MICRO-STAR INTERNATIONAL CO., LTD.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REVIEW REPORT

JUNE 30, 2020 AND 2019

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

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

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

Introduction

We have reviewed the accompanying consolidated balance sheets of MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES (the “Group”) as at June 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three months and six months then ended, as well as the statements of changes in equity and of cash flows for the 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 auditors. Those statements reflect total assets of NT$16,562,942 thousand and NT$15,535,861 thousand, constituting 25% and 28% of the consolidated total assets, and total liabilities of NT$3,013,973 thousand and NT$2,515,623 thousand, constituting 8% and 9%

of the consolidated total liabilities as at June 30, 2020 and 2019, and total comprehensive income of NT$288,975 thousand, NT$102,663 thousand, NT$246,160 thousand and NT$236,620 thousand, constituting 14%, 9%, 8% and 9% 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 auditors, 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, 2020 and 2019, and of its consolidated financial performance for the three months and six months then ended and its consolidated cash flows for the 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 7, 2020

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.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2020, DECEMBER 31, 2019 AND JUNE 30, 2019
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of June 30, 2020 and 2019 are reviewed, not audited)

	Assets	Notes	June 30, 2020 AMOUNT	%	December 31, 2019 AMOUNT	%	June 30, 2019 AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 13,394,241	20	$ 10,834,884	18	$ 10,727,209	20
1110	Financial assets at fair value through profit or loss - current	6(2)	93,697	-	152,805	-	99,153	-
1136	Current financial assets at amortised cost	6(4)	2,700,434	4	1,200,000	2	-	-
1150	Notes receivable, net	6(5)	93,021	-	47,114	-	112,489	-
1170	Accounts receivable, net	6(5)	21,623,722	32	17,205,783	29	16,380,363	30
1200	Other receivables		179,043	-	227,116	-	113,950	-
1220	Current income tax assets		4,216	-	16,417	-	10,630	-
130X	Inventories, net	6(6)	21,368,558	32	22,527,840	37	19,974,052	36
1410	Prepayments	6(7)	1,621,111	3	1,675,701	3	1,601,776	3
11XX	**Total current assets**		61,078,043	91	53,887,660	89	49,019,622	89
	Non-current assets							
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	151,975	-	151,975	-	-	-
1535	Non-current financial assets at amortised cost	6(4) and 8	104,587	-	102,009	-	52,883	-
1600	Property, plant and equipment	6(8) and 8	4,800,293	7	4,893,433	8	4,651,750	8
1755	Right-of-use assets	6(9)	583,913	1	474,897	1	504,810	1
1760	Investment property - net	6(11)	212,672	-	300,559	1	310,513	1
1840	Deferred income tax assets	6(26)	487,835	1	471,523	1	526,036	1
1900	Other non-current assets		65,965	-	66,652	-	77,636	-
15XX	**Total non-current assets**		6,407,240	9	6,461,048	11	6,123,628	11
1XXX	**Total assets**		$ 67,485,283	100	$ 60,348,708	100	$ 55,143,250	100

(Continued)

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2020, DECEMBER 31, 2019 AND JUNE 30, 2019
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of June 30, 2020 and 2019 are reviewed, not audited)

	Liabilities and Equity	Notes	June 30, 2020 AMOUNT	%	December 31, 2019 AMOUNT	%	June 30, 2019 AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(12)	$ 3,000,000	5	$ 1,500,000	3	$ -	-
2120	Financial liabilities at fair value through profit or loss - current	6(2)	55,910	-	24,943	-	18,389	-
2170	Accounts payable		21,085,182	31	20,391,520	34	15,303,546	28
2200	Other payables	6(13)	7,604,404	11	3,844,835	6	7,546,923	14
2230	Current income tax liabilities		997,445	2	402,714	1	937,790	2
2250	Provision for liabilities - current	6(16)	583,077	1	556,720	1	554,489	1
2280	Current lease liabilities		223,331	-	159,081	-	156,826	-
2365	Refund liabilities- current		2,324,652	4	1,636,499	3	1,447,987	2
2399	Other current liabilities, others		245,120	-	108,961	-	107,194	-
21XX	**Total current liabilities**		36,119,121	54	28,625,273	48	26,073,144	47
	Non-current liabilities							
2540	Long-term borrowings	6(14) and 8	-	-	15,095	-	16,196	-
2570	Deferred income tax liabilities	6(26)	27,050	-	27,214	-	548	-
2580	Non-current lease liabilities		300,216	1	247,767	1	271,687	1
2640	Net defined benefit liability, non-current	6(15)	218,580	-	221,974	-	214,769	1
2670	Other non-current liabilities, others		202,680	-	198,920	-	210,440	-
25XX	**Total non-current liabilities**		748,526	1	710,970	1	713,640	2
2XXX	**Total liabilities**		36,867,647	55	29,336,243	49	26,786,784	49
	Equity attributable to owners of parent							
	Share capital	6(17)						
3110	Share capital - common stock		8,448,562	12	8,448,562	14	8,448,562	15
	Capital surplus	6(18)						
3200	Capital surplus		804,214	1	803,918	1	803,918	1
	Retained earnings	6(19)						
3310	Legal reserve		5,541,298	8	4,982,577	8	4,982,577	9
3320	Special reserve		794,525	1	505,966	1	505,966	1
3350	Unappropriated retained earnings		16,022,609	24	17,065,967	28	14,048,948	26
	Other equity interest							
3400	Other equity interest		(993,572)	(1)	(794,525)	(1)	(433,505)	(1)
31XX	**Equity attributable to owners of the parent**		30,617,636	45	31,012,465	51	28,356,466	51
3XXX	**Total equity**		30,617,636	45	31,012,465	51	28,356,466	51
3X2X	**Total liabilities and equity**		$ 67,485,283	100	$ 60,348,708	100	$ 55,143,250	100

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

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share)
(UNAUDITED)

			Three months ended June 30				Six months ended June 30			
			2020		2019		2020		2019	
	Items	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(20)	$ 35,337,690	100	$ 26,144,172	100	$ 63,841,232	100	$ 55,632,093	100
5000	Operating costs	6(6)(24)	(30,253,638)	(86)	(22,477,356)	(86)	(54,924,191)	(86)	(48,189,277)	(87)
5900	Net operating margin		5,084,052	14	3,666,816	14	8,917,041	14	7,442,816	13
	Operating expenses	6(24)								
6100	Selling expenses		(1,548,931)	(4)	(1,228,899)	(5)	(2,759,775)	(4)	(2,598,345)	(4)
6200	General and administrative expenses		(313,276)	(1)	(266,437)	(1)	(592,564)	(1)	(490,890)	(1)
6300	Research and development expenses		(827,458)	(2)	(792,226)	(3)	(1,616,982)	(3)	(1,573,776)	(3)
6450	Expected credit loss		(12,448)	-	(8,252)	-	(11,724)	-	(15,809)	-
6000	Total operating expenses		(2,702,113)	(7)	(2,295,814)	(9)	(4,981,045)	(8)	(4,678,820)	(8)
6900	Operating profit		2,381,939	7	1,371,002	5	3,935,996	6	2,763,996	5
	Non-operating income and expenses									
7100	Interest income	6(4)(21)	26,058	-	21,963	-	45,715	-	44,621	-
7010	Other income	6(22)	102,614	-	165,645	1	193,031	-	311,463	1
7020	Other gains and losses	6(23)	34,337	-	(13,760)	-	(105,117)	-	(19,630)	-
7050	Finance costs		(8,980)	-	(3,803)	-	(15,362)	-	(11,970)	-
7000	Total non-operating income and expenses		154,029	-	170,045	1	118,267	-	324,484	1
7900	**Profit before income tax**		2,535,968	7	1,541,047	6	4,054,263	6	3,088,480	6
7950	Income tax expense	6(26)	(434,159)	(1)	(285,329)	(1)	(701,945)	(1)	(526,352)	(1)
8200	**Profit for the period**		$ 2,101,809	6	$ 1,255,718	5	$ 3,352,318	5	$ 2,562,128	5
	Other comprehensive income									
	Components of other comprehensive income that will be reclassified to profit or loss									
8361	Financial statements translation differences of foreign operations		($ 101,280)	-	($ 56,143)	-	($ 199,047)	-	$ 72,461	-
8360	Components of other comprehensive loss that will be reclassified to profit or loss		(101,280)	-	(56,143)	-	(199,047)	-	72,461	-
8300	**Total other comprehensive (loss) income for the period**		($ 101,280)	-	($ 56,143)	-	($ 199,047)	-	$ 72,461	-
8500	**Total comprehensive income for the period**		$ 2,000,529	6	$ 1,199,575	5	$ 3,153,271	5	$ 2,634,589	5
	Profit attributable to:									
8610	Owners of the parent		$ 2,101,809	6	$ 1,255,718	5	$ 3,352,318	5	$ 2,562,128	5
	Comprehensive income attributable to:									
8710	Owners of the parent		$ 2,000,529	6	$ 1,199,575	5	$ 3,153,271	5	$ 2,634,589	5
	Earnings per share (in dollars)	6(27)								
9750	Basic earnings per share		$	2.49	$	1.48	$	3.97	$	3.03
9850	Diluted earnings per share		$	2.48	$	1.48	$	3.94	$	3.01

