

**MICRO-STAR INTERNATIONAL CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
JUNE 30, 2019 AND 2018**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Introduction

We have reviewed the accompanying consolidated balance sheets of MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES (the “Group”) as at June 30, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months and six months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As explained in Note 4(3), the financial statements of certain insignificant consolidated subsidiaries were not reviewed by independent accountants. Those statements reflect total assets of NT\$15,535,861 thousand and NT\$15,092,808 thousand, constituting 28% and 26% of the consolidated total assets, and total liabilities of NT\$2,515,623 thousand and NT\$2,970,790 thousand,

constituting 9% and 10% of the consolidated total liabilities as at June 30, 2019 and 2018, and total comprehensive income of NT\$102,663 thousand, NT\$151,197 thousand, NT\$236,620 thousand and NT\$190,133 thousand, constituting 9%, 9%, 9% and 5% of the consolidated total comprehensive income for the three months and six months then ended.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three months and six months then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Liang, Hua-Ling

Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

August 9, 2019

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

JUNE 30, 2019, DECEMBER 31, 2018 AND JUNE 30, 2018

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of June 30, 2019 and 2018 are reviewed, not audited)

Assets	Notes	June 30, 2019		December 31, 2018		June 30, 2018		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 10,727,209	20	\$ 8,815,680	16	\$ 11,586,283	20
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		99,153	-	98,400	-	134,312	-
1150	Notes receivable, net	6(3)	112,489	-	35,183	-	2,253	-
1170	Accounts receivable, net	6(3)	16,380,363	30	16,040,189	29	15,605,215	27
1200	Other receivables		113,950	-	159,681	-	369,803	1
1220	Current income tax assets		10,630	-	44,944	-	26,979	-
130X	Inventories, net	6(4)	19,974,052	36	22,052,862	40	22,851,196	39
1410	Prepayments	6(5)	1,601,776	3	1,381,022	3	1,745,849	3
1476	Other current financial assets		-	-	728,936	1	22,495	-
11XX	Total current assets		<u>49,019,622</u>	<u>89</u>	<u>49,356,897</u>	<u>89</u>	<u>52,344,385</u>	<u>90</u>
Non-current assets								
1600	Property, plant and equipment	6(6) and 8	4,651,750	8	4,738,544	9	5,000,904	9
1755	Right-of-use assets	6(7)	504,810	1	-	-	-	-
1760	Investment property - net	6(8)	310,513	1	341,241	1	295,638	-
1840	Deferred income tax assets		526,036	1	438,204	1	417,452	1
1900	Other non-current assets	6(9) and 8	130,519	-	299,287	-	281,601	-
15XX	Total non-current assets		<u>6,123,628</u>	<u>11</u>	<u>5,817,276</u>	<u>11</u>	<u>5,995,595</u>	<u>10</u>
1XXX	Total assets		<u>\$ 55,143,250</u>	<u>100</u>	<u>\$ 55,174,173</u>	<u>100</u>	<u>\$ 58,339,980</u>	<u>100</u>

(Continued)

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

JUNE 30, 2019, DECEMBER 31, 2018 AND JUNE 30, 2018

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of June 30, 2019 and 2018 are reviewed, not audited)

	Liabilities and Equity	Notes	June 30, 2019		December 31, 2018		June 30, 2018	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(10)	\$ -	-	\$ 3,000,000	6	\$ -	-
2120	Financial liabilities at fair value through profit or loss - current	6(2)	18,389	-	5,555	-	11,383	-
2150	Notes payable		-	-	200	-	200	-
2170	Accounts payable		15,303,546	28	14,933,624	27	18,832,303	32
2200	Other payables	6(11)	7,546,923	14	3,418,250	6	7,385,830	13
2230	Current income tax liabilities		937,790	2	1,017,290	2	1,269,833	2
2250	Provision for liabilities - current	6(14)	554,489	1	501,095	1	456,048	1
2280	Current lease liabilities		156,826	-	-	-	-	-
2365	Refund liabilities- current		1,447,987	2	1,796,905	3	1,870,095	3
2399	Other current liabilities, others		107,194	-	92,142	-	128,450	-
21XX	Total current liabilities		<u>26,073,144</u>	<u>47</u>	<u>24,765,061</u>	<u>45</u>	<u>29,954,142</u>	<u>51</u>
	Non-current liabilities							
2540	Long-term borrowings	6(12) and 8	16,196	-	16,442	-	16,706	-
2570	Deferred income tax liabilities		548	-	2,297	-	4,497	-
2580	Non-current lease liabilities		271,687	1	-	-	-	-
2640	Net defined benefit liability, non-current	6(13)	214,769	1	217,609	-	199,496	-
2670	Other non-current liabilities, others		210,440	-	226,903	1	235,447	1
25XX	Total non-current liabilities		<u>713,640</u>	<u>2</u>	<u>463,251</u>	<u>1</u>	<u>456,146</u>	<u>1</u>
2XXX	Total liabilities		<u>26,786,784</u>	<u>49</u>	<u>25,228,312</u>	<u>46</u>	<u>30,410,288</u>	<u>52</u>
	Equity attributable to owners of parent							
	Share capital	6(15)						
3110	Share capital - common stock		8,448,562	15	8,448,562	15	8,448,562	14
	Capital surplus	6(16)						
3200	Capital surplus		803,918	1	1,226,049	2	1,226,049	2
	Retained earnings	6(17)						
3310	Legal reserve		4,982,577	9	4,378,464	8	4,378,464	8
3320	Special reserve		505,966	1	421,815	1	421,815	1
3350	Unappropriated retained earnings		14,048,948	26	15,976,937	29	13,804,965	24
	Other equity interest							
3400	Other equity interest		(433,505)	(1)	(505,966)	(1)	(350,163)	(1)
31XX	Equity attributable to owners of the parent		<u>28,356,466</u>	<u>51</u>	<u>29,945,861</u>	<u>54</u>	<u>27,929,692</u>	<u>48</u>
3XXX	Total equity		<u>28,356,466</u>	<u>51</u>	<u>29,945,861</u>	<u>54</u>	<u>27,929,692</u>	<u>48</u>
3X2X	Total liabilities and equity		<u>\$ 55,143,250</u>	<u>100</u>	<u>\$ 55,174,173</u>	<u>100</u>	<u>\$ 58,339,980</u>	<u>100</u>

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

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share)
(UNAUDITED)

Items	Notes	Three months ended June 30				Six months ended June 30			
		2019		2018		2019		2018	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(18)	\$ 26,144,172	100	\$ 28,296,361	100	\$ 55,632,093	100	\$ 60,078,599	100
5000 Operating costs	6(4)(21)	(22,477,356)	(86)	(23,961,581)	(85)	(48,189,277)	(87)	(50,838,141)	(85)
5900 Net operating margin		<u>3,666,816</u>	<u>14</u>	<u>4,334,780</u>	<u>15</u>	<u>7,442,816</u>	<u>13</u>	<u>9,240,458</u>	<u>15</u>
Operating expenses	6(21)								
6100 Selling expenses		(1,228,899)	(5)	(1,219,764)	(4)	(2,598,345)	(4)	(2,351,880)	(4)
6200 General and administrative expenses		(266,437)	(1)	(255,705)	(1)	(490,890)	(1)	(496,119)	(1)
6300 Research and development expenses		(792,226)	(3)	(883,016)	(3)	(1,573,776)	(3)	(1,819,400)	(3)
6450 Expected credit gain (loss)		(8,252)	-	424	-	(15,809)	-	(1,735)	-
6000 Total operating expenses		<u>(2,295,814)</u>	<u>(9)</u>	<u>(2,358,061)</u>	<u>(8)</u>	<u>(4,678,820)</u>	<u>(8)</u>	<u>(4,669,134)</u>	<u>(8)</u>
6900 Operating profit		<u>1,371,002</u>	<u>5</u>	<u>1,976,719</u>	<u>7</u>	<u>2,763,996</u>	<u>5</u>	<u>4,571,324</u>	<u>7</u>
Non-operating income and expenses									
7010 Other income	6(8)(19)	187,608	1	126,127	-	356,084	1	229,400	-
7020 Other gains and losses	6(2)(20)	(13,760)	-	(51,035)	-	(19,630)	-	(127,711)	-
7050 Finance costs		(3,803)	-	(1,356)	-	(11,970)	-	(2,091)	-
7000 Total non-operating income and expenses		<u>170,045</u>	<u>1</u>	<u>73,736</u>	<u>-</u>	<u>324,484</u>	<u>1</u>	<u>99,598</u>	<u>-</u>
7900 Profit before income tax		<u>1,541,047</u>	<u>6</u>	<u>2,050,455</u>	<u>7</u>	<u>3,088,480</u>	<u>6</u>	<u>4,670,922</u>	<u>7</u>
7950 Income tax expense	6(23)	(285,329)	(1)	(301,487)	(1)	(526,352)	(1)	(814,734)	(1)
8200 Profit for the period		<u>\$ 1,255,718</u>	<u>5</u>	<u>\$ 1,748,968</u>	<u>6</u>	<u>\$ 2,562,128</u>	<u>5</u>	<u>\$ 3,856,188</u>	<u>6</u>
Other comprehensive income									
Components of other comprehensive income that will be reclassified to profit or loss									
8361 Financial statements translation differences of foreign operations		(\$ 56,143)	-	(\$ 45,837)	-	\$ 72,461	-	\$ 71,652	-
8360 Components of other comprehensive (loss) income that will be reclassified to profit or loss		<u>(56,143)</u>	<u>-</u>	<u>(45,837)</u>	<u>-</u>	<u>72,461</u>	<u>-</u>	<u>71,652</u>	<u>-</u>
8300 Total other comprehensive (loss) income for the period		<u>(\$ 56,143)</u>	<u>-</u>	<u>(\$ 45,837)</u>	<u>-</u>	<u>\$ 72,461</u>	<u>-</u>	<u>\$ 71,652</u>	<u>-</u>
8500 Total comprehensive income for the period		<u>\$ 1,199,575</u>	<u>5</u>	<u>\$ 1,703,131</u>	<u>6</u>	<u>\$ 2,634,589</u>	<u>5</u>	<u>\$ 3,927,840</u>	<u>6</u>
Profit attributable to:									
8610 Owners of the parent		<u>\$ 1,255,718</u>	<u>5</u>	<u>\$ 1,748,968</u>	<u>6</u>	<u>\$ 2,562,128</u>	<u>5</u>	<u>\$ 3,856,188</u>	<u>6</u>
Comprehensive income attributable to:									
8710 Owners of the parent		<u>\$ 1,199,575</u>	<u>5</u>	<u>\$ 1,703,131</u>	<u>6</u>	<u>\$ 2,634,589</u>	<u>5</u>	<u>\$ 3,927,840</u>	<u>6</u>
Earnings per share (in dollars)	6(24)								
9750 Basic earnings per share		<u>\$ 1.48</u>		<u>\$ 2.07</u>		<u>\$ 3.03</u>		<u>\$ 4.56</u>	
9850 Diluted earnings per share		<u>\$ 1.48</u>		<u>\$ 2.07</u>		<u>\$ 3.01</u>		<u>\$ 4.53</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 SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

