

Stock Code: 2377

## **Micro-Star International Co., Ltd.**

# **Handbook for the 2020 Annual Meeting of Shareholders**

MEETING TIME: June 10, 2020.

PLACE: 1F., No. 488, Bannan Rd., Zhonghe Dist., New Taipei City  
235, Taiwan R.O.C.

### Notice to readers

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

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# **Micro-Star International Co., Ltd.**

## **Procedure for the 2020 Annual Meeting of Shareholders**

Call the Meeting to order

Chairperson Remarks

Report Items

Adoption Items

Discussion Items

Extempore motions

Adjournment

# **Micro-Star International Co., Ltd.**

## **Year 2020**

### **Agenda of Annual Meeting of Shareholders**

**Time:** 9:00 a.m. on Wednesday, June 10, 2020.

**Place:** Company's conference room 3102 (1F., No. 488, Bannan Rd.,  
Zhonghe Dist., New Taipei City 235, Taiwan R.O.C.)

#### **Chairperson Remarks**

##### **I. Report Items:**

1. Business Report. of 2019.
2. The Audit Committee's Review Report on the 2019 Financial Statements.
3. Report of Employees' Compensation and Directors' Compensation for 2019.
4. The 2019 Earnings Distribution of cash dividends.

##### **II. Adoption Items:**

1. To adopt 2019 Business Report and Financial Statements.
2. To adopt the proposal for distribution of 2019 profits.

##### **III. Discussion Items**

1. Amendment to the "Articles of Incorporation".

##### **IV. Extempore motions**

##### **V. Adjournment**

# Reports Items

Report No. 1

Business Report of 2019

## Business Report

The global economy in 2019 has been affected by the US–China trade war, and unstable territorial politics. The uncertainty of supply–demand in the industrial chain surges and the operation faces more difficulties and challenges. We respond to the variables in the environment with flexible deployment, including expanding the production lines in Taiwan, and allying with US gaming platform design company BlueStacks to reach cloud game application. While pursuing the shipments of hardware, we enhance our ability to integrate software and hardware, and employ AI to add value to our products to reduce the impact from external variations. Besides the continuing provision of high-end gaming equipment and peripherals, we launch high-end image processing products to meet the demands from content creators. Products and OEM services in server, industrial computer, auto electronics businesses conjoin AIoT applications and offer different solutions in order to bring higher added value to the clients and create a win-win situation for shareholders, clients, employees and suppliers.

### I. Operating Performance in 2019

#### 1. Consolidated financial results

Unit: NT\$ thousands

Item \ Year	2019	2018	Growth amount	Growth rate
Sales revenue	120,491,417	118,527,273	1,964,144	1.66%
Gross profit	15,862,156	16,129,686	(267,530)	(1.66%)
Profit after tax	5,587,210	6,041,129	(453,919)	(7.51%)
Basic earnings per share(After-tax) (in NT dollars)	6.61	7.15	(0.54)	(7.55%)
Diluted earnings per share (After-tax) (in NT dollars)	6.56	7.08	(0.52)	(7.34%)

#### 2. Profitability analysis

Item	Year	Financial Analysis for the Last Two-Years	
		2019	2018
Financial structure(%)	Debt to asset ratio (%)	48.61	45.72
	Long-term capital to property, plant and equipment(%)	648.29	641.74
Solvency(%)	Current ratio(%)	188.25	199.30
	Quick ratio(%)	103.70	104.68
	Interest earned ratio (times) (%)	27,783.82	49,733.08
Profitability (%)	Return on assets (%)	9.71	11.60
	Return on shareholders' equity (%)	18.33	20.92
	Profit ratio (%)	4.64	5.10
	Basic after-tax EPS(NT\$)	6.61	7.15

### 3. Research and Development Status

MSI is the global benchmark brand in the field of gaming and digital content creation. Supported by advanced research and development, and motivated by client satisfaction, MSI commits itself to build fine digital products with excellent quality, design for humanity and style, and which keep creating user value.

In 2019 Computex, MSI GT76 Titan flagship laptop won the golden reward, the highest recognition. Four products, MSI Trident X Plus gaming desktop, MSI Optix MPG341CQR gaming monitor, MSI Prestige P100 Series creator desktop, and MS-9A95 AIoT cloud server and smart management solution for global customer service under the edge computing structure received the “Category Rewards”. We demonstrate a sound R&D technology in hardware, and show MSI’s ability of integrating software and hardware to the world. In 2019, nine products received Taiwan Excellence Awards. MSI promises that we will keep working in innovation, design and performance, and bring a higher product and service value to users.

## II. Operating Plan for 2020

To adjust to the future environment, MSI’s adopted operation guidelines, estimated goals and important sales strategies for 2020 are as follows:

### 1. operation guideline

- (1) Sales and marketing aspect: progressively explore new markets and new customers and establish a long-term entrusted stable business relationship with customers with potentials and sound financial status to create mutual benefits.
- (2) Product R&D aspect: Develop products which meet users’ needs.
- (3) Finance aspect: uphold the principle of steady and stable operation, and control various financial risks.
- (4) Manufacturing, quality and service aspect: continue implementing automated manufacturing to increase quality and efficiency. Improve repair and services to enhance customer satisfaction.

### 2. Sales forecast and the analysis

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

### 3. Important sales policies

- (1) Production policy aspect: Always paying attention to the global major political and economic situations to respond to the possible change in market demand and the suppliers’ productivity. To increase capacity utilization rate by adopting planned procurement of components. To adopt flexible production to reduce stock level yet fulfilling customer’s order demand. To observe the dynamic of supply chains and to ensure an effective production of employees, equipment, materials, and manufacturing methods.
- (2) Sales policy aspect: to provide good quality products that suit customers’ need. To gain a mutual success in sales target with our customers.

Looking forward into 2020, the uncertainty of the global ICT industry and macroeconomic environment keeps growing. Various competitions and challenges come along one after another due to the impact on supply and demand brought by the Covid-19 pandemic. As the outside environment changes rapidly, we will coordinate the sales, marketing, R&D, and operational departments, and keep raising the operational performance. Our employees will work together to promote every business to maintain the continuous growth of performance.

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

**Sincerely yours,**

**Chairman: Hsu, Hsiang**

Report No. 2

The Audit Committee's Review Report on the 2019 Financial Statements.

## **Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2019 Business Report, Financial Statements, and proposal for allocation of earnings. The CPA firm of PWC was retained to audit MSI's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Micro-Star International Co., Ltd. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

Micro-Star International Co., Ltd.

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

April 30, 2020

### **Report No. 3**

#### **Report of Employees' Compensation and Directors' Compensation for 2019.**

- (1) 2019 Employees' Compensation and Directors' Compensation distribution plan is in accordance with Article 235-1 of the Company Act and Article 19-1 of the Articles of Incorporation.
- (2) The company's 2019 profit before allocation of Employees' Compensation and Directors' Compensation of which an approximate 7.25% is distributed to Employees' Compensation, amount NT \$ 505,000,000 (all cash distribution) ; of which 0.71% is distributed to Directors' Compensation, amount NT\$49,500,000. Both Employees' Compensation and Directors' Compensation are distributed in cash.
- (3) The distribution above is resolved by the Company's Remuneration Committee and the Board of Directors. The above figures are no difference from the amount recognized in 2019.

### **Report No. 4**

#### **The 2019 Earnings Distribution of cash dividends.**

- (1) The Board of Directors is authorized to decide the distribution of partial or full dividends in cash, and report the decision to the shareholders meeting in accordance with Company Act in Paragraph 5 of Article 240 and Article 19 of the Articles of Incorporation. Shareholders' meeting may explicitly stipulate in the Articles of Incorporation to authorize the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be reported to the shareholders' meeting.
- (2) The distributable earnings of the year 2019 is NT\$3,548,396,035 will be distributed in cash totally to Shareholders' dividends(NT\$4.2 per share) have been approved by the board of directors on April 30, 2020. With the approval of the cash dividend by the meeting of shareholders, the chairperson will be authorized to determine the base date and distribution date of dividends. Cash dividends will be distributed up to one dollar (rounded down values below NT\$1). The odd amount will be combined to the Company's non-operating income.
- (3) The dividend rate changed after this date as the number of shares circulated on the market under the influence of the following factors: buying back of the company shares and transfer or revocation of treasury shares. Please allow the chairperson to handle the affair. The chairperson is authorized by the Board of Directors to make adjustment to such distribution at his discretion.

# Adoption Items

1.