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, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Equity attributable to owners of the parent									
			Capital Surplus				Retained Earnings				
	Notes	Share capital - common stock	Additional paid-in capital	Treasury stock transactions	Donated assets received	Employee stock warrants	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total equity
2019											
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(19)										
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		$ 8,448,562	$ 628,134	$ 130,592	$ 732	$ 44,460	$ 4,982,577	$ 505,966	$ 14,048,948	($ 433,505)	$ 28,356,466
2020											
Balance at January 1, 2020		$ 8,448,562	$ 628,134	$ 130,592	$ 732	$ 44,460	$ 4,982,577	$ 505,966	$ 17,065,967	($ 794,525)	$ 31,012,465
Profit for the six months ended June 30, 2020		-	-	-	-	-	-	-	3,352,318	-	3,352,318
Other comprehensive loss for the six months ended June 30, 2020		-	-	-	-	-	-	-	-	(199,047)	(199,047)
Total comprehensive income (loss)		-	-	-	-	-	-	-	3,352,318	(199,047)	3,153,271
Appropriation of 2019 earnings	6(19)										
Legal reserve		-	-	-	-	-	558,721	-	(558,721)	-	-
Special reserve		-	-	-	-	-	-	288,559	(288,559)	-	-
Cash dividends		-	-	-	-	-	-	-	(3,548,396)	-	(3,548,396)
Due to donated assets received		-	-	-	296	-	-	-	-	-	296
Balance at June 30, 2020		$ 8,448,562	$ 628,134	$ 130,592	$ 1,028	$ 44,460	$ 5,541,298	$ 794,525	$ 16,022,609	($ 993,572)	$ 30,617,636

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, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	For the six months ended June 30, 2020	For the six months ended June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 4,054,263	$ 3,088,480
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including right-of-use assets and investment properties)	6(24)	526,300	424,770
Amortization	6(24)	115	113
Expected credit loss		11,724	15,809
Net loss on financial assets and liabilities at fair value through profit or loss		90,404	12,544
Interest expense		15,362	11,970
Interest income	6(21)	(45,715)	(44,621)
Loss (gain) on disposal of property, plant and equipment	6(23)	186	(1,087)
Gain on lease modification	6(9)	(52)	-
Loss (gain) on unrealized foreign currency exchange		84,678	(53,267)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(744)	-
Notes receivable, net		(45,907)	(77,306)
Accounts receivable		(4,429,264)	(356,104)
Other receivables		50,062	42,705
Inventories, net		1,159,282	2,078,810
Prepayments		54,590	(220,754)
Other non-current assets		18,677	75,326
Changes in operating liabilities			
Notes payable		-	(200)
Accounts payable		693,662	369,922
Other payables		209,142	(95,213)
Provision for liabilities - current		26,357	53,394
Refund liabilities- current		688,153	(348,918)
Other current liabilities, others		121,741	15,029
Net defined benefit liability		(3,394)	(2,840)
Other non-current liabilities		-	4,896
Cash inflow generated from operations		3,279,622	4,993,458
Interest received		43,443	47,605
Interest paid		(13,228)	(12,339)
Income tax paid		(111,173)	(654,449)
Net cash flows from operating activities		3,198,664	4,374,275

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MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	For the six months ended June 30, 2020	For the six months ended June 30, 2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortised cost		($ 1,503,012)	$ -
Proceeds from disposal of financial assets at amortised cost		-	758,942
Acquisition of property, plant and equipment	6(8)	(287,258)	(268,728)
Proceeds from disposal of property, plant and equipment		62	59,501
Increase in refundable deposits		(15,052)	(16,624)
Acquisition of investment properties	6(11)	(303)	(531)
Net cash flows (used in) from investing activities		(1,805,563)	532,560
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in short-term borrowings		1,500,000	(3,000,000)
Repayment of the principal portion of lease liabilities		(115,721)	(60,692)
Payment of long-term borrowings		(488)	(417)
Increase (decrease) in guarantee deposits received		3,760	(21,359)
Due to donated assets received		296	298
Net cash flows from (used in) financing activities		1,387,847	(3,082,170)
Effect of exchange rate		(221,591)	86,864
Net increase in cash and cash equivalents		2,559,357	1,911,529
Cash and cash equivalents at beginning of period	6(1)	10,834,884	8,815,680
Cash and cash equivalents at end of period	6(1)	$ 13,394,241	$ 10,727,209

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, 2020 AND 2019
(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 authorised for issuance by the Board of Directors on August 7, 2020.

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 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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
Amendment to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020
Amendment to IFRS 16, 'Covid-19-related rent concessions'	June 1, 2020

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

A. Amendment to IFRS 16, 'Covid-19-related rent concessions'

This amendment provides a practical expedient for lessees from assessing whether a rent concession related to COVID-19, and that meets all of the following conditions, is a lease modification:

(a) Changes in lease payments result in the revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) Any reduction in lease payments affects only payments originally due on or before June 30 2021; and

(c) There is no substantive change to other terms and conditions of the lease.

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

None.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts— cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

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

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

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

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

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

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

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiaries	Main business activities	Ownership(%) 2020/6/30	Ownership(%) 2019/12/31	Ownership(%) 2019/6/30	Note
MICRO-STAR INTERNATIONAL CO., LTD.	MICRO-STAR NETHERLANDS HOLDING B.V. [MSI (HOLDING)]	Investment holding company	100	100	100	A and D
〃	MSI COMPUTER CORP. [MSI (LA)]	Sales and maintenance of computers and electronic components	100	100	100	〃
〃	MSI PACIFIC INTERNATIONAL HOLDING CO., LTD. [MSI (PACIFIC)]	Investment holding company	100	100	100	A and C
〃	MSI COMPUTER JAPAN CO., LTD. [MSI (JAPAN)]	Sales support and maintenance of computers and electronic components	100	100	100	〃
〃	MSI COMPUTER (AUSTRALIA) PTY. LTD. [MSI (AUSTRALIA)]	〃	100	100	100	〃
〃	MSI COMPUTER (CAYMAN) CO., LTD. [MSI COMPUTER (CAYMAN)]	Investment holding company	100	100	100	A and D
〃	MICRO-STAR CANADA LTD. [MSI (CANADA)]	Sales support of computers and electronic components	100	-	-	B and H
MSI (HOLDING)	MYSTAR COMPUTER B.V. [MYSTAR]	〃	100	100	100	A and D
〃	MSI COMPUTER SARL [MSI (SARL)]	〃	100	100	100	〃
〃	MSI COMPUTER (UK) LTD. [MSI (UK)]	〃	100	100	100	〃
〃	MSI POLSKA SP. Z O. O. [MSI (POLSKA)]	Sales support and maintenance and after-sales services of computers and electronic components	99	99	99	〃

Name of investor	Name of subsidiaries	Main business activities	Ownership(%) 2020/6/30	2019/12/31	2019/6/30	Note
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	100	100	A, D and G
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
〃	MICRO-STAR INTERNATIONAL (B.V.I) HOLDING CO., LTD. [MSI (B.V.I.)]	〃	100	100	100	A and C

Name of investor	Name of subsidiaries	Main business activities	Ownership(%) 2020/6/30	2019/12/31	2019/6/30	Note
MSI (PACIFIC)	MICRO ELECTRONICS HOLDING CO., LTD. [MICRO ELECTRONICS]	Investment holding company	100	100	100	A and C
〃	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 and C
〃	SHENZHEN MEGA INFORMATION CO., LTD. [SHENZHEN MEGA INFORMATION]	Examination and maintenance of computers, and electronic components	100	100	100	〃
MICRO ELECTRONICS	MSI ELECTRONICS (KUNSHAN) CO., LTD. [MSI ELECTRONICS (KUNSHAN)]	Manufacture and maintenance of computers, and electronic components	100	100	100	A and C
STAR INFORMATION	MSI (SHENZHEN) CO., LTD. [MSI SHENZHEN]	Sales and maintenance of computers and electronic components	100	100	100	〃
MSI (B.V.I.)	MSI COMPUTER (SHENZHEN) CO., LTD. [MSI COMPUTER (SHENZHEN)]	Manufacture and maintenance of computers, and electronic components	100	100	100	〃
MEGA TECHNOLOGY	MSI COMPUTER TRADING (SHENZHEN) CO., LTD. [MSI TRADING (SHENZHEN)]	Sales and maintenance of computers and electronic components	100	100	100	A, C and I
〃	RAIDEALS INC. [RAIDEALS]	Sales computers and electronic components	100	100	100	A and C

Note A: The financial statements of the entity as of and for the six months ended June 30, 2020 and 2019 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, 2020 were not reviewed by the independent accountants as the entity did not meet the definition of significant subsidiary.