Notes	Equity attributable to owners of the parent						Legal reserve	Retained Earnings		Financial statements translation differences of foreign operations	Total equity
	Share capital - common stock	Additional paid-in capital	Treasury stock transactions	Capital Surplus	Donated assets received	Employee stock warrants		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 six months ended June 30, 2018	-	-	-	-	-	-	-	3,856,188	-	3,856,188	
Other comprehensive income for the six months ended June 30, 2018	-	-	-	-	-	-	-	-	71,652	71,652	
Total comprehensive income	-	-	-	-	-	-	-	3,856,188	71,652	3,927,840	
Appropriation of 2017 earnings	6(17)										
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 June 30, 2018	<u>\$ 8,448,562</u>	<u>\$ 1,050,563</u>	<u>\$ 130,592</u>	<u>\$ 434</u>	<u>\$ 44,460</u>	<u>\$ 4,378,464</u>	<u>\$ 421,815</u>	<u>\$ 13,804,965</u>	<u>(\$ 350,163)</u>	<u>\$ 27,929,692</u>	
<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 six months ended June 30, 2019	-	-	-	-	-	-	-	2,562,128	-	2,562,128	
Other comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	-	-	-	72,461	72,461	
Total comprehensive income	-	-	-	-	-	-	-	2,562,128	72,461	2,634,589	
Appropriation of 2018 earnings	6(17)										
Legal reserve	-	-	-	-	-	604,113	-	(604,113)	-	-	
Special reserve	-	-	-	-	-	-	84,151	(84,151)	-	-	
Cash dividends	-	(422,429)	-	-	-	-	-	(3,801,853)	-	(4,224,282)	
Due to donated assets received	-	-	-	298	-	-	-	-	-	298	
Balance at June 30, 2019	<u>\$ 8,448,562</u>	<u>\$ 628,134</u>	<u>\$ 130,592</u>	<u>\$ 732</u>	<u>\$ 44,460</u>	<u>\$ 4,982,577</u>	<u>\$ 505,966</u>	<u>\$ 14,048,948</u>	<u>(\$ 433,505)</u>	<u>\$ 28,356,466</u>	

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 SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	For the six months ended June 30	
		2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 3,088,480	\$ 4,670,922
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including right-of-use assets and investment properties)		424,770	340,389
Amortization (including long-term prepaid rents)	6(21)	113	4,678
Expected credit loss		15,809	1,735
Net loss (gain) on financial assets and liabilities at fair value through profit or loss		12,544	(8,635)
Interest expense		11,970	2,091
Interest income	6(19)	(44,621)	(44,706)
Gain on disposal of property, plant and equipment	6(20)	(1,087)	(11,652)
(Gain) loss on unrealized foreign currency exchange		(53,267)	5,517
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets held for trading		-	(117,989)
Notes receivable, net		(77,306)	(2,232)
Accounts receivable		(356,104)	1,334,702
Other receivables		42,705	(25,785)
Inventories, net		2,078,810	(6,530,169)
Prepayments		(220,754)	(453,121)
Other current financial assets		728,936	46,340
Other non-current assets		75,326	(73,331)
Changes in operating liabilities			
Notes payable		(200)	200
Accounts payable		369,922	2,799,968
Other payables		(95,213)	93,379
Provision for liabilities - current		53,394	1,304
Current refund liabilities		(348,918)	36,464
Other current liabilities, others		15,029	23,560
Net defined benefit liability		(2,840)	(3,261)
Other non-current liabilities		4,896	-
Cash inflow generated from operations		5,722,394	2,090,368
Interest received		47,605	41,272
Interest paid		(12,339)	(2,085)
Income tax paid		(654,449)	(465,384)
Net cash flows from operating activities		<u>5,103,211</u>	<u>1,664,171</u>

(Continued)

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	For the six months ended June 30	
		2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment	6(6)	(\$ 268,728)	(\$ 206,341)
Proceeds from disposal of property, plant and equipment		59,501	12,878
Increase in refundable deposits		(16,624)	(2,665)
Decrease (increase) in other non-current financial assets		30,006	(224)
Acquisition of investment properties		(531)	-
Net cash flows used in investing activities		(196,376)	(196,352)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term borrowings	6(10)	(3,000,000)	-
Repayment of the principal portion of lease liabilities		(60,692)	-
Payment of long-term borrowings		(417)	(467)
(Decrease) increase in guarantee deposits received		(21,359)	42,351
Due to donated assets received		298	434
Net cash flows (used in) from financing activities		(3,082,170)	42,318
Effect of exchange rate		86,864	48,082
Net increase in cash and cash equivalents		1,911,529	1,558,219
Cash and cash equivalents at beginning of period	6(1)	8,815,680	10,028,064
Cash and cash equivalents at end of period	6(1)	\$ 10,727,209	\$ 11,586,283

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

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2019 AND 2018

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

(Reviewed, not audited)

1. HISTORY AND ORGANISATION

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

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

These consolidated financial statements were reported to the Board of Directors on August 9, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	January 1, 2019
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

IFRS 16, ‘Leases’

A. IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognise a ‘right-of-use asset’ and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for

those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

- B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Group increased ‘right-of-use asset’ by \$401,094, increased ‘lease liability’ by \$319,195 and decreased other non-current assets by \$81,899 with respect to the lease contracts of lessees on January 1, 2019.
- C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- (a). Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - (b). The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - (c). The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.
 - (d). The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate range from 0.3% to 7.75%.
- E. The Group recognised lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$	289,555
Less: Short-term leases	(11,687)
Less: Low-value assets	(5,304)
Add: Adjustments as a result of a different treatment of extension and termination options		56,399
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	\$	328,963
Incremental borrowing interest rate at the date of initial application		0.3%~7.75%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	\$	319,195

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

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, "Interim financial reporting" as endorsed by the FSC.

(2) Basis of preparation

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

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

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

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

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

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

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiaries	Main business activities	Ownership(%)			Note
			2019/6/30	2018/12/31	2018/6/30	
MICRO-STAR INTERNATIONAL CO., LTD.	MICRO-STAR NETHERLANDS HOLDING B.V. [MSI (HOLDING)]	Investment holding company	100	100	100	A and D
"	MSI COMPUTER CORP.[MSI (LA)]	Sales and maintenance of computers and electronic components	100	100	100	"
"	MSI PACIFIC INTERNATIONAL HOLDING CO., LTD. [MSI (PACIFIC)]	Investment holding company	100	100	100	A and C
"	MSI COMPUTER JAPAN CO., LTD. [MSI (JAPAN)]	Sales support and maintenance of computers and electronic components	100	100	100	"
MICRO-STAR INTERNATIONAL CO., LTD.	MSI COMPUTER (AUSTRALIA) PTY. LTD. [MSI (AUSTRALIA)]	Maintenance and after-sales services of computers and electronic components	100	100	100	A and C
"	MSI COMPUTER (CAYMAN) CO., LTD. [MSI COMPUTER (CAYMAN)]	Investment holding company	100	100	100	A and D
MSI (HOLDING)	MYSTAR COMPUTER B.V. [MYSTAR]	Sales support of computers and electronic components	100	100	100	"
"	MSI TECHNOLOGY GMBH [MSI (GMBH)]	"	-	-	100	D、E and P
"	MSI COMPUTER SARL [MSI (SARL)]	"	100	100	100	A and D
"	MSI COMPUTER (UK) LTD. [MSI (UK)]	"	100	100	100	"
"	MSI POLSKA SP. Z O. O. [MSI (POLSKA)]	Sales support and maintenance and after-sales services of computers and electronic components	99	99	99	"

Name of investor	Name of subsidiaries	Main business activities	Ownership(%)			Note
			2019/6/30	2018/12/31	2018/6/30	
MSI (HOLDING)	MSI COMPUTER EUROPE B.V. [MSI (EUROPE)]	Logistics services of computers and electronic components	100	100	100	A and D
"	LLC MSI COMPUTER [MSI (RUSSIA)]	Sales support and maintenance of computers and electronic components	99	99	99	"
"	MSI COMPUTER TECHNOLOGIES LIMITED COMPANY [MSI (TURKEY)]	Sales support of computers and electronic components	99	99	99	A、D and F
"	MSI ITALY S.R.L [MSI (ITALY)]	"	100	100	100	A and D
"	MSI IBERIA, S.L. [MSI (IBERIA)]	"	100	-	-	B and O
MSI (EUROPE)	MSI POLSKA SP. Z O. O. [MSI (POLSKA)]	Sales support and maintenance and after-sales services of computers and electronic components	1	1	1	A and D
"	LLC MSI COMPUTER [MSI (RUSSIA)]	Sales support and maintenance of computers and electronic components	1	1	1	"
"	MSI COMPUTER TECHNOLOGIES LIMITED COMPANY [MSI (TURKEY)]	Sales support of computers and electronic components	1	1	1	A、D and F
MSI (PACIFIC)	MSI KOREA CO., LTD. [MSI (KOREA)]	Sales and maintenance of computers and electronic components	100	100	100	A and D
"	STAR INFORMATION HOLDING CO., LTD. [STAR INFORMATION]	Investment holding company	100	100	100	A and C
"	MEGA INFORMATION HOLDING CO., LTD. [MEGA INFORMATION]	"	-	100	100	C、N and P

