

MICRO-STAR INTERNATIONAL CO., LTD.
PARENT COMPANY ONLY 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.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

Opinion

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

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2021 and 2020, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

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

Key audit matters

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

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2021 are stated as follows:

Recognition of sales revenue generated from own-brand products

Description

Please refer to Note 4(24) for accounting policies on revenue recognition. The sales revenue from own-brand products for the year ended December 31, 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 Company's financial statements. Therefore, it was identified as a key audit matter.

How our audit addressed the matter

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

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

Estimation of allowance for inventory valuation losses

Description

Please refer to Note 4(11) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions applied on inventory valuation, and Note 6(6) for details of inventories. As of December 31, 2021, the balances of inventories and allowance for inventory valuation losses are NT\$38,214,356 thousand and NT\$413,261 thousand, respectively.

The Company is primarily engaged in manufacturing and sales of motherboards, interface cards, notebook computers and other electronic products. Due to the rapid technological innovations and competition within the industry as well as frequent releases of new products resulting in potential price fluctuations, there is a higher risk of inventory losses due from market value decline or obsolescence. The Company recognises inventories at the lower of cost and net realisable value. As the monetary values

of allowance for inventory valuation losses is critical to the financial statements as of December 31, 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 Company's policies.
- C. Validated the appropriateness of system logic of the report of individually identified obsolete inventory prepared by management and confirmed the consistency with the Company's policies.
- D. Sampled and tested the net realisable value basis of the individual inventory and validated the appropriateness.

Other matter-Reference to audits of other independent auditors

We did not audit the financial statements of certain investments accounted for under the equity method that are included in the parent company only financial statements. Those financial statements were audited by other independent auditors, whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on reports of the other independent auditors. Total assets of the above-mentioned investees (including investments accounted for under the equity method) amounted to NT\$1,372,674 thousand and NT\$1,230,304 thousand as at December 31, 2021 and 2020, constituting 1.31% and 1.52% of total assets, respectively. Comprehensive income of the above-mentioned investees amounted to NT\$265,591 thousand and NT\$121,586 thousand for the years ended December 31, 2021 and 2020, constituting 1.59% and 1.51% of total comprehensive income, respectively.

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Independent auditors' responsibilities for the audit of the parent company only financial statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

Liang, Hua-Ling

Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 21, 2022

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

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.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2021		December 31, 2020			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	20,857,916	20	\$	15,776,634	20
1110	Financial assets at fair value through	6(2)						
	profit or loss - current			98,813	-		79,297	-
1136	Current financial assets at amortised	6(4)						
	cost			-	-		1,000,000	1
1150	Notes receivable, net	6(5)		15	-		672	-
1170	Accounts receivable, net	6(5)		19,037,266	18		13,004,695	16
1180	Accounts receivable - related parties	7		11,561,466	11		10,287,629	13
1200	Other receivables			256,197	-		219,767	-
130X	Inventories, net	6(6)		37,801,095	36		27,116,376	33
1410	Prepayments			1,634,942	2		1,377,599	2
11XX	Total current assets			91,247,710	87		68,862,669	85
Non-current assets								
1517	Non-current financial assets at fair	6(3)						
	value through other comprehensive							
	income			104,847	-		124,338	-
1550	Investments accounted for under	6(7)						
	equity method			9,625,531	9		8,313,914	11
1600	Property, plant and equipment	6(8)		2,654,661	3		2,660,668	3
1755	Right-of-use assets	6(9)		80,030	-		159,609	-
1840	Deferred income tax assets	6(22)		930,235	1		713,301	1
1900	Other non-current assets			26,832	-		24,723	-
15XX	Total non-current assets			13,422,136	13		11,996,553	15
1XXX	Total assets		\$	104,669,846	100	\$	80,859,222	100

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MICRO-STAR INTERNATIONAL CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(10)	\$ 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		33,416,836	32	26,409,577	33
2200	Other payables	6(11)	6,721,417	6	4,340,669	6
2220	Other payables - related parties	7	5,492,631	5	4,964,060	6
2230	Current income tax liabilities		2,878,632	3	1,499,604	2
2250	Provisions for liabilities - current	6(13)	1,232,491	1	873,229	1
2280	Current lease liabilities		62,649	-	97,029	-
2365	Refund liabilities-current		4,775,490	5	3,418,122	4
2399	Other current liabilities, others		638,091	1	215,875	-
21XX	Total current Liabilities		57,233,945	55	44,922,050	56
Non-current liabilities						
2570	Deferred income tax liabilities	6(22)	16,621	-	6,084	-
2580	Non-current lease liabilities		18,107	-	63,594	-
2640	Net defined benefit liability, non-current	6(12)	211,818	-	220,314	-
2670	Other non-current liabilities, others		109,035	-	107,328	-
25XX	Total non-current liabilities		355,581	-	397,320	-
2XXX	Total Liabilities		57,589,526	55	45,319,370	56
Equity						
	Share capital	6(14)				
3110	Share capital - common stock		8,448,562	8	8,448,562	10
	Capital surplus	6(15)				
3200	Capital surplus		804,516	1	804,214	1
	Retained earnings	6(16)				
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	30	20,625,711	26
	Other equity interest					
3400	Other equity interest		(901,794)	(1)	(674,458)	(1)
3XXX	Total equity		47,080,320	45	35,539,852	44
3X2X	Total liabilities and equity		\$ 104,669,846	100	\$ 80,859,222	100

The accompanying notes are an integral part of these parent company only financial statements.

MICRO-STAR INTERNATIONAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

			Year ended December 31			
	Items	Notes	2021		2020	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(17) and 7	\$ 197,058,352	100	\$ 144,805,966	100
5000	Operating costs	6(6)(20) and 7	(162,729,092)	(83)	(125,877,926)	(87)
5900	Net operating margin		34,329,260	17	18,928,040	13
	Operating expenses	6(20) and 7				
6100	Selling expenses		(9,744,185)	(5)	(6,079,422)	(4)
6200	General and administrative expenses		(1,263,743)	(1)	(842,682)	(1)
6300	Research and development expenses		(4,717,098)	(2)	(3,349,045)	(2)
6450	Expected credit gain (loss)	6(5)	5,370	-	(2,446)	-
6000	Total operating expenses		(15,719,656)	(8)	(10,273,595)	(7)
6900	Operating profit		18,609,604	9	8,654,445	6
	Non-operating income and expenses					
7100	Interest income	6(18)	43,303	-	49,551	-
7010	Other income		386,669	-	216,357	-
7020	Other gains and losses	6(2)(19)	(291,669)	-	(138,396)	-
7050	Finance costs		(11,120)	-	(21,446)	-
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(7)	1,528,887	1	667,569	-
7000	Total non-operating income and expenses		1,656,070	1	773,635	-
7900	Profit before income tax		20,265,674	10	9,428,080	6
7950	Income tax expense	6(22)	(3,344,669)	(1)	(1,468,575)	(1)
8200	Profit for the year		\$ 16,921,005	9	\$ 7,959,505	5
	Other comprehensive income					
	Components of other comprehensive loss that will not be reclassified to profit or loss					
8311	Actuarial gain (loss) on defined benefit plans	6(12)	\$ 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(22)	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 year		(\$ 227,216)	-	\$ 115,982	-
8500	Total comprehensive income for the year		\$ 16,693,789	9	\$ 8,075,487	5
	Earnings per share (in dollars)	6(23)				
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 parent company only financial statements.