Note C: As of December 31, 2019, these investee companies are included in the consolidated financial statements based on their financial statements which were audited by the Group's independent accountants for the correponding period.

Note D: As of December 31, 2019, these investee companies are included in the consolidated financial statements based on their financial statements which were audited by other independent accountants for the correponding period.

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

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

Note H: MSI CANADA received capital infusion from MSI on April 8, 2020. Thus, it has been included in the consolidated financial statements from that date.

Note I: On June 10, 2019, this subsidiary has cancelled the registration.

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

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

(6) Cash equivalents

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

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

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

A. Financial assets at fair value through over comprehensive in come comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
   (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
   (b) The assets' contractual cash flows represents solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the

Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

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

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

(11) Impairment of financial assets

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

(12) Leasing arrangements (lesser)－Operating leases

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

(13) Inventories

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

(14) Property, plant and equipment

A Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

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

(15) <u>Leasing arrangements (lessee)－right-of-use assets/ lease liabilities</u>

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.

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

(16) Investment property

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

(17) Impairment of non-financial assets

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

(18) Borrowings

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

(19) Notes and accounts payable

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

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

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

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also 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.

(21) Provisions

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

(22) Employee benefits

A. Short-term employee benefits

Sort-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. 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' compensation and directors' and supervisors' remuneration

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

(23) Income tax

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

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

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

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

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

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

(24) Share capital

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

(25) Dividends

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

(26) Revenue recognition

A. Sales of goods

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

(b) Revenue from the products is recognised based on the price specified in the contract, net of the estimated value added tax, returns and volume discounts and rebates. The volume discounts to the customers are estimated based on the anticipated annual sales quantities and the right of return for defective products is estimated on the basis of historical experience. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. The period between the transfer of the promised goods or services to the customer and payment by the customer does not exceed one year. As a result, the Group does not adjust any of the transaction prices for the time value of money.

(c) The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.

(d) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Incremental costs of obtaining a contract

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

(27) Operating segments

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

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

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

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

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, 2020, the carrying amount of inventories was $21,368,558.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	June 30, 2020	December 31, 2019	June 30, 2019
Cash on hand and petty cash	$ 5,664	$ 4,210	$ 2,770
Checking accounts and demand deposits	10,741,403	9,651,879	7,645,769
Time deposits	2,647,174	1,178,795	3,078,670
Total	$ 13,394,241	$ 10,834,884	$ 10,727,209

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

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

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

Asset items	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets mandatorily measured at fair value through profit or loss			
Stock of publicly traded or listed companies	$ 107,958	$ 119,571	$ 125,944
Derivatives – Forward exchange contract	8,304	3,660	1,618
Derivatives – Foreign exchange swap	-	52,981	3,368
	116,262	176,212	130,930
Evaluation adjustment	(22,565)	(23,407)	(31,777)
Total	$ 93,697	$ 152,805	$ 99,153

Liability items	June 30, 2020	December 31, 2019	June 30, 2019
Financial liabilities held for trading			
Derivatives – Forward exchange contract	$ 50,094	$ 24,943	$ 18,389
Derivatives – Foreign exchange swap	5,816	-	-
Total	$ 55,910	$ 24,943	$ 18,389

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

	For the three months ended June 30,	
	2020	2019
Financial assets and liabilities mandatorily measured at fair value through profit or loss		
Equity instruments	$ 27,856	($ 4,035)
Derivatives	(32,627)	(67,926)
	($ 4,771)	($ 71,961)

	For the six months ended June 30,	
	2020	2019
Financial assets and liabilities mandatorily measured at fair value through profit or loss		
Equity instruments	($ 11,100)	$ 9,636
Derivatives	15,866	(69,532)
	$ 4,766	($ 59,896)

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

	June 30, 2020		
Derivative Financial Assets	Contract Amount Notional Principal (In thousands)		Contract period
Forward exchange contracts	GBP	5,000	2020.05.27~2020.08.17
〃	AUD	1,000	2020.06.16~2020.08.24
〃	JPY	523,101	2020.06.22~2020.07.31
〃	CAD	3,000	2020.06.02~2020.10.26
〃	RUB	243,691	2020.06.17~2020.07.16
〃	EUR	6,000	2020.06.08~2020.10.26

	June 30, 2020		
Derivative Financial Liabilities	Contract Amount Notional Principal (In thousands)		Contract period
Forward exchange contracts	GBP	800	2020.05.20~2020.07.16
〃	AUD	16,700	2020.04.27~2020.09.01
〃	CAD	8,000	2020.05.27~2020.09.24
〃	SEK	3,721	2020.05.19~2020.08.17
〃	EUR	53,000	2020.04.29~2020.10.16
Foreign exchange swap	USD	47,100	2020.06.22~2020.07.14
〃	CNY	486,786	2020.03.02~2020.10.16

Derivative Financial Assets	December 31, 2019 Contract Amount Notional Principal (In thousands)		Contract period
Forward exchange contracts	EUR	2,000	2019.10.21~2020.02.10
〃	GBP	500	2019.12.09~2020.02.18
〃	KRW	1,156,000	2019.12.30~2020.01.15
〃	SEK	4,650	2019.12.30~2020.02.10
〃	JPY	216,310	2019.12.04~2020.02.03
Foreign exchange swap	USD	94,000	2019.11.07~2020.02.24
〃	CNY	473,584	2019.08.14~2020.05.18

Derivative Financial Liabilities	December 31, 2019 Contract Amount Notional Principal (In thousands)		Contract period
Forward exchange contracts	CAD	8,000	2019.10.21~2020.03.24
〃	RUB	224,291	2019.12.05~2020.01.16
〃	EUR	44,000	2019.10.15~2020.04.08
〃	SEK	2,852	2019.12.03~2020.01.08
〃	GBP	5,500	2019.10.17~2020.02.18
〃	AUD	6,500	2019.10.31~2020.02.24

Derivative Financial Assets	June 30, 2019 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	June 30, 2019 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

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 financial assets at fair value through other comprehensive income is provided in Note 12(2)(3).

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

Items		June 30, 2020		December 31, 2019
Non-current items:				
Equity instruments				
Unlisted stocks	$	151,975	$	151,975
Valuation adjustment		-		-
Total	$	151,975	$	151,975

A. The Group has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments both amounted to $151,975 as at June 30, 2020 and December 31, 2019, respectively.

B. As at June 30, 2020 and December 31, 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group were both $151,975.

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

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

(4) Financial assets at amortised cost

Items		June 30, 2020		December 31, 2019		June 30, 2019
Current items:						
Time deposits over three months	$	2,700,434	$	1,200,000	$	-
Non-current items:						
Pledge bank deposits	$	103,934	$	100,244	$	51,032
Others		653		1,765		1,851
Total	$	104,587	$	102,009	$	52,883

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

	For the three months ended June 30,	
	2020	2019
Interest income	$ 2,592	$ 431

	For the six months ended June 30,	
	2020	2019
Interest income	$ 4,557	$ 5,753

B. As at June 30, 2020, December 31, 2019 and June 30, 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group were $2,805,021, $1,302,009 and $52,883, respectively.

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

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

(5) Accounts receivable

	June 30, 2020	December 31, 2019	June 30, 2019
Notes receivable	$ 93,021	$ 47,114	$ 112,489
Accounts receivable	$ 21,662,986	$ 17,237,493	$ 16,415,699
Less: Allowance for doubtful accounts	(39,264)	(31,710)	(35,336)
	$ 21,623,722	$ 17,205,783	$ 16,380,363

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

	June 30, 2020		December 31, 2019		June 30, 2019	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 19,188,666	$ 93,021	$ 14,068,801	$ 47,114	$ 14,290,384	$ 112,489
1 to 75 days	2,364,010	-	3,044,781	-	2,049,413	-
76 to 365 days	107,261	-	120,008	-	48,809	-
Over 365 days	3,049	-	3,903	-	27,093	-
	$ 21,662,986	$ 93,021	$ 17,237,493	$ 47,114	$ 16,415,699	$ 112,489

The above ageing analysis was based on past due date.