Name of investor	Name of subsidiaries	Main business activities	Ownership(%)			Note
			2019/6/30	2018/12/31	2018/6/30	
MSI (PACIFIC)	MICRO-STAR INTERNATIONAL (B.V.I) HOLDING CO., LTD. [MSI (B.V.I.)]	Investment holding company	100	100	100	A and C
"	MICRO ELECTRONICS HOLDING CO., LTD. [MICRO ELECTRONICS]	"	100	100	100	"
"	MEGA TECHNOLOGY HOLDING CO., LTD. [MEGA TECHNOLOGY]	"	100	100	100	"
"	MEGA COMPUTER CO., LTD. [MEGA COMPUTER]	Sales support of computers and electronic components	100	100	100	A and D
"	MHK INTERNATIONAL CO., LTD. [MSI (MHK)]	"	100	100	100	"
"	MSI (SHANGHAI)	Sales and maintenance of computers and electronic components	100	100	100	A 、 C and G
"	SHENZHEN MEGA INFORMATION CO., LTD. [SHENZHEN MEGA INFORMATION]	Examination and maintenance of computers, and electronic components	100	100	-	A 、 C and I
"	STAR COMPUTER HOLDING CO., LTD. [STAR COMPUTER]	General trade	-	-	-	J and L
"	MOSA CO., LTD. [MOSA]	"	-	-	-	"
"	LINKING FUTURE CO., LTD.[LINKING]	"	-	-	-	J and M
MEGA INFORMATION	SHENZHEN MEGA INFORMATION CO., LTD. [SHENZHEN MEGA INFORMATION]	Examination and maintenance of computers, and electronic components	-	-	100	A 、 C 、 I and N
MICRO ELECTRONICS	MSI ELECTRONICS (KUNSHAN) CO., LTD. [MSI ELECTRONICS (KUNSHAN)]	Sales and manufacture of computers, and electronic components	100	100	100	A and C

Name of investor	Name of subsidiaries	Main business activities	Ownership(%)			Note
			2019/6/30	2018/12/31	2018/6/30	
STAR INFORMATION	MSI (SHENZHEN) CO., LTD. [MSI SHENZHEN]	Sales and maintenance of computers, and electronic components	100	100	100	A and C
MSI (B.V.I.)	MSI COMPUTER (SHENZHEN) CO., LTD. [MSI COMPUTER (SHENZHEN)]	Sales and manufacture of computers and electronic components	100	100	100	"
MEGA TECHNOLOGY	MSI COMPUTER TRADING (SHENZHEN) CO., LTD. [MSI TRADING (SHENZHEN)]	Sales and maintenance of computers and electronic components	100	100	100	"
"	RAIDEALS INC.[RAIDEALS]	Sales computers and electronic components	100	100	-	B、C and H
STAR COMPUTER MOSA	MIDI CO., LTD.	General trade	-	-	-	J and L
"	CLICK TRADING CO., LTD.	General trade	-	-	-	"
"	EASYGOLD TRADING CO., LTD.	"	-	-	-	"
"	MRL TRADING CO., LTD.	"	-	-	-	"
"	BETTER TECHWIDE CO., LTD.	"	-	-	-	"
"	LEAD TREND CO., LTD.	"	-	-	-	"
"	SAILING OCEAN CO., LTD.	"	-	-	-	"
"	MULTI-STAR SHINE CO., LTD.	"	-	-	-	"
"	WIDE RANGE TRADING CO., LTD.	"	-	-	-	"
"	IDEAPLUS TRADING CO., LTD.	"	-	-	-	J and K
"	MAXWIDE TRADING CO., LTD.	"	-	-	-	"
"	STAR FIRST TRADING CO., LTD.	"	-	-	-	"

Note A: The financial statements of the entity as of and for the six months ended June 30, 2019 and 2018 were not reviewed by the independent accountants as the entity did not meet the definition of significant subsidiary.

Note B: The financial statements of the entity as of and for the six months ended June 30, 2019 were not reviewed by the independent accountants as the entity did not meet the definition of significant subsidiary.

Note C: These investee companies are included in the consolidated financial statement based on

their financial statements which were audited by the Group's independent accountants for the corresponding period.

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

Note E: In November 2018, this subsidiary has completed the liquidation process.

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

Note G: MSI (SHANGHAI) received capital infusion from MSI (PACIFIC) on March 7, 2018. Thus, it has been included in the consolidated financial statements from that date.

Note H: RAIDEALS received capital infusion from MEGA TECHNOLOGY on July 2, 2018. Thus, it has been included in the consolidated financial statements from that date.

Note I: SHENZHEN MEGA INFORMATION has completed a shareholder structure change during the third quarter of 2018. It was changed from its original shareholder of MEGA INFORMATION to MSI (PACIFIC) directly holding the entire equity.

Note J: The company only sets up registration without any capital injection nor has any actual operation.

Note K: On May 1, 2018, this subsidiary has cancelled the registration.

Note L: On November 1, 2018, this subsidiary has cancelled the registration.

Note M: On June 14, 2019, this subsidiary has cancelled the registration.

Note N: On May 1, 2019, this subsidiary has cancelled the registration.

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

Note P: The financial statements of the entity as of and for the six months ended June 30, 2018 were not reviewed by the independent accountants as the entity did not meet the definition of significant subsidiary.

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are

recognised in profit or loss in the period in which they arise.

- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

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

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet

date.

The Group classifies assets that do not meet the above criteria as non-current.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settle within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies liabilities that do not meet the above criteria as non-current.

(6) Cash equivalents

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

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

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

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

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

impairment provision for lifetime ECLs.

(10) Inventories

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

(11) Property, plant and equipment

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

Buildings	5~55 years
Machinery and equipment	2~10 years
Other properties (include transportation equipment, office equipment, and leasehold improvements)	2~10 years

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

Effective 2019 (modified retrospective approach)

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

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

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

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

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(13) Operating leases (lessee)

Prior to 2018

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(14) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 20 years.

(15) Impairment of non-financial assets

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

(16) Borrowings

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

(17) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

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

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

(19) Provisions

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

(20) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The net defined benefit obligation is calculated annually

by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date).

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

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

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

C. Termination benefits

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

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

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

(21) Income tax

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

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

C. Deferred income tax is recognised, using the balance sheet liability method, on temporary

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

- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(22) Share capital

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

(23) Dividends

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

(24) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells motherboards, graphic cards, a variety of computer hardware, and electronic components. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in

accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

- (b) Revenue from the products is recognised based on the price specified in the contract, net of the estimated value added tax, returns and volume discounts and rebates. The volume discounts to the customers are estimated based on the anticipated annual sales quantities and the right of return for defective products is estimated on the basis of historical experience. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. The period between the transfer of the promised goods or services to the customer and payment by the customer does not exceed one year. As a result, the Group does not adjust any of the transaction prices for the time value of money.
- (c) The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.
- (d) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Incremental costs of obtaining a contract

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

(25) Operating segments

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the

rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation. As of June 30, 2019, the carrying amount of inventories was \$19,974,052.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Cash on hand and petty cash	\$ 2,770	\$ 4,007	\$ 2,856
Checking accounts and demand deposits	7,645,769	6,827,542	4,504,702
Time deposits	<u>3,078,670</u>	<u>1,984,131</u>	<u>7,078,725</u>
	<u>\$ 10,727,209</u>	<u>\$ 8,815,680</u>	<u>\$ 11,586,283</u>

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

B. As of June 30, 2019, December 31, 2018 and June 30, 2018, cash and cash equivalents amounting to \$51,032, \$69,316 and \$36,744, respectively, were pledged to others as collateral and classified as other non-current financial assets.

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

<u>Asset items</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Financial assets mandatorily measured at fair value through profit or loss			
Stock of publicly traded or listed companies	\$ 125,944	\$ 125,303	\$ 126,015
Derivatives – Forward exchange contract	1,618	6,376	30,208
Derivatives – Foreign exchange swap	<u>3,368</u>	<u>7,956</u>	<u>-</u>
	130,930	139,635	156,223
Evaluation adjustment	(31,777)	(41,235)	(21,911)
Total	<u>\$ 99,153</u>	<u>\$ 98,400</u>	<u>\$ 134,312</u>
<u>Liability items</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Financial liabilities held for trading			
Derivatives – Forward exchange contract	\$ 18,389	\$ 5,555	\$ 443
Foreign exchange swap	<u>-</u>	<u>-</u>	<u>10,940</u>
Total	<u>\$ 18,389</u>	<u>\$ 5,555</u>	<u>\$ 11,383</u>

A. The Group recognised net (loss) gain of (\$71,961), \$39,651, (\$59,896) and \$66,838 on financial assets held for trading for the three months and six months ended June 30, 2019 and 2018, respectively.

B. The non-hedging derivative instrument transactions and contract information are as follows:

June 30, 2019		
Derivative Financial Assets	Contract Amount Notional Principal (In thousands)	Contract period
Forward exchange contracts	GBP 3,600	2019.05.02~2019.08.08
"	SEK 1,479	2019.06.27~2019.08.01
Foreign exchange swap	CNY 400,305	2019.03.28~2019.11.18
"	USD 107,000	2019.05.30~2019.08.26
Derivative Financial Liabilities	Contract Amount Notional Principal (In thousands)	Contract period
Forward exchange contracts	JPY 717,122	2019.05.08~2019.09.03
"	RUB 208,492	2019.06.05~2019.08.01
"	EUR 25,000	2019.05.22~2019.08.16
"	CAD 9,000	2019.05.22~2019.10.24
"	SEK 8,491	2019.06.03~2019.07.16
"	AUD 5,000	2019.05.27~2019.08.08
"	GBP 500	2019.05.30~2019.07.08
December 31, 2018		
Derivative Financial Assets	Contract Amount Notional Principal (In thousands)	Contract period
Forward exchange contracts	EUR 6,000	2018.11.20~2019.01.08
"	GBP 3,500	2018.10.22~2019.02.01
"	AUD 4,200	2018.11.01~2019.02.01
Foreign exchange swap	USD 158,000	2018.11.15~2019.02.25
Derivative Financial Liabilities	Contract Amount Notional Principal (In thousands)	Contract period
Forward exchange contracts	JPY 381,282	2018.11.19~2019.02.01
"	EUR 24,000	2018.11.29~2019.02.11
"	GBP 1,300	2018.12.20~2019.01.24

June 30, 2018

Derivative Financial Assets	Contract Amount Notional Principal (In thousands)	Contract period
Forward exchange contracts	KRW 4,281,200	2018.06.04~2018.07.30
"	JPY 603,430	2018.05.23~2018.08.01
"	RUB 335,815	2018.05.24~2018.08.08
"	EUR 20,000	2018.04.19~2018.08.08
"	AUD 8,000	2018.04.30~2018.08.16
"	SEK 5,859	2018.06.13~2018.07.16
"	CAD 4,000	2018.05.11~2018.08.24
"	GBP 2,200	2018.05.30~2018.08.24
Derivative Financial Liabilities	Contract Amount Notional Principal (In thousands)	Contract period
Forward exchange contracts	RUB 63,460	2018.06.22~2018.08.08
"	EUR 2,000	2018.06.22~2018.07.24
Foreign exchange swap	USD 83,000	2018.06.19~2018.08.24

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

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

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

(3) Accounts receivable

	June 30, 2019	December 31, 2018	June 30, 2018
Notes receivable	\$ 112,489	\$ 35,183	\$ 2,253
Accounts receivable	\$ 16,415,699	\$ 16,059,595	\$ 15,624,925
Less: Allowance for doubtful accounts	(35,336)	(19,406)	(19,710)
	<u>\$ 16,380,363</u>	<u>\$ 16,040,189</u>	<u>\$ 15,605,215</u>

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

	June 30, 2019		December 31, 2018		June 30, 2018	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 14,290,384	\$ 112,489	\$ 12,943,013	\$ 35,183	\$ 12,895,700	\$ 2,253
1 to 75 days	2,049,413	-	3,078,726	-	2,679,861	-
76 to 365 days	48,809	-	37,097	-	38,399	-
Over 365 days	27,093	-	759	-	10,965	-
	<u>\$ 16,415,699</u>	<u>\$ 112,489</u>	<u>\$ 16,059,595</u>	<u>\$ 35,183</u>	<u>\$ 15,624,925</u>	<u>\$ 2,253</u>

The above ageing analysis was based on past due date.