Proposed by the Board

## Proposal:

Adoption of the 2019 Business Report and Financial Statements

## Explanation:

- (1) MSI Company's Financial Statements, including the balance sheet, income statement, statement of changes in shareholders' equity, and statement of cash flows, were audited by independent auditors, Liang, Hua-Ling and Lai, Chung-His of PricewaterhouseCoopers, Taiwan. Also Business Report and Financial Statements have been approved by the Board of Directors and examined by the Audit Committee.
- (2) The 2019 Business Report, independent auditors' audit report, and the above-mentioned Financial Statements. Please refer to page 3~6, 9~31.

## Resolution:

2.

Proposed by the Board

## Proposal:

Adoption of the Proposal for Distribution of 2019 Profits

## Explanation:

- (1) The Board of Directors has adopted a Proposal for Distribution of 2019 Profits in accordance with Article 19 of the Articles of Incorporation. 2019 Earnings Distribution Table as below.

Micro-Star International Co., Ltd.  
Earnings Distribution Table of 2019

(Unit: NT \$)

Items	Amount
Beginning retained earnings	11,486,820,218
+(-)2019 Other comprehensive net income (loss)	(8,063,302)
+2019 Net Profit after Tax	5,587,209,519
(-)10% Legal Reserve	(558,720,952)
(-)Special Reserve	(288,559,131)
(-)Cash Dividends to Share Holders (NT\$4.2 per share)	(3,548,396,035)
Unappropriated Retained Earnings	12,670,290,317

Chairman : Hsu, Hsiang

CEO : Chiang, Sheng-Chang

Accounting Officer : Lin, Hui-Chin

Note:

1. Profit of 2019 is prioritized for profit distribution this year.
2. The cash dividend distribution earnings of the year 2019 accordance with Company Act in Paragraph 5 of Article 240 and Article 19 of the Articles of Incorporation has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors and examined by the Audit Committee on April 30, 2020.

## Resolution:

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

### ***Opinion***

We have audited the accompanying consolidated balance sheets of MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES (the “Group”) as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

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

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group’s consolidated financial statements of the year ended December 31,

2019 are stated as follows:

### **Occurrence of sales revenue from significant customers**

#### Description

Please refer to Note 4(26) for accounting policies on revenue recognition. Other than international brands, the Group sells its products to customers in various countries. With the Group actively developing new products, sales revenue increases progressively every year, and the occurrence of sales revenue is critical to the financial statements. Thus, the occurrence of sales revenue from new significant customers, excluding international brands, 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 from new significant customers, and validated the operating effectiveness of those above mentioned internal controls.
- B. Obtained detailed listing of sales revenue from new significant customers in the current year, and validated supporting documents, including sales invoices, customer purchase orders and delivery documents.
- C. Inspected contents and relevant evidences in relation to sales returns and discounts occurring subsequent to the reporting period and assessed the reasonableness of respective sales revenue recognised.

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

#### Description

Please refer to Note 4(12), for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions applied on inventory valuation, and Note 6(5) for details of inventories. As of December 31, 2019, the balances of inventories and allowance for inventory valuation losses are NT\$23,062,460 thousand and NT\$534,260 thousand, respectively.

The Group is primarily engaged in manufacturing and sales of motherboard, interface card, notebook computer and other electronic products. Due to the rapid technological innovations, shorter electronic product life cycles, and the fluctuation of market prices within the industry, there is a higher risk of inventory losses due from market value decline or obsolescence. The Group recognises inventories at the lower of cost and net realisable value. As the monetary values of inventories are material, and there are various types of inventories, the estimation and determination of the net realisable value of inventories as of the balance sheet date are subject to management's judgement and contain a high level of uncertainty and have material effects on the financial statements, and 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. Assessed the reasonableness and the consistency of policies in relation to the provision of allowance for inventory valuation losses and procedures based on our understanding of the Group's operations and industry.
- B. Validated the appropriateness of system logic of the report of individually identified obsolete inventory prepared by management and confirmed the consistency with Group's policies.
- C. Validated the appropriateness of estimation basis for net realisable value of inventories and inspected respective supporting documents, including sales prices or purchase prices, reperformed the calculation of the report and assessed the reasonableness of management's determination of net realisable value of inventories.

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

We did not audit the financial statements of certain consolidated subsidiaries and investments accounted for under the equity method that are included in the consolidated financial statements. Those financial statements were audited by other independent accountants, whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on reports of the other independent accountants. Total assets of the abovementioned entities (including investments accounted for under the equity method) amounted to NT\$11,727,830 thousand and NT\$9,411,349 thousand as of December 31, 2019 and 2018, constituting 19% and 17% of consolidated total assets, respectively. Sales revenue of the above mentioned entities amounted to NT\$23,178,240 thousand and NT\$22,331,098 thousand, for the years ended December 31, 2019 and 2018, constituting 19% and 19% of consolidated total sales revenue, respectively.

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

We have audited and expressed an unmodified opinion with other matter section on the parent company only financial statements of MICRO-STAR INTERNATIONAL CO., LTD. as of and for the years ended December 31, 2019 and 2018.

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

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

due to fraud or error.

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

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

### ***Independent accountant's responsibilities for the audit of the consolidated financial statements***

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial

statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Liang, Hua-Ling

Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 20, 2020

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

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

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 10,834,884	18	\$ 8,815,680	16
1110	Financial assets at fair value through profit or loss - current	6(2)	152,805	-	98,400	-
1150	Notes receivable, net	6(4)	47,114	-	35,183	-
1170	Accounts receivable, net	6(4)	17,205,783	29	16,040,189	29
1200	Other receivables		227,116	-	159,681	-
1220	Current income tax assets		16,417	-	44,944	-
130X	Inventories, net	6(5)	22,527,840	37	22,052,862	40
1410	Prepayments	6(6)	1,675,701	3	1,381,022	3
1476	Other current financial assets		1,200,000	2	728,936	1
11XX	<b>Total current assets</b>		<u>53,887,660</u>	<u>89</u>	<u>49,356,897</u>	<u>89</u>
<b>Non-current assets</b>						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	151,975	-	-	-
1600	Property, plant and equipment	6(7) and 8	4,893,433	8	4,738,544	9
1755	Right-of-use assets	6(8)	474,897	1	-	-
1760	Investment property - net	6(10)	300,559	1	341,241	1
1840	Deferred income tax assets	6(25)	471,523	1	438,204	1
1900	Other non-current assets	6(11) and 8	168,661	-	299,287	-
15XX	<b>Total non-current assets</b>		<u>6,461,048</u>	<u>11</u>	<u>5,817,276</u>	<u>11</u>
1XXX	<b>Total assets</b>		<u>\$ 60,348,708</u>	<u>100</u>	<u>\$ 55,174,173</u>	<u>100</u>

(Continued)

**MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>						
2100	Short-term borrowings	6(12)	\$ 1,500,000	3	\$ 3,000,000	6
2120	Financial liabilities at fair value through profit or loss - current	6(2)	24,943	-	5,555	-
2150	Notes payable		-	-	200	-
2170	Accounts payable		20,391,520	34	14,933,624	27
2200	Other payables	6(13)	3,844,835	6	3,418,250	6
2230	Current income tax liabilities		402,714	1	1,017,290	2
2250	Provision for liabilities - current	6(16)	556,720	1	501,095	1
2280	Current lease liabilities		159,081	-	-	-
2365	Refund liabilities- current		1,636,499	3	1,796,905	3
2399	Other current liabilities, others		108,961	-	92,142	-
21XX	<b>Total current liabilities</b>		<u>28,625,273</u>	<u>48</u>	<u>24,765,061</u>	<u>45</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(14) and 8	15,095	-	16,442	-
2570	Deferred income tax liabilities	6(25)	27,214	-	2,297	-
2580	Non-current lease liabilities		247,767	1	-	-
2640	Net defined benefit liability, non-current	6(15)	221,974	-	217,609	-
2670	Other non-current liabilities, others		198,920	-	226,903	1
25XX	<b>Total non-current liabilities</b>		<u>710,970</u>	<u>1</u>	<u>463,251</u>	<u>1</u>
2XXX	<b>Total liabilities</b>		<u>29,336,243</u>	<u>49</u>	<u>25,228,312</u>	<u>46</u>
<b>Equity attributable to owners of parent</b>						
<b>Share capital</b>						
3110	Share capital - common stock	6(17)	8,448,562	14	8,448,562	15
<b>Capital surplus</b>						
3200	Capital surplus	6(18)	803,918	1	1,226,049	2
<b>Retained earnings</b>						
3310	Legal reserve	6(19)	4,982,577	8	4,378,464	8
3320	Special reserve		505,966	1	421,815	1
3350	Unappropriated retained earnings		17,065,967	28	15,976,937	29
<b>Other equity interest</b>						
3400	Other equity interest		( 794,525)	( 1)	( 505,966)	( 1)
31XX	<b>Equity attributable to owners of the parent</b>		<u>31,012,465</u>	<u>51</u>	<u>29,945,861</u>	<u>54</u>
3XXX	<b>Total equity</b>		<u>31,012,465</u>	<u>51</u>	<u>29,945,861</u>	<u>54</u>
3X2X	<b>Total liabilities and equity</b>		<u>\$ 60,348,708</u>	<u>100</u>	<u>\$ 55,174,173</u>	<u>100</u>

