MICRO-STAR INTERNATIONAL CO., LTD.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 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.

Representation Letter

In connection with the Consolidated Financial Statements of Affiliated Enterprises of MICRO-STAR INTERNATIONAL CO., LTD. and its subsidiaries (the “Consolidated FS of the Affiliates”), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2021 in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those required to be included in the Consolidated Financial Statements of MICRO-STAR INTERNATIONAL CO., LTD. and its subsidiaries (the “Consolidated FS of the Group”) in accordance with International Financial Reporting Standard 10. Additionally, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, MICRO-STAR INTERNATIONAL CO., LTD. and its subsidiaries do not prepare a separate set of Consolidated FS of Affiliates.

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

Joseph Hsu, Chairman
March 21, 2022

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying consolidated balance sheets of MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES (the "Group") as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2021 are stated as follows:

Recognition of sales revenue generated from own-brand products

Description

Please refer to Note 4(26) for accounting policies on revenue recognition. The sales revenue from own-brand products for the year ended December 31, 2021 is higher than previous year due to the substantial increase in demand for notebook computers and peripherals. The recognition of sales revenue generated from own-brand products is critical to the Group's consolidated financial statements. Therefore, it was identified as a key audit matter.

How our audit addressed the matter

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

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

Estimation of allowance for inventory valuation losses

Description

Please refer to Note 4(13) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions applied on inventory valuation, and Note 6(6) for details of inventories. As of December 31, 2021, the balances of inventories and allowance for inventory valuation losses are NT$38,492,257 thousand and NT$552,595 thousand, respectively.

The Group is primarily engaged in manufacturing and sales of motherboards, interface cards, notebook computers and other electronic products. Due to the rapid technological innovations and competition within the industry as well as frequent releases of new products resulting in potential price fluctuations, there is a higher risk of inventory losses due from market value decline or obsolescence. The Group recognises inventories at the lower of cost and net realisable value. As the monetary values of allowance for inventory valuation losses is critical to the financial statements as of December 31, 2021. Therefore, it was identified as a key audit matter.

How our audit addressed the matter

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

A. Inquired with management, and assessed the reasonableness in relation to the provision of allowance for inventory valuation losses.
B. Validated the accuracy of the system logic in calculating the ageing of inventories, and confirmed the consistency with the Group's policies.
C. Validated the appropriateness of system logic of the report of individually identified obsolete inventory prepared by management and confirmed the consistency with the Group's policies.
D. Sampled and tested the net realisable value basis of the individual inventory and validated the appropriateness.

Other matter –Reference to audits of other independent auditors

We did not audit the financial statements of certain consolidated subsidiaries and investments accounted for under the equity method that are included in the consolidated financial statements. Those financial statements were audited by other independent auditors, whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on reports of the other independent auditors. Total assets of the above-mentioned entities (including investments accounted for under the equity method) amounted to NT$21,787,195 thousand and NT$18,755,869 thousand as of December 31, 2021 and 2020, constituting 21% and 24% of consolidated total assets, respectively. Sales revenue of the above-mentioned entities amounted to NT$46,487,205 thousand and NT$35,899,397 thousand for the years ended December 31, 2021 and 2020, constituting 23% and 25% of consolidated total sales revenue, respectively.

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion with other matter section on the parent company only financial statements of MICRO-STAR INTERNATIONAL CO., LTD. as of and for the years ended December 31, 2021 and 2020.

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

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

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

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

Independent auditors' responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

Liang, Hua-Ling Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 21, 2022

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
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Assets	Notes	December 31, 2021 AMOUNT	%	December 31, 2020 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 23,654,801	23	$ 18,585,955	24
1110	Financial assets at fair value through profit or loss - current	6(2)	98,813	-	203,737	-
1136	Current financial assets at amortised cost	6(4)	432	-	1,000,447	1
1150	Notes receivable, net	6(5)	93,220	-	113,287	-
1170	Accounts receivable, net	6(5)	29,178,913	29	21,867,246	28
1200	Other receivables		292,862	-	265,987	-
1220	Current income tax assets		3,893	-	34,759	-
130X	Inventories, net	6(6)	37,939,662	38	27,482,537	35
1410	Prepayments	6(7)	2,125,713	2	1,807,513	3
11XX	**Total current assets**		93,388,309	92	71,361,468	91
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	104,847	-	124,338	-
1535	Non-current financial assets at amortised cost	6(4) and 8	601,754	1	226,937	-
1600	Property, plant and equipment	6(8) and 8	5,710,853	6	5,130,094	7
1755	Right-of-use assets	6(9)	390,801	-	502,400	1
1760	Investment property - net	6(11)	145,917	-	207,637	-
1840	Deferred income tax assets	6(26)	1,004,168	1	769,613	1
1900	Other non-current assets		112,941	-	75,028	-
15XX	**Total non-current assets**		8,071,281	8	7,036,047	9
1XXX	**Total assets**		$ 101,459,590	100	$ 78,397,515	100

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MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Liabilities and Equity	Notes	December 31, 2021 AMOUNT	%	December 31, 2020 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(12)	$ 2,000,000	2	$ 3,000,000	4
2120	Financial liabilities at fair value through profit or loss - current	6(2)	15,708	-	103,885	-
2170	Accounts payable		33,931,186	33	27,177,751	35
2200	Other payables	6(13)	7,891,676	8	5,344,410	7
2230	Current income tax liabilities		2,999,077	3	1,604,500	2
2250	Provision for liabilities - current	6(16)	1,203,497	1	850,435	1
2280	Current lease liabilities		192,852	-	218,182	-
2365	Refund liabilities- current		4,733,204	5	3,555,792	5
2399	Other current liabilities, others		739,224	1	337,535	-
21XX	**Total current liabilities**		53,706,424	53	42,192,490	54
	Non-current liabilities					
2570	Deferred income tax liabilities	6(26)	17,136	-	6,928	-
2580	Non-current lease liabilities		145,314	-	225,548	1
2640	Net defined benefit liability, non-current	6(15)	211,818	-	220,314	-
2670	Other non-current liabilities, others		298,578	1	212,383	-
25XX	**Total non-current liabilities**		672,846	1	665,173	1
2XXX	**Total liabilities**		54,379,270	54	42,857,663	55
	Equity attributable to owners of parent					
	Share capital	6(17)				
3110	Share capital - common stock		8,448,562	8	8,448,562	11
	Capital surplus	6(18)				
3200	Capital surplus		804,516	1	804,214	1
	Retained earnings	6(19)				
3310	Legal reserve		6,336,840	6	5,541,298	7
3320	Special reserve		674,458	1	794,525	1
3350	Unappropriated retained earnings		31,717,738	31	20,625,711	26
	Other equity interest					
3400	Other equity interest		(901,794)	(1)	(674,458)	(1)
31XX	**Equity attributable to owners of the parent**		47,080,320	46	35,539,852	45
3XXX	**Total equity**		47,080,320	46	35,539,852	45
3X2X	**Total liabilities and equity**		$ 101,459,590	100	$ 78,397,515	100