- B. As of June 30, 2019, December 31, 2018 and June 30, 2018, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2018, the balance of receivables from contracts with customers amounted to \$15,108,124.
- C. Most of the Group's accounts receivable have been insured or have collateral as security, and the Group will be able to obtain insurance claims or enforce a collateral in case these accounts default.
- D. As of June 30, 2019, December 31, 2018 and June 30, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were \$112,489, \$35,183 and \$2,253 ; \$16,380,363, \$16,040,189 and \$15,605,215, respectively.
- E. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(4) Inventories

	June 30, 2019		
	Cost	Allowance for valuation loss	Book value
Raw material	\$ 5,817,741	(\$ 259,235)	\$ 5,558,506
Work-in-process	1,028,291	(852)	1,027,439
Finished goods	13,788,507	(400,400)	13,388,107
	<u>\$ 20,634,539</u>	<u>(\$ 660,487)</u>	<u>\$ 19,974,052</u>
	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw material	\$ 7,536,411	(\$ 325,737)	\$ 7,210,674
Work-in-process	1,343,677	(1,987)	1,341,690
Finished goods	13,904,487	(403,989)	13,500,498
	<u>\$ 22,784,575</u>	<u>(\$ 731,713)</u>	<u>\$ 22,052,862</u>
	June 30, 2018		
	Cost	Allowance for valuation loss	Book value
Raw material	\$ 6,917,293	(\$ 129,558)	\$ 6,787,735
Work-in-process	1,459,056	(953)	1,458,103
Finished goods	14,892,961	(287,603)	14,605,358
	<u>\$ 23,269,310</u>	<u>(\$ 418,114)</u>	<u>\$ 22,851,196</u>

The cost of inventories recognised as expense for the period:

	For the three months ended June 30	
	2019	2018
Cost of inventories recognised as expense	\$ 22,477,356	\$ 23,961,581
(Gains on reversal of decline) Losses on decline in market value	(92,809)	30,548
	For the six months ended June 30	
	2019	2018
Cost of inventories recognised as expense	\$ 48,189,277	\$ 50,838,141
(Gains on reversal of decline) Losses on decline in market value	(71,983)	77,371

The Group reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because parts of inventories which were recognized as expense have been sold in 2019.

(5) Prepayments

	June 30, 2019	December 31, 2018	June 30, 2018
Overpaid tax for offsetting the future tax payable	\$ 907,635	\$ 780,088	\$ 703,609
Office supplies	451,062	364,726	348,063
Prepayment for goods	26,043	20,507	511,133
Others	217,036	215,701	183,044
	\$ 1,601,776	\$ 1,381,022	\$ 1,745,849

(6) Property, plant and equipment

	2019				
	<u>Land</u>	<u>Buildings</u>	<u>Machineries</u>	<u>Others</u>	<u>Total</u>
At January 1					
Cost	\$ 1,467,630	\$ 5,368,187	\$ 3,713,051	\$ 1,715,434	\$ 12,264,302
Accumulated depreciation	-	(3,298,694)	(2,889,051)	(1,338,013)	(7,525,758)
	<u>\$ 1,467,630</u>	<u>\$ 2,069,493</u>	<u>\$ 824,000</u>	<u>\$ 377,421</u>	<u>\$ 4,738,544</u>
Balance at January 1	\$ 1,467,630	\$ 2,069,493	\$ 824,000	\$ 377,421	\$ 4,738,544
Additions	-	23,782	151,120	93,826	268,728
Reclassifications	-	10,364	-	(3,535)	6,829
Disposals	-	-	(54,944)	(3,470)	(58,414)
Depreciation charge	-	(129,158)	(138,091)	(63,014)	(330,263)
Net exchange differences	510	12,795	9,201	3,820	26,326
Balance at June 30	<u>\$ 1,468,140</u>	<u>\$ 1,987,276</u>	<u>\$ 791,286</u>	<u>\$ 405,048</u>	<u>\$ 4,651,750</u>
At June 30					
Cost	\$ 1,468,140	\$ 5,483,760	\$ 2,199,060	\$ 1,787,651	\$ 10,938,611
Accumulated depreciation	-	(3,496,484)	(1,407,774)	(1,382,603)	(6,286,861)
	<u>\$ 1,468,140</u>	<u>\$ 1,987,276</u>	<u>\$ 791,286</u>	<u>\$ 405,048</u>	<u>\$ 4,651,750</u>
	2018				
	<u>Land</u>	<u>Buildings</u>	<u>Machineries</u>	<u>Others</u>	<u>Total</u>
At January 1					
Cost	\$ 1,466,996	\$ 5,490,977	\$ 4,502,339	\$ 1,786,429	\$ 13,246,741
Accumulated depreciation	-	(3,232,185)	(3,591,934)	(1,334,820)	(8,158,939)
	<u>\$ 1,466,996</u>	<u>\$ 2,258,792</u>	<u>\$ 910,405</u>	<u>\$ 451,609</u>	<u>\$ 5,087,802</u>
Balance at January 1	\$ 1,466,996	\$ 2,258,792	\$ 910,405	\$ 451,609	\$ 5,087,802
Additions	-	35,849	113,001	57,491	206,341
Reclassifications	-	92,162	-	(87,694)	4,468
Disposals	-	-	(483)	(743)	(1,226)
Depreciation charge	-	(127,387)	(125,099)	(63,474)	(315,960)
Net exchange differences	467	9,053	7,076	2,883	19,479
Balance at June 30	<u>\$ 1,467,463</u>	<u>\$ 2,268,469</u>	<u>\$ 904,900</u>	<u>\$ 360,072</u>	<u>\$ 5,000,904</u>
At June 30					
Cost	\$ 1,467,463	\$ 5,704,604	\$ 4,453,534	\$ 1,734,658	\$ 13,360,259
Accumulated depreciation	-	(3,436,135)	(3,548,634)	(1,374,586)	(8,359,355)
	<u>\$ 1,467,463</u>	<u>\$ 2,268,469</u>	<u>\$ 904,900</u>	<u>\$ 360,072</u>	<u>\$ 5,000,904</u>

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

(7) Leasing arrangements – lessee

Effective 2019 (modified retrospective approach)

A. The Group leases various assets including land, buildings, machinery and equipment, and other equipment. Rental contracts are typically made for periods of 2 months to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

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

	June 30, 2019	Three months ended June 30, 2019	Six months ended June 30, 2019
	<u>Carrying amount</u>	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 78,340	\$ 2,239	\$ 4,497
Buildings	384,489	28,750	52,317
Machinery and equipment	3,902	637	1,273
Other equipment	38,079	5,430	9,983
	<u>\$ 504,810</u>	<u>\$ 37,056</u>	<u>\$ 68,070</u>

C. For the three months and six months ended June 30, 2019, the additions to right-of-use assets were \$153,050 and \$173,454, respectively.

D. The information on income and expense accounts relating to lease contracts is as follows:

	Three months ended June 30, 2019	Six months ended June 30, 2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,804	\$ 3,131
Expense on leases of low-value and short-term assets	6,182	16,484
Expense on variable lease payments	10,949	19,114

E. For the three months and six months ended June 30, 2019, the Group's total cash outflow for leases were \$34,352 and \$63,823, respectively.

(8) Investment property

	<u>2019</u>
	<u>Buildings</u>
At January 1	
Cost	\$ 1,129,777
Accumulated depreciation	(788,536)
	<u>\$ 341,241</u>
Balance at January 1	\$ 341,241
Additions	531
Reclassifications	(8,781)
Depreciation charge	(26,437)
Net exchange differences	3,959
Balance at June 30	<u>\$ 310,513</u>
At June 30	
Cost	\$ 1,093,473
Accumulated depreciation	(782,960)
	<u>\$ 310,513</u>
	<u>2018</u>
	<u>Buildings</u>
At January 1	
Cost	\$ 957,443
Accumulated depreciation	(619,551)
	<u>\$ 337,892</u>
Balance at January 1	\$ 337,892
Reclassifications	(20,139)
Depreciation charge	(24,429)
Net exchange differences	2,314
Balance at June 30	<u>\$ 295,638</u>
At June 30	
Cost	\$ 881,068
Accumulated depreciation	(585,430)
	<u>\$ 295,638</u>

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

	For the three months ended June 30	
	2019	2018
Rental income from the lease of the investment property	\$ 28,850	\$ 21,881
Direct operating expenses arising from the investment property	\$ 18,928	\$ 15,591
	For the six months ended June 30	
	2019	2018
Rental income from the lease of the investment property	\$ 56,558	\$ 44,522
Direct operating expenses arising from the investment property	\$ 37,230	\$ 32,436

B. As of June 30, 2019, December 31, 2018 and June 30, 2018, the fair value of the Group's investments in property amounting to \$2,913,789, \$2,484,968 and \$1,541,871, respectively, as derived from market prices in the nearby area, are included in Level 2.

(9) Long-term prepaid rents (shown as 'Other non-current assets')

	December 31, 2018	June 30, 2018
Land use right	\$ 81,899	\$ 88,642

A. A subsidiary of the Group signed a land use right contract with the Ministry of Land and Resources of the People's Republic of China for the use of the land at Kunshan City and Shenzhen City with a term of 50 years. The Group recognized rental expenses of \$2,301 and \$4,573 for the three months and six months ended June 30, 2018, respectively.

B. The Group applied IFRS16 for the first time on January 1, 2019. For the impact of its application, please refer to Note 3(1). For the details of significant accounts, please refer to Note 6(7).

(10) Short-term borrowings

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	\$ 3,000,000	0.94%~0.99%	None

As of June 30, 2019 and 2018, the Group did not have any short-term borrowings.