MICRO-STAR INTERNATIONAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

		Capital Reserves					Retained Earnings			Other equity interest		
										Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
	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			
<u>2020</u>												
Balance at January 1, 2020		\$ 8,448,562	\$ 628,134	\$ 130,592	\$ 732	\$ 44,460	\$ 4,982,577	\$ 505,966	\$ 17,065,967	(\$ 794,525)	\$ -	\$ 31,012,465
Profit for the year		-	-	-	-	-	-	-	7,959,505	-	-	7,959,505
Other comprehensive income (loss) for the year		-	-	-	-	-	-	-	(4,085)	147,704	(27,637)	115,982
Total comprehensive income (loss)		-	-	-	-	-	-	-	7,955,420	147,704	(27,637)	8,075,487
Appropriation of 2019 earnings	6(16)											
Legal reserve		-	-	-	-	-	558,721	-	(558,721)	-	-	-
Special reserve		-	-	-	-	-	-	288,559	(288,559)	-	-	-
Cash dividends		-	-	-	-	-	-	-	(3,548,396)	-	-	(3,548,396)
Due to donated assets received		-	-	-	296	-	-	-	-	-	-	296
Balance at December 31, 2020		\$ 8,448,562	\$ 628,134	\$ 130,592	\$ 1,028	\$ 44,460	\$ 5,541,298	\$ 794,525	\$ 20,625,711	(\$ 646,821)	(\$ 27,637)	\$ 35,539,852
<u>2021</u>												
Balance at January 1, 2021		\$ 8,448,562	\$ 628,134	\$ 130,592	\$ 1,028	\$ 44,460	\$ 5,541,298	\$ 794,525	\$ 20,625,711	(\$ 646,821)	(\$ 27,637)	\$ 35,539,852
Profit for the 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(16)											
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 parent company only financial statements.

MICRO-STAR INTERNATIONAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 20,265,674	\$ 9,428,080
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including right-of-use assets)	6(8)(9)(20)	329,470	280,442
Amortization	6(20)	3	3
Expected credit (gain) loss	6(5)	(5,370)	2,446
Net (gain) loss on financial assets and liabilities at fair value through profit or loss		(107,693)	56,286
Interest expense		11,120	21,446
Interest income	6(18)	(43,303)	(49,551)
Share of profit of associates and joint ventures accounted for using equity method		(1,528,887)	(667,569)
Gain on disposal of property, plant and equipment	6(19)	(7)	-
Loss (gain) on lease modification	6(9)	689	(53)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		657	3,257
Accounts receivable		(6,027,201)	(2,160,868)
Accounts receivable due from related parties		(1,273,837)	(3,655,599)
Other receivables		(37,639)	(60,584)
Inventories, net		(10,684,719)	(4,360,321)
Prepayments		(257,343)	(26,305)
Changes in operating liabilities			
Accounts payable		7,007,259	6,645,119
Other payables		2,381,513	1,288,865
Other payables - related parties		528,571	691,450
Provisions for liabilities - current		359,262	293,892
Refund liabilities - current		1,357,368	1,862,613
Other current liabilities, others		422,216	150,522
Net defined benefit liability		(8,346)	(6,766)
Cash inflow generated from operations		12,689,457	9,736,805
Interest received		44,512	48,128
Interest paid		(11,885)	(19,561)
Income tax paid		(2,162,643)	(656,478)
Net cash flows from operating activities		10,559,441	9,108,894

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MICRO-STAR INTERNATIONAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of financial assets at amortised cost		\$ 1,000,000	\$ 200,000
Acquisition of investment accounted for using equity method		-	(2,150)
Acquisition of property, plant and equipment	6(8)	(217,404)	(270,927)
Proceeds from disposal of property, plant and equipment		7	-
Increase in refundable deposits		(2,112)	(5,836)
Net cash flows from (used in) investing activities		<u>780,491</u>	<u>(78,913)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term borrowings	6(24)	(1,000,000)	1,500,000
Repayment of the principal portion of lease liabilities	6(24)	(107,036)	(102,593)
Increase in guarantee deposits received	6(24)	1,707	15,519
Cash dividends paid	6(16)	(5,153,623)	(3,548,396)
Due to donated assets received		<u>302</u>	<u>296</u>
Net cash flows used in financing activities		<u>(6,258,650)</u>	<u>(2,135,174)</u>
Net increase in cash and cash equivalents		5,081,282	6,894,807
Cash and cash equivalents at beginning of year	6(1)	<u>15,776,634</u>	<u>8,881,827</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 20,857,916</u>	<u>\$ 15,776,634</u>

The accompanying notes are an integral part of these parent company only financial statements.

MICRO-STAR INTERNATIONAL CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 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 is primarily engaged in the manufacture and sale of motherboards and computer hardware. The shares of the Company have been listed on the Taiwan Stock Exchange since October 1998.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by the Board of Directors on March 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
Amendment 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 Company’s financial condition and financial performance based on the Company’s assessment.

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

New standards, interpretations and amendments endorsed by the FSC effective from 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 Company's financial condition and operating result based on the Company's assessment.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 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 Company's financial condition and operating result based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented,

unless otherwise stated.

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(2) Basis of preparation

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

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

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

(3) Foreign currency translation

The parent company only financial statements are presented in New Taiwan Dollars, which is the Company’s functional and presentation currency.

A. Foreign currency transactions and balance

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

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

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settle within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settle within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term highly liquid investments that readily convert to known amount of cash and subject to an insignificant effect of value of changes in rate. Time deposits and money market fund that meet the definition above and are held for the purpose of meeting short-term cash

commitments in operations are classified as cash equivalents.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represents solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:
The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For financial assets measured at amortised cost including accounts receivable that have a significant financing component, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(11) Inventories

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

(12) Investments accounted for using the equity method / Subsidiaries

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Inter-company transactions, balances and unrealised gains or losses on transactions between the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise the losses in proportion to the ownership.
- D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on

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

- F. Pursuant to the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners’ equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets’ residual values and useful lives differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, ‘Accounting Policies, Changes in Accounting Estimates and Errors’, from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

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

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at

which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are mainly fixed payments, less any lease incentives that can be received.

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

- C. At the commencement date, the right-of-use asset is stated at cost mainly comprising the amount of the initial measurement of lease liability.

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

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

(15) Impairment of non-financial assets

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

(16) Borrowings

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

(17) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

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

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(19) Provisions

Provisions of warranties are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(20) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date).

- ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

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

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

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

(21) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in

the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(22) Share capital

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

(23) Dividends

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

(24) Revenue recognition

A. Sales of goods

- (a) The Company manufactures and sells motherboards, graphic 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 customers' acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- (b) Revenue from the products is recognised based on the price specified in the contract, net of the estimated value added tax, returns and volume discounts and rebates. The volume discounts to the customers are estimated based on the anticipated annual sales quantities and the right of return for defective products is estimated on the basis of historical experience. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. The period between the transfer of the promised

- goods or services to the customer and payment by the customer does not exceed one year. As a result, the Company does not adjust any of the transaction prices for the time value of money.
- (c) The Company's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.
- (d) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Incremental costs of obtaining a contract

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory 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 \$37,801,095.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand and petty cash	\$ 1,556	\$ 1,400
Checking accounts and demand deposits	14,858,360	11,445,155
Time deposits	5,998,000	4,330,079
Total	<u>\$ 20,857,916</u>	<u>\$ 15,776,634</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to

disperse credit risk, so it expects that the probability of counterparty default is remote.