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

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

			Year ended December 31			
			2021		2020	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(20)	$ 201,810,152	100	$ 146,502,789	100
5000	Operating costs	6(6)(24)	(163,565,876)	(81)	(125,199,949)	(85)
5900	Net operating margin		38,244,276	19	21,302,840	15
	Operating expenses	6(24)				
6100	Selling expenses		(11,203,377)	(5)	(7,053,359)	(5)
6200	General and administrative expenses		(1,873,387)	(1)	(1,345,054)	(1)
6300	Research and development expenses		(5,179,451)	(3)	(3,724,340)	(3)
6450	Expected credit (loss) gain		(13,417)	-	7,741	-
6000	Total operating expenses		(18,269,632)	(9)	(12,115,012)	(9)
6900	Operating profit		19,974,644	10	9,187,828	6
	Non-operating income and expenses					
7100	Interest income	6(4)(21)	72,045	-	88,822	-
7010	Other income	6(22)	872,154	-	576,975	-
7020	Other gains and losses	6(23)	(269,465)	-	(224,787)	-
7050	Finance costs		(18,706)	-	(31,945)	-
7000	Total non-operating income and expenses		656,028	-	409,065	-
7900	**Profit before income tax**		20,630,672	10	9,596,893	6
7950	Income tax expense	6(26)	(3,709,667)	(2)	(1,637,388)	(1)
8200	**Profit for the period**		$ 16,921,005	8	$ 7,959,505	5
	Other comprehensive income					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Actuarial gain (loss) on defined benefit plan	6(15)	$ 150	-	($ 5,106)	-
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(3)	(19,491)	-	(27,637)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(26)	9,395	-	1,021	-
8310	Components of other comprehensive loss that will not be reclassified to profit or loss		(9,946)	-	(31,722)	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(217,270)	-	147,704	-
8360	Components of other comprehensive (loss) income that will be reclassified to profit or loss		(217,270)	-	147,704	-
8300	**Total other comprehensive (loss) income for the period**		($ 227,216)	-	$ 115,982	-
8500	**Total comprehensive income for the period**		$ 16,693,789	8	$ 8,075,487	5
	Profit attributable to:					
8610	Owners of the parent		$ 16,921,005	8	$ 7,959,505	5
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 16,693,789	8	$ 8,075,487	5
	Earnings per share (in dollars)	6(27)				
9750	Basic earnings per share		$ 20.03		$ 9.42	
9850	Diluted earnings per share		$ 19.78		$ 9.34	

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

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Equity attributable to owners of the parent										
			Capital Reserves				Retained Earnings			Other equity interest		
	Notes	Share capital - common stock	Additional paid-in capital	Treasury stock transactions	Donated assets received	Employee stock warrants	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
2020												
Balance at January 1, 2020		$ 8,448,562	$ 628,134	$ 130,592	$ 732	$ 44,460	$ 4,982,577	$ 505,966	$ 17,065,967	($ 794,525)	$ -	$ 31,012,465
Profit for the year		-	-	-	-	-	-	-	7,959,505	-	-	7,959,505
Other comprehensive income (loss) for the year		-	-	-	-	-	-	-	(4,085)	147,704	(27,637)	115,982
Total comprehensive income (loss)		-	-	-	-	-	-	-	7,955,420	147,704	(27,637)	8,075,487
Appropriation of 2019 earnings	6(19)											
Legal reserve		-	-	-	-	-	558,721	-	(558,721)	-	-	-
Special reserve		-	-	-	-	-	-	288,559	(288,559)	-	-	-
Cash dividends		-	-	-	-	-	-	-	(3,548,396)	-	-	(3,548,396)
Due to donated assets received		-	-	-	296	-	-	-	-	-	-	296
Balance at December 31, 2020		$ 8,448,562	$ 628,134	$ 130,592	$ 1,028	$ 44,460	$ 5,541,298	$ 794,525	$ 20,625,711	($ 646,821)	($ 27,637)	$ 35,539,852
2021												
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 year		-	-	-	-	-	-	-	16,921,005	-	-	16,921,005
Other comprehensive income (loss) for the year		-	-	-	-	-	-	-	120	(217,270)	(10,066)	(227,216)
Total comprehensive income (loss)		-	-	-	-	-	-	-	16,921,125	(217,270)	(10,066)	16,693,789
Appropriation of 2020 earnings	6(19)											
Legal reserve		-	-	-	-	-	795,542	-	(795,542)	-	-	-
Special reserve		-	-	-	-	-	-	(120,067)	120,067	-	-	-
Cash dividends		-	-	-	-	-	-	-	(5,153,623)	-	-	(5,153,623)
Due to donated assets received		-	-	-	302	-	-	-	-	-	-	302
Balance at December 31, 2021		$ 8,448,562	$ 628,134	$ 130,592	$ 1,330	$ 44,460	$ 6,336,840	$ 674,458	$ 31,717,738	($ 864,091)	($ 37,703)	$ 47,080,320

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

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Year ended December 31 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 20,630,672	$ 9,596,893
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including right-of-use assets and investment properties)	6(24)	1,240,284	1,095,818
Amortization	6(24)	162	200
Expected credit loss (gain)		13,417	(7,741)
Net (gain) loss on financial assets and liabilities at fair value through profit or loss		(125,652)	31,850
Interest expense		18,706	31,945
Interest income	6(21)	(72,045)	(88,822)
(Gain) loss on disposal of property, plant and equipment	6(23)	(862)	540
Loss (gain) on lease modification	6(9)	806	(366)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		127,713	900
Notes receivable, net		20,067	(66,173)
Accounts receivable		(7,324,112)	(4,652,441)
Other receivables		(26,646)	(37,322)
Inventories, net		(10,457,125)	(4,954,697)
Prepayments		(318,200)	(131,812)
Other non-current assets		2,883	18,207
Changes in operating liabilities			
Accounts payable		6,753,435	6,786,231
Other payables		2,548,121	1,497,850
Provision for liabilities - current		353,062	293,715
Refund liabilities- current		1,177,412	1,919,293
Other current liabilities, others		415,873	215,321
Net defined benefit liability		(8,346)	(6,766)
Other non-current liabilities		87,161	-
Cash inflow generated from operations		15,056,786	11,542,623
Interest received		71,732	86,784
Interest paid		(19,392)	(29,945)
Income tax paid		(2,496,210)	(774,794)
Net cash flows from operating activities		12,612,916	10,824,668

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MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Year ended December 31 2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of financial assets at amortised cost		$ 625,198	$ 200,464
Acquisition of property, plant and equipment		(1,560,688)	(970,766)
Proceeds from disposal of property, plant and equipment		2,065	557
Acquisition of investment properties	6(11)	(914)	(316)
Increase in refundable deposits		(34,300)	(22,474)
Net cash flows used in investing activities		(968,639)	(792,535)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term borrowings		(1,000,000)	1,500,000
Repayment of the principal portion of lease liabilities		(243,022)	(239,125)
Payment of long-term borrowings		(13,786)	(1,039)
(Decrease) increase in guarantee deposits received		(966)	13,463
Cash dividends paid	6(19)	(5,153,623)	(3,548,396)
Due to donated assets received		302	296
Net cash flows used in financing activities		(6,411,095)	(2,274,801)
Effect of exchange rate		(164,336)	119,578
Net increase in cash and cash equivalents		5,068,846	7,876,910
Cash and cash equivalents at beginning of year	6(1)	18,585,955	10,709,045
Cash and cash equivalents at end of year	6(1)	$ 23,654,801	$ 18,585,955

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

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

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

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 21, 2022.

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:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021
Amendments to IFRS 16, 'Covid-19-related rent concessions beyond 30 June 2021'	April 1, 2021(Note)

Note：Earlier application from January 1, 2021 is allowed by FSC.