(11) Other payables

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Dividend payable	\$ 4,224,282	\$ -	\$ 3,801,852
Accrued salary and bonus	1,003,439	1,319,253	1,212,576
Directors' and supervisors' remuneration and employees' bonus	819,710	564,500	877,040
Accrued freight	395,506	502,979	350,504
Advertising expenses payable	225,528	273,429	272,905
Accrued molding expense	194,149	164,846	138,557
Other accrued expenses	684,309	593,243	732,396
	<u>\$ 7,546,923</u>	<u>\$ 3,418,250</u>	<u>\$ 7,385,830</u>

(12) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>June 30, 2019</u>
Long-term bank borrowings				
Secured borrowings	Starting from March 24, 2016 to March 24, 2021, repayment of principal and interest of USD 4,307.77 monthly and remaining principal on the due date.	Three month LIBOR plus 1.75%	Land and Building	\$ 17,059
Less: current portion				(863)
				<u>\$ 16,196</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2018</u>
Long-term bank borrowings				
Secured borrowings	Starting from March 24, 2016 to March 24, 2021, repayment of principal and interest of USD 4,307.77 monthly and remaining principal on the due date.	Three month LIBOR plus 1.75%	Land and Building	\$ 17,282
Less: current portion				(840)
				<u>\$ 16,442</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>June 30, 2018</u>
Long-term bank borrowings				
Secured borrowings	Starting from March 24, 2016 to March 24, 2021, repayment of principal and interest of USD 4,307.77 monthly and remaining principal on the due date.	Three month LIBOR plus 1.75%	Land and Building	\$ 17,562
Less: current portion				(856)
				<u>\$ 16,706</u>

(13) Pensions

- A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.
- (b) The pension costs under defined contribution pension plans of the Group for the three months and six months ended June 30, 2019 and 2018, were \$1,471, \$1,248, \$2,943 and \$2,497, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 amount to \$11,579.
- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

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

(c) The pension costs under defined contribution pension plans of the Group for the three months and six months ended June 30, 2019 and 2018, were \$66,125, \$65,107, \$133,644 and \$128,493, respectively.

(14) Provisions for liabilities

<u>Warranty</u>	<u>2019</u>	<u>2018</u>
At January 1	\$ 501,095	\$ 454,744
Additional provisions	371,172	335,081
Used during the period	(317,771)	(333,834)
Exchange differences	(7)	57
At June 30	<u>\$ 554,489</u>	<u>\$ 456,048</u>

Analysis of total provisions:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Current	<u>\$ 554,489</u>	<u>\$ 501,095</u>	<u>\$ 456,048</u>

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

(15) Share capital

As of June 30, 2019, the Company's authorized capital was \$15,000,000 (including 80,000 thousand shares reserved for employee stock options and 150,000 thousand shares reserved for convertible bonds issued by the Company), and the paid-in capital was \$8,448,562 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(16) Capital surplus

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

(17) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses, then 10% of the remaining amount shall be set aside or reversed as legal reserve. The balance plus unappropriated retained earnings at the beginning of the period shall be appropriated 10%~90% as proposed by the Board of Directors and resolved by the stockholders during their meeting.
- B. The Company's dividend policy is summarized below: as the Company operates in a volatile business environment and is in the stable growth stage, except for the Company's future expansion plans, stockholders' interest is taken into consideration. The Group appropriated dividends in proportion to total number of shares, dividends could be distributed in stock or cash, and cash dividends shall account for at least 30% of the total dividends distributed.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.
- E. The appropriations of 2018 and 2017 earnings had been resolved at the stockholders' meeting on June 14, 2019 and June 15, 2018, respectively, were as follows:

	2018		2017	
	Amount	Dividends per share (dollar)	Amount	Dividends per share (dollar)
Legal reserve	\$ 604,113		\$ 493,742	
Special reserve	84,151		32,333	
Cash dividend	3,801,853	\$ 4.50	3,801,852	\$ 4.50

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

The appropriation of 2018 earnings as approved by the stockholders is the same as with the appropriation resolved by the Board of Directors during its meeting on April 30, 2019.

Information about earnings appropriation of the Company as resolved by Board of Directors will be posted in the “Market Observation Post System” at the website of the Taiwan Stock Exchange.

F. For the information relating to employees’ bonuses and directors’ and supervisors’ remuneration, please refer to Note 6(22).

(18) Operating revenue

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

For the three months ended June 30, 2019	Computer and peripherals segment	General administration and other segments	Total
Total segment revenue	<u>\$ 26,141,711</u>	<u>\$ 2,461</u>	<u>\$ 26,144,172</u>
Timing of revenue recognition			
At a point in time	<u>\$ 26,141,711</u>	<u>\$ 2,461</u>	<u>\$ 26,144,172</u>
For the three months ended June 30, 2018	Computer and peripherals segment	General administration and other segments	Total
Total segment revenue	<u>\$ 28,294,325</u>	<u>\$ 2,036</u>	<u>\$ 28,296,361</u>
Timing of revenue recognition			
At a point in time	<u>\$ 28,294,325</u>	<u>\$ 2,036</u>	<u>\$ 28,296,361</u>
For the six months ended June 30, 2019	Computer and peripherals segment	General administration and other segments	Total
Total segment revenue	<u>\$ 55,627,374</u>	<u>\$ 4,719</u>	<u>\$ 55,632,093</u>
Timing of revenue recognition			
At a point in time	<u>\$ 55,627,374</u>	<u>\$ 4,719</u>	<u>\$ 55,632,093</u>
For the six months ended June 30, 2018	Computer and peripherals segment	General administration and other segments	Total
Total segment revenue	<u>\$ 60,078,807</u>	<u>(\$ 208)</u>	<u>\$ 60,078,599</u>
Timing of revenue recognition			
At a point in time	<u>\$ 60,078,807</u>	<u>(\$ 208)</u>	<u>\$ 60,078,599</u>

(19) Other income

	For the three months ended June 30	
	2019	2018
Rental revenue	\$ 28,850	\$ 21,881
Interest income	21,963	24,462
Others	136,795	79,784
Total	<u>\$ 187,608</u>	<u>\$ 126,127</u>

	For the six months ended June 30	
	2019	2018
Rental revenue	\$ 56,558	\$ 44,522
Interest income	44,621	44,706
Others	254,905	140,172
Total	<u>\$ 356,084</u>	<u>\$ 229,400</u>

(20) Other gains and losses

	For the three months ended June 30	
	2019	2018
(Losses) gains on financial assets and liabilities at fair value through profit or loss	(\$ 71,961)	\$ 39,651
Net gains on disposal of property, plant and equipment	1,193	11,839
Net currency exchange gains (losses)	79,823	(83,034)
Other losses	(22,815)	(19,491)
Total	<u>(\$ 13,760)</u>	<u>(\$ 51,035)</u>

	For the six months ended June 30	
	2019	2018
(Losses) gains on financial assets and liabilities at fair value through profit or loss	(\$ 59,896)	\$ 66,838
Net gains on disposal of property, plant and equipment	1,087	11,652
Net currency exchange gains (losses)	78,378	(144,582)
Other losses	(39,199)	(61,619)
Total	<u>(\$ 19,630)</u>	<u>(\$ 127,711)</u>

(21) Expenses by nature

By nature \ By function	For the three months ended June 30, 2019			For the three months ended June 30, 2018		
	Operating costs	Operating Expense	Total	Operating costs	Operating Expense	Total
Employee benefit expense	\$ 548,293	\$ 1,218,542	\$ 1,766,835	\$ 532,002	\$ 1,342,251	\$ 1,874,253
Depreciation charges on property, plant and equipment	123,287	42,457	165,744	119,821	40,913	160,734
Amortization charges	52	6	58	2,050	292	2,342
By nature \ By function	For the six months ended June 30, 2019			For the six months ended June 30, 2018		
	Operating costs	Operating Expense	Total	Operating costs	Operating Expense	Total
Employee benefit expense	\$ 1,088,890	\$ 2,388,808	\$ 3,477,698	\$ 1,076,196	\$ 2,709,327	\$ 3,785,523
Depreciation charges on property, plant and equipment	246,667	83,596	330,263	235,287	80,673	315,960
Amortization charges	101	12	113	4,086	592	4,678

(22) Employee benefit expense

	For the three months ended June 30	
	2019	2018
Wages and salaries	\$ 1,515,532	\$ 1,626,262
Labor and health insurance fees	104,462	100,813
Pension costs	67,596	66,355
Other personnel expenses	79,245	80,823
	<u>\$ 1,766,835</u>	<u>\$ 1,874,253</u>
	For the six months ended June 30	
	2019	2018
Wages and salaries	\$ 2,990,997	\$ 3,313,688
Labor and health insurance fees	194,942	187,154
Pension costs	136,587	130,990
Other personnel expenses	155,172	153,691
	<u>\$ 3,477,698</u>	<u>\$ 3,785,523</u>

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

B. For the three months and six months ended June 30, 2019 and 2018, employees' bonus was accrued at \$117,000, \$154,000, \$232,000 and \$351,000, respectively; while directors' remuneration was accrued at \$11,640, \$15,380, \$23,210 and \$35,140, respectively. The aforementioned amounts were recognized in salary expenses respectively.

The employees' bonus and directors' remuneration were estimated and accrued based on the historical distribution ratio and the profit of the current year for the six months ended June 30, 2019.

Employees' bonus and directors' remuneration of 2018 as resolved at the meeting of Board of Directors were in agreement with those amounts recognized in the 2018 financial statements. Information about employees' bonus and directors' remuneration of the Company as resolved by the Board of Directors and shareholders will be posted in the "Market Observation Post System" website of the Taiwan Stock Exchange.

(23) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>For the three months ended June 30</u>	
	<u>2019</u>	<u>2018</u>
Current tax:		
Current tax on profits for the period	\$ 251,751	\$ 449,894
Prior year income tax overestimation	(8,425)	(78,210)
Total current tax	<u>243,326</u>	<u>371,684</u>
Deferred tax:		
Origination and reversal of temporary differences	42,003	(70,030)
Impact of change in tax rate	-	(167)
Total deferred tax	<u>42,003</u>	<u>(70,197)</u>
Income tax expense	<u>\$ 285,329</u>	<u>\$ 301,487</u>
	<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>
Current tax:		
Current tax on profits for the period	\$ 449,396	\$ 973,215
Prior year income tax overestimation	(12,625)	(76,578)
Total current tax	<u>436,771</u>	<u>896,637</u>
Deferred tax:		
Origination and reversal of temporary differences	89,581	(104,433)
Impact of change in tax rate	-	22,530
Total deferred tax	<u>89,581</u>	<u>(81,903)</u>
Income tax expense	<u>\$ 526,352</u>	<u>\$ 814,734</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income: None.