B. As of June 30, 2020, December 31, 2019 and June 30, 2019, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers amounted to $16,075,372.

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, 2020, December 31, 2019 and June 30, 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were $93,021, $47,114 and $112,489; $21,623,722, $17,205,783 and $16,380,363, respectively.

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

(6) Inventories

	June 30, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 7,117,966	($ 134,389)	$ 6,983,577
Work-in-process	1,550,293	(1,871)	1,548,422
Finished goods	13,168,653	(332,094)	12,836,559
	$ 21,836,912	($ 468,354)	$ 21,368,558

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 6,579,127	($ 130,049)	$ 6,449,078
Work-in-process	1,378,828	(1,311)	1,377,517
Finished goods	15,104,505	(403,260)	14,701,245
	$ 23,062,460	($ 534,620)	$ 22,527,840

	June 30, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 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
	$ 20,634,539	($ 660,487)	$ 19,974,052

The cost of inventories recognised as expense for the period:

	For the three months ended June 30,	
	2020	2019
Cost of inventories recognised as expense	$ 30,253,638	$ 22,477,356
Gains on reversal of decline in market value	(24,837)	(92,809)

	For the six months ended June 30,	
	2020	2019
Cost of inventories recognised as expense	$ 54,924,191	$ 48,189,277
Gains on reversal of decline in market value	(64,946)	(71,983)

The Group reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because some inventories which were recognized as expense have been sold for the six months ended June 30, 2020 and 2019.

(7) Prepayments

	June 30, 2020	December 31, 2019	June 30, 2019
Overpaid tax for offsetting the future tax payable	$ 885,652	$ 922,464	$ 907,635
Office supplies	494,962	490,408	451,062
Prepayment for goods	21,875	30,266	26,043
Others	218,622	232,563	217,036
	$ 1,621,111	$ 1,675,701	$ 1,601,776

(8) Property, plant and equipment

	2020				
	Land	Buildings	Machineries	Others	Total
At January 1					
Cost	$ 1,462,282	$ 5,251,609	$ 2,550,199	$ 1,776,223	$11,040,313
Accumulated depreciation	-	(3,387,842)	(1,443,341)	(1,315,697)	(6,146,880)
	$ 1,462,282	$ 1,863,767	$ 1,106,858	$ 460,526	$ 4,893,433
Balance at January 1	$ 1,462,282	$ 1,863,767	$ 1,106,858	$ 460,526	$ 4,893,433
Additions	-	20,772	131,506	134,980	287,258
Reclassifications	-	73,195	43,543	(64,741)	51,997
Disposals	-	-	(1)	(247)	(248)
Depreciation charge	-	(134,876)	(167,665)	(76,454)	(378,995)
Net exchange differences	(1,940)	(22,031)	(21,872)	(7,309)	(53,152)
Balance at June 30	$ 1,460,342	$ 1,800,827	$ 1,092,369	$ 446,755	$ 4,800,293
At June 30					
Cost	$ 1,460,342	$ 5,439,688	$ 2,666,379	$ 1,789,578	$11,355,987
Accumulated depreciation	-	(3,638,861)	(1,574,010)	(1,342,823)	(6,555,694)
	$ 1,460,342	$ 1,800,827	$ 1,092,369	$ 446,755	$ 4,800,293

	2019				
	Land	Buildings	Machineries	Others	Total
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)
	$ 1,467,630	$ 2,069,493	$ 824,000	$ 377,421	$ 4,738,544
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	$ 1,468,140	$ 1,987,276	$ 791,286	$ 405,048	$ 4,651,750
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)
	$ 1,468,140	$ 1,987,276	$ 791,286	$ 405,048	$ 4,651,750

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

(9) Leasing arrangements－lessee

A. The Group leases various assets including land, buildings, machinery and equipment, and other equipment. Rental contracts are typically made for periods of 5 months to 9 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

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

	June 30, 2020	December 31, 2019	June 30, 2019
	Carrying amount	Carrying amount	Carrying amount
Land	$ 64,361	$ 70,355	$ 78,340
Buildings	467,017	361,312	384,489
Machinery and equipment	7,597	6,717	3,902
Other equipment	44,938	36,513	38,079
	$ 583,913	$ 474,897	$ 504,810

	For the three months ended June 30,	
	2020	2019
	Depreciation charge	Depreciation charge
Land	$ 2,071	$ 2,239
Buildings	53,667	28,750
Machinery and equipment	728	637
Other equipment	4,813	5,430
	$ 61,279	$ 37,056

	For the six months ended June 30,	
	2020	2019
	Depreciation charge	Depreciation charge
Land	$ 4,190	$ 4,497
Buildings	106,479	52,317
Machinery and equipment	1,324	1,273
Other equipment	9,678	9,983
	$ 121,671	$ 68,070

C. For the three months and six months ended June 30, 2020 and 2019, the additions to right-of-use assets were $50,198, $153,050, $254,917 and $173,454, respectively.

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

	For the three months ended June 30,	
	2020	2019
Items affecting profit or loss		
Interest expense on lease liabilities	$ 2,592	$ 1,804
Expense on leases of low-value or short-term assets	12,482	6,182
Expense on variable lease payments	7,331	10,949
Gain on lease modification	39	-

	For the six months ended June 30,	
	2020	2019
Items affecting profit or loss		
Interest expense on lease liabilities	$ 5,435	$ 3,131
Expense on leases of low-value or short-term assets	22,541	16,484
Expense on variable lease payments	15,758	19,114
Gain on lease modification	52	-

E. For the three months and six months ended June 30, 2020 and 2019, the Group’s total cash outflow for leases were $80,837, $34,352, $159,411 and $63,823, respectively.

F. The Group has applied the practical expedient to “Covid-19-related rent concessions”, amount is not significant, and recognize changes in lease payments caused by rent concessions as deductions for expenses.

(10) Leasing arrangements – lessor

A. The Group leases buildings. Rental contracts are typically made for periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. The Group recognised rental income of $24,251, $28,850, $53,440 and $56,558 based on operating lease contracts for the three months and six months ended June 30, 2020 and 2019, respectively. None of these included variable lease payments.

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

	June 30, 2020	June 30, 2019
Less than 1 year	$ 74,559	$ 101,663
Between 1 and 5 years	103,245	63,687
Total	$ 177,804	$ 165,350

(11) Investment property

	2020	2019
	Buildings	Buildings
At January 1		
Cost	$ 1,167,190	$ 1,129,777
Accumulated depreciation	(866,631)	(788,536)
	$ 300,559	$ 341,241
Balance at January 1	$ 300,559	$ 341,241
Additions	303	531
Reclassifications	(55,050)	(8,781)
Depreciation charge	(25,634)	(26,437)
Net exchange differences	(7,506)	3,959
Balance at June 30	$ 212,672	$ 310,513
At June 30		
Cost	$ 892,659	$ 1,093,473
Accumulated depreciation	(679,987)	(782,960)
	$ 212,672	$ 310,513

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, 2020	2019
Rental income from the lease of the investment property	$ 24,251	$ 28,850
Direct operating expenses arising from the investment property	$ 16,442	$ 18,928

	For the six months ended June 30, 2020	2019
Rental income from the lease of the investment property	$ 53,440	$ 56,558
Direct operating expenses arising from the investment property	$ 35,077	$ 37,230

B. As of June 30, 2020, December 31, 2019 and June 30, 2019, the fair value of the Group's investments in property amounting to $2,596,459, $3,403,426 and $2,913,789, respectively, as derived from market prices in the nearby area, are included in Level 2.

(12) Short-term borrowings

Type of borrowings	June 30, 2020	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 3,000,000	0.70%～0.87%	None

Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 1,500,000	0.88%～0.90%	None

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

(13) Other payables

	June 30, 2020	December 31, 2019	June 30, 2019
Dividend payable	$ 3,548,396	$ -	$ 4,224,282
Accrued salary and bonus	1,159,653	1,303,131	1,003,439
Directors' remuneration and employees' bonus	890,050	554,500	819,710
Accrued freight	750,422	617,251	395,506
Advertising expenses payable	468,754	355,107	225,528
Accrued molding expense	262,500	217,077	194,149
Other accrued expenses	524,629	797,769	684,309
	$ 7,604,404	$ 3,844,835	$ 7,546,923

(14) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	June 30, 2020
Long-term bank borrowings				
Secured borrowings	Starting from March 24, 2016 to March 24, 2021, repayment of principal and interest of USD 4,307.77 monthly and remaining principal on the due date.	Three month LIBOR plus 1.75%	Land and Building	$ 15,349
Less: current portion				(15,349)
				$ -

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2019
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	$ 16,026
Less: current portion				(931)
				$ 15,095

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	June 30, 2019
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)
				$ 16,196

(15) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The pension costs under defined contribution pension plans of the Group for the three months and six months ended June 30, 2020 and 2019 were $1,228, $1,471, $2,456 and $2,943, respectively.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to $11,628.