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2022 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 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.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	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 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

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

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

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

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiaries	Main business activities	Ownership(%) 2021/12/31	Ownership(%) 2020/12/31	Note
MICRO-STAR INTERNATIONAL CO., LTD.	MICRO-STAR NETHERLANDS HOLDING B.V. [MSI (HOLDING)]	Holding company	100	100	B
〃	MSI COMPUTER CORP. [MSI (LA)]	Sales and after-sales service of computers and electronic components	100	100	〃
〃	MSI PACIFIC INTERNATIONAL HOLDING CO., LTD. [MSI (PACIFIC)]	Holding company	100	100	A
〃	MSI COMPUTER JAPAN CO., LTD. [MSI (JAPAN)]	Sales support and after-sales service of computers and electronic components	100	100	〃
〃	MSI COMPUTER (AUSTRALIA) PTY. LTD. [MSI (AUSTRALIA)]	〃	100	100	〃
〃	MSI COMPUTER (CAYMAN) CO., LTD. [MSI COMPUTER (CAYMAN)]	Holding company	100	100	B
〃	MICRO-STAR CANADA LTD. [MSI (CANADA)]	Sales support and after-sales service of computers and electronic components	100	100	A and D
MSI (HOLDING)	MYSTAR COMPUTER B.V. [MYSTAR]	Sales support of computers and electronic components	100	100	B
〃	MSI COMPUTER SARL [MSI (SARL)]	〃	100	100	〃
〃	MSI COMPUTER (UK) LTD. [MSI (UK)]	〃	100	100	〃

Name of investor	Name of subsidiaries	Main business activities	Ownership(%) 2021/12/31	Ownership(%) 2020/12/31	Note
MSI (HOLDING)	MSI POLSKA SP. Z O. O. [MSI (POLSKA)]	Sales support and after-sales services of computers and electronic components	99	99	B
〃	MSI COMPUTER EUROPE B.V. [MSI (EUROPE)]	Logistics services of computers and electronic components	100	100	〃
〃	LLC MSI COMPUTER [MSI (RUSSIA)]	Sales support and after-sales service of computers and electronic components	99	99	〃
〃	MSI COMPUTER TECHNOLOGIES LIMITED COMPANY [MSI (TURKEY)]	Sales support of computers and electronic components	99	99	B and C
〃	MSI ITALY S.R.L. [MSI (ITALY)]	〃	100	100	B
〃	MSI IBERIA S.L. [MSI (IBERIA)]	〃	100	100	〃
MSI (EUROPE)	MSI POLSKA SP. Z O. O. [MSI (POLSKA)]	Sales support and after-sales services of computers and electronic components	1	1	〃
〃	LLC MSI COMPUTER [MSI (RUSSIA)]	〃	1	1	〃
〃	MSI COMPUTER TECHNOLOGIES LIMITED COMPANY [MSI (TURKEY)]	Sales support of computers and electronic components	1	1	B and C
MSI (PACIFIC)	MSI KOREA CO., LTD. [MSI (KOREA)]	Sales and after-sales service of computers and electronic components	100	100	B
〃	STAR INFORMATION HOLDING CO., LTD. [STAR INFORMATION]	Holding company	100	100	A
〃	MICRO-STAR INTERNATIONAL (B.V.I) HOLDING CO., LTD. [MSI (B.V.I.)]	〃	100	100	〃

Name of investor	Name of subsidiaries	Main business activities	Ownership(%) 2021/12/31	Ownership(%) 2020/12/31	Note
MSI (PACIFIC)	MICRO ELECTRONICS HOLDING CO., LTD. [MICRO ELECTRONICS]	Holding company	100	100	A
〃	MEGA TECHNOLOGY HOLDING CO., LTD. [MEGA TECHNOLOGY]	〃	100	100	〃
〃	MEGA COMPUTER CO., LTD. [MEGA COMPUTER]	Sales support of computers and electronic components	100	100	B
〃	MHK INTERNATIONAL CO., LTD. [MSI (MHK)]	〃	100	100	〃
〃	MSI (SHANGHAI) CO., LTD. [MSI (SHANGHAI)]	Sales and after-sales service of computers and electronic components	100	100	A
〃	SHENZHEN MEGA INFORMATION CO., LTD. [SHENZHEN MEGA INFORMATION]	After-sales service of computers, and electronic components	100	100	〃
MICRO ELECTRONICS	MSI ELECTRONICS (KUNSHAN) CO., LTD. [MSI ELECTRONICS (KUNSHAN)]	Manufacture and after-sales service of computers, and electronic components	100	100	〃
STAR INFORMATION	MSI (SHENZHEN) CO., LTD. [MSI SHENZHEN]	Sales and after-sales service of computers and electronic components	-	100	A and E
MSI (B.V.I.)	MSI COMPUTER (SHENZHEN) CO., LTD. [MSI COMPUTER (SHENZHEN)]	Manufacture and after-sales service of computers, and electronic components	100	100	A
MEGA TECHNOLOGY	RAIDEALS INC. [RAIDEALS]	Sales computers and electronic components	100	100	〃

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

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

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

Note D: 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 E: On October 8, 2021, this subsidiary has cancelled its 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.

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) <u>Income tax</u>

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

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

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

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

(24) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(25) Dividends

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

(26) Revenue recognition

A. Sales of goods

(a) The Group manufactures and sells motherboards, graphic card products, 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 December 31, 2021, the carrying amount of inventories was $37,939,662.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand and petty cash	$ 2,914	$ 2,979
Checking accounts and demand deposits	16,623,197	13,480,057
Time deposits	7,028,690	5,102,919
Total	$ 23,654,801	$ 18,585,955

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

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

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

Asset items	December 31, 2021	December 31, 2020
Financial assets mandatorily measured at fair value through profit or loss		
Stock of publicly traded or listed companies	$ -	$ 126,045
Derivatives – Forward exchange contract	40,175	37
Derivatives – Foreign exchange swap	58,638	79,260
	98,813	205,342
Evaluation adjustment	-	(1,605)
Total	$ 98,813	$ 203,737

Liability items	December 31, 2021	December 31, 2020
Financial liabilities held for trading		
Derivatives – Forward exchange contract	$ 15,708	$ 103,885
Derivatives – Foreign exchange swap	-	-
Total	$ 15,708	$ 103,885

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

	2021	2020
Financial assets and liabilities mandatorily measured at fair value through profit or loss		
Equity instruments	$ 17,959	$ 24,436
Derivatives	474,823	(57,442)
	$ 492,782	($ 33,006)

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

	December 31, 2021		
Derivative Financial Assets	Contract Amount Notional Principal (In thousands)		Contract period
Forward exchange contracts	AUD	1,000	2021.10.27~2022.01.10
〃	CAD	8,000	2021.10.12~2022.02.24
〃	RUB	666,825	2021.12.09~2022.01.18
〃	EUR	60,000	2021.10.14~2022.04.01
Foreign exchange swap	USD	324,000	2021.12.14~2022.05.09
〃	CNY	509,265	2021.08.12~2022.04.19

	December 31, 2021		
Derivative Financial Liabilities	Contract Amount Notional Principal (In thousands)		Contract period
Forward exchange contracts	GBP	14,500	2021.12.13~2022.02.24
〃	AUD	15,000	2021.12.08~2022.02.24
〃	SEK	13,621	2021.12.29~2022.02.08
〃	EUR	48,000	2021.12.06~2022.03.24

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

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

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

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

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

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

Items	December 31, 2021	December 31, 2020
Non-current items:		
Equity instruments		
Unlisted stocks	$ 151,975	$ 151,975
Valuation adjustment	(47,128)	(27,637)
Total	$ 104,847	$ 124,338

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 $104,847 and $124,338 as at December 31, 2021 and 2020, respectively.