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

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	Year ended December 31			
			2019		2018	
			AMOUNT	%	AMOUNT	%
4000	<b>Sales revenue</b>	6(20)	\$ 120,491,417	100	\$ 118,527,273	100
5000	<b>Operating costs</b>	6(5)(23)	( 104,629,261)	( 87)	( 102,397,587)	( 86)
5900	<b>Net operating margin</b>		<u>15,862,156</u>	<u>13</u>	<u>16,129,686</u>	<u>14</u>
	<b>Operating expenses</b>	6(23)				
6100	Selling expenses		( 5,508,321)	( 4)	( 5,166,468)	( 4)
6200	General and administrative expenses		( 1,070,509)	( 1)	( 921,767)	( 1)
6300	Research and development expenses		( 3,315,224)	( 3)	( 3,347,836)	( 3)
6450	Expected credit loss		( 15,696)	-	( 1,665)	-
6000	<b>Total operating expenses</b>		<u>( 9,909,750)</u>	<u>( 8)</u>	<u>( 9,437,736)</u>	<u>( 8)</u>
6900	<b>Operating profit</b>		<u>5,952,406</u>	<u>5</u>	<u>6,691,950</u>	<u>6</u>
	<b>Non-operating income and expenses</b>					
7010	Other income	6(21)	715,283	-	655,733	-
7020	Other gains and losses	6(22)	( 125,710)	-	( 182,141)	-
7050	Finance costs		( 23,546)	-	( 14,408)	-
7000	<b>Total non-operating income and expenses</b>		<u>566,027</u>	<u>-</u>	<u>459,184</u>	<u>-</u>
7900	<b>Profit before income tax</b>		<u>6,518,433</u>	<u>5</u>	<u>7,151,134</u>	<u>6</u>
7950	Income tax expense	6(25)	( 931,223)	( 1)	( 1,110,005)	( 1)
8200	<b>Profit for the year</b>		<u>\$ 5,587,210</u>	<u>4</u>	<u>\$ 6,041,129</u>	<u>5</u>
	<b>Other comprehensive income</b>					
	<b>Components of other comprehensive loss that will not be reclassified to profit or loss</b>					
8311	Actuarial loss on defined benefit plan	6(15)	( \$ 10,079)	-	( \$ 21,430)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	<u>2,016</u>	<u>-</u>	<u>8,461</u>	<u>-</u>
8310	<b>Components of other comprehensive loss that will not be reclassified to profit or loss</b>		<u>( 8,063)</u>	<u>-</u>	<u>( 12,969)</u>	<u>-</u>
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361	Financial statements translation differences of foreign operations		( 288,559)	-	( 84,151)	-
8360	<b>Components of other comprehensive loss that will be reclassified to profit or loss</b>		<u>( 288,559)</u>	<u>-</u>	<u>( 84,151)</u>	<u>-</u>
8300	<b>Total other comprehensive loss for the year</b>		<u>( \$ 296,622)</u>	<u>-</u>	<u>( \$ 97,120)</u>	<u>-</u>
8500	<b>Total comprehensive income for the year</b>		<u>\$ 5,290,588</u>	<u>4</u>	<u>\$ 5,944,009</u>	<u>5</u>
	<b>Profit attributable to:</b>					
8610	Owners of the parent		<u>\$ 5,587,210</u>	<u>4</u>	<u>\$ 6,041,129</u>	<u>5</u>
	<b>Comprehensive income attributable to:</b>					
8710	Owners of the parent		<u>\$ 5,290,588</u>	<u>4</u>	<u>\$ 5,944,009</u>	<u>5</u>
	<b>Earnings per share (in dollars)</b>	6(26)				
9750	<b>Basic earnings per share</b>		<u>\$ 6.61</u>		<u>\$ 7.15</u>	
9850	<b>Diluted earnings per share</b>		<u>\$ 6.56</u>		<u>\$ 7.08</u>	

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

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars)

Notes	Equity attributable to owners of the parent									
	Share capital - common stock	Capital surplus				Retained earnings			Financial statements translation differences of foreign operations	Total equity
		Additional paid-in capital	Treasury stock transactions	Donated assets received	Employee stock warrants	Legal reserve	Special reserve	Unappropriated retained earnings		
<u>2018</u>										
Balance at January 1, 2018	\$ 8,448,562	\$ 1,050,563	\$ 130,592	\$ -	\$ 44,460	\$ 3,884,722	\$ 389,482	\$ 14,276,704	(\$ 421,815)	\$ 27,803,270
Profit for the year	-	-	-	-	-	-	-	6,041,129	-	6,041,129
Other comprehensive loss for the year	-	-	-	-	-	-	-	(12,969)	(84,151)	(97,120)
Total comprehensive income	-	-	-	-	-	-	-	6,028,160	(84,151)	5,944,009
Appropriations of 2017 earnings :	6(19)									
Legal reserve	-	-	-	-	-	493,742	-	(493,742)	-	-
Special reserve	-	-	-	-	-	-	32,333	(32,333)	-	-
Cash dividends	-	-	-	-	-	-	-	(3,801,852)	-	(3,801,852)
Due to donated assets received	-	-	-	434	-	-	-	-	-	434
Balance at December 31, 2018	\$ 8,448,562	\$ 1,050,563	\$ 130,592	\$ 434	\$ 44,460	\$ 4,378,464	\$ 421,815	\$ 15,976,937	(\$ 505,966)	\$ 29,945,861
<u>2019</u>										
Balance at January 1, 2019	\$ 8,448,562	\$ 1,050,563	\$ 130,592	\$ 434	\$ 44,460	\$ 4,378,464	\$ 421,815	\$ 15,976,937	(\$ 505,966)	\$ 29,945,861
Profit for the year	-	-	-	-	-	-	-	5,587,210	-	5,587,210
Other comprehensive loss for the year	-	-	-	-	-	-	-	(8,063)	(288,559)	(296,622)
Total comprehensive income	-	-	-	-	-	-	-	5,579,147	(288,559)	5,290,588
Appropriation of 2018 earnings	6(19)									
Legal reserve	-	-	-	-	-	604,113	-	(604,113)	-	-
Special reserve	-	-	-	-	-	-	84,151	(84,151)	-	-
Cash dividends	-	-	-	-	-	-	-	(3,801,853)	-	(3,801,853)
Cash distribution from capital surplus	6(19)	(422,429)	-	-	-	-	-	-	-	(422,429)
Due to donated assets received	-	-	-	298	-	-	-	-	-	298
Balance at December 31, 2019	\$ 8,448,562	\$ 628,134	\$ 130,592	\$ 732	\$ 44,460	\$ 4,982,577	\$ 505,966	\$ 17,065,967	(\$ 794,525)	\$ 31,012,465

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

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2019	2018
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 6,518,433	\$ 7,151,134
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including right-of-use assets and investment properties)		890,056	685,785
Amortization (including long-term prepaid rents)	6(23)	224	9,188
Expected credit loss		15,696	1,665
Net gains on financial assets and liabilities at fair value through profit or loss		( 39,222 )	( 70,334 )
Interest expense		23,546	14,408
Interest income	6(21)	( 82,368 )	( 88,788 )
Gain on disposal of property, plant and equipment	6(22)	( 2,906 )	( 46,913 )
Loss on disposal of investments		-	2,849
Gain on lease modification		( 214 )	-
Loss on unrealized foreign currency exchange		24,242	28,275
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets held for trading		-	( 26,147 )
Notes receivable, net		( 11,931 )	( 35,162 )
Accounts receivable		( 1,179,668 )	899,718
Other receivables		( 70,951 )	182,643
Inventories, net		( 474,978 )	( 5,731,835 )
Prepayments		( 294,679 )	( 88,294 )
Other current financial assets		( 471,064 )	( 660,101 )
Other non-current assets		97,176	3,808
Changes in operating liabilities			
Notes payable		( 200 )	200
Accounts payable		5,457,896	( 1,098,711 )
Other payables		427,104	( 70,215 )
Provision for liabilities - current		55,625	46,351
Current refund liabilities		( 160,406 )	( 36,726 )
Other current liabilities, others		16,728	( 12,732 )
Net defined benefit liability		( 5,714 )	( 6,578 )
Cash inflow generated from operations		10,732,425	1,053,488
Interest received		84,991	86,892
Interest paid		( 23,559 )	( 13,974 )
Income tax paid		( 1,520,287 )	( 1,042,224 )
Net cash flows from operating activities		<u>9,273,570</u>	<u>84,182</u>