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

B. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

C. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(24) Earnings per share

	For the three months ended June 30, 2019		
	<u>Amount after tax</u>	Retroactively adjusted weighted-average outstanding ordinary shares (in thousands)	<u>Earnings per share (in NT dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,255,718	844,856	\$ 1.48
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,255,718	844,856	
Assumed conversion of all dilutive potential ordinary shares			
Employee bonus	-	1,330	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,255,718	846,186	\$ 1.48
	For the three months ended June 30, 2018		
	<u>Amount after tax</u>	Retroactively adjusted weighted-average outstanding ordinary shares (in thousands)	<u>Earnings per share (in NT dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,748,968	844,856	\$ 2.07
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,748,968	844,856	
Assumed conversion of all dilutive potential ordinary shares			
Employee bonus	-	1,635	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,748,968	846,491	\$ 2.07

	For the six months ended June 30, 2019		
	<u>Amount after tax</u>	<u>Retroactively adjusted weighted-average outstanding ordinary shares (in thousands)</u>	<u>Earnings per share (in NT dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,562,128	844,856	\$ 3.03
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,562,128	844,856	
Assumed conversion of all dilutive potential ordinary shares			
Employee bonus	-	5,743	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 2,562,128	850,599	\$ 3.01
	For the six months ended June 30, 2018		
	<u>Amount after tax</u>	<u>Retroactively adjusted weighted-average outstanding ordinary shares (in thousands)</u>	<u>Earnings per share (in NT dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 3,856,188	844,856	\$ 4.56
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 3,856,188	844,856	
Assumed conversion of all dilutive potential ordinary shares			
Employee bonus	-	6,096	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 3,856,188	850,952	\$ 4.53

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

None.

(2) Significant related party transactions

None.

(3) Key management compensation

	For the three months ended June 30	
	2019	2018
Salaries and other employee benefits	\$ 94,607	\$ 107,464

	For the six months ended June 30	
	2019	2018
Salaries and other employee benefits	\$ 186,153	\$ 206,399

8. PLEGGED ASSETS

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

Asset items	Book value			Purpose
	June 30, 2019	December 31, 2018	June 30, 2018	
Other non-current assets - Other financial assets	\$ 51,032	\$ 69,316	\$ 36,744	Performance security guarantee
Property, plant and equipment	132,935	133,634	134,682	For guarantee of long-term loans
	<u>\$ 183,967</u>	<u>\$ 202,950</u>	<u>\$ 171,426</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies : None.

(2) Commitments : None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 99,153	\$ 98,400	\$ 134,312
Financial assets at amortised cost			
Cash and cash equivalents	10,727,209	8,815,680	11,586,283
Notes receivable	112,489	35,183	2,253
Accounts receivable	16,380,363	16,040,189	15,605,215
Other receivables	113,950	159,681	369,803
Other current financial assets	-	728,936	22,495
Other non-current financial assets	52,883	82,889	36,744
Guarantee deposits paid	42,972	26,348	25,393
	<u>\$ 27,529,019</u>	<u>\$ 25,987,306</u>	<u>\$ 27,782,498</u>
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	\$ 18,389	\$ 5,555	\$ 11,383
Financial liabilities at amortised cost			
Short-term borrowings	-	3,000,000	-
Notes payable	-	200	200
Accounts payable	15,303,546	14,933,624	18,832,303
Other accounts payable	7,546,923	3,418,250	7,385,830
Long-term borrowings (including current portion)	17,059	17,282	17,562
Guarantee deposits received	205,544	226,903	235,447
	<u>\$ 23,091,461</u>	<u>\$ 21,601,814</u>	<u>\$ 26,482,725</u>
Lease liabilities	<u>\$ 428,513</u>	<u>\$ -</u>	<u>\$ -</u>

B. Risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

(Foreign currency: functional currency)	June 30, 2019		
	Foreign Currency Amount (In Thousands)	Exchange rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 308,036	31.0600	\$ 9,567,608
EUR: NTD	38,068	35.3800	1,346,857
GBP: NTD	7,483	39.3900	294,751
CAD:NTD	12,024	23.7300	285,326
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	487,205	31.0600	15,132,591
USD: RMB	10,869	6.8702	337,593
EUR: NTD	8,861	35.3800	313,507

December 31, 2018			
(Foreign currency: functional currency)	Foreign Currency Amount (In Thousands)	Exchange rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 330,728	30.7150	\$ 10,158,307
RMB:NTD	352,127	4.4720	1,574,712
EUR: NTD	44,719	35.2000	1,574,113
CAD:NTD	15,079	22.5800	340,492
GBP: NTD	8,128	38.8800	315,999
USD: RMB	8,443	6.8683	259,331
RUB: NTD	585,852	0.4421	259,005
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	488,018	30.7150	14,989,481
USD: RMB	22,115	6.8683	679,263
EUR: NTD	10,117	35.2000	356,121

June 30, 2018			
(Foreign currency: functional currency)	Foreign Currency Amount (In Thousands)	Exchange rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 287,727	30.4600	\$ 8,764,155
EUR: NTD	41,825	35.4000	1,480,604
RMB:NTD	163,608	4.5930	751,452
RUB: NTD	919,567	0.4854	446,358
CAD:NTD	17,852	23.0400	411,319
USD: RMB	12,734	6.6318	387,863
AUD: NTD	12,523	22.4950	281,709
GBP: NTD	6,319	39.9600	252,494
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	595,816	30.4600	18,148,544
USD: RMB	31,325	6.6318	954,157
EUR: NTD	6,212	35.4000	219,906

- vi. The exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group for the three months and six months ended June 30, 2019 and 2018, amounted to \$79,823, (\$83,034), \$78,378 and (\$144,582), respectively.
- vii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

For the six months ended June 30, 2019			
Sensitivity analysis			
(Foreign currency: functional currency)	Degree of variation	Effect on profit or loss (before tax)	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 95,676	\$ -
EUR: NTD	1%	13,469	-
GBP: NTD	1%	2,948	-
CAD:NTD	1%	2,853	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1%	151,326	-
USD: RMB	1%	3,376	-
EUR: NTD	1%	3,135	-

For the six months ended June 30, 2018			
Sensitivity analysis			
(Foreign currency: functional currency)	Degree of variation	Effect on profit or loss (before tax)	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 87,642	\$ -
EUR: NTD	1%	14,806	-
RMB:NTD	1%	7,515	-
RUB: NTD	1%	4,464	-
CAD:NTD	1%	4,113	-
USD: RMB	1%	3,879	-
AUD: NTD	1%	2,817	-
GBP: NTD	1%	2,525	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1%	181,485	-
USD: RMB	1%	9,542	-
EUR: NTD	1%	2,199	-

Cash flow and fair value interest rate risk

- i. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. For the six months ended June 30, 2019 and 2018, the Group borrowings are issued at variable rate denominated in US dollars.

- ii. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.
- iii. At June 30, 2019, December 31, 2018 and June 30, 2018, if interest rates on USD and NTD denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the six months ended June 30, 2019 and 2018 would have been \$68 and \$70 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable cash flow based on the agreed terms.
- ii. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilisation of credit limits is regularly monitored. Credit risk arises from credit exposures to wholesale and retail customers, including outstanding receivables.
- iii. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition. If the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 150 days.
- v. The Group classifies customers' accounts receivable in accordance with sales area. The Group applies the simplified approach using provision matrix, to estimate expected credit loss under the provision matrix basis.
- vi. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. The Group's expected credit loss rate of accounts receivable that are not past due are not significant on June 30, 2019, December 31, 2018, and June 30, 2018.

- vii. The Group applies the simplified approach to provide loss allowance for accounts receivable that have no significant impact. The Group had not recognized related impact on June 30, 2019, December 31, 2018, and June 30, 2018.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities.
- ii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

	Less than 1 year	Between 1 to 2 years	Between 2 to 3 years	Over 3 years
June 30, 2019				
Accounts payable	\$ 15,303,546	\$ -	\$ -	\$ -
Other payables	7,546,923	-	-	-
Lease liabilities	159,720	127,962	88,412	60,117
Long-term borrowings (including current portion)	1,606	15,583	-	-
Other financial liabilities	-	110,329	-	95,215

Non-derivative financial liabilities:

	Less than 1 year	Between 1 to 2 years	Between 2 to 3 years	Over 3 years
December 31, 2018				
Short-term borrowings	\$ 3,000,000	\$ -	\$ -	\$ -
Notes payable	200	-	-	-
Accounts payable	14,933,624	-	-	-
Other payables	3,418,250	-	-	-
Long-term borrowings (including current portion)	1,588	1,588	14,616	-
Other financial liabilities	21,665	110,576	437	94,225

Non-derivative financial liabilities:

June 30, 2018	Less than 1 year	Between 1 to 2 years	Between 2 to 3 years	Over 3 years
Notes payable	\$ 200	\$ -	\$ -	\$ -
Accounts payable	18,832,303	-	-	-
Other payables	7,385,830	-	-	-
Long-term borrowings (including current portion)	1,575	1,575	15,282	-
Other financial liabilities	22,495	111,328	-	101,191

Derivative financial liabilities

As of June 30, 2019, December 31, 2018 and June 30, 2018, the derivative financial liabilities are foreign exchange contracts that mature within 1 year.

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

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

- B. Financial instruments not measured at fair value

The Group's cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets, long-term borrowings, guarantee deposits paid, short-term borrowings, notes payable, accounts payable and other payables, guarantee deposits received are approximate to their fair values. The transaction value information is provided in Note 12(2)A. The fair value information of the Group's investments in property is provided in Note 6(8).

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

June 30, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
-Equity security	\$ 94,167	\$ -	\$ -	\$ 94,167
-Forward exchange contract	-	1,618	-	1,618
-Foreign exchange swap	-	3,368	-	3,368
Total	<u>\$ 94,167</u>	<u>\$ 4,986</u>	<u>\$ -</u>	<u>\$ 99,153</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
-Forward exchange contract	<u>\$ -</u>	<u>\$ 18,389</u>	<u>\$ -</u>	<u>\$ 18,389</u>
December 31, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
-Equity security	\$ 84,068	\$ -	\$ -	\$ 84,068
-Forward exchange contract	-	6,376	-	6,376
-Foreign exchange swap	-	7,956	-	7,956
Total	<u>\$ 84,068</u>	<u>\$ 14,332</u>	<u>\$ -</u>	<u>\$ 98,400</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
-Forward exchange contract	<u>\$ -</u>	<u>\$ 5,555</u>	<u>\$ -</u>	<u>\$ 5,555</u>

June 30, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
-Equity security	\$ 104,104	\$ -	\$ -	\$ 104,104
-Forward exchange contract	-	30,208	-	30,208
Total	<u>\$ 104,104</u>	<u>\$ 30,208</u>	<u>\$ -</u>	<u>\$ 134,312</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
-Forward exchange contract	\$ -	\$ 443	\$ -	\$ 443
-Foreign exchange swap	-	10,940	-	10,940
Total	<u>\$ -</u>	<u>\$ 11,383</u>	<u>\$ -</u>	<u>\$ 11,383</u>

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

- (a) The level 1 financial instruments—equity security held by the Group are listed shares, and the market quoted price is determined by the closing price of the security.
- (b) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- (c) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

E. For the six months ended June 30, 2019 and 2018, there was no transfer between Level 1 and Level 2.

F. For the six months ended June 30, 2019 and 2018, there was no transfer in or out from Level 3.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

The financial information disclosed regarding the investee companies are prepared according to financial statement were not reviewed by other auditors. The transactions between related companies are offset when preparing consolidated financial statement.

