Kong	Sales support of computers and electronic components	-	-	1	100.00	25,042	1,396	-	Indirect subsidiary
MSI (HOLDING)	MYSTAR	Netherlands	Sales support of computers and electronic components	71,353	71,353	-	100.00	171,088	9,502	-	Indirect subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2021			Net profit (loss) of the investee for the three months ended March 31, 2021	Investment income (loss) recognised by the Company for the three months ended March 31, 2021	Footnote
				Balance as at March 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
MSI (HOLDING)	MSI (RUSSIA)	Russia	Sales support and maintenance of computers and electronic components	\$ 68,258	\$ 68,258	-	99.00	\$ 31,179	\$ (1,883)	\$ -	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	33,796	673	-	Indirect subsidiary
MSI (HOLDING)	MSI (SARL)	France	Sales support of computers and electronic components	26,646	26,646	-	100.00	59,066	1,786	-	Indirect subsidiary
MSI (HOLDING)	MSI (UK)	Britan	Sales support of computers and electronic components	37,226	37,226	-	100.00	20,376	870	-	Indirect subsidiary
MSI (HOLDING)	MSI (TURKEY)	Turkey	Sales support of computers and electronic components	3,229	3,229	-	99.00	(63)	-	-	Indirect subsidiary (Note 2)
MSI (HOLDING)	MSI (ITALY)	Italy	Sales support of computers and electronic components	2,153	2,153	-	100.00	4,716	521	-	Indirect subsidiary
MSI (HOLDING)	MSI (EUROPE)	Netherlands	Logistics services of computers and electronic components	37,620	37,620	-	100.00	52,761	1,666	-	Indirect subsidiary
MSI (HOLDING)	MSI (IBERIA)	Spain	Sales support of computers and electronic components	5,177	5,177	-	100.00	7,952	709	-	Indirect subsidiary
MSI (EUROPE)	MSI (RUSSIA)	Russia	Sales support and maintenance of computers and electronic components	689	689	-	1.00	535	(1,883)	-	Indirect subsidiary
MSI (EUROPE)	MSI (POLSKA)	Poland	Sales support, maintenance and after-sales service of computers and electronic components	467	467	-	1.00	171	673	-	Indirect subsidiary
MSI (EUROPE)	MSI (TURKEY)	Turkey	Sales support of computers and electronic components	33	33	-	1.00	26	-	-	Indirect subsidiary (Note 2)
MEGA TECHNOLOGY	RAIDEALS	U.S.A	Sales of computers and electronic components	1,523	1,523	-	100.00	1,932	52	-	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=28.535 NTD; 1EUR=33.48 NTD on March 31, 2021 and average rate with 1USD=28.3715 NTD; 1EUR=34.2124 NTD for the three months ended March 31, 2021.

Note 2: As of March 31, 2021, the liquidation process has not been completed.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China - Basic information

For the three months ended March 31, 2021

Expressed in thousands of NTD

(Except as otherwise indicated)

Table 6

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, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three months ended March 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2021	Net income of investee as of March 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three months ended March 31, 2021 (Note 2)	Book value of investments in Mainland China as of March 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2021	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	\$ 144,257	100.00	\$ 144,257	\$ 4,303,757	\$ -	-
MSI ELECTRONICS (KUNSHAN)	Manufacture and maintenance of computers, and electronic components	1,772,675	Note 1	1,772,675	-	-	1,772,675	136,130	100.00	\$ 136,130	2,722,583	-	-
SHENZHEN MEGA INFORMATION	Examination and maintenance of computers, and electronic components	23,940	Note 1	23,940	-	-	23,940	(70)	100.00	\$ (70)	22,721	-	-
MSI (SHENZHEN)	Sales and maintenance of computers and electronic components	30,092	Note 1	-	-	-	-	(87)	100.00	\$ (87)	7,682	-	Note 3
MSI (SHANGHAI)	Sales and maintenance of computers and electronic components	29,275	Note 1	-	-	-	-	(13,000)	100.00	\$ (13,000)	(28,555)	-	Note 4

Company name	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	
	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2021			
MICRO-STAR INTERNATIONAL CO., LTD.	\$ 3,602,547	\$ 3,850,987	\$ 23,754,490	

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

Note 2: Evaluated based on financial statement not reviewed by other auditors of the investee companies.

Note 3: The amount of US \$1,000 thousand was remitted by the Company's subsidiary, MSI (Pacific), to MSI (SHENZHEN).

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

Note 5: 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 6: 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=28.535 NTD on March 31, 2021 and average rate with 1USD=28.3715 NTD for the three months ended March 31, 2021.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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 three months ended March 31, 2021

Expressed in thousands of NTD

Table 7

(Except as otherwise indicated)

Investee in Mainland China	Sales/ (Purchase)		Property transaction		Accounts receivable/ (payable)		Amount of endorsements/guarantees secured with collaterals		Accommodation of funds				
	Amount	%	Amount	%	Balance as of March 31, 2021	%	Balance as of March 31, 2021	Purpose	Ceiling amount	Balance as of March 31, 2021	Interest rate range	Interest expense	Others (Note)
MSI COMPUTER (SHENZHEN)	\$ -	-	\$ -	-	\$ (2,937,817) (11)	\$ -	-	\$ -	\$ -	-	\$ -	\$ 899,151
MSI ELECTRONICS (KUNSHAN)	-	-	-	-	(1,575,375) (6)	-	-	-	-	-	-	427,055
MSI (SHANGHAI)	2,234,253	100	-	-	2,911,110	100	-	-	-	-	-	-	-

Note: Processing overhead.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Major shareholders information

For the three months ended March 31, 2021

Table 8

Name of major shareholders	Shares held as at March 31, 2021	
	Number of shares	Ownership(%)
Hsu Hsiang	51,983,151	6.15%