B. As at December 31, 2021 and 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 $104,847 and $124,338, respectively.

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

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

(4) Financial assets at amortised cost

Items	December 31, 2021	December 31, 2020
Current items:		
Time deposits over three months	$ 432	$ 1,000,447
Non-current items:		
Pledge bank deposits	$ 599,638	$ 225,844
Others	2,116	1,093
Total	$ 601,754	$ 226,937

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

	2021	2020
Interest income	$ 12,328	$ 7,362

B. As at December 31, 2021 and 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 $602,186 and $1,227,384, respectively.

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

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

(5) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable	$ 93,220	$ 113,287
Accounts receivable	$ 29,207,301	$ 21,885,338
Less: Allowance for doubtful accounts	(28,388)	(18,092)
	$ 29,178,913	$ 21,867,246

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

	December 31, 2021		December 31, 2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 24,143,650	$ 93,220	$ 19,204,696	$ 113,287
1 to 75 days	4,985,343	-	2,633,841	-
76 to 365 days	77,658	-	45,859	-
Over 365 days	650	-	942	-
	$ 29,207,301	$ 93,220	$ 21,885,338	$ 113,287

The above ageing analysis was based on past due date.

B. As of December 31, 2021 and 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 December 31, 2021 and 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 $93,220 and $113,287; $29,178,913 and $21,867,246, respectively.

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

(6) Inventories

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 15,212,486	($ 119,602)	$ 15,092,884
Work-in-process	-	-	-
Finished goods	23,279,771	(432,993)	22,846,778
	$ 38,492,257	($ 552,595)	$ 37,939,662

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

The cost of inventories recognised as expense for the period:

	2021	2020
Cost of inventories recognised as expense	$ 163,565,876	$ 125,199,949
Losses of decline (gains on reversal) in market value	71,501	(48,625)

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 year ended December 31, 2020.

(7) Prepayments

	December 31, 2021	December 31, 2020
Overpaid tax for offsetting the future tax payable	$ 922,305	$ 972,344
Office supplies	820,829	539,955
Prepayment for goods	42,257	57,650
Others	340,322	237,564
	$ 2,125,713	$ 1,807,513

(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)
	$ 1,462,807	$ 1,739,831	$ 1,441,311	$ 486,145	$ 5,130,094
Balance at January 1	$ 1,462,807	$ 1,739,831	$ 1,441,311	$ 486,145	$ 5,130,094
Additions	-	75,957	1,096,886	387,845	1,560,688
Reclassifications	-	62,243	2,609	(55,106)	9,746
Disposals	-	-	(85)	(1,118)	(1,203)
Depreciation charge	-	(264,304)	(463,809)	(219,785)	(947,898)
Net exchange differences	(10,363)	(16,001)	(9,491)	(4,719)	(40,574)
Balance at December 31	$ 1,452,444	$ 1,597,726	$ 2,067,421	$ 593,262	$ 5,710,853
At December 31					
Cost	$ 1,452,444	$ 5,752,635	$ 4,259,943	$ 2,142,379	$13,607,401
Accumulated depreciation	-	(4,154,909)	(2,192,522)	(1,549,117)	(7,896,548)
	$ 1,452,444	$ 1,597,726	$ 2,067,421	$ 593,262	$ 5,710,853

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

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

(9) Leasing arrangements－lessee

A. The Group leases various assets including land, buildings, machinery and equipment, and other equipment. Rental contracts are typically made for periods of 3 months to 9 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

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

	December 31, 2021	December 31, 2020
	Carrying amount	Carrying amount
Land	$ 56,792	$ 62,903
Buildings	294,296	387,566
Machinery and equipment	7,196	7,803
Other equipment	32,517	44,128
	$ 390,801	$ 502,400

	2021	2020
	Depreciation charge	Depreciation charge
Land	$ 5,460	$ 8,594
Buildings	220,602	217,471
Machinery and equipment	2,807	2,760
Other equipment	18,881	21,127
	$ 247,750	$ 249,952

C. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were $166,505 and $301,039, respectively.

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

	2021	2020
Items affecting profit or loss		
Interest expense on lease liabilities	$ 6,383	$ 10,050
Expense on leases of low-value or short-term assets	52,751	58,122
Expense on variable lease payments	27,493	29,530
(Loss) gain on lease modification	(806)	366

E. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases were $329,584 and $336,687, 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 $99,240 and $102,153 based on operating lease contracts for the years ended December 31, 2021 and 2020, respectively. None of these included variable lease payments.

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

	December 31, 2021	December 31, 2020
Less than 1 year	$ 91,533	$ 83,885
Between 1 and 5 years	53,852	105,775
Total	$ 145,385	$ 189,660

(11) Investment property

	2021	2020
	Buildings	Buildings
At January 1		
Cost	$ 950,590	$ 1,167,190
Accumulated depreciation	(742,953)	(866,631)
	$ 207,637	$ 300,559

	2021	2020
Balance at January 1	$ 207,637	$ 300,559
Additions	914	316
Reclassifications	(16,404)	(48,800)
Depreciation charge	(44,636)	(48,402)
Net exchange differences	(1,594)	3,964
Balance at December 31	$ 145,917	$ 207,637

	2021	2020
At December 31		
Cost	$ 888,248	$ 950,590
Accumulated depreciation	(742,331)	(742,953)
	$ 145,917	$ 207,637

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

	2021	2020
Rental income from the lease of the investment property	$ 99,240	$ 102,153
Direct operating expenses arising from the investment property	$ 61,756	$ 67,220

B. As of December 31, 2021 and 2020, the fair value of the Group's investments in property amounting to $2,156,294 and $2,437,773, respectively, as derived from market prices in the nearby area, are under Level 2 fair value measurement.

(12) Short-term borrowings

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 2,000,000	0.68%~0.78%	None

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

(13) Other payables

	December 31, 2021	December 31, 2020
Accrued salary and bonus	$ 2,488,797	$ 1,685,707
Accrued freight and import export expense	1,780,045	1,171,050
Directors' remuneration and employees' compensation	1,647,800	796,500
Advertising expenses payable	734,784	659,268
Accrued molding expense	349,850	333,861
Other accrued expenses	890,400	698,024
	$ 7,891,676	$ 5,344,410

(14) Long-term borrowings

December 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)
				$ -

(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 contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

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

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	$ 538,812	$ 535,344
Fair value of plan assets	(326,994)	(315,030)
Net defined benefit liability	$ 211,818	$ 220,314

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2021			
Balance at January 1	$ 535,344	($ 315,030)	$ 220,314
Current service cost	2,862	-	2,862
Interest expense (income)	1,606	(945)	661
	539,812	(315,975)	223,837
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(4,739)	(4,739)
Change in population assumptions	440	-	440
Change in financial assumptions	(20,605)	-	(20,605)
Experience adjustments	24,754	-	24,754
	4,589	(4,739)	(150)
Pension fund contribution	-	(11,869)	(11,869)
Paid pension	(5,589)	5,589	-
Balance at December 31	$ 538,812	($ 326,994)	$ 211,818

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

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and its domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and its domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	2021	2020
Discount rate	0.70%	0.30%
Future salary increases	2.75%	2.75%

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

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2021				
Effect on present value of defined benefit obligation	($ 12,052)	$ 12,472	$ 10,852	($ 10,559)
December 31, 2020				
Effect on present value of defined benefit obligation	($ 12,970)	$ 13,446	$ 11,756	($ 11,422)

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

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

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2022 amount to $11,791.