A. Loans to others: None.

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

- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 2.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 3.
- I. Derivative financial instruments transactions: Please refer to Note 6(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

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

14. SEGMENT INFORMATION

(1) General information and measurement of segment information

The Group's operating segment profit (loss) is measured by the operating income (loss), which is used as a basis in assessing the performance of operating segments. "Operating Segments," the Group's reportable operating segments are as follows:

Computer and peripherals business group: Mainly engages in development and sale of mother boards, graphic cards, notebooks, and computer peripherals.

General administration and other segments: Mainly engages in development and sale of other products and in charge of general administration department expenses.

There is no material change in the basis for grouping of entities and division of segments in the Group or in the measurement basis for segment information during this period.

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

The revenue and segment information provided to the chief operating decision-maker for the reportable segments is as follows:

For the three months ended June 30, 2019

	Computer and peripherals segment	General administration and other segments	Total
Total segment revenue	\$ 26,141,711	\$ 2,461	\$ 26,144,172
Operating income	\$ 1,365,764	\$ 5,238	\$ 1,371,002
Other non-operating revenue			170,045
Profit before tax			\$ 1,541,047

For the six months ended June 30, 2019

	Computer and peripherals segment	General administration and other segments	Total
Total segment revenue	\$ 55,627,374	\$ 4,719	\$ 55,632,093
Operating income	\$ 2,763,935	\$ 61	\$ 2,763,996
Other non-operating revenue			324,484
Profit before tax			\$ 3,088,480

For the three months ended June 30, 2018

	Computer and peripherals segment	General administration and other segments	Total
Total segment revenue	\$ 28,294,325	\$ 2,036	\$ 28,296,361
Operating income (loss)	\$ 2,065,815	(\$ 89,096)	\$ 1,976,719
Other non-operating revenue			73,736
Profit before tax			\$ 2,050,455

For the six months ended June 30, 2018

	Computer and peripherals segment	General administration and other segments	Total
Total segment revenue	\$ 60,078,807	(\$ 208)	\$ 60,078,599
Operating income (loss)	\$ 4,687,038	(\$ 115,714)	\$ 4,571,324
Other non-operating revenue			99,598
Profit before tax			\$ 4,670,922

The above revenue was derived from the transactions with external customers. The above amounts are provided to the chief operating decision-maker for allocating resources and assessing performance of operating segments.

(3) Reconciliation for segment income

Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

A reconciliation of reportable segment income to the income before tax from continuing operations for the three months and six months ended June 30, 2019 and 2018 is provided as follows:

	<u>For the three months ended June 30</u>	
	<u>2019</u>	<u>2018</u>
Reportable segments income	\$ 1,371,002	\$ 1,976,719
Unappropriated amount:		
Other segments income	<u>170,045</u>	<u>73,736</u>
Income before tax from continuing operations	<u>\$ 1,541,047</u>	<u>\$ 2,050,455</u>
	<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>
Reportable segments income	\$ 2,763,996	\$ 4,571,324
Unappropriated amount:		
Other segments income	<u>324,484</u>	<u>99,598</u>
Income before tax from continuing operations	<u>\$ 3,088,480</u>	<u>\$ 4,670,922</u>

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

For the six months ended June 30, 2019

Expressed in thousands of NTD

(Except as otherwise indicated)

Table 1

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of June 30, 2019				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
MSI (HOLDING)	CVA ING GROEP	-	Financial assets at fair value through profit or loss - current	80,000	\$ 28,870	-	\$ 28,870	-
MSI (HOLDING)	DAIMLER	-	Financial assets at fair value through profit or loss - current	20,000	34,623	-	34,623	-
MSI (HOLDING)	DEUTSCHE POST	-	Financial assets at fair value through profit or loss - current	30,000	30,674	-	30,674	-

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

For the six months ended June 30, 2019

Expressed in thousands of NTD

(Except as otherwise indicated)

Table 2

Transaction company (Note 4)	Name of the counter party (Note 4)	Relationship with the counterparty	Description of the transaction				Description and reasons of difference in transaction terms compared to third party transactions		Accounts or notes receivable (payable)		Footnote
			Purchases/(Sales)	Amount (Note 3)	% of total purchase (sale)	Credit terms	Unit price	Credit terms	Balance (Note 3)	% of total accounts or notes receivable/(payable)	
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (LA)	Subsidiary	Sales	\$ (6,597,258)	(12)	80~100 days	Insignificant difference	Note 1	\$ 4,286,856	26	-
MICRO-STAR INTERNATIONAL CO., LTD.	MEGA COMPUTER	Subsidiary	Sales	(2,692,046)	(5)	40-70 days	Insignificant difference	Note 1	1,366,771	8	-
MICRO-STAR INTERNATIONAL CO., LTD.	MYSTAR	Subsidiary	Sales	(794,162)	(1)	40-70 days	Insignificant difference	Note 1	168,345	1	-
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (KOREA)	Subsidiary	Sales	(2,198,083)	(4)	50-70 days	Insignificant difference	Note 1	14,816	0	-
MEGA COMPUTER	MSI (SHANGHAI)	Affiliated company	Sales	(2,454,846)	(100)	40-70 days	Insignificant difference	Note 1	1,878,448	100	-
MSI (PACIFIC)	MSI COMPUTER (SHENZHEN)	Subsidiary	Processing overhead	1,434,356	72	Note 2	Insignificant difference	Note 2	(2,636,502)	(72)	-
MSI (PACIFIC)	MSI ELECTRONICS (KUNSHAN)	Subsidiary	Processing overhead	538,107	27	Note 2	Insignificant difference	Note 2	(756,751)	(21)	-
MSI (PACIFIC)	MICRO-STAR INTERNATIONAL CO., LTD.	Ultimate parent company	Revenue from processing	(1,989,521)	(100)	Note 2	Insignificant difference	Note 2	3,638,722	100	-

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

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

Note 3: Balances after elimination in conformity with regulations.

Note 4: Corresponding transactions are not disclosed.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 June 30, 2019

Expressed in thousands of NTD
 (Except as otherwise indicated)

Table 3

Creditor	Counterparty	Relationship with the counterparty	Balance as of June 30, 2019	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (LA)	Subsidiary	\$ 4,286,856	3.03	\$ -	-	\$ 1,125,202	\$ -
MICRO-STAR INTERNATIONAL CO., LTD.	MEGA COMPUTER	Subsidiary	1,366,771	4.98	-	-	392,484	-
MICRO-STAR INTERNATIONAL CO., LTD.	MYSTAR	Subsidiary	168,345	6.89	-	-	27,689	-
MSI (PACIFIC) (Note)	MICRO-STAR INTERNATIONAL CO., LTD.	Ultimate parent company	3,638,722	1.12	-	-	416,779	-
MSI COMPUTER (SHENZHEN) (Note)	MSI (PACIFIC)	Parent Company	2,636,502	1.11	-	-	268,339	-
MSI ELECTRONICS (KUNSHAN) (Note)	MSI (PACIFIC)	Parent Company	756,751	1.46	-	-	144,786	-
MSI (B.V.I.)	MSI (PACIFIC)	Parent Company	145,151	-	-	-	-	-
MEGA COMPUTER	MSI (SHANGHAI)	Affiliated company	1,878,448	2.89	-	-	598,844	-

Note: Processing overhead receivable.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the six months ended June 30, 2019

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 4

Number	Company name (Note 4)	Counterparty (Note 4)	Relationship	Transaction			
				General ledger account	Amount (Note 1)	Transaction terms	Percentage of consolidated total operating revenues or total assets
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (KOREA)	Parent company to subsidiary	Sales	\$ 2,198,083	Note 2	3.95%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (LA)	Parent company to subsidiary	Sales	6,597,258	Note 2	11.86%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MEGA COMPUTER	Parent company to subsidiary	Sales	2,692,046	Note 2	4.84%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MYSTAR	Parent company to subsidiary	Sales	794,162	Note 2	1.43%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (LA)	Parent company to subsidiary	Accounts receivable	4,286,856	Note 2	7.77%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MEGA COMPUTER	Parent company to subsidiary	Accounts receivable	1,366,771	Note 2	2.48%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MYSTAR	Parent company to subsidiary	Accounts receivable	168,345	Note 2	0.31%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (PACIFIC)	Parent company to subsidiary	Processing cost	1,895,512	Note 3	3.41%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MEGA COMPUTER	Parent company to subsidiary	Operating expense	148,877	Note 2	0.27%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (PACIFIC)	Parent company to subsidiary	Operating expense	90,200	Note 2	0.16%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (EUROPE)	Parent company to subsidiary	Operating expense	120,675	Note 2	0.22%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MYSTAR	Parent company to subsidiary	Operating expense	91,763	Note 2	0.16%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (POLSKA)	Parent company to subsidiary	Operating expense	72,292	Note 2	0.13%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (MHK)	Parent company to subsidiary	Operating expense	67,303	Note 2	0.12%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (RUSSIA)	Parent company to subsidiary	Operating expense	51,835	Note 2	0.09%
1	MSI (PACIFIC)	MICRO ELECTRONICS	Subsidiary to subsidiary	Accrued expenses payable	96,666	Note 3	0.18%
1	MSI (PACIFIC)	MSI (B.V.I.)	Subsidiary to subsidiary	Accrued expenses payable	145,151	Note 3	0.26%

Number	Company name (Note 4)	Counterparty (Note 4)	Relationship	Transaction			
				General ledger account	Amount (Note 1)	Transaction terms	Percentage of consolidated total operating revenues or total assets
1	MSI (PACIFIC)	MSI ELECTRONICS (KUNSHAN)	Subsidiary to subsidiary	Accrued expenses payable	\$ 756,751	Note 3	1.37%
1	MSI (PACIFIC)	MSI COMPUTER (SHENZHEN)	Subsidiary to subsidiary	Accrued expenses payable	2,636,502	Note 3	4.78%
1	MSI (PACIFIC)	MICRO-STAR INTERNATIONAL CO., LTD.	Subsidiary to parent	Accounts receivable	3,638,722	Note 3	6.60%
1	MSI (PACIFIC)	MICRO-STAR INTERNATIONAL CO., LTD.	Subsidiary to parent	Processing Revenue	1,989,521	Note 3	3.58%
1	MSI (PACIFIC)	MSI ELECTRONICS (KUNSHAN)	Subsidiary to subsidiary	Processing overhead	538,107	Note 3	0.97%
1	MSI (PACIFIC)	MSI COMPUTER (SHENZHEN)	Subsidiary to subsidiary	Processing overhead	1,434,356	Note 3	2.58%
2	MEGA COMPUTER	MSI (SHANGHAI)	Subsidiary to subsidiary	Sales	2,454,846	Note 2	4.41%
2	MEGA COMPUTER	MSI (SHANGHAI)	Subsidiary to subsidiary	Accounts receivable	1,878,448	Note 2	3.41%
2	MEGA COMPUTER	MSI (SHANGHAI)	Subsidiary to subsidiary	Accrued expenses payable	78,770	Note 2	0.14%

Note 1: Balances after elimination in conformity with regulations.