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company 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, 2020 and 2019 were $50,286, $66,125, $105,072 and $133,644, respectively.

(16) Provisions for liabilities

Warranty	2020	2019
At January 1	$ 556,720	$ 501,095
Additional provisions	330,380	371,172
Used during the period	(304,046)	(317,771)
Exchange differences	23	(7)
At June 30	$ 583,077	$ 554,489

Analysis of total provisions:

	June 30, 2020	December 31, 2019	June 30, 2019
Current	$ 583,077	$ 556,720	$ 554,489

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

(17) Share capital

As of June 30, 2020, the Company's authorized capital was $15,000,000 (including 80,000 thousand shares reserved for employee stock options and 150,000 thousand shares reserved for convertible bonds issued by the Company), and the paid-in capital was $8,448,562 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

(18) Capital surplus

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

(19) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses, then 10% of the remaining amount shall be set aside or reversed as legal reserve. The balance plus unappropriated retained earnings at the beginning of the period shall be appropriated 10%~90% as proposed by the Board of Directors and resolved by the stockholders during their meeting.

B. The Company's dividend policy is summarized below: as the Company operates in a volatile business environment and is in the stable growth stage, except for the Company's future expansion plans, stockholders' interest is taken into consideration. The Group appropriated dividends in proportion to total number of shares, dividends could be distributed in stock or cash, and cash dividends shall account for at least 30% of the total dividends distributed.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose.

The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

E. The appropriations of 2019 and 2018 earnings had been resolved at the stockholders' meeting on June 10, 2020 and June 14, 2019, respectively, were as follows:

	2019		2018	
	Amount	Dividends per share (dollar)	Amount	Dividends per share (dollar)
Legal reserve	$ 558,721		$ 604,113	
Special reserve	288,559		84,151	
Cash dividend	3,548,396	$ 4.20	3,801,853	$ 4.50

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

The appropriation of 2019 earnings as approved by the stockholders is the same as with the appropriation resolved by the Board of Directors during its meeting on April 30, 2020. Information about earnings appropriation of the Company as resolved by Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(20) Operating revenue

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

For the three months ended June 30, 2020	Computer and peripherals segment	Other	Total
Total segment revenue	$ 35,337,551	$ 139	$ 35,337,690
Timing of revenue recognition			
At a point in time	$ 35,337,551	$ 139	$ 35,337,690

For the three months ended June 30, 2019	Computer and peripherals segment	Other	Total
Total segment revenue	$ 26,141,711	$ 2,461	$ 26,144,172
Timing of revenue recognition			
At a point in time	$ 26,141,711	$ 2,461	$ 26,144,172

For the six months ended June 30, 2020	Computer and peripherals segment	Other	Total
Total segment revenue	$ 63,840,954	$ 278	$ 63,841,232
Timing of revenue recognition			
At a point in time	$ 63,840,954	$ 278	$ 63,841,232

For the six months ended June 30, 2019	Computer and peripherals segment	Other	Total
Total segment revenue	$ 55,627,374	$ 4,719	$ 55,632,093
Timing of revenue recognition			
At a point in time	$ 55,627,374	$ 4,719	$ 55,632,093

(21) Interest income

	For the three months ended June 30,	
	2020	2019
Interest income from bank deposits	$ 23,466	$ 21,532
Interest income from financial assets measured at amortised cost	2,592	431
	$ 26,058	$ 21,963

	For the six months ended June 30,	
	2020	2019
Interest income from bank deposits	$ 41,158	$ 38,868
Interest income from financial assets measured at amortised cost	4,557	5,753
	$ 45,715	$ 44,621

(22) Other income

	For the three months ended June 30,	
	2020	2019
Rental revenue	$ 24,251	$ 28,850
Others	78,363	136,795
	$ 102,614	$ 165,645

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Rental revenue	$ 53,440	$ 56,558
Others	139,591	254,905
	$ 193,031	$ 311,463

(23) Other gains and losses

	For the three months ended June 30, 2020	For the three months ended June 30, 2019
Losses on financial assets and liabilities at fair value through profit or loss	($ 4,771)	($ 71,961)
Net currency exchange gains	52,790	79,823
Net (losses) gains on disposal of property, plant and equipment	(150)	1,193
Other losses	(13,532)	(22,815)
	$ 34,337	($ 13,760)

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Gains (losses) on financial assets and liabilities at fair value through profit or loss	$ 4,766	($ 59,896)
Net currency exchange (losses) gains	(78,521)	78,378
Net (losses) gains on disposal of property, plant and equipment	(186)	1,087
Other losses	(31,176)	(39,199)
	($ 105,117)	($ 19,630)

(24) Expenses by nature

	For the three months ended June 30, 2020	For the three months ended June 30, 2019
Employee benefit expense	$ 1,953,569	$ 1,766,835
Depreciation charges	262,813	216,142
Amortisation charges	60	58
	$ 2,216,442	$ 1,983,035

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Employee benefit expense	$ 3,696,339	$ 3,477,698
Depreciation charges	526,300	424,770
Amortisation charges	115	113
	$ 4,222,754	$ 3,902,581

(25) Employee benefit expense

	For the three months ended June 30,	
	2020	2019
Wages and salaries	$ 1,733,581	$ 1,515,532
Labor and health insurance fees	95,924	104,462
Pension costs	51,514	67,596
Other personnel expenses	72,550	79,245
Total	$ 1,953,569	$ 1,766,835

	For the six months ended June 30,	
	2020	2019
Wages and salaries	$ 3,243,377	$ 2,990,997
Labor and health insurance fees	195,534	194,942
Pension costs	107,528	136,587
Other personnel expenses	149,900	155,172
Total	$ 3,696,339	$ 3,477,698

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

B. For the three months and six months ended June 30, 2020 and 2019, employees' remuneration was accrued at $191,000, $117,000, $305,000 and $232,000, respectively; while directors' remuneration was accrued at $19,120, $11,640, $30,550 and $23,210, respectively. The aforementioned amounts were recognized in salary expenses respectively.

The employees' compensation and directors' remuneration were estimated and accrued based on the historical distribution ratio and the profit of the current year for the six months ended June 30, 2020.

Employees' compensation and directors' remuneration of 2019 as resolved at the meeting of Board of Directors were in agreement with those amounts recognized in the 2019 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors and shareholders will be posted in the "Market Observation Post System" website of the Taiwan Stock Exchange.

(26) <u>Income tax</u>

A. Income tax expense

(a) Components of income tax expense:

	For the three months ended June 30, 2020	For the three months ended June 30, 2019
Current tax:		
Current tax on profits for the period	$ 497,783	$ 251,751
Prior year income tax overestimation	3,126	(8,425)
Total current tax	500,909	243,326
Deferred tax:		
Origination and reversal of temporary differences	(66,750)	42,003
Total deferred tax	(66,750)	42,003
Income tax expense	$ 434,159	$ 285,329

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Current tax:		
Current tax on profits for the period	$ 725,295	$ 449,396
Prior year income tax overestimation	(6,874)	(12,625)
Total current tax	718,421	436,771
Deferred tax:		
Origination and reversal of temporary differences	(16,476)	89,581
Total deferred tax	(16,476)	89,581
Income tax expense	$ 701,945	$ 526,352

(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 2017 have been assessed and approved by the Tax Authority.