(Continued)

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through other comprehensive income	6(3)	(\$ 151,975 )	\$ -
Acquisition of property, plant and equipment	6(7)	( 982,667 )	( 450,502 )
Proceeds from disposal of property, plant and equipment		57,700	50,311
Acquisition of investment properties	6(10)	( 3,602 )	( 2,409 )
Increase in refundable deposits		( 15,894 )	( 3,620 )
Increase in other financial assets		( 19,121 )	( 46,369 )
Net cash flows used in investing activities		( 1,115,559 )	( 452,589 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease (increase) in short-term borrowings		( 1,500,000 )	3,000,000
Repayment of the principal portion of lease liabilities		( 152,916 )	-
Payment of long-term borrowings		( 843 )	( 898 )
(Decrease) increase in guarantee deposits received		( 27,983 )	33,807
Cash dividends paid	6(19)	( 3,801,853 )	( 3,801,852 )
Cash distribution from capital surplus	6(19)	( 422,429 )	-
Due to donated assets received		298	434
Net cash flows used in financing activities		( 5,905,726 )	( 768,509 )
Effect of exchange rate		( 233,081 )	( 75,468 )
Net increase (decrease) in cash and cash equivalents		2,019,204	( 1,212,384 )
Cash and cash equivalents at beginning of year	6(1)	8,815,680	10,028,064
Cash and cash equivalents at end of year	6(1)	\$ 10,834,884	\$ 8,815,680

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

## REPORT OF INDEPENDENT ACCOUNTANTS 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, 2019 and 2018, 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, 2019 and 2018, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

### ***Basis for opinion***

We conducted our 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 Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our ethical responsibilities in accordance with the Code. Based on our audits and the audit reports of other independent accountants, 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 of the year ended December 31, 2019. 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, 2019 are stated as follows:

### **Occurrence of sales revenue from significant customers**

#### Description

Please refer to Note 4(24) for accounting policies on revenue recognition. Other than international brands, the Company sells its products to customers in various countries. With the Company actively developing new products, sales revenue increases progressively every year, and the occurrence of sales revenue is critical to the financial statements. Thus, the occurrence of sales revenue from new significant customers, excluding international brands, 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 from new significant customers, and validated the operating effectiveness of those abovementioned internal controls.
- B. Obtained detailed listing of sales revenue from new significant customers in the current year, and validated supporting documents, including sales invoices, customer purchase orders and delivery documents.
- C. Inspected contents and relevant evidences in relation to sales returns and discounts occurring subsequent to the reporting period and assessed the reasonableness of respective sales revenue recognized.

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

#### Description

Please refer to Note 4(10), for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions applied on inventory valuation, and Note 6(5) for details of inventories. As of December 31, 2019, the balances of inventories and allowance for inventory valuation losses are NT\$23,137,902 thousand and NT\$381,847 thousand, respectively.

The Company is primarily engaged in manufacturing and sales of motherboard, interface card, notebook computer and other electronic products. Due to the rapid technological innovations, shorter electronic product life cycles, and the fluctuation of market prices within the industry, 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 inventories are material, and there are various types of inventories, the estimation and determination of the net realisable value of inventories at the balance sheet date are subject to management's judgement and contain a high level of uncertainty and have material effects of the financial statements, and 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. Assessed the reasonableness and the consistency of policies in relation to the provision of allowance for inventory valuation losses and procedures based on our understanding of the Company's operations and industry.
- B. Validated the appropriateness of system logic of the report of individually identified obsolete inventory prepared by management and confirmed the consistency with Company's policies.
- C. Validated the appropriateness of estimation basis for net realisable value of inventories and inspected respective supporting documents, including sale prices or purchase prices, reperformed the calculation of the report and assessed the reasonableness of management's determination of net realizable value of inventories.

***Other matter-Reference to audits of other independent accountants***

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 accountants, whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on reports of the other independent accountants. Total assets of the abovementioned investees (including investments accounted for under the equity method) amounted to NT\$1,097,458 thousand and NT\$1,054,586 thousand as at December 31, 2019 and 2018, constituting 1.75% and 1.83% of total assets, respectively. Comprehensive income of the abovementioned investees amounted to NT\$88,436 thousand and NT\$28,776 thousand, for the years ended December 31, 2019 and 2018, constituting 1.67% and 0.48% 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 audit committee, are responsible for overseeing the Company’s financial reporting process.

### ***Independent accountant's responsibilities for the audit of the parent company only financial statements***

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

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

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 auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Liang, Hua-Ling

Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 20, 2020

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

Assets	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 8,881,827	14	\$ 6,979,442	12
1110	Financial assets at fair value through profit or loss - current	6(2)	56,641	-	14,332	-
1150	Notes receivable, net	6(4)	3,929	-	2,377	-
1170	Accounts receivable, net	6(4)	10,846,273	18	10,736,410	19
1180	Accounts receivable - related parties	7	6,632,030	11	5,881,877	10
1200	Other receivables		157,760	-	91,329	-
130X	Inventories, net	6(5)	22,756,055	36	22,167,051	39
1410	Prepayments		1,351,294	2	1,115,391	2
1476	Other current financial assets		1,200,000	2	728,936	1
11XX	<b>Total current assets</b>		<u>51,885,809</u>	<u>83</u>	<u>47,717,145</u>	<u>83</u>
<b>Non-current assets</b>						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	151,975	-	-	-
1550	Investments accounted for under equity method	6(6)	7,496,491	12	7,099,071	12
1600	Property, plant and equipment	6(7)	2,567,030	4	2,363,138	4
1755	Right-of-use assets	6(8)	179,398	-	-	-
1840	Deferred income tax assets	6(21)	407,702	1	392,815	1
1900	Other non-current assets		18,890	-	5,603	-
15XX	<b>Total non-current assets</b>		<u>10,821,486</u>	<u>17</u>	<u>9,860,627</u>	<u>17</u>
1XXX	<b>Total assets</b>		<u>\$ 62,707,295</u>	<u>100</u>	<u>\$ 57,577,772</u>	<u>100</u>

(Continued)

MICRO-STAR INTERNATIONAL CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>						
2100	Short-term borrowings	6(9)	\$ 1,500,000	2	\$ 3,000,000	5
2120	Financial liabilities at fair value	6(2)				
	through profit or loss - current		24,943	-	5,555	-
2150	Notes payable		-	-	200	-
2170	Accounts payable		19,764,458	32	14,658,805	25
2200	Other payables	6(10)	3,049,919	5	2,754,512	5
2220	Other payables - related parties	7	4,272,610	7	3,671,761	6
2230	Current income tax liabilities	6(21)	362,183	1	961,026	2
2250	Provisions for liabilities - current	6(12)	579,337	1	514,601	1
2280	Current lease liabilities		71,892	-	-	-
2365	Refund liabilities-current		1,555,509	2	1,702,658	3
2399	Other current liabilities, others		65,353	-	27,539	-
21XX	<b>Total current Liabilities</b>		<u>31,246,204</u>	<u>50</u>	<u>27,296,657</u>	<u>47</u>
<b>Non-current liabilities</b>						
2570	Deferred income tax liabilities	6(21)	26,830	-	1,755	-
2580	Non-current lease liabilities		108,013	-	-	-
2640	Net defined benefit liability,	6(11)				
	non-current		221,974	1	217,609	1
2670	Other non-current liabilities, others		91,809	-	115,890	-
25XX	<b>Total non-current liabilities</b>		<u>448,626</u>	<u>1</u>	<u>335,254</u>	<u>1</u>
2XXX	<b>Total Liabilities</b>		<u>31,694,830</u>	<u>51</u>	<u>27,631,911</u>	<u>48</u>
<b>Equity</b>						
<b>Share capital</b>						
3110	Share capital - common stock	6(13)	8,448,562	13	8,448,562	15
<b>Capital surplus</b>						
3200	Capital surplus	6(14)	803,918	1	1,226,049	2
<b>Retained earnings</b>						
3310	Legal reserve	6(15)	4,982,577	8	4,378,464	7
3320	Special reserve		505,966	1	421,815	1
3350	Unappropriated retained earnings		17,065,967	27	15,976,937	28
<b>Other equity interest</b>						
3400	Other equity interest		( 794,525)	( 1)	( 505,966)	( 1)
3XXX	<b>Total equity</b>		<u>31,012,465</u>	<u>49</u>	<u>29,945,861</u>	<u>52</u>
3X2X	<b>Total liabilities and equity</b>		<u>\$ 62,707,295</u>	<u>100</u>	<u>\$ 57,577,772</u>	<u>100</u>