Note 2: Transaction terms were approximately the same as those to third parties.

Note 3: Processing overhead was determined based on the quantities, contract amount and delivery time.

Note 4: Individual transactions not exceeding \$50,000 and their corresponding transactions are not disclosed.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Information on investees (not including investees in Mainland China)

For the six months ended June 30, 2019

Expressed in thousands of NTD

(Except as otherwise indicated)

Table 5

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2019			Net profit (loss) of the investee for the six months ended June 30, 2019	Investment income (loss) recognised by the Company for the six months ended June 30, 2019	Footnote
				Balance as at June 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (LA)	U.S.A	Sales and maintenance of computers, and electronic components	\$ 258,468	\$ 258,468	575,458	100.00	\$ 39,497	\$ 3,213	\$ 3,213	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (AUSTRALIA)	Australia	Maintenance and after-sales service of computers and electronic components	57,420	57,420	221,836	100.00	7,094	226	226	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (JAPAN)	Japan	Sales support and maintenance of computers and electronic components	20,411	20,411	1,400	100.00	14,430	767	767	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (PACIFIC)	Cayman Islands	Holding company	1,511,382	1,511,382	30,204,118	100.00	6,582,671	201,704	201,704	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (HOLDING)	Netherlands	Holding company	45,724	45,724	424,000	100.00	635,819	30,641	30,641	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI COMPUTER (CAYMAN)	Cayman Islands	Holding company	99,093	99,093	50,000	100.00	128,641	69	69	Direct subsidiary
MSI (PACIFIC)	MSI (KOREA)	South Korea	Sales and maintenance of computers and electronic components	24,374	24,374	80,000	100.00	285,241	17,631	-	Indirect subsidiary
MSI (PACIFIC)	MSI (B.V.I.)	British Virgin Island	Holding company	1,784,681	1,784,681	47,465,071	100.00	3,924,070	126,265	-	Indirect subsidiary
MSI (PACIFIC)	MICRO ELECTRONICS	British Virgin Island	Holding company	1,168,593	1,168,593	33,315,472	100.00	2,360,902	61,897	-	Indirect subsidiary
MSI (PACIFIC)	STAR INFORMATION	British Virgin Island	Holding company	144,721	144,721	4,502,601	100.00	32,797	(3,387)	-	Indirect subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2019			Net profit (loss) of the investee for the six months ended June 30, 2019	Investment income (loss) recognised by the Company for the six months ended June 30, 2019	Footnote
				Balance as at June 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
MSI (PACIFIC)	MEGA TECHNOLOGY	British Virgin Island	Holding company	\$ 92,819	\$ 92,819	3,050,000	100.00	\$ (6,966)	\$ (822)	\$ -	Indirect subsidiary
MSI (PACIFIC)	MEGA COMPUTER	Hong Kong	Sales support of computers and electronic components	-	-	1	100.00	6,582	(140)	-	Indirect subsidiary
MSI (PACIFIC)	MSI (MHK)	Hong Kong	Sales support of computers and electronic components	-	-	1	100.00	17,484	3,976	-	Indirect subsidiary
MSI (HOLDING)	MYSTAR	Netherlands	Sales support of computers and electronic components	71,353	71,353	-	100.00	144,030	8,162	-	Indirect subsidiary
MSI (HOLDING)	MSI (RUSSIA)	Russia	Sales support and maintenance of computers and electronic components	68,258	68,258	-	99.00	35,765	1,750	-	Indirect subsidiary
MSI (HOLDING)	MSI (POLSKA)	Poland	Sales support and maintenance and after-sales services of computers and electronic components	46,077	46,077	-	99.00	34,323	1,203	-	Indirect subsidiary
MSI (HOLDING)	MSI (SARL)	France	Sales support of computers and electronic components	26,646	26,646	-	100.00	52,918	2,573	-	Indirect subsidiary
MSI (HOLDING)	MSI (UK)	Britain	Sales support of computers and electronic components	37,226	37,226	-	100.00	13,999	1,356	-	Indirect subsidiary
MSI (HOLDING)	MSI (TURKEY)	Turkey	Sales support of computers and electronic components	3,229	3,229	-	99.00	(85)	-	-	Indirect subsidiary (Note 2)
MSI (HOLDING)	MSI (ITALY)	Italy	Sales support of computers and electronic components	2,153	2,153	-	100.00	2,139	574	-	Indirect subsidiary
MSI (HOLDING)	MSI (EUROPE)	Netherlands	Logistics services of computers and electronic components	37,620	37,620	-	100.00	48,274	4,328	-	Indirect subsidiary
MSI (HOLDING)	MSI (IBERIA)	Spain	Sales support of computers and electronic components	5,177	-	-	100.00	5,307	-	-	Indirect subsidiary
MSI (EUROPE)	MSI (RUSSIA)	Russia	Sales support and maintenance of computers and electronic components	689	689	-	1.00	565	1,750	-	Indirect subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2019			Net profit (loss) of the investee for the six months ended June 30, 2019	Investment income (loss) recognised by the Company for the six months ended June 30, 2019	Footnote
				Balance as at June 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
MSI (EUROPE)	MSI (POLSKA)	Poland	Sales support and maintenance and after-sales services of computers and electronic components	467	467	-	1.00	181	1,203	-	Indirect subsidiary
MSI (EUROPE)	MSI (TURKEY)	Turkey	Sales support of computers and electronic components	\$ 33	\$ 33	-	1.00	\$ 27	\$ -	\$ -	Indirect subsidiary (Note 2)
MEGA TECHNOLOGY	RAIDEALS	U.S.A	Sales of computers and electronic components	1,523	1,523	-	100.00	1,605	88	-	Indirect subsidiary

Note 1: The table is presented in New Taiwan dollars. Except for the initial investment amount is valued at historical exchange rate, the others are valued with exchange rate 1USD=31.06 NTD; 1EUR=35.38 NTD on June 30, 2019 and average rate with 1USD=30.972 NTD; 1EUR=35.0049 NTD for the six months ended June 30, 2019.

Note 2: As of June 30, 2019, the liquidation process has not been completed.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China - Basic information

For the six months ended June 30, 2019

Expressed in thousands of NTD

(Except as otherwise indicated)

Table 6

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six months ended June 30, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2019	Net income of investee as of June 30, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six months ended June 30, 2019 (Note 2)	Book value of investments in Mainland China as of June 30, 2019	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
MSI COMPUTER (SHENZHEN)	Sales and manufacture of computers, and electronic components	\$ 1,726,857	Note 1	\$ 1,726,857	\$ -	\$ -	\$ 1,726,857	\$ 126,476	100.00	\$ 126,476	\$ 3,760,349	\$ -	-
MSI ELECTRONICS (KUNSHAN)	Sales and manufacture of computers, and electronic components	1,772,675	Note 1	1,772,675	-	-	1,772,675	60,842	100.00	60,842	2,252,288	-	-
SHENZHEN MEGA INFORMATION	Examination and maintenance of computers, and electronic components	23,940	Note 1	23,940	-	-	23,940	495	100.00	495	22,873	-	-
MSI COMPUTER TRADING (SHENZHEN)	Sales and maintenance of computers and electronic components	91,296	Note 1	-	-	-	-	(910)	100.00	(910)	(8,571)	-	Note 3
MSI (SHENZHEN)	Sales and maintenance of computers and electronic components	30,092	Note 1	-	-	-	-	(3,507)	100.00	(3,507)	18,825	-	Note 4
MSI (SHANGHAI)	Sales and maintenance of computers and electronic components	29,275	Note 1	-	-	-	-	(5,310)	100.00	(5,310)	(44,932)	-	Note 5

	Investment amount approved by the	Ceiling on investments in Mainland China
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2019	Investment Commission of the Ministry of Economic Affairs (MOEA) imposed by the Investment Commission of MOEA

MICRO-STAR INTERNATIONAL CO., LTD.	\$ 3,602,547	\$ 3,850,987	\$ 17,013,880
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Note 1: The investments were made indirectly through 100% owned subsidiary of the Company.

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

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

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

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

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

Note 7: The table is presented in New Taiwan dollars. Except for the initial investment amount is valued at historical exchange rate, the others are valued with exchange rate 1USD=31.06 NTD on June 30, 2019 and average rate with 1USD=30.972 NTD for the six months ended June 30, 2019.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

For the six months ended June 30, 2019

Expressed in thousands of NTD

(Except as otherwise indicated)

Table 7

Investee in Mainland China	Sales/ (Purchase)		Property transaction		Accounts receivable/ (payable)		Amount of endorsements/guarantees secured with collaterals			Accommodation of funds			
	Amount	%	Amount	%	Balance as of June 30, 2019	%	Balance as of June 30, 2019	Purpose	Ceiling amount	Balance as of June 30, 2019	Interest rate range	Interest expense	Others (Note)
MSI COMPUTER (SHENZHEN)	\$ -	-	\$ -	-	\$ (2,636,502)	(72)	\$ -	-	\$ -	\$ -	-	\$ -	\$ 1,434,356
MSI ELECTRONICS (KUNSHAN)	-	-	-	-	(756,751)	(21)	-	-	-	-	-	-	538,107
MSI (SHANGHAI)	2,454,846	100	-	-	1,878,448	100	-	-	-	-	-	-	-

Note: Processing overhead.