- B. The Company's time deposits with maturity periods over three months are reclassified as "financial assets at amortised cost." Details of financial assets at amortised cost are provided in Note 6(4).

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

<u>Asset items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives – Forward exchange contract	\$ 40,175	\$ 37
Derivatives – Foreign exchange swap	58,638	79,260
	<u>\$ 98,813</u>	<u>\$ 79,297</u>
<u>Liability items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial liabilities held for trading		
Derivatives – Forward exchange contract	<u>\$ 15,708</u>	<u>\$ 103,885</u>

- A. The Company recognised net gain (loss) of \$474,823 and (\$57,442) for the years ended December 31, 2021 and 2020, respectively.
- B. The Company entered into contracts related to derivative financial assets and liabilities which were not accounted for under hedge accounting. The contract information are as follows:

	December 31, 2021		
	Contract Amount Notional Principal		
Derivative Financial Assets	(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		
	Contract Amount Notional Principal		
Derivative Financial Liabilities	(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		
	Contract Amount Notional Principal		
Derivative Financial Assets	(In thousands)		Contract period
Forward exchange contracts	CAD	1,000	2020.12.16~2021.03.24
Foreign exchange swap	USD	80,000	2020.11.06~2021.02.09
"	CNY	591,911	2020.08.13~2021.05.17
	December 31, 2020		
	Contract Amount Notional Principal		
Derivative Financial Liabilities	(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 Company entered into forward foreign exchange contracts to hedge exchange risk. However, these forward foreign exchange contracts are not accounted under Hedge Accounting.

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

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

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

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

A. The Company has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$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 Company were \$104,847 and \$124,338, respectively.

- C. The Company has no financial assets at fair value through other comprehensive income pledged to others as collateral.
- D. Information relating to price risk and fair value of financial assets at fair value through other comprehensive income is provided in Note 12(2) 、(3).

(4) Financial assets at amortised cost

Items	December 31, 2021	December 31, 2020
Current items:		
Time deposits over three months	\$ -	\$ 1,000,000

- 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 Company were \$0 and \$1,000,000, respectively.
- C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(5) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable	\$ 15	\$ 672
Accounts receivable	\$ 19,038,522	\$ 13,011,321
Less: Allowance for doubtful accounts	(1,256)	(6,626)
	\$ 19,037,266	\$ 13,004,695

- 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	\$ 15,876,003	\$ 15	\$ 11,855,269	\$ 672
1 to 75 days	3,158,561	-	1,136,575	-
76 to 365 days	3,958	-	19,145	-
Over 365 days	-	-	332	-
	\$ 19,038,522	\$ 15	\$ 13,011,321	\$ 672

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 \$10,854,382.
- C. Most of the Company's accounts receivable have been insured, and the Company will be able to obtain insurance claims.
- D. The Company does not hold any collateral.

E. As of December 31, 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 Company's notes and accounts receivable were \$15 and \$672; \$19,037,266 and \$13,004,695, respectively.

F. 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 progress	-	-	-
Finished goods	23,001,870	(293,659)	22,708,211
	<u>\$ 38,214,356</u>	<u>(\$ 413,261)</u>	<u>\$ 37,801,095</u>

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 8,292,346	(\$ 154,873)	\$ 8,137,473
Work in progress	1,502,072	(2,198)	1,499,874
Finished goods	17,745,028	(265,999)	17,479,029
	<u>\$ 27,539,446</u>	<u>(\$ 423,070)</u>	<u>\$ 27,116,376</u>

The cost of inventories recognised as expense for the year:

	2021	2020
Cost of inventories recognised as expense	\$ 162,729,092	\$ 125,877,926
(Gains on reversal) losses of decline in market value	(9,809)	41,223

The Company reversed a previous inventory write-down and accounted for as reduction of cost of goods sold because some inventories which were recognised as expense have been sold in 2021.

(7) Investments accounted for using equity method

	December 31, 2021	December 31, 2020
MSI PACIFIC INTERNATIONAL HOLDING CO., LTD.	\$ 8,610,283	\$ 7,406,724
MICRO-STAR NETHERLANDS HOLDING B.V.	671,607	685,857
MSI COMPUTER (CAYMAN) CO., LTD.	114,509	117,549
MSI COMPUTER CORP.	194,411	72,605
MSI COMPUTER JAPAN CO., LTD.	19,903	19,238
MSI COMPUTER (AUSTRALIA) PTY. LTD.	9,696	8,644
MICRO-STAR CANADA LTD.	5,122	3,297
	<u>\$ 9,625,531</u>	<u>\$ 8,313,914</u>

A. Details of the Company's subsidiaries are provided in Note 4(3) of the Company's consolidated financial statements as of and for the year ended December 31, 2021.

B. For the years ended December 31, 2021 and 2020, certain investments accounted for using equity method were MSI COMPUTER CORP., MICRO-STAR NETHERLANDS HOLDING B.V., MSI COMPUTER (CAYMAN) CO., LTD., MSI KOREA CO., LTD., MEGA COMPUTER CO., LTD. and MHK INTERNATIONAL CO., LTD., such investments were recognised based on the investees' financial statements audited by independent auditors and the portion of above-mentioned subsidiaries accounted for using equity method was \$265,591 and \$121,586, respectively.

(8) Property, plant and equipment

	2021				
	Land	Buildings	Machineries	Others	Total
At January 1					
Cost	\$ 1,331,538	\$ 1,524,018	\$ 640,751	\$ 429,069	\$ 3,925,376
Accumulated depreciation	-	(623,233)	(395,570)	(245,905)	(1,264,708)
	<u>\$ 1,331,538</u>	<u>\$ 900,785</u>	<u>\$ 245,181</u>	<u>\$ 183,164</u>	<u>\$ 2,660,668</u>
Balance at January 1	\$ 1,331,538	\$ 900,785	\$ 245,181	\$ 183,164	\$ 2,660,668
Additions	-	11,829	76,210	129,365	217,404
Reclassifications	-	11,538	2,647	(14,185)	-
Depreciation charge	-	(42,330)	(81,160)	(99,921)	(223,411)
Balance at December 31	<u>\$ 1,331,538</u>	<u>\$ 881,822</u>	<u>\$ 242,878</u>	<u>\$ 198,423</u>	<u>\$ 2,654,661</u>
At December 31					
Cost	\$ 1,331,538	\$ 1,547,385	\$ 712,481	\$ 533,237	\$ 4,124,641
Accumulated depreciation	-	(665,563)	(469,603)	(334,814)	(1,469,980)
	<u>\$ 1,331,538</u>	<u>\$ 881,822</u>	<u>\$ 242,878</u>	<u>\$ 198,423</u>	<u>\$ 2,654,661</u>