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

Items	Notes	Year ended December 31				
		2019		2018		
		AMOUNT	%	AMOUNT	%	
4000	<b>Sales revenue</b>	6(16) and 7	\$ 118,740,373	100	\$ 116,988,422	100
5000	<b>Operating costs</b>	6(5)(20) and 7	( 105,097,585)	( 89)	( 102,756,311)	( 88)
5900	<b>Net operating margin</b>		<u>13,642,788</u>	<u>11</u>	<u>14,232,111</u>	<u>12</u>
	<b>Operating expenses</b>	6(20) and 7				
6100	Selling expenses		( 4,689,816)	( 4)	( 4,474,176)	( 4)
6200	General and administrative expenses		( 526,354)	-	( 445,352)	-
6300	Research and development expenses		( 2,937,315)	( 2)	( 2,983,104)	( 3)
6450	Expected credit (loss) gain	6(4)	( 4,095)	-	10,637	-
6000	<b>Total operating expenses</b>		<u>( 8,157,580)</u>	<u>( 6)</u>	<u>( 7,891,995)</u>	<u>( 7)</u>
6900	<b>Operating profit</b>		<u>5,485,208</u>	<u>5</u>	<u>6,340,116</u>	<u>5</u>
	<b>Non-operating income and expenses</b>					
7010	Other income	6(17)	297,400	-	401,353	-
7020	Other gains and losses	6(2)(18)	( 50,864)	-	( 119,607)	-
7050	Finance costs		( 13,504)	-	( 9,029)	-
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(6)	<u>685,979</u>	<u>1</u>	<u>416,401</u>	<u>1</u>
7000	<b>Total non-operating income and expenses</b>		<u>919,011</u>	<u>1</u>	<u>689,118</u>	<u>1</u>
7900	<b>Profit before income tax</b>		<u>6,404,219</u>	<u>6</u>	<u>7,029,234</u>	<u>6</u>
7950	Income tax expense	6(21)	( 817,009)	( 1)	( 988,105)	( 1)
8200	<b>Profit for the year</b>		<u>\$ 5,587,210</u>	<u>5</u>	<u>\$ 6,041,129</u>	<u>5</u>
	<b>Other comprehensive income</b>					
	<b>Other components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311	Other comprehensive income, before tax, actuarial losses on defined benefit plans	6(11)	( \$ 10,079)	-	( \$ 21,430)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(21)	<u>2,016</u>	-	<u>8,461</u>	-
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>		<u>( 8,063)</u>	-	<u>( 12,969)</u>	-
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361	Financial statements translation differences of foreign operations		( 288,559)	-	( 84,151)	-
8360	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>		<u>( 288,559)</u>	-	<u>( 84,151)</u>	-
8300	<b>Total other comprehensive loss for the year</b>		<u>( \$ 296,622)</u>	-	<u>( \$ 97,120)</u>	-
8500	<b>Total comprehensive income for the year</b>		<u>\$ 5,290,588</u>	<u>5</u>	<u>\$ 5,944,009</u>	<u>5</u>
	<b>Basic earnings per share</b>	6(22)				
9750	<b>Total basic earnings per share</b>		<u>\$ 6.61</u>		<u>\$ 7.15</u>	
9850	<b>Total diluted earnings per share</b>		<u>\$ 6.56</u>		<u>\$ 7.08</u>	

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

	Notes	Capital Surplus					Retained Earnings			Financial statements translation differences of foreign operations	Total equity
		Share capital - common stock	Additional paid-in capital	Treasury stock transactions	Donated assets received	Employee stock warrants	Legal reserve	Special reserve	Unappropriated retained earnings		
<b>2018</b>											
Balance at January 1, 2018		\$ 8,448,562	\$ 1,050,563	\$ 130,592	\$ -	\$ 44,460	\$ 3,884,722	\$ 389,482	\$ 14,276,704	(\$ 421,815)	\$ 27,803,270
Profit for the year		-	-	-	-	-	-	-	6,041,129	-	6,041,129
Other comprehensive loss for the year		-	-	-	-	-	-	-	(12,969)	(84,151)	(97,120)
Total comprehensive income		-	-	-	-	-	-	-	6,028,160	(84,151)	5,944,009
Appropriations of 2017 earnings (Note) :	6(15)										
Legal reserve		-	-	-	-	-	493,742	-	(493,742)	-	-
Special reserve		-	-	-	-	-	-	32,333	(32,333)	-	-
Cash dividends		-	-	-	-	-	-	-	(3,801,852)	-	(3,801,852)
Due to donated assets received		-	-	-	434	-	-	-	-	-	434
Balance at December 31, 2018		\$ 8,448,562	\$ 1,050,563	\$ 130,592	\$ 434	\$ 44,460	\$ 4,378,464	\$ 421,815	\$ 15,976,937	(\$ 505,966)	\$ 29,945,861
<b>2019</b>											
Balance at January 1, 2019		\$ 8,448,562	\$ 1,050,563	\$ 130,592	\$ 434	\$ 44,460	\$ 4,378,464	\$ 421,815	\$ 15,976,937	(\$ 505,966)	\$ 29,945,861
Profit for the year		-	-	-	-	-	-	-	5,587,210	-	5,587,210
Other comprehensive loss for the year		-	-	-	-	-	-	-	(8,063)	(288,559)	(296,622)
Total comprehensive income		-	-	-	-	-	-	-	5,579,147	(288,559)	5,290,588
Appropriations of 2018 earnings (Note) :	6(15)										
Legal reserve		-	-	-	-	-	604,113	-	(604,113)	-	-
Special reserve		-	-	-	-	-	-	84,151	(84,151)	-	-
Cash dividends		-	-	-	-	-	-	-	(3,801,853)	-	(3,801,853)
Cash dividends from capital surplus	6(14)	-	(422,429)	-	-	-	-	-	-	-	(422,429)
Due to donated assets received		-	-	-	298	-	-	-	-	-	298
Balance at December 31, 2019		\$ 8,448,562	\$ 628,134	\$ 130,592	\$ 732	\$ 44,460	\$ 4,982,577	\$ 505,966	\$ 17,065,967	(\$ 794,525)	\$ 31,012,465

Note: The directors' and supervisors' remuneration were \$49,500 and \$49,500, and employees' bonuses were \$515,000 and \$505,000 in 2017 and 2018, respectively, which had been deducted from net income for the year.

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

	Notes	Years ended December 31	
		2019	2018
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 6,404,219	\$ 7,029,234
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(8)(19)	157,384	74,533
Amortization	6(19)	4	23
Expected credit gain	6(4)	4,095	( 10,637 )
Net gains on financial assets and liabilities at fair value through profit or loss		( 22,921 )	( 12,309 )
Interest expense		13,504	9,029
Interest income	6(17)	( 57,384 )	( 69,958 )
Share of profit of associates and joint ventures accounted for using equity method		( 685,979 )	( 416,401 )
Gain on disposal of property, plant and equipment	6(18)	( 11 )	( 300 )
Gain on lease modification		( 163 )	-
Loss on unrealized foreign currency exchange		24,242	28,275
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		( 1,552 )	( 2,356 )
Accounts receivable		( 113,958 )	831,502
Accounts receivable due from related parties		( 750,153 )	( 416,752 )
Other receivables		( 70,283 )	( 14,636 )
Other receivables - related parties		-	6,488
Inventories, net		( 589,004 )	( 5,750,389 )
Prepayments		( 235,903 )	30,163
Other current financial assets		( 471,064 )	( 660,101 )
Changes in operating liabilities			
Notes payable		( 200 )	200
Accounts payable		5,105,653	( 1,205,689 )
Other payables		295,762	83,943
Other payables - related parties		600,849	265,934
Provisions for liabilities - current		64,736	59,857
Current refund liabilities		( 147,149 )	6,045
Other current liabilities, others		37,814	( 40,790 )
Net defined benefit liability		( 5,714 )	( 6,578 )
Cash inflow (outflow) generated from operations		9,556,824	( 181,670 )
Interest received		61,236	68,609
Interest paid		( 13,859 )	( 8,637 )
Income tax paid		( 1,403,648 )	( 866,252 )
Net cash flows from (used in) operating activities		<u>8,200,553</u>	<u>( 987,950 )</u>

(Continued)

MICRO-STAR INTERNATIONAL CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through other comprehensive income	6(3)	(\$ 151,975 )	\$ -
Acquisition of property, plant and equipment	6(7)	( 298,543 )	( 64,263 )
Proceeds from disposal of property, plant and equipment		13	300
Increase in refundable deposits		( 13,291 )	( 1,740 )
Proceeds from capital reduction of investments accounted for using equity method	6(6)	-	613,937
Net cash flows (used in) from investing activities		( 463,796 )	548,234
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term borrowings	6(9)	( 1,500,000 )	3,000,000
Repayment of the principal portion of lease liabilities	6(8)	( 62,065 )	-
(Decrease) increase in guarantee deposits received		( 24,081 )	28,472
Cash dividends paid	6(15)	( 3,801,853 )	( 3,801,852 )
Cash distribution from capital reserve	6(14)	( 422,429 )	-
Due to donated assets received		298	434
Net cash flows used in financing activities		( 5,810,130 )	( 772,946 )
Effect of exchange rate		( 24,242 )	( 28,275 )
Net increase (decrease) in cash and cash equivalents		1,902,385	( 1,240,937 )
Cash and cash equivalents at beginning of year	6(1)	6,979,442	8,220,379
Cash and cash equivalents at end of year	6(1)	\$ 8,881,827	\$ 6,979,442

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

# Discussion Items

1.