(g) As of December 31, 2021, the weighted average duration of the retirement plan is 9 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$ 65,880
1-2 year(s)	40,977
2-3 years	20,780
3-4 years	17,797
4-5 years	22,956
6-10 years	151,597
Over 10 years	254,865
	$ 574,852

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

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

(c) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2021 and 2020 were $319,372 and $247,872, respectively.

(16) Provisions for liabilities

Warranty	2021	2020
At January 1	$ 850,435	$ 556,720
Additional provisions	1,171,340	852,712
Used during the period	(818,343)	(558,931)
Exchange differences	65	(66)
At December 31	$ 1,203,497	$ 850,435

Analysis of total provisions:

	December 31, 2021	December 31, 2020
Current	$ 1,203,497	$ 850,435

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

(17) Share capital

As of December 31, 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. A company shall not use the capital reserve to make good its capital loss, unless the surplus reserve is insufficient to make good such loss.

(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 had been resolved at the stockholders’ meeting on July 16, 2021, and the appropriation of 2019 earnings had been resolved at the stockholders’ meeting on June 10, 2020, respectively, were 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 appropriation of 2020 earnings approved by the stockholders is the same as the appropriation resolved by the Board of Directors during its meeting on March 22, 2021. Information about earnings appropriation of the Company as resolved by Board of Directors is posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

F. The appropriations of 2021 earnings had been resolved at the stockholders' meeting on March 21, 2022,respectively, were as follows:

	2021	
	Amount	Dividends per share (dollar)
Legal reserve	$ 1,692,113	
Special reserve	227,336	
Cash dividend	8,870,990	$ 10.50

The appropriations of 2021 earnings have not been approved by the stockholders as of financial report.

(20) Operating revenue

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

2021	Computer and peripherals segment	Other	Total
Total segment revenue	$ 201,807,778	$ 2,374	$ 201,810,152
Timing of revenue recognition			
At a point in time	$ 201,807,778	$ 2,374	$ 201,810,152

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

(21) Interest income

	2021	2020
Interest income from bank deposits	$ 59,717	$ 81,460
Interest income from financial assets measured at amortised cost	12,328	7,362
	$ 72,045	$ 88,822

(22) Other income

	2021	2020
Rental revenue	$ 99,240	$ 102,153
Others	772,914	474,822
	$ 872,154	$ 576,975

(23) Other gains and losses

	2021	2020
Net currency exchange losses	($ 720,305)	($ 77,078)
Gains (losses) on financial assets and liabilities at fair value through profit or loss	492,782	(33,006)
Net gains (losses) on disposal of property, plant and equipment	862	(540)
Other losses	(42,804)	(114,163)
	($ 269,465)	($ 224,787)

(24) Expenses by nature

	2021	2020
Employee benefit expense	$ 11,408,802	$ 8,192,801
Depreciation charges	1,240,284	1,095,818
Amortisation charges	162	200
	$ 12,649,248	$ 9,288,819

(25) Employee benefit expense

	2021	2020
Wages and salaries	$ 10,243,706	$ 7,229,216
Labor and health insurance fees	502,296	415,089
Pension costs	322,895	252,785
Other personnel expenses	339,905	295,711
Total	$ 11,408,802	$ 8,192,801

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

B. For the years ended December 31, 2021 and 2020, employees' remuneration was accrued at $1,540,000 and $725,000, respectively; while directors' remuneration was accrued at $107,800 and $71,500, respectively. The aforementioned amounts were recognised in salary expenses.
The employees' compensation and directors' remuneration were estimated and accrued based on the historical distribution ratio and the profit of the current year for the year ended December 31, 2021.

Employees' compensation and directors' remuneration of 2020 as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2020 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors and shareholders is 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:

	2021	2020
Current tax:		
Current tax on profits for the period	$ 3,968,967	$ 1,959,074
Prior year income tax overestimation	(44,348)	(4,331)
Total current tax	3,924,619	1,954,743
Deferred tax:		
Origination and reversal of temporary differences	(214,952)	(317,355)
Total deferred tax	(214,952)	(317,355)
Income tax expense	$ 3,709,667	$ 1,637,388

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

	2021	2020
Remeasurement of defined benefit obligations	($ 30)	$ 1,021
Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	9,425	-
	$ 9,395	$ 1,021

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

B. Reconciliation between income tax expense and accounting profit

	2021	2020
Tax calculated based on profit before tax and statutory tax rate (Note)	$ 4,375,780	$ 2,063,059
Effect from items disallowed by tax regulation	24,811	16,800
Temporary differences not recognised as deferred tax liabilities	(308,075)	(133,514)
Effect from investment tax credits	(407,669)	(302,078)
Prior year income tax overestimation	(44,348)	(4,331)
Effect of different tax rates in countries in which the group operates	(32,494)	(54,499)
Tax on undistributed earnings	102,049	52,357
Other	(387)	(406)
Income tax expense	$ 3,709,667	$ 1,637,388

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

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

	2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Unrealized gross profit	$ 438,111	$ 130,092	$ -	$ 568,203
Loss on inventory	96,541	17,367	-	113,908
Remeasurement of defined benefit obligations	35,156	-	(30)	35,126
Unrealised exchange loss	-	15,254	-	15,254
Unrealised loss on financial assets at fair value through other comprehensive income	-	-	9,425	9,425
Allowance for bad debts excess tax limitation	2,277	4,924	-	7,201
Unrealised loss on financial assets (liabilities) at fair value through profit or loss	4,918	(4,918)	-	-
Others	192,610	62,441	-	255,051
Subtotal	769,613	225,160	9,395	1,004,168
-Deferred tax liabilities:				
Unrealised exchange gain	(6,084)	6,084	-	-
Unrealised loss on financial assets (liabilities) at fair value through profit or loss	-	(16,621)	-	(16,621)
Others	(844)	329	-	(515)
Subtotal	(6,928)	(10,208)	-	(17,136)
Total	$ 762,685	$ 214,952	$ 9,395	$ 987,032

	2020			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Unrealized gross profit	$ 203,265	$ 234,846	$ -	$ 438,111
Loss on inventory	110,357	(13,816)	-	96,541
Allowance for bad debts excess tax limitation	7,258	(4,981)	-	2,277
Unrealised loss on financial assets at fair value through other comprehensive income	-	4,918	-	4,918
Remeasurement of defined benefit obligations	34,135	-	1,021	35,156
Others	116,508	76,102	-	192,610
Subtotal	471,523	297,069	1,021	769,613
-Deferred tax liabilities:				
Unrealised exchange gain	(20,490)	14,406	-	(6,084)
Unrealised loss on financial assets at fair value through other comprehensive income	(6,340)	6,340	-	-
Others	(384)	(460)	-	(844)
Subtotal	(27,214)	20,286	-	(6,928)
Total	$ 444,309	$ 317,355	$ 1,021	$ 762,685

D. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2021 and 2020, the amounts of temporary difference unrecognised as deferred tax liabilities were $7,167,374 and $5,887,126, respectively.

E. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(27) Earnings per share

	2021		
	Amount after tax	Retroactively adjusted weighted-average outstanding ordinary shares (in thousands)	Earnings per share (in NT dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 16,921,005	844,856	$ 20.03
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 16,921,005	844,856	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	10,724	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 16,921,005	855,580	$ 19.78

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

(28) Changes in liabilities from financing activities

	2021				
	Short-term borrowings	Lease liabilities	Long-term borrowings	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	$ 3,000,000	$ 443,730	$ 14,184	$ 212,383	$ 3,670,297
Changes in cash flow from financing activities	(1,000,000)	(243,022)	(13,786)	(966)	(1,257,774)
Impact of changes in foreign exchange rate	-	(16,289)	(398)	-	(16,687)
Changes in other non-cash items	-	153,747	-	-	153,747
At December 31	$ 2,000,000	$ 338,166	$ -	$ 211,417	$ 2,549,583

	2020				
	Short-term borrowings	Lease liabilities	Long-term borrowings	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	$ 1,500,000	$ 406,848	$ 16,026	$ 198,920	$ 2,121,794
Changes in cash flow from financing activities	1,500,000	(239,125)	(1,039)	13,463	1,273,299
Impact of changes in foreign exchange rate	-	1,153	(803)	-	350
Changes in other non-cash items	-	274,854	-	-	274,854
At December 31	$ 3,000,000	$ 443,730	$ 14,184	$ 212,383	$ 3,670,297

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

None.

(2) Significant related party transactions

None.

(3) Key management compensation

	2021	2020
Salaries and other employee benefits	$ 762,705	$ 464,093

8. PLEDGED ASSETS

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

	Book value				
Asset items	December 31, 2021		December 31, 2020		Purpose
Non-current financial assets at amortised cost	$	599,638	$	225,844	Performance security guarantee
Property, plant and equipment		-		116,383	For guarantee of long-term loans
	$	599,638	$	342,227	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies：None.

(2) Commitments：None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	December 31, 2021	December 31, 2020
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 98,813	$ 203,737
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	104,847	124,338
Financial assets at amortised cost		
Cash and cash equivalents	23,654,801	18,585,955
Financial assets at amortised cost	602,186	1,227,384
Notes receivable	93,220	113,287
Accounts receivable	29,178,913	21,867,246
Other receivables	292,862	265,987
Guarantee deposits paid	99,016	64,716
	$ 54,124,658	$ 42,452,650
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	$ 15,708	$ 103,885
Financial liabilities at amortised cost		
Short-term borrowings	2,000,000	3,000,000
Accounts payable	33,931,186	27,177,751
Other payables	7,891,676	5,344,410
Long-term borrowings (including current portion)	-	14,184
Guarantee deposits received	211,417	212,383
	$ 44,049,987	$ 35,852,613
Lease liabilities	$ 338,166	$ 443,730

B. Risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

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

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

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

v. The Group's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2021		
(Foreign currency: functional currency)	Foreign Currency Amount (In Thousands)	Exchange rate	Book Value (NTD)
Financial assets			
Monetary items			
USD: NTD	$ 699,207	27.6800	$ 19,354,055
EUR: NTD	77,229	31.3200	2,418,806
Financial liabilities			
Monetary items			
USD: NTD	1,304,280	27.6800	36,102,464

(Foreign currency: functional currency)	December 31, 2020 Foreign Currency Amount (In Thousands)	Exchange rate	Book Value (NTD)
Financial assets			
Monetary items			
USD: NTD	$ 471,844	28.4800	$ 13,438,119
EUR: NTD	94,927	35.0200	3,324,351
RMB: NTD	142,167	4.3770	622,264
GBP: NTD	10,763	38.9000	418,664
Financial liabilities			
Monetary items			
USD: NTD	982,170	28.4800	27,972,190
EUR: NTD	25,630	35.0200	897,561
USD: RMB	23,215	6.5067	661,151

vi. The exchange loss arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2021 and 2020 amounted to $720,305 and $77,078, respectively.

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

	2021		
	Sensitivity analysis		
(Foreign currency: functional currency)	Degree of variation	Effect on profit or loss (before tax)	Effect on other comprehensive income
Financial assets			
Monetary items			
USD: NTD	1%	$ 193,541	$ -
EUR: NTD	1%	24,188	-
Financial liabilities			
Monetary items			
USD: NTD	1%	361,025	-

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

Price risk

i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

ii. The Group has investments in equity securities. The prices of equity securities would change due to the change in the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by $0 and $996, 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 $839 and $995, 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 year ended December 31, 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 December 31, 2021 and 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 years ended December 31, 2021 and 2020 would have been $0 and $113 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable, notes receivable and financial assets at amortised cost cash flow based on the agreed terms.

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

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

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

v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

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

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

viii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of debt instrument as at December 31, 2021 and 2020. The expected credit loss rate of the Group's overdue accounts receivable was not material as of December 31, 2021 and 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 December 31, 2021 and 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:

December 31, 2021	Less than 1 year	Between 1 to 2 years	Between 2 to 3 years	Over 3 years
Short-term borrowings	$ 2,001,156	$ -	$ -	$ -
Accounts payable	33,931,186	-	-	-
Other payables	7,891,676	-	-	-
Lease liabilities	194,588	72,142	33,096	38,886
Other financial liabilities	681	103,008	-	107,728

Non-derivative financial liabilities:

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

Derivative financial liabilities

As of December 31, 2021 and 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 ongoing basis.

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

Level 3: Unobservable inputs for the asset or liability.

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

C. Financial instruments not measured at fair value

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

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

December 31, 2021	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
-Forward exchange contract	$ -	$ 40,175	$ -	$ 40,175
-Foreign exchange swap	-	58,638	-	58,638
Financial assets at fair value through other comprehensive income				
-Equity securities	-	-	104,847	104,847
Total	$ -	$ 98,813	$ 104,847	$ 203,660
Liabilities:				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
-Forward exchange contract	$ -	$ 15,708	$ -	$ 15,708

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

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

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

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

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

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

F. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

G. For the years ended December 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.

(4) Other

In response to the impact of Covid-19, the Group cooperated with the various anti-epidemic measures promoted by the governments of various countries, implemented measures such as diversion to work, remote backup, and strengthening of employee health management. Based on the Group's assessment, Covid-19 had no significant impact on the Group’s operation and ability to continue as a going concern.

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 consistent with the profit and loss, assets and liabilities shown in the financial statements, so there is no reconciliation required.

(4) Information on products and services

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

	2021	2020
Computer and peripherals sale revenue	$ 201,810,152	$ 146,502,789

(5) Geographical information

Geographical information for the years ended December 31, 2021 and 2020 is as follows:

	2021		2020	
	Revenue	Non-current assets	Revenue	Non-current assets
Asia	$ 80,693,591	$ 5,892,867	$ 53,798,428	$ 5,443,118
Europe	57,410,825	274,388	43,454,599	262,533
America	59,459,519	187,787	45,972,863	191,987
Others	4,246,217	5,470	3,276,899	12,274
	$ 201,810,152	$ 6,360,512	$ 146,502,789	$ 5,909,912

(6) Major customer information

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

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

December 31, 2021

Expressed in thousands of NTD

Table 1

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2021				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
MICRO-STAR INTERNATIONAL CO., LTD.	Now.gg, Inc.(Original Name: BLUESTACK SYSTEMS, INC.)	-	Financial assets at fair value through other comprehensive income - non current	516,052	$ 104,847	-	$ 104,847	-

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2021

Expressed in thousands of NTD

Table 2

(Except as otherwise indicated)