	2020				
	Land	Buildings	Machineries	Others	Total
At January 1					
Cost	\$ 1,331,538	\$ 1,487,824	\$ 526,019	\$ 341,693	\$ 3,687,074
Accumulated depreciation	-	(586,296)	(329,857)	(203,891)	(1,120,044)
	<u>\$ 1,331,538</u>	<u>\$ 901,528</u>	<u>\$ 196,162</u>	<u>\$ 137,802</u>	<u>\$ 2,567,030</u>
Balance at January 1	\$ 1,331,538	\$ 901,528	\$ 196,162	\$ 137,802	\$ 2,567,030
Additions	-	7,304	73,342	190,281	270,927
Reclassifications	-	28,890	43,543	(72,433)	-
Depreciation charge	-	(36,937)	(67,866)	(72,486)	(177,289)
Balance at December 31	<u>\$ 1,331,538</u>	<u>\$ 900,785</u>	<u>\$ 245,181</u>	<u>\$ 183,164</u>	<u>\$ 2,660,668</u>
At December 31					
Cost	\$ 1,331,538	\$ 1,524,018	\$ 640,751	\$ 429,069	\$ 3,925,376
Accumulated depreciation	-	(623,233)	(395,570)	(245,905)	(1,264,708)
	<u>\$ 1,331,538</u>	<u>\$ 900,785</u>	<u>\$ 245,181</u>	<u>\$ 183,164</u>	<u>\$ 2,660,668</u>

(9) Leasing arrangements — lessee

A. The Company leases various assets including buildings and transportation equipment. Rental contracts are typically made for periods of 4 months to 10 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
Buildings	\$ 75,565	\$ 150,121
Transportation equipment	4,465	9,488
	<u>\$ 80,030</u>	<u>\$ 159,609</u>
	2021	2020
	Depreciation charge	Depreciation charge
Buildings	\$ 102,726	\$ 98,874
Transportation equipment	3,333	4,279
	<u>\$ 106,059</u>	<u>\$ 103,153</u>

C. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$30,747 and \$83,729, respectively.

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

	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,282	\$ 2,086
Expense on leases of low-value and short-term assets	11,715	13,562
Expense on variable lease payments	27,493	29,530
(Loss) gain on lease modification	(689)	53

E. For the years ended December 31, 2021 and 2020, the Company's total cash outflow for leases were \$147,526 and \$147,771, respectively.

(10) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	\$ 2,000,000	0.68% ~ 0.78%	None
<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	\$ 3,000,000	0.73% ~ 0.85%	None

(11) Other payables

	December 31, 2021	December 31, 2020
Accrued salary and bonus	\$ 1,813,914	\$ 1,186,226
Accrued freight and import/export expense	1,780,045	1,171,050
Directors' remuneration and employees' compensation	1,647,800	796,500
Advertising expense payable	734,784	659,268
Accrued molding expense	349,850	333,861
Other accrued expenses	395,024	193,764
	\$ 6,721,417	\$ 4,340,669

(12) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by

December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

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

	December 31, 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	<u>\$ 211,818</u>	<u>\$ 220,314</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>2021</u>			
Balance at January 1	\$ 535,344	(\$ 315,030)	\$ 220,314
Current service cost	2,862	-	2,862
Interest expense (income)	<u>1,606</u>	<u>(945)</u>	<u>661</u>
	<u>539,812</u>	<u>(315,975)</u>	<u>223,837</u>
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	<u>(20,605)</u>	<u>-</u>	<u>(20,605)</u>
Experience adjustments	<u>24,754</u>	<u>-</u>	<u>24,754</u>
	<u>4,589</u>	<u>(4,739)</u>	<u>150</u>
Pension fund contribution	-	(11,869)	(11,869)
Paid pension	<u>(5,589)</u>	<u>5,589</u>	<u>-</u>
Balance at December 31	<u>\$ 538,812</u>	<u>(\$ 326,994)</u>	<u>\$ 211,818</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>2020</u>			
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
	<u>531,902</u>	<u>(305,015)</u>	<u>226,887</u>
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)
	<u>15,420</u>	<u>(10,314)</u>	<u>5,106</u>
Pension fund contribution	-	(11,679)	(11,679)
Paid pension	(11,978)	11,978	-
Balance at December 31	<u>\$ 535,344</u>	<u>(\$ 315,030)</u>	<u>\$ 220,314</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 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%
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 12,052)	\$ 12,472	\$ 10,852	(\$ 10,559)
<u>December 31, 2020</u>				
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 Company 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
	<u>\$ 574,852</u>

- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2021 and 2020 were \$125,277 and \$117,062, respectively.

(13) Provisions for liabilities

Warranty	2021	2020
At January 1	\$ 873,229	\$ 579,337
Additional provisions	1,177,540	852,890
Used during the period	(818,343)	(558,932)
Exchange differences	65	(66)
At December 31	<u>\$ 1,232,491</u>	<u>\$ 873,229</u>

Analysis of total provisions:

	December 31, 2021	December 31, 2020
Current	<u>\$ 1,232,491</u>	<u>\$ 873,229</u>

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

(14) Share capital

As of December 31, 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.

(15) Capital surplus

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

(16) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses, then 10% of the remaining amount shall be set aside or reversed as legal reserve. The balance plus unappropriated retained earnings at the beginning of the period shall be appropriated 10%~90% as proposed by the Board of Directors and resolved by the stockholders during their meeting.
- B. The Company's dividend policy is summarized below: as the Company operates in a volatile business environment and is in the stable growth stage, except for the Company's future expansion plans, stockholders' interest is taken into consideration. The Company appropriated dividends in proportion to total number of shares, dividends could be distributed in stock or cash, and cash dividends shall account for at least 30% of the total dividends distributed.

- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.
- E. The appropriations of 2020 and 2019 earnings had been resolved at the stockholders' meeting on July 16, 2021 and June 10, 2020, respectively 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

- F. The appropriations of 2021 earnings has been resolved at the Board of Directors' meeting on March 21, 2022 as follows:

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

As of the date of this financial report, the appropriations of 2021 earnings has not been resolved by the stockholders' meeting.

- G. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(21).

(17) Operating revenue

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

2021	Computer and peripherals segment	Other	Total
Total segment revenue	\$ 197,055,978	\$ 2,374	\$ 197,058,352
Timing of revenue recognition			
At a point in time	\$ 197,055,978	\$ 2,374	\$ 197,058,352

2020	Computer and peripherals segment	Other	Total
Total segment revenue	\$ 144,645,875	\$ 160,091	\$ 144,805,966
Timing of revenue recognition			
At a point in time	\$ 144,645,875	\$ 160,091	\$ 144,805,966

(18) Interest income

	2021	2020
Interest income from bank deposits	\$ 30,975	\$ 42,189
Interest income from financial assets measured at amortised cost	12,328	7,362
Total	\$ 43,303	\$ 49,551

(19) Other gains and losses

	2021	2020
Gains (losses) on financial assets liabilities at fair value through profit or loss	\$ 474,823	(\$ 57,442)
Net currency exchange losses	(760,646)	(79,460)
Gains on disposal of property, plant and equipment	7	-
Other losses	(5,853)	(1,494)
	(\$ 291,669)	(\$ 138,396)

(20) Expenses by nature

	2021	2020
Employee benefit expense	\$ 7,389,336	\$ 4,910,328
Depreciation charges	329,470	280,442
Amortisation charges	3	3
	\$ 7,718,809	\$ 5,190,773

(21) Employee benefit expense

	2021	2020
Wages and salaries	\$ 6,708,659	\$ 4,365,632
Labor and health insurance fees	293,676	231,595
Pension costs	128,800	121,975
Directors' remuneration	107,800	71,500
Other personnel expenses	150,401	119,626
Total	<u>\$ 7,389,336</u>	<u>\$ 4,910,328</u>

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

B. For the years ended December 31, 2021 and 2020, employees' compensation 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 respectively.