**Proposed by the Board**

**Proposal:**

To discuss amendment to the “Articles of Incorporation”. Please proceed to discuss.

**Explanation:**

In accordance with the laws, the Company hereby proposes amendments to the some articles of the Company’s “Articles of Incorporation” . Please refer to page 38~45 (Appendix 2,2-1) for the revision in the Meeting Agenda Handbook.

**Resolution:**

# Extempore motions

# Appendix

1. Shareholders Meeting Rules of the Company
2. Articles of Incorporation and the Comparison Table for the Amendments to Articles of Incorporation
3. Shareholding of Directors

## **Appendix 1**

### **Shareholders Meeting Rules of Micro-Star International Co., Ltd.**

#### Article 1-

The shareholders meeting rules of the Company is promulgated in accordance with Article 182-1 of the Company Act.

#### Article 2-

Shareholders attending the Meeting shall submit the attendance card for the purpose of signing in. The number of shares represented by shareholders attending the Meeting shall be calculated in accordance with the attendance cards submitted by the shareholders.

#### Article 3-

When the Company holds a shareholders meeting, it may opt for the shareholders to exercise voting rights by correspondence or electronic means.

Shareholders exercising voting rights by electronic means shall cast their votes through the Company designated electronic voting platform.

The attendance and voting at the shareholders meeting shall be calculated based on the shares.

#### Article 4-

The place of the shareholders meeting shall be at the office of the Company or at a location convenient to the shareholders and suitable for convening a shareholders meeting. The time of the meeting may not be earlier than 9 a.m or later than 3 p.m.

#### Article 5-

When the shareholders meeting was convened by the Board of Directors, the shareholders meeting shall be presided by the Chairman of the Board of Directors. If the Chairman is absent or is unable to exercise the duties for certain reasons, the vice-Chairman shall act on his/her behalf. If the vice-Chairman is absent or is unable to exercise the duties for certain reasons, the Chairman may designate the managing director to act on his/her behalf; if there is no managing director, one of the directors may be designated to act on his/her behalf. Where the Chairman does not designate a proxy, the managing director or directors may elect a person among themselves to act on behalf of the Chairman.

When the shareholders meeting was convened by other persons who have the convening right, the shareholders meeting shall be presided by the convener.

#### Article 6 -

The Company may designate attorneys, accountants or relevant personnel engaged to be present in the shareholders meeting. The staffs handling the shareholders meeting shall wear identification cards or arm-band.

#### Article 7-

The Company shall sound record or video record the whole process of the shareholders

meeting and shall preserve it for at least one year.

#### Article 8-

Upon the starting time of the meeting, the chairman shall order the meeting to begin. However, where the shareholders present represent half or less than half of the total outstanding shares, the chairman may postpone the meeting for a total of two times. The postponed time may not in total exceed one hour. Where after two postponements, the shareholders present still do not meet the quorum but represent one-third or more of the total outstanding shares, a tentative resolution may be passed in accordance with Paragraph 1, Article 175 of the Company Act. If the shares present represent more than half of the total outstanding shares before the end of the meeting, the chairman may propose the tentative resolution to the shareholders meeting for voting in accordance with Article 174 of the Company Act.

#### Article 9-

The agenda of the Meeting shall be set by the Board of Directors if the Meeting is convened by the Board of Directors. Unless otherwise resolved at the Meeting, the Meeting shall proceed in accordance with the agenda. The above provision applies mutatis mutandis to cases where the Meeting is convened by any person, other than the Board of Directors, entitled to convene such Meeting. Unless otherwise resolved at the Meeting, the chairman cannot announce adjournment of the Meeting before all the discussion items (including special motions) listed in the agenda are resolved.

The shareholders shall not designate any other person as chairman and continue the Meeting in the same or other place after the Meeting is adjourned. However, in the event that the Chairman adjourns the Meeting in violation of these Rules and Procedures, the shareholders may designate, by a majority of votes represented by shareholders attending the Meeting, one person as chairman to continue the Meeting.

#### Article 10-

Before a shareholder makes a statement, he/she must complete a statement slip stating the subject of the statement, the shareholder number (or attendance card number) and shareholder name, and the chairman shall determine the order of his/her statement. Where a shareholder present only completed a statement slip but did not make a statement, he/she will be deemed to not have made a statement. Where the statement made is inconsistent with that stated on the statement slip, the statement made will prevail. When a shareholder present makes a statement, the other shareholders may not make a statement and interfere, unless consent is obtained from the chairman and the shareholder making the statement. The chairman shall restrain such interfering shareholder.

#### Article 11-

For each proposal, a shareholder may not make more than two statements, unless consent is obtained from the chairman. Each statement may not exceed five minutes. The chairman may restrain the shareholder from making the statement if he/she violates the above provisions or has exceeded the scope of the proposal.

#### Article 12-

Where an institution is delegated to attend the shareholders meeting, it may only appoint one representative to attend. Where the institution appoints two or more representatives to attend the shareholders meeting, only one person may make a statement for each proposal.

Article 13-

After a shareholder makes a statement, the chairman may respond him/herself or designate a relevant person to respond.

Article 14-

Where the chairman believes that the proposal discussed may be resolved, he/she may announce the ending of the discussion and propose that votes be made.

The votes for the proposals shall be calculated by the votes casted on the spot plus the votes casted by electronic voting.

Article 15-

The personnel supervising and calculating the votes for the proposals shall be designated by the chairman, but the supervising personnel shall be a shareholder. The result of the votes shall be announced on the spot and recorded.

Article 16-

During the meeting, the chairman may announce recesses at his/her own discretion.

Article 17-

Unless otherwise specified in the Company Act and the Articles of Incorporation, resolutions at a shareholders meeting shall be adopted by a majority vote of the shareholders present. When making a resolution, if shareholders present have no objections upon the inquiry of the chairman, it will be deemed as adopted and its effect shall be the same as resolution by voting.

Article 18-

When a proposal has an amendment or a replacement, the chairman may combine it with the original proposal and determine the order of resolution. If one of the proposals is resolved, the other proposals will be deemed as rejected and there is no need to make another resolution.

Article 19-

The chairman may instruct the security officer to assist in maintaining the order of the meeting. The security officer shall wear an arm-band with the word "Security" when assisting in the maintenance of the order of the meeting.

Article 20-

The Rule shall be approved by the shareholders' meeting, so does the amendment.

The first version established on January 19, 1998.

The second version amended on March 3, 2000.

The third version amended on May 16, 2002.

The fourth version amended on June 17, 2014.

## Appendix 2

### Articles of Incorporation of Micro-Star International Co., Ltd. (the "Company")

#### Section I - General Provisions

- Article 1 - The Company is incorporated in accordance with the Company Act, with the name of 微星科技股份有限公司, and the English name of Micro-Star International Co., Ltd.
- Article 2 - The purpose for which the Company is formed shall be as follows:
1. Design of various computer hardware and software and manufacture, sale and purchase of computer products, parts and components;
  2. Manufacture and sale of electronic components and parts;
  3. Import-export trading business in relation of the foregoing businesses;
  4. Agency business for quotation, bid and distribution of related products;
  5. CC01030 Manufacturing business of electric appliances;
  6. CC01060 Manufacturing business of wired communications equipments;
  7. CC01070 Manufacturing business of wireless communications equipments;
  8. CE01030 Manufacturing business of optical devices;
  9. CH01040 Manufacturing business of toys;
  10. F109040 Wholesale business of toys and entertainment products;
  11. F113020 Wholesale business of electric appliances;
  12. F113050 Wholesale business of office machines and equipments;
  13. F113070 Wholesale business of telecommunications equipments and materials;
  14. F209030 Retail business of toys and entertainment products;
  15. F213030 Retail business of office machines and equipments;
  16. F213060 Retail business of telecommunications equipments and materials;
  17. F213010 Retail business of electric appliances;
  18. CC01101 Manufacturing business of regulated RF telecommunications equipments and materials;
  19. F401021 Import business of regulated RF telecommunications equipments and materials;
  20. CF01011 Manufacturing business of medical equipments;
  21. F108031 Wholesale business of medical equipments;
  22. F208031 Retail business of medical equipments;
  23. CE01010 Manufacturing business of general equipments; and
  24. ZZ99999 All other businesses not prohibited or restricted by laws and regulations except businesses requiring special permits.
- Article 3 - The Company may provide guarantees to others in the same industry when necessary for its business, subject to the approvals of the Board of Directors.