(27) Earnings per share

	For the three months ended June 30, 2020		
	Amount after tax	Retroactively adjusted weighted-average outstanding ordinary shares (in thousands)	Earnings per share (in NT dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 2,101,809	844,856	$ 2.49
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 2,101,809	844,856	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,777	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 2,101,809	846,633	$ 2.48

	For the three months ended June 30, 2019		
	Amount after tax	Retroactively adjusted weighted-average outstanding ordinary shares (in thousands)	Earnings per share (in NT dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,255,718	844,856	$ 1.48
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,255,718	844,856	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	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 six months ended June 30, 2020		
	Amount after tax	Retroactively adjusted weighted-average outstanding ordinary shares (in thousands)	Earnings per share (in NT dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 3,352,318	844,856	$ 3.97
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 3,352,318	844,856	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	6,344	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 3,352,318	851,200	$ 3.94

	For the six months ended June 30, 2019		
	Amount after tax	Retroactively adjusted weighted-average outstanding ordinary shares (in thousands)	Earnings per share (in NT dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 2,562,128	844,856	$ 3.03
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 2,562,128	844,856	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	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

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,	
	2020	2019
Salaries and other employee benefits	$ 124,955	$ 94,607

	For the six months ended June 30,	
	2020	2019
Salaries and other employee benefits	$ 221,518	$ 186,153

8. PLEDGED ASSETS

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

	Book value			
Asset items	June 30, 2020	December 31, 2019	June 30, 2019	Purpose
Non-current financial assets at amortised cost	$ 103,934	$ 100,244	$ 51,032	Performance security guarantee
Property, plant and equipment	123,160	126,733	132,935	For guarantee of long-term loans
	$ 227,094	$ 226,977	$ 183,967	

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

	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	$ 93,697	$ 152,805	$ 99,153
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	151,975	151,975	-
Financial assets at amortised cost			
Cash and cash equivalents	13,394,241	10,834,884	10,727,209
Financial assets at amortised cost	2,805,021	1,302,009	52,883
Notes receivable	93,021	47,114	112,489
Accounts receivable	21,623,722	17,205,783	16,380,363
Other receivables	179,043	227,116	113,950
Guarantee deposits paid	57,294	42,242	42,972
	$ 38,398,014	$ 29,963,928	$ 27,529,019
Financial liabilities			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	$ 55,910	$ 24,943	$ 18,389
Financial liabilities at amortised cost			
Short-term borrowings	3,000,000	1,500,000	-
Accounts payable	21,085,182	20,391,520	15,303,546
Other accounts payable	7,604,404	3,844,835	7,546,923
Long-term borrowings (including current portion)	15,349	16,026	17,059
Guarantee deposits received	195,398	198,920	205,544
	$ 31,956,243	$ 25,976,244	$ 23,091,461
Lease liabilities	$ 523,547	$ 406,848	$ 428,513

B. Risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

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

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

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

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

	June 30, 2020		
(Foreign currency: functional currency)	Foreign Currency Amount (In Thousands)	Exchange rate	Book Value (NTD)
Financial assets			
Monetary items			
USD: NTD	$ 387,319	29.6300	$ 11,476,260
EUR: NTD	79,621	33.2700	2,649,004
RUB: NTD	1,507,694	0.4236	638,659
GBP: NTD	13,443	36.4300	489,742
CAD: NTD	20,634	21.6800	447,347
AUD: NTD	21,058	20.3350	428,218
Financial liabilities			
Monetary items			
USD: NTD	719,071	29.6300	21,306,069
USD: RMB	17,209	7.0699	509,903
EUR: NTD	13,331	33.2700	443,533

(Foreign currency: functional currency)	December 31, 2019 Foreign Currency Amount (In Thousands)	Exchange rate	Book Value (NTD)
Financial assets			
Monetary items			
USD: NTD	$ 396,064	29.9800	$ 11,873,988
EUR: NTD	51,697	33.5900	1,736,500
RMB: NTD	162,475	4.3050	699,454
GBP: NTD	7,794	39.3600	306,785
CAD: NTD	10,468	22.9900	240,670
Financial liabilities			
Monetary items			
USD: NTD	673,526	29.9800	20,192,315
USD: RMB	16,433	6.9640	492,673
EUR: NTD	11,924	33.5900	400,520

(Foreign currency: functional currency)	June 30, 2019 Foreign Currency Amount (In Thousands)	Exchange rate	Book Value (NTD)
Financial assets			
Monetary items			
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
Financial liabilities			
Monetary items			
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

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, 2020 and 2019, amounted to $52,790, $79,823, ($78,521) and $78,378, respectively.

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

	For the six months ended June 30, 2020		
	Sensitivity analysis		
(Foreign currency: functional currency)	Degree of variation	Effect on profit or loss (before tax)	Effect on other comprehensive income
Financial assets			
Monetary items			
USD: NTD	1%	$ 114,763	$ -
EUR: NTD	1%	26,490	-
RUB: NTD	1%	6,387	-
GBP: NTD	1%	4,897	-
CAD: NTD	1%	4,473	-
AUD: NTD	1%	4,282	-
Financial liabilities			
Monetary items			
USD: NTD	1%	213,061	-
USD: RMB	1%	5,099	-
EUR: NTD	1%	4,435	-

	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
Financial assets			
Monetary items			
USD: NTD	1%	$ 95,676	$ -
EUR:NTD	1%	13,469	-
GBP: NTD	1%	2,948	-
CAD: NTD	1%	2,853	-
Financial liabilities			
Monetary items			
USD: NTD	1%	151,326	-
USD: RMB	1%	3,376	-
EUR: NTD	1%	3,135	-

Price risk

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

ii. The Group has investments in equity securities. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the six months ended June 30, 2020 and 2019 would have increased/decreased by $683 and $753, as a result of gain or loss of equity instruments at fair value through profit or loss. Also, other components of equity would have increased/decreased by $1,520 and $0, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

i. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. For the six months ended June 30, 2020 and 2019, the Group borrowings are issued at variable rate denominated in US dollars.

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

iii. As at June 30, 2020, December 31, 2019 and June 30, 2019, 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, 2020 and 2019 would have been $61 and $68 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

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

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

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

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

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

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

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

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

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

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

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

viii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of debt instrument as at June 30, 2020, December 31, 2019 and June 30, 2019. The expected credit loss rate of the Group's overdue accounts receivable was not material as of June 30, 2020, December 31, 2019 and June 30, 2019.

ix. The Group applies the simplified approach to provide loss allowance for accounts receivable that have no significant impact. The Group had not recognized related impact as at June 30, 2020, December 31, 2019 and June 30, 2019.

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's internal balance sheet ratio targets and external regulatory or legal requirements.

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

Non-derivative financial liabilities:

June 30, 2020	Less than 1 year	Between 1 to 2 years	Between 2 to 3 years	Over 3 years
Short-term borrowings	$ 3,000,000	$ -	$ -	$ -
Accounts payable	21,085,182	-	-	-
Other payables	7,604,404	-	-	-
Lease liabilities	231,700	194,961	75,799	30,992
Long-term borrowings (including current portion)	14,865	-	-	-
Other financial liabilities	1,455	103,173	-	90,770

Non-derivative financial liabilities:

December 31, 2019	Less than 1 year	Between 1 to 2 years	Between 2 to 3 years	Over 3 years
Short-term borrowings	$ 1,500,000	$ -	$ -	$ -
Accounts payable	20,391,520	-	-	-
Other payables	3,844,835	-	-	-
Lease liabilities	194,646	144,775	80,921	38,352
Long-term borrowings (including current portion)	1,550	14,266	-	-
Other financial liabilities	605	106,506	-	91,809

Non-derivative financial liabilities:

June 30, 2019	Less than 1 year	Between 1 to 2 years	Between 2 to 3 years	Over 3 years
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

Derivative financial liabilities

As of June 30, 2020, December 31, 2019 and June 30, 2019, the derivative financial liabilities mature within 1 year.

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

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

C. Financial instruments not measured at fair value

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

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

June 30, 2020	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
-Equity security	$ 85,393	$ -	$ -	$ 85,393
-Forward exchange contract	-	8,304	-	8,304
Financial assets at fair value through other comprehensive income				
-Equity securities	-	-	151,975	151,975
Total	$ 85,393	$ 8,304	$ 151,975	$ 245,672
Liabilities:				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
-Forward exchange contract	$ -	$ 50,094	$ -	$ 50,094
-Foreign exchange swap	-	5,816	-	5,816
Total	$ -	$ 55,910	$ -	$ 55,910

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
-Equity security	$ 96,164	$ -	$ -	$ 96,164
-Forward exchange contract	-	3,660	-	3,660
-Foreign exchange swap	-	52,981	-	52,981
Financial assets at fair value through other comprehensive income				
-Equity securities	-	-	151,975	151,975
Total	$ 96,164	$ 56,641	$ 151,975	$ 304,780
Liabilities:				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
-Forward exchange contract	$ -	$ 24,943	$ -	$ 24,943

June 30, 2019	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
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	$ 94,167	$ 4,986	$ -	$ 99,153
Liabilities:				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
-Forward exchange contract	$ -	$ 18,389	$ -	$ 18,389

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

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

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

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

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

F. For the six months ended June 30, 2020 and 2019, there was no transfer between Level 1 and Level 2.

G. For the six months ended June 30, 2020 and 2019, there was no transfer in or out from Level 3.

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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

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

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

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.

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

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

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

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

I. Derivative financial instruments transactions: Please refer to Note 6(2).

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

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

(4) Major shareholders information

Major shareholders information: Please refer to table 8.