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

(22) Income tax

A. Income tax expense

(a) Components of income tax expense:

	2021	2020
Current tax:		
Current tax on profits for the period	\$ 3,630,245	\$ 1,803,899
Prior year income tax overestimation	(88,574)	(10,000)
Total current tax	<u>3,541,671</u>	<u>1,793,899</u>
Deferred tax:		
Origination and reversal of temporary differences	(197,002)	(325,324)
Total deferred tax	<u>(197,002)</u>	<u>(325,324)</u>
Income tax expense	<u>\$ 3,344,669</u>	<u>\$ 1,468,575</u>

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

	2021	2020
Remeasurement of defined benefit obligations	(\$ 30)	\$ 1,021
Unrealized gain or losses on fair value through other comprehensive income financial assets	9,425	-
Income tax expense	<u>\$ 9,395</u>	<u>\$ 1,021</u>

B. Reconciliation between income tax expense and accounting profit

	2021	2020
Tax calculated based on profit before tax and statutory tax rate	\$ 4,053,135	\$ 1,899,509
Effect from items disallowed by tax regulation	24,000	16,800
Temporary differences not recognised as deferred tax liabilities	(305,778)	(133,514)
Effect from investment tax credits	(407,669)	(302,078)
Effect of different tax rates in countries in which the group operates	(32,494)	(54,499)
Tax on undistributed earnings	102,049	52,357
Prior year income tax overestimation	(88,574)	(10,000)
Income tax expense	<u>\$ 3,344,669</u>	<u>\$ 1,468,575</u>

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

	2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Unrealized losses on inventory valuation	\$ 84,614	(\$ 1,961)	\$ -	\$ 82,653
Unrealized gross profit	438,111	130,092	-	568,203
Remeasurement of defined benefit obligations	35,156	-	(30)	35,126
Unrealized exchange loss	-	15,254	-	15,254
Unrealized loss on financial assets at fair value through other comprehensive income	-	-	9,425	9,425
Unrealized loss on financial assets (liabilities) at fair value through profit or loss	4,918	(4,918)	-	-
Others	150,502	69,072	-	219,574
Subtotal	713,301	207,539	9,395	930,235
-Deferred tax liabilities:				
Unrealized exchange gain	(6,084)	6,084	-	-
Unrealized gain on financial assets (liabilities) at fair value through profit or loss	-	(16,621)	-	(16,621)
Subtotal	(6,084)	(10,537)	-	(16,621)
Total	\$ 707,217	\$ 197,002	\$ 9,395	\$ 913,614

2020				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Unrealized losses on inventory valuation	\$ 76,369	\$ 8,245	\$ -	\$ 84,614
Unrealized gross profit	203,265	234,846	-	438,111
Remeasurement of defined benefit obligations	34,135	-	1,021	35,156
Unrealized loss on financial assets (liabilities) at fair value through profit or loss	-	4,918	-	4,918
Others	93,933	56,569	-	150,502
Subtotal	407,702	304,578	1,021	713,301
-Deferred tax liabilities:				
Unrealized exchange gain	(20,491)	14,407	-	(6,084)
Unrealized gain on financial assets (liabilities) at fair value through profit or loss	(6,339)	6,339	-	-
Subtotal	(26,830)	20,746	-	(6,084)
Total	\$ 380,872	\$ 325,324	\$ 1,021	\$ 707,217

- 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 unrecognized 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.

(23) Earnings per share

	2021		
	<u>Amount after tax</u>	<u>Retroactively adjusted weighted-average outstanding ordinary shares (in thousands)</u>	<u>Earnings per share (in NT dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 16,921,005</u>	<u>844,856</u>	<u>\$ 20.03</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 16,921,005	844,856	
Assumed conversion of all dilutive potential ordinary shares			
Employees compensation	<u>-</u>	<u>10,724</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 16,921,005</u>	<u>855,580</u>	<u>\$ 19.78</u>
	2020		
	<u>Amount after tax</u>	<u>Retroactively adjusted weighted-average outstanding ordinary shares (in thousands)</u>	<u>Earnings per share (in NT dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 7,959,505</u>	<u>844,856</u>	<u>\$ 9.42</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 7,959,505	844,856	
Assumed conversion of all dilutive potential ordinary shares			
Employees compensation	<u>-</u>	<u>7,225</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 7,959,505</u>	<u>852,081</u>	<u>\$ 9.34</u>

(24) Changes in liabilities from financing activities

	2021			
	Short-term borrowings	Lease liability	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	\$ 3,000,000	\$ 160,623	\$ 107,328	\$ 3,267,951
Changes in cash flow from financing activities	(1,000,000)	(107,036)	1,707	(1,105,329)
Changes in other non-cash items	-	27,169	-	27,169
At December 31	<u>\$ 2,000,000</u>	<u>\$ 80,756</u>	<u>\$ 109,035</u>	<u>\$ 2,189,791</u>
	2020			
	Short-term borrowings	Lease liability	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	\$ 1,500,000	\$ 179,905	\$ 91,809	\$ 1,771,714
Changes in cash flow from financing activities	1,500,000	(102,593)	15,519	1,412,926
Changes in other non-cash items	-	83,311	-	83,311
At December 31	<u>\$ 3,000,000</u>	<u>\$ 160,623</u>	<u>\$ 107,328</u>	<u>\$ 3,267,951</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company's shares are held by public, therefore there is no ultimate parent and controlling party.

(2) Names of related parties and relationship

Names of related parties	Relationship with the Company
MSI COMPUTER (AUSTRALIA) PTY. LTD. [MSI (AUSTRALIA)]	Subsidiary
MSI COMPUTER CORP. [MSI (LA)]	Subsidiary
MSI COMPUTER JAPAN CO., LTD. [MSI (JAPAN)]	Subsidiary
MICRO-STAR NETHERLANDS HOLDING B.V. [MSI (HOLDING)]	Subsidiary
MSI PACIFIC INTERNATIONAL HOLDING CO., LTD. [MSI(PACIFIC)]	Subsidiary
MICRO-STAR CANADA LTD. [MSI (CANADA)]	Subsidiary
MSI COMPUTER SARL [MSI (SARL)]	Second-tier subsidiary
MYSTAR COMPUTER B.V. [MYSTAR]	Second-tier subsidiary
MSI COMPUTER (UK) LTD. [MSI (UK)]	Second-tier subsidiary
MSI KOREA CO., LTD. [MSI (KOREA)]	Second-tier subsidiary
MSI POLSKA SP. Z O.O. [MSI (POLSKA)]	Second-tier subsidiary
MSI ITALY S.R.L. [MSI (ITALY)]	Second-tier subsidiary
MSI COMPUTER EUROPE B.V. [MSI (EUROPE)]	Second-tier subsidiary
LLC MSI COMPUTER [MSI (RUSSIA)]	Second-tier subsidiary
MHK INTERNATIONAL CO., LTD. [MSI (MHK)]	Second-tier subsidiary
MEGA COMPUTER CO., LTD. [MEGA COMPUTER]	Second-tier subsidiary
MSI IBERIA S.L. [MSI IBERIA]	Second-tier subsidiary
SHENZHEN MEGA INFORMATION CO., LTD. [MSI SHENZHEN]	Second-tier subsidiary
MSI ELECTRONICS (KUNSHAN) CO., LTD.[MSI ELECTRONICS (KUNSHAN)]	Second-tier subsidiary
MSI COMPUTER (SHENZHEN) CO., LTD.[MSI COMPUTER (SHENZHEN)]	Second-tier subsidiary