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	$ (33,939,565)	(17)	60-100 days	Insignificant difference	Note 1	$ 9,552,534	31	-
MICRO-STAR INTERNATIONAL CO., LTD.	MEGA COMPUTER	Second-tier Subsidiary	Sales	(8,379,573)	(4)	40-70 days	Insignificant difference	Note 1	1,851,711	6	-
MICRO-STAR INTERNATIONAL CO., LTD.	MYSTAR	Second-tier Subsidiary	Sales	(3,240,320)	(2)	30-100 days	Insignificant difference	Note 1	306,297	1	-
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (KOREA)	Second-tier Subsidiary	Sales	(6,335,503)	(3)	50-70 days	Insignificant difference	Note 1	-	-	-
MICRO-STAR INTERNATIONAL CO., LTD.	MSI COMPUTER (SHENZHEN)	Second-tier Subsidiary	Processing overhead	3,756,620	2	Note 2	Insignificant difference	Note 2	(3,186,474)	(10)	-
MICRO-STAR INTERNATIONAL CO., LTD.	MSI ELECTRONICS (KUNSHAN)	Second-tier Subsidiary	Processing overhead	1,854,891	1	Note 2	Insignificant difference	Note 2	(1,756,025)	(5)	-
MEGA COMPUTER	MSI (SHANGHAI)	Affiliated company	Sales	(8,715,162)	(100)	40-70 days	Insignificant difference	Note 1	2,946,885	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

December 31, 2021

Expressed in thousands of NTD

Table 3

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as of December 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	$ 9,552,534	3.68	$ -	-	$ 3,772,571	$ -
MICRO-STAR INTERNATIONAL CO., LTD.	MEGA COMPUTER	Second-tier Subsidiary	1,851,711	5.86	-	-	999,235	-
MICRO-STAR INTERNATIONAL CO., LTD.	MYSTAR	Second-tier Subsidiary	306,297	9.57	-	-	236,312	-
MSI (PACIFIC) (Note)	MICRO-STAR INTERNATIONAL CO., LTD.	Ultimate parent company	5,158,001	-	-	-	820,476	-
MSI COMPUTER (SHENZHEN) (Note)	MSI (PACIFIC)	Parent Company	3,186,474	-	-	-	515,359	-
MSI ELECTRONICS (KUNSHAN) (Note)	MSI (PACIFIC)	Parent Company	1,756,025	-	-	-	305,116	-
MSI (B.V.I.)	MSI (PACIFIC)	Parent Company	129,356	-	-	-	-	-
MEGA COMPUTER	MSI (SHANGHAI)	Affiliated company	2,946,885	3.67	-	-	999,120	-

Note: Processing overhead receivable.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the year ended December 31, 2021

Expressed in thousands of NTD

Table 4

(Except as otherwise indicated)

Number	Company name (Note 4)	Counterparty (Note 4)	Relationship	Transaction			
				General ledger account	Amount (Note 1)	Transaction terms	Percentage of consolidated total operating revenues or total assets
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (KOREA)	Parent company to second-tier subsidiary	Sales	$ 6,335,503	Note 2	3.14%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (LA)	Parent company to subsidiary	Sales	33,939,565	Note 2	16.82%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MEGA COMPUTER	Parent company to second-tier subsidiary	Sales	8,379,573	Note 2	4.15%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MYSTAR	Parent company to second-tier subsidiary	Sales	3,240,320	Note 2	1.61%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (LA)	Parent company to subsidiary	Accounts receivable	9,552,534	Note 2	9.42%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MEGA COMPUTER	Parent company to second-tier subsidiary	Accounts receivable	1,851,711	Note 2	1.83%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MYSTAR	Parent company to second-tier subsidiary	Accounts receivable	306,297	Note 2	0.30%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI ELECTRONICS (KUNSHAN)	Parent company to second-tier subsidiary	Processing overhead	1,854,891	Note 3	0.92%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI COMPUTER (SHENZHEN)	Parent company to second-tier subsidiary	Processing overhead	3,756,620	Note 3	1.86%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI ELECTRONICS (KUNSHAN)	Parent company to second-tier subsidiary	Manufacturing and operating expense	116,834	Note 2	0.06%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI COMPUTER (SHENZHEN)	Parent company to second-tier subsidiary	Manufacturing and operating expense	82,517	Note 2	0.04%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MEGA COMPUTER	Parent company to second-tier subsidiary	Manufacturing and operating expense	269,740	Note 2	0.13%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (EUROPE)	Parent company to second-tier subsidiary	Manufacturing and operating expense	291,728	Note 2	0.14%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MYSTAR	Parent company to second-tier subsidiary	Manufacturing and operating expense	201,794	Note 2	0.10%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (MHK)	Parent company to second-tier subsidiary	Manufacturing and operating expense	198,032	Note 2	0.10%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (POLSKA)	Parent company to second-tier subsidiary	Manufacturing and operating expense	165,393	Note 2	0.08%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (RUSSIA)	Parent company to second-tier subsidiary	Manufacturing and operating expense	136,493	Note 2	0.07%

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 (LA)	Parent company to subsidiary	Manufacturing and operating expense	$ 425,041	Note 2	0.21%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (SARL)	Parent company to second-tier subsidiary	Manufacturing and operating expense	143,167	Note 2	0.07%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (JAPAN)	Parent company to subsidiary	Manufacturing and operating expense	184,569	Note 2	0.09%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (KOREA)	Parent company to second-tier subsidiary	Manufacturing and operating expense	122,504	Note 2	0.06%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (UK)	Parent company to second-tier subsidiary	Manufacturing and operating expense	99,527	Note 2	0.05%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (HOLDING)	Parent company to subsidiary	Manufacturing and operating expense	161,558	Note 2	0.08%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (AUSTRALTA)	Parent company to subsidiary	Manufacturing and operating expense	67,583	Note 2	0.03%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (ITALY)	Parent company to second-tier subsidiary	Manufacturing and operating expense	60,107	Note 2	0.03%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (IBERIA)	Parent company to second-tier subsidiary	Manufacturing and operating expense	61,735	Note 2	0.03%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (LA)	Parent company to subsidiary	Other payables	54,732	Note 2	0.05%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (SARL)	Parent company to second-tier subsidiary	Other payables	53,286	Note 2	0.05%
1	MSI (PACIFIC)	MICRO ELECTRONICS	Subsidiary to second-tier subsidiary	Other payables	86,146	Note 3	0.08%
1	MSI (PACIFIC)	MSI (B.V.I.)	Subsidiary to second-tier subsidiary	Other payables	129,356	Note 3	0.13%
1	MSI (PACIFIC)	MSI ELECTRONICS (KUNSHAN)	Subsidiary to second-tier subsidiary	Other payables	1,756,025	Note 3	1.73%
1	MSI (PACIFIC)	MSI COMPUTER (SHENZHEN)	Subsidiary to second-tier subsidiary	Other payables	3,186,474	Note 3	3.14%
1	MSI (PACIFIC)	MICRO-STAR INTERNATIONAL CO., LTD.	Subsidiary to parent	Other receivables	5,158,001	Note 3	5.08%
2	MEGA COMPUTER	MSI (SHANGHAI)	Second-tier subsidiary to second-tier subsidiary	Sales	8,715,162	Note 2	4.32%
2	MEGA COMPUTER	MSI (SHANGHAI)	Second-tier subsidiary to second-tier subsidiary	Accounts receivable	2,946,885	Note 2	2.90%
3	MSI (LA)	RAIDEALS	Subsidiary to second-tier subsidiary	Sales	105,305	Note 2	0.05%

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

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Information on investees (not including investees in Mainland China)