Article 4 - The total amount of the investment by the Company is not subject to the limit of forty percent of the Company's issued and outstanding capital stock as provided for in the Republic of China Company Act.

Article 5 - The Company shall have its headquarters office in New Taipei City, Taiwan and may, when necessary, set up branch offices worldwide according to the resolution adopted at the meeting of the Board of Directors.

Article 6 - Deleted

## **Section II - Capital Stock**

Article 7 - The total authorized capital stock of the Company shall be in the amount of NT\$15,000,000,000 divided into 1,500,000,000 shares, at a par value of NT\$10 each. Within the capital stock, 80,000,000 shares are reserved for the issuance of employee stock warrants.

The aforementioned capital stock may be issued in installments subject to the resolution of the Board of Directors.

In the event that the Company may purchase their own shares in accordance with laws, the Board of Director is authorized to do so pursuant to laws and regulation.

Article 7-1- The exercise price of employee stock warrants is less than the common stock closing price of issuance date shall be voted in favor by the majority present at a shareholders' meeting at which shareholders of more than two-thirds of the issued and outstanding shares present.

Lower than the actual average price of the shares of treasury stock, the transfer of shares to employees shall be voted in favor by the majority present at a shareholders' meeting at which shareholders of more than two-thirds of the issued and outstanding shares present.

Article 8 - The stock certificates of the Company shall be in registered form and issued after being signed and affixed with the seal specimen by three or more directors of the Company, being assigned serial numbers and being authenticated in accordance with law.

When issuance of new shares, the share certificates of the new issuance may be printed in combination form but shall be held in custody by centralized securities depository institutions. The shares may be made in non-printed form but shall be registered in centralized securities depository institutions.

Article 9 - Registration on shareholders' register for share transfer shall be suspended for sixty days before any ordinary shareholders' meeting, thirty days before any extraordinary shareholders' meeting, and five days before the record date for determination of the shareholders entitled to dividends or any other profits distribution by the Company.

### **Section III - Shareholders' Meeting**

Article 10 - Shareholders' meetings of the Company are two kinds: ordinary shareholders' meetings and extraordinary shareholders' meetings. Ordinary shareholders' meetings shall be convened at least once a year by the Board of Directors in accordance with law within six months after the close of each fiscal year and notify each shareholder thirty days in advance. Extraordinary shareholders' meetings shall be convened whenever necessary and notify each shareholder fifteen days in advance.

Above mentioned notification shall provide the date, location and agenda of the meeting. Except the rule governed by the Company Act, shareholders' meeting shall be convened by the Board of Directors.

Article 11 - If a shareholder is unable to attend a shareholders' meeting, he/she may execute and issue a proxy in the form as printed by the Company and specify the scope of the proxy. The use of proxies and calculation of voting rights under agency shall be governed by Company Act and the "Rules of Using Proxies When Attending Shareholders' Meeting of Public-Listed Companies" promulgated by the regulatory authorities.

Article 12 - Shareholders shall be entitled to one vote for each share held by them. Shares held by the Company in accordance with Paragraph 2, Article 179 of Company Act shall not be entitled to voting rights.

Article 13 - Any resolution at a shareholders' meeting shall, unless otherwise provided for in Company Act, be adopted if voted in favor by the majority present at a shareholders' meeting at which shareholders of more than one-half of the issued and outstanding shares present.

### **Section IV - Directors and Supervisors**

Article 14 - The Company shall have seven to eleven directors. The term of the directors and supervisors shall be three years. The directors and supervisors shall be eligible for re-election and shall be elected from persons with legal capacity at a shareholders' meeting.

The board of directors of a company shall have at least three independent directors among the directors elected in accordance with the preceding Paragraph of this Article. The election of directors shall adopt the candidates nomination system. Non-independent directors and independent directors shall be elected together and the elected quota of which shall be calculated

separately. Among the directors elect, candidate to whom the ballots cast represent a prevailing number of votes shall be dependent directors and the rest be independent directors.

The total shareholding of the directors shall be governed by the "Rules Governing the Percentage and Inspection of the Shareholding of Directors and Supervisors of Public-listed Companies."

Enhancing supervision functions and strengthening management mechanisms, the board of directors of the Company may set up Functional committees.

Functional committees shall adopt an organizational charter to be approved by the board of directors, the organizational charter shall contain the number of directors, terms, and authorization of committee.

Article 14-1- In the event the Company establishes an Audit Committee in accordance with Article 14.4 of the Securities Exchange Act, the date of Audit Committee establishment shall be date of abolition of supervisors. The rules regarding to the supervisors of the Companies Act, the Securities Exchange Act shall apply to the Audit Committee.

The functions and exercise of powers of the Audit Committee shall be governed by "Regulations Governing the Exercise of Powers by the Audit Committee of a Public Company" and relevant government authorities' regulations.

Article 15 - The Board of Directors shall be composed of directors. The Chairman and Vice Chairman shall be elected from among the directors pursuant to Article 208 of Company Act. The Chairman of the Board of Directors shall have the authority to represent the Company externally.

Article 16 - The board meeting unless otherwise provided for in this Act, shall be called by the Chairman. The Chairman of the Board of Directors shall act as the chairman. In the event that the Chairman of the Board of Directors is at leave or cannot execute his duties for any cause, the attorney-in-fact shall handle pursuant to Article 208 of Company Act. In case of his/her absence of a director, the director may, by issuing a proxy specifying the scope of agency, designate one of the other directors to act for and on his/her behalf. A director may only act for one other director. If the board meeting is conducted through videoconference, the directors shall be deemed attending the board meeting in person is participating the meeting through videoconference.

In calling a meeting of the Board of Directors, a notice setting forth therein the subjects to be discussed at the meeting shall be given to each director no later than 7 days prior to the scheduled meeting date. However, in the case of emergency, the meeting may be convened at any time.

The notice of calling a meeting of the Board of Directors may be delivered by means of a written notice, email, or fax.

Article 16-1 - Any resolution at a Board meeting shall be adopted if voted in favor by the majority present at a Board meeting at which more than half of the Directors are present unless otherwise stipulated in Company Act.

Article 16-2- Deleted.

Article 16-3- The Company may authorize the Board of Directors to have liability insurance for all the directors during their tenure of the Board.

Article 16-4 - The remuneration of directors shall be discussed and decided by the Board of Directors referencing the standard generally adhered by other companies of the same industry.

### **Section V - Managers**

Article 17 - The Company may have one president. The appointment, removal and remuneration of the president shall be conducted in accordance with Article 29 of Company Act.

### **Section VI - Accounting**

Article 18 - The fiscal year of the Company is calendar year. At the end of each fiscal year, the Board of Directors shall prepare (1) report of business operation, (2) financial statements, (3) proposal for appropriation of earnings or covering of loss, etc, and send the same to the ordinary shareholders meeting for their recognition in accordance with relevant laws and regulations.

Article 19 - The Company is in a highly changeable industry. Many high-end lucrative products are in growth. The distribution of dividends shall be made taking into consideration the needs of Company future development and operation, and the interests of shareholders. If the annual results shall have profit, such profits should first pay all taxes and reimburse accumulative loss, then take 10% legal reserve, reserve or reverse special reserve according to the Company Act. After previous deductions and reserves, the Company can take 10% to 90% of the distributable earnings plus undistributed retained earnings as bonus proposed by the board of directors. The bonus distributed in cash at whole or partially can be decided by the board Board's majority resolution and report to the shareholders' meeting. If the bonus will be distributed by the issuance new shares, the issuance shall be approved by the shareholders' meeting.

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

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

Article 19-1- The pre-tax income of the current fiscal year shall first offset the accumulated deficits. If the balance is positive, then the Company shall allocate the remuneration to be distributed to employees, directors in accordance with the following ratio.

1. Employee remuneration in the percentage of 6% to 10%. Individuals eligible for employee remuneration include the Company's employees and the employees of the Company's subsidiaries meeting certain requirements. Such requirements are to be set by the Board of Directors.
2. Remuneration to be distributed to directors shall not exceed 1%.

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

Article 20 - According to provisions of Company Act Article 241 , the Company is able to authorize the Board to distribute legal reserve or capital surplus in cash at whole or partially with majority resolution and report at the shareholders' meeting. Alternatively, the distribution can be issuance new shares upon the approval of shareholders' meeting.