(3) Significant related party transactions

A. Sales revenue, net

	2021	2020
Sales of goods:		
MSI (LA)	\$ 33,939,565	\$ 28,697,320
Others	17,958,744	13,689,041
Total	<u>\$ 51,898,309</u>	<u>\$ 42,386,361</u>

The sales price and payment terms to related parties were not significantly different from those sales to third parties.

B. Manufacturing expense - processing costs

	2021	2020
Second-tier Subsidiary :		
MSI ELECTRONICS (KUNSHAN)	\$ 1,854,892	\$ 1,191,748
MSI COMPUTER (SHENZHEN)	3,756,620	2,986,307
Total	<u>\$ 5,611,512</u>	<u>\$ 4,178,055</u>

The Company subcontracts manufacturing to a second-tier subsidiary through first-tier subsidiaries. The transaction model is that the Company provides raw materials, mutually agreed with the second-tier subsidiary to process the products based on quantities, amounts and lead time of orders. The accounts payable would be paid depending on the cash flow situation of each company. The manner of carrying out the processing trade with the second-tier subsidiary is in

accordance with (1998) Tai-Cai-Zheng (6) Letter No. 00747 of Securities and Futures Commission, Ministry of Finance, R.O.C. Starting July 1, 2019, the Company agreed on manufacturing items with the second-tier subsidiary directly.

C. Operating expenses - after-sales service and advertisement expense

	2021	2020
Purchases of services:		
Others	\$ 2,856,805	\$ 2,166,466

The Company recognised the operating expenses monthly based on the amount of services provided by subsidiaries and second-tier subsidiaries, with the same credit term available to third parties.

D. Receivables from related parties

	December 31, 2021	December 31, 2020
Accounts receivable		
MSI (LA)	\$ 9,552,534	\$ 8,887,796
Others	2,008,932	1,399,833
Total	\$ 11,561,466	\$ 10,287,629

Accounts receivable mainly arises from sales, with the same credit term available to third parties.

E. Other payables

	December 31, 2021	December 31, 2020
MSI (PACIFIC)	\$ 5,162,082	\$ 4,719,950
Others	330,549	244,110
Total	\$ 5,492,631	\$ 4,964,060

The abovementioned other payables mainly arises from processing costs and purchases of services, with the same credit term available to third parties.

(4) Key management compensation

	2021	2020
Salaries and other short-term employee benefits	\$ 726,882	\$ 429,341
Post-employment benefits	2,012	2,052
Total	\$ 728,894	\$ 431,393

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies : None.

(2) Commitments : None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The Company passes the appropriations of 2021 earnings through the Board of Directors on March 21, 2022, please refer to Note 6(16).

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 98,813	\$ 79,297
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	20,857,916	15,776,634
Financial assets at amortised cost	-	1,000,000
Notes receivable	15	672
Accounts receivable	30,598,732	23,292,324
Other receivables	256,197	219,767
Guarantee deposits paid	26,832	24,719
	<u>\$ 51,943,352</u>	<u>\$ 40,517,751</u>
<u>Financial liabilities</u>		
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	33,416,836	26,409,577
Other accounts payables	12,214,048	9,304,729
Guarantee deposits received	109,035	107,328
	<u>\$ 47,755,627</u>	<u>\$ 38,925,519</u>
Lease liabilities	<u>\$ 80,756</u>	<u>\$ 160,623</u>

B. Risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.
- ii. Management has set up a policy to manage their foreign exchange risk against their functional currency.
- iii. The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.
- iv. The Company hedges foreign exchange rate by using forward exchange contracts. However, the Company does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
- v. The Company's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	December 31, 2021		
	Foreign Currency Amount (In Thousands)	Exchange rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 1,416,016	27.6800	\$ 39,195,325
RMB:NTD	777,489	4.3440	3,377,414
EUR: NTD	98,889	31.3200	3,097,198
<u>Non-monetary items</u>			
USD: NTD	322,280	27.6800	8,920,706
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1,330,426	27.6800	36,826,180
RMB:NTD	1,324,703	4.3440	5,754,511

(Foreign currency: functional currency)	December 31, 2020		
	Foreign Currency Amount (In Thousands)	Exchange rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 1,058,405	28.4800	\$ 30,143,386
EUR: NTD	110,096	35.0200	3,855,550
RMB:NTD	554,222	4.3770	2,425,829
KRW:NTD	17,763,543	0.0262	465,405
GBP: NTD	10,763	38.9000	418,664
<u>Non-monetary items</u>			
USD: NTD	266,744	28.4800	7,596,878
EUR: NTD	19,585	35.0200	685,857
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1,007,071	28.4800	28,681,375
RMB:NTD	1,151,692	4.3770	5,040,956
EUR: NTD	27,089	35.0200	948,652

- vi. The exchange loss arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2021 and 2020 amounted to \$760,646 and \$79,460, respectively.
- vii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

(Foreign currency: functional currency)	2021		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss (before tax)	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 391,953	\$ -
RMB:NTD	1%	33,774	-
EUR: NTD	1%	30,972	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1%	368,262	-
RMB:NTD	1%	57,545	-

	2020			
	Sensitivity analysis			
(Foreign currency: functional currency)	Degree of variation	Effect on profit or loss (before tax)	Effect on other comprehensive income	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD: NTD	1%	\$ 301,434	\$ -	-
EUR: NTD	1%	38,556		-
RMB:NTD	1%	24,258		-
KRW:NTD	1%	4,654		-
GBP: NTD	1%	4,187		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD: NTD	1%	286,814		-
RMB:NTD	1%	50,410		-
EUR: NTD	1%	9,487		-

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income.
- ii. The Company has investments in equity securities. The prices of equity securities would change due to the change in the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity for the years ended December 31, 2021 and 2020 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

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

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable, notes receivable and financial assets at amortised cost cash flow based on the agreed terms.
- ii. The Company manages their credit risk taking into consideration the entire company's concern. For banks and financial institutions, only parties with a rating of investment grade are accepted. According to the Company's credit policy, each local entity in the

Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilisation of credit limits is regularly monitored. Credit risk arises from credit exposures to wholesale and retail customers, including outstanding receivables.