14. SEGMENT INFORMATION

(1) General information and measurement of segment information

The Group'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.

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, 2020

	Computer and peripherals segment	Other	Total
Total segment revenue	$ 35,337,551	$ 139	$ 35,337,690
Operating income (loss)	$ 2,452,075	($ 70,136)	$ 2,381,939
Other non-operating revenue			154,029
Profit before tax			$ 2,535,968

For the six months ended June 30, 2020

	Computer and peripherals segment	Other	Total
Total segment revenue	$ 63,840,954	$ 278	$ 63,841,232
Operating income (loss)	$ 4,246,090	($ 310,094)	$ 3,935,996
Other non-operating revenue			118,267
Profit before tax			$ 4,054,263

For the three months ended June 30, 2019

	Computer and peripherals segment	Other	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	Other	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

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, 2020 and 2019 is provided as follows:

	For the three months ended June 30, 2020	For the three months ended June 30, 2019
Reportable segments income	$ 2,381,939	$ 1,371,002
Unappropriated amount:		
Other non-operating income	154,029	170,045
Income before tax from continuing operations	$ 2,535,968	$ 1,541,047

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Reportable segments income	$ 3,935,996	$ 2,763,996
Unappropriated amount:		
Other non-operating income	118,267	324,484
Income before tax from continuing operations	$ 4,054,263	$ 3,088,480

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, 2020

Expressed in thousands of NTD

Table 1

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of June 30, 2020				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
MSI (HOLDING)	CVA ING GROEP	-	Financial assets at fair value through profit or loss - current	110,000	$ 22,837	-	$ 22,837	-
MSI (HOLDING)	DAIMLER	-	Financial assets at fair value through profit or loss - current	25,000	30,068	-	30,068	-
MSI (HOLDING)	DEUTSCHE POST	-	Financial assets at fair value through profit or loss - current	30,000	32,488	-	32,488	-
MICRO-STAR INTERNATIONAL CO., LTD.	BLUESTACK SYSTEM, INC.	-	Financial assets at fair value through other comprehensive income - non current	516,052	151,975	-	151,975	-

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, 2020

Expressed in thousands of NTD

Table 2 (Except as otherwise indicated)

Transaction company (Note 4)	Name of the counter party (Note 4)	Relationship with the counterparty	Description of the transaction				Description and reasons of difference in transaction terms compared to third party transactions		Accounts or notes receivable (payable)		Footnote
			Purchases/(Sales)	Amount (Note 3)	% of total purchase (sale)	Credit terms	Unit price	Credit terms	Balance (Note 3)	% of total accounts or notes receivable/(payable)	
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (LA)	Subsidiary	Sales	$ (10,780,162)	(17)	60-100 days	Insignificant difference	Note 1	$ 6,072,402	28	-
MICRO-STAR INTERNATIONAL CO., LTD.	MEGA COMPUTER	Second-tier Subsidiary	Sales	(3,710,736)	(6)	40-70 days	Insignificant difference	Note 1	1,712,653	8	-
MICRO-STAR INTERNATIONAL CO., LTD.	MYSTAR	Second-tier Subsidiary	Sales	(919,779)	(1)	30-100 days	Insignificant difference	Note 1	238,209	1	-
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (KOREA)	Second-tier Subsidiary	Sales	(2,241,449)	(4)	50-70 days	Insignificant difference	Note 1	9,955	-	-
MICRO-STAR INTERNATIONAL CO., LTD.	MSI COMPUTER (SHENZHEN)	Second-tier Subsidiary	Processing overhead	1,390,785	3	Note 2	Insignificant difference	Note 2	(2,789,190)	(13)	-
MICRO-STAR INTERNATIONAL CO., LTD.	MSI ELECTRONICS (KUNSHAN)	Second-tier Subsidiary	Processing overhead	545,436	1	Note 2	Insignificant difference	Note 2	(1,147,619)	(6)	-
MEGA COMPUTER	MSI (SHANGHAI)	Affiliated company	Sales	(3,726,034)	(100)	40-70 days	Insignificant difference	Note 1	2,602,742	100	-
MSI (LA)	RAIDEALS	Affiliated company	Sales	(140,573)	(1)	40-70 days	Insignificant difference	Note 1	7,107	-	-

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, 2020

Expressed in thousands of NTD

Table 3

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as of June 30, 2020	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	$ 6,072,402	3.81	$ -	-	$ 2,934,228	$ -
MICRO-STAR INTERNATIONAL CO., LTD.	MEGA COMPUTER	Second-tier Subsidiary	1,712,653	5.29	-	-	809,351	-
MICRO-STAR INTERNATIONAL CO., LTD.	MYSTAR	Second-tier Subsidiary	238,209	7.26	-	-	166,424	-
MSI (PACIFIC) (Note)	MICRO-STAR INTERNATIONAL CO., LTD.	Ultimate parent company	4,167,494	-	-	-	398,117	-
MSI COMPUTER (SHENZHEN) (Note)	MSI (PACIFIC)	Parent Company	2,789,190	-	-	-	253,748	-
MSI ELECTRONICS (KUNSHAN) (Note)	MSI (PACIFIC)	Parent Company	1,147,619	-	-	-	144,369	-
MSI (B.V.I.)	MSI (PACIFIC)	Parent Company	138,469	-	-	-	-	-
MEGA COMPUTER	MSI (SHANGHAI)	Affiliated company	2,602,742	3.29	-	-	897,578	-

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

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the six months ended June 30, 2020

Expressed in thousands of NTD

Table 4 (Except as otherwise indicated)

Number	Company name (Note 4)	Counterparty (Note 4)	Relationship	Transaction			
				General ledger account	Amount (Note 1)	Transaction terms	Percentage of consolidated total operating revenues or total assets
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (LA)	Parent company to subsidiary	Sales	$ 10,780,162	Note 2	16.89%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MEGA COMPUTER	Parent company to second-tier subsidiary	Sales	3,710,736	Note 2	5.81%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MYSTAR	Parent company to second-tier subsidiary	Sales	919,779	Note 2	1.44%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (KOREA)	Parent company to second-tier subsidiary	Sales	2,241,449	Note 2	3.51%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (LA)	Parent company to subsidiary	Accounts receivable	6,072,402	Note 2	9.00%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MEGA COMPUTER	Parent company to second-tier subsidiary	Accounts receivable	1,712,653	Note 2	2.54%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MYSTAR	Parent company to second-tier subsidiary	Accounts receivable	238,209	Note 2	0.35%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI COMPUTER (SHENZHEN)	Parent company to second-tier subsidiary	Processing overhead	1,390,785	Note 3	2.18%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI ELECTRONICS (KUNSHAN)	Parent company to second-tier subsidiary	Processing overhead	545,436	Note 3	0.85%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (LA)	Parent company to subsidiary	Manufacturing and operating expense	140,020	Note 2	0.22%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MEGA COMPUTER	Parent company to second-tier subsidiary	Manufacturing and operating expense	93,735	Note 2	0.15%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (EUROPE)	Parent company to second-tier subsidiary	Manufacturing and operating expense	124,001	Note 2	0.19%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MYSTAR	Parent company to second-tier subsidiary	Manufacturing and operating expense	67,947	Note 2	0.11%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (MHK)	Parent company to second-tier subsidiary	Manufacturing and operating expense	78,377	Note 2	0.12%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (POLSKA)	Parent company to second-tier subsidiary	Manufacturing and operating expense	67,486	Note 2	0.11%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (JAPAN)	Parent company to subsidiary	Manufacturing and operating expense	51,663	Note 2	0.08%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (LA)	Parent company to subsidiary	Other payable	61,531	Note 2	0.10%

Number	Company name (Note 4)	Counterparty (Note 4)	Relationship	Transaction			
				General ledger account	Amount (Note 1)	Transaction terms	Percentage of consolidated total operating revenues or total assets
1	MSI (PACIFIC)	MICRO ELECTRONICS	Subsidiary to second-tier subsidiary	Other payable	$ 92,215	Note 3	0.14%
1	MSI (PACIFIC)	MSI (B.V.I.)	Subsidiary to second-tier subsidiary	Other payable	138,469	Note 3	0.21%
1	MSI (PACIFIC)	MSI COMPUTER (SHENZHEN)	Subsidiary to second-tier subsidiary	Other payable	2,789,190	Note 3	4.13%
1	MSI (PACIFIC)	MSI ELECTRONICS (KUNSHAN)	Subsidiary to second-tier subsidiary	Other payable	1,147,619	Note 3	1.70%
1	MSI (PACIFIC)	MICRO-STAR INTERNATIONAL CO., LTD.	Subsidiary to parent	Other recevible	4,167,493	Note 3	6.18%
2	MEGA COMPUTER	MSI (SHANGHAI)	Second-tier subsidiary to second-tier subsidiary	Sales	3,726,034	Note 2	5.84%
2	MEGA COMPUTER	MSI (SHANGHAI)	Second-tier subsidiary to second-tier subsidiary	Accounts receivable	2,602,742	Note 2	3.86%
3	MSI (LA)	RAIDEALS	Subsidiary to second-tier subsidiary	Sales	140,573	Note 2	0.22%