### **Section VII - Supplementary Provisions**

Article 21 - Matters not provided for in these Articles of Incorporation shall be governed by Company Act.

Article 22 - These Articles of Incorporation were entered into on July 23, 1986.

- The first amendment was made on June 30, 1989;
- The second amendment was made on March 26, 1990;
- The third amendment was made on June 25, 1991;
- The fourth amendment was made on April 25, 1994;
- The fifth amendment was made on May 30, 1995;
- The sixth amendment was made on June 11, 1996;
- The seventh amendment was made on August 30, 1996;
- The eighth amendment was made on April 19, 1997;
- The ninth amendment was made on February 28, 1998;
- The tenth amendment was made on September 18, 1998;
- The eleventh amendment was made on May 20, 1999;
- The twelfth amendment was made on May 4, 2000;
- The thirteenth amendment was made on May 10, 2001;
- The fourteenth amendment was made on May 10, 2001;
- The fifteenth amendment was made on May 16, 2002;
- The sixteenth amendment was made on May 28, 2003;
- The seventeenth amendment was made on May 28, 2003;
- The eighteenth amendment was made on June 9, 2004;
- The nineteenth amendment was made on June 14, 2005;

The twentieth amendment was made on June 14, 2006;  
The twenty-first amendment was made on June 13, 2007;  
The twenty-second amendment was made on June 11, 2008;  
The twenty-third amendment was made on June 16, 2009;  
The twenty-fourth amendment was made on June 10, 2010;  
The twenty-fifth amendment was made on June 9, 2011;  
The twenty-sixth amendment was made on June 17, 2014;  
The twenty-seventh amendment was made on June 16, 2016;  
The twenty-eighth amendment was made on June 15, 2018;  
The twenty-ninth amendment was made on June 14, 2019.

## Appendix 2-1

### Micro-Star International Co., Ltd.

#### Comparison chart of the amended Articles of Incorporation

AFTER THE REVISION	BEFORE THE REVISION	Remarks
<p><b>Article 8</b> The stock certificates of the Company shall be in registered form <u>affixed with the signatures or personal seals of the director representing the Company</u>, being assigned serial numbers and being authenticated in accordance with law. When issuance of new shares, the share certificates of the new issuance may be printed in combination form but shall be held in custody by centralized securities depository institutions. The shares may be made in non-printed form but shall be registered in centralized securities depository institutions.</p>	<p><b>Article 8</b> The stock certificates of the Company shall be in registered form <u>and issued after being signed and affixed with the seal specimen by three or more directors of the Company</u>, being assigned serial numbers and being authenticated in accordance with law. When issuance of new shares, the share certificates of the new issuance may be printed in combination form but shall be held in custody by centralized securities depository institutions. The shares may be made in non-printed form but shall be registered in centralized securities depository institutions.</p>	<p>To comply with the amended Regulations.</p>
<p><b>Article 22</b> These Articles of Incorporation were entered into on July 23, 1986. The first amendment was made on June 30, 1989; The second amendment was made on March 26, 1990; The third amendment was made on June 25, 1991; The fourth amendment was made on April 25, 1994; The fifth amendment was made on May 30, 1995; The sixth amendment was made on June 11, 1996; The seventh amendment was made on August 30, 1996; The eighth amendment was made on April 19, 1997; The ninth amendment was made on February 28, 1998; The tenth amendment was made on September 18, 1998; The eleventh amendment was made on May 20, 1999; The twelfth amendment was made on May 4, 2000; The thirteenth amendment was made on May 10, 2001; The fourteenth amendment was made on May 10, 2001; The fifteenth amendment was made on May 16, 2002; The sixteenth amendment was made on May 28, 2003; The seventeenth amendment was made on May 28, 2003; The eighteenth amendment was made on June 9, 2004; The nineteenth amendment was made on June 14, 2005; The twentieth amendment was made on June 14, 2006; The twenty-first amendment was made on June 13, 2007; The twenty-second amendment was made on June 11, 2008; The twenty-third amendment was made on June 16, 2009; The twenty-fourth amendment was made on June 10, 2010; and The twenty-fifth amendment was made on June 9, 2011. The twenty-sixth amendment was made on June 17, 2014. The twenty-seventh amendment was made on June 16, 2016. The twenty-eighth amendment was made on June 15, 2018. The twenty-ninth amendment was made on June 14, 2019. <u>The thirtieth amendment was made on June 10, 2020.</u></p>	<p><b>Article 22</b> These Articles of Incorporation were entered into on July 23, 1986. The first amendment was made on June 30, 1989; The second amendment was made on March 26, 1990; The third amendment was made on June 25, 1991; The fourth amendment was made on April 25, 1994; The fifth amendment was made on May 30, 1995; The sixth amendment was made on June 11, 1996; The seventh amendment was made on August 30, 1996; The eighth amendment was made on April 19, 1997; The ninth amendment was made on February 28, 1998; The tenth amendment was made on September 18, 1998; The eleventh amendment was made on May 20, 1999; The twelfth amendment was made on May 4, 2000; The thirteenth amendment was made on May 10, 2001; The fourteenth amendment was made on May 10, 2001; The fifteenth amendment was made on May 16, 2002; The sixteenth amendment was made on May 28, 2003; The seventeenth amendment was made on May 28, 2003; The eighteenth amendment was made on June 9, 2004; The nineteenth amendment was made on June 14, 2005; The twentieth amendment was made on June 14, 2006; The twenty-first amendment was made on June 13, 2007; The twenty-second amendment was made on June 11, 2008; The twenty-third amendment was made on June 16, 2009; The twenty-fourth amendment was made on June 10, 2010; and The twenty-fifth amendment was made on June 9, 2011. The twenty-sixth amendment was made on June 17, 2014. The twenty-seventh amendment was made on June 16, 2016. The twenty-eighth amendment was made on June 15, 2018. The twenty-ninth amendment was made on June 14, 2019.</p>	<p>To increase the date of the amendment.</p>

## Appendix 3

### Micro-Star International Co., Ltd.

#### Shareholding of Directors

- The Company's total paid-up capital is NT\$8,448,561,990 with issued outstanding shares 844,856,199.
- According to Article 26 of Securities and Exchange Act and Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, directors shall all together own at least 27,035,398 shares. Up to the book closure date of this shareholders meeting, per shareholder's register each and all directors own the number of shares as set forth in the following table:

**Book closure date: April 12,2020**

Position	Name	Date elected	Shareholding while elected			Current shareholding			Remarks
			Type	Shares	Shareholding ratio (%)	Type	Shares	Shareholding ratio (%)	
Chairman of the Board of Directors	Hsu,Hsiang	2018.6.15	Common stock	51,983,151	6.15%	Common stock	51,983,151	6.15%	
Vice-Chairman of the Board of Directors	Huang,Chin-Ching	2018.6.15	Common stock	20,937,377	2.48%	Common stock	20,937,377	2.48%	
Director of Board	Lin,Wen-Tung	2018.6.15	Common stock	25,672,499	3.04%	Common stock	25,672,499	3.04%	
Director of Board	Yu, Hsien-Neng	2018.6.15	Common stock	17,892,824	2.12%	Common stock	17,892,824	2.12%	
Director of Board	Chiang,Sheng-Chang	2018.6.15	Common stock	1,117,074	0.13%	Common stock	1,117,074	0.13%	
Director of Board	Kuo,Hsu-Kuang	2018.6.15	Common stock	0	0.00%	Common stock	50,000	0.01%	
Director of Board	Liao,Chun-Keng	2018.6.15	Common stock	35,000	0.00%	Common stock	50,000	0.01%	
Director of Board	Hung,Yu-Sheng	2018.6.15	Common stock	306,660	0.04%	Common stock	306,660	0.04%	
Independent Director of Board	Wang,Sung-Chou	2018.6.15	Common stock	0	0.00%	Common stock	0	0.00%	Note 4
Independent Director of Board	Liu ,Cheng-Yi	2018.6.15	Common stock	0	0.00%	Common stock	0	0.00%	Note 4
Independent Director of Board	Hsu,Kao-Shan	2018.6.15	Common stock	418,686	0.05%	Common stock	418,686	0.05%	Note 4

**Note 1:**Total issued shares:844,856,199 shares on June 15,2018. (date elected).

**Note 2:**Total Issued shares: 844,856,199 shares on April 12,2020. (book closure date).

**Note 3:**The minimum required combined shareholding of all directors by law:27,035,398 shares

The combined shareholding of all directors on the book closure date:118,009,585 shares

**Note 4:** The shares held by independent directors shall not be counted in the calculation of directors shareholdings.