- iii. The Company adopts assumptions, if the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - iv. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 150 days.
 - v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
 - vi. The Company applies the modified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis.
 - vii. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.
 - viii. The Company used the forecastability to adjust historical and timely information to assess the default possibility of debt instrument on December 31, 2021 and 2020. The expected credit loss rate of the Company's overdue accounts receivable was not material as of December 31, 2021 and 2020.
 - ix. The Company applies the simplified approach to provide loss allowance for accounts receivable that have no significant impact. The Company had not recognized the related impact as at December 31, 2021 and 2020.
- (c) Liquidity risk
- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Company's internal balance sheet

ratio targets and external regulatory or legal requirements.

- ii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

	Less than 1 year	Between 1 to 2 years	Between 2 to 3 years	Over 3 years
December 31, 2021				
Short-term borrowings	\$ 2,001,156	\$ -	\$ -	\$ -
Accounts payable	33,416,836	-	-	-
Other payables	12,214,048	-	-	-
Lease liabilities	62,700	13,780	3,739	456
Other financial liabilities	300	1,007	-	107,728

Non-derivative financial liabilities:

	Less than 1 year	Between 1 to 2 years	Between 2 to 3 years	Over 3 years
December 31, 2020				
Short-term borrowings	\$ 3,001,922	\$ -	\$ -	\$ -
Accounts payable	26,409,577	-	-	-
Other payables	9,304,729	-	-	-
Lease liabilities	100,705	53,088	4,727	3,043
Other financial liabilities	-	-	-	107,328

Derivative financial liabilities

As of December 31, 2021 and 2020, the derivative financial liabilities mature within 1 year.

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

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

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

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

December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
-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	<u>\$ -</u>	<u>\$ 98,813</u>	<u>\$ 104,847</u>	<u>\$ 203,660</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
-Forward exchange contract	<u>\$ -</u>	<u>\$ 15,708</u>	<u>\$ -</u>	<u>\$ 15,708</u>

December 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
-Forward exchange contract	\$ -	\$ 37	\$ -	\$ 37
-Foreign exchange swap	-	79,260	-	79,260
Financial assets at fair value through other comprehensive income				
-Equity securities	-	-	124,338	124,338
Total	<u>\$ -</u>	<u>\$ 79,297</u>	<u>\$ 124,338</u>	<u>\$ 203,635</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
-Forward exchange contract	<u>\$ -</u>	<u>\$ 103,885</u>	<u>\$ -</u>	<u>\$ 103,885</u>

D. The methods and assumptions the Company used to measure fair value are as follows:

- (a) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.
- (c) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

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

F. For the years ended December 31, 2021 and 2020, there was no transfer in or out from Level 3.

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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

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

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

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or

20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 2.

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

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

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

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

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

(4) Minority shareholders information

Major shareholders information: Please refer to table 8.

14. SEGMENT INFORMATION

Not applicable.

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

(Except as otherwise indicated)

Table 1

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

(Except as otherwise indicated)

Table 2

Transaction company (Note 4)	Name of the counter party (Note 4)	Relationship with the counterparty	Description of the transaction				Description and reasons of difference in transaction terms compared to third party transactions		Accounts or notes receivable (payable)		Footnote
			Purchases/(Sales)	Amount (Note 3)	% of total purchase (sale)	Credit terms	Unit price	Credit terms	Balance (Note 3)	% of total accounts or notes receivable/(payable)	
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (LA)	Subsidiary	Sales	\$ (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
(Except as otherwise indicated)

Table 3

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
(Except as otherwise indicated)

Table 4

Number	Company name (Note 4)	Counterparty (Note 4)	Relationship	Transaction			
				General ledger account	Amount (Note 1)	Transaction terms	Percentage of consolidated total operating revenues or total assets
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (KOREA)	Parent company to second-tier subsidiary	Sales	\$ 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

(Except as otherwise indicated)

Table 5

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)	Britain	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

(Except as otherwise indicated)

Table 6

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year 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)

Investee in Mainland China	Sales/ (Purchase)		Property transaction		Accounts receivable/ (payable)		Amount of endorsements/guarantees secured with collaterals		Accommodation of funds				
	Amount	%	Amount	%	Balance as of 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%

MICRO-STAR INTERNATIONAL CO., LTD.
CASH AND CASH EQUIVALENTS
DECEMBER 31, 2021

Table 1

Expressed in thousands of NTD

<u>Items</u>	<u>Summary</u>	<u>Amount</u>
Cash and cash in banks		
Cash on hand and revolving funds		\$ 1,556
Checking accounts deposits and demand deposits		8,477,577
Foreign exchange deposits	US\$184,662 thousand, conversion rate \$27.68	5,111,454
	Others	1,269,329
Time deposits	Interest rate range from 0.07% to 0.35%	5,998,000
		<u>\$ 20,857,916</u>

MICRO-STAR INTERNATIONAL CO., LTD.
ACCOUNTS RECEIVABLE
DECEMBER 31, 2021

Table 2

Expressed in thousands of NTD

<u>Customer name</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Non-related parties:			
CAA Company	\$	3,528,028	
CDD Company		1,580,678	
			The balance of each customer has not exceeded 5% of the accounts receivable.
Others		13,929,816	
Less: Allowance for doubtful accounts	(1,256)	
	\$	<u>19,037,266</u>	

MICRO-STAR INTERNATIONAL CO., LTD.
INVENTORIES
DECEMBER 31, 2021

Table 3

Expressed in thousands of NTD

<u>Items</u>	<u>Summary</u>	<u>Amount</u>		<u>Note</u>
		<u>Cost</u>	<u>Net realisable value</u>	
Materials		\$ 15,212,486	\$ 15,545,027	
Work in progress		-	-	
Finished goods		<u>23,001,870</u>	<u>25,582,069</u>	
		38,214,356	<u>\$ 41,127,096</u>	
Less: Allowance for valuation loss		(<u>413,261</u>)		
		<u>\$ 37,801,095</u>		

MICRO-STAR INTERNATIONAL CO., LTD.
MOVEMENT SUMMARY OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
DECEMBER 31, 2021

Table 4

Expressed in thousands of NTD

Name	Opening balance		Additions		Reductions		Closing balance			Market value price or per share		Note
	Number of Shares (per thousand share)	Amounts	Number of Shares (per thousand share)	Amounts	Number of Shares (per thousand share)	Amounts	Number of shares (per thousand share)	Ownership (%)	Amounts	Price (in NTD)	Total price	
MSI PACIFIC INTERNATIONAL HOLDING CO., LTD.	30,204	\$ 7,406,724	-	\$ 1,203,559	-	\$ -	30,204	100%	\$ 8,610,283	\$ 288.51	\$ 8,714,283	
MICRO-STAR NETHERLANDS HOLDING B.V.	424	685,857	-	-	-	(14,250)	424	100%	671,607	1,583.98	671,607	
MSI COMPUTER (AUSTRALIA) PTY. LTD.	222	8,644	-	1,052	-	-	222	100%	9,696	43.68	9,696	
MSI COMPUTER JAPAN CO., LTD.	1	19,238	-	665	-	-	1	100%	19,903	19,903.00	19,903	
MSI COMPUTER CORP.	575	72,605	-	121,806	-	-	575	100%	194,411	338.11	194,411	
MSI COMPUTER (CAYMAN) CO., LTD.	50	117,549	-	-	-	(3,040)	50	100%	114,509	2,290.18	114,509	
MICRO-STAR CANADA LTD.	100	3,297	-	1,825	-	-	100	100%	5,122	51.22	5,122	
		<u>\$ 8,313,914</u>		<u>\$ 1,328,907</u>		<u>(\$ 17,290)</u>			<u>\$ 9,625,531</u>		<u>\$ 9,729,531</u>	

MICRO-STAR INTERNATIONAL CO., LTD.
MOVEMENT SUMMARY OF PROPERTY, PLANT AND EQUIPMENT
DECEMBER 31, 2021

Table 5

Expressed in thousands of NTD

Please refer to the disclosure in Note 6(8).