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, 2020

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, 2020			Net profit (loss) of the investee for the six months ended June 30, 2020	Investment income (loss) recognised by the Company for the six months ended June 30, 2020	Footnote
				Balance as at June 30, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (HOLDING)	Netherlands	Holding company	$ 45,724	$ 45,724	424,000	100.00	$ 625,999	$ 7,854	$ 7,854	Direct subsidiary
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	46,515	13,454	13,454	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (PACIFIC)	Cayman Islands	Holding company	1,511,382	1,511,382	30,204,118	100.00	6,724,097	221,227	221,227	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	16,269	1,800	1,800	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (AUSTRALIA)	Australia	Sales support and maintenance of computers and electronic components	57,420	57,420	221,836	100.00	8,323	1,682	1,682	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI COMPUTER (CAYMAN)	Cayman Islands	Holding company	99,093	99,093	50,000	100.00	122,193	54	54	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (CANADA)	Canada	Sales support of computers and electronic components	2,150	-	100,000	100.00	2,358	89	89	Direct subsidiary
MSI (HOLDING)	MYSTAR	Netherlands	Sales support of computers and electronic components	71,353	71,353	-	100.00	153,316	8,300	-	Indirect subsidiary
MSI (HOLDING)	MSI (SARL)	France	Sales support of computers and electronic components	26,646	26,646	-	100.00	54,126	2,160	-	Indirect subsidiary
MSI (HOLDING)	MSI (UK)	Britan	Sales support of computers and electronic components	37,226	37,226	-	100.00	16,070	1,701	-	Indirect subsidiary
MSI (HOLDING)	MSI (POLSKA)	Poland	Sales support, maintenance and after-sales service of computers and electronic components	46,077	46,077	-	99.00	32,275	1,079	-	Indirect subsidiary
MSI (HOLDING)	MSI (EUROPE)	Netherlands	Logistics services of computers and electronic components	37,620	37,620	-	100.00	48,491	3,736	-	Indirect subsidiary
MSI (HOLDING)	MSI (RUSSIA)	Russia	Sales support and maintenance of computers and electronic components	68,258	68,258	-	99.00	34,309	(571)	-	Indirect subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2020			Net profit (loss) of the investee for the six months ended June 30, 2020	Investment income (loss) recognised by the Company for the six months ended June 30, 2020	Footnote
				Balance as at June 30, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
MSI (HOLDING)	MSI (TURKEY)	Turkey	Sales support of computers and electronic components	$ 3,229	$ 3,229	-	99.00	$ (72)	$ -	$ -	Indirect subsidiary (Note 2)
MSI (HOLDING)	MSI (ITALY)	Italy	Sales support of computers and electronic components	2,153	2,153	-	100.00	3,077	544	-	Indirect subsidiary
MSI (HOLDING)	MSI (IBERIA)	Spain	Sales support of computers and electronic components	5,177	5,177	-	100.00	6,481	727	-	Indirect subsidiary
MSI (EUROPE)	MSI (POLSKA)	Poland	Sales support, maintenance and after-sales service of computers and electronic components	467	467	-	1.00	170	1,079	-	Indirect subsidiary
MSI (EUROPE)	MSI (RUSSIA)	Russia	Sales support and maintenance of computers and electronic components	689	689	-	1.00	532	(571)	-	Indirect subsidiary
MSI (EUROPE)	MSI (TURKEY)	Turkey	Sales support of computers and electronic components	33	33	-	1.00	25	-	-	Indirect subsidiary (Note 2)
MSI (PACIFIC)	MSI (KOREA)	South Korea	Sales and maintenance of computers and electronic components	24,374	24,374	80,000	100.00	287,563	19,585	-	Indirect subsidiary
MSI (PACIFIC)	STAR INFORMATION	British Virgin Island	Holding company	144,721	144,721	4,502,601	100.00	22,087	(4,936)	-	Indirect subsidiary
MSI (PACIFIC)	MSI (B.V.I.)	British Virgin Island	Holding company	1,784,681	1,784,681	47,465,071	100.00	3,960,494	96,721	-	Indirect subsidiary
MSI (PACIFIC)	MICRO ELECTRONICS	British Virgin Island	Holding company	1,168,593	1,168,593	33,315,472	100.00	2,453,490	94,287	-	Indirect subsidiary
MSI (PACIFIC)	MEGA TECHNOLOGY	British Virgin Island	Holding company	92,819	92,819	3,050,000	100.00	(6,324)	115	-	Indirect subsidiary
MSI (PACIFIC)	MEGA COMPUTER	Hong Kong	Sales support of computers and electronic components	-	-	1	100.00	5,597	(289)	-	Indirect subsidiary
MSI (PACIFIC)	MSI (MHK)	Hong Kong	Sales support of computers and electronic components	-	-	1	100.00	23,703	3,201	-	Indirect subsidiary
MEGA TECHNOLOGY	RAIDEALS	U.S.A	Sales of computers and electronic components	1,523	1,523	-	100.00	1,811	143	-	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=29.63 NTD; 1EUR=33.27 NTD on June 30, 2020 and average rate with 1USD=30.0019 NTD; 1EUR=33.07003 NTD for the six months ended June 30, 2020.

Note 2: As of June 30, 2020, 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, 2020

Expressed in thousands of NTD

Table 6

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six months ended June 30, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2020	Net income of investee as of June 30, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six months ended June 30, 2020 (Note 2)	Book value of investments in Mainland China as of June 30, 2020	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
MSI (SHANGHAI)	Sales and maintenance of computers and electronic components	$ 29,275	Note 1	$ -	$ -	$ -	$ -	$ 9,284	100.00	$ 9,284	$ (16,452)	$ -	Note 5
SHENZHEN MEGA INFORMATION	Examination and maintenance of computers, and electronic components	23,940	Note 1	23,940	-	-	23,940	778	100.00	778	21,687	-	-
MSI ELECTRONICS (KUNSHAN)	Manufacture and maintenance of computers, and electronic components	1,772,675	Note 1	1,772,675	-	-	1,772,675	94,065	100.00	94,065	2,349,069	-	-
MSI (SHENZHEN)	Sales and maintenance of computers and electronic components	30,092	Note 1	-	-	-	-	(4,962)	100.00	(4,962)	8,592	-	Note 4
MSI COMPUTER (SHENZHEN)	Manufacture and maintenance of computers, and electronic components	1,726,857	Note 1	1,726,857	-	-	1,726,857	96,666	100.00	96,666	3,804,152	-	-
MSI COMPUTER TRADING (SHENZHEN)	Sales and maintenance of computers and electronic components	91,296	Note 1	-	-	-	-	(28)	100.00	(28)	(8,135)	-	Note 3

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2020	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
MICRO-STAR INTERNATIONAL CO., LTD.	$ 3,602,547	$ 3,850,987	$ 18,370,582

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=29.63 NTD on June 30, 2020 and average rate with 1USD=30.0019 NTD for the six months ended June 30, 2020.

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, 2020

Expressed in thousands of NTD

Table 7

(Except as otherwise indicated)

Investee in Mainland China	Sales/ (Purchase)		Property transaction		Accounts receivable/ (payable)		Amount of endorsements/guarantees secured with collaterals		Accommodation of funds				Others (Note)
	Amount	%	Amount	%	Balance as of June 30, 2020	%	Balance as of June 30, 2020	Purpose	Ceiling amount	Balance as of June 30, 2020	Interest rate range	Interest expense	
MSI COMPUTER (SHENZHEN)	$ -	-	$ -	-	$ (2,789,190)	(13)	$ -	-	$ -	$ -	-	$ -	$ 1,390,785
MSI ELECTRONICS (KUNSHAN)	-	-	-	-	(1,147,619)	(6)	-	-	-	-	-	-	545,436
MSI (SHANGHAI)	3,726,034	100	-	-	2,602,742	100	-	-	-	-	-	-	-

Note: Processing overhead.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Major shareholders information

For the six months ended June 30, 2020

Table 8

Name of major shareholders	Shares held as at June 30, 2020	
	Number of shares	Ownership(%)
Hsu Hsiang	51,983,151	6.15%