For the year ended December 31, 2021

Expressed in thousands of NTD

Table 5

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 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 after-sales service of computers and electronic components	$ 258,468	$ 258,468	575,458	100.00	$ 194,411	$ 125,869	$ 125,869	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (AUSTRALIA)	Australia	Sales support and after-sales service of computers and electronic components	57,420	57,420	221,836	100.00	9,696	1,653	1,653	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (JAPAN)	Japan	Sales support and after-sales service of computers and electronic components	20,411	20,411	1,400	100.00	19,903	3,424	3,424	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (PACIFIC)	Cayman Islands	Holding company	1,511,382	1,511,382	30,204,118	100.00	8,610,283	1,337,592	1,337,592	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (HOLDING)	Netherlands	Holding company	45,724	45,724	424,000	100.00	671,607	58,092	58,092	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI COMPUTER (CAYMAN)	Cayman Islands	Holding company	99,093	99,093	50,000	100.00	114,509	267	267	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (CANADA)	Canada	Sales support and after-sales service of computers and electronic components	2,150	2,150	100,000	100.00	5,122	1,990	1,990	Direct subsidiary
MSI (PACIFIC)	MSI (KOREA)	South Korea	Sales and after-sales service of computers and electronic components	24,374	24,374	80,000	100.00	363,022	79,078	-	Indirect subsidiary
MSI (PACIFIC)	MSI (B.V.I.)	British Virgin Island	Holding company	1,784,681	1,784,681	47,465,071	100.00	4,994,102	687,901	-	Indirect subsidiary
MSI (PACIFIC)	MICRO ELECTRONICS	British Virgin Island	Holding company	1,168,593	1,168,593	33,315,472	100.00	3,217,214	532,310	-	Indirect subsidiary
MSI (PACIFIC)	STAR INFORMATION	British Virgin Island	Holding company	144,721	144,721	4,502,601	100.00	20,101	(1,705)	-	Indirect subsidiary
MSI (PACIFIC)	MEGA TECHNOLOGY	British Virgin Island	Holding company	92,819	92,819	3,050,000	100.00	5,583	197	-	Indirect subsidiary
MSI (PACIFIC)	MEGA COMPUTER	Hong Kong	Sales support of computers and electronic components	-	-	1	100.00	4,001	(909)	-	Indirect subsidiary
MSI (PACIFIC)	MSI (MHK)	Hong Kong	Sales support of computers and electronic components	-	-	1	100.00	25,124	3,194	-	Indirect subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
MSI (HOLDING)	MYSTAR	Netherlands	Sales support of computers and electronic components	$ 71,353	$ 71,353	-	100.00	$ 181,811	$ 32,247	$ -	Indirect subsidiary
MSI (HOLDING)	MSI (RUSSIA)	Russia	Sales support and after-sales service of computers and electronic components	68,258	68,258	-	99.00	34,773	2,222	-	Indirect subsidiary
MSI (HOLDING)	MSI (POLSKA)	Poland	Sales support and after-sales service of computers and electronic components	46,077	46,077	-	99.00	33,684	2,408	-	Indirect subsidiary
MSI (HOLDING)	MSI (SARL)	France	Sales support of computers and electronic components	26,646	26,646	-	100.00	58,985	5,679	-	Indirect subsidiary
MSI (HOLDING)	MSI (UK)	Britan	Sales support of computers and electronic components	37,226	37,226	-	100.00	22,781	4,388	-	Indirect subsidiary
MSI (HOLDING)	MSI (TURKEY)	Turkey	Sales support of computers and electronic components	3,229	3,229	-	99.00	(47)	-	-	Indirect subsidiary (Note 2)
MSI (HOLDING)	MSI (ITALY)	Italy	Sales support of computers and electronic components	2,153	2,153	-	100.00	5,205	1,344	-	Indirect subsidiary
MSI (HOLDING)	MSI (EUROPE)	Netherlands	Logistics services of computers and electronic components	37,620	37,620	-	100.00	53,020	5,493	-	Indirect subsidiary
MSI (HOLDING)	MSI (IBERIA)	Spain	Sales support of computers and electronic components	5,177	5,177	-	100.00	9,399	2,762	-	Indirect subsidiary
MSI (EUROPE)	MSI (RUSSIA)	Russia	Sales support and after-sales service of computers and electronic components	689	689	-	1.00	501	2,222	-	Indirect subsidiary
MSI (EUROPE)	MSI (POLSKA)	Poland	Sales support and after-sales service of computers and electronic components	467	467	-	1.00	160	2,408	-	Indirect subsidiary
MSI (EUROPE)	MSI (TURKEY)	Turkey	Sales support of computers and electronic components	33	33	-	1.00	24	-	-	Indirect subsidiary (Note 2)
MEGA TECHNOLOGY	RAIDEALS	U.S.A	Sales of computers and electronic components	1,523	1,523	-	100.00	1,991	171	-	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=27.68 NTD; 1EUR=31.32 NTD on December 31, 2021 and average rate with 1USD=28.0123 NTD; 1EUR=33.1575 NTD for the year ended December 31, 2021.

Note 2: As of December 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 year ended December 31, 2021

Expressed in thousands of NTD

Table 6

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the yaer ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee as of December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 2)	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
MSI COMPUTER (SHENZHEN)	Manufacture and after-sales service of computers, and electronic components	$ 1,726,857	Note 1	$ 1,726,857	$ -	$ -	$ 1,726,857	$ 687,957	100.00	$ 687,957	$ 4,848,079	$ -	-
MSI ELECTRONICS (KUNSHAN)	Manufacture and after-sales service of computers, and electronic components	1,772,675	Note 1	1,772,675	-	-	1,772,675	532,359	100.00	532,359	3,119,728	-	-
SHENZHEN MEGA INFORMATION	After-sales service of computers, and electronic components	23,940	Note 1	23,940	-	-	23,940	189	100.00	189	22,983	-	-
MSI (SHENZHEN)	Sales and after-sales service of computers and electronic components	-	Note 1	-	-	-	-	(221)	-	(221)	-	-	Note 3
MSI (SHANGHAI)	Sales and after-sales service of computers and electronic components	29,275	Note 1	-	-	-	-	7,797	100.00	7,797	(8,147)	-	Note 4

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
MICRO-STAR INTERNATIONAL CO., LTD.	$ 3,602,547	$ 3,850,987	$ 28,248,192

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=27.68 NTD on December 31, 2021 and average rate with 1USD=28.0123 NTD for the year ended December 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 year ended December 31, 2021

Expressed in thousands of NTD

Table 7

(Except as otherwise indicated)

	Sales/ (Purchase)		Property transaction		Accounts receivable/ (payable)		Amount of endorsements/guarantees secured with collaterals		Accommodation of funds				
Investee in Mainland China	Amount	%	Amount	%	Balance as of December 31, 2021	%	Balance as of December 31, 2021	Purpose	Ceiling amount	Balance as of December 31, 2021	Interest rate range	Interest expense	Others (Note)
MSI COMPUTER (SHENZHEN)	$ -	-	$ -	-	$ (3,186,474)	(10)	$ -	-	$ -	$ -	-	$ -	$ 3,756,620
MSI ELECTRONICS (KUNSHAN)	-	-	-	-	(1,756,025)	(5)	-	-	-	-	-	-	1,854,891
MSI (SHANGHAI)	8,715,162	(100)	-	-	2,946,885	100	-	-	-	-	-	-	-

Note: Processing overhead.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Major shareholders information

December 31, 2021

Table 8

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