MICRO-STAR INTERNATIONAL CO., LTD.
ACCOUNTS PAYABLE
DECEMBER 31, 2021

Table 6

Expressed in thousands of NTD

<u>Vendor name</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Non-related parties:			
SAA Company		\$ 4,922,611	
SGG Company		1,826,264	
			The balances of each expense account has not exceeded 5% of the accounts payable.
Others		<u>26,667,961</u>	
		<u>\$ 33,416,836</u>	

MICRO-STAR INTERNATIONAL CO., LTD.
OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021

Table 7

Expressed in thousands of NTD

<u>Items</u>	<u>Quantity</u>	<u>Amount</u>	<u>Note</u>
Computer and peripherals		\$ 197,055,978	
Others		2,374	
		<u>\$ 197,058,352</u>	

MICRO-STAR INTERNATIONAL CO., LTD.
OPERATING COST
FOR THE YEAR ENDED DECEMBER 31, 2021

Table 8

Expressed in thousands of NTD

	<u>Amount</u>
Direct material	
Raw materials at beginning	\$ 8,292,346
Add: Material purchased during the period	150,753,713
Less: Raw materials at the end	(15,212,486)
Cost of raw materials sales	(2,822,930)
Loss on physical raw materials	(2)
Loss on raw materials obsolescence	(3,247)
Consumption of materials for the period	141,007,394
Overhead	<u>6,819,321</u>
Manufacturing Cost	147,826,715
Add: Work in progress at the beginning	1,502,072
Less: Work in progress	<u>-</u>
Finished goods cost	149,328,787
Add: Finished goods at the beginning	17,745,028
Material purchases for the period	14,640,495
Less: Finished goods at the end	(23,001,870)
Loss on finished goods obsolescence	(5,097)
Cost of sales	158,707,343
Add: Cost of raw material sales	2,822,930
Loss on scrapping inventory	8,344
Loss on physical inventory	2
Transfer of warranty costs	1,200,282
Gain on increase in market value	(9,809)
Operating costs	<u>\$ 162,729,092</u>

MICRO-STAR INTERNATIONAL CO., LTD.
MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

Table 9

Expressed in thousands of NTD

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Processing		\$ 5,610,530	
Wages and salaries		637,907	
			The balances of each expense account has not exceeded 5% of the manufacturing expenses.
Other manufacturing expenses		570,884	
		<u>\$ 6,819,321</u>	

MICRO-STAR INTERNATIONAL CO., LTD.
SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

Table 10

Expressed in thousands of NTD

Items	Summary	Amount	Note
Freight		\$ 4,032,767	
Advertisement expense and international brand image expense		2,409,339	
Wages and salaries		1,873,608	
Import and export expenses		718,304	
Other expenses		<u>710,167</u>	The balances of each expense account has not exceeded 5% of the selling expenses.
		<u>\$ 9,744,185</u>	

MICRO-STAR INTERNATIONAL CO., LTD.
RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

Table 11

Expressed in thousands of NTD

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 3,413,572	
Others		1,303,526	The balances of each expense account has not exceeded 5% of the research and development expenses.
		<u>\$ 4,717,098</u>	

MICRO-STAR INTERNATIONAL CO., LTD.
EMPLOYEE BENEFITS, DEPRECIATION AND AMORTISATION EXPENSES SUMMARISED BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

Table 12

Expressed in thousands of NTD

By function By nature	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expense						
Wages and salaries	\$ 637,907	\$ 6,070,752	\$ 6,708,659	\$ 473,098	\$ 3,892,534	\$ 4,365,632
Labor and health insurance fees	36,789	256,887	293,676	29,394	202,201	231,595
Pension expense	15,354	113,446	128,800	14,685	107,290	121,975
Directors' remuneration	-	107,800	107,800	-	71,500	71,500
Other employee benefit expense	22,044	128,357	150,401	16,462	103,164	119,626
	\$ 712,094	\$ 6,677,242	\$ 7,389,336	\$ 533,639	\$ 4,376,689	\$ 4,910,328
Depreciation	\$ 200,193	\$ 129,277	\$ 329,470	\$ 168,581	\$ 111,861	\$ 280,442
Amortisation	\$ -	\$ 3	\$ 3	\$ -	\$ 3	\$ 3

Note:

- As at December 31, 2021 and 2020, the Company had 3,097 and 2,852 employees, including 3 and 3 non-employee directors, respectively.
- A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information :
 - Average employee benefit expense in current year \$2,353 (in thousand dollars) (『 Total employee benefit expense in current year- Total directors' remuneration 』 / 『 Number of employee in current year-Number of non-employee directors 』).
Average employee benefit expense in previous year \$1,698 (in thousand dollars) (『 Total employee benefit expense in previous year- Total directors' remuneration 』 / 『 Number of employee in previous year-Number of non-employee directors 』).

- (2) Average employees salaries in current year was \$2,168 (in thousand dollars) (Total wages and salaries in current year/ 『 Number of employee in current year-Number of non-employee directors 』).Average employees salaries in previous year was \$1,532 (in thousand dollars) (Total wages and salaries in previous year/ 『 Number of employee in previous year-Number of non-employee directors 』).
- (3) Adjustments of average employees salaries was 41.51% (『 Average employees salaries in current year-Average employees salaries in previous year 』 / Average employees salaries in previous year).
- (4) The Company did not have supervisors for the years ended December 31, 2021 and 2020. Therefore, there was no compensation to the supervisors.
- (5) The Company's compensation policies:
- A. The directors' remuneration policies:
- The Company's directors' remuneration policy is in accordance with Articles 16-4 and 19-1 of the Articles of Incorporation, directors' remuneration shall not be higher than 1% of the pre-tax profit before deduction of directors' remuneration and employees' compensation. The accumulated losses must be covered before distribution of remuneration. The project is proposed by the Compensation Committee then submitted to the Board of Directors for approval, and reported to the shareholders.
- B. The executive officers' compensation policies:
- The total compensation paid to the executive officers is decided based on their job responsibility, contribution, company performance and projected future development. It is reviewed by the Compensation Committee then submitted to the Board of Directors for approval.
- C. The employees' compensation policies:
- The Company has established "Regulations for Compensation Administration", "Regulations for Performance Evaluation" and "Employee Compensation Distribution and Shareholding Method", which provide reasonable salary and compensation through performance evaluation according to the position and contribution of employees. The compensation policies and methods are approved by the Compensation Committee; in addition, the "Company Regulations" clearly regulate employee behavior based on the appropriate rewards and penalties related to